1 Meeting Opening 9:10AM CET

Farid Hegazy (ILO) BEWG Chairperson: opened the meeting and welcomed everyone.

2 Introductions

Members introduced themselves.

Membership changes to note:

- Tim Green replaced on BEWG by Carl Aaron, DFID.
- Gayle Barnett replaced by François-Philippe Dubé, Canada.

3 Business arising from previous minutes

The Minutes of the Last Meeting (14 June 2016) had previously been approved by email. This was confirmed. There was no business arising from previous BEWG Minutes.
4 Presentation by DFID-funded LASER program: Adaptive programming in BER

Deborah Mansfield & Elbereth Donovan gave a presentation on the experiences and lessons learned from the DFID-funded Legal Assistance for Economic Reform (LASER) programme. This was followed by a general discussion on adaptive programming in BER.

See Annex 1 for copies of the slides presented.

5 Work Item Updates

5.1 BER and Gender

Birgit Seibel (GIZ) provided an update on the BER and Gender work item. She described the background, including the Technical Report by Katherine Miles and the publication of the Donor Guidance Annex, which had been approved by the Work Item Task Team, but was not previously approved by the BEWG.


AGREED: The Meeting approved the Donor Guidance Annex, recognising it has been through an extensive process of consultation.

There was a discussion on the next steps:

1. Prepare a guide for policy makers on gender-sensitive BER
2. Prepare a series of case studies, which would be of use to BER practitioners.
3. Use World Bank’s Enterprise Survey data — proposal to influence the use of gender indicators
4. Informality, gender and BER

Wade Channel indicated USAID may be able to finance some of this work. However, it may take a few months to get clearance. Because of this, it was considered important to begin this work using the available funds, as outlined in the current Annual Work Plan and Budget.

Many members voiced an interest for the BER and gender case studies to look into the topics informality and access to finance. There was also a discussion on the topic customary law reform. However, it was unclear what value the BEWG could add to these issues. The Task Team for the case studies will check whether there are already case studies available on BER and gender focusing on access to finance; if so, the task team will propose a different topic for the case study besides informality.

AGREED: The Meeting agreed to proceed with the first two items (i.e., guide and case study) using the available funds from the DCED Trust Fund, as contained in the BEWG Work Plan (US$25,000).

The Meeting also agreed to pursue the proposal regarding the World Bank Enterprise Survey. This was initially proposed by DFID. The Task Team will continue these discussions. Wade Channel (USAID) offered to follow-up on the contacts with WB.

BEWG members were also encouraged to consider joining the Task Team.

AGREED: The Meeting agreed that GIZ and SDC will, on behalf of the Task Team, circulate the TOR for the guide and case studies to BEWG members. Members would comment on the draft TOR by 30 November 2016.
5.2 DCED Annex: Regional and Local BER

Simon White provided the background on the work item, describing the preparation of the Technical Report, which the BEWG approved in June 2016.


Based on this report, the BEWG agreed to produce an Annex on Regional and Local BER. The first draft of the annex was sent to Task Team members and other agencies. The draft as revised based on comments received. He then presented the report to the meeting. The following comments were made.

Add to LBER key messages:
- Building capacity of local agencies;
- Highlight the risk of capture by elites at the local level;
- Supporting civil society participation;
- Implementation of LBER
- Institutional capacity — how to support.
- Benchmarking municipalities as a key function of local BE assessments.
- Are “location” and “place” the same thing?

Add to RBER key messages:
- Begin with a message about why RBER is important (creates a greater scale of economy (through integration), while supporting value chain development by bringing regulators together (harmonisation).

Change the opening key message: Regional and local BER complements national reforms, rather than combines.

**AGREED:** Simon will revise the draft based on comments received and circulate a new draft for final comments and adoption after a two-week period (i.e., by 23 November 2016).

5.3 Business Environments for Inclusive Business

Birgit Seibel provided a brief background to the work item.

Melina Heinrich-Fernandes (DCED Secretariat) called in and described the finalised report.


She then described some next steps, specifically the organisation of a seminar on IB and BER. This may be held alongside the DCED Annual Meeting, or earlier. It could combine a virtual and physical meeting.

**AGREED:** The Meeting agreed to organise a seminar on this topic. This could be one of three options: (1) a stand-alone seminar, (2) back-to-back to the DCED Annual Meeting 2017, or (3) linked to another UN SDG-inclusiveness related meeting.

