INVESTMENT CLIMATE REFORM TOOLBOX

TOOLS FOR REFORMING THE BUSINESS ENVIRONMENT

September 2021

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INVESTMENT CLIMATE REFORM TOOLBOX

LIST OF ABBREVIATIONS

AAA	**Authority, Acceptance and Ability**
ACP	**Africa, Caribbean and Pacific**
BE	**Business Environment**
BER	**Business Environment Reform**
BAND	**Behavioral Analysis and Norms Diagnostic**
BMO	**Business Membership Organization**
BMZ	**German Federal Ministry for Economic Cooperation and Development**
CEDAW	**Convention on the Elimination of All Forms of Discrimination Against Women**
CIBER	**Competitiveness Impacts of Business Environment Reform**
CID	**Center for International Development**
DCED	**Donor Committee for Enterprise Development**
DFIs	**Development Finance Institutions**
EDF	**European Development Fund**
EPA	**Everyday Political Analysis**
EU	**European Union**
EXP	**Level of Expertise**
FGD	**Focus Group Discussion**
FDI	**Foreign Direct Investment**
GD	**Growth Diagnostics**
GG	**Green Growth**
GIZ	**Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH**
GREEN	**Green Reform of the Enabling Environment**
Harvard CID	**Harvard Center for International Development**
ICA / ICR	**Investment Climate Assessment / Reform**
ICR Facility	**Investment Climate Reform Facility**
ICT	**Information and Communication Technology**
ILO	**International Labor Organisations**

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IFC	International Finance Cooperation
KII	Key Informant Interview
LOE	Level of Effort (work days)
MSA	MarketShare Associates
MNC	Multi-national Company
NGO	Non Governmental Organisation
OACPS	Organisation of African, Caribbean, and Pacific States
OECD	Organisation for Economic Co-operation and Development
PDIA	Problem Driven Iterative Adaptation
PEA	Political Economy Analysis
PPD	Public-Private Dialogue
PSD	Private Sector Development
SD	Stakeholder Dialogue
SNV	Stichting Nederlandse Ontwikkelingsorganisatie
SMEs	Small and Medium Sized Enterprises
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
VCA	Value Chain Analysis

ACKNOWLEDGEMENTS

INTRODUCTION
SELECTING THE RELEVANT TOOL(S) FOR BUSINESS ENVIRONMENT REFORM

WHY CREATE THIS TOOLBOX, AND WHO IS IT DESIGNED FOR?

Business Environment Reform (BER) for sustainable development is a key avenue for policymakers to enable inclusive growth, job creation, and poverty reduction. A vibrant and sustainable private sector depends on smart policies and effective regulations balancing economic growth with social inclusion and environmental protection. The business environment comprises the policy, legal, institutional, and regulatory framework conditions that govern business activity. To ensure that these conditions set the right incentives and respond to businesses' needs, including the voices of private stakeholders is important for an effective BER. Inclusive Public-Private Dialogue (PPD)* is therefore essential throughout the reform process, so that policy design is informed by the experience and needs of the "end users" – formal and informal business owners, workers, investors, and service providers.

The ICR Toolbox is written for policy-makers and the private sector in African, Caribbean and Pacific (ACP) countries and beyond, and is designed to respond to common challenges faced by those working to develop a business environment for a thriving, inclusive, and sustainable private sector. It includes straightforward, practical tools that require limited resources and time to apply, with step-by-step guidance

and lessons learned from applying the tools in practice, as well as hands-on materials and templates. Tools cover all phases of the reform process from the diagnosis of key challenges, over the design and implementation of reforms, to the evaluation of their impact. Given the core relevance of PPD, the Toolbox contains both designated tools for PPD design and evaluation, as well as a focus on PPD integration across all other tools.

Organizations like the World Bank, EU, ILO, DCED, and others have worked on business environment and investment climate reform for many years and have published rankings, guidelines, handbooks, and a wealth of country reports, such as the European Commission's recent **Business Environment Reform Guidelines** (2020).

These comprehensive documents provide significant breadth, but often mainly target development practitioners and donors. Instead, the ICR Toolbox provides policy-makers, reformers, and public and private stakeholders in ACP countries with a range of tools that lay out a structured approach to problem discovery and problem solving which they can contextualize to local conditions.

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*   Public-private dialogue (PPD) is the interaction between government and business for policy reform – e.g. through consultations, workshops, joint committees, conferences etc. – and is an important component of creating a business environment that is responsive to the needs of the private sector.

The ICR Facility supports public and private stakeholders in African, Caribbean and Pacific (ACP) countries to improve their investment climate and business environment via public-private dialogue. It supports specific and targeted interventions at the economy-wide, sectoral, and value-chain levels with technical assistance for up to 90 days based on requests. The support can also include applying the business environment reform tools of the ICR Toolbox.

If you are a public or private stakeholder in an ACP country and you are interested in the technical assistance of the ICR Facility and / or applying the tools of the ICR Toolbox, check your eligibility and send a request via www.icr-facility.eu.

The ICR Facility is co-funded by the European Union (EU) and the Organisation of African, Caribbean, and Pacific States (OACPS), under the 11th European Development Fund (EDF), together with the German Federal Ministry for Economic Cooperation and Development (BMZ) and the British Council. The ICR Facility is implemented by GIZ, the British Council, Expertise France, and SNV.

Each tool contains a short summary, a detailed description, steps of implementation with case study examples, as well as practical tips and lessons learned, and a discussion of the potential for integrating cross-cutting issues such as gender, sustainability, and PPD.

On the following pages is a *summary overview* of all tools, their objective, primary target group, as well as the resources required to implement them. Moreover, the list of common BER questions under **Identifying Priority Constrains for BER** will enable the reader to quickly identify the sections of the Toolbox most relevant to them, based on what reform phase and concern for reforming the business environment they are about to tackle.

SELECTION PROCESS

The tools were selected in an iterative process involving interviews with key experts and a community of practice drawn from the implementing agencies to develop a long list of options. This list was then narrowed down based on feasibility (in terms of time, expertise, and cost required), accessibility of materials (such as worksheets and examples), as well as diversity (ensuring that list represented all **4 phases of the BER cycle**).

SUMMARY OF TOOLS

This Toolbox is structured along the Business Environment Reform (BER) cycle's **4 phases**:
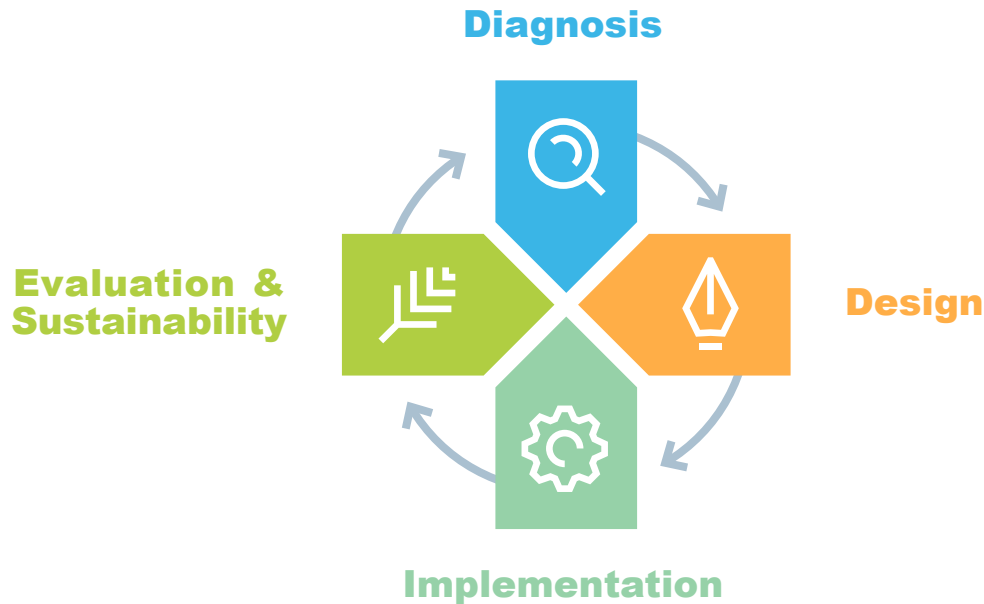
This structure and the *guidance below* should allow public and private stakeholders to quickly identify applicable tools based on their current needs and stage of the reform process. Not all tools are as clearly separated as the phases may suggest – for example, tools used to diagnose problems may also contain steps to facilitate the design of initial solutions; and PPD tools are relevant throughout the whole reform process. Some of the featured tools are therefore listed across **several phases**.

Each tool includes a short profile at the top to enable easy identification, which has been summarized here (*see overview tools*). Tools have been further categorized by the approximate time it takes to implement them, the technical expertise required, and their cost relative to the rest of the tools featured here. The application of the tools in this publication is considered cost-effective and straightforward. The maximum application time for the tools in this publication is generally 3 months, allowing stakeholders a fast and effective initiation, implementation and response to business environment reform efforts.

OVERVIEW TIME / EXPERTISE / COST

		LOW	MEDIUM	HIGH
	TIME	A few hours – 1 month	1 – 2 months	3+ month
	TECHNICAL EXPERTISE	Requires experience and general skills, but little specialized expertise / training	Requires some expertise and experience, but not highly specialized	Requires specialized expertise, e.g. training in economics and data analysis
	COST	Relatively low-cost	Requires medium amount of budget	Requires relatively high amount of budget

OVERVIEW TOOLS

TOOL	OBJECTIVE	TARGET GROUP	TIME	EXP.	COST	BER PHASE			
Competitiveness Impacts of Business Environment Reform (CIBER)	Shortlist, prioritize and cost the BER that will have the greatest impact on value chain competitiveness and are also feasible to address	Users who have identified one or more value chains that they want to work on or are already working on but are uncertain of which constraint for BER to prioritize	■	■	■	🔵			
Growth Diagnostics	Enable policymakers to prioritize among many competing issues which ones to tackle, based on their relevance to economic growth	Policymakers / economists in the relevant Ministries	■	■	■	🔵			
Gender Diagnostic Checklist (Gender tool)	Enable initiators of reform to take a gender sensitive approach to BER, to ensure that reforms empower women equally and do not further entrench gender inequality	Policymaking institutions leading / facilitating the reform initiative, and other high-ranking organizations engaged in the reform process	■	■	■	🔵			
Problem and Change Space Analysis (PDIA)	Enable reformers to take an adaptive and learning-focused approach to problem discovery, and to prioritize as well as sequence action steps based on capacity and feasibility.	Public stakeholders / civil servants in the relevant government agencies involved in private sector development	■	■	■	🔵	🟠		
Policy Hackathon	Facilitate a PPD process with the business community and generate ideas for reform, develop reform proposals based on a deep understanding of their needs.	Private sector actors, e.g. innovation hubs & business community representatives	■	■	■	🔵	🟠		
Everyday Political Analysis	A practical, hands-on tool that those implementing a BER initiative can use to rapidly analyze fluid political contexts and make fast, informed decisions that consider the political environment	Those working on BER initiatives who rely on political will for effective BER: Public stakeholders in highly political environments, private sector and civil society groups	■	■	■		🟠	🟢	
Advocacy Capacity Building	Build the capacity of advocacy organizations such as Business Membership Organizations (BMOs) to engage in the policy reform process and to advocate effectively for the interests of their members	Private sector and civil society groups	■	■	■			🟢	
Behavioral Analysis and Norms Diagnostic (BAND)	Identify and understand the social norms that shape the economic behavior of stakeholders in the business environment, design policies that target behavior change, and assess their impact	Public and private sector institutions designing and implementing BER interventions.	■	■	■		🟠		🟩
Green Integration Checklist (Green tool)	Structure initial thoughts on potential trade-offs and areas for synergy between environmental and growth goals	Policymakers / economists in the relevant ministries	■	■	■	🔵	🟠		

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TOOL	OBJECTIVE	TARGET GROUP	TIME	EXP.	COST	BER PHASE (Diagnosis)	BER PHASE (Design)	BER PHASE (Implementation)	BER PHASE (Evaluation & Sustainability)
Green Investment Strategy Diagnostic (Green tool)	Develop a targeted strategy to spur green investment as part of wider business environment reform efforts	Policymakers in the relevant ministries, especially investment promotion agencies	▪▪▪▪	▪▪▪▪	▪▪▪▪	● (blue)	● (orange)		
Gender-Sensitive Public-Private Dialogue Checklist (Gender tool)	Spur out of the box thinking on designing more inclusive PPD formats both in terms of participation in the process and in terms of the outcomes, as well as evaluating previous PPD processes on their inclusivity	Public and private institutions leading / facilitating PPD consultations	▪▪▪	▪▪▪	▪▪▪	● (blue)	● (orange)	● (green)	● (green)
Stakeholder Dialogue Planning Checklist and Assessment Tool	Conduct effective, well-structured PPD consultations	Public and private institutions leading / facilitating PPD consultations	▪▪▪▪	▪▪▪▪	▪▪▪▪	● (blue)	● (orange)	● (green)	● (green)
DCED Results Chain	▪ Clarify the expected results of a BER initiative ▪ test whether the logic of the intervention is sound ▪ identify critical assumptions that may impede the success of the project and interventions ▪ effectively communicate an intervention or project to stakeholders in a visual format ▪ determine what to measure to know if your BER initiative is on track	Public and private sector institutions designing, influencing and implementing BER interventions	▪▪	▪▪▪	▪▪		● (orange)	● (green)	● (green)
DCED Standard for Results Measurement and BER Indicators	Effectively monitor and evaluate the results and implementation of BER, and to course correct when initiatives are not on track to meet their objectives	Public and private sector organisations implementing, and / or evaluating BER	▪▪▪	▪▪▪	▪▪▪			● (green)	● (green)

IDENTIFYING PRIORITY BER CONSTRAINTS

This section provides quick and practical guidance through the document based on the key BER questions the user seeks to answer, and the reform phase they find themselves in.

Diagnosis ›››   *Design* ›››   *Implementation* ›››   *Evaluation & Sustainability* ›››

BER PHASE 1
# Diagnosing the priority BER issue(s) to address

A common starting point with tackling issues related to BER is seeking to decide the priority ones to address. The following tools in this Toolbox support this.

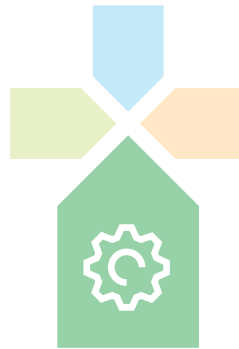| QUESTIONS FOR BER	RELEVANT TOOL(S)
What are the root causes of the issues related to BER I'm seeing?	Five Why's and Fishbone tools from the PDIA Problem and Change Space Analysis
What issue(s) related to BER can I most realistically address in my context?	AAA Change Space from the PDIA Problem and Change Space Analysis
What economic issues should I prioritize for reform in order to stimulate economic growth?	Growth Diagnostics
What are the most critical issues related to BER to address within the economic sectors or value chains that I am operating in or working to improve?	Competitive Impacts of Business Environment Reform (CIBER)
	Policy Hackathon
What are the economic costs of issues related to BER and inefficiencies within the economic sectors or value chains that I am operating in or working to improve?	Competitive Impacts of Business Environment Reform tool (CIBER)
How can I identify and address issues related to BER that have a particularly negative impact on women?	Gender Diagnostic Checklist
How can I ensure that improving conditions for doing business isn't going to harm the environment?	Green Integration Checklist
What are some of the key trade-offs and areas for synergy between my BER goals and environmental goals?	Green Integration Checklist
What strategic approach should I prioritize if I want to initiate reforms that promote green growth and sustainability-focused private sector development?	Green Investment Strategy Diagnostic

BER PHASE 2
Designing BER interventions
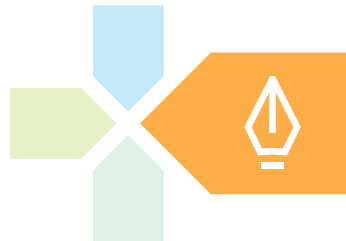
Another common starting point is that you have identified the issue related to BER you want to address, and now need to select and design a project or intervention for addressing them. Several tools in this Toolbox support with this.

QUESTIONS FOR BER	RELEVANT TOOL(S)
What are the key political roadblocks and risks that could derail reform efforts?	Everyday Political Analysis
Are my interventions going to achieve my desired results?	DCED Results Chain
What assumptions could mean my BER interventions don't work like I expect them to?	DCED Results Chain
How can I find diverse perspectives on what type of reform is needed?	Policy Hackathon
How can I understand the perspectives of those who will be affected by and have an interest in reform?	Stakeholder Dialogue Planning Checklist and Assessment
What are the political dynamics that shape how a solution should be designed?	Everyday Political Analysis
	AAA Change Space from the PDIA Problem and Change Space Analysis
How can I effectively communicate the goals of reform, their potential impact, and our implementation plan?	Writing Effectively Best Practices from the Advocacy Capacity Building
	DCED Results Chain
Should I hold a PPD (stakeholder dialogue) to inform the design of my BER intervention(s)? Is it the right time and do I have the right conditions in place for it to be successful?	Stakeholder Dialogue Checklist and Assessment
How can I design a business environment reform strategy that effectively stimulates green growth?	Green Investment Strategy Diagnostic
How can I attract investment to more sustainable sectors, innovation, and green firms, and away from polluting and unsustainable industries and practices?	Green Investment Strategy Diagnostic
What are the key social drivers of the behaviors I want to change through this reform effort? How can I adapt the reform design to take these into account?	Behavioral Analysis and Norms Diagnostic (BAND)

BER PHASE 3
Implementing BER interventions

Another common starting point is that you have selected and designed a BER initiative and intervention, and now need to roll them out. Several tools in this Toolbox support with this.

QUESTIONS FOR BER	RELEVANT TOOL(S)
Is my BER intervention on track so far? If not, what do I need to change?	DCED Results Chain
	DCED Standard for Results Measurement and BER Indicators
	Everyday Political Analysis
How can our Business Membership Organization influence the policy agenda?	Advocacy Capacity Building
How can our Business Membership Organization strengthen our capacity for advocacy?	Advocacy Capacity Building
What are the main influences on the people who shape whether my target reforms happen? Who are potential allies and who are potential detractors?	Everyday Political Analysis
	Distributive Politics Spreadsheet from the Advocacy Capacity Building
How much willingness and capacity do people have to drive forward my target reforms?	Everyday Political Analysis
	Distributive Politics Spreadsheet from the Advocacy Capacity Building
Why are the behaviors of key actors not changing like I expected them to?	Behavioral Analysis and Norms Diagnostic (BAND)
How can PPD processes and consultation formats be designed in an inclusive and gender-sensitive way?	Gender-Sensitive Public-Private Dialogue Checklist
How can I communicate the objectives, activities and change process of my BER intervention and initiative to other stakeholders?	DCED Results Chain
How well did my PPD work? What could I do to make it more effective next time?	Stakeholder Dialogue Checklist and Assessment

BER PHASE 4
Evaluating Reforms

Monitoring and evaluating the rollout of a reform and its impact is key to understand its success and capture lessons learned.

QUESTIONS FOR BER	RELEVANT TOOL(S)
What were the impacts of my BER intervention?	DCED Standard for Results Measurement and BER Indicators
Has the intended behavior change taken place?	Behavioral Analysis and Norms Diagnostic (BAND)

WHAT THIS TOOLBOX DOES NOT COVER

This Toolbox aims to provide a collection of practical, hands-on tools that can be replicated and applied within a limited timeframe and that are applicable across BER issues (being "problem-agnostic").

Therefore, several categories of resources could not be included:

There are no tools for specific functional policy areas (such as taxes, registration, etc.), nor a list of suggested policy "solutions" – this would require its own toolbox in terms of scope and would move the focus away from context-specific problem-solving support towards a solution-driven "best practices" approach that this Toolbox explicitly aims to eschew. Stakeholders may instead want to access resources such as this collection of *IFC's BEE Tools*.

This Toolbox is not a comprehensive guideline or handbook on BER, but rather aims to complement these much more holistic resources – see instead the European Commission's *Business Environment Reform Guidelines* (2020) and the *Better Regulation Guidelines*, as well as the DCED's *Donor Guidance to Business Environment Reform* (2008) and further *resources*. Also see example handbooks such as the World Bank's *PPD Handbook* and *Gender Dimensions of Investment Climate Reform Guide*, and consult the comprehensive BER country assessments done by *Enabling environment for sustainable enterprises (ILO)*.

Although recognized as a cross-cutting priority, this Toolbox does not feature tools on BER in fragile and conflict-affected settings due to a (current) lack of such tools. There are some excellent guidance documents such as the DCED's recent *discussion paper* (White 2020) and USAID & The World Bank's *Rough Guide to Investment Climate Reform in conflict-affected countries*, but while they provide broad advice, they do not contain specific tools to apply in such contexts.

Similarly, this Toolbox does not include business environment rankings that are regularly published by other entities. These includes, for example, the *World Bank's Doing Business* rankings that are typically released annually. While the users of this Toolbox may want to conduct their own measurement of such indicators, this Toolbox focuses on other tools that need to be applied by the user.

TOOLS
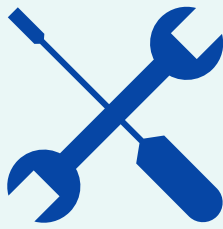
COMPETITIVENESS IMPACTS OF BUSINESS ENVIRONMENT REFORM (CIBER)

OVERVIEW

OBJECTIVE	**Shortlist, prioritize and cost the business environment reforms (BER) that will have the greatest impact on value chain competitiveness and are also feasible to address**
TARGET GROUP	Stakeholders who have identified one or more value chains that they want to work in or are already working in but are uncertain of which business environment constraint constraints to prioritize
TIME	Medium / High
EXPERTISE	High
COST	Medium / High
BER PHASE	DIAGNOSIS　　DESIGN　　IMPLEMENTATION　　EVALUATION

INTRODUCTION

Governments, business membership organizations, private firms and civil society actors frequently aim to support the development of economic sectors and value chains with pro-poor growth potential. These can include sectors that involve many micro, small and medium suppliers and that employ large numbers of low-skilled workers, women or youth. An unconducive business environment is a frequent impediment to firm growth and competitiveness – particularly for the micro and small firms that predominate in many economies. Yet with a multitude of business environment constraints to consider, change agents can struggle to identify the priority ones to focus on.

The Competitiveness Impacts of Business Environment Reform (CIBER) tool is designed to address this challenge by shortlisting, prioritizing and costing the business environment reforms (BER) that will have the greatest impact on value chain competitiveness and are also feasible to address. It is thus most relevant in *Phase 1* for diagnosing priority challenges to tackle through a reform. CIBER is particularly relevant for stakeholders who have identified one or more value chains that they want to work in or are already working in but are uncertain of which constraints in the business environment to prioritize. CIBER uses a 'bottom-up' approach – driven by private sector stakeholder priorities – that complements some of the other profiled tools in this toolbox that address reform needs from the 'top-down'. It was developed at a time when value chain development was a leading methodology for fostering economic development. While more systemic approaches are increasingly being used, CIBER's focus on identifying and prioritizing relevant constraints to doing business remains relevant.

The CIBER tool was developed by DAI, a global development consulting firm, in 2008 for USAID.

TOOL DESCRIPTION

CIBER describes a process for selecting and costing priority business environment constraints that affect targeted value chains consisting of the following **five key steps**:

STEP 1　STEP 2　STEP 3　STEP 4　STEP 5

1. **Analyze the focus value chain(s) to identify potential business environment constraints.**
2. **Hold a prioritization workshop with key stakeholders to shortlist priority constraints.**
3. **Assess the costs.**
4. **Validation and advocacy strategic planning workshop.**
5. **Implementation.**

STEP 1:

Analyze the focus value chain(s) to identify potential business environment constraints.

CIBER is a tool to support specific reforms relevant to targeted value chains or economic sectors of focus. For policymakers, these might be value chains that have potential to grow but require more support. For the private sector, these might be sectors in which they are conducting business and wish to address business environment constraints. This first step involves analysing the value chains of interest to understand their competitive drivers and dynamics, the market actors who work within them and the overall challenges that are impeding the value chain's growth (including those relating to the business environment and potentially also those that do not). These are typically summarized in a visual mapping of the value chain, such as the one presented *below* of an application of CIBER in the Rwanda dairy sector. This first step identifies a longlist of important business environment constraints affecting the value chain that can be further analyzed and validated in *step 2*, such as those highlighted in orange *below*. An important additional output is to identify the stakeholders who will participate in the prioritization workshop described in *step 2*.

EXAMPLE VALUE CHAIN MAP
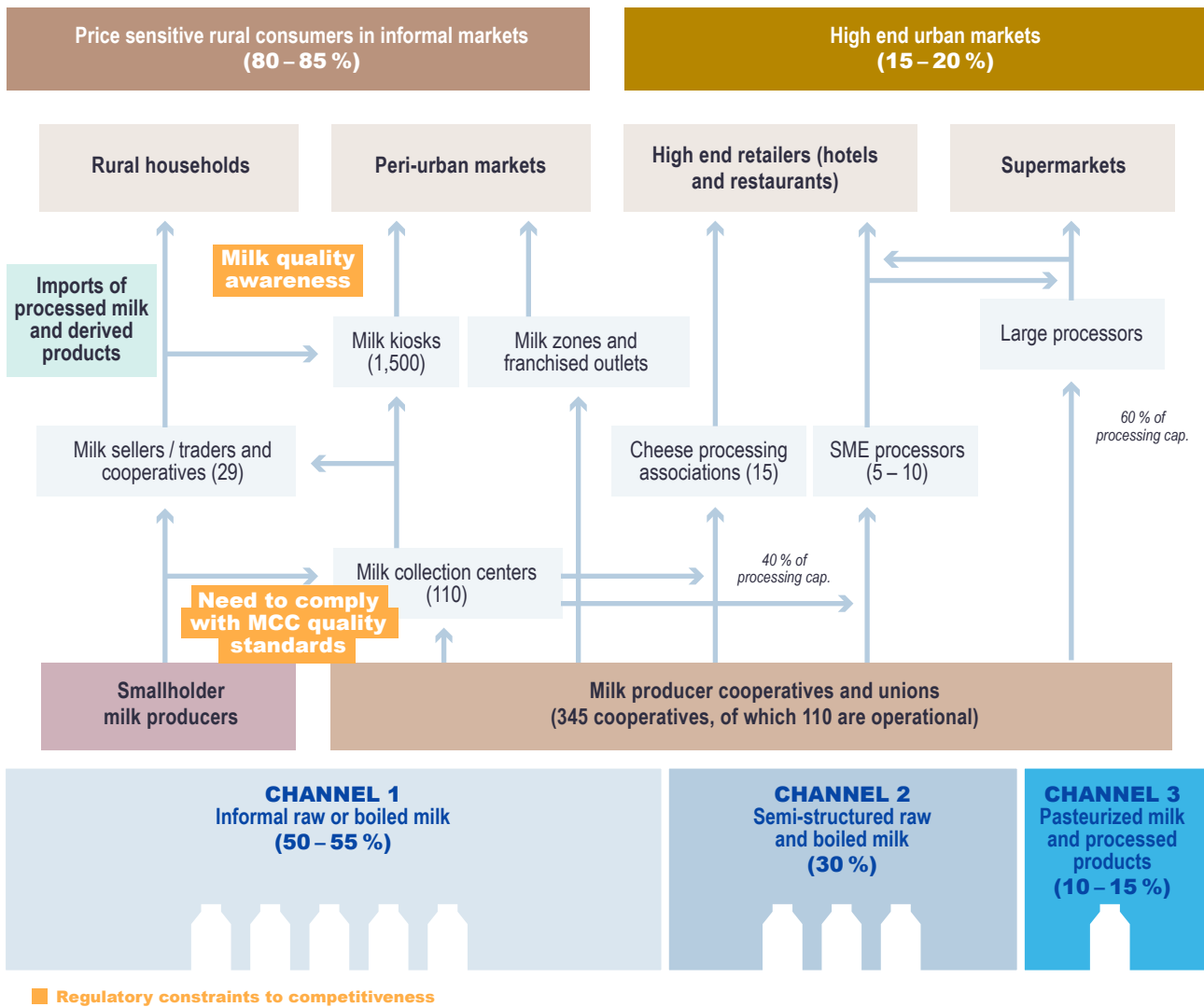
From DAI. Undated. Unpublished.

STEP 2:

Hold a prioritization workshop with key stakeholders to shortlist priority constraints.

The prioritization workshop identifies the business environment constraints that participants recognize as having a particularly significant impact on the value chain, including those identified during *step 1* as well as any others that were missed. The workshop discussion is informed by the value chain analysis' findings of key business environment constraints, such as those presented in *below* below from the same Rwanda dairy application of CIBER. The workshop

facilitators should use voting and other participatory tools to identify the most important business enviroment constraints, including the Impact / Feasibility Matrix presented *below*. The workshop should aim to settle on a maximum of just two or three constraints of greatest priority to examine during *step 3*. Political feasibility is a critical consideration in this step, as many very important reforms are not worth examining further given that they are not practical to pursue.

IMPACT / FEASIBILITY MATRIX
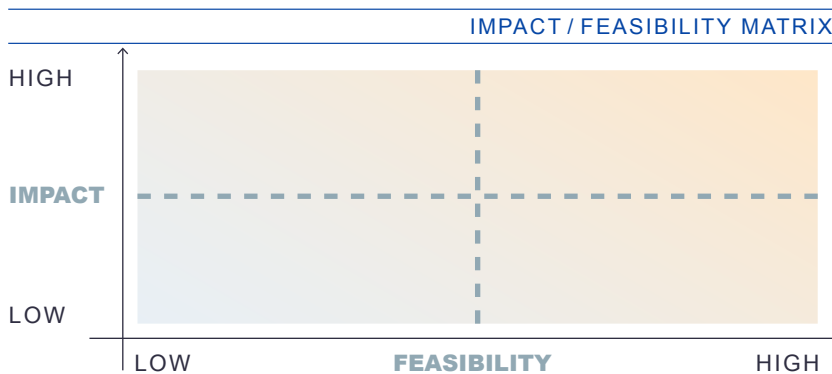
From DAI. Undated. Unpublished.

SAMPLE REGULATORY ISSUES

REGULATORY ISSUES	OFFICIAL TEXT AND/OR REGULATORS	EXPLANATION/DETAILS	POTENTIAL EFFECTS
DAIRY SME COMPETITIVENESS CONSTRAINTS			
VAT tax makes dairy processors uncompetitive against informal channel	• Tax Exemption Law • Rwanda Revenue Authority (RRA)	Processors have to pay VAT tax on finished products, which prevents investment in value addition in sectors that encounter fierce competition with informal sector, such as in dairy. Opportunity to work with the Rwanda National Dairy Platform to lobby for removal of VAT tax on processing to encourage SMEs (i.e. cooperatives and milk sellers) to invest in milk processing. Consumers are very price sensitive and even with its "milk zones" strategy, the formal processor is not able to compete with unpasteurized milk produced through the informal channel (80 % of milk production).	• Encourage investment in milk processing • added sales for SMEs • job creation
FINANCIAL SECTOR SPECIFIC CONSTRAINTS			
Lack of clarity on procedures to request a loan from commercial banks	All banks	SMEs need to go several times to banks to clarify the requirements for submitting a bank loan application; time consuming and costly – all procedures are not at the same place; discovery process for farmers; from the time a loan request is submitted to the time the loan is disbursed, it can take 2 – 3 months; procedure not clear so farmers / coops can't plan in advance when they will access financing.	• Reduce the cost of lending for SMEs

From DAI. Undated. Unpublished.

STEP 3:

Assess the costs.

In this stage, specialized experts (typically economists) conduct an in-depth costing exercise for the small number of business enviroment constraints selected in _step 2_. This exercise estimates the costs that the business environment constraints create for the private sector, government and other stakeholders. The costing exercise may consider both actual costs that a specific constraint creates, such as higher taxes for producers, and/or foregone benefits that are not realized due to the constraint, such as lower growth. The output of this analysis establishes the comparative costs created by each of the business environment constraints studied. CIBER does not prescribe a specific cost modelling methodology.

Examples of cost modelling approaches used in the past include:

- Valuing the cost for companies to comply with specific regulations and laws _(such as the cost for hotel staff to comply with tax and other regulations in Tanzania)._

- Valuing the unrealized benefits associated with the absence of specific regulations or inadequate application of existing regulations _(such as poor implementation of intellectual property rights that blocks access to better technology, e.g. access to plant stock or seeds in agriculture, and delays in tax reimbursements for cashew nuts in Brazil)._

- Valuing the unrealized benefits associated with supportive value chain services _(such as poor public transport options that cannot reliably deliver perishable goods to market, causing significant losses for producers)._

- Valuing the impacts of sector-specific policies on earnings _(such as the impact of export duties on swine producer prices in Cambodia)._

- Valuing the distributional consequences of market concentration _(such as increases in consumer prices caused by an inefficient meat import market structure in Moldova)._

STEP 4:

Validation and advocacy strategic planning workshop.

