TALKING POINTS

Experts Group Meeting on Improving transit cooperation and trade facilitation for further integration of LLDCs in global trade.

Session 2: Access to information, transparency and fees and charges

Improving Transparency – Lessons from the Business Environment Reform Practice Area

According to the latest UN reports on the progress of Landlocked Developing Countries (LLDCs) in implementing the WTO TFA transparency provisions, some progress has been achieved in making information available by both the LLDCs and transit countries, but much more remains to be done for these countries to be fully compliant to the relevant provisions of the TFA. A review of the TFA notifications shows that many LLDCs are not fully compliant to Article 1 of the TFA. Only 3 LLDCs out of the 26 that have submitted their notifications indicating that they are fully compliant with Article 1 of the TFA and the remaining are either partially compliant, non-compliant or have not yet submitted their notification.

Experiences from other trade and investment related practice areas, specifically **Business Environment Reform,** could offer some suggestions on how LLDCs could fast-track the objectives of the Vienna Programme of Action (specifically Priority 1, Priority 3b and Priority 4) while keeping sight of their obligations under the WTO Trade Facilitation Agreement.

Why is this relevant?

Figures suggest that in 2017, DFID Country Offices were in the process of funding around 12 BER programmes in Sub-Saharan Africa and South Asia, with a total budget of approximately £42m per year. Understanding how these programmes are designed, implemented and evaluated, offers possibilities for LLDCs to tap into BER sources of funding and support to improve the rate of implementation of WTO TFA Transparency provisions (providing it can be shown that the assistance being requested aligns with broader BER and or investment climate goals).

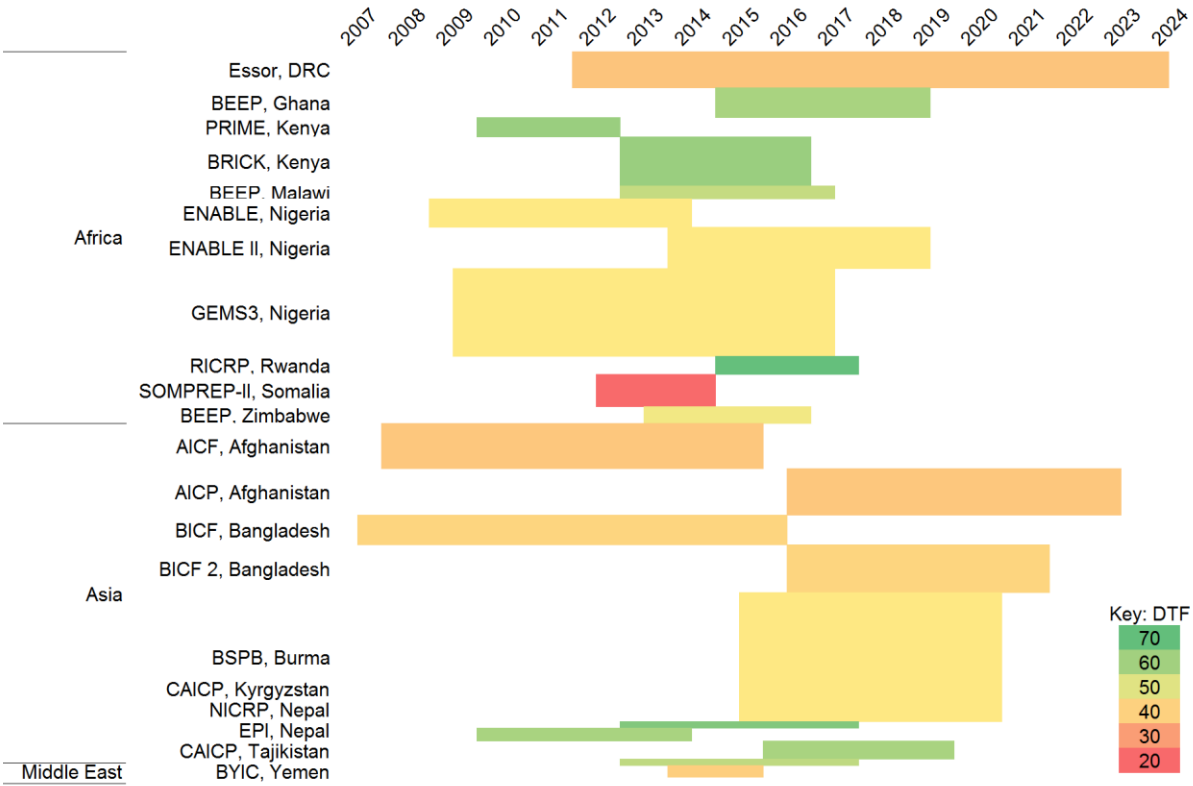
The evidence*[1] from fifteen developing countries (transit and landlocked) with DFID -funded BER/investment climate and private sector development programmes is instructive. It highlights several strategies which may be extrapolated for technical staff designing and implementing TFA programmes. Lessons shared are relevant for both beneficiary countries and development partners.