5.4 BER and Green Growth

Farid Hegazy provided a brief update on this item, which has not progressed much in recent months. The consultants and the Task Team are currently considering criteria for choosing
case studies. By the end of November 2016 the Task Team will decide on the case studies and immediate next steps.

5.5 BER and Labour Productivity

Alexander Widmer (SDC) updated the meeting on the creation of this work item, which was agreed to in June 2016. This work item sees to understand how business environment reform can be used to promote skills development and labour productivity. Key questions to answer are:

- Better understand the ways BER can contribute to improvements in labour productivity
- Identify new and emerging (best) practices and policies in this field

The consultants, Michael Morlock and Harald Meier, called in and presented their current progress — see Annex 2. There was a substantial Q&A session following this presentation. A number of members expressed an interest in ensuring the findings of the study draw clear and direct linkages with BER interventions.

The consultants’ final report will be produced in March 2017. It is anticipated the report can be discussed at the next BEWG, which will most likely be in March.

5.6 Public Procurement for SMEs

Andreja Marusic (World Bank Group) called in from Washington DC and provided an update, along with the consultant commissioned for this work item, William Nielsen, and Lars Grava, Senior Private Sector Specialist at the Investment Climate Department in the World Bank.

This work item recognises that many countries have procurement regulations and rules that provide preferential treatment for SMEs in public procurement, but there is very little information on the impact such policies and regulations have had on the development and growth of companies that have benefited from such preferential treatment. There is also very little information on the adverse impacts this may have (i.e., the risk with preferential treatment is that it can be manipulated for capture and rent seeking which ultimately increases prices and has a negative impact on transparency and competition). The objective of this work item is to analyse the various models of preferential treatment of SMEs in public procurement, and evaluate the impact that such policies have had on SME development.

William Nielsen provided an overview of his approach to this work. See Annex 3 for a proposed outline of the report he is working on.

There following comments were raised:

- The report outlined appears blind to gender — it will be very important to ensure gender is fully integrated and dealt with in the report;
- It would be useful to explore the link between public procurement and business formalization;
- It would be useful to explore synergy opportunities with the other current BEWG work items (e.g., the link with public procurement incentives for SMEs promoting the labour productivity of young people);
- Assistance to SME is one of 46 EU exemptions to state support.

World Bank has published a benchmarking public procurement report, which this year will cover some 189 countries. William will meet with the team preparing this report.
Lars Grava provided a brief update on the World Bank’s work on SME procurement, specifically Qatar where SME procurement is seen as a way of diversifying the economic base.

The draft report is anticipated in March 2017, with the final report due in May 2017.

**AGREED:** The meeting agreed that BEWG members would comment on the outline within two weeks (i.e., by 23 November 2016). The timeframe for the delivery of the draft and final reports was also agreed (i.e., draft: March 2017, final: May 2017).

6 **Agency update**

Participants then provided a general update on their work.

7 **Other Business**

There was no Other Business.

8 **Next Meeting**

It was agreed that the next meeting will be a teleconference, which will be in March 2017.

9 **Meeting Closed**

Farid Hegazy closed the meeting at 4:50PM.

**ATTACHMENTS/**
Annex 1: Presentation by DFID-funded LASER program: Adaptive programming in BER

The focus of today
- Brief introduction to adaptive programming in the context of BER
- Draw on the experience of the DFID funded Legal Assistance for Economic Reform (LASER) programme

1. What is adaptive programming?
2. Relevant donor developments
3. Overview of LASER – and our results
4. Key lessons from LASER
5. Discussion

Who we are

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The Law & Development Partnership
LDP provides support to donors, governments and development programmes in the areas of economic growth & trade, and security & justice reform. We focus on:
- Strategic advice
- Adaptive programming
- Technical assistance
- Monitoring, evaluation & learning (MEL)
- Institutional strengthening
- Innovation & problem solving

LDP has been:
- Leading on adaptive programme implementation through LASER
- Supporting DFID HQ and country offices on adaptive working including in business environment reform
- Providing MEL inputs into DFID funded programmes aiming to work in a more adaptive way
- Supporting donors, suppliers and practitioners to increase understanding of adaptive programming
- Publishing thinking and lessons on adaptive working

A note on terminology
Adaptive programming links with other thinking about how to bring about change...