Following the completion of the costing exercise, a follow-up workshop is conducted to validate the findings, inform stakeholders about the selection of business environment constraints that will be prioritized, and develop a strategy for advocating for the reform of those constraints.

The Strategic Decision Matrix presented _below_ is a vetting tool that can support this process by selecting the issues relevant for BER that can yield the largest benefit. This workshop can be an ideal opportunity to begin initial dissemination of the relevant findings to key stakeholders. An example set of identified prioritized mapped against the value chain is presented _on the next page_.

STRATEGIC DECISION MATRIX

CATEGORY	ASPECTS TO CONSIDER	RATING 1 = unacceptable 7 = optimal
Expected impact and risk	There is a trade-off between the estimated size of the impact and the risk. For example, cost modelling may often yield relatively small impacts, but the estimates are more reliable. In estimating benefits foregone, the potential may be huge, but the risk (uncertainty) may be significant.	1 – 7
Action required	Repealing a regulation, passing a new law, administrative business reengineering, introduction of one-stop shops.	1 – 7
Responsible organization	Government (national, local); parliament; selected agencies; private sector associations	1 – 7
Time dimension	Likely time between launch and effective reform	1 – 7
Advocacy	Champions, support organizations	1 – 7
Opposition	Reverse score _(1 = insurmountable, 7 = negligible)_	1 – 7
Resources required / cost	Cost of advocacy campaign; investment in new ICT infrastructure, etc. (reverse score: 1 = high costs, 7 = low costs)	1 – 7
Summary	**This may be a threshold value for the average score.** **For example, targeted reforms need to score at least a 3.5 average rating.**	**Average**

From DAI. 2008. CIBER: Enhancing Competitiveness Impacts of Business Environment Reforms: A Value-Chain Approach for Analysis and Action. Washington, DC: USAID.

VALUE CHAIN MAP WITH IDENTIFIED CIBER REFORMS
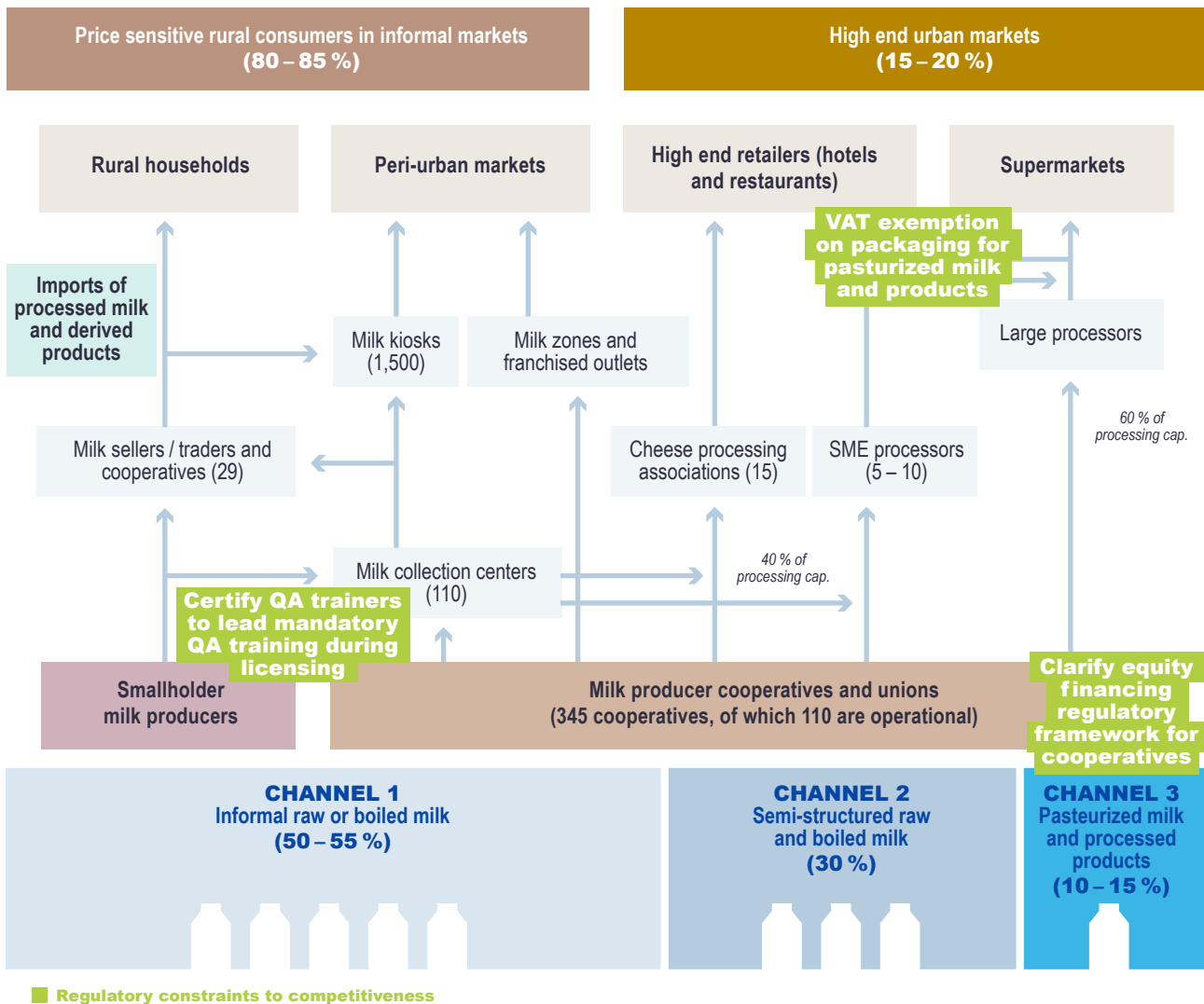
Figure from DAI. Undated. Unpublished.

⟫⟫⟫⟫⟫ **STEP 5:**

Implementation

Once the business environment constraints have been prioritized and the advocacy strategy has been agreed upon, implementation of the strategy will begin. This stage will be tailored to the type of constraints that are selected, the nature of the initiative, and the specific context. CIBER does not provide detailed guidance on the development of the advocacy and reform approach, but the *Advocacy Capacity*

Building Tool in this Toolbox under the *implementation phase* will inform this fifth step.

CIBER can be used by both public and private sector stakeholders in ACP countries that are seeking to identify and address constraints within their target value chains.

CASE STUDY: Zimbabwe Poultry

In Zimbabwe, CIBER was applied to address constraints in the poultry sector. Following a value chain analysis, multiple workshops were held to identify constraints, build capacity and create buy-in. The costing analysis and vetting identified the imposition of a value added tax on imported day-old chicks as significantly raising costs in the industry and hurting the sector's competitiveness. Industry stakeholders effectively advocated for the removal of this tax, which led to the sector generating an estimated additional $5.77 million in sales relative to what they would have done otherwise.

STEPS OF APPLICATION

STEP 1 ⟩ STEP 2 ⟩ STEP 3 ⟩ STEP 4 ⟩ STEP 5

Although variable based on the context, the five steps of CIBER **typically take the following times**:

1. **Analyze the focus value chain(s).** This can be a rapid process when the facilitators already understand the value chain and when there are already quality recent studies conducted on the value chain. In these cases, the focus can be primarily on identifying priority BER constraints. (**1–4 weeks**)

2. **Prioritize business environment constraints with stakeholders.** This will primarily require identifying and inviting the key stakeholders, organizing the logistics associated with the venue where the workshop will be held, and doing the necessary preparatory work for facilitating the workshop. (**1–2 weeks**)

3. **Assess the costs.** The duration of this step will depend primarily on how quickly the data can be obtained and validated. (**2–3 weeks**)

4. **Conduct a validation workshop.** The validation workshop will require inviting the key stakeholders (typically the same ones as attended the previous workshop, but potentially also others who will be involved in advocacy during implementation), organizing the logistics associated with the venue where the workshop will be held, and doing the necessary preparatory work for facilitating the workshop. (**2–3 weeks**)

5. **Implement the selected initiatives.** This step is **highly variable** but will typically require **not less than a year** given the pace at which BER is typically accomplished.

WORK PLAN

	TASKS	LOE RANGE	W1	W2	W3	W4	W5	W6	W7	W8	W9	W10	ongoing
STEP 1	Analyze the focus value chain(s) from a BER perspective	2–4 weeks	✕	✕									
STEP 2	Prioritize business environment constraints with stakeholders	1–2 weeks			✕	✕							
STEP 3	Assess the costs	2–3 weeks					✕	✕	✕	✕	✕	✕	
STEP 4	Conduct a validation and initial advocacy strategic planning workshop	2–3 weeks								✕	✕	✕	
STEP 5	Implement the selected initiatives	Variable											✕

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: CIBER is very suitable for combination with PPDs via the two workshops that are held in stages 2 and 4. These workshops should include stakeholders operating at various levels in the target value chains. Moreover, PPD will often be a key element of the advocacy strategy that is used during implementation in *step 5* to push for reform.

Green: The CIBER tool equally does not explicitly incorporate an environmental lens. An examination of business environment constraints that specifically impede green growth could be incorporated into the initial value chain analysis conducted in *step 1* and then into the vetting process in *step 2*.

Gender: The CIBER tool does not explicitly address gender considerations. Some ways that gender could be incorporated include:

- Selecting value chains that have the potential to create beneficial impacts for women, based on factors including the current participation of women and barriers to their entry.

- Including a gender lens in the initial value chain analysis conducted in *step 1* to ensure consideration of any business environment constraints that specifically impact women.

- Ensuring female and male stakeholders are being interviewed and participating in the workshops to capture any differences in their respective perspectives.

- Vetting potential business environment constraints for differences in their respective impacts on male and female workers, business owners, and other stakeholders.

LESSONS LEARNED & SUCCESS FACTORS

Below are some lessons learned from applying CIBER to BER initiatives:

Select business environment constraints that are both costly to businesses and politically feasible to address.

Some business environment constraints that impose the largest costs may not be feasible to tackle given vested interests that will resist change. In other cases, policymakers may not view a constraint with relatively smaller economic impacts as urgent to address. Considering the political economy of the constraint is therefore important (see the *AAA Change Space tool* and the *Everyday Political Analysis tool* to dig deeper into this).

Ensure diverse representation from the value chain.

CIBER is based on a bottom-up philosophy that believes the deep involvement of value chain representatives is essential to selecting the right constraints to tackle. It is therefore critical that the selection of representatives is done carefully. Those attending the prioritization workshop need to represent various stages in the value chain so that a diverse set of perspectives is captured on what the most pressing issues are. The participatory nature of CIBER creates opportunities to build early buy-in among key stakeholders for advocating on BER constraints, so inviting key influencers to participate from the start of the process can support enduring success.

Ensure a mix of the right data and right expertise for cost modelling.

Cost modelling is impossible without access to accurate data that comes from the private sector, government, and other sources. Where these data are not already published, they must be provided by the relevant sources. Given the sensitivity of this data (e.g., internal company costs), the team must gain and maintain confidence among the data holders during the value chain analysis and data collection process that they will treat all data with complete confidence. Those conducting the value-chain analysis must also have adequate quantitative skills in cost modelling. This must be accompanied by access to experts with sufficient understanding of the value chain that they can interpret the data.

Make assumptions transparent.

Developing a cost model that estimates the foregone benefits from the absence of a policy requires making a range of assumptions. These assumptions can be easily challenged. Making these assumptions transparent and seeking feedback as part of the cost modelling process helps to improve the rigor of the exercise.

Triangulate the data.

Value chain stakeholders may be tempted to exaggerate the cost of specific constraints to make a more compelling case to policymakers. Carefully analyzing the data and validating it by collecting viewpoints from diverse sources are both important.

Focus on the bigger picture constraints.

Often value chain stakeholders view the business environment constraints that directly address their organization as the most important ones to address. Yet these can sometimes be very specific and have a smaller overall impact than cross-cutting issues that affect multiple actors, often indirectly. A way to focus attention on the issues that create the biggest impacts can be to post a value chain map on the wall during prioritization workshops to assess the comparative impact of different business environment constraints on the stakeholders.

REFERENCES & RESOURCES

- DAI. 2008. CIBER: Enhancing Competitiveness Impacts of Business Environment Reforms: A Value-Chain Approach for Analysis and Action. Washington, DC: USAID.
- Zaki Raheem and Alex Mkindi. 2010. _Competitiveness Impacts of Business Environment Reform (CIBER): Regulatory Constraints to the Competitiveness of the Tourism Sector in Tanzania: Platform for Advocacy._

GROWTH DIAGNOSTICS

OVERVIEW		
OBJECTIVE	**Enable policymakers to prioritize among many competing issues which ones to tackle, based on their relevance to economic growth**	
TARGET GROUP	Policymakers / economists in the relevant ministries	
TIME	■■■■■	High
EXPERTISE	■■■■■	High
COST	■■■■■	High
BER PHASE	DIAGNOSIS	DESIGN IMPLEMENTATION EVALUATION

INTRODUCTION

In many cases, governments wanting to stimulate private sector growth and investment face the question of "where to start" – given the complexity of economic development and the many interlinking challenges their countries are likely facing, growth policy can be a daunting task. There, the ability to select and prioritize where to invest limited resources becomes key.

Growth Diagnostics (GD) is an analytical framework that guides a structured exploration of potential macro-economic constraints. It is meant to enable governments to identify a subset of the key drivers and inhibitors of growth that they can subsequently target with reform (*Phase 1*). It includes many of the core factors of the broader investment climate (finance, human capital, infrastructure) and business environment (taxation, labor regulations, cost of doing business). It can be used in conjunction with other tools in

this Toolbox, e.g. preceding *CIBER*, which looks at specific value chains that may have been selected as a result of the prioritization as part of the **GD**, or complementing *PDIA*, which adds an important focus on feasibility (whereas GD prioritizes action based on economic impact, without a political economy analysis). Given its broad applicability, GD can be adjusted based on context, e.g. mainstreaming a green lens or putting a specific focus on inclusion in the resulting policy recommendations.

Doing a GD requires an advanced level of training in economic analysis. It can be used by economists in the public, private, and "third" sector (academia or think tanks). However, given that it is meant as a tool for policymakers, it makes most sense when high-level political decision-makers are involved, e.g. the Ministry of Finance.

TOOL DESCRIPTION

Growth Diagnostics was developed by Hausmann, Rodrik and Velasco and has since been widely applied and adapted, including a "*mindbook*" with practical analytical guidance strategies and methods to think about growth constraints and conducting a GD.

There are two main components to conducting a GD:

- **Diagnostic Tree / Table**

- **4 Principles of Differential Diagnostic**

GROWTH DIAGNOSTIC TREE

Low private investment

Low returns to economic activity

Low social returns

Poor geography
Bad infrastructure

Low human capital

Low appropriability

Government failures

Macro risks

property rights, corruption, taxes
financial, monetary, fiscal instability

Market failures

Information externalities: "self-discovery"
Coordination externalities

High cost of finance

Bad international finance

Low domestic saving

Bad local finance

Poor Intermediation

Hausmann et al. 2008

The *Tree* provide a structured list of potential constraints that the analyst tests for – while the tree provides a simple visual model, the table contains more detail on what the various "nodes" contain. Both the tree and table should be read from top to bottom as a step-by-step analytical process. Moving from one level to the next by method of elimination, each "node" is analyzed using a variety of data sources (*see above for a list of resources*) to understand if it presents an issue, and then tested by employing the 4 Principles to understand if it is a binding constraint. There are many factors that could be issues in general, but they may not necessarily be binding to private sector growth and investment. Rather than having to solve for every single problem they are facing, the step-by-step analysis of GD allows policymakers to arrive at a set of "most binding constraints" that should be prioritized for policy action.

Diagnostic Table

Binding Finance		Binding social returns					
Low aggregate Savings	Bad finance	Lack of complementary factors		Low appropriability			Coordination
				Government failure			Market failure
				Ex-ante	Ex-post		
		Human Capital	Infrastructure & public goods (geography?)	Ex-ante risks	Tax	Low property rights, crimes & corruption	Low R&D Low Self discovery
High lending interest rate		Low lending interest rate					
Low net cash flow from banks		High net cash flow from banks (dC / C – i)					
Investment elastic to interest rate		Lack of investment response to interest rate change					
Access to external finance (EMBI, Default risk, CAD, Unsustainable debt)			Low infrastructure with reference to comparable countries	High static markups & low entry; in industries with entry costs	Monopoly power, high markups. Regulated entry	Expropriation	Low sophistication (EXPY) and few new industries
Short loan duration, credit rationing		Inward migration high skills	Shocks to infrastructure (hurricane, war)	Political risk, social risk		Social unrest	Growth responds to new industry
High deposit interst rate	High spread	High returns to education		Tax policy risk	High taxes: Top marginal tax rate, corporate tax, VAT	Open conflict	Few products "nearby" to move (openforest low)
Negative relation between growth and current account	If it's high risk, then low profits	Procyclical mincerian returns	Growth elastic to infrastructure change	Labor market risks	Restrictive labor regulations	Corruption (illegal tax rate) (Kaufman)	
	High operating expens/assets	Low tertiary for level of development	Congestion	History of expropriation	Inflation tax	High protection costs (ICA)	High correlation of growth with terms of trade
	Monopoly powers: high (P/E) ratio of banks	Returns decrease as education grows	Port quality. High losses in transport (ICA)	High expectation of losing future profits	Cost of doing business		High returns to coordination activities

adapted from: Hausmann et al. (2008), p. 22 & 81

Four Principles of Differential Diagnostic

PRINCIPLE / DIAGNOSTIC SIGNAL	WHAT DOES IT MEAN IN PRACTICE
1. Relaxation of the constraint associated with improvement in private sector investment Past movements in the constraint or within-country differences in the constraint should be associated with changes in investment.	➔ **If investment tends to be systematically higher at times or in places when / where the constraint is less acute, then it is evidence in favor of it being a "binding" constraint.** For example, if investment rates adjust with changing interest rates, finance may be a constraint. If investment is lower in municipalities with a specific tax regime than in (otherwise very similar) municipalities that have a different taxation system, taxes may be a constraint.
2. (Shadow) Price is high If something is a binding constraint, what people pay for it (or are willing to pay) should be high.	➔ **Firms are willing to pay high cost for scarce resources**, e.g. large wage premiums for skilled workers (when human capital is a constraint), high real interest rates (when access to finance is a constraint).
3. Agents bypassing the constraint If it is binding, agents in the economy should be attempting to bypass the constraint.	➔ **Firms try to circumvent constraints**, e.g. high levels of informal employment may indicate that that labor market regulations are binding, primary use of cash may be to circumvent high taxes, many firms owning power generators may indicate that unstable energy infrastructure is a constraint.
4. "Camels and Hippos" Agents less intensive in a binding constraint should be more likely to survive and thrive, and vice versa. *("Camels" will do well in the desert, "hippos" will not survive)*	➔ **Firms less intensive in the use of the constraint shall be more prevalent in the economy (in terms of exports, employment or value added) than those that are more intensive in the use of the constraint.** For example, where human capital is a constraint, less skill-intensive firms will do better.

Hausmann et al. 2008

The **four principles** are how the analyst tests if a constraint is binding by exploring the reaction of private sector firms to the presence or absence of a potential constraint. For example, if "Finance" (examined in terms of interest rates, cash flow, etc. as listed in the *Diagnostic Table*) is initially identified as a key economic issue in general, the four principles are then used to understand if it is a *binding* constraint e.g. by correlating changes in interest rates with changes in investment, checking if less capital-intensive firms fare better, and exploring if firms are taking any action to circumvent the issue. The most binding constraint will not necessarily display all of the **four diagnostic signals**, but shall be the one with the strongest relative evidence along those four principles.

A basic Growth Diagnostic can be conducted based on a wide range of secondary data sources (*see some of them listed in the section on resources of this tool*), which will lead to initial working hypotheses on the most binding constraints. This analysis should optimally be embedded in on-the-ground interviews with a range of stakeholders (mainly with firms, but also chambers / associations, NGOs, country experts etc.) over a period of several weeks to test the hypotheses and uncover "unknowns" that the aggregated data may not capture.

Doing a GD does not necessarily require specialized expertise, but an advanced level of training in economic analysis. It can be used by economists in the public, private, and "third" sector (academia or think tanks). However, given that it is meant as a tool for policymakers, it makes most sense when high-level political decisionmakers are involved, e.g. the Ministry of Finance.

STEPS OF APPLICATION

STEP 1 STEP 2 STEP 3

Growth Diagnostics has been widely applied by organizations including development finance institutions (DFIs) (World Bank, ADB, AfDB, IDB, IMF), bilateral organizations like USAID, and Harvard's Center for International Development (CID), as well as by a few country governments themselves, leading to a wealth of individual country studies.

Below, we describe the process step by step with examples from various CID projects.

STEP 1:

Desk Review & Initial Problem Analysis (3–4 weeks)

- Collect publicly available data sources (census, labor force surveys, enterprise surveys, business census, household surveys etc.)
- Test for potential constraints along the Diagnostic tree using econometric analyses based on the available data sources.

CASE STUDIES: Examples from Harvard CID projects

In Harvard Center for International Development project in Jordan, the team identified lack of skilled labor and water as key constraints in this phase of analysis. In Chiapas, a key constraint was availability of labor in urban areas. In the Peruvian Amazon region, the most binding constraint was the lack of connectivity, due to inefficient and unpredictable fluvial transportation.

STEP 2:

Primary Data Collection (4–6 weeks)

- Based on initial analysis, map and prioritize stakeholders. Search for business sectors that have been driving growth – characterize the growth trajectory at a sectoral level, identify companies in these sectors as well as "positive deviants" (companies that would not be expected to exist in the place as they are intensive in the identified constraints).
  (1 week)
- Conduct outreach and set up calls / meetings with them.
  (1 week)
- Conduct Key Informant Interviews with businesses, optimally face-to-face / through a field trip, validate the findings of the desk analysis and synthesize with new information. Identify common "myths" where hey exist (many stakeholders believing something is a problem when there is no evidence in the data that it is).
  (2-3 weeks)
- Also interview public sector agents that work in positions related to the identified constraint – e.g. financial authorities, if the constraint is finance, infrastructure agencies, if it's infrastructure etc.
  (1 week)

CASE STUDY: Example from Harvard CID projects

For example, a "common myth" in Chiapas was that lack of infrastructure and human capital was the biggest issue, but large investments in education, roads and airports had yielded little economic results. Interviews with a "positive deviant" that had established several plants in the region revealed that the main issue was a lack of affordable public transport options for the population of poor indigenous workers, which the company had solved through a network of private buses.

In Jordan, interviews with stakeholders revealed that despite high levels of education, the extremely low labor force participation of women led to skill shortages, and mapping growth sectors that also had the potential to absorb a larger share of women became a key priority for this country's growth strategy.

STEP 3:

Synthesis (2 – 3 weeks)

- Consolidate desk review with more qualitative data collected from surveys and interviews into a coherent narrative of the "growth challenge" at a general and sectoral level.
- Look for underlying patterns or root causes that explain the set of symptoms observed – a "syndrome" that explains why the constraints have become part of the status quo and have not been "self-addressed" by the market. This will be key to understand what is needed to overcome them.
- Synthesize root causes, most binding constraints and map out potential policy ideas to overcome or alleviate them.
- Send this synthesis to the private and public stakeholders interviewed and garner their feedback.

CASE STUDY: Example from Harvard CID projects

In Panama, in order to sort out skill shortages and further foreign direct investment, the government introduced a bill to grant work permits to the spouses of lawful immigrant workers; and also remove China and India out of a list of 50 restricted citizenship that require a special immigration process usually lasting more than a year.

Overall, a thorough growth diagnostic will take 3 months to complete, with most costs stemming from labor time for a team of economists running econometric analysis, collecting data, and drafting the narrative document.

WORK PLAN

TASKS	LOE RANGE	M1	M2	M3
STEP 1 **Desk Review**	2 – 3 weeks	✕		
STEP 2 **Primary Data Collection**	4 – 6 weeks	✕	✕	
STEP 3 **Synthesis**	2 – 3 weeks		✕	✕

Cost Items:

- Labor time: 90 days, team of 3 – 5 people
- Travel costs for field trips / interviews

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: While Growth Diagnostic does not make specific mention of PPD, it lays at the heart of the primary data collection that the analysis is rooted in. Speaking with private sector firms is absolutely key to understanding what makes them thrive or keeps them from investing, as is engaging a range of public agencies to get a deeper grasp of their incentives, constraints, and capacity for change. Growth Diagnostics should optimally be designed as an iterative process in which initial findings are shared at various points to garner feedback, gain new impulses, and steer the analysis.

Gender/Green: The GD framework is an analytical heuristic that is not set in stone and can be adapted based on priorities, including other cross-cutting priorities. For example, Harvard's CID has conducted a "green growth" focused GD in the Peruvian Amazon that prioritizes policy options based on their environmental as well as economic impact, and the project in Jordan highlighted women's labor force participation as a key lever to access missing skills. Although the framework is focused on analyzing private sector investment behavior in reaction to various macro and microeconomic variables, these cross-cutting issues do enter through the process of data collection and contextual analysis. As with other gender/environment "neutral" tools, the data collection process should be designed in an inclusive way, e.g. by making a deliberate effort at seeking out insights from women's business associations or "green" firms etc.

LESSONS LEARNED & SUCCESS FACTORS

Follow the process methodically.

Start by formulating the key growth question, deploy the four principles of differential diagnostics through the tree from top to bottom, and seek to identify an underlying syndrome that can account for the "symptoms" (constraints) observed. Still, it is important to remember that the Growth Diagnostics tree is a simplification of reality for analytical purposes: in practice, the branches of the tree are not that clearly separated but frequently interconnected.

Look for the underlying story.

The goal of a Growth Diagnostic is not only to identify and prioritize constraints, but also to come up with a coherent story that can account for the growth performance so far. This story should be able to explain the root causes that link together the symptoms and constraints observed, and why the identified set of constraints have persisted in time. Understanding this "causal syndrome" sets the basis for a strategy, prioritizing among different policy initiatives according to their impact.

Be mindful of cultural context and the political economy.

Given that there is an "underlying syndrome" that has prevented the identified constraints from being solved thus far, there may be interest groups and alliances that benefit from the status quo and oppose change. Addressing the constraints will come at their expense and can lead to political resistance. *(Consult the various tools on political economy analysis, such as the PDIA AAA Change Space tool, the Everyday Political Analysis tool, and the Advocacy Capacity Building tool).*

Remain critical but open-minded.

Rather than assuming that "development experts know best", actively listening to private sector stakeholders to understand their perspective is key to understanding their incentives. Do not dismiss non-evidence-based ideas (such as "common myths") or adverse social norms as irrelevant. Convincing decision-makers, businesses and investors of taking action and using the evidence and analysis you have developed is core for the GD to have impact, and for this, you need to speak their language.

REFERENCES & RESOURCES

- Hausmann, Rodrik & Velasco (2005): *Growth Diagnostics*
- Hausmann, Klinger & Wagner (2008): *Growth Diagnostics Mindbook*
- Harvard Growth Lab *homepage*, *publications* and *working papers*
- USAID *Inclusive Growth Diagnostics*
- Select World Bank GDs: *Pakistan* (2013); *Togo* (2010); *Malawi* (2009); *Bolivia* (2006)
- Select IDB GDs: *Latin America* (2009); *Brazil* (2010); *Argentina* (2013)
- Select AfDB GDs: *Morocco* (2014); *Tunisia* (2013)
- Government-led GDs: *Nepal* (2014); *Liberia* (2013)

List of possible data sources to conduct the initial desk-based diagnostic:

Macro Level:
- *The Atlas of Economic Complexity*
- IMF *International Financial Statistics*
- World Bank's *World Development Indicators*
- *Trading Economics*
- World Bank *Governance Indicators*
- The *Economist Intelligence Unit*, in particular referring to countries' financial sectors.
- *OECD*: stats regarding topics in economics and development
- *Polity IV* nuanced time series of variables related to political structure and conflict
- See *UNCTAD* for commodity prices and trade data.
- Other UN statistics *here*.
- The *Barro and Lee* Database offers measures of educational attainment
- *Google Public Data Explorer* includes WDI database, Human Development Indicators, Global Competitiveness Report data, World Economic Outlook data, and more.
- Visualizations of *Gap Minder*
- Important Employment and Unemployment figures can be found at the ILO's *Labor STA*

Firm & Household Level:
- The World Bank's *Doing Business* and *Enterprise Surveys*
- World Bank & IFC: *Investment Climate Assessments*
- *IPUMS*: Standardized census and survey data from many countries.
- *Living Standards Measurement Surveys* set of country level household surveys

GENDER DIAGNOSTIC CHECKLIST

OVERVIEW

OBJECTIVE	**Enable initiators of reform to take a gender sensitive approach to BER, to ensure that reforms empower women equally and do not further entrench gender inequality**
TARGET GROUP	Policymaking institutions leading / facilitating the reform initiative, and other high-ranking organizations engaged in the reform process
TIME	■■■□□ Medium
EXPERTISE	■■■□ Medium / High
COST	■■□□□ Low / Medium
BER PHASE	DIAGNOSIS ⊙ DESIGN ✎ IMPLEMENTATION ⚙ EVALUATION

INTRODUCTION

Despite their key role in the global economy and in the economic development of societies, women are often excluded from business environment reform processes for a variety of reasons, such as their lack of representation in policymaking institutions and traditional business associations, and their propensity to work in the informal sector in many poor and emerging economies. Moreover, a mix of legal and social discrimination prevents them from acquiring assets, wealth and influence, while gendered norms and roles further limit their voice and agency. These barriers mean that many business regulations and administrative procedures perceived to be "gender neutral" in reality affect men and women differentially, and female business owners often face greater hurdles to "doing business", while their perspectives are routinely underrepresented in the reform process. Reform processes that only engage with traditional social partners risk working only with a small subset of their countries' economic growth engine, and may in fact unintentionally harm women. Thus, policymakers looking to lay the foundations for growth in an equitable and sustainable way must mainstream a social inclusion perspective.

This **Gender in BER Diagnostic Checklist** enables a condensed, but rich overview of key gender issues and data sources to use at the analysis stage (*Phase 1*). However, it should not only serve as the basis for an initial "gender assessment", but to support gender integration across phases by encouraging a gender mainstreamed approach to thinking about BER.

The World Bank's guide to *Gender-Sensitive Climate Assessment* (2010) that this tool draws from, includes extensive additional chapters on BER functions and PPD throughout design and implementation of reforms. While the Checklist of Key Issues here presents a broad initial set of potential gender issues and entry points, the guide can serve as a further reference resource for more in-depth exploration of specific policy areas such as access to finance, trade, and business registration. The *Gender-Sensitive PPD Checklist* in this Toolbox builds off the same guide, but focuses on the design of inclusive PPD processes, whereas this **Diagnostic Checklist** provides a substantive overview of key gender concerns to include in the research and design of policies. The *Behavioral Analysis and Norms Diagnostic Tool* can be used in addition to diagnose and analyze gendered social norms and their impact on women's ability to do business.

TOOL DESCRIPTION

This Checklist and the source guide remain one of the most hands-on and comprehensive resources on integrating gender concerns into business environment reform and investment climate assessments. It provides a broad analytical framework of BER from a gender perspective, with the goal to enable policymakers and practitioners to mainstream gender throughout the reform cycle. The checklist presents a range of key gender issues to consider and map out at an initial stage, when business environment issues are identified and the reform engagement process is planned.

The Checklist can be used by anyone doing a diagnostic assessment of the business environment, advocacy, and reform formulation – including public and private stakeholders as well as development partners. The majority of the advice is targeted at high-level institutions leading the reform process, such as government agencies, with some additional suggestions for advocacy organizations e.g. on what governmental agencies to engage with.

GENDER-SENSITIVE BER DIAGNOSTIC CHECKLIST

KEY BER & GENDER QUESTIONS	KEY DATA SOURCES*
ECONOMIC ANALYSIS	
Analyze the economy through a Gender Lens: • In which sectors do women typically work and do business, compared to men? (formal / informal, industry, sectors) • Are women and men located in different parts of the value chain? • What type of firms do women and men tend to run – large / medium / small / micro, formal / informal, location (for example, rural / urban), years in operation, management structure, legal form, revenue, profits, numbers of employees etc.	• National statistics and household surveys • Surveys of micro and small enterprises • FIAS informality surveys • Data from chambers of commerce and business associations
DATA COLLECTION ON THE BUSINESS ENVIRONMENT (BE)	
Disaggregate BE constraints faced by women and men when developing survey questions: • Ensure that women as well as men are involved in question formulation and that thought is given to identifying specific constraints that may affect one gender or the other. • Ensure that men and women designing questionnaires have adequate training to include gender sensitive questions, e.g. around the socio-economic, structural barriers women face when doing business. *When sampling:* • Ensure male-female balance in survey sample groups pilot and final. • Ensure that diverse women / groups are sampled to reflect the economy more realistically, e.g. not only formal business owners, but also informal entrepreneurs and self-employed workers. • Be clear about whether the questions are aimed at the business manager or owner. *(In the case of a family-run business, determine who the "real" owner is male or female.)* *When analyzing survey results:* • Which constraints to doing business are perceived in the same way, or differently, by men's and women's businesses? • What is the relative priority that women and men put on addressing different constraints? • What are the specific gendered constraints and impact areas cross the various BE policy areas / functions, e.g. registering a business, accessing finance, land rights, market access etc.? Are there particular areas where a reform would have a large impact on both men and women? Are there particular areas where a reform could advantage or disadvantage women disproportionately?	• Enterprise surveys • Household surveys • FIAS informality surveys • Data from chambers of commerce and business associations (particularly women's business associations)

»»

* These are some general suggestions where this type of data can typically be found. Scarcity of data can be an issue in some ACP countries, so analysts may broaden their research to secondary data and grey literature e.g. from development partners like the World Bank, and conduct their own primary data collection on issues that have been prioritized.