The following diagram shows the 12 DFID-funded BER programmes which were evaluated and assessed by the DFID-funded Business Environment Reform Facility (BERF) which was

[1] Business Environment Reform Facility (2017). Dan Hetherington. *Evidence and Learning Mote: What Works in Business Environment Reform in Sub-Saharan Africa and South Asia*

set up to help DFID Programme Managers initiate, improve and scale up Business Environment Reform Programmes. The BERF programme ran from 2016-2019.

Figure 1: Timeline and scale of DFID BER programmes



Source: World Bank Doing Business 2017 Distance to Frontier, DFID project documentation

One particular Evidence and Learning Note produced by the Business Environment Reform Facility (BERF) ‘’***What Works in Business Environment Reform in Sub-Saharan Africa and South Asia’’*** offers lessons on ‘’what works and what doesn’t work’’ in BER design and programming. It is presented as an example of how principles from BER reflect some TFA considerations for example those faced by LLDCs that are implementing the WTO TFA, in particular the TFA Transparency Provisions which depend on the willingness of participants to cooperate, collaborate and share information.

The study identifies the prerequisites for starting a BER programme, suggests approaches for designing programmes to suit varying levels of political commitment and provides a range of strategies to sustain reform through political transitions.

According to the Study (excerpts of which are shared in these talking points), these lessons have been condensed into four main messages:

1. **Political economy analysis which reflects a realistic assessment of the country context is *the* most important pre-condition to determining whether to start a BER programme, regardless of country or region**.

Political economy analysis is considered to be one of DFID's strengths, and an important reason that it has a comparative advantage in business environment reform. This analysis is needed at both the strategic and operational level. Reform is a long-term process, and frequently not an emotive political priority for government, so many programmes have found ways to emphasise their technocratic nature, in both design and communication. Working with a wide range of partners in government — in different ministries and at less senior levels in the civil service — has insulated programmes against changes in personnel and has enabled programmes to find champions that are motivated to reform.

2. **Gender should be emphasised early in the design process to avoid bolt-on modifications after substantial design work has been done.**

Despite the clear dominance of men in positions of power both in the private sector and in reform processes such as public–private dialogue, the ways in which the rules of the game disadvantage women often remain invisible. Diagnostics must go beyond a review of discrimination on paper and investigate how the practical experience of men and women differ.

3. **Choice of implementing agency is as important as the choice of partner and innovation in approach is increasingly common in DFID's BER programmes.**

Different political contexts require different implementing approaches and partners. DFID has many years' experience of programming through various partners including the IFC, other parts of the World Bank Group and through consultancies. Through these channels, DFID has worked to ensure that programmes funded by them include more local presence, a greater focus on the political economy of reform, and stronger gender analysis. This ensures that the donor agency's priorities are adequately reflected in its programme evaluations alongside the priorities of the beneficiary country/partner.

4. **Many critical design decisions are made early in the programming cycle, and DFID Country Offices have to balance a series of trade-offs.**

The 15 programmes reviewed in '*What Works in Business Environment Reform in Sub-Saharan Africa and South Asia''* illustrate that business environment reform (much like elements of TFA implementation) is a slow and lengthy process that requires persistence. Experience is also showing that short programmes are limited in ambition and that the extension process is often disruptive. The organisation is rightly moving towards longer programmes that use mid-term evaluations as an opportunity to suspend those that perform poorly. However, the most important achievements are clustered in the final years of a programme, and it is important during the design phase to avoid setting over-ambitious targets for the mid-point.