- problem-driven iterative adaptation / PCIA
- doing development differently / DDD
- learning by doing
- thinking and working politically / TWP
- problem-solving approaches
- collective action
- flexible
- agile
- best fit approaches

What is AP?
A way of thinking and working which allows us to:

1. Continuously reflect and learn
- About what works (or not)
- Developments in the political context and local environment
- Changes in partner (f & donor) needs

2. Adapt on an ongoing basis as a result of learning
- Interventions and results
- Approaches and methods
- Tools and systems
Why work in an adaptive way?

Adaptive programming is a means to an end, it is not an end in itself.

Working in an adaptive manner:
- Enables us to problem driven and demand led
- Allows us to be responsive in a rapidly changing context (e.g. FCAS)
- Helps us to deal with complex problems and uncertainty
- Allows innovation and learning through trial and error
- Can help where traditional programmes are not working
- Can help manage change (by moving forward in small increments)

Adaptive programming can help achieve greater impact and sustainability

Interconnectedness of AP

Donor developments

Adaptive programming:
- Is a response to evidence; traditional approaches to public sector transformation and institutional reform have not had the desired impact.
- Acknowledges that programmes should respond to changes in complex environments to achieve impact – solutions cannot be locked in up front.
- Organic process involved in learning and diagnosis; is adaptive, not driven by predetermined plans.

LASER

- What, how and where were not predetermined
- Problem driven, politically smart, tested different solutions
- Broader range of IC work undertaken
- Delivered by a small group of technical experts with soft skills, and enabled ongoing decentralised decision making
- MEL was at the heart of LASER! M&E data was used for technical decisions, not only accountability
- LASER combined:
  - An appropriate technical solution – hourglass approach
  - A programme management approach that enables adaptation
• Kenya: helped introduce court annexed mediation for commercial cases, to reduce backlog and cost to business.
• Rwanda: put in place practical tools to negotiate and manage contracts (used by line ministries & district government).
• Sierra Leone: commercial justice reform now in national policy & President’s Priority Plan.
• Somaliland: Trade policy framework put in place & bilateral transit agreement with Ethiopia for utilisation of Berbera port agreed.
• Somaliland: Identified key problems in energy sector & helped develop action plan.
• Uganda: Helped with roll out of SCP in magistrates court, to increase access to and speedy dispute resolution for SMEs.
• Helped DCs develop and manage sustainable relationships with suppliers of specialist legal technical assistance & leveraged over £800,000 pro bono legal services.

Key LASER lessons
- Aim big – but take small steps
- Don’t try to pin everything down up front
- Build flexibility in – and time and money for learning and sharing
- Learn by doing – and acknowledge this will mean trial and error (failure)
- Create an environment that enables learning (systems, tools etc.)
- Get the right people!
- Innovate
- Acknowledge interconnectedness
- Balance flexibility and accountability

Client needs Discussion
Annex 2: BER and Labour Productivity: update and possible presentation of draft report

Business Environment Reform and Labour Productivity
Presentation to DCED-BEWG

Harald Maier, Michael Morlok, Raffael von Arx
Basel, 3 November 2016

Objectives

- Better understand the ways BER can contribute to improvements in labour productivity
- Identify new and emerging (best) practices and policies in this field

Research questions

1. What is the importance of the availability of a productive workforce for enterprise development?
2. How and how much are improvements in labour productivity the results of workforce-related framework conditions?
3. Which of these framework conditions directly influence employers, which ones do not?
4. Globally, which are the industries employing an increasingly large workforce and facing major labour productivity issues?
5. What do donors do in this regard, what are the experiences, what the constraints, what the success factors?

Workforce-related framework conditions

- Recruitment and retention of productive workforce, letting-go of irremediably un-productive workforce
- Workforce skills, knowledge, capacities (incl. entrepreneurship capacity)
- Productive workplace technology
- Motivation (working conditions, rewards, incentives, sanctions, remuneration)
- Workplace risk factors (health, conflict)

Approach

- Two phases
  - Review of research literature (16 days, starting 1 October)
  - Analysis of good donor practice (15 days, starting 9 November)
- Focus literature review (q1, 2 and 3)
  - Scope: meta-papers, empirical results, workforce-related framework conditions
  - Assignment of conditions to BER «functional areas» at the end (bottom-up)
  - Limitation: summary papers often narrative, different variations of the same driver, focus on developed countries, definitions
- Additional assessment of data (q4)
  - Enterprise Surveys (World Bank Group)
  - GGDC 10-Sector Database (University of Groningen)