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⚒ **GENDER TOOL** GENDER DIAGNOSTIC CHECKLIST
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

KEY BER & GENDER QUESTIONS	KEY DATA SOURCES*
Ensure women's voices are heard: • Use data collection methods that are cognizant of the specific constraints of women (see suggestions on the right, and for more on this aspect, also see the *Gender-Sensitive PPD Tool*)	Undertake targeted data collection / interviews from women bearing in mind the following: • Women often have lower literacy levels (for example, for completing survey forms). • Middle-class urban women are not necessarily representative of women generally. • Women are less likely to speak at public meetings (for example, in mixed-gender focus groups). • Women may not be able to attend meetings either because of their time poverty and household tasks, because it may be socially unacceptable for them to do so, or because they may not be permitted by their husbands. • Include women's business associations in surveys. If they don't exist, consider supporting their establishment.

ENABLING ENVIRONMENT ANALYSIS

Analyze the legal status of men and women • Which international treaty obligations does the country have in relation to gender equality? • To what extent have these obligations been incorporated into domestic law (e.g. family, labor, tax, anti-discrimination laws etc.)? • What does the country's constitution, or other overarching law, say about equality between genders? • If the constitution provides for equality between genders, how is this provision operationalized in the underlying legal framework? • Are there any exceptions to a constitutional equality provision, for example, allowing customary law to prevail in some circumstances? • Are there laws that discriminate against women in relation to family, marriage, and property or inheritance rights; age of majority; or ability to travel? • In a common law country, is there recent case law on women's rights, for example, property rights? • Are there parallel legal systems, for example, religious or customary law? If so, how do they affect people by gender?	• Ministry of foreign affairs (international commitments) • Ministry of justice and legal databases (constitutional and legislative framework) • Lawyers specializing in gender issues (for example, the local branch of FIDA – the international women lawyers association) • Reports of international NGOs on women's rights • Country reports on CEDAW • The World Bank's *Women, Business and the Law* project's database and annual reports
Consider differences in access to economic resources • What are women's educational and literacy levels, compared to men? What are their levels of access to training and skills development? How is this impacting their ability to be economically active / run their business? • Compare women's and men's participation in key decision-making bodies, including business associations, investor councils, and lobby groups (e.g. compared with the Beijing Platform for Action's 30 % target).	• National statistics on gender-disaggregated education levels • CEDAW reports • Reports of national and international NGOs on the status of women • Interviews and focus groups with business associations and organizations

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GENDER TOOL GENDER DIAGNOSTIC CHECKLIST
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

KEY BER & GENDER QUESTIONS	KEY DATA SOURCES[*]
Analyze BER constraints/opportunities within the broader social and cultural context. • Explore attitude of governments to gender reform, and test if gender-blind reforms that nonetheless have a disproportionate benefit for women may be more politically acceptable. • Do women (and their businesses) face greater time poverty because of limited access to childcare and domestic responsibilities? If so, how does this impact their economic activity and ability to benefit from reform? • Do women face constraints in their ability to travel or do business because of e.g. their domestic responsibilities and the need to obtain permission from their husbands? How could this be addressed or circumvented by BE reform? • Are there other gendered social norms that prevent women from economic self-determination, e.g. norms preventing them from mixing with men outside their family? • Are there gender-based violence factors that impact women's ability to do business, e.g. harassment from officials or border agents, domestic violence, or harassment in public transportation?	• Country studies and time-use surveys • Reports of academic or research institutions • Participatory Poverty Assessments • Poverty and Social Assessments • Country studies by international NGOs • Academic and research institutions • CEDAW reports • Country Gender Assessments • Proverbs, stories, interviews

Adapted from World Bank (2010), p. 45-51

STEPS FOR APPLICATION

STEP 1 〉 STEP 2 〉 STEP 3

The tool distills the codification of frameworks and experiences from various real-world projects and cases. There are no published case studies of the tool itself, so various options for application are suggested here. Even if a more thorough assessment as described below is outside the scope of an initiative to improve the business environment, the checklist should still be used to raise important gender issues, and reformers may pick a smaller set of questions to explore that seem particularly relevant. However, it is important that rather than only doing desk research, women's voices are actually heard and included. Thus, even if a more limited initiative is pursued, key informant interviews e.g. with women business leaders and associations and other relevant stakeholders should be part of any diagnostic assessment.

STEP 1:

Desk Review & Initial Problem Analysis (2–3 weeks)

• Collect and scan available data from household surveys, government sources, NGOs, business associations etc. (**1 week**). **Conduct:**
• Economy analysis (**1 week**)
• Basic legal analysis (**0.5 weeks**)
• Analysis of social norms and the broader enabling environment (**0.5 weeks**)
• Based on desk analysis, conduct an initial mapping of key women stakeholders (e.g. women's businesses in key sectors, associations, collectives) (**0.5 weeks**)

STEP 2:

Primary Data Collection (6–10 weeks)

This is a list of options for primary data collection. Different methods may be employed based on context and resources available – not all countries will have the means or need to do extensive field research, which can be assessed in the desk review.

However, engaging a variety of women's groups through interviews and surveys should be a key component – a desk review alone is rarely enough to generate insights that are context-specific enough to produce realistic action steps.

🛠 **GENDER TOOL** GENDER DIAGNOSTIC CHECKLIST
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

- Organize a workshop with key decision-makers from across government agencies to conduct an initial problem analysis, using the questions in the checklist and the initial findings from the desk review as guidance.
  (**2 – 3 weeks**)
- Identify key women representatives from across sectors / businesses / associations, and conduct the same exercise, or organize a committee / consultative group to come together several times over a set period.
  (**2 – 3 weeks**)
- You may employ some of the other tools in this checklist, such as the *PDIA problem construction, deconstruction & change space analysis*; or the *i4Policy Hackathon* to structure the workshop methodology.
- If there is sufficient information (e.g. a database on women-led / owned firms), develop a quantitative survey to collect insights into their key constraints.
  (**2 weeks development, 2 weeks outreach & 2 weeks data collection**)
- In all cases, conduct key informant interviews (KIIs) with women business leaders & associations, NGOs, and lawyers' groups like FIDA (2 weeks outreach & 2 weeks interviews).
  Where possible, build in data collection of informal firms, e.g. by visiting markets and other business sites and surveying them.
  (**1 week field trip**)

⟫⟫⟫ STEP 3:

Data Analysis (2 – 3 weeks)

Consolidate desk review with data collected from surveys and interviews into coherent analysis. Identify priority constraints for women in the business and wider enabling environment (e.g. socio-cultural barriers, legal discrimination in other policy areas such as labor and family law that impact women's access to assets, finance, and decent work) and develop initial policy proposals.

Send synthesis to stakeholders interviewed and garner their feedback.

Overall, an initial gender BER assessment may take between 2 – 3 months depending on the level of depth and breadth, and the data collection strategy pursued. Most costs will stem from the labor of a team of analysts, as well as potential travel and logistical costs associated with in-person data collection. Optimally though, a gender lens will be mainstreamed not only on the diagnostic stage, but across the engagement – ensuring that women's voices are represented throughout the PPD process and their concerns become part of the reform agenda will be much more important than a comprehensive, thoroughly researched initial analysis that may not be needed or may be disconnected from current policy priorities. Taking small but consistent and intentional steps towards inclusion can often go a longer way than a multi-month research engagement.

WORK PLAN					
	TASKS	**LOE RANGE**	**M1**	**M2**	**M3**
STEP 1	**Desk Review**	2 – 3 weeks	✖		
STEP 2	**Primary Data Collection**	4 – 6 weeks		✖	
STEP 3	**Synthesis**	2 – 3 weeks			✖

Cost Items:

- Labor time (for full application): 10 – 12 weeks
- Rooms and resources for workshops and focus group discussions (FGDs)
- travel to women's market sites / face-to-face interviews

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⚒ **GENDER TOOL** GENDER DIAGNOSTIC CHECKLIST
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: Some aspects of PPD are featured in the checklist (around ensuring women's voices are heard), but this Toolbox features a more comprehensive *Gender-Sensitive PPD Checklist* that draws from the same World Bank resource. Still, PPD is a key aspect of implementing this checklist especially during primary data collection, when including diverse women's voices from within public institutions and the private sector is essential.

Gender / Green: Cross-cutting topics like green growth and technology are not covered by the tool, but could be integrated e.g. by adding a short analysis of technology diffusion and the "gender digital divide", and mapping out how digital solutions could contribute to solving some of women's key issues such as access to markets and finance.

LESSONS LEARNED & SUCCESS FACTORS

Mainstream social inclusion.

This Checklist should only serve as a basic, non-exhaustive analytical framework. As with the Gender-Sensitive PPD tool, stakeholders should refrain from seeing "gender" as a standalone issue to "tick off" with a quick analysis, but to understand social inclusion as part and parcel of sustainable economic development. Doing a thorough and inclusive analysis early in the process is as important as ensuring that the findings remain on the reform agenda and don't just get shelved.

Think about the political economy.

Policy reform is rarely just evidence-driven, but instead driven by politics. To get things done, stakeholders need to map out the political system and government structure, and identify potential allies and detractors. Other tools in this Toolbox like the *PDIA change space analysis*, the *Everyday Political Economy tool*, and the *Advocacy for BMO tools* may help with that. Rather than only working with the most obvious counterpart, reformers should seek to strategically engage the decision-makers with the power and resources to implement change.

Broaden engagement.

Beyond talking to the natural counterparts for BER initiatives – like formal business membership organizations and chambers of commerce – policymakers should also make sure to gather information from other informants, such as civil society as well as informal business organizations, associations of micro businesses, collectives of market traders, etc.

Measure impact.

One way to keep social inclusion relevant is captured in the phrase "What gets counted, gets done" – e.g. by integrating substantive inclusion indicators in the monitoring framework of possible reforms.

Change organizational practices.

Apply the gender constraint analysis to your own organizational practices e.g. when setting up interviews and consultation formats – for example, women may bring their babies to a workshop or face mobility constraints to travel to a workshop site.

REFERENCES & RESOURCES

- World Bank (Simavi, Manuel & Blackden) 2010:
  Gender Dimensions of Investment Climate Reform: A Guide for Policy Makers and Practitioners
- EBRD *Gender-responsive ICA in Tajikistan* Toolkit
- World Bank: *Women, Business and the Law* database

PROBLEM DRIVEN ITERATIVE ADAPTATION (PDIA) – PROBLEM AND CHANGE SPACE ANALYSIS

OVERVIEW

OBJECTIVE	**Enable reformers to take an adaptive and learning-focused approach to problem discovery, and to prioritize as well as sequence action steps based on capacity and feasibility**
TARGET GROUP	Public stakeholders / civil servants in the relevant government agencies involved in private sector development
TIME	■■■■■ High
EXPERTISE	■■■■□ Medium / High
COST	■■■■■ High
BER PHASE	DIAGNOSIS ⌕ DESIGN ⚠ IMPLEMENTATION ⚙ EVALUATION 📊

INTRODUCTION

Policymakers seeking to solve complex and intractable development challenges often struggle to identify the solutions that are feasible and actually address the underlying problem, as the exact causes of visible challenges are most of the time not fully known. This can lead reformers to push for "best practices" or preferred policies that seem to offer a blanket solution, but are not context driven and do not build problem solving capability. While reformers may have some awareness of their knowledge gaps, like everyone else they will have blind spots – things they don't yet know that they don't know. An iterative, learning-focused approach like PDIA lays the groundwork for a more adaptive and agile development of policy solutions.

Problem-driven iterative adaptation (PDIA) deliberately moves away from expert-driven, top-down planning methods towards locally led problem solving, experimentation, learning and incremental adaptation. While the full method can span a 6-month period of repeated iterations or "sprints", the components presented here are to be used at a diagnosis and design stage (*Phase 1* and *2*), when complex problems are deconstructed into actionable, achievable pieces. Feasibility is a key concern – beyond diagnosing the problem, stakeholders have to map out the "change space" and actual capacity for reform in order to understand what they can realistically take on.

PDIA was developed by the *Building State Capability* program at Harvard University in 2012, and codified in a Toolkit, several online courses, videos, and a book on *Building State Capability* (2017), as well as many case studies (*see the References & Resources section*). It remains one of the most established and well-known methods of complex problem solving in a development context.

TOOL DESCRIPTION

The *PDIA Toolkit* is an excellent resource including many worksheets and examples to be used throughout the 6-month iteration process. The components or sub-tools presented here can be leveraged in a multi-day workshop with a series of iterations in a more limited timeframe. In particular, this Diagnostic Tool contains components on

Problem Construction & Deconstruction (through the *"5 Why's"* and *Fishbone Diagram*) to get clear about underlying drivers, actors involved, and potential change agents, as well as **Mapping the Change Space** (through the "*Triple A*" analysis) to understand capacity and feasibility for change.

The PDIA approach is especially designed to be used by experienced facilitators to guide local stakeholders with deep and detailed knowledge through the exploration process. In short, the tool should be used by agents who do this work and have a thorough understanding of the local context, such as representatives of various government agencies involved in BER and investment promotion. It should not be used by external consultants for a desk analysis.

Constructing the problem is the first step – to reach a shared understanding of the issue at hand, and frame the problem in a way that focuses attention on a specific change need. The questions in worksheet 1 should be answered by key change agents across the involved agencies, including decision-makers, implementers, potential allies and detractors. The answers should be backed up by evidence and data so to be convincing to others.

Having defined a shared problem statement, **deconstructing the problem** is the second step – breaking down the big issue into smaller, more manageable sets of entry points for action. This deconstruction not only allows for a more accurate and multi-faceted understanding of the problem itself, but is also key for opening up opportunities for localized, incremental solutions. The "5 Whys" Worksheet helps to drill down each problem to get to the underlying root causes, which are then pulled together visually in the fishbone diagram to see connections and interlinkages.

While this exercise should be part of the initial workshop, the involvement of a more diverse set of agents will be key, including private sector stakeholders – e.g. through participation in the workshop, as well as later Key Informant Interviews, Focus Group Discussion and surveys – as they will bring different perspectives to the problem that may add previously unknown facets and possible entry points to the deconstruction.

A "good" problem is one that:

- matters to key change agents and therefore cannot be ignored
- motivates and drives change
- can be broken down into smaller causal elements
- allows real, sequenced, strategic responses
- is locally driven, where local actors define, debate and refine the problem statement through shared consensus

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WORKSHEET 1

CONSTRUCTING YOUR PROBLEM

1. What is the problem?

2. Why does it matter?
Why (else) does it matter?
Why (else) does it matter?

3. To whom does it matter?

4. Who needs to care more?

5. How do we get them to give it more attention?
(How do we measure it or tell stories about it)

6. What will the problem look like when it is solved?

Adapted from: PDIA Toolkit, Section 1, p. 11

WORKSHEET 2

MY "5 WHY" THOUGHT SHEET

Your problem as a question:

From: PDIA Toolkit, Section 2, p. 17

🔧 PROBLEM DRIVEN ITERATIVE ADAPTATION (PDIA)
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

"FISHBONE" DECONSTRUCTION OF PROBLEM DRIVERS
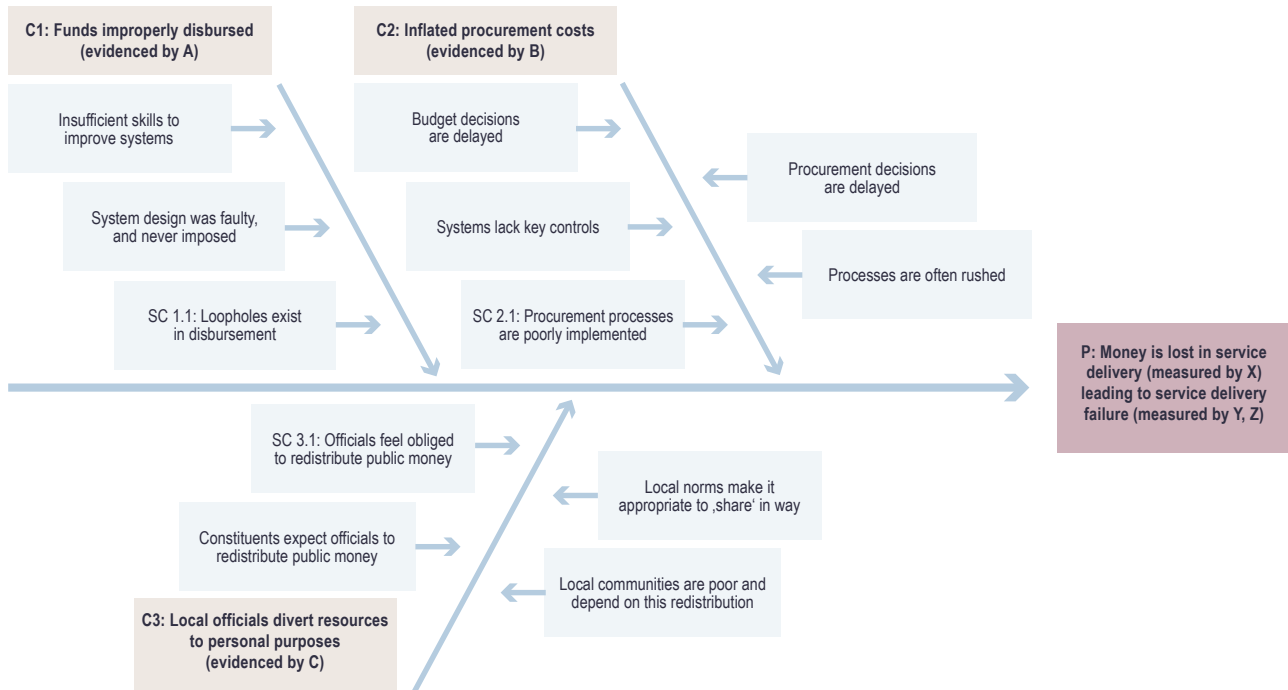
From: PDIA Toolkit, Section 2, p. 19

Having deconstructed the problem into various smaller entry points, effective sequencing of engagements to respond to them based on contextual opportunities and constraints is the key third step of PDIA. **Sequencing** means choosing and timing interventions in a way that change remains manageable by the involved institutions, and feasible within the political context.

Using the Worksheet for "Triple A Change Space Analysis", stakeholders map out the **Authority, Acceptance and Ability** of the key involved parties in each identified causal strand ("fish bone").

This analysis helps make underlying assumptions explicit, and can help prevent undue optimism about change capacity. Based on this assessment, the team can sequence the engagement, prioritizing action where the change space is significant. Often this means pursuing small changes that are manageable and achievable both by one's own team / organization and by the wider institutions as a whole. These may over time also lay the ground work for expanding the change space for larger initiatives that may have failed had they been pursued from the start, as the capacity and momentum had to be built first.

AUTHORITY	ACCEPTANCE	ABILITY
• Who has the authority to engage: Legal? Procedural? Informal? • Which of the authorizer(s) might support engagement now? • Which of them would probably not support engagement now?	• Which agents (persons / organization) have an interest in this work? *(On a scale of 1 – 10, think about how much they are likely to support engagement?)* • Which agents have influence in this work? *(Scale of 1 – 10)* • What proportion of 'strong acceptance' agents do you have? *(with above 5 on both estimates)* • What proportion of 'low acceptance' agents do you have? *(with below 5 on both estimates)*	• What is your personnel ability? ››› Who are the key (smallest group of) agents you need to 'work' on any opening engagement? ››› How much time would you need from these agents? • What is your resource ability? ››› How much money would you need to engage? ››› What other resources do you need to engage?

THE TRIPLE A – QUESTIONS FOR REFLECTION

QUESTIONS	AAA ESTIMATION *(Low, Mid, Large)*	ASSUMPTIONS
CAUSE 1:		
Overall, how much **Authority** do you think you have to engage?		
Overall, how much **Acceptance** do you think you have to engage?		
Overall, how much **Ability** do you think you have to engage?		
What is the change space for cause 1? *(large change space, some change space or no change space)* – AAA Venn diagram		
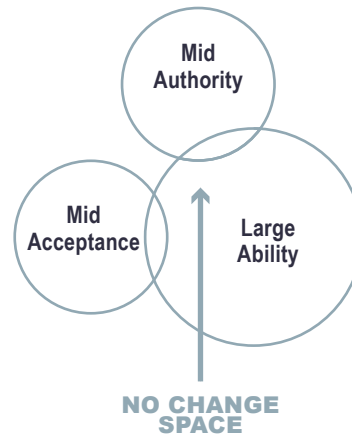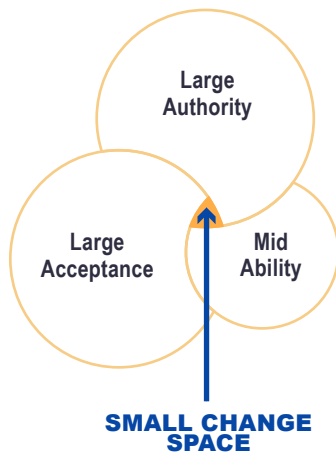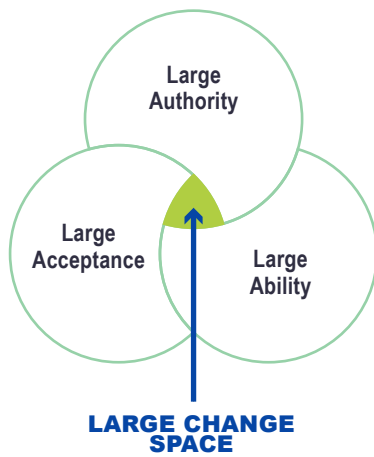
From: PDIA Toolkit, Section 3, p. 22-25

STEPS OF APPLICATION

STEP 1 ❯ STEP 2 ❯ STEP 3

The initial problem construction, deconstruction and change space analysis can be done in a multi-day workshop. This should be followed by a series of 2-week "pushes" (iterations) of information gathering through stakeholder meetings, deeper analysis, developing proposals, and engaging key decision-makers.

The full PDIA cycle spans 6 months and requires in-depth coaching and likely a mid-term workshop, moving from diagnosis into the design phase. If the timeline is more limited e.g. due to a specific donor engagement, the team may pursue a similar strategy for the period available, with a workshop at the end that charts out next steps.

STEP 1:

Launch workshop (3–4 weeks)

- The initial problem construction, deconstruction and change space analysis can be done in a multi-day "launch" workshop including stakeholders from the relevant government agencies involved in BER and investment promotion. This workshop should be an intense multi-day format of rapid idea generation, and will therefore require good preparation.

STEP 2:

Iterations (10 weeks or more)

- The workshop should be followed by a series of 2-week "pushes" (iterations) of information gathering through stakeholder meetings, deeper analysis, developing proposals, and engaging key decision-makers. Iterations should be accompanied by frequent check-ins after each push.

STEP 3:

Next Steps Workshop (1 week)

- The full PDIA cycle spans 6 months and requires in-depth coaching and likely a mid-term workshop, moving from diagnosis into the design phase. If the timeline is more limited e.g. due to a specific donor engagement, the team may pursue a similar strategy for the period available, with a workshop at the end that charts out next steps.

WORK PLAN					
TASKS	**LOE RANGE**	**M1**	**M2**	**M3**
STEP 1 **Prepare Facilitation of Workshop & Iterations**	2 – 3 weeks	✕		
Conduct Diagnosis Workshop	3 – 4 days	✕		
STEP 2 **2-week iteration & check-in**	2 weeks	✕		
2-week iteration & check-in	2 weeks	✕	✕	
2-week iteration & check-in	2 weeks		✕	
2-week iteration & check-in	2 weeks		✕	✕
2-week iteration & check-in	2 weeks			✕
STEP 3 **Next Steps Workshop**	1 day			✕

Cost Items (for facilitators):

- Labor time for coaching and facilitation: 4 – 6 weeks
- Travel costs for in-person workshops
- Rooms and workshop logistics
- Time for regular check-ins: over 12 weeks

Cost Items (for implementation team):

- Time for workshops, weekly team meetings, and regular presentations: over 12 weeks
- Time for stakeholder outreach, data collection, analysis, proposal drafting: over 10 weeks
- Travel costs for in-person workshops

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: A core focus of the whole PDIA framework is wide public-private stakeholder engagement – getting input and reactions from the "user perspective" of firms, potential investors, civil society, and other people directly impacted by the identified problem, as well as engaging the key decision-makers and authorizers. While the initial deconstruction and change space analysis within the team of reformers is an important exercise, the entire approach builds on the locally-led emergence of solution, which is impossible to achieve without wide-ranging public-private dialogue.

Green/Gender: The Diagnostic components presented here are in essence problem-agnostic, and have been applied for a variety of contexts, from BER to topics completely unrelated to the business environment, such as tackling menstrual hygiene (*see case study linked up on the next page*). Another toolkit on gender-sensitive investment climate reform in Tajikistan by *European Bank for Reconstruction and Development* also uses the "5 Why" analysis, for example. Given their openness, there is no deliberate focus to include a gender or environment perspective in the tools itself, so facilitators might have to push their government counterparts to consider these factors in their problem analysis, and to make sure that women's and "green" voices are heard in the consultation iterations.

CASE STUDY: Sri Lanka

The Building State Capability program (BSC) worked with the Sri Lankan government to improve the investment climate / business environment through a facilitated PDIA process, which aimed at increasing economic diversification and foreign direct investment. The BSC facilitators engaged a team from the Board of Investment of Sri Lanka, which consisted of officials drawn from several different departments (together with 4 other teams that worked on related BER issues). After an initial launchpad workshop, the teams worked over 6 months, with 2-week pushes / iterations. The components featured here were applied during the workshop and then used as a basis for the continued engagement.

The workshop started with **problem construction** to surface different interpretations, foster a sense of shared commitment, and promote disruption and mobilization later on. This was done through analysis and discussion of questions such as "what it is, why it matters and to whom, how would we know when it's solved," etc. supported by a memo with some data points on Sri Lanka's current business climate and leading questions shared the day before.

Then the team went on to **de-construction** with the fishbone diagram, leading to 7 main "branches" such as policy inconsistency, mismatch in meeting needs, disconnect in activities, or lack of common platform (e.g. for information sharing), each with their own sub-branches. The team assessed their criticality (impact) and accessibility (feasibility), which they rated on scale of 1–10. The "Tripe A Change Space" framework was used for assessing the feasibility of various entry points.

Lastly, the team put together next steps over very specific timeframes: they identified actions to start addressing the entry points, with concrete goals for the next 2 weeks, 1 month, 2 months, and 6 months. After having taken a first stab at this action plan during the workshop, the team submitted a more detailed plan as a "homework assignments" post workshop. After the action plan, the team did an initial mapping of the most important authorizers and stakeholders for each identified work stream.

To aid brainstorming of action ideas, PDIA suggests **4 potential domains** *where 'ideas' are often found when solutions are unknown:*
(1) *opportunities for improvement of currently existing practices;*
(2) *"latent practices", which are ideas that are "ready to emerge" in the current context if given some focused attention, e.g. through a hackathon format;*
(3) *instances where the problems have been successfully solved locally but that have not been codified or widely diffused yet ("positive deviance"), and*
(4) *external "best practices" that have solved the problems in other places, but will have to be critically examined and adjusted to the current context and place.*

The workshop was then followed by a 6-month period of 2-week iterations, in which the local teams selected key sectors to focus on (initially), identified and prioritized stakeholders to engage with, developed data collection tools and conducted Key Informant Interviews, analyzed the data and drafted reform proposals, and engaged key authorizers at relevant points along the way.

The PDIA approach allowed the teams to deconstruct a protracted and complex problem thereby making it "solvable" by breaking it down into more manageable parts and putting a key focus on feasibility and the "change space". They also engaged a whole range of stakeholders that had not been previously included in the policymaking process, thereby unearthing many previous "unknowns" and important insights.

Adapted from: Andrews et al. (2017): *Learning to improve investment climate for economic diversification in Sri Lanka*

PROBLEM DRIVEN ITERATIVE ADAPTATION (PDIA)
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

LESSONS LEARNED & SUCCESS FACTORS

Focus on learning by doing.

PDIA starts from what is feasible with the resources, context, and political momentum at hand. Many small iterations and phasing of different solution approaches enable piloting and continuous learning, with the context-specific solutions emerging over time and the team of reformers building up their institutional capacity along the way. This means that PDIA tools should never be used for a one-time analysis or only by donors or external consultants – they need to be applied by those who do the work on the ground.

Get coached on PDIA facilitation.

Facilitating a PDIA process needs training and coaching not just on the tools, but also on managing a team through an iterative learning process such as this. It is highly recommended for facilitators to take some of the courses available online (*see reference below*), or reach out to the *Building State Capability team* for direct coaching.

Decision-makers need to be involved.

In contexts where government engagement is needed (e.g. to pass reform or change regulations), it will be difficult to conduct a problem-driven iterative process on a level that does not has some access to the decision-makers whose authorization is crucial (e.g. only with private sector actors). However, if the change space analysis for example demonstrates that there is political momentum and significant support from key decision-makers for reform, a private sector driven process may still be able to feed into the policy-making process through regular advocacy and PPD.

REFERENCES & RESOURCES

- *PDIA Toolkit*
- *PDIA Toolkit Videos*
- Andrews, Pritchett, Woolcock (2017): *Building State Capability*
- Resources on PDIA on the *Beam Exchange*

Case Studies:
- Andrews et al. (2017): *Learning to improve investment climate for economic diversification in Sri Lanka*
- Andrews et al. (2017): *Learning to engage new investors in Sri Lanka*
- Andrews et al. (2017): *Learning to target for economic diversification*
- Okonmah (2019): *Using PDIA for Menstrual Hygiene in Nigeria*
- ODI blog post on *Four lessons from doing PDIA in Nepal*
- *Albania case study*

Online Courses:
- Implementing Public Policy course: *website*
- Leading Economic Growth course: *blog*, *course website*

POLICY HACKATHON

OVERVIEW		
OBJECTIVE	**Facilitate a PPD process with private stakeholders and generate ideas for reform, develop reform proposals based on a deep understanding of their needs**	
TARGET GROUP	Private sector actors, e.g. innovation hubs and business community representatives	
TIME	▉▉▢▢▢	Low / Medium
EXPERTISE	▉▉▢▢▢	Low / Medium
COST	▉▉▉▢▢	Medium
BER PHASE	DIAGNOSIS ⊙ DESIGN ✎ IMPLEMENTATION ⚙ EVALUATION ◳	

INTRODUCTION

Hackathons are a common format for fast-cycle idea generation across a variety of sectors and issues. Originating from the programming community where they have been used as competitive design-sprint events for software development, hackathons are now widely used to quickly generate ideas for a range of policy issues as well, both with and without the use of technology.

The **Policy Hackathon** is essentially a PPD tool to be leveraged at the diagnosis and design stage (*Phase 2*). In an intensive workshop format, "users" – in this case, private sector stakeholders including entrepreneurs, investors and service providers, or civil society organizations – define and articulate issues, prioritize them, brainstorm solution ideas, and draft initial policy proposals. The Hackathon can be embedded in a longer co-creation and PPD process, e.g. including an initial journey mapping and stakeholder roundtable, expert and public review phases of the draft policy, and presentations to key decision-makers, leading from diagnosis to implementation. The Hackathon serves as a fundamental step for the following phases, where the private sector community is brought together to pull their ideas into a concrete proposal which is then taken into the public discussion and refined.

This innovative and easily applicable tool for PPD was developed by *i4Policy*, the *Innovation for Policy Foundation*, and has been applied successfully in the development of several Start-Up Acts across the continent.

TOOL DESCRIPTION

The Hackathon is a one-day to multi-day workshop format similar to the PDIA launchpad workshop, in which problems are defined, solutions brainstormed, and proposals drafted. Different from *PDIA* (which is more aimed at public sector agents, and includes a political economy analysis) this tool is specifically used with the private sector and meant to generate creative yet practical ideas that are not (yet) constrained by political feasibility. It is also uniquely focused on the "user experience/journey" of businesses and on pushing them to come up with concrete proposals.

The overview below provides an outline for a one-day in-person workshop. Participants should include entrepreneurs, investors and business support professionals, as well as potentially other groups such as students. This format can be adjusted though: For example, the Rwandan Government recently co-hosted a hackathon with i4Policy during the COVID-19 pandemic, with the hackathon taking place virtually over several asynchronous sessions.

It started with an introductory public webinar, and then two 2.5-hour sessions over 2 days with a selected cohort of 60 attendees of the webinar for the challenge identification and proposal co-creation. In Senegal, the in-person hackathon was spread embedded into a 3-day sprint, during which local community leaders were trained, prepared the event, and hosted the hackathon, which resulted in the first draft of a national law that was then presented to key government institutions for feedback.

ONE-DAY POLICY HACKATHON

Unite, Define, Prioritise, Ideate and Design
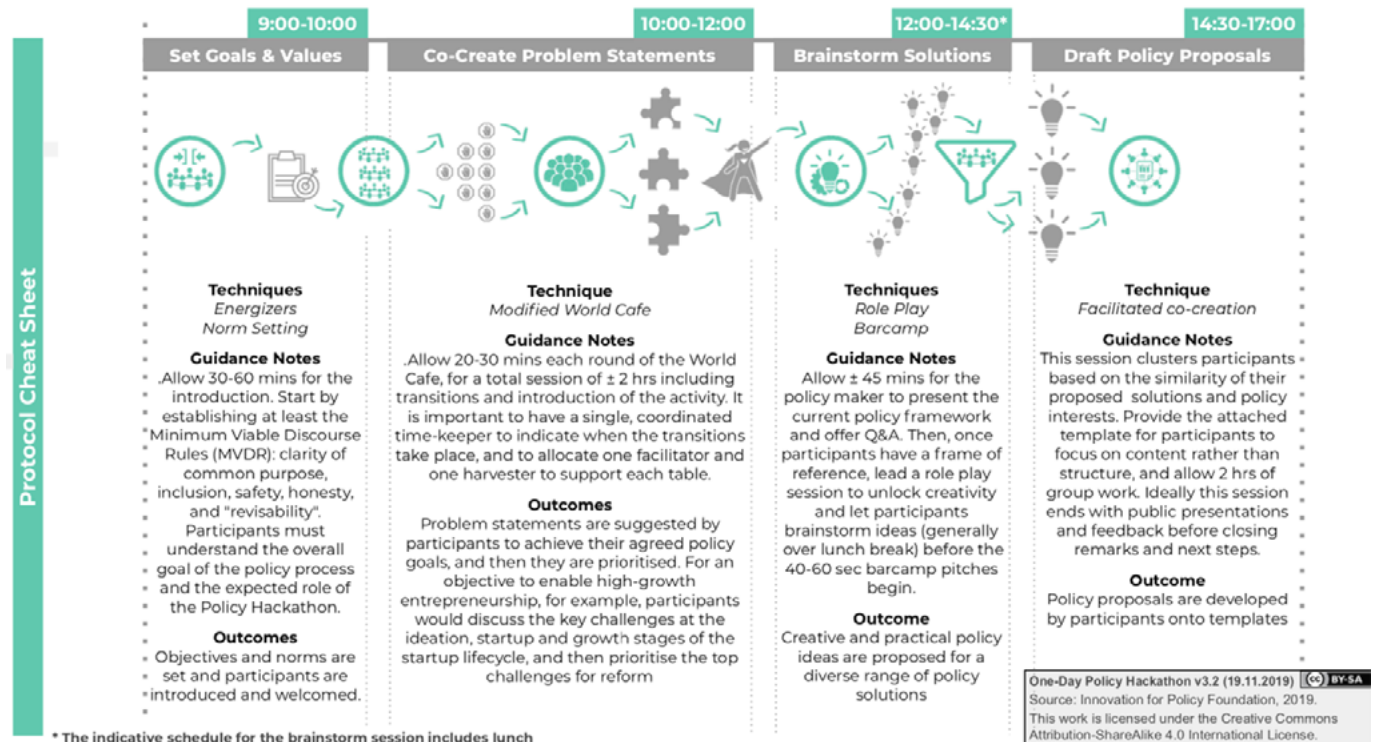
From: Innovation for Policy Foundation (2019): One-Day Policy Hackathon

CASE STUDY: Nigeria & Senegal

The **Nigerian** policy hackathon began with a facilitated brainstorm about the constraints to ideating, starting, and growing innovative businesses in Nigeria. Then participants brainstormed solutions to come up with policy intervention ideas over the lunch break.

Policy recommendations were then collected and organized along broad themes such as tax relief, startup funding, broadband infrastructure, procurement, education, research and development, etc., which were then prioritized by the participants.

Facilitators supported participants to further develop the most popular policy themes into legislative templates for policy interventions, including various time frames (quick wins and long-term solutions), as well as different formats of government action (laws, regulations, executive orders etc.).

These proposals were then presented to and discussed with selected public sector officials leading on innovation within the government, e.g. from the Office of ICT, Innovation and Entrepreneurship (OIIE).

In **Senegal**, the hackathon led to a policy proposal which was then refined with the Presidential Commission for Rapid Entrepreneurship (DER), and debated by the wider population during an online consultation that leveraged an AI-based social media chatbot. After these inputs were received, the proposal was revised through multi-stakeholder co-creation sessions led by a public-private committee, reviewed by local legal experts and finally presented to the Senegalese President in a televised public meeting. In early 2020, the Start-Up Act was passed into law by the national assembly.

Source: Laure & Stever (2019)

STEPS FOR APPLICATION

STEP 1 STEP 2 STEP 3

The hackathon method has been used by the i4Policy community in several African countries, including Rwanda, Senegal, Nigeria, Cote d'Ivoire, and Mali, as well as (planned) Niger, Burkina Faso, Togo and Benin, where they have informed the formulation of Start-up Acts aimed at improving the business environment for start-ups. The first i4policy hackathon happened at Impact Hub Kigali in 2017 and led to the local technology community being directly invited to draft sections of Rwanda's national strategy for private sector development.

STEP 1:

Prepare the Hackathon (1–3 weeks)

- Map the entrepreneurial ecosystem – create a list of key stakeholders to invite to participate
- Publicize the initiative to potential allies in the government, international organisations such as the World Bank etc. and get their buy-in early (likely some longer-term consultations will have gone on with those stakeholders already, e.g. to understand government priorities and align the hackathon with a wider policy initiative), as well as potential co-facilitators such as local incubators / accelerators and innovation hubs
- Prepare workshop materials, facilitation notes, slides, book location etc.

STEP 2:

Outreach (2–4 weeks)

- Send out invitations, run social media publicity campaign to encourage participation
- Conduct introductory webinar and select participants for the hackathon

STEP 3:

Delivery of Hackathon (1 week)

- Conduct the hackathon over 1–3 days
- Let teams refine their proposals for 2–3 days and collect draft proposals
- Distill the outcomes into a white paper

WORK PLAN				
TASKS	**LOE RANGE**	**M1**	**M2**
STEP 1 Preparation of the Hackathon	1–3 weeks	✕	
STEP 2 Initial outreach (e.g. webinar) & selection of participants	2 weeks	✕	✕
STEP 3 Delivery of hackathon	1 week		✕

Cost Items (for facilitators):

- 6 weeks of labour in preparing and delivering
- Booking rooms and purchasing workshop materials
- Additional cost of public communication and dissemination (e.g. social media campaign)

Given their relatively short timespan, the hackathons are not very costly – they do require intensive preparation, infrastructure to deliver (rooms, IT platforms, flipcharts etc.), and time spent on outreach and communications. However, as i4Policy makes all their resources public together with the "cheat sheet" featured here, it should be relatively easy to recreate the format.

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: PPD is at the heart of i4Policy's methodology and the hackathons. Although they are mainly used by the business community to generate initial proposals, their eventual success hinges upon being a co-creation process with the government (and potentially other actors like the World Bank or local law firms) in which the proposals are presented, reviewed, and jointly refined over a prolonged period or iteration. In some cases like Senegal, public-private committees were established that met regularly to develop the final policy draft. The Hackathon should be viewed as a specific tool to be integrated into a wider consultation process – it should not be the only PPD activity undertaken, but instead strategically embedded interlinked with other activities and existing PPD structures.

Gender/Green: As the hackathons are problem-agnostic, gender and environmental concerns can be integrated at any point, and facilitators may choose to prompt a reflection on these issues specifically when problem statements are drafted. Like with similar (PPD) tools, process is key here – for example, ensuring adequate female representation among the hackathon participants, and among the reviewers of the proposals further down the line. Technology can also play a key part in delivering the hackathon and wider PPD process, e.g. through online webinars and workshops, as well as public consultation processes organized e.g. through social media.

LESSONS LEARNED & SUCCESS FACTORS

Be clear in advance about roles.

To create a "safe space" for participants where they feel empowered and are able to speak freely, it is key for the hackathon to be facilitated by the business community itself. While their buy-in in the overall process is important, government representatives should attend the events mainly as "observers" and listeners who may respond to questions or provide insights when prompted, but are not the main speakers. Having outspoken "champions" of the initiative within the relevant government agencies is very important to push the work forward especially *after* the hackathon, and avoid the risk of it being a one-off activity. Thus, there is a different time for everyone involved to listen, speak, and take action.

Ensure diversity of participants.

Participants should represent different stakeholder groups (and "user personas" of business regulations). The hackathon should therefore combine an open call for application with curated invitations to key stakeholders and influencers. For example, open 1/4 of the available spots to business students, 1/4 to entrepreneurs, 1/4 to lawyers, accountants, representatives of chambers etc., and 1/4 directed at already successful local entrepreneurs.

Articulate a clear common goal.

While one great aspect of the hackathon format is its creativity and the ability to surface issues and ideas that were previously latent or unknown, it is key that all stakeholders are in agreement on the common purpose of the exercise – "what are we trying to solve / achieve". Therefore, creating a united vision at the start is key; otherwise the hackathon risks going off into too many directions and lacking buy-in.

Embed the hackathon in the policy cycle and a mapping of the existing change space.

It is key to embed the hackathon, and any other PPD initiative, in the broader policy cycle – to move away from an activity-level understanding of PPD (e.g. "organizing a series of forums on topic X") towards a process-level understanding that takes into account resources, feasibility, and who will carry the work forward after an activity is concluded. This means: mapping out the relevant actors and authorities, understanding their political priorities, understanding the timing of legislative periods, leading off the initiative with a "uniting phase" with the government, big entrepreneurs, and actors like the World Bank to create buy-in and a common goal, as well as sequencing activities appropriately.

The tools presented in this Toolkit under *PDIA* can be great additional resources for this exercise.

REFERENCES & RESOURCES

- I4Policy *Homepage* (with many resources & case studies) and *I4Policy Process*
- Laure & Stever (2019): *Policy hackathon explained: How an all-society approach can engage entrepreneurs and governments to develop better policy in West Africa.* World Bank Blogs
- Article on a series of policy hackathons in *Nigeria* (basis for the case study write-up)
- Inventory of *crowdsourced policy solutions* to support entrepreneurship development and Covid-19 response & recovery in Africa
- *Benchmarking Study on laws for Startups and Small Businesses in Africa*

EVERYDAY POLITICAL ANALYSIS

OVERVIEW	
OBJECTIVE	**A practical, hands-on tool that those implementing a BER initiative can use to rapidly analyze fluid political contexts and make fast, informed decisions that consider the political environment**
TARGET GROUP	Those working on BER initiatives who rely on political will for effective BER
TIME	Low
EXPERTISE	Low
COST	Low
BER PHASE	DIAGNOSIS → DESIGN → IMPLEMENTATION → EVALUATION

INTRODUCTION

Many sensible business environment reforms do not happen at all or falter during implementation due to an unfavorable political environment. Understanding the political economy in which BER initiatives are operating is recognized as an important preparatory step. Yet too often political economy analysis (PEA) is only done at the start of a new reform initiative and never revisited. It often results in a long, rarely-read report that is heavy on description but light on practical guidance for shaping the political economy. PEA is frequently perceived as something that an external expert must do while those working on the reform focus on technical implementation. This scenario, though common, often results in business environment reform initiatives having a dated understanding of the political environment in which they are operating that limits their effectiveness.

The **Everyday Political Analysis tool** was developed to respond directly to these issues by serving as a practical, hands-on tool that those implementing a BER initiative can use to rapidly analyze fluid political contexts and make fast, informed decisions that consider the political environment. It was selected given – unlike many tools for conducting political economy analysis – its practicality for application with limited time and financial resources. Whereas many PEA tools focus on analyzing a sector, a country, a region, or a problem, EPA focuses on conducting political economy analysis (PEA) of specific individuals with influence on the reform process and individuals who act as opinion leaders in the reform process.

It is relevant in *Phase 2* (Design) of the BER cycle, as it can help to answer the following questions:

- What are the political dynamics that shape how a solution should be designed?
- What are the risks that could undermine the interventions that I'm designing?

It is also very helpful in *Phase 3* in the BER Cycle (Implementation). As the tool itself notes, "its relative strength – its quick and iterative nature – aims to help users to respond rapidly to unexpected change mid-program."[*] It can help to address the following questions:

- What are the key political roadblocks that could derail the design of my BER intervention or project?
- What are the main influencers on the people who influence whether my target reforms happen? Who are potential allies and who are potential detractors?

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[*] David Hudson, Heather Marquette, and Sam Waldock of the Developmental Leadership Program at the University of Birmingham. (2016) *Everyday Political Analysis.*

TOOL DESCRIPTION

EPA is well suited for anyone who is leading a reform initiative and either anticipates they may face political roadblocks or is always encountering them. Before applying EPA, the user must first determine who is being analyzed. This is typically one or multiple individuals with influence on the outcome of a business environment reform initiative such as a policy-maker, politician, activist, head of a union or business association, or traditional leader. It could also be an organization (such as a ministry) or a coalition, though doing so is a bit more complicated as the individuals within an organization may have differing incentives and interests.

Each step consists of **five questions** for the user to ask. Sometimes it will be adequate to just apply step 1, while in other cases it will be appropriate to apply *steps 1 and 2*.

STEP 1:

Understanding the interests that influence how the focus individuals see the BER

QUESTIONS TO UNDERSTAND INTERESTS	
QUESTION	**PROBING QUESTIONS**
1.1. Is what they want clear?	Is it to secure a source of income? To secure power? To repay a favour? To make the world a better place? Is the person pursuing short- or longer-term goals? Are they focused on achieving one thing or lots of things? Are their goals aligned or in tension? Is the objective to block change or a reform / action or actually inaction? And how confident are they in their position?
1.2. Are they acting in line with their core beliefs?	Does it seem likely that their apparent objectives are in line with their beliefs? People's track records / past behaviour are important clues to this. Is what they say sincerely held or convenient rhetoric? What are the justifications given?
1.3. Do you understand the constraints they face?	Are their decisions inevitable? Is there evidence that suggests that they view their position as constrained? Or could they be presenting the constraints strategically to avoid having to justify their decision? Are these constraints formal, legal rules or policies? Are these actually more structural factors – which serve to shape existing institutions – such as the class or caste system, the distribution of assets and land, demographic change or fiscal constraints, all of which shape the institutions?
1.4. Is it clear who and what the key influences on them are?	Does their behaviour reflect the interests of others? Bearing in mind who they have to work with and report to, who are the other key stakeholders that they currently work with or are trying to work with? How are these other individuals or organisations influencing them? Is this through sources of money, access to or security of employment, or other resources? Do others wield authority (traditional, political, religious or expertise) over them? Have you considered both local and international actors, including donors? Do you have any influence over outcomes? Are you skewing incentives?
1.5. Is their behavior being shaped by social norms about what is appropriate?	Which norms? Are they customs, cultural, ethnic, gendered, religious? Do the norms valorise or limit behavior? How powerful and legitimate is the norm? Does the norm align with or cut against 1–4 above? Is it specific to their situation or a general societal norm? Refer to *BAND* for more information on understanding relevant social norms.

Adapted from: David Hudson et al. (2016)

STEP 2:

Understanding the space and capacity of the selected individuals to support or impede the BER

QUESTIONS TO UNDERSTAND CHANGE

QUESTION	PROBING QUESTIONS
2.1. Are they the key decision maker?	Who gets to decide, vote, sign off, fund, chair the process? This is not just about the formal decision-making chain but those people/organizations that hold informal power over a decision. Who could veto it? Can they influence these people? Do these other people influence them?
2.2. Do they have potential coalition partners?	Are they trying to go it alone? Are there like-minded individuals or groups? Can they work beyond the usual suspects, e.g. private sector, the military, faith leaders? What's the glue that could hold the coalition together? Do you know if there's been a deal? Are interests aligned around an objective or values? Are they key brokers or "kingmakers" that hold different parts together?
2.3. Are their key decision points clear?	What is the known timeline? Are there windows of opportunity? How many decision points need to be passed for them to achieve their objectives? Which decision points present the most risk to them achieving their objectives, and why?
2.4. Is their framing of the issue likely to be successful?	Will they convince other powerful stakeholders that the change is in their interests? Does it resonate with local social and political norms? If it doesn't, is it likely to provoke antagonism and backlash? Are they doing so on purpose?
2.5. Are they playing on more than one chessboard?	Most people are trying to achieve multiple things at once. How do these relate to your reform? Do you need to return to *Step 1.1* to figure out if you are really clear on their objective(s)?

Adapted from: David Hudson et al. (2016)

After answering the above questions, the user should apply the following framework to assess whether the answer to the question is yes, no, or the answer is unclear.

CONCLUSION

ANSWER	NEXT STEPS
Yes/No	• How confident are you? Is this sufficient for you to make your decision, or would it be useful to carry on through the subsequent statements to help explain and deepen your analysis? • Given the available evidence, is your analysis 'robust enough'? • Have you triangulated your evidence/thinking against other sources?
Not sure	• This is the most likely initial answer. Will more thinking help or is it time to try something different? • If the response remains 'Don't know', and the issue is important, then it might be advisable to reach out to colleagues or contacts who understand the context well to help answer the question, or consider commissioning more in-depth expert political analysis. • Finally, there may be times when the answer will always be an honest 'Not Sure / Don't Know / It's my best guess!' More information may not provide an answer – it's not a magic key. A judgement call may be necessary, followed by a plan to test the strategy.

Adapted from: David Hudson et al. (2016)

STEPS FOR APPLICATION

STEP 1 ⟩ STEP 2

EPA has been designed to be a straightforward and rapid tool. It can be applied in a very straightforward manner or be somewhat more involved if more input is required. The following workplan shows how the time requirements would vary depending on the depth of analysis that is conducted.

EPA can be applied by a single user, using their own learning and perceptions. This application can take as little as 2 – 4 hours.

A somewhat more in-depth application of EPA would include collecting data from interviews with key informants, discussions with colleagues, and reviewing available documents. This application would take between 4 hours and 3 days.

WORK PLAN

TASKS	TIME	W1
STEP 1 **Light self-application of EPA**	0.25 – 0.5 days	✖
STEP 2 **Moderate application of EPA, using discussions and desk research**	0.5 – 3 days	✖

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: EPA can integrate nicely with PPDs. When the EPA reveals that the user has limited understanding of how to address roadblocks in the political environment, a PPD can help to validate and refine the preliminary analysis. When the EPA finds a lack of political support for the reform, a PPD can be a useful tool to develop a strategy to respond.

Gender / Green: EPA can be applied as a tool to understand the enablers and roadblocks of cross-cutting themes, including gender equality, green growth, and reducing conflict and fragility.

LESSONS LEARNED & SUCCESS FACTORS

Below are some lessons learned from applying this tool on BER initiatives:

Access relevant information.

To conduct EPA, you need to have a minimum level of information to effectively assess the political context; otherwise there is a risk of wild speculation and inappropriate conclusions. Users will need to obtain this information when they are not well connected to key decision-makers.

Build a network.

One way to overcome information gaps is through networks. Applying the EPA requires having significant insights into the motivations and context of the politically powerful. If the user does not have direct access to these individuals, building a network of well-connected individuals for gaining these insights will be required.

Don't forget the broader system.

EPA is applied to understanding specific individuals in leadership roles that help determine whether efforts to improve the business environment have been initiated. There is a risk that the person applying EPA doesn't adequately consider the context in which those individuals are operating. Doing so overlooks that the system in which any individual is operating has a significant influence on the incentives they have and hence the decisions they make. While this allows an understanding of the system from the perspective of those within it, an overly individualistic focus can lead a BER initiative to 'put all their eggs in one basket' by relying on a single reform champion. If that champion leaves their position, all of the progress gained can be lost. Instead, focus on building a coalition for change.

Apply periodically.

EPA should be viewed as a process that is periodically applied to refine an understanding of the system, particularly when the political environment is evolving, rather than producing a one-off output.

Take a light touch approach.

Like many tools, it is possible to overcomplicate the EPA. Although the user could spend months researching the EPA's questions, it is better to apply the tool only to the extent necessary to move forward, and then revisit the analysis later.

Avoid analysis paralysis.

There's a risk that those applying the tool will understand the situation better but be unclear about how to act on the analysis. Using related tools like *DCED Results Chain* can help to determine whether the changes you've identified seem likely you have challenged some of the core assumptions underlying a BER initiative.

REFERENCES & RESOURCES

- David Hudson, Heather Marquette, and Sam Waldock. (2016) *Everyday Political Analysis*. Developmental Leadership Program at the University of Birmingham.

ADVOCACY CAPACITY BUILDING

OVERVIEW	
OBJECTIVE	**Build the capacity of advocacy organizations such as business membership organizations (BMOs) to engage in the policy reform process and to advocate effectively for the interests of their members**
TARGET GROUP	Private sector and civil society groups
TIME	Low
EXPERTISE	Low
COST	Low
BER PHASE	DIAGNOSIS DESIGN IMPLEMENTATION EVALUATION

INTRODUCTION

Business membership organizations (BMOs) are key consultation partners in PPD and important advocates for BER concerns and initiatives with the government. This **Advocacy Capacity Building tool** aims to provide them with several hands-on resources to improve the efficacy of their stakeholder engagement efforts, that are fast and easy to implement.

The tool supports advocacy organizations such as BMOs to develop policy proposals, champion them throughout the policymaking process, and remain a partner in drafting and implementing regulations. It is part of a larger resource developed by the ILO to build advocacy's and BMO's capacity, including sub-tools and guides to conduct an initial capacity assessment, for various research and data collection strategies, for stakeholder and political economy analysis, and on developing policy proposals as well as planning and implementing an advocacy campaign. These resources are very practical, including checklists to review the advocacy organization's own current standing and capacity gaps, lessons learned from other organizations, practical exercises, and key talking points.

The three select components featured here can be used in various ways – as a benchmark of BMO's current approaches, to develop greater expertise on specific aspects of advocacy, or to broaden the portfolio of the organization's own tools and practices. They are part of the ILO's toolkit on *Building effective employer and business membership organizations*, which is one of many hands-on resources, guidelines, and capacity building materials listed below. The ILO's long-standing engagement with social partners has enabled them to develop these resources directly for the perspective of the private sector, and they have leveraged them in their own BER work.

TOOL DESCRIPTION

The full Advocacy Resource is a comprehensive guide with 8 steps from issue identification to developing a campaign plan and communicating success to members, with sub-tools for strategy development and tactics (*see Figure on the next page*). While they are targeted at BMOs, any other advocacy organization (unions, non-governmental organizations etc.) might leverage the same tools and advice.

MAXIMISING THE IMPACT OF THE VOICE OF BUSINESS

A blueprint for a succesful approach to advocacy

STRATEGY					TACTICS	
Identifying advocacy issues	**Selecting advocacy priorities**	**Producing a National Business Agenda**	**Identifying and analysing the supporting and opposing forces**	**Producing the layered folio**	**Developing detailed campaign tactics for each issue**	**Producing a campaign plan for each business agenda issue**
▪ Existing advocacy agenda ▪ PEST analysis ▪ (SW)OT analysis	▪ CIPE relevance analysis ▪ Canvassing member views ▪ Designing a member survey ▪ Board review	▪ Develop policy objectives ▪ Draft national business agenda ▪ Board approval	▪ DPS analysis ▪ Prediction of opposing arguments	▪ Key issues ▪ Sound bites ▪ Key facts ▪ Issue briefs ▪ Detailed background brief	▪ Issue tracking ▪ Insider and outsider targets ▪ Messengers ▪ Coalitions	▪ Combine issues, timing, targets, messengers and tools and budget

Adapted from: ILO (2005), p. 40

This advocacy tool contains three components for the following steps: Identifying Advocacy Issues (*Advocacy Targets & Tactics Checklist*), Identifying and Analyzing Supporting and Opposing Forces (*Distributive Policy Spreadsheet*), and Producing a Layered Portfolio (*Developing an Effective Press Release & Fact Sheet*)

STEP 1:

Identifying supporting & opposing forces: Distributive Policy Spreadsheet

To effectively build alliances and get realistic about the interests behind different actors' positions, the Distributive Policy Spreadsheet enables BMOs to map the stakeholder space and identify allies as well as potential opponents on a given policy issue, as well as understand their incentives and likely course of action. The definitions of what issue or issue-areas are involved, as well as which groups or individuals should be considered relevant political actors, depend on the problem that is being addressed, and on the geographical area in question. With these elements in mind, the spreadsheet provides a convenient way of assessing the likely political action on each side of a particular issue.

An initial analysis can be done in 2–3 hours, and should be refined over time as new information emerges. Optimally, this spreadsheet will become a "database" of policy actors in which their standing on a variety of issues is recorded over time, allowing the BMO to go back to this data later and map out their partners' and opponents' issue trajectories.

THE DISTRIBUTIVE POLITICS SPREADSHEET

	Supporting Interests for issues being considered	Demand side			Supply side				Prediction
		Benefits from supporting for each group			Ability to generate political action of each group				Amount of effective political action
	Interests	Substitutes	Magnitude	Per capita	Numbers	Coverage	Resources	Cost of organizing	
IDENTIFICATION OF POSSIBLE COALITION PARTNERS	Group 1 Group 2 …	…………… ……………	…………… ……………	…………… ……………	…………… ……………	…………… ……………	…………… ……………	…………… ……………	

	Opposing interests for issue being considered	Demand side			Supply side				Prediction
		Benefits from supporting for each group			Ability to generate political action of each group				Amount of effective political action
	Interests	Substitutes	Magnitude	Per capita	Numbers	Coverage	Resources	Cost of organizing	
ASSESSMENT OF OPPOSING INTERESTS	Group 1 Group 2 …	…………… ……………	…………… ……………	…………… ……………	…………… ……………	…………… ……………	…………… ……………	…………… ……………	

EXAMPLE FOR SPECIFIC ACTOR

THE ISSUE	„Opposing government proposals to impose stricter limits on maximum working time".

SUPPORTING INTERESTS ANALYSIS – POSSIBLE COALITION PARTNERS

Group 1 CHAMBERS OF COMMERCE	**Benefits accruing from supporting**	Substitutes	Lower substitute action rating – will be an issue high on their agenda.
		Magnitude	High effect on membership through reduced fexibility, high bureaucratic recording requirements and expensive recruitment.
		Per capita	Most members will be affected – some at high per capita cost of compliance. Many with medium to high costs.
	Ability to generate political action	Numbers	The chambers have 20,000 members, around 15,000 will be adversely affected and can be mobilized to support.
		Coverage	Good political and media coverage from the chambers themselves and their members.
		Resources	Relatively high level of resources likely to be made available.
		Cost of organizing	Will use regular advocacy machinery – no extraordinary costs envisaged.
PREDICTION	Chambers of commerce are potentially valuable coalition members. Many of their members are affected and the effect of the proposals on small businesses will be a strong argument. Need therefore to get them on board for a general campaign.		

Adapted from: ILO (2005), p. 14

STEP 2:

Best Practices: Developing an Effective Press Release & Fact Sheet

These two checklists provide some key guidance on delivering impactful public statements in the form of press releases and fact sheets. Likely, advocacy organizations and BMOs will already have written such documents in the past and may use the checklists to compare their outputs against the criteria.

Where significant need for improvement is identified, BMOs may use these checklists as the basis for a writing workshop with their advocacy team for example, in which the team re-writes/re-designs previous press releases and fact sheets to be more stringent, and/or develops new drafts for current advocacy topics that undergo a joint discussion and feedback process.

PRODUCING EXCELLENT FACT SHEETS

Plan your Factsheet	**Identify your purpose** • Why do you want to distribute a fact sheet? • What do you want your audience to understand and believe? **Know your audience** • Who are you trying to reach? • What does your audience already know, think, and feel about the topic? What else do they want to know?
Make it easy for people to find the information they want	**Provide answers for the questions people are most frequently asking** • What is happening realted to my concerns or issues? • How does this affect me?
Use understandable text and illustrations	• Focus on the big picture – don't use too many details • Keep the message straightforward and the language simple • Cut the jargon • Limit the use of acronyms, and define the ones you do use
Use as few numbers as possible	**If you need to use numbers:** • Remember that numbers are not second nature to most people • Consider using an analogy to explain small amounts and relate numbers to something familiar • Use whole numbers and fractions instead of decimal points • If you must use scientific notation, explain first, and then be consistent
Design a visually appealing and user-friendly factsheet	• Use drawings, graphics, and photos as much as possible to convey your message • Use bullets instead of long paragraph of text • Break up text by using a question-an-answer format of by using helpful headings
Make it easy for people to provide feedback or request more information	• Provide a point of contact • Provide other sources of information

WRITING AN EFFECTIVE PRESS RELEASE

CLARITY	**When journalists see your release they will decide whether to read in a matter of seconds. They want to see:** · **Who is the release from?** › Make sure your organization's name and logo feature prominently at the top; · **Is it news?** › Put the release date and time and any embargo date and time; · **What's it about?** › A maximum two line „newspaper style" headline that summarizes the content; · **Who can I interview?** › The name and contact details of someone to contact for more information.
BREVITY	A press release should not be more that one side of A4 and as a discipline should be double-spaced. You are not writing a story for the journalist to print. Only include the most important arguments and data – if the journalists are interested they will want to follow up the story with their own questions and from their own angle.
STYLE	**The ideal structure for a press release is:** · **Headline** › A maximum two line „newspaper style" headline that summarizes the content. · **Introduction** › 8 to 10 lines of text containing the key messages of the release. It should say who, what, where, when, how, why. · **Quote** › Should be short, memorable and from someone worth quoting i.e. a name, company, title or job that is recognizable. Distil the strongest message into the fewest words. A long quote will either not be used, or worse, will be cut to give a spin that you might not like! · **Description, figures and / or graphics** › Put any list in descending order of importance and provide numbers that enable the journalist to quantify the issue. Always state the source of any information. · **Any crucial background** that will set the release into a broader context. · **Who you are** › Two sentences that describe your organization, who you represent and its objectives. Add your website address. · **Contact person** › The name and telephone number of someone who will provide further information … quickly!
FORMAT	Many organizations produce a comprehensive style guide for their press releases containing standard layouts, type-faces etc. If you issue a lot of releases this makes each of your documents immediately recognizable.

Adapted from: ILO (2005), p. 30 & 33

CASE STUDY: Employers Consultative Association of Malawi

The Employers Consultative Association of Malawi (ECAM) reached out to the ILO to build out its capacity in policy advocacy, as its members had requested that the organization take a more active role in influencing and reforming the legal and regulatory business environment.

ECAM used the advocacy benchmarking tools and guides presented here to assess its capacity and build coalitions through Industry Sector Focus Group Discussions, which led social partners and various stakeholders to form common positions about policy dialogue. Together with the ILO, ECAM also conducted a broader assessment of the investment climate, and hired an economist to bolster its ability to develop relevant research.

As a result of these capacity and alliance building efforts, ECAM developed a Tripartite Action Plan and a Business Agenda, and was given a seat on the Private Development Strategy Committee at the Ministry of Industry and Trade. As such, ECAM was successful in enhancing its recognition and visibility as a major player in policy discourse on BER, and built out its capacity to mobilize members and resources, as well as promote evidence-based advocacy.

Source: ILO EESE *Case Study* from Malawi

STEP 3:

Advocacy Targets & Tactics Checklist

Lastly, organizations and BMOs may want to take a step back and conduct a wider capacity assessment of their current level of preparedness to engage in advocacy.

The *Advocacy Targets & Tactics Checklist* can be used in a benchmarking workshop with the organization's or BMO's team to map capacity and gaps, and to develop next steps in terms of needs for improvement.

