Business Environment Reform Facility

Operational Experience of Business Environment Reform Programming in Fragile and Conflict-Affected States

Achim Wennmann, Brian Ganson, and John Luiz

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About this Study

This report has been commissioned under the Business Environment Reform Facility (BERF). BERF is funded by the UK Department for International Development (DFID) under the Business Environment for Economic Development (BEED) Programme. BERF is a central facility responding to demand from DFID’s priority Country Offices and stakeholders to initiate, improve and scale up business environment reform programmes. We provide expert advice, analysis of lessons learned, policy research about what works and what does not, and develop innovative new approaches to involving businesses and consumers in investment climate reform.

BERF has a strong emphasis on strengthening the Business Environment for women and girls, as well as for young adults more generally. It is also aiming to improve the relationship between business and the physical environment including, where relevant, linkage to climate change analysis. BERF recognises the need for appropriate political economy analysis in order to underpin business environment reform processes and interventions.

BERF is managed by a consortium led by KPMG LLP. This study presents the research of seven experts conducted over the period February to May 2017, including Achim Wennmann (Research Leader), Brian Ganson, John Luiz, Herbert M’cleod, Claudia Seymour, Koenraad Van Brabant and Kazu Kobayashi (see Annex 1). Research for this report occurred under the auspices of the Centre on Conflict, Development and Peacebuilding (CCDP) of the Graduate Institute of International and Development Studies in Geneva. The CCDP is the Graduate Institute’s focal point for research in the areas of conflict analysis, peacebuilding, and the complex relationships between security and development. Its research focuses on the factors and actors that are implicated in the production and reproduction of violence within and between societies and states, as well as on policies and practices to reduce violence and insecurity and enhance development and peacebuilding initiatives at the international, state and local levels.

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Disclaimer

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### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>BER</td>
<td>Business Environment Reforms</td>
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<td>BERF</td>
<td>Business Environment Reform Facility</td>
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<tr>
<td>CCDP</td>
<td>Centre on Conflict, Development and Peacebuilding of the Graduate Institute of International and Development Studies</td>
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<td>DBI</td>
<td>Doing Business Indicators</td>
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<tr>
<td>DFID</td>
<td>U.K. Department for International Development</td>
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<tr>
<td>DRC</td>
<td>Democratic Republic of the Congo</td>
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<tr>
<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
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<td>EPRDF</td>
<td>Ethiopian People's Revolutionary Democratic Front</td>
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<td>EUCORD</td>
<td>European Cooperative for Rural Development</td>
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<td>FCAS</td>
<td>Fragile and Conflict-Affected States</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GRD</td>
<td>Growth and Resilience Department (DFID)</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IGAC</td>
<td>Instituto Geográfico Agustin Codazzi</td>
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<tr>
<td>IGO</td>
<td>Inter-Governmental Organization</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>LBER</td>
<td>Local Business Environment Reform</td>
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<td>LRA</td>
<td>Lord's Resistance Army</td>
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<td>MRU</td>
<td>Mano River Union</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>OECD</td>
<td>The Organisation for Economic Co-operation and Development</td>
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<td>PSD</td>
<td>Private Sector Development</td>
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<td>RPF</td>
<td>Rwandan Patriotic Front</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNICEF</td>
<td>United Nations Children's Fund</td>
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<td>WTO</td>
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Executive summary and recommendations

Business environment reforms (BER) will be a key component of the future development strategies of fragile and conflict-affected states (FCAS) as they seek to achieve the Sustainable Development Goals by 2030. The hope for BER in FCAS is that it will contribute to a broader agenda of market development, investment promotion, inclusive growth, and more peaceful and inclusive societies. Reform occurs in a context of pressures on governments and society (such as population growth, climate change, and rapid urbanisation) that can influence the strategic importance of private sector development (PSD), and the associated reforms, for peace and security in FCAS.

The objective of this study, commissioned through the Business Environment Reform Facility (BERF), is to help Department for International Development (DFID) country offices and central policy teams to improve their understanding and implementation of BER by contributing to the evidence of what works and what does not work. BER in FCAS face distinct challenges associated with the factors underlying conflict and fragility. These challenges include the tendency of conflict – both violent and non-violent – to centre on the control of economic assets and resources and the benefits flowing from them.