First results

Question 1
Importance of a productive workforce

“Over the period to 2060, potential global growth is projected to slow in most countries […]. Growth is set to become increasingly dependent on improvements in productivity.” (OECD 2015: The Future of Productivity)

“Across all countries in the sample (excluding high-income countries), a 1 percentage point increase in the contribution of labour productivity to GDP per capita growth was found to reduce the poverty rate by around 0.18 percentage points” (World Bank, Enterprise Surveys 2010-2016, low and middle income countries)

Out of 15 obstacles covered, “inadequately educated workforce” ranks 7, “labor regulations” 14. The biggest obstacle is “access to finance”.

World Bank, Enterprise Surveys 2010-2016, low and middle income countries
Questions 2 / 3

Conditions driving productivity

Framework condition
1. Development and training
   - Employee engagement
   - Workforce skills
2. Hires/layoff
   - Labor productivity
   - Workforce skills
   - Workforce engagement
3. Productivity workplace technology
   - Skills mismatch
   - Motivation
   - Technology
4. Workplace risk
   - Health and safety
   - Workplace engagement

Productivity Growth (5y)
Agriculture: 33% (18 studies)
Trade, restaurants and hotels: 16% (2015)
Manufacturing: 11% (2015)
Service: 15% (2015)
Utilities: 9% (2015)
Construction: 3% (2015)

2010-2016

Note: The eight countries are: Bangladesh, China, Egypt, Indonesia, Mexico, Malaysia, Pakistan, Philippines.

Next steps

Timeline

- Nov-Dec 2016: Finalisation literature review (quest. 1-4)
- Nov-Feb 2017: Identification good donor practice (quest. 5)
- Selection of projects for review documents provided by BEWG members
- Review of 10-15 projects documents
- 3-4 interviews with members of the task force or their designated representatives (e.g. project implementers, field staff)
- Mar 2017: Finalisation report
Annex 3: SME Procurement: Preliminary Outline

1) Introduction (2 pages)
   a. Public procurement – scale, uses, impact, role in development agenda
      (demand based policy)
   b. Centralized vs. Decentralized procurement
   c. Preferential public procurement
      i. Spectrum of Pure Competitive to Pure Preference
      ii. Direct vs. Indirect support
      iii. Examples: SME, SPP, Green, Social, etc.

2) Review of preferential procurement models for SMEs including their structure, their
   place along the spectrum, their place in project cycle, and any pros/cons (6-8 pages)
   a. Procurement project cycle
   b. Bid-price preference
   c. Set asides
   d. Award criteria
      i. Based on size of firm
      ii. Social value and/or specific social criteria
         1. Emphasis on gender component
   e. Less intrusive efforts to minimize size discrimination:
      i. Improved institutional/regulatory frameworks
      ii. Streamlined/shortened bid, evaluation and award procedures
      iii. Electronic procurement platforms
      iv. Reduced/waived application costs (both time and money)
      v. Financing options, advanced payments
      vi. Increased product visibility services
      vii. Technical assistance provision

3) Policy Design and Best Practices (3 pages)
   a. Definition of SME
   b. Clarity, transparency of process
   c. Sectors of focus
   d. Level of market distortion pursued
   e. Political Environment and Institutional/regulatory framework
   f. Capacity for implementation
   g. Trade agreements
   h. Barriers and Risks
   i. Stakeholders
4) 3-4 Country Cases - Analysis of impact on SME development and broader economic impacts (6-10 pages)
   a. Rep. of Korea – Advanced payments, waived fees, award programs, etc. for SMEs
   b. China - Set aside and Bid price preference to SMEs
   c. India – Set aside and Bid price preference to MSEs (Micro and small enterprises)
   d. UK – Social value in public procurement
   e. USA – Federal targeted percentages, SBA regulation
   f. Germany – Social criteria in public procurement
   g. South Africa – Award criteria for BEE

5) Summary of lessons learnt (2-3 pages)
   a. In general
   b. Country specific

6) Evidence on Economic/Social impacts both positive and negative (2 pages)
   a. Positive Ex: Brazil study – SME growth and employment effects
   b. Negative Ex: Greece – “Salami” procurement

7) Future research needs (1 page)
   a. More extensive cost - benefit analyses
   b. Experimental/quasi-experimental impact assessments
   c. More time needed – many of the existing preferential procurement policies are young