THE ADVOCACY TARGETS & TACTICS CHECKLIST

- ☐ Do you have a clear understanding of the policy making process and timing for each of your business agenda priorities? Have you aligned your advocacy timelines?
- ☐ Have you identified the most important insider and outsider lobbying targets at each stage of the process, and do you know when approaches will be most effective?
- ☐ Are your lobbying targets the correct ones for the stage of issue development i.e. you are not leap-frogging?
- ☐ Have you focused in particular on the early stages of issue development when ideas are likely to be more fluid?
- ☐ Do you have a strategy vis-à-vis insider targets to move from being a lobbyist to being part of the policy making process?
- ☐ Do you have a media strategy? Does your organization have clear guidelines for the production and distribution of press releases?
- ☐ Do you have a complete and up to date list of relevant media and journalists?
- ☐ Do you have a strategy to make your organization the "media choice" for hearing the views of business on your advocacy agenda items?
- ☐ Do you have a process for tracking which journalists pick up your releases and which cover the issues on your agenda, and to develop key contacts?
- ☐ Have you selected appropriate messengers?
- ☐ Do you have a strategy for mobilizing member support for your advocacy objectives?
- ☐ Do you communicate advocacy actions and successes to your members frequently and regularly?
- ☐ Do you know who the most important supporters and opponents will be for each advocacy objective? Have you reviewed their capacity and the likely strength of their support / opposition?
- ☐ Do you have a plan for coalition building for your National Business Agenda as a whole, and the priority items in it?
- ☐ Are your chief executives regularly invited to participate in PPD consultations such as parliamentary hearings and one-on-one meetings with political authorities?
- ☐ Are your tactical approaches kept constantly under review to assess their effectiveness and to respond immediately to changes that present opportunities or threats?
- ☐ Is the information that you provide to members and externally (fact sheets, press packs, other materials) always up to date?

Adapted from: ILO (2005), p. 42, and ILO (2018) Checklist

STEPS FOR APPLICATION

STEP 1 ⟩ STEP 2 ⟩ STEP 3

Each of the components featured here can be used in a standalone exercise, or they can be combined into a focused advocacy strategy development session, where BMOs may choose to select further components from the same ILO resource. Below are some suggestions for application.

⟩⟩⟩ **STEP 1:**

Benchmark & Strategize Advocacy Capacity (1 day)

- Use the Advocacy Targets & Tactics checklist in a 2-hour strategy session to map the BMO's advocacy capacity and gaps, and to develop next steps in terms of needs for improvement.

⟩⟩⟩ **STEP 2:**

Identify Supporting & Opposing Forces (2 days)

- Send out the Distributive Policy Spreadsheet to the advocacy team and have each team member fill it individually and submit to a facilitator.
- Facilitator does initial synthesis into one joint stakeholder map.
- Conduct 2–3-hour workshop with the team to consolidate, and to select organizations to engage e.g. in partnerships or negotiations.

⟩⟩⟩ **STEP 3:**

Writing Workshop: Developing an Effective Press Release / Fact Sheet (1–2 days)

Conduct 3 hour writing workshop in which the team to …

1. Critically analyze current advocacy documents and identify areas for improvement;
2. Select a topic and each team member writes up a fast example memo based on the guidance
3. Present the memos and discuss what works and what still needs improvement; and agree on next steps, e.g. developing templates or style guides.

The 3 components presented here are straightforward to apply and require little investment in terms of time, expertise, and additional resources. They can be conducted with only the *Advocacy Guide* as basis and leveraging the BMO's existing capacities, or the organization may choose to hire some external expertise (e.g. a writing coach to conduct the writing workshop, or a strategy consultant to support the benchmarking and strategy development).

WORK PLAN

TASKS		LOE RANGE	M1
STEP 1	Benchmarking strategy session	1 day	✖
STEP 2	Stakeholder mapping exercise	2 days	✖
STEP 3	Writing workshop	1–2 days	✖

Cost Items:

- Labour costs: 4–5 days for delivery, another 4–5 days to prepare

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: All the tools presented here are meant to build the capacity of (private or non-governmental) organizations engaging in advocacy and PPD.

Gender/Green: While there is no focus on cross-cutting topics such as gender, green growth, or technology, organizations working on these issues specifically may of course also use these advocacy resources for their own purpose. The Advocacy Targets & Tactics Checklist could also be expanded to probe for an effective social media strategy.

LESSONS LEARNED & SUCCESS FACTORS

Focus and build alliances.

The political space is often crowded with different BMOs, unions, informal entrepreneurs' associations, cooperatives, and other civil society organizations that take an interest in the business environment. As part of their stakeholder mapping, organizations should

1. have a clear understanding of their specific mandate and "unique selling proposition", and
2. seek synergies with other organizations to build coalitions around specific common interests.

Develop a clear mandate.

Organizations must be clear about their advocacy objectives, and need a direct mandate from their members to pursue these goals. This is key to develop a stand-out profile (e.g. becoming the "go-to" organization for specific topics), to avoid being pulled into too many directions, and to define one's role and contribution within advocacy coalitions. Developing this mandate may include an analysis of the enabling environment and of the organization's strengths and weaknesses (e.g. SWOT).

Prioritize issues to engage on.

The business environment is very broad, and BMOs will rarely be able to cover all aspects in their work. Part of developing a national business and advocacy agenda will therefore be prioritizing issues strategically.

Use international data to create visibility and urgency.

International rankings such as the World Bank's Doing Business are widely known and very visible to policymakers. They can be a great starting point to mobilize political momentum for reform, but should be followed up by more in-depth, contextualized assessments of constraints and advocacy needs through collecting data from BMO members and other economic stakeholders.

Value your members.

While the tools presented here are mainly to be used for "top-down" analysis e.g. by a BMO's core team, advocacy efforts hinge upon the organization's ability to effectively mobilize its members. Thus, informing members regularly, making the agenda development as participative as possible, and seeking out opportunities to involve them at every stage is key for getting buy-in and ensuring a strong, unified voice.

REFERENCES & RESOURCES

- ILO (2005): *Building effective employer and business membership organizations*, including the *Advocacy Guide*
- ILO EESE: *BMO Toolkit*
- ILO ACTEMP (2018): *Employers' and Business Member Organizations training resources*, including on *Lobbying and Advocacy*
- ILO ACTEMP: E-Learning Module on Lobbying and Advocacy (*English*, *French*, *Spanish*)
- *Case Studies* of the ILO EESE BMO Toolkit application, including *Malawi*

BEHAVIORAL ANALYSIS AND NORMS DIAGNOSTIC TOOL (BAND)

OVERVIEW	
OBJECTIVE	**Enable reformers to identify and understand the social norms that shape the economic behavior of stakeholders in the business environment, design policies that target behavior change, and assess their impact**
TARGET GROUP	Public and private sector institutions designing and implementing BER interventions
TIME	▪▪▪▪▪ High
EXPERTISE	▪▪▪▪▪ High
COST	▪▪▪▪▪ High
BER PHASE	DIAGNOSIS → DESIGN → IMPLEMENTATION → EVALUATION

INTRODUCTION

Business environment reform has primarily focused on changing the formal policies, rules and regulations that govern economic behavior. These include tax policy, labor laws, and sector-specific regulations. However, there has been increasing recognition that policy change alone is often inadequate to drive desired behavior change, and can even lead to unintended outcomes and mis-aligned incentives if not designed well. New laws may not be implemented by officials and agencies on the ground, or they may be ignored by the actors they are meant to affect. In other cases, reformers realize that the law alone is only one part of what influences how an economy works. For example, reforming trade policy to create additional demand for a country's exports must be matched by a supply response by exporters. There is increasing recognition that social norms – the informal rules that are shared by people in a given society or group – play a critical role in shaping how the business environment functions. While behavioral insights are increasingly recognized as a useful tool to enhance the effectiveness of policies including in the business environment, e.g. to encourage compliance with tax regulations (*see BIT 2019 for a framework and further examples*), there has not been a practical method for identifying and measuring changes to social norms specifically.

The Behavioral Analysis and Norms Diagnostic (BAND) Tool has been designed to address this issue by identifying and understanding the social norms that shape economic behavior. It is most relevant at the **design** stage to determine how to effectively address impediments to the desired improvements in the business environment and what interventions to select. It can also be useful **throughout the reform process** when new partners and stakeholders are identified, and policymakers want to understand the social norms influencing how people understand and interact with these institutions. Lastly, it can be applied at the **evaluation** phase to understand whether target behaviors and norms have changed. BAND is particularly relevant for users who have identified issues in the business environment that they want to address, but recognize that changing the behaviors of those affected by the policy will not be easy. BAND was selected for this Toolbox given its practical approach to identifying solutions to address business environment reform implementation challenges.

This tool was developed by MarketShare Associates (MSA), a global consulting firm, in 2016. BAND has been applied for challenges on reforming the business environment but has also been applied to other sectors including agriculture, low-income housing, retail, workforce development and access to finance.

BEHAVIORAL ANALYSIS AND NORMS DIAGNOSTIC TOOL (BAND)
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

TOOL DESCRIPTION

BAND can be used by any organization that is supporting business environment reform, which may include government agencies, traditional "social partners" (BMOs and workers' organizations), business and investor networks, and even development partners to the extent that they are involved.

BAND is a tool for identifying and analyzing critical behaviors that includes the following four key phases. Each phase is described in detail below:

BEHAVIORAL ANALYSIS AND NORMS DIAGNOSTICS (BAND) TOOL

1. Identify the priority behavior change objective(s)

2. Diagnose and prioritize the inhibiting behaviors and behavioral drivers

3. Conduct a social norms deep dive

4. Design and validate interventions

5. Implement the interventions
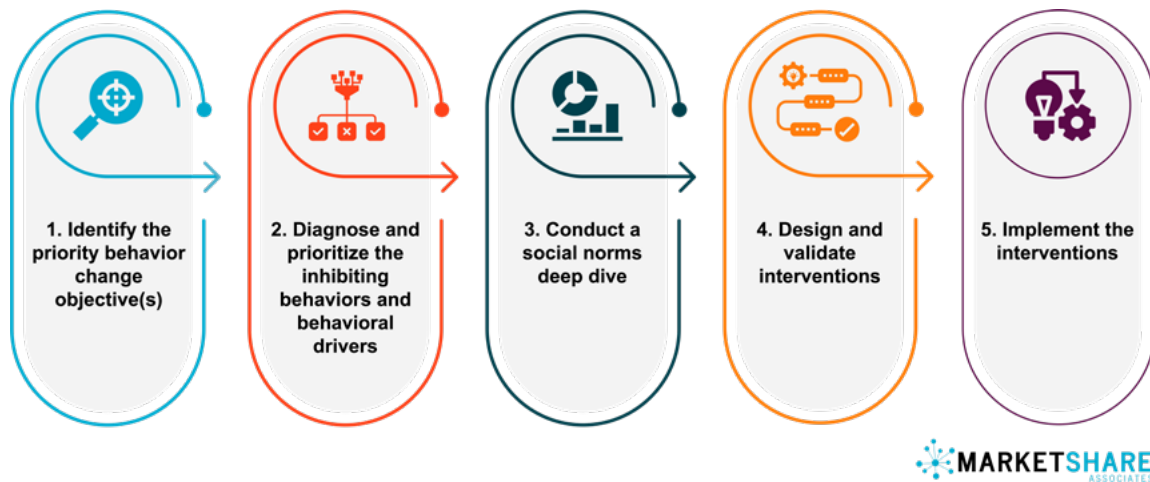
MARKETSHARE ASSOCIATES

STEP 1:

Select the priority behavior change objective(s)

The first phase in applying MSA's BAND tool is to identify the critical behavior changes that are required for a business environment reform to work. These typically do not include administrative or policy changes (e.g., changing a tax policy), but rather the subsequent behaviors of groups of individuals or institutions that are needed for those reforms to create desired change. Examples of these 'behavior change objectives' can include:

- More businesses are registering with the government and operating in the formal sector.
- Fewer businesses are selling counterfeit agricultural inputs.
- More female entrepreneurs are using financial services.
- More women are entering the labor force.

BAND should be applied to the most difficult-to-change behaviors. This can be the case, for example, where common behaviors do not seem to be 'rational' when viewed from an economic lens and there are other less visible drivers informing them.

It is also important to recognize that users (e.g. policymakers) themselves are influenced by social norms and will hold preconceived ideas and biases as a result. Therefore, in the process of identifying priority behavior change goals, users should critically reflect on their own notions and assumptions, and validate the behavior change objectives with a range of stakeholders, e.g. consulting with businesses well as experts on the specific policy area.

🔧 BEHAVIORAL ANALYSIS AND NORMS DIAGNOSTIC TOOL (BAND)
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

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STEP 2:

Diagnose and prioritize the inhibiting behaviors and behavioral drivers

The second phase in BAND is to diagnose the behaviors that inhibit the desired priority change objectives. For example, when diagnosing the change objective "more women are entering the labor force", underlying behaviors could include the following:

- Women do not apply for jobs.
- Employers do not treat women well.
- Businesses hire men rather than women.

This is done by conducting qualitative and sometimes quantitative research with key informants that are relevant to the selected behavior change objectives through in-depth surveys testing for the prevalence of different **behavioral drivers**. This may include government workers, firms, employees, or community members.

The research identifies the drivers of these behaviors and if social norms are (or are not) an underlying factor. Behavioral drivers are the factors influencing people and institutions' behaviors.

BAND breaks up drivers by structural drivers (such as the availability, accessibility or affordability of a product or service), internal drivers (including knowledge, skills, personal preferences), or collective drivers (i.e., social norms, relationships, social networks). The tool helps users identify various drivers and then hone in further on social norms given their strong influence on behavior and their difficulty to unpack.

For example, the *following figure* demonstrates how each of these types of drivers influence microentrepreneurs' reluctance to operate in the formal sector. Structural drivers include the time and cost required and inadequate resources available. An internal driver is a perceived lack of benefit in formalizing, while a normative driver is the expectation that formalization is only appropriate and considered "normal" for other social groups.

EXAMPLE OF INHIBITING BEHAVIORS AND BEHAVIORAL DRIVERS
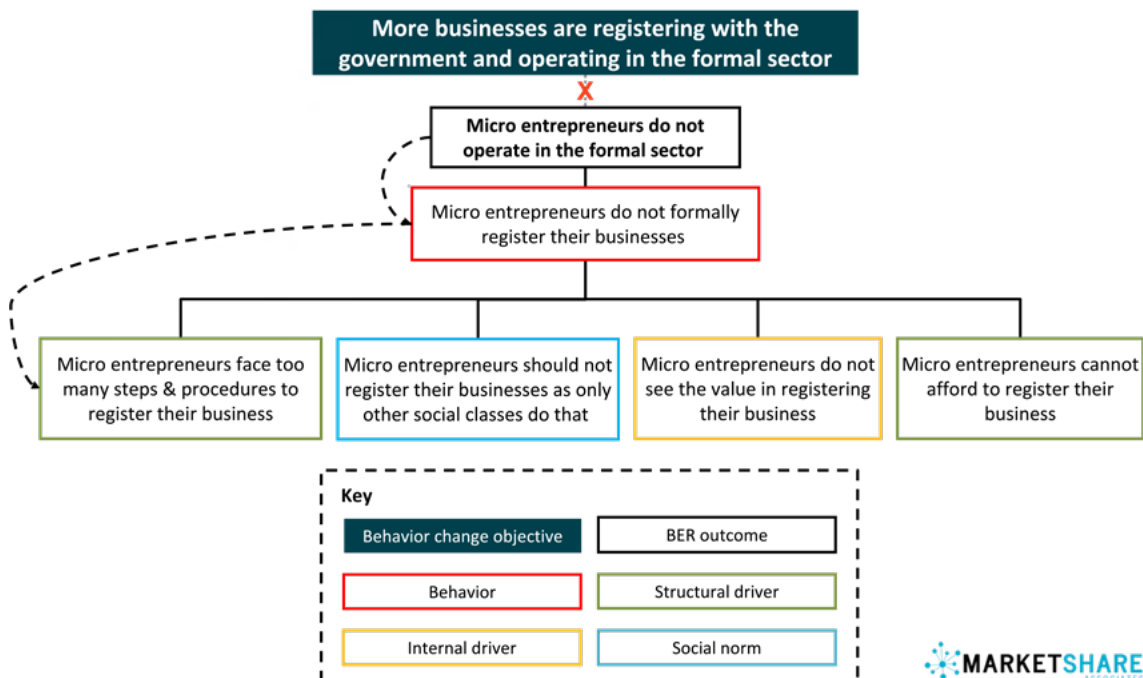
The process typically identifies a greater number of behaviors than is feasible to study with the available time and resources. The next step of BAND is therefore to decide which drivers and social norms to better understand. BAND applies the following three criteria to map the influence of each driver:

- **Relevance:** Prioritize behaviors that are closely constraining the achievement of the behavior change objectives.
- **Strength:** Prioritize the behaviors that are most strongly influenced by social norms.
- **Prevalence:** Prioritize the behaviors that are most widely held.

STEP 3:

Conduct a social norms deep dive

The third phase in BAND is to conduct an in-depth analysis of the shortlisted social norms to determine if and how they can be influenced to support the planned reform. This step is critical for the design of appropriate behavior change interventions that acknowledge and, in some cases, try to influence social norms to meet the objectives of the BER agenda. This step involves conducting more intensive field work involving mostly qualitative research. Like the second phase, this includes interviewing stakeholders and holding focus group discussions with identified reference groups for the selected norms such as government workers, firms, employees, and community members. This phase unpacks why, when and how social norms are enforced by others, and how social norms affect individuals' and institutions' behavior.

STEP 4:

Design and validate interventions

The final phase of BAND is to design interventions that operationalize the findings and then validate them with key stakeholders. Interventions should be selected based on the findings about the nature of the norms. For example, some norms are incorrectly perceived as being strongly held, and other norms may be positive reinforcers rather than inhibitors of the desired behavior change. These are ideal norms to target. All interventions should be validated through PPD consultations with key stakeholders prior to implementation. This phase of BAND works well with the application of **human centered design** approaches to solicit feedback and co-design solutions with stakeholders. For example, MSA has successfully used a pitch competition to vet potential interventions with community stakeholders.

Human Centered Design is an approach to product or solutions design that involves deep engagement with the products' target users or those who experience the problem meant to be solved, learning as much as possible about the issue, and ideating solutions through a co-creation and rapid prototyping process. A wealth of solution or product ideas are generated and tested out with the "users" to gather feedback and adapt quickly.

STEP 5:

Implement the interventions

The final phase of BAND is to implement the interventions that have been designed and validated.

🛠 BEHAVIORAL ANALYSIS AND NORMS DIAGNOSTIC TOOL (BAND)
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

STEPS OF APPLICATION

STEP 1 ❯ STEP 2 ❯ STEP 3 ❯ STEP 4 ❯ STEP 5

The BAND Tool includes the following steps:

STEP 1:

Identify the priority behavior change objective(s) (1 week)

- Determine the priority outcomes related to business environment reform that the BAND tool will be used to understand.

STEP 2:

Diagnose the inhibiting behaviors and behavioral drivers (4–6 weeks)

- Conduct primary research to identify the behaviors that constrain the achievement of the selected change objectives and the drivers that influence behaviors, and when social norms involved.
- Prioritize the behaviors and social norms that are most relevant, strong and prevalent.

STEP 3:

Conduct a social norms deep dive (4–6 weeks)

- Conduct primary research to investigate how, why and by whom social norms are enforced, and how they influence behavior.

STEP 4:

Design and validate interventions (2–3 weeks)

- Design interventions that support the desired behavior change.
- Validate these draft interventions with key stakeholders then finalize them.

STEP 5:

Implement the interventions (Variable)

Pilot and refine the selected interventions.

WORK PLAN

TASKS	LOE RANGE	M1	M2	M3
STEP 1 **Identify the priority behavior change objective(s)**	1 week	✖		
STEP 2 **Explore underlying behaviors**	4–6 weeks	✖	✖	
STEP 3 **Conduct a social norms deep dive**	4–6 weeks		✖	✖
STEP 4 **Design and validate interventions**	2–3 weeks			✖
STEP 5 **Implement the interventions**	Variable			✖

CASE STUDY: Uganda Inclusive Agricultural Markets

The *Inclusive Agricultural Markets (IAM)* project in Uganda is focused on improving the competitiveness, inclusiveness and resilience of multiple agricultural sub-sectors. During its design, IAM recognized that the ongoing sale of counterfeit agricultural inputs is a significant problem that reduces farmers' willingness to purchase inputs and thus lowers agricultural productivity. This continue to occur despite there being laws that prohibit the sale of counterfeit inputs given the higher profitability of selling fake inputs. IAM defined its change objective as the reduced sale and purchase of counterfeit inputs.

IAM wanted to understand whether social norms were influencing this behavior, so MarketShare Associates applied its BAND tool. BAND examined the prevalence (i.e. how widespread the sale of counterfeit inputs is), the strength (i.e. how much people expected counterfeit inputs to be bought and sold), and the formal and informal sanctions against the purchase and sale of counterfeit inputs. The findings helped IAM understand that the sale of counterfeit inputs was most common in informal weekly markets. This is where a crackdown on informal inputs would be most effective. Another key finding was that a key driver of the purchase of counterfeit inputs was inadequate knowledge among buyers rather than a willingness to do so. This made clear that it is critical to address knowledge gaps. Most importantly, BAND identified that there are already strong informal sanctions against selling counterfeit, but inconsistent application of formal laws against their sale. Better identification of counterfeit input sellers would enable this informal sanction mechanism to work more effectively.

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Source: MarketShare Associates

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: BAND is easily combined with and supportive of PPD. Public-private consultations with businesses, workers, and other actors in the economy can be an ideal forum to identify key behaviors and relevant social norms and validate potential interventions.

Gender: BAND has been frequently used to better understand the social norms that shape policy reforms that are focused on women or other marginalized groups, given the extent to which social norms influence women's and marginalized groups' ability to effectively engage in economic activity as entrepreneurs and employees. For example, it has been applied to understand the social norms constraining women's access to financial services.

Green: As a tool to analyze behavior, BAND is very relevant to better understanding the behaviors and drivers that influence the success of business environment reforms that also aim to spur green growth, as the protection of the environment and the value of a "greened" economy are often strongly normatively driven. Whether environmental sustainability is considered the "right" thing to do can vary greatly based on different social norms and values, and making more sustainable business decisions requires significant behavior changes that BAND can help explore, understand, and tackle.

![ICR logo](INVESTMENT CLIMATE REFORM FACILITY)

⚒ BEHAVIORAL ANALYSIS AND NORMS DIAGNOSTIC TOOL (BAND)
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

LESSONS LEARNED & SUCCESS FACTORS

Below are some lessons learned from applying BAND to BER initiatives:

Apply BAND when you have adequate time to use the results.

Given that social norms can sometimes take time to change, BAND is often best applied at the design phase of an initiative when there is adequate time to incorporate the results.

Keep it practical.

If not done right, social norms studies may not lead to actionable insights. It is therefore critical that from the outset, the focus of analyzing norms is on understanding how to effectively focus interventions based on the findings. The structure of the BAND tool makes this much more likely, but careful attention must be paid in step 5 to ensure that practical, realistic interventions are selected.

Draw on experienced social norms researchers.

If not applied rigorously, it is easy for BAND to simply confirm existing hunches. The research process should be conducted by researchers with a strong background in understanding social norms as they relate to economic decision-making.

Select behavior change objectives that are not too broad.

To maintain a narrow scope of application for BAND, the change objectives should be defined as narrowly as possible. An overly broad change objective would be that 'women earn more money', for example, since it is influenced by a very large number of social norms. Instead, focusing on 'women do not face impediments to starting a business' would be much narrower and more easily allow the identification of social norms and other factors.

Word social norms consistently. Not everything is a social norm.

Confusion can be lessened by using a consistent formulation for articulating a social norm. One helpful way is as follows: [Entity] + [should / should not] + [a specific behavior]. For example, *microentrepreneurs should not formalize their businesses*. By using this phrasing, it is relatively straightforward to communicate what is and is not a social norm.

REFERENCES & RESOURCES

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GREEN TOOLS

SUMMARY

The Investment Climate Reform Facility (ICR Facility) contracted MarketShare Associates (MSA) to develop a toolbox of business environment reform (BER) resources, including a focus on sustainability and green investment. Through this process, MSA identified a lack of practical tools that bridge BER and green growth: while there is extensive research both on Green Growth and on business environment reform, few resources connect the two systematically, and even less in a practical and hands-on format.

MSA was therefore contracted to develop a new tool for environmentally sustainable BER that could be incorporated into the toolbox: **Green Reform of the Enabling Environment (GREEN)**.

Green private sector development is in the economic – not only environmental – interest of a country, as sustainable sectors such as renewable energy hold great potential for innovation and growth in the long term. In the context of the global climate crisis and the COVID-19 recovery, taking a green-friendly and sustainability-targeted approach to BER is even more timely, and there are many avenues for spillovers, synergies, and avoiding potential harm.

GREEN consists of 2 separate sub-tools, both of which cover the diagnostic and design phase, albeit at somewhat different points in the reform cycle. They therefore can be used separately, based on need and capacity of reformers.

The **Green Integration Checklist** is a tool for **policymakers who have identified the BER issue they want to tackle** but have not yet thought about environmental impacts or synergies. This initial checklist should point them towards key questions and considerations from a green perspective, and some resources to dig in further. The tool's objective is to prevent business reforms from being "environmentally blind" or even harmful to the environment, and to spur some thinking around ways to mitigate environmental risk.

The **Green Investment Strategy Diagnostic** is a diagnostic tool to provide **policymakers who are already inclined to pursue a BER strategy aimed at sustainable private sector development** with a structured analytical framework to identify which green issues to prioritize. The tool charts out various aspects of a green BER strategy aimed at:

1. Pushing existing firms to become more sustainable, (e.g. by "greening" their production processes and making investments in reducing pollution, waste, etc.)

2. Supporting the start-up and growth of new green firms, and

3. Attracting FDI to sustainable sectors and away from polluting sectors.

Not all countries will have the resources to shift their private sector development strategies towards green growth. They may start out with the *Green Integration Checklist*, to ensure that they have at least taken environmental concerns into consideration and are mitigating risks. Policymakers may then take up the *Green Investment Strategy Diagnosis* at a later stage, when the interest and capacity for a more fundamental orientation towards environmental sustainability have been developed.

GREEN provides cross-cutting strategic guidance from the perspective of private sector development – it is not a tool for environmental policy, nor do the sub-tools provide specific recommendations for individual BER policy areas (e.g. taxation, pollution standards, permit schemes etc.). There are several other resources to consult for a discussion of such policies from OECD, UNDP, and DCED that are listed in the References & Resources sections.

As GREEN is a new tool and therefore does not yet have user cases, the case studies will present examples of initiatives that are related to the goals of the sub-tools and showcase initiatives that have accomplished what the sub-tools aim to achieve. Likewise, the lessons learned and success factors combine learnings and insights from expert interviews and other resources that are applicable to the goals of the tools.

GREEN pulls together resources and learnings from a wide range of institutions. Invaluable insight was provided by a range of experts, including Abhishek Saurav (World Bank), Matthias Ploeg (Technopolis), Rogerio Studart and Ted Wong (WRI), Siobhan Kelly (FAO), Linde Wolters (SEED), Najma Mohamed (GEC), PB Anand (University of Bradford), Steffen Felix (GIZ), Simon White, as well as other members of the DCED Green Growth Working Group.

GREEN INTEGRATION CHECKLIST

OVERVIEW			
OBJECTIVE	**Enable policymakers to structure initial thoughts on potential trade-offs and areas for synergy between environmental and growth goals**		
TARGET GROUP	Policymakers / economists in the relevant ministries		
TIME	▨▨▨☐☐	Medium	
EXPERTISE	▨☐☐☐☐	Low	
COST	▨☐☐☐☐	Low	
BER PHASE	DIAGNOSIS 🔍	DESIGN ✒	IMPLEMENTATION ⚙ EVALUATION

INTRODUCTION

Business environment reform and environmental policies are often located in different governmental departments or ministries, making coordination and know-how exchange difficult. Policymakers that work on economic development may therefore have limited experience with taking environmental concerns into account. Seeking answers to some fundamental questions about the overlap of a planned business environment reform with environmental risks and opportunities will be an important first step for more sustainable development.

The Green Integration Checklist is a tool for policymakers who have identified the BER issue they want to tackle but have not yet thought about environmental impacts or synergies, but want to ensure adequate inclusion of a green growth (GG) lens. This initial checklist should point them towards key questions and considerations from a green perspective, and includes some resources to dig in further. It should be used at the diagnostic and design phase. The checklist should help the user structure their initial thoughts on potential trade-offs and areas for synergy, and get a sense of knowledge and capacity gaps, as well as think about where to find the data to make more informed policy design decisions. It aims to prevent business environment reforms from being "environmentally blind" or even harmful to the environment, and to spur some thinking around ways to mitigate environmental risk.

The checklist was developed by MarketShare Associates (MSA) in 2021 as part of a larger tool on Green Reform of the Enabling Environment (GREEN), in the context of designing a toolbox for BER for GIZ's Investment Climate Reform Facility. It pulls together learnings from research on green growth by the World Bank, UNDP, OECD, UNEP, and many others; particularly the DCED, whose 8 Steps to Enhancing the BER-GG Nexus (2017) is used as a case study.

The Checklist is meant as a basic initial assessment and does not require any specialized expertise. It is primarily aimed at policymakers who spearhead BER initiatives from an economic development standpoint and wish to broaden their perspective towards sustainability criteria.

TOOL DESCRIPTION

This Checklist consists of a number of core questions to guide an initial assessment of the potential for green growth inclusion in the planned business environment reform. They are complemented by sub-questions highlighting further nuances of the core question, as well as suggestions what this could look like in practice. Policymakers who are considering integrating a green lens in their BER initiative should make sure that they have "checked off" each of the core questions to get a holistic initial picture of what's possible. The list of *Referenced & Resources* at the bottom of this tool provides users with a set of further resources, tools, examples, and practical guidance that they may leverage in the process of information gathering.

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⚒ **GREEN TOOL** GREEN INTEGRATION CHECKLIST
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

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CHECKLIST

SUB-QUESTIONS	WHAT THIS COULD LOOK LIKE IN PRACTICE
KEY QUESTION 1 **Has the BER initiative assessed its intersection with green growth (GG) at all?**	
• Have you done a mapping of potential trade-offs, areas for spillovers, or win-win scenarios? • Will addressing the identified BER issue create conflict with sustainability goals or existing environmental legislations, or are there areas of shared interest? • Is it realistic for the initiative to tackle green growth without reducing the likelihood of success in its BER objectives? • Can the reform be designed in a way to make progress towards both economic and green goals, or even mutually reinforce each other? • What needs to be put in place to minimize the (unintentional) trade-offs?	• A needs and opportunity assessment is conducted to map out areas of trade-off and synergy. • Business environment reform and environmental regulation complement each other, e.g. by simplifying administrative burden while setting out clear standards.
KEY QUESTION 2 **Is there an opportunity to incorporate green growth into the BER initiative – to leverage the reform to promote green investment and business?**	
• Do you have an understanding of what "green growth" means and contains? What technical expertise may be missing to conduct this assessment, and where can you get it? • How do you assess / test a BER initiative for compatibility with GG objectives? Who is involved? • Have you engaged a range of different stakeholders (public, private and civil society) to unearth new perspectives and potentially missed opportunities?	• Experts from the public and private sector, impact hubs, NGOs & environmental coalitions, think tanks, universities, and development partners are engaged in PPD to assess the potential for pursuing green growth goals with BER.
KEY QUESTION 3 **If there are no clear opportunities for synergy, at a minimum, how can a do-no-harm approach be integrated into the reform design to mitigate risks of environmental harm?**	
• Have you conducted an environmental risk assessment for your planned policy change? Are there potential unintended consequences? • Do you have set out criteria for when a policy or regulatory change "passes the test" of not being harmful? • Are there reform aspects (rules, priority sectors, targets etc.) that should be explicitly excluded / included to avoid harming the environment?	• Unintended harmful consequences are mapped out and mitigation plan is put in place (risks could include e.g. businesses behaving in an environmentally harmful way as a result of the reform, or the BE policy undermining environmental regulations).
KEY QUESTION 4 **Have you identified and tested the assumptions that are underlying the belief that the business environment reform can have a positive impact on green growth, or at least not create a negative impact?**	
• Have you developed criteria to evaluate reforms and regulations on their sustainability and impact? If not, is there a set of criteria to pull from existing sources? • Have you tested your assumptions on the intended and unintended reform outcomes? • Have you conducted any pilot projects, e.g. tested out a regulatory change on a smaller scale to identify intended and unintended effects?	• Performance criteria are established to evaluate the reform's impact and sustainability. The indicators in UNEP (2014) and OECD (2011c) can be a starting point. • Public private dialogue consultations with a wide range of stakeholders and experts ensure that assumptions about business and environmental needs, risks, and opportunities are realistic.
KEY QUESTION 5 **What lessons already exist on how to tackle green growth within the context of the envisioned business reform?**	
• Has this green growth issue been tackled before within this (or a similar) location? Have similar / neighboring countries pursued comparable initiatives? • Have you conducted any pilot projects, e.g. tested out the reform on a smaller scale in one location or for one sector to collect lessons learned, which could be scaled up nationally? • Are there any good practices and "lessons learned" for achieving the green growth objectives within the context of BER, that you can draw from?	• Best practices and lessons learned are collected through wide outreach, case studies are identified and key informant interviews / conversations initiated with the involved parties. • Reforms are piloted on a smaller scale and evaluated before national implementation. • Reforms are designed to attract investment to more sustainable sectors (see *Green Investment Strategy Diagnosis tool*)

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SUB-QUESTIONS	WHAT THIS COULD LOOK LIKE IN PRACTICE
KEY QUESTION 6 **Is there adequate political will to incorporate a green growth perspective among the main decision-makers?**	
• Who are the main decision-makers? Who are the main potential detractors? • Are the relevant decision-makers on the reform convinced of the value of including green growth goals and risk mitigation strategies? • If not, how can political will be generated? Are there coalitions and stake-holders in place that you can mobilize to shift the stakes? • Is there interest and will among the private sector? If not, do they have the power to block the initiative?	• Political feasibility analysis and advocacy tools (*PDIA AAA Change Space*, *Everyday Political Analysis*, and *Advocacy Capacity Building*) are leveraged to map out the change space including all relevant parties and their power / skill to influence the outcomes as well as their will / support to move the needle on green growth goals.
KEY QUESTION 7 **Do you have or can you obtain adequate human resource capacity in the green growth area of focus?**	
• If you don't have the relevant expertise in your department / ministry, how can you obtain it? Who is already working on green growth in your country? • Do you have a network of experts / NGOs / green businesses that you can tap into?	• Coordination across government departments (e.g. economics / trade and environment) is strengthened, shared working groups are established. • Relationships with green growth experts outside the government are established and nurtured in the long term.

STEPS FOR APPLICATION

STEP 1 ⟩ STEP 2 ⟩ STEP 3

⟩⟩⟩ **Step 1:**

Initial Needs & Opportunity Assessment (1–4 weeks)

Using the first three key questions of the Checklist, conduct an initial assessment of
• *Key question 1* – The overall intersection of green growth and BER objectives,
• *Key question 2* – Opportunities for synergy, and
• *Key question 3* – Risks that will need to be mitigated.
To do so, make sure you involve the expertise and input of relevant stakeholders, such as government agencies involved in private sector development as well as environmental regulation, domestic and multinational businesses and BMOs, NGOs and environmental coalitions, "green" investment hubs etc.

⟩⟩⟩ **Step 2:**

Dig Deeper & Identify Priorities (1–3 weeks)

Following *key question 4* and *key question 5* of the Checklist, dig deeper by validating your assumptions about the potential environmental impacts (positive or negative) of your planned reform, and seek out lessons learned from similar initiatives or pilots. Through continued consultations with experts and the private sector, as well as leveraging the *Green Investment Strategy Tool* (if time and resources allow), identify a subset of potential priority areas to focus upon, and / or risk mitigation strategies to avoid environmental harm.

⟩⟩⟩ **Step 3:**

Assess Feasibility (2–4 weeks)

Using *key question 6* and *key question 7* of the Checklist, map out the political environment as well as your existing capacity and resources for green integration, and develop a strategy to address gaps and potential detractors.

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WORK PLAN

TASKS	LOE RANGE	M1	M2	M3
STEP 1 **Needs & Opportunity Assessment**	1–4 weeks	✕	✕	
STEP 2 **Identify & Validate Policy Priorities**	1–3 weeks		✕	✕
STEP 3 **Assess Feasibility**	2–4 weeks			✕

Cost Items:

- Labor time: 10–18 weeks
- Cost associated with PPD consultations (travel, logistics to organize roundtables etc.)

CASE STUDY: 8 Steps to Enhance the Green Growth-BER Nexus & Compete Caribbean

One of the few practical resources on green growth and business environment reform is the DCED's The search for synergy: *Business Environment Reform and Green Growth (2017)*. Based on an extensive review of donor-funded projects that address both BER and green growth goals, the authors developed an 8 step program guide for development practitioners. Much of this advice can be adapted for policymakers, such as:

- Assess relevance of developing the green growth-BER nexus as part of your policy initiative, and define the breadth of your ambitions. Conduct a needs and risk assessment to decide on whether to include green growth targets and to what degree. If green growth is not a priority, ensure at least that negative spill-overs are prevented and mitigated.

- Identify policy options and earmark resources. Explore a wide range of larger and smaller policy options based on previous experience, pilots, and similar initiatives in other countries. Identify resource and capacity needs, and take steps to ensure they are met.

- Involve BER and green growth stakeholders in the design. Ensure that local private and public sector actors are adequately represented in the policy design, as well as environmental protection stakeholders, and seek out novel perspectives and expertise.

- Build in flexibility. Adopt a "learning by doing" approach, e.g. running smaller pilots or design sprints and adapting based on the outcomes.

- Develop performance indicators to measure impact. To know if the reform had its desired effect, define its goals and performance indicators early on, then evaluate the outcomes.

One of the cases highlighted in the paper is the Compete Caribbean program (2010–2016), which was a private sector development program funded by bilateral and multilateral institutions. The program adopted mostly a do-no-harm approach in its overall targets, but conducted systematic environmental reviews, included environmental criteria in selecting projects and companies to invest in, as well as provided technical assistance on environmental issues. Policymakers may pursue a similar strategy, for example in selecting priority sectors for reform and new green firms to support, and in setting up assistance and information dissemination functions on environmental know-how that might be missing, e.g. when it comes to "greening" operations of existing businesses.

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: Given this tool is meant for policymakers who are mostly working on economic development and may not be subject-matter experts in green growth (yet), wide-ranging PPD consultations with experts and stakeholders who work on environmental issues is key to the success of this tool. Engaging not only include investors and successful green businesses, but also NGOs and coalitions working on the green economy is vital to gather the knowledge needed for informed policymaking.

Fragility: Fragility and conflict can be a key consideration especially in contexts where the exploitation of natural resources contributes to instability and violence, e.g. through forced labor in mining, conflicts over natural resources, the destruction of indigenous / local communities through construction and extractive projects, etc. Shifting towards a sustainability-focused business environment can therefore not just contribute to greater sustainability and economic development, but also to remove demand and incentives for exploitative practices that incur violence. More guidance can be found in the DCED's resources on *BER in Fragile and Conflict-Affected Situations* (2020) as well as *Green Growth in Fragile and Conflict-Affected Settings* (2019).

Gender: There is no explicit gender lens to this tool, but women can often be found at the forefront of environmental initiatives and movements, given that they are usually among the most vulnerable to environmental degradation. Making women and environmental movements part of PPD consultations can therefore surface important blind spots. As with BER more general, women are likely to be underrepresented in PPD and large public organizations such as BMOs. Strategies aimed at fostering green growth therefore need to be made deliberately inclusive, to ensure that they do not further entrench gender inequality e.g. in access to new green business opportunities. For more guidance on integrating a gender lens into green growth, refer to the DCED's *Gender and Green Growth Guidance Sheets* (2019).

LESSONS LEARNED & SUCCESS FACTORS

Not all business environment reforms need to be green, but they should at least do no harm.

It is not realistic to expect that all business environment reforms will be geared towards green growth and renewable sectors, and the viability of policies that successfully combine BER and green growth goals will vary greatly based on context. However, as an important first step they should at a minimum include an environmental risk assessment and due diligence to ensure that the (intended and unintended) outcomes of the reform do not lead to greater pollution and environmental degradation.

Implementation requires political tact as well as determination.

Green growth policies are likely to have long-term effects that benefit everyone, but short-term transition costs can hamper their implementation, as they will generate resistance from "losers". There are many "soft" policy instruments such as market linkages, filling information gaps, making the business case for a green transformation, and providing financial and regulatory incentives for green investment – these are less likely to cause friction, and could be used as "quick wins" in the context of a longer term strategy.

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Inclusivity and flexibility are key.

In contexts where policymakers have little experience yet with incorporating green growth objectives into business environment reform, it is especially important to:

1. reach out to a wide range of stakeholders to solicit ideas and expertise, and

2. test and pilot new ideas, float them with experts, try them out on a small scale, gather feedback, and adapt before scaling them up.

REFERENCES & RESOURCES

The below list of resources both served to inspire this tool, and can be a great place to start for policymakers to collect information from:

- ADB (2018): *How Can Policy Makers Promote Green Business?*
- ADB (2019): *The Business of Greening: Policy Measures for Green Business Development in Asia.*
- DCED (2014): *Green Growth and PSD: Stocktaking of DCED Experiences.*
- DCED (2017): *The Search for Synergy: Business Environment Reform and Green Growth.*
- DCED (2019): *Supporting Green Growth in Fragile and Conflict-affected Settings', Scoping Study.*
- DCED (2019): *Gender and Green Growth Guidance Sheets.*
- DCED (2020): *BER in Fragile and Conflict-Affected Situations*
- OECD (2011a): *Towards Green Growth.*
- OECD (2011b): *Tools for Delivering Green Growth.*
- OECD (2011c): *Towards Green Growth: Monitoring Progress. OECD Indicators.*
- OECD (2012): *Green Growth and Developing Countries. A Summary for Policy Makers*
- OECD (2013): *What have we learned from attempts to introduce green-growth policies?*
- OECD (2017): *Measuring Green Growth – Indicators.*
- UNDESA (2012): *A guidebook to the Green Economy. Issue 3: exploring green economy policies and international experience with national strategies*
- UNDP (2013): *A Toolkit of Policy Options to Support Inclusive Green Growth*
- UNDP / UNEP (2015): Towards Green and Inclusive Prosperity. *Report* and *Case studies*
- UNEP (2014): *A guidance manual for green economy indicators.*
- World Bank (2021): *Catalyzing Investment for Green Growth: The Role of Business Environment and Investment Climate Policy in Environmentally Sustainable Private Sector Development.*

GREEN INVESTMENT STRATEGY DIAGNOSTIC

OVERVIEW

OBJECTIVE	**Enable policymakers to develop a targeted strategy to spur green investment as part of wider business environment reform efforts**
TARGET GROUP	Policymakers in the relevant ministries, esp. investment promotion agencies
TIME	Medium – High
EXPERTISE	Medium – High
COST	Medium – High
BER PHASE	DIAGNOSIS → DESIGN → IMPLEMENTATION → EVALUATION

INTRODUCTION

Sustainability has become a key priority for private sector development, particularly as the world struggles with the aftermath of the COVID-19 pandemic and countries are looking for strategies to rebuild their economies in a more resilient and environmentally friendly manner. The business case for green growth is strong, but environmental legislations can also be seen as a "burden" to get rid of to enhance the ease of doing business, with potential long-term impact on sustainability, health, and wellbeing. Thus, this tool sets out to provide wide-ranging guidance to policymakers keen on developing a targeted green private sector development strategy that build on strong environmental standards and strengthens sustainability as well as growth goals.

The Green Investment Strategy Diagnostic is a diagnostic tool for policymakers who seek ways to pursue a targeted green enabling environment reform strategy, to identify priority areas for reform and develop a strategy to propel green investment. It should therefore be leveraged at the diagnosis and design stage, to ensure that environmental considerations are part of the assessment of reform needs as well as the design of eventual policy responses. In line with the rest of the Toolbox, the Green Investment Strategy Diagnostic provides cross-cutting strategic guidance from the perspective of private sector development, in this case with a green lens – it is not a tool for environmental policy, nor does it explore specific BER policy areas. The tool is a resource to help policymakers design business environment policies that are complementary and supportive to the existing environmental framework.

This Strategy Diagnostic was developed by MarketShare Associates (MSA) in 2021 as part of a larger tool on Green Reform of the Enabling Environment (GREEN), in the context of designing a BER Toolbox for GIZ's Investment Climate Reform Facility. It pulls together insights from research by a wide range of organizations and several experts interviews. We are particularly grateful for the insights provided by Abhishek Saurav, whose research paper for the World Bank (2021) is also the source of the case study.

The Strategy Diagnostic is aimed at public sector stakeholders working in ministries and agencies in charge of private sector development, in particular investment promotion functions / agencies, who are looking to put the right conditions in place to create positive spillovers or win-win scenarios between growth and environmental goals. It requires an in-depth understanding of investment promotion and green investment, as well as strong networks with the private sector.

TOOL DESCRIPTION

The Green Investment Strategy Diagnostic is an analytic tool including a set of diagnostic questions and policy options clustered in three pathways for green private sector development:

1. Encouraging existing firms to become more sustainable;

➡️ **Strategic Objective I**

2. Supporting the start-up and growth of new green firms; and

➡️ **Strategic Objective II**

3. Attracting FDI to sustainable sectors and away from polluting sectors.

➡️ **Strategic Objective III**

Each section starts out with a **primary diagnostic question** that should help the user diagnose the current level of green investment, and to assess whether there is need to take further action. Only where gaps are identified should policy-makers explore the following questions and policy options in more depth.

Each section then includes a diagnostic framework that visually depicts the key factors that influence the achievement of the strategic objective. Users should use the diagnostic framework as a map to guide their investigation. If an investigation of the primary diagnostic question reveals that impediments exist to realizing the strategic objective, a table is provided to diagnose the binding constraints. The table includes a description of why each factor is relevant, sub-questions that can guide a focused study, and potential policy options and examples to use if it is an impediment. Each box in the strategic framework relates to a specific question in the table.

Actually implementing the potential initiatives or policy changes suggested in the tool will take time, while ideas of varying scope are provided that could be sequenced from "quick wins" to larger systemic changes. The tool itself can be used as a basis for a multi-day strategy workshop to define business environment reform priorities from the perspective of these three green private sector development objectives. The tool links up with other tools in this Toolbox – for example, a green *Growth Diagnostics* may be used to select priority sectors for investment, and *CIBER* may be used to select green value chains. Critically, the tool requires contextualization – not all policy options will be relevant in all places. Instead, the diagnostic questions provide an analytical framework to help structure the strategy development process, and any selected priorities and policies should be validated through extensive public-private stakeholder engagement. The *PDIA tool*, including the problem deconstruction and change space analysis as well as the launch workshop and sprint / iteration format, could be a great format to structure this process.

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STRATEGIC OBJECTIVE I: Encouraging Green Investment by Existing Firms

Green investment by existing firms is an important strategy for encouraging green growth. Given their existing operations in country, effective policy change here can often have the fastest impact. Policymakers should critically assess the regulatory environment for existing firms across the economy, and potentially re-align incentives for businesses in non-green sectors to make their operations more sustainable and encourage a shift towards circular economy business models. This will entail, for example, reducing their environmental impact, pollution, and resource use; improving energy efficiency, and encouraging investment in more efficient technology as well as recycling and recovery models. Beyond having a set of environmental standards in place (which is outside the scope of this tool), this can consist of a mix of policies to create greater competition and transparency while minimizing the unintentional burden on business.*

The *following figure* visually depicts the key factors that influence the achievement of strategic objective I. If an investigation of the primary diagnostic question reveals that impediments exist to realizing the strategic objective, the subsequent table can help to diagnose the binding constraints that need to be addressed.

DIAGNOSTIC FRAMEWORK FOR ENCOURAGING GREEN INVESTMENT BY EXISTING FIRMS

STRATEGIC OBJECTIVE I	DIAGNOSTIC QUESTION FOCUS	SUB-QUESTION FOCUS
Existing businesses make green investments	Government policies and regulations incentivize green investments	Green regulations are perceived to be fairly and consistently enforced
		Green regulations are perceived to be long-term, not transitory
		Businesses are aware of the regulations
	Green public procurement policies reward green bids	Businesses perceive public procurements to incentivize green behavior
	Consumers demand green products and services	Consumers understand products' environmental impacts
		Consumers are willing to pay for green products & services
	Existing businesses believe in the potential return of green investments	Businesses can access necessary green skills
		Businesses can access capital for green investment
		Business can access green technologies and knowledge
	Green FDI influences existing businesses	Green FDI is engaging with existing businesses

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* Some regulatory burden on businesses will be intentional, e.g. for major polluters to have to record their output and potentially pay fines or demonstrate their efforts at betterment. Other burden will be unintentional, e.g. prolonged bureaucratic procedures to comply with environmental standards. The latter should be reduced as much as possible

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SUB-QUESTIONS	RATIONALE	POTENTIAL POLICY OPTIONS & EXAMPLES
PRIMARY DIAGNOSTIC QUESTION **What is the current level of green investment by existing firms?**		
• What are the trends in green investment by existing firms? Is it increasing or falling? • How does the level of investment compare with other similar countries? • What has prevented businesses from making green investments, if anything?	Current investment patterns reveal the extent to which existing firms are already seeing and making green investments, and thus the extent to which this should be a priority for business environmental reform.	*If green investment levels are sub-optimal, refer to the policy options below based on the drivers of low investment.*
DIAGNOSTIC QUESTION 1 **Do governmental policies and regulations encourage green investment?**		
• Are businesses aware of the green regulations relevant to their businesses? • Do businesses perceive green regulations to be fairly and consistently enforced? • Do businesses expect green regulations to be maintained over the medium-term?	Firms will be reluctant to make green investments if they expect environmental regulations to be discarded within a few years, there are significant loopholes, they are not aware of them, or they do not provide adequate incentives to do so.	• Create a transparent legal environment that provides confidence to businesses to make investments in sustainability with long pay-off timelines. This includes clear, long-term green growth policies that provide planning stability. • Avoid or eliminate green growth policies that allow for excessive discretion, regulatory exemptions and repeals that reduce the overall strength of environmental protections and incentives. • Shift sectoral subsidies away from polluting and towards green industries. • Ease the compliance costs and administrative burden generated by environmental policies (without compromising environmental protection). For example, invest in digital systems to streamline administrative procedures and enhance transparency for firms, by enabling them to follow the status of their procedures online • Introduce a risk-based prioritization of firms / sectors when it comes to monitoring of adherence to environmental standards, simplifying or reducing supervision needs for low-risk firms / sectors (e.g. reducing the number of auditing visits for sectors with generally lower pollution) vs. higher-risk firms / sectors that need to be more regularly monitored.
DIAGNOSTIC QUESTION 2 **Do public procurement practices effectively encourage the selection of more environmentally-sensitive products, and product and business model innovation?**		
• Do businesses feel that green is meaningfully incorporated into public procurement? • Are past public procurements perceived to have incentivized green behavior?	Public procurement can create a strong incentive for green investment, as it represents 25 – 30 % of GDP in many developing countries.	• Introduce or expand green public procurement policies (e.g., making gov buildings energy efficient, or purchasing products & services from business certified as "sustainable" through a separate certification scheme) • Introduce stronger competition in priority sectors that may be strongly consolidated or monopolized, such as energy / electricity or waste disposal.
DIAGNOSTIC QUESTION 3 **Does consumer demand incentivize green investment?**		
• Are products' environmental impacts clear to consumers? • Do consumers have the information needed to choose more sustainable products and services? • Do regulations require transparent labelling?	Environmental labelling and certification schemes (e.g., Rainforest Alliance, organic, traffic light labels indicating level of sustainability) create transparency for consumers and ease their ability to select products based on their environmental impact.	• Introduce labelling regulations for consumer products that reflect their environmental impact. • Work with partners to develop and publish rankings of local firms based on sustainability criteria, e.g. environmental NGOs that could take up an official "watch dog" function. • Work with industry associations to develop codes of conduct and voluntary disclosure regimes. • Incorporate certification and labelling requirements into public procurement policies (e.g. by purchasing from certified firms only).

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SUB-QUESTIONS	RATIONALE	POTENTIAL POLICY OPTIONS & EXAMPLES
DIAGNOSTIC QUESTION 4 **Do businesses have the capacity needed to make green investments?**		
• Do businesses have access to the capital needed to make green investments? • Do businesses have access to the labor needed to make green investments? • Do businesses have access to the information and technologies needed to make green investments?	Changing business operations to become more sustainable requires know-how, capital information on the how-to, potentially access to technologies, and skills that firms may need to acquire.	• Support access to step-by-step information and best practices to "green your business", as well as links to further resources and (if they exist) benefits. • Disseminate information on the business case for greater efficiency and sustainability, with detailed examples and ROI calculations for firms in different sectors. • Refocus training and education programs (e.g. traineeships, vocational education, etc.) to prioritize green innovation in the long term. • Work with financial institutions to develop products for the "missing middle" of SMEs, and to incorporate environmental risk in their lending portfolios. • Work with pension funds and other institutional investors to include green criteria and engage them as "impact investors". • Encourage knowledge and technology transfer through dissemination platforms, joint ventures, franchising, original equipment manufacturing, etc.
DIAGNOSTIC QUESTION 5 **Does green FDI create positive spillover effects?** (*Also see Strategic Objective III*)		
• Is green FDI influencing the behaviors of domestic firms and are domestic firms imitating these investments? • How much does green FDI engage with domestic firms as suppliers?	The impact of FDI can be greatly enhanced if it influences the behaviors of domestic firms through technology transfer, human capital development, etc. However, this does not happen automatically and often needs to be encouraged. MNCs can set standards and compliance rules for their suppliers and business partners, train them, etc., thereby changing the incentives and know-how of local firms as well.[**]	• Put policies in place that encourage knowledge & technology transfer through dissemination platforms, joint ventures, franchising, original equipment manufacturing etc. • Set up Supplier Development Programs to enhance the capacity of local firms to act as suppliers to MNCs that demand higher environmental standards or that operate in sustainable sectors such as renewable energy. • Promote linkages/matchmaking opportunities between investors and suppliers, e.g. through events, online platforms, etc.

[**] When designing initiatives for green investment, it is important to remain conscious of the differing needs and capacities of enterprise segments – large multilateral companies (MNCs) have significantly more resources both to comply with and to undermine regulations, with many even being ahead of the curve, given product standards and consumer preferences in their export markets. SMEs frequently lack those resources, and thus may require both more support (pull) and rules such as codes of conduct (push). Micro and informal enterprises will likely not be a main target of this tool, but when policies are designed e.g. to incentivize formalization and registration, preferential treatment could be given based on sustainability criteria.

STRATEGIC OBJECTIVE II: Encouraging the Entry and Scale-up of Green-Focused Firms

One of the main objectives of BER is creating a business environment that encourages the successful start-up and scale-up of new enterprises. This is a key avenue for growth, innovation, and competition, as well as for creating new jobs. To encourage the start-up of green firms specifically – such as social enterprises with a dedicated sustainability goal, firms with circular economy business models, or new firms in sectors such as renewable energy – policymakers can look to reform the regulations for business start-up in a way that favors and supports these firms. This could take different forms: streamlining the registration process, helping with market linkages, as well as providing dedicated business development support services, financial incentives, and more.

The *following figure* visually depicts the key factors that influence the achievement of strategic objective II. If an investigation of the primary diagnostic question reveals that impediments exist to realizing the strategic objective, the subsequent table can help to diagnose the binding constraints that need to be addressed.

ENCOURAGING THE START-UP AND SCALE-UP OF GREEN-FOCUSED FIRMS

STRATEGIC OBJECTIVE II	DIAGNOSTIC QUESTION FOCUS	SUB-QUESTION FOCUS
New green businesses start-up and grow	Government policies and regulations incentivize green investments	Green regulations are perceived to be fairly and consistently enforced
		Green regulations are perceived to be long-term, not transitory
	Public procurement policies are accessible to new green businesses	Procurement policies reward green
		Procurement policies are open to new entrants
	There is growing consumer demand for green products and services	Businesses perceive unmet demand for environmentally-sensitive products and services
		Consumers are dissatisfied with existing options for more environmentally-friendly products and services
	New businesses have the ability to launch and grow	Business registration procedures faciliate business launch
		New businesses can access non-financial services
		New businesses can access capital for green investment

SUB-QUESTIONS	RATIONALE	POTENTIAL POLICY OPTIONS & EXAMPLES
PRIMARY DIAGNOSTIC QUESTION **What is the current level of new green businesses registering?**		
• What are the trends in new green businesses registration? • How does that level of start-up compare with other similar countries? • What has prevented businesses from entering the market, if anything?	The quantity and trends in business entry rates into green sectors signals whether economic opportunities are being perceived in those sectors and the health of those sectors.	*If green business start-up rates are sub-optimal, refer to the policy options below based on the drivers of low business entry.*
DIAGNOSTIC QUESTION 1 **Does consumer demand for green products and services encourage the entry of new businesses?**		
• Do businesses perceive an unmet market opportunity for green products and services? • Are consumers dissatisfied with available options for environmentally-sensitive products?	Consumer demand is a strong driver of private sector green investment. The existence of growing demand for sutainable products signals that market opportunities exist.	• Solve information failures where appropriate (e.g. collect data on consumer preferences around sustainability, map out the financial landscape with a specific "green" focus, create and disseminate database to firms). • Identify high-potential sectors and opportunities for innovation of greener products (e.g. solar energy, better waste management, refilling services), then identify the main barriers to entry (through PPD) and put policies in place to address them. • Create enabling conditions for mindset and behaviour change through public communication campaigns and "nudge" techniques, (e.g. framing green growth as a social goal and tailoring communication to different stakeholder groups and their incentives).
DIAGNOSTIC QUESTION 2 **Do green entrepreneurs face barriers to launching new businesses?**		
• Is the process of business registration easy and inexpensive? • If market entry barriers have been identified, are there non-financial support services in place to encourage the launch and growth of green-oriented businesses? • Is access to capital a constraint to green investment?	• Expensive and lengthy business registration procedures reduce the rate of firm creation. • Policy tools like incubators, accelerators, grants and tax breaks can signal to entrepreneurs that there is support for their entry to targeted sectors, and encourage a greater number of green start-ups. • Access to finance is often a key constraint for social impact start-ups.	• Set up a portfolio of incentives such as grants, competitions, rankings, preferred access to procurement contracts, etc. to reward "green" innovation and sustainability excellence. • Streamline product approvals for green firms to facilitate faster market entry. • Support green firms' market linkages, e.g. through an online platform connecting large firms with green suppliers and service providers. • Where appropriate, consider designing tax incentives and R&D support for green innovation. • Encourage incubators, accelerators, grants and tax breaks aimed at enabling new firms to access capital.
DIAGNOSTIC QUESTION 3 **Are public procurement tenders accessible to new green firms?**		
• Do public procurement requirements explicitly or implicitly restrict the capacity of new firms to bid? • Do they reward innovative ideas?	Public procurement can create a strong incentive for green investment, as it represents 25 – 30 % of GDP in many developing countries.	Introduce or expand green public procurement policies.
DIAGNOSTIC QUESTION 4 **Do policies and regulations encourage green investment?**		
• Do green entrepreneurs perceive green regulations to be fairly and consistently enforced? • Do green entrepreneurs expect green regulations to be maintained over the medium-term?	Entrepreneurs will be reluctant to enter a new market and make green investments if they expect environmental regulations to be discarded within a few years, there are significant loopholes, they are not aware of them, or they do not provide adequate incentives to do so.	• Create a transparent legal environment that provides confidence to businesses to make investments in sustainability with long pay-off timelines. This includes clear, long-term green growth policies that provide planning stability. • Avoid or eliminate green growth policies that allow for excessive discretion, regulatory exemptions and repeals that reduce the overall strength of environmental protections and incentives.

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STRATEGIC OBJECTIVE III: Encouraging Sustainable Foreign Direct Investment

Foreign direct investment (FDI) is key not only for private sector growth, but for sustainability specifically – for good or bad. Technology transfers have been identified as a driver of green growth.*** Yet multi-national companies (MNCs) may locate operations in countries with weaker environmental regulations so that they can continue polluting the environment without being held accountable. MNCs and FDI can thus be a driving force for innovation, technology transfer, and know-how diffusion, and it is important to align regulations and incentives to encourage green investment while discouraging "pollution relocation".

The *following figure* visually depicts the key factors that influence the achievement of strategic objective III. If an investigation of the primary diagnostic question reveals that impediments exist to realizing the strategic objective, the subsequent table can help to diagnose the binding constraints that need to be addressed.

DIAGNOSTIC FRAMEWORK FOR ENCOURAGING GREEN INVESTMENT BY EXISTING FIRMS

STRATEGIC OBJECTIVE III	DIAGNOSTIC QUESTION FOCUS	SUB-QUESTION FOCUS
Foreign investment is attracted to sustainable sectors and away from polluting sectors	**Government incentives discourage polluting investments and ecourage sustainable investments**	Government policies favor investment in green sectors
		Foreign investors are aware of available green incentives
		Green public procurement policies reward green bids
	FDI environmental impacts are transparent	Foreign investors' direct environmental impact is transparent
		Foreign investors' supply chain environmental impact is transparent
	Foreign investors are allowed to make green investments	Policies do not set maximum ownership stakes for FDI in green sectors
		Policies do not ban foreign firms from operating in specific green sectors or handling green technologies
	Foreign investors are able and willing to comply with environmental regulations	Environmental regulations are not overly burdensome
		Support is available to adhere to environmental regulations
		Green regulations are perceived to be long-term, not transitory
		Green regulations are perceived to be fairly and consistently enforced

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*** OECD (2013): What have we learned from attempts to introduce green-growth policies?

SUB-QUESTIONS	RATIONALE	POTENTIAL POLICY OPTIONS & EXAMPLES
PRIMARY DIAGNOSTIC QUESTION **What is the current level of new green FDI?**		
• What are the trends in green FDI? • How does that level of green FDI compare with other similar countries? • What has prevented green FDI from occurring, if anything?	The quantity and trends in green FDI signals whether economic opportunities are being perceived in those sectors and whether there are significant barriers to making FDI.	*If green FDI rates are sub-optimal, refer to the policy options below based on the drivers of low green FDI.*
DIAGNOSTIC QUESTION 1 **Are there investment barriers in green sectors that restrict or prevent green FDI?**		
• Do foreign investors face specific constraints that would discourage or prevent them from investing in green sectors? • Are certain green sectors closed to foreign investment altogether or are foreign firms' maximum ownership stake limited?	The existence of investment barriers signals that current green FDI is likely less than it would otherwise be and lifting restrictions could unlock new FDI.	Liberalize investment rules for green investments.
DIAGNOSTIC QUESTION 2 **Are investment incentives aligned to discourage or restrict polluting investment and encourage sustainable investment?**		
• Do foreign investors view current incentives as sufficiently favorable for green investment? • Are foreign investors aware of green-oriented incentives? • Do government policies favor green sectors and investments over others? • Do public procurement policies favor green FDI?	Regulations and investment promotion efforts may set the wrong incentives, leading to the expansion of polluting sectors; or they may set the right incentives e.g. by targeting "green" sectors specifically with outreach and support efforts. The existence of incentives for green investment and dis-incentives for polluting activities is a key enabling condition for attracting the "right" FDI.	• Shift incentives and other policy tools away from more polluting industries and toward sustainability-enhancing investments. • Phase out subsidies for polluting industries, and provide support / incentives to sustainable sectors (e.g. financial benefits conditional on environmental performance). • Link industrial policy with environmental focus by making sustainability part of sector prioritization. De-prioritize polluting sectors to avoid a "pollution haven" scenario. Conduct a strategic assessment of the private sector landscape to identify sectors that are feasible and desirable for further investment, with sustainability a selection criterion. • Set up special economic zones that focus on sustainable industries. • Set up financing mechanisms and risk-sharing arrangements to attract green investment, e.g. blended / concessional finance, investment guarantees and green funds. • Introduce or expand green public procurement policies (e.g., making gov buildings energy efficient, or purchasing products & services from business certified as "sustainable" through a separate certification scheme) • Introduce stronger competition in priority sectors that may be strongly consolidated or monopolized, such as energy / electricity or waste disposal.

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SUB-QUESTIONS	RATIONALE	POTENTIAL POLICY OPTIONS & EXAMPLES
DIAGNOSTIC QUESTION 3 **Is the environmental impact of MNC investments transparent to stakeholders?**		
• Is the environmental performance of MNCs effectively measured and transparently reported? What are the KPIs that are used? • Is the environmental performance of local suppliers effectively measured and transparently reported? What are the KPIs that are used?	A lack of transparency tends to be correlated with worse environmental performance. Some FDI seeks jurisdictions (i.e. pollution havens) with less strict environmental regulations and limited or no transparency. In many cases, MNCs themselves directly produce a small portion of the total pollution created by their production process; much of the waste is generated by other firms within their supply chains. ****	• Revise existing environmental reporting standards and make them transparent. Publish the methodology. • Expand reporting / accountability efforts of MNCs towards their supply chains. Work with industry associations and BMOs to develop clear and realistic supplier standards. • Work with providers of business development services to make "greening" processes a standard part of supplier development and capacity building schemes.
DIAGNOSTIC QUESTION 4 **Are MNCs / foreign investors able and willing to comply with regulations?**		
• What are the environmental requirements of MNCs who wish to undertake FDI? • Are foreign investors adequately supported in navigating these systems? • Do businesses perceive green regulations to be fairly and consistently enforced? • Do businesses expect green regulations to be maintained over the medium-term	There are the formal rules (e.g., laws, policies, regulations, administrative codes) that govern MNC behavior. There are also the informal rules (i.e. norms) that influence what is applied in practice. Foreign investors both need support navigating the rules and appropriate oversight to ensure compliance. A lack of expectation setting and enforcement may lead to worse environmental performance, while a large regulatory burden without adequate support may deter investors.	• Ensure that rules & obligations for foreign investors are accessible and that the unintended costs of compliance are minimized. • Incentivize green investments by streamlining regulations and expediting procedures for sustainable investments specifically. • Support foreign investors to navigate government structure, procedures, and other enabling conditions of investment e.g. through a well-run Investment Promotion Agency (IPA). • Proactively collect feedback from investors (e.g. through an Investment Promotion Agency) on potential / actual grievances related to government conduct and compliance procedures.

**** Boston Consulting Group (2020): *Your Supply Chain Needs a Sustainability Strategy*

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STEPS FOR APPLICATION

STEP 1 〉 STEP 2 〉 STEP 3

Step 1:

Strategy Workshop (2−3 weeks preparation, 1 week workshop)

Assemble a team of representatives of relevant government agencies, such as investment promotion and green growth departments, that will be in charge of the strategy development over the next months. Conduct a launch workshop with this team to identify priority issues and initial policy ideas. Use the Strategy Diagnostic to walk through all 3 strategic approaches and identify some initial policy ideas, map the stakeholder and industry landscape, and conduct an initial capacity assessment (see the "Status Quo" document in UN PAGE (2016) as an example). You may also leverage other tools such as the PDIA problem deconstruction and change space analysis in this process.

Step 2:

Validate the policy ideas and gather feedback (3−6 months)

Hold a series of PPD consultations with a wide range of stakeholders including domestic businesses, foreign investors and MNCs, "pioneer" firms, green start-ups, investment hubs, environmental NGOs, and other groups, to workshop the identified priorities and policy ideas, and gather extensive feedback. You may want to leverage PPD tools such as the Policy Hackathon or the PDIA iteration format to design these consultations. Through this extensive PPD process, critically investigate your problem analysis, bring the core Diagnostic questions and sub-questions to the meetings, and expect to uncover many things you did not know.

Step 3:

Strategy development & policy design (4−6 weeks)

Use the findings from the PPD validation to adapt and narrow down policy options into a targeted strategy for green private sector development with short, medium and long-term goals as well as priority sectors for investment and reform going forward. Select "quick win" areas and sectors that could be leveraged for piloting new initiatives and reforms.

	TASKS	LOE RANGE	M1	M2	M3
	WORK PLAN				
STEP 1	**Strategy Workshop**	3−4 weeks	✕		
STEP 2	**Validate policy ideas and gather feedback**	6−8 weeks	✕	✕	
STEP 3	**Strategy development & policy design**	4−6 weeks		✕	✕

Cost Items:

· Labor time: 12−18 weeks
· Travel & logistical costs for workshop and PPD consultations
· Time for frequent meetings, debriefs, and strategy re-design

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CASE STUDY: Ship waste management in Indonesia

Indonesian government agencies, port operators, and shipowners had developed shared concerns about the poor management of ship waste in ports. The lack of a functioning waste management system, with inefficient reporting and cumbersome rules for collection and delivery, as well as a limit on the number of firms providing waste management services, led to low levels of waste collection.

With the support of the World Bank, the Indonesian Port Corporation (IPC) and government agencies collaborated to develop a new waste management system with the potential to significantly improve environmental outcomes while also strengthening the port services sector. A new online system for ship waste notification was developed and integrated into the existing shipping data portal used across 17 business ports. The new system requires all ships to report the type and volume of waste planned for disposal ahead of arrival, with the online approach providing a simple and efficient process for ships and improved data collection for port operators and officials.

IPC built on this progress at Jakarta's Tanjung Priok port by developing an online application to connect shipping agents to waste management operators. This change is expected to increase the demand for waste management services, promote competition in this subsector, and create opportunities for new firms develop.

This initiative successfully combined several green and BER goals:

1. It improved the business environment conditions both for new green firms to start, and for existing shipping firms to operate in better port infrastructure;
2. It decreased the pollution of the ports / seawater; and
3. It increased the government's capacity for creating market linkages and an effective web-based registration process, which may be redeployed in other BER-related areas.

Adapted from World Bank (2021): Catalyzing Investment for Green Growth:
The Role of Business Environment and Investment Climate Policy in Environmentally Sustainable Private Sector Development.

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

Advice on integration of cross-cutting issues is very similar to the Green Integration Checklist.

PPD: First of all, conducting targeted PPD consultations is essential to apply this tool successfully – in particular, since green growth might be a "new" area of expertise for BER policymakers, it is key to bring in knowledge and perspective from outside experts as well as businesses and investors to validate policy ideas in the process of the wider strategy development.

Fragility: Secondly, fragility and conflict can be a key consideration for shifting investment incentives especially in contexts where the unsustainable exploitation of natural resources leads to greater scarcity contributes to instability and violence, and where pollution and environmental degradation lead to loss of livelihoods and destruction of local communities.

Avoiding a "pollution haven" scenario, e.g. by redirecting subsidies, support, and FDI attraction efforts away from extractive and polluting sectors towards industries with stronger environmental records can therefore not just contribute to greater sustainability, but also to remove incentives for exploitative and destructive practices. More guidance can be found in the DCED's resources on *BER in Fragile and Conflict-Affected Situations* (2020) as well as *Green Growth in Fragile and Conflict-Affected Settings* (2019).

Gender: As for a gender lens, it is important that the (green) private sector development activities that result from using this tool are inclusive, and do not entrench unequal access to and ability to capitalize on opportunities derived from green growth. Women and other marginalized groups have to be able to equally participate in new green jobs and skill-building schemes, and to access finance and business development support for their green start-up ideas.

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LESSONS LEARNED & SUCCESS FACTORS

Strong environmental policies are the precondition for green BER.

Effective business environment reform, even targeted at green sectors, cannot substitute for weak environmental regulations. Countries need clear environmental policies and standards that will credibly remain in the long term (e.g. are not at risk of being abolished after a change in government), which provide the foundation for a complimentary business environment framework that encourages private sector growth and investment in line with these green goals.

Firms' green investments are driven by confidence and obligation.

Corporate social responsibility as a rationale is tenuous and should not be relied upon as the sole driver of green investments. Firms need to be confident in the investment opportunity, and / or feel an obligation to change their behaviors in order to make serious commitments. This can be achieved through "push" and "pull" factors: obligations such as pollution standards or technical and transparency requirements, as well as incentives such as preferred access to opportunities and tenders, subsidies, quotas etc. Credibility and stability are key here – as highlighted in the previous points, firms need to be confident that these rules and benefits will remain in place long enough to warrant long-term investment.

Consumer behavior is a strong incentive.

Businesses are quicker to react to market forces than government obligations. Changes in consumer preferences towards greater sustainability, and the ability to act on their preferences (e.g. through labels and transparency initiatives) is a key component of the business case for green investment.

Stability, commitment and a project pipeline are key preconditions for attracting green finance.

Green finance has been expanding exponentially, but often in countries that already have a stable business environment and the capacity to create a pipeline. Investors need to understand that there is a pipeline of projects with potential to be developed or scaled, and the commitment from policymakers to keep the right conditions in place. For example, to invest in a renewable energy project, investors need to know that energy prices won't be cut in half a few years into the project, undermining their returns. Once these conditions and project options are in place, finance can be found much more easily.

Having a standalone government body working on investment promotion can be a game changer.

This could be a public development bank, or an investment promotion agency. An agency whose main responsibility is engaging with the private sector, government, and outside stakeholders (like multilaterals and MNCs interested in coming to the country) as well as advising the government on regulations and bottlenecks can play an essential role for PPD and for putting in place the right conditions for a green transition.

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GENDER-SENSITIVE PUBLIC-PRIVATE DIALOGUE CHECKLIST

OVERVIEW	
OBJECTIVE	**Spur out of the box thinking on designing more inclusive PPD formats both in terms of participation in the process and in terms of the outcomes, as well as evaluating previous PPD processes on their inclusivity**
TARGET GROUP	Institutions that lead / facilitate PPD consultations, public or private
TIME	Low / Medium
EXPERTISE	Medium
COST	Medium
BER PHASE	DIAGNOSIS　DESIGN　IMPLEMENTATION　EVALUATION

INTRODUCTION

Public-Private Dialogue (PPD) mechanisms are often set up in a gender-blind and non-inclusive way, as women face various constraints to raise their voice in the policy decision-making process – their low visibility in formal businesses and employers' associations, their lack of political representation, time and mobility constraints to (physically) access consultation venues, and/or social norms around raising one's voice and participating in mixed-gender consultation groups. As a result, initiatives to improve the business environment tend to be overwhelmingly informed by the perspective of male business-owners and investors – both in terms of process (participation in the PPD, constraint analysis and reform formulation), and in terms of outcomes (the actual reform and how it impacts businesses). In many countries, women continue to face specific legal, administrative, and institutional barriers to "doing business" and participating fully in the economy. Gender-blind PPD and BER risks entrenching these barriers further, while an intentionally inclusive process can boost women's economic empowerment and overall private sector growth.

This **Gender-sensitive PPD Checklist** aims to spur out of the box thinking on designing more inclusive PPD formats from a multitude of perspectives, spanning PPD aspects such as strategy, structure, facilitation, outputs, monitoring and more. While it was initially conceptualized as an evaluation tool (*Phase 4*); it can also serve as a checklist throughout the design and implementation of PPD consultations to help the organizations that convene meetings, panels, workshops and other public consultation formats in making them more inclusive (Phase *1*/*2*/*3*). After all, social inclusion is not a one-off exercise – women's voices should be included when major business constraints are diagnosed, when reform proposals are designed, and when they are implemented and their impact evaluated.

This tool is based on the PPD Checklist featured in the World Bank's guide to Gender-Sensitive Investment Climate Assessment (2010) and further informed by the World Bank's Guide on Gender-Informed Public-Private Dialogue (2016). As with the *Gender Diagnostic Checklist* from the same guide featured in this Toolbox, this comprehensive list of indicators is one of the few practical resources on gender-sensitive BER.[*]

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[*] Reformers may pursue varying levels of ambition for gender inclusion – from minimizing risk or unintended consequences of reforms ("do no harm") over actually ensuring women's participation and voice in the process and the inclusion of their concern in policy design ("mainstreaming") to developing policy priorities explicitly targeted at enhancing women's economic empowerment ("gender focused / transformative"). The two Checklists in this Toolkit provide an entry point to considering the gendered nature both of the reform process (PPD Checklist), and of the actual policies (BER checklist), and should be considered a starting point for further initiatives.

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TOOL DESCRIPTION

This checklist was originally designed as an evaluation mechanism: each of the questions should be scored on a scale from 0 to 5 and mapped out in a spiderweb graph (the PPD Evaluation Wheel). Used upfront rather than ex-post (or both), this tool can be leveraged to set up PPD mechanisms in a more intentional way and to screen ongoing consultations for their level of inclusion. Answering some of the questions in the checklist in-depth may require additional analysis, but many can simply be used to prevent an ongoing PPD progress to be set up in a gender-blind and exclusive way.

If there is sufficient interest in creating practical lessons learned and investing resources in developing knowledge on gender-sensitive PPD, the checklist can also be used for its initial purpose – as a basis for research questions to evaluate previous PPD processes in depth.

The checklist can in principle be used by any organization convening and facilitating PPD formats, which may include government agencies, traditional "social partners" (BMOs and workers' organizations), business and investor networks, and even donors / development partners to the extent that they are involved, e.g. the ILO and World Bank.

GENDER-SENSITIVE PPD CHECKLIST

PPD ASPECT	GENDER FOCUS **
MANDATE AND INSTITUTIONAL ALIGNMENT **What were or are the objectives of the PPD, and what was or is its mandate toward the government and the private sector? How does it fit with current institutions?**	
1 Existence of mission statement and capacity of participants to explain this mission statement	Does the mission statement explicitly address gender equality and / or women's empowerment?
2 Degree of anchorage of the partnership in existing public institutions as per its mandate	Does greater inclusion contribute to recognition of the PPD and to the attitude toward your partnership?
3 Institutional readiness to implement PPD recommendations	What is the respective contribution of men and women to PPD institutional readiness? Are women involved in key functions, or only marginally?
STRUCTURE AND PARTICIPATION **How is the PPD structured; does it enable a balanced and effective participation?**	
4 Existence of rules and regulations in institutions of PPD, including formal mechanisms in place to balance power (e.g. Task Forces, Working Groups, Secretariats)	Are women equally represented in PPD structures, decision-making, and opportunities to participate in the partnership?
5 Degree of participatory decision making	Do women participate in PPD decision making e.g. around the setting of the reform agenda, design of policies, and adoption of key milestones?
CHAMPION(S) AND LEADERSHIP **Has the PPD identified champions, and how has it tried to leverage them over time to impact the effectiveness of the dialogue process?**	
6 The presence and clear involvement of champions who are recognized as such by stakeholders	Are there female "champions" (i.e. visible female leaders in the reform process), and / or male champions who (also) promote gender equality and women's issues?
7 Continuity of involvement of champions in dialogue or in partnership	• Are women represented in leadership positions in the PPD (e.g. on steering committees and other facilitative bodies)? • Is there continuity in women's leadership and presence in the PPD? • Do they substantially promote women's issues?

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** Gender focus here is both procedural and substantial: 1. Equal participation of men and women in the PPD; and 2. The outcomes of the PPD include women's concerns and benefit them equally.

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PPD ASPECT	GENDER FOCUS **
FACILITATION AND MANAGEMENT **Did the PPD engage suitable facilitators and / or managers? How has their role been defined?** **Have they managed to effectively ensure cohesion and performance?** **What conflicts did they manage, and how did they resolve these**	
8 Quality of facilitation of the PPD	• Are there women facilitators (e.g. of consultative meetings, panels, workshops etc.)? • Do they address women's issues?
9 Quality of PPD logistics and management arrangements (responsibilities, tasks, structure, logistics, and so on)	• Are women substantially represented in PPD management? • Are the logistics suitable for women to participate (e.g. timing of meetings, accessible and safe location)?
OUTPUTS & OUTCOMES **What outputs does the PPD produce, and under what internal processes?** **Have outputs from the PPD contributed to agreed-on private sector development outcomes in the shape** **of structure and process outputs, analytical outputs, or recommendations?**	
10 Outputs: analytical reports, reviews, and so on	Do the outputs of the PPD address gender issues?
11 Are the logistics suitable for women to participate (e.g. timing of meetings, accessible and safe location)?	What are the shares of men and women reporting improved trust, cooperation, communication, and so on?
12 Long-term outcomes: Degree to which dialogue or partnership has innovated or changed existing institutional structures	Has the PPD been able to influence changes that are gender responsive?
OUTREACH AND COMMUNICATION **Has the PPD communication enabled a shared vision and understanding through** **the development of a common language and built trust among stakeholders?**	
13 Quality and frequency of communication among different stakeholder groups	Is the PPD communication gender inclusive? (e.g. using gender neutral language)
14 Amount and kind of outreach and communication activities	Is there outreach and awareness-raising specifically focused on women's issues or groups?
Are women represented in the communication activities, and contribute to them substantially?	
15 Quality of reporting and documentation on activities of the partnership	Are gender-focused inputs, outputs, and outcomes monitored? (e.g. Outputs: sex-disaggregated data on participation in activities, share of women in leadership roles, etc.; Outcomes: PPD processes have been redesigned to be more inclusive; women's voices are included in the reform agenda; result of the PPD / reform actually includes women's specific concerns)
16 Degree to which monitoring results have resulted in changes in planning and targets	Has gender-focused monitoring facilitated better gender-informed planning and target setting?
17 Use of ex post assessment	Has an ex-post assessment (e.g. using this checklist to evaluate a previous PPD process) helped to address the gender-responsiveness of current / future PPD?

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ADDITIONAL GUIDANCE FOR SPECIFIC PPD CONTEXTS

PPD ASPECT	GENDER FOCUS
SUBNATIONAL **Has the dialogue been conducted at all levels of decision making down to the most local level possible and involving microentrepreneurs, SMEs, and local stakeholders?**	
18 Existence of local and regional with structures or consultation mechanisms for the dialogue or partnership	Does the PPD consult equally women stakeholders across various groups? (e.g. formal business organizations, informal workers & entrepreneurs etc.)
19 Existence of activities of the PPD at through ad hoc activities, dedicated programs, or working groups	Does outreach at different levels (local, regional, or national) reach women stakeholders?
SECTOR SPECIFIC **Have sector-specific or issue-specific public-private dialogues been encouraged?**	
20 Degree to which the dialogue or partnership addresses specific problems of participants	Are gender-specific sectoral issues or gender issues faced by participants addressed? (e.g. if the PPD is focused on a specific sector, industry, or topic)
21 Capacity of the dialogue or partnership to generate concrete solutions to specific problems of participants	Does the PPD have the capacity to generate gender-responsive sector solutions?
INTERNATIONAL ROLE **Does the PPD represent and promote national and regional interests of both public and private actors in international negotiations and international dialogue processes?**	
22 Presence and participation of participants in the dialogue or partnership at international forums and conferences	Is there gender balance in the participation in international forums?
23 Active consultation and contacts made dialogue or partnerships	Is gender-focused information by international actors to learn from the activities shared internationally?
POST CONFLICT/CRISIS RECOVERY/RECONCILIATION **Has the PPD contributed to consolidate peace and rebuild the economy through private sector development in post conflict and crisis environments (where applicable), including post–natural disaster?**	
24 Capacity to put conflicts on the agenda of the dialogue or partnership and resolve them	Does the PPD recognize and address the gender dimensions of the conflict and the recovery or reconciliation process?
25 Contributions made by the dialogue or partnership to conflict resolution and peace building in its external environment	• Is the role of women in conflict resolution recognized and supported? Are women given a seat at the table? • Are women's issues and concerns represented substantially in the peace building efforts?
DEVELOPMENT PARTNERS **How dependent is the PPD on the input and support of donors?** **How has the donor agenda affected the decisions of the PPD?**	
26 Degree of dependence of the PPD on financial support of development partners	Are development partners proactive or otherwise engaged in promoting a gender lens as part of their support to the PPD?
27 Degree of autonomy of the agenda of the PPD from agendas of development partners	Do development partners influence the focus of the PPD on gender issues? How does this impact the outcomes?
28 Degree to which the development partners give the needed assistance to the PPD facilitator	Do development partners support inclusive facilitation and/or capacity building of facilitators to address gender issues?

Adapted from: World Bank (2010), p. 76-78

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STEPS FOR APPLICATION

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Depending on how this table is used (as a design checklist of evaluation mechanism),
time and cost will vary. In general, this checklist is a mainstreaming tool meant to shift thinking
and practice in how PPD processes are designed. It should therefore be made an integral part
of PPD planning and kept in the back as a constant checklist to benchmark activities against.

When used as an **evaluation framework**, the timeline of implementation
will probably be about 2 months, with the **following steps**:

STEP 1:

Survey design (3 days)

- Develop a survey meant to capture the indicators in the checklist, tailored to the local policy context
  or a specific reform process.

STEP 2:

Data collection (3–4 weeks to send and receive back)

- Send and promote this survey to a wide range of stakeholders engaged in the policymaking
  process, e.g. traditional social partners, women's business associations, NGOs, government
  agencies, donors etc.

STEP 3:

Data analysis & proposal development (1–2 weeks)

- Collect the responses, analyze major gender gaps, and develop proposals to address them
  (in general and aimed at some of the largest actors in the local PPD dynamic, proposing quick wins,
  medium-term initiatives, und longer-term systemic changes). Share these findings widely.

STEP 4:

Organizational commitments (1–2 weeks)

- Critically reflect on your own organization's practices and make specific public commitments
  to changes you aim to implement.

	TASKS	LOE RANGE	M1	M2
	WORK PLAN			
STEP 1	**Survey design**	3 days	✖	
STEP 2	**Data collection**	3–4 weeks	✖	
STEP 3	**Data analysis & proposal development**	2–3 weeks		✖
STEP 4	**Organizational commitments**	1–2 weeks		✖

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STEPS FOR APPLICATION

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When used as a benchmarking tool, the framework may be used the **following way**:

STEP 1:

Workshop preparation (1 − 2 days workshop)

- Convene a workshop of local women entrepreneurs (formal and informal) and facilitate a discussion based on the checklist to identify the key issues in current PPD structures.

STEP 2:

Workshop (1 week preparation)

- Prioritize the key issues and facilitate the development of an Action Plan with concrete and achievable targets to address the most pressing ones.

STEP 3:

Dissemination (3 − 4 weeks)

- Disseminate the Action Plan to key stakeholders and policymakers.

WORK PLAN			
TASKS	**LOE RANGE**	**M1**	**M2**
Workshop preparation	1 week	✗	
Workshop	2 days	✗	
Dissemination	3 − 4 weeks	✗	✗

CASE STUDY: Cambodian Women's Entrepreneurs Association

For example, in 2010, IFC and the Cambodian Ministry of Women's Affairs hosted a workshop for Cambodian businesswomen to identify BER and PPD priorities. They identified two actionable next steps: strengthen an existing Women Business Association (or establish a new one) to channel and advocate for policy priorities in the long term, and bring women representatives to each of the existing sectoral PPD Working Groups so that women's issues could get onto their agendas. As a result, the Cambodian Women Entrepreneurs Association was formally established in 2012, which participates in all the Working Groups of the existing public-private dialogue mechanism, leading to greater recognition of their role and concerns in the business community.

Source: World Bank (2016)

GENDER TOOL GENDER-SENSITIVE PUBLIC-PRIVATE DIALOGUE CHECKLIST
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

INTEGRATFION OF PPD AND CROSS-CUTTING THEMES

Technology: Beyond gender and PPD, which are at the heart of the tool, and the short section on conflict settings, there is no specific focus on other cross-cutting themes such as the environment or technology. However, technology is a key aspect of delivering PPD and could be an important lever of addressing some gender-based access constraints – for example, digital consultation formats through social media, SMS, online surveys, or virtual panels and workshops could be more inclusive in contexts where women face constraints to their mobility and time (to travel to an in-person event) and their ability to mingle with male strangers; although the gender digital divide will have to be taken into account.

Inclusion: Moreover, the checklist could be adjusted to promote inclusion more broadly, e.g. to target other under-represented and marginalized groups, as well as topics that have traditionally been excluded from BER, such as the environment. While not all of the factors and questions will directly apply, many can be used the same way, e.g. to monitor whether representatives of environmental interest groups have been engaged, or if there are outcomes and indicators related to green growth.

LESSONS LEARNED & SUCCESS FACTORS

Below are some lessons learned from applying this and similar gender mainstreaming tools:

Be specific.

Avoid broad and intangible organizational commitments to gender equality, and instead make concrete, achievable proposals with targets and timelines. The checklist contains plenty of practical suggestions for where to start.

Look for allies.

Given that many of the traditionally powerful actors in BER tend to have limited representation of women (and even less so of women who are not formal business owners, but e.g. work informally), there will be vested interests to defend their influence and keep other voices out. As with the Gender Checklist tool, think about the political economy of greater inclusion: getting commitments from key decision-makers, positive deviants / "gender champions", and influential organizations (public or private) to improve diversity and representation will be key.

Mainstream a gender perspective.

Rather than establishing a separate "Women's Working Group / Committee" within the PPD structure, seek to make social inclusion part of the already existing committees to integrate women's concerns across BER topics. You want to avoid a situation in which "women's issues" become a standalone item viewed as separate from the wider economic agenda. Although it is important to highlight women's specific constraints in the business environment, setting up a separate structure / group brings the risk of this group being sidelined, and / or "gender" viewed as a single issue to "tick off" rather than something to be mainstreamed.

REFERENCES & RESOURCES

- World Bank (Simavi, Manuel & Blackden) 2010: *Gender Dimensions of Investment Climate Reform: A Guide for Policy Makers and Practitioners*
- World Bank (Herzberg & Sisombat) 2016: *Gender-Informed Public-Private Dialogue. Practical Note on Inclusion of Women Entrepreneurs' Voices.*

STAKEHOLDER DIALOGUE PLANNING CHECKLIST AND ASSESSMENT TOOL

OVERVIEW	
OBJECTIVE	**Conduct effective, well-structured PPD consultations**
TARGET GROUP	Private and public institutionsstakeholders that lead / facilitate PPD consultations
TIME	Low
EXPERTISE	Low
COST	Low
BER PHASE	DIAGNOSIS → DESIGN → IMPLEMENTATION → EVALUATION

INTRODUCTION

It is widely recognized that private public dialogue is critical for effective business environment reform. Policies are more likely to be well-designed and implemented if they are informed by the perspectives of the private sector. Nevertheless, attempts to conduct PPDs often produced sub-standard results. Consultations are superficial, involve only a few large well-connected firms, and are used to presented already-designed solutions rather that jointly identify and design solutions. The result is often that attempts at BER fail and lead to considerable frustration by all stakeholders.

It is precisely these issues that the **Stakeholder Dialogue**[*] **(SD) Planning Checklist and Assessment Tool** address. They provide practical tools to conduct well-structured PPDs. They are relevant at all four reform phases. During _diagnosis_, the Stakeholder Dialogue Checklist can help to ensure that a SD is appropriate and well-designed and therefore more likely to identify the key BER issues to prioritize. During _design_, the Checklist can improve the quality of SDs so that they to effectively support the design of a BER initiative and validate the draft design Similarly, during _implementation_, the Checklist can help to improve SDs' ability to create momentum and ownership among stakeholders. During the _implementation_ and _evaluation_ phases, the SD Assessment Tool provides critical reflection on whether an SD is meeting its aims and creating the desired results.

These tools are useful for anyone who is planning to conduct PPD consultations, including the public sector, BMOs, NGOs, and others.

The presented tools are part of the Stakeholder Dialogue Manual that was developed by Petra Künkel, Silvine Gerlach and Vera Frieg at the Collective Leadership Institute in collaboration with Christian Görg, Marike Ferguson, Judith Kohler and Johannes Herde of GIZ. This chapter is also strongly informed by the work of Benjamin Herzberg and Andrew Wright in The PPD Handbook: A Toolkit for Business Environment Reformers that was published by DFID and the IFC.

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[*] A stakeholder dialogue (SD) is defined simply as "a method for managing change processes through cooperation". It can be a multi-year process or a single meeting. In contrast, PPDs are "structured mechanisms, anchored at the highest practical level, coordinated by a light secretariat, and aimed at facilitating the discovery process by involving a balanced range of public and private sector actors in identifying, filtering, accelerating, implementing, and measuring actions and reforms that tend to improve issues of matter to the stakeholders."

STAKEHOLDER DIALOGUE PLANNING CHECKLIST AND ASSESSMENT TOOL
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

TOOL DESCRIPTION

There are two broad types of SD:

- **Consultative stakeholder dialogues** solicit participants' views but maintain primary responsibility for acting on the information received. These can include one-off and multiple stakeholder consultations.
- **Cooperative stakeholder dialogues** engage participants to jointly work to design and implement a solution, with shared responsibility for its success. These can include multi-stakeholder partnerships and platforms that manage implementation.

This chapter is focused primarily on consultative stakeholder dialogues. For more information on long-term, cooperative stakeholder dialogues, refer to the **PPD Handbook** (*see References below*). In some cases, SDs will begin as consultative dialogues and then transition to being cooperative dialogues following initial success.

Stakeholder Dialogue Planning Checklist

A first critical decision to make is whether it is appropriate to hold a stakeholder dialogue at all. While it is often assumed that dialogues are always good, they can create frustration if held when they are not needed or the timing, necessary resources, and capacity are not in place. The following checklist is helpful to determine if it is appropriate to hold a stakeholder dialogue. It can be completed by the group that is considering holding the dialogue. If the answers to more than eight of the questions are 'yes', then the conditions can be considered adequate to begin the SD process.

STAKEHOLDER DIALOGUE PLANNING CHECKLIST

Is there a need for a multi-stakeholder engagement to implement change towards SDGs?

· Broad acceptance of the envisaged project or initiative for SDG implementation by different stakeholders is necessary.	YES	NO
· Implementation of the project or initiative affects various stakeholder groups.	YES	NO
· The implementation of the project or initiative requires the active participation of different stakeholder groups.	YES	NO
· The challenges present or foreseen cannot be addressed by the experience, means, knowledge, or power of one stakeholder (group) alone.	YES	NO

Is the timing right?

· Key stakeholders are convinced that change is neccessary.	YES	NO
· Conflicts between stakeholders are not so strong that participation in collaboration is impossible.	YES	NO
· Most of the key stakeholders have confidence in the expertise of the initiators of the multi-stakeholder collaboration.	YES	NO
· Participation in collaborative change does not create disadvantages for the stakeholders involved.	YES	NO

Are the neccessary resources available to conduct the multi stakeholder collaboration?

· The team of initiators has sufficient time, personnel, and financial resources.	YES	NO
· The team of initiators has sufficient knowledge about how to conduct multi-stakeholder collaboration.	YES	NO
· The initiator team already has established sufficient relationships with all relevant stakeholder groups.	YES	NO
· The collaborative approach is supported by key decision-makers in the institutions of the initiators and potential partners.	YES	NO

Does the team of initiators have the competence to drive the change?

· The initiators team is ready and able to co-steer a complex process, which may not be straightforward.	YES	NO
· All initiators are willing to respect each other's point of view or differing opinions and to allow innovative, jointly developed solutions.	YES	NO
· The initiators are open to change their own viewpoints or to adjust goals.	YES	NO
· The initiators are ready to take on leadership in a collaborative process.	YES	NO

Künkel, Kuhn, Stucker, Williamson. (2021). Leading Transformative Change Collectively: A Practitioner's Guide to Realizing the SDGs. Routledge.

⚒ STAKEHOLDER DIALOGUE PLANNING CHECKLIST AND ASSESSMENT TOOL
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

Stakeholder Dialogue Assessment Tool

A second helpful tool for SD, after deciding to hold them and carrying them out, is an SD Assessment Tool to determine how well they have worked. The Assessment Tool can be applied by the organizers to self-assess how it went, and ideally also be completed by the SD participants to provide feedback on both what worked and also what could be improved. The first and simpler option is for participants to score an SD against the eight factors in the spider diagram: leadership/sponsorship; cohesion/relationship management; goal and process clarity; knowledge and competence; credibility; inclusiveness; ownership; and delivery and outcome orientation. The second and somewhat more time-consuming option is for each participant to complete the full questionnaire, scoring each factor from 1–6.

STAKEHOLDER DIALOGUE ASSESSMENT TOOL
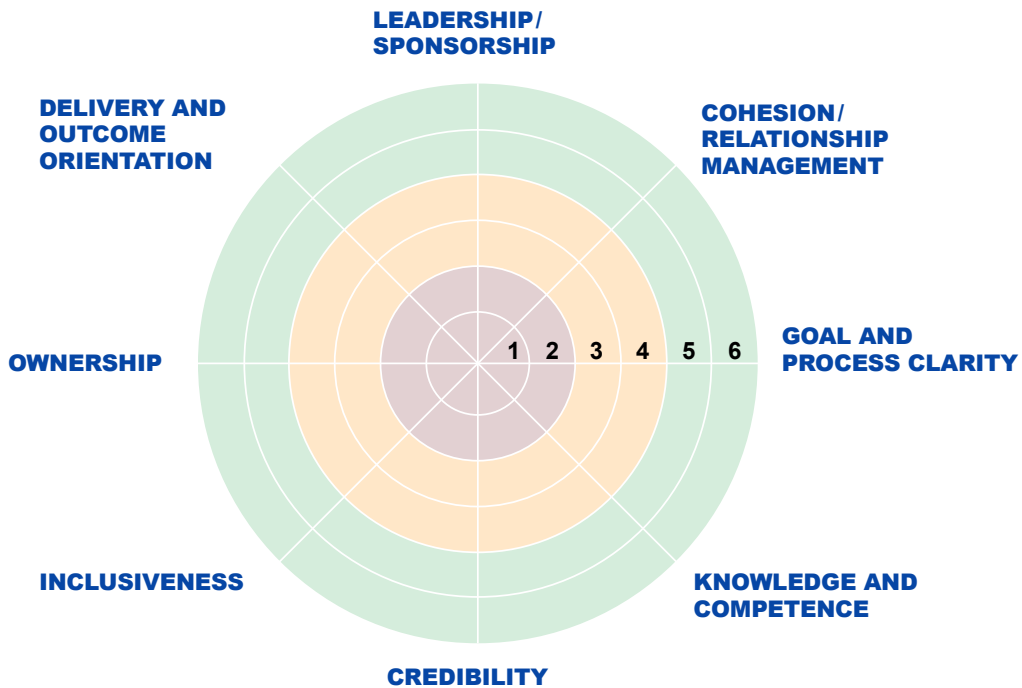
6	Completely true
5	Largely true
4	True to some extent
3	False to some extent
2	Largely false
1	Completely false

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⚒ STAKEHOLDER DIALOGUE PLANNING CHECKLIST AND ASSESSMENT TOOL
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

STAKEHOLDER DIALOGUE PLANNING CHECKLIST

KEY FACTORS AND KEY QUESTIONS

	6	5	4	3	2	1
1. LEADERSHIP/SPONSORSHIP	6	5	4	3	2	1
· There is a strong and committed container that represents the participating stakeholders.						
· High-ranking and influential people support the stakeholder dialogue.						
· Next to the container, there are enough participants who identify with the initiative.						
· The top management of the participating institutions identifies with the initiative.						
2. COHESION AND RELATIONSHIP MANAGEMENT	6	5	4	3	2	1
· Stakeholders have enough time to form relationships with each other. The people involved are able to meet in a mutual spirit of respect and acceptance.						
· A communicative and inspiring exchange takes place.						
· Relationships between the participating stakeholders and the institutions they represent are given adequate attention.						
3. GOAL AND PROCESS CLARITY	6	5	4	3	2	1
· The contribution of the stakeholder dialogue to the shared goal is clear to all participating stakeholders.						
· Process design and participation patterns are transparent and reliable.						
4. KNOWLEDGE AND COMPETENCE	6	5	4	3	2	1
· All stakeholders have the required knowledge and competencies.						
· Capacity development for implementing stakeholder dialogues has been built into the process design.						
· Sufficient resources are available fort he stakeholder dialogue and its implementation.						
5. CREDIBILITY	6	5	4	3	2	1
· Initiators, the container and/or process managers have a sufficient mandate and are trusted by all participating stakeholders.						
· All relevant stakeholders are sufficiently and adequately represented within the stakeholder dialogue.						
· Decision-making processes are transparent and are jointly agreed on by stakeholders wherever possible. They take into account the different backgrounds and cultures of the participating stakeholders and their relevant institutions.						
6. INCLUSIVENESS	6	5	4	3	2	1
· Weak stakeholder groups are adequately integrated into the process. The stakeholder dialogue and the associated meetings and workshops are designed and held in such a way that all participating stakeholders have a sufficient say and are heard.						
· There is an agreed procedure for dealing with criticism and complaints. Critical voices are either involved or, at least, good relationships are maintained with critics.						
· Stakeholders with a high degree of influence have become sufficiently enthused by and integrated into the stakeholder dialogue initiative.						
7. OWNERSHIP	6	5	4	3	2	1
· The relevance of goals and results is regularly reviewed with all relevant stakeholders.						
· All stakeholders have the same right to contribute their viewpoint and/or are equally entitled to make decisions. Decisions are reached by consensus.						
· The container ensures that the contributions of the various stakeholders are sufficiently acknowledged.						
8. DELIVERY AND OUTCOME ORIENTATION	6	5	4	3	2	1
· Stakeholder meetings are designed such that participants can work out solutions together. The meetings are concluded by an overview of results and of the next steps to be taken.						
· The institutions of the participating stakeholders implement joint decisions.						
· All participants are familiar with the various roles and with the steering and implementing structures.						
· The participating stakeholders have agreed on the form of progress review and of monitoring.						
· Regular progress reviews are performed.						

STAKEHOLDER DIALOGUE PLANNING CHECKLIST AND ASSESSMENT TOOL
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

The *Checklist* and the *Assessment Tool* can be used by any organization convening and facilitating PPDs, including government agencies, traditional "social partners" (BMOs and workers' organizations), business and investor networks, and even donors / development partners to the extent that they are involved (e.g., the World Bank).

STEPS OF APPLICATION

STEP 1 → STEP 2

The full set of steps to apply a PPD or a SD can often be lengthy, and depend on the type of SD that is being used. Long-term PPD platforms are excellent ways to build long-term ownership that enables BER, but typically take years to apply. The PPD Handbook referenced in the References section provides more detailed timelines for building and implementing a full PPD platform.
The specific tools being presented in this chapter are simple tools that can be used for even for single consultative PPDs and SDs.

STEP 1:

SD Planning Checklist (1 – 2 hours)

This first tool can be applied very quickly. It can be done by the potential facilitators in just 1 – 2 hours to decide whether it is worthwhile to hold a SD.

STEP 2:

SD Assessment Tool (1 – 8 hours)

If using a paper-based process, it will take 1-2 hours to collect and analyze the data if participants are asked to complete the spider diagram and 3-4 hours for the full questionnaire. The time will drop dramatically if the questionnaire is entered into an online survey format that facilitates instant data analysis. The results should then be shared back with the participants at a follow-up meeting, if one is planned.

WORK PLAN

	TASKS	LOE RANGE	M2
STEP 1	Decide whether to hold a stakeholder dialogue	1 – 2 hours	✖
STEP 2	Organizers self-assess the performance of the stakeholder dialogue then analyze the findings to identify opportunities for improvement	1 – 4 hours	✖
	Organizers and participants complete the full assessment questionnaire, then the organizers analyze the findings to identify opportunities for improvement	3 – 8 hours	✖

STAKEHOLDER DIALOGUE PLANNING CHECKLIST AND ASSESSMENT TOOL
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

INTEGRATFION OF PPD AND CROSS-CUTTING THEMES

Gender / Green / Conflict: The Stakeholder Dialogue Checklist and Assessment Tool are both specifically tools to facilitate PPDs. The tools do not explicitly incorporate gender, so should be combined with the gender-sensitive PPD checklist to assess and consider how to incorporate gender into the approach. The Checklist can be modified by including questions to ensure adequate incorporation of gender equality, green growth and conflict mitigation. Similarly, extra questions can be added to the Assessment Tool to examine the extent to which the SDs did not exacerbate gender inequality, environmental harm and conflict and probe on whether they actually lessened these issues or could do so in future. SD is perceived as being particularly useful in conflict affected and fragile environments as it has the potential to build trust and even contribute to peacebuilding among conflicting groups. To do so, it needs to not overlook informal systems and may need to use an external facilitator when tensions are high; both aspects that can be built into the initial planning Checklist.

LESSONS LEARNED & SUCCESS FACTORS

Below are some lessons learned from applying this tool to BER initiatives:

Anticipate and mitigate potential risks.

There are various ways that stakeholder dialogues can inadvertently not yield the desired result or even produce negative effects.

The following table describes some potential risks and possible solutions:

POTENTIAL RISKS AND POSSIBLE SOLUTIONS

RISK	MITIGATION STRATEGIES
They reinforce vested interests and create opportunities for rent-seeking behaviour.	• Create an explicit commitment to transparency • Involve a broad set of stakeholders • Include a strong monitoring and accountability function • Do not set limits on the topics that can be discussed
They are dominated by large businesses and those located in the capital city	• Involve business associations that represent small and medium enterprises (SMEs) and representatives from the informal sector • Reach out directly to individual SMEs to solicit their suggestions
They are unproductive forums for discussion that do not lead to action	• Establish clear goals and publicize them to create accountability on the participants • Develop, communicate and follow a strict agenda • Include clear proposals and / or decision points to tackle in each meeting • Manage participants' expectations prior to holding the meeting • Remove participants or components that are unproductive • Consider how to create 'quick wins'
Participants have little ownership, trust and investment, and thus do not participate fully	• Ensure all participants are clear on next steps and the goal • Foster trust among participants in the process • Build credibility in the process, including through the neutrality of the facilitator • Make clear how participants' inputs will be incorporated into the ultimate results

Adapted from Herzberg & Wright (2006): The PPD Handbook: A Toolkit for Business Environment Reformers. DFID and IFC.

⚒ STAKEHOLDER DIALOGUE PLANNING CHECKLIST AND ASSESSMENT TOOL
Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

Select the right facilitator(s).

Effective facilitation is essential for effective SD.
SD facilitators will need to have most or ideally all of the following characteristics:

- **Low ego**
  ››› They do not take disagreements personally.

- **Ability to focus**
  ››› They keep everyone focused on the objectives of the dialogue and avoid allowing tangential discussions.

- **Participatory**
  ››› They elicit participants' different viewpoints and talk through them in a way that does not promote conflict. They do not impose their own ideas and solutions on the group but rather facilitate discussion to arrive at solutions.

- **Critical bystander**
  ››› They avoid accepting every suggestion that is given and can critically test ideas in a way that participants do not take personally.

REFERENCES & RESOURCES

- Künkel, Gerlach, Frieg et al. (2011). *Stakeholder Dialogues: Manual.* GIZ.
- Benjamin Herzberg and Andrew Wright. (2006). *The PPD Handbook: A Toolkit for Business Environment Reformers.* DFID and IFC.
- Künkel, Kuhn, Stucker & Williamson. (2021). *Leading Transformative Change Collectively: A Practitioner's Guide to Realizing the SDGs.* Routledge.
- Herzberg & Wright. (2005). *Competitiveness Partnerships: Building and Maintaining Public-Private Dialogue to Improve the Investment Climate.*
- Nielsen, William. (2021). *Public Private Dialogue (PPD) with the Use of New Technologies: A focus on feedback tools and their integration with data-driven policy reform.* Donor Committee for Enterprise Development.

DCED RESULTS CHAIN

OVERVIEW	
OBJECTIVE	**Clarify the expected results of a BER initiative, test whether the logic of the intervention is sound, identify critical assumptions that may impede the success of the project and interventions, effectively communicate an intervention or project to stakeholders in a visual format, and determine what to measure to know if your BER initiative is on track**
TARGET GROUP	Public and private sector institutions designing and implementing BER interventions
TIME	Low
EXPERTISE	Medium
COST	Low
BER PHASE	DIAGNOSIS — DESIGN — IMPLEMENTATION — EVALUATION

INTRODUCTION

Business environment reform initiatives frequently lack a realistic change strategy for achieving their objectives. Sometimes breakfast seminars with policy makers are expected to lead directly to policy change, or the focus is on changing a policy but not on what has to happen for it to be enforced. Once designed, such initiatives often do not change even when it becomes clear that the approach is not working and that changing circumstances require a new strategy. These challenges often mean that reform efforts do not achieve their intended impacts.

A **results chain** is a simple tool that visually describes the linkages between planned activities and the final impacts. It is valuable in the design, implementation and evaluation phases (Phases *2*, *3* and *4*) of the BER Cycle.

It can help to

a) clarify the expected results of an initiative;

b) **test whether the logic of the intervention is sound** (i.e. whether it is realistic that one step will lead to the next and whether any steps are missing);

c) **identify critical assumptions** that may impede the success of the project and interventions;

d) **effectively communicate an intervention or project** to stakeholders in a visual format; and

e) **determine what to measure** to know if your BER initiative is on track.

A results chain is applicable by anyone who is designing and implementing BER interventions and so is relevant for both the public and private sector in ACP countries.

The results chain is a core component of the Standard for Results Measurement, a user-led approach for measuring the results of social change initiatives. The Standard was developed by the Donor Committee for Enterprise Development (DCED). The DCED, whose members include major donor organizations that finance economic development, synthesizes best practice in economic development approaches.

TOOL DESCRIPTION

A results chain is a simple visual tool that depicts the linkages between planned activities and the final impacts. It can be used to describe an entire project or specific interventions. It includes the activities that a BER initiative is doing and the outputs, outcomes and impacts that those activities are expected to create. Results chains may also include assumptions and risks. A results chain can be very simple or quite elaborate, but should always include the ultimate intended results, the activities that the initiative will implement to get there, and some intermediate changes that have to occur for those activities to influence the final desired outcomes. Results chains can optionally also include assumptions, risks, outstanding questions and targets.

EXAMPLE SIMPLIFIED RESULTS CHAIN

The Contribution of Private Sector Development Interventions to conflict reduction
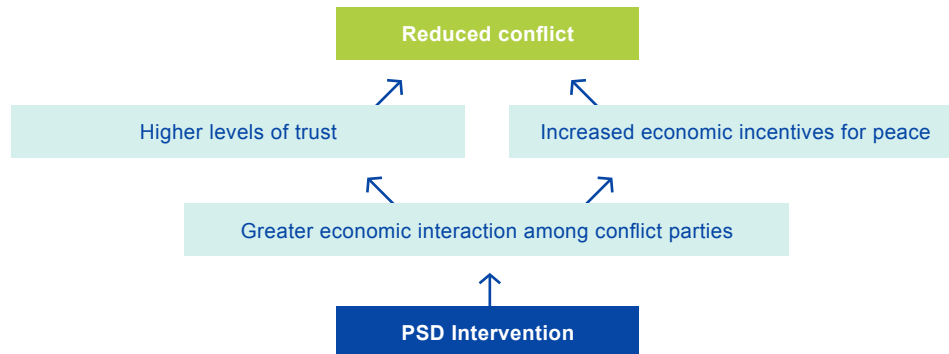
MarketShare Associates (2012). Measuring Achievements of Private Sector Development in Conflict-Affected Environments.
Cambridge: Donor Committee for Enterprise Development (DCED).

STEPS OF APPLICATION

STEP 1 ⟩ STEP 2 ⟩ STEP 3 ⟩ STEP 4

Results chains are a very accessible tool that only require a modest amount of time to develop.
Then, the results chain should be drafted based on the information that has been gathered.
The next step is to validate the drafted results chain with key informants.

CASE STUDY: Business Environment Reform in DRC

One example of application is by MarketShare Associates (MSA) on a program on BER that it co-implemented in the Democratic Republic of Congo called Essor, financed by the UK government. Essor focused on multiple workstreams including business registration reform, implementation of the a new commercial law, electricity procurement reform, anti-corruption, and others. MSA developed results chains to describe the activities being conducted under each of the selected workstreams above. For example, MSA developed a results chain for the business registration reform workstream that was creating single windows to ease the time and cost required to register a business. This was initially a very simple one and then grew more elaborate as more was understood about the intervention (*see Figure on the next page*).

The Essor team then reviewed the results chains in quarterly progress review meetings.
These reviews were used to check
A) whether the intervention was proceeding as planned or not;
B) what the causes were of challenges encountered;
C) whether the assumptions that informed the design were valid or invalid.

Based on the findings of the reviews and Essor's ongoing learning, MSA regularly updated the results chain. For example, during the process of developing the results chain Essor realized it had a lot of assumptions around how making business registration easier might contribute to Essor's overall objectives of increasing incomes for poor Congolese. When MSA researched the evidence to support those assumptions, it discovered that there was mixed evidence around the efficacy of the approach and that contextual factors (such as how registering may make a business more visible to tax authorities) may impede firms' interest in registering. This prompted Essor to reconsider the impacts that the intervention would create and update its strategy.

Source: MarketShare Associates

EXAMPLE RESULTS CHAIN FOR DIGITAL BUSINESS REGISTRY AND SINGLE WINDOW BUSINESS REGISTRATION IN THE DRC

IMPACT

- International stakeholders perceive an improved investment climate in DRC
- Poor women and men have increased income
- Registered companies experience increased security of business rights
- Business owners have increased net income

Sustainability risk: Resistance from legal services intermediaries who benefit from old system.

OUTCOMES

- **Assumption:** businesses will be more likely to register themselves if the process is easier and Public tendering system provides incentives for updating of information and formalization of business
- Businesses update their business information more frequently in the national registry
- Entrepreneurs sustainably save time and money registering and updating information on their businesses
- Fewer entrepreneurs use intermediaries to register their business
- Businesses have greater awareness about the simplified registration and updating procedures at the Single Windows, benefits of being registered and external linkages
- The Single Windows are financially and institutionally autonomous

OUTPUTS

- Businesses and state agents have fewer opportunities for corruption
- Single Windows charge the standard fee for business registration and updating
- Ministry lowers the cost of updating information in the Single Windows
- Business can fulfil registration compliance requirements by visiting single institution
- Stakeholders hold quality awareness raising activities to inform MSMEs about Single Window reforms and services across DRC
- The Single Windows retain the fees charged for business registration and updating
- Single Window management and operations are improved
- Digital National Business Registry in place (including tamper controls)
- Single Windows implement streamlined and digitized business registration processes
- Single Window staff apply new capacity to deliver quality business registration and updating services at the correct fee rate
- Single Window upgrades premises
- GoDRC accepts the bureau strategy
- All departments involved in business registration migrate to digital data exchange system
- Single Windows deploy Single Windows across DRC and further develop the Single Window
- Single Window staff receive legal & software application training to prepare them for running operations
- Single Window upgrades premises

ACTIVITIES

- Essor supports business registry conversion to electronic platform
- Essor develops technical application & dashboards to manage Single Window operations and provide data quality assurance
- Essor advocacy and capacity-development / mentoring support to Single Windows
- Essor provides temporary funds for development and operation of the Single Windows
- Essor provides funds for development and operation of GUCE for the cost of the GUCEs (temporarily)
- Essor & partners develop national communication strategy to disseminate information on Single Window reforms
- Essor presents bureau-based strategy to reduce operating costs to the Ministry

The cost for applying the tool includes the salary or fees of the person researching and developing the results chain, modest travel or communications expenses to speak with key informants (if desired), and the optional costs of a workshop (e.g., facility rental) to validate the results chain.

WORK PLAN					
TASKS	**LOE RANGE**	**W1**	**W2**	**W3**	**ongoing**
Gather background information to inform the results chain	1 – 2 weeks	✖			
Draft the results chain	1 day	✖			
Validate the results chain	3 days		✖	✖	✖
Periodically review and revise the results chain	4 hours per review		✖	✖	✖

INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: PPDs are a great tool to use with results chains. When developing results chains, PPDs with key stakeholders can help to critically examine the logic within the results chain of how activities will potentially lead to the ultimate impacts and identify important and incorrect assumptions. Once developed, PPDs can be a helpful way to review the logic and assumptions of a BER initiative. When things are not working, the results chain can help identify where there are problems with the causal logic or previously unnoticed assumptions. And for any PPD process, a results chain can be a helpful way to communicate a BER initiative and maintain participants' focus.

Inclusion: Because results chains articulate the causal logic of an intervention or project, they are an ideal tool to examine whether cross-cutting themes have been incorporated and to make changes accordingly. For example, they can incorporate in an examination of how groups including women, youth, the disabled, and others face specific challenges and may require a tailored design to benefit. In the example results chain for Essor, women were explicitly singled out as intended beneficiaries at the impact level, so that Essor would remain focused on whether the intervention was creating proportional benefits for women entrepreneurs. Similarly, results chains can directly incorporate the potential for conflict to result from or influence an initiative. This can start by identifying potential conflict-related risks at different stages in the results chain. The *following Figure* outlines key conflict-related risks that could be created from an intervention focused on the introduction of business-friendly rules and regulations.

CONFLICT-RELATED RISKS WITHIN A BER RESULTS CHAIN

BUSINESS ENVIRONMENT REFORM INTERVENTIONS

Steps in Results Chain	Conflict Related Risks
Businesses benefit through cost-savings ↑ Business-friendly regulations agreed through public-private dialogue are implemented ↑ New business-friendly rules and regulations are adopted ↑ Public-private dialogues forum on regulatory reform is established	• Implementing agencies may implement regulations unevenly if still linked to a conflict party • Stakeholders that felt excluded from the dialogue process veto / block implementation • Public-private dialogue forum is perceived as illegitimate by some stakeholders • Some groups feel excluded from the consultation process • Poorly managed dialogue process reinforces conflict / mistrust between business membership organisations or between business and the government

MarketShare Associates (2012). Measuring Achievements of Private Sector Development in Conflict-Affected Environments. Cambridge: Donor Committee for Enterprise Development (DCED).

It can also help to map potential unintended conflict-related results at different stages
at the results chain, as depicted *below*.

POTENTIAL UNINTENDED CONFLICT-RELATED RISKS WITHIN A BER RESULTS CHAIN
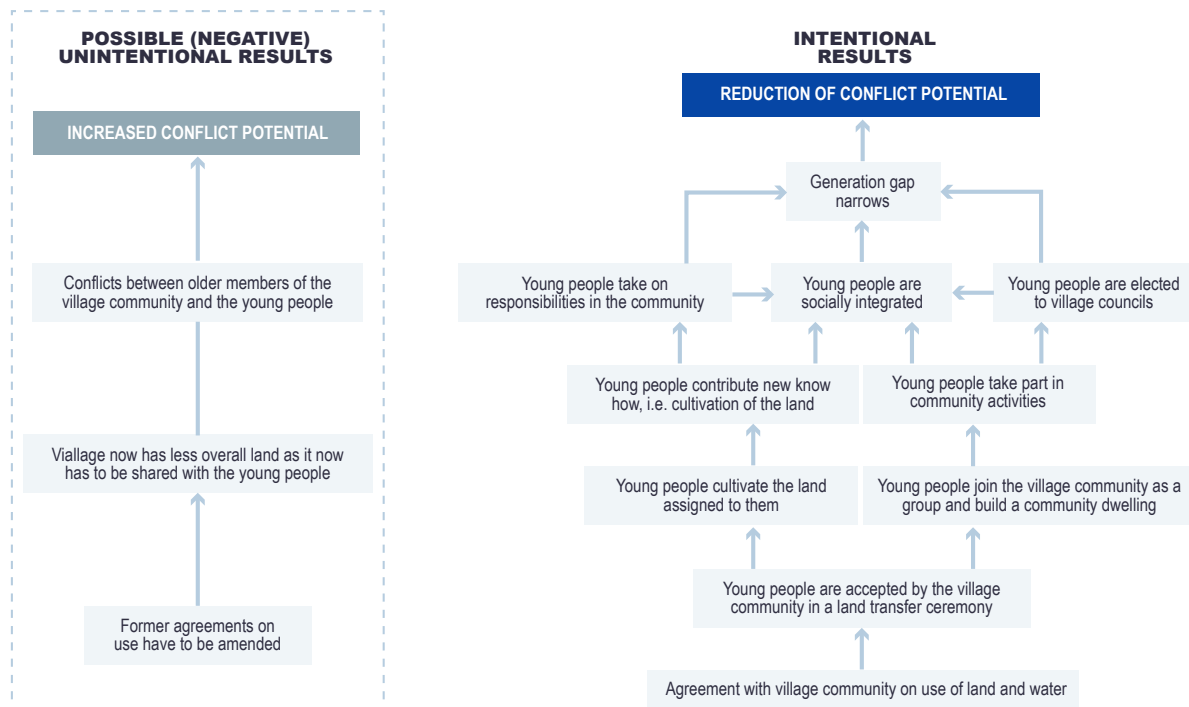
MarketShare Associates (2012). Measuring Achievements of Private Sector Development in Conflict-Affected Environments. Cambridge: Donor Committee for Enterprise Development (DCED).

LESSONS LEARNED & SUCCESS FACTORS

Below are some lessons learned from applying results chains on BER initiatives:

Develop a results chain for each separate intervention.

Results chains should ideally be developed for each separate intervention. This enables implementers to have an adequately detailed understanding of whether each intervention is working or not.

Avoid analysis paralysis.

It is easy to be overwhelmed when first developing a results chain given that a lot is typically unknown. A lot will not be initially understood and the designer must recognize that the first effort needs to be updated periodically during application.

Test the underlying assumptions.

It is easy to design a results chain that reflects the pre-existing understanding of the implementer(s), which may not be correct. To test these assumptions, it is critical that the designers solicit a range of viewpoints, including those who are not working within the same institution as the designer. This validation step makes it less likely that logical steps will be missed.

Strike the right level of detail to facilitate communication.

Often a results chain that is sufficiently detailed to enable project managers to understand the causal logic is too complicated to share with external audiences. Consider developing two versions or else striking an effective balance between thoroughness and comprehensibility.

Make the results chain sufficiently detailed.

With business environment reform, it can be tempting to have large jumps in logic and not carefully consider what steps will need to happen for policy change and policy implementation to occur. It's important to ask what intermediate changes would need to happen for critical milestones (such as a policy change) to be enacted and incorporate those into the results chain.

REFERENCES & RESOURCES

- Donor Committee for Enterprise Development (2017): *Guidelines to Articulating the Results Chain.*
- MarketShare Associates (2012).
  Measuring Achievements of Private Sector Development in Conflict-Affected Environments.
  Cambridge: Donor Committee for Enterprise Development (DCED).
- MarketShare Associates. *Practical Guidelines for Measuring Achievements in Private Sector Development in Conflict-Affected Environments: A Case Study of the Sustainable Employment and Economic Development (SEED) Programme in Somalia.*
  Cambridge: Donor Committee for Enterprise Development (DCED), 2013.
- Donor Committee for Enterprise Development (2020): *DCED Standard for Results Measurement.*

DCED STANDARD FOR RESULTS MEASUREMENT AND BER INDICATORS

OVERVIEW	
OBJECTIVE	**Effectively monitor and evaluate the results of BER initiatives, and to course correct when initiatives are not on track to meet their objectives**
TARGET GROUP	Public and private sector implementers of BER, and evaluators of BER
TIME	▪▪▪▫▫ Medium
EXPERTISE	▪▪▪▫▫ Medium
COST	▪▪▪▫▫ Medium
BER PHASE	DIAGNOSIS DESIGN IMPLEMENTATION EVALUATION

INTRODUCTION

Initiatives to improve the business environment often lack a suitable system to measure their results and enable course correction when necessary. BER indicators are often either so high-level and thus influenced by other factors (e.g., change in GDP) or so perfunctory (e.g., number of training attendees) that they do not indicate whether a reform effort is on the right track to meet its objectives.

The **Donor Committee for Enterprise Development (DCED)** has developed a suite of tools to enable BER implementers to effectively measure and evaluate their work. The tools include both a process for measuring reform results, outlined in the DCED Standard for Results Measurement; and specific sample indicators for measuring BER. These tools are relevant for *Phase 3* (implementation) of the BER Cycle to support ongoing course correction, as well as *Phase 4* where

they can support evaluation of the results achieved. They strike a good balance between being feasible for reformers to apply themselves while still being able to deliver a rigorous estimation of results.

The DCED Standard for Results Measurement was developed by the UK-based Donor Committee for Enterprise Development. The DCED, whose members include major donor organizations that finance economic development, synthesizes best practice in economic development approaches. The DCED Standard was developed by the DCED Secretariat and a core group of auditors and consultants, while the sample indicators were developed by Simon White on behalf of the DCED BER working group.

TOOL DESCRIPTION

The DCED Standard provides a wealth of practical guidance and hands-on examples for multiple aspects of measuring BER results including:

- Establishing an intervention-based theory of change using a results chain (described separately in the tool on *DCED Results Chain*)
- Selecting indicators
- Measuring attributable results
- Reporting results
- Managing the results measurement system

The tools are applicable by anyone who is conducting business environment reform efforts and so are relevant for both the public and private sector in ACP countries. The DCED offers the option of commissioning an external audit that validate the quality of the results measurement system. Sample indicators are provided for various elements of BER. For example, for simplifying business registration and licensing procedures, the following indicators are provided:

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Investment Climate Reform Toolbox – Tools for Reforming the Business Environment

CONTENT

DOMAIN: SIMPLIFYING BUSINESS REGISTRATION AND LICENSING PROCEDURES

OUTCOMES	INDICATORS	VERIFICATION	ASSUMPTIONS / COMMENTS
Increase in the number of businesses that register and obtain the necessary licenses	• Number of business registrations • Number of business licenses issued	Database of business registration and licensing authorities	Reduced time to register will encourage more businesses to register and obtain licenses
Reduction in the amount of time required to register and license a business	Time required to register and license a business	• Time and task survey • Survey of businesses that have recently been registered	Increasing the automation of processes and collocating business registration and license services will decrease required time
Informal businesses, many of them run by women, become formalized	The number of business registrations per year, segmented in registrations of former informal businesses and startups at agency XY	Gender differentiated survey of businesses that have registered; query and observation of registration process at government agencies; random supervision of businesses at registration.	
	The level of formalization for businesses of the informal sector augmented from x % to y %.	Evaluation and analysis of statistical data from registration office and statistics of the informal sector.	
POSSIBLE OUTPUTS	**INDICATORS**	**VERIFICATION**	**ASSUMPTIONS / COMMENTS**
Simplified and harmonized business registration and licensing procedures implemented	Reduction in the number of steps required to register and license a business	Compare old procedures to new	Simplified and harmonized systems make it easier to obtain a license and register
One-stop-shop for registering and licensing businesses operational	Reduction in the number of steps required to register and license a business	Expert analysis of laws, regulations and procedures	Fewer steps make it easier to obtain a license and register
On-line business registration and licensing facility accessible to targeted users	Percentage of registrations and licenses completed online	Database of business registration and licensing authorities	• Automating procedures will save time • Targeted users have reliable access to internet

Source: DCED (2014): Measuring Business Environment Reform Results: Sample Indicators

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CONTENT

STEPS FOR APPLICATION

STEP 1 › STEP 2 › STEP 3 › STEP 4

The DCED Standard is typically applied for the entire length of an initiative within the design and implementation of the monitoring system.

The implementation of the DCED Standard will typically last for the entire length of the initiative and involve the following steps:

STEP 1:

Develop the results chains (2–3 weeks)

- Develop the results chains, including background information gathering and validation.

STEP 2:

Select BER indicators (1–3 weeks)

- These will be based on the information that will guide decision-making, and informed by the results chains.

STEP 3:

Data collection (variable)

- Regularly monitor change in the BER indicators. This requires collecting data against the selected indicators. This will last for the length of the initiative and the time required will vary significantly based on the size of the initiative and the research tools being used.

STEP 4:

Data analysis (4 hours per review)

- Reflect on findings and adapt the initiative accordingly.

WORK PLAN

TASKS	LOE RANGE	M1	M2	ongoing
STEP 1 **Develop the results chains**	2–3 weeks	✖		
STEP 2 **Select BER indicators**	1–3 weeks	✖	✖	
STEP 3 **Data collection**	variable			✖
STEP 4 **Data analysis**	4 hours per review			✖

Cost Items:

- The cost for applying the DCED Standard includes the cost of a position that oversees the monitoring of the BER initiative(s), a small percentage of the time of the implementing team members to contribute to the measurement of their interventions, resources for additional data collection (e.g., enumerators for surveying), and optionally money for an external audit or evaluation of the BER initiative.

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INTEGRATION OF PPD AND CROSS-CUTTING THEMES

PPD: The DCED sample BER indicators specifically include indicators on PPD and several cross-cutting themes. Sample PPD outcome indicators include the *below*. The DCED Standard can be applied with these sample indicators to assess the effectiveness of PPD processes and identify opportunities to improve how they are implemented.

Green / Gender: Similarly, the tool includes outcome and output indicators to measure green growth. Gender has been built into many of the sample indicators, both via disaggregating indicators and including outcome and output indicators that are specific to gender. The DCED Standard also includes specific guidance on incorporating gender into measurement.

BROADENING PUBLIC-PRIVATE DIALOGUE PROCESSES

OUTCOMES	INDICATORS	VERIFICATION	ASSUMPTIONS / COMMENTS
Sustained increase in the quality and quantity of advocacy and public-private dialogue (PPD)	Number of funded advocacy projects with documented evidence of achievement of advocacy and PPD outcomes	• Program records • BMO survey: pre- and post-program achievements	PPD in improved through better representation and preparation by BMOs
Improved voice and accountability for poor men and women	Number of firms participating in business membership organizations (BMOs) (disaggregated by female and male-owned enterprises)	BMO survey: pre- and post-program engagement by BMOs in advocacy and PPD	
Advocacy contributes to an improvement in the business environment at all levels	Percentage of agreed advocacy actions implemented by targets achieving the intended final results	Review of program documents; review of monitoring and evaluation reports	Government / Targets are willing to undertake reforms; Private sector continues to grow (*see E&Y 2014*)
	Number of functioning PPD structures	Survey of structures	
	Percentage of advocacy actions rated successful	Advocacy competence assessment diagnostic tool	
	Percentage increase in fee-paying membership private sector organizations	Review of program documents; review of monitoring and evaluation reports	

DCED (2014): Measuring Business Environment Reform Results: Sample Indicators

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LESSONS LEARNED & SUCCESS FACTORS

Below are some lessons learned from applying these tools on BER initiatives:

Budget appropriately.

The DCED Standard should be used when adequate resources can be allocated for measurement. A rule of thumb is to allocate at least 5 % of the total budget to measurement, though this percentage can be lower for initiatives with larger budgets.

Select indicators based on the decisions you need to make.

It is critical to select BER indicators once you have decided what you want to measure. Nothing should be measured unless it will help to inform a decision that you want to make. It is a good idea to select your BER indicators by using the results chain for the initiative, deciding what indicators will let you know if the initiative is creating the changes that you expect.

Select BER indicators that are relevant and can be linked to your initiative.

Consider using indicators that are more directly attributable to your reform effort. Often, initiatives to improve the business environment use macroeconomic indicators like change in GDP as a barometer for their efficacy. But given the range of other factors that influence those indicators and a single reform intervention may only have a small impact on the indicator, more narrow indicators (like the amount of income and jobs created by the reforms) should be considered.

Use indicators flexibly as helpful.

Following from the above, indicators should only be used so long as they are adding value. If an indicator is no longer helpful, then drop it. Relatedly, the sample BER indicators are a starting point and may not match an initiative's needs. Other indicators may therefore be most appropriate. Selecting other indicators should take into account guidance on indicator development, such as presented in the *references below*.

Consider initial external support to set up the measurement systems.

To apply the Standard, some support from an external expert with experience applying the DCED Standard is recommended when feasible so that the system is set up appropriately.

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REFERENCES & RESOURCES

- DCED (2020): *DCED Standard for Results Measurement* Homepage and *Guidelines to Implementing the Standard.* (Wealth of resources, cases, and practical advice)
- DCED (2017): *Standard, Version VIII.* (latest version of the standards)
- DCED (2018): *Reader on Results Measurement* (includes the standards as well as case studies and practical lessons learned)
- DCED (2014): *Measuring Business Environment Reform Results: Sample Indicators.*
- DCED (2014): *Measuring Donor-Supported Business Environment Reform Results.*

IMPRINT

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