The study investigates the experience of BER in FCAS and examines the existing evidence on the performance in FCAS of specific BER functional areas, the optimum sequencing of different reforms, and the factors influencing BER effectiveness. The study draws on four data sources to inform its analysis, including

- a literature review of BER in FCAS;
- desk research on BER in Rwanda, Sierra Leone, Uganda, and Ethiopia;
- semi-structured interviews; and
- workshops in London, Freetown, and Kampala, involving 83 senior stakeholders including country experts, senior-level investors, policy makers and researchers working across sectors and geographical areas (see Annex 4).

The key findings of this study are:

- **BER in FCAS is distinctive from BER in more developed markets** as it faces multiple challenges: to achieve the objectives of stimulating broad-based economic growth, expand economic opportunity in formal and informal markets, and address drivers of conflict and fragility – all at the same time.

- **When BER in FCAS focuses predominantly or exclusively on economic growth, it risks contributing to perverse impacts** and fails as a policy instrument to foster inclusive development.

Based on these points, this study proposes a new vision for BER in FCAS that goes beyond a technical focus on ease of doing business and places more emphasis on the accompaniment of political processes to implement reforms and to achieve broader development impacts.

Specific findings on the lessons and experience of BER in FCAS include the following:
1. **BER can act as an important disciplining mechanism for macroeconomic stability.** A focus on macroeconomic stability and improving the investment climate can contribute to economic development. BER can help to discipline state institutions by strengthening market accountability and efficiency.

2. **BER has had positive results reducing transactions costs in some FCAS.** If one measures BER success by a reduction in transaction costs, interventions such as one-stop shops have been successful in many cases.

3. **BER impact on overall competitiveness is inconclusive.** While much BER programming has focused on transaction costs it did not affect broader competitive dynamics of FCAS markets associated with the ‘cost of doing business’ – a factor emphasised to be more important for investment decisions.

4. **Technical measurement indicators of ‘BER success’ have limited value in assessing a country's trajectory out of fragility.** Typical BER measures regarding the ease of doing business say little about the more pertinent questions of the development impact of BER, and how it is (or is not) contributing to dynamics of conflict and development. These questions are not prioritised in assessments of BER programmes in FCAS.

5. **BER programmes in FCAS face the same constraints as other development interventions in FCAS.** These include political economy issues, lack of capacity or capacity gaps between different state institutions; and a lack of political will to implement reforms. As a result of these constraints, the impact of BER on fostering inclusive development is limited.

6. **BER implementation has been more successful after security has been established after a war, and when accompanied by political commitment and capabilities to implement reforms.** In the aftermath of war, sequencing decisions of BER in FCAS involve trade-offs between supporting inclusive economic growth and power consolidation of the government.

7. **BER as a concept and programme appears not widely known outside a limited group of development actors.** While ‘BER’ as a development policy instrument was clearly understood by respondents from bilateral and multilateral donors and their targeted beneficiaries, it was largely unknown beyond this restricted group of actors.

The country findings emphasise specific aspects of BER implementation in the respective countries that illustrate broader experience of BER in FCAS. High-level findings include the following:

- **Rwanda** demonstrates how BER can be an effective intervention where it is subsidiary to, and part and parcel of, a broader strategy for which there is significant political support for mobilising the state to plan and implement the country’s economic transformation in the aftermath of war.
Uganda illustrates the challenges for BER within political systems in which formal rules and structures largely remain subordinate to patronage politics, and in which corruption is deeply entrenched. Within such contexts, ostensibly business-friendly policies and institutions may be put in place, but they will have limited impact.

Ethiopia is an example of the potential for BER to play a supporting role in sequenced, focused economic and social development objectives – in this case, raising the productivity and incomes of large numbers of farmers in the informal sector – even within an explicitly state-centric economic development model.

Sierra Leone shows how PSD and BER efforts that do not address long-standing dynamics of conflict and fragility will tend to exacerbate them, and that efforts largely decoupled from the livelihoods of the wider public may advance special and private interest rather than inclusive development.

Each country case features a set of specific findings in Chapter 3.

The study recommends moving BER in FCAS beyond a technical focus on ease of doing business and proposes a new vision for BER to foster broader development impacts. This upgrade to ‘BER 2.0’ emphasises the importance for BER in FCAS to do the following:

- Embrace a systems approach rather than a transaction approach to recognise the complex network of interconnected a business interests, agendas and systems in FCAS;
- Accompany political processes to implement reforms rather than focus only on providing technical assistance for BER;
- Take into account the variety of ways in which formal and informal actors foster business initiative and innovation and generate economic value.
- Manage impact of BER on drivers of conflict and fragility through interventions that are conflict-sensitive and cognizant of political economy dynamics.

The study also recommends several new entry points for BER programming in FCAS:

- Focus on sectors that create broad-based opportunity. BER gains in effectiveness if structured around sectors and initiatives that represent real economic opportunities for value chain development in the formal and informal economies.
- Harness major investment projects and development initiatives as entry points for BER. Projects and initiatives that already have broader political support can serve as an entry point for BER and generate the necessary political backing.
- Prioritise regional (multi-country) BER programming, especially for smaller economies.
Maximise BER programmes as a tactical instrument for governments and government institutions at national and sub-national levels to build performance legitimacy.

In adopting a new vision for BER in FCAS, and exploring new entry points for BER programming, the study team would stress the need to adjust policy instruments to the new strategic landscape of conflict and fragility, and the need to generate opportunities, initiative and economic value across formal and informal markets.
Introduction

The objective of this study is to review the evidence on the lessons and experiences of business environment reform (BER) programming in fragile and conflict-affected states (FCAS), based on the experience of countries that have transitioned from a fragile environment to greater stability and more sustained economic growth. The study includes consideration of when and how to initiate BER programming; the nature of reforms to achieve their intended objectives; as well as the potential unintended consequences in the face of large-scale investment and corporate behaviour, and their contributions to drivers of conflict. It also assesses the potential implications of the identified trends and evidence on BER programming in FCAS, and provides recommendations as to how these lessons learnt could be best applied in DFID and other donor BER programming in FCAS.

The study has the following scope:

- Focus on Rwanda, Sierra Leone, Uganda, and Ethiopia (as countries that have, at least to some extent, improved their business environments from contexts of high fragility), to assess the extent to which the lessons learnt may be applicable to other highly fragile DFID priority countries.

- Review the existing evidence on the effectiveness of individual reforms in FCAS on the functional areas of BER within the Donor Committee for Enterprise Development (DCED) framework, including but not limited to land registration, property rights, tariff reforms, one-stop shops, and alternative dispute resolution programmes.

- Examine the optimum sequencing of different reforms as a country transitions from fragility to greater stability and more sustained economic growth.

- Consider the contextual factors that could influence the effectiveness of different reforms, including (but not limited to): duration of conflict; existence of BER foundations and trade links; ethnic and linguistic homogeneity; situation in the capital versus remote provinces; the preconditions and pace of reforms; the role of external agencies; the differential impact on key sectors (including infrastructure, telecommunications, energy and other extractive industries, manufacturing and commercial agriculture); and the type and pace of economic growth and development.

The research was commissioned by the Conflict Adviser within the DFID Growth and Resilience Department (GRD). KPMG appointed the Centre on Conflict, Development and Peacebuilding (CCDP) of the Graduate Institute of International and Development Studies in Geneva, Switzerland, to implement the study. CCDP assembled an international team of researchers (see Annex 4) that conducted a literature review; case desk research on Ethiopia, Rwanda, Sierra Leone, and Uganda including interviews with country experts; semi-structured interviews with senior-level investors, policy makers and researchers working across sectors and geographical areas; and a series of workshops. The study incorporated insights from 83
stakeholders including 42 key informant interviews and 41 workshop participants (see Annex 3). Findings were discussed in London, Uganda and Sierra Leone.

The report is in four parts:

- **Part 1** gives an overview of the current state of knowledge on BER practice, and notes key gaps of research identified in a previous BERF research study.

- **Part 2** distils the evidence on BER programming in FCAS, based on lessons and experiences from the case studies, the literature review, expert interviews, and the consultation process.

- **Part 3** provides an overview of key findings of the four case study countries, including an analysis of the risks and opportunities of BER in light of key drivers of conflict and fragility across the contexts.

- **Part 4** assesses the potential implications of the identified lessons and experiences for BER programming in FCAS.

This study takes FCAS to be those countries on DFID’s list of fragile states and regions. It also adopts the DCED understanding of BER, which defines the business environment as a complex of policy, legal, institutional, and regulatory conditions that govern business activities and affects the performance of private enterprises in