A summary of one of the study's key messages - the necessity for robust **political economy analysis (PEA) in BER programming** is presented here for the consideration.

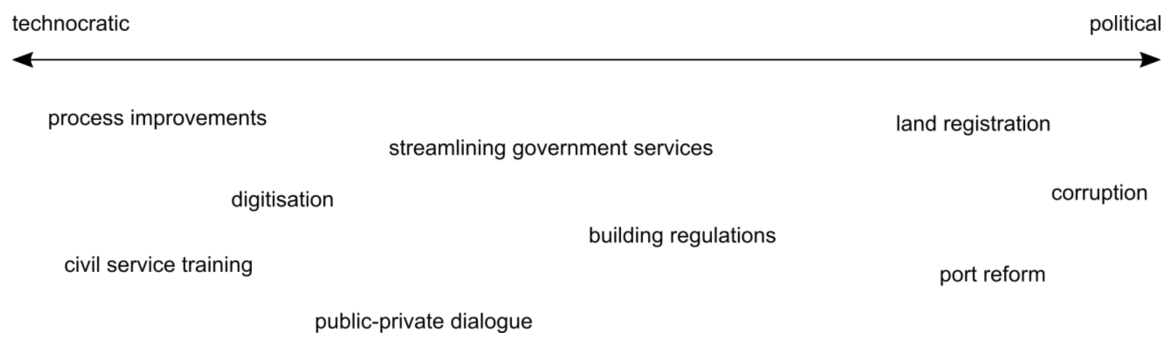
The study makes the point that political economy analysis is necessary at both strategic and operational levels for BER programmes to be effective, Further, the findings show that different strategies can be used to work with an administration or government for whom BER is a priority. At the same time, evidence is now clear that working with government at a range of levels increases sustainability and access to information:

1. For practitioners, the core of PEA is developing an understanding of **what factors are likely to motivate reform** in a particular context. The need for PEA stems partly from the understanding that reform is costly to government (both collectively and as individuals) and a compensating force is needed to overcome this inertia, according to the study. At this level, PEA is so important that it can guide the overall shape of BER interventions. For instance, where a government is highly motivated to secure foreign investment projects, BER might be more effective as a component of investment facilitation work than as a standalone project. The local reputation of potential implementing partners and their ability to recruit politically connected individuals is also a fundamental design choice.

2. **PEA is needed at two levels**. First, a comprehensive analysis by specialists (domestic or international), which ought to be reviewed and updated every 1-3 years. Secondly, local staff should incorporate PEA in day-to-day decision making, for example when evaluating a potential new implementation partner.
3. Local teams should get explore using **the business environment itself as a diagnostic tool**. Examine not just what is wrong but why it is wrong and how it got to be that way — many "imperfections" of the business environment are actually revealing illustrations of prevailing power dynamics.
4. A lack of interest for business environment reform within government, and especially at the highest levels, is suggested as a common explanation for a programme's failure to achieve expected results. Good PE **analysis will reveal the attitude of different parts of government.**

5. If the political will and other factors amount to a difficult environment to implement reforms, the study suggests certain strategies can be used to examine the risk, assess appropriate action and adjust as needed. For example, focusing BER implementation on **process improvements which are viewed as 'apolitical'** or technocratic increases the chances of survival in challenging contexts.

Figure 2: BER covers a spectrum from technocratic to political reform, although where a specific intervention lies will depend on context



Source: Business Environment Reform Facility (2017). Hetherington. '*What Works and Doesn't Work in Business Environment Reform in Sub-Saharan Africa and South Asia*

6. Changing counterparts arising from changes in government can often disrupt the progress of BER programmes as it comes with the likelihood of changes in personnel at critical levels in government. As this is a feature of many developing countries, BER programmes that practice the art of engaging with a wide range of staff at different levels ensures that programmes are less vulnerable to staff movements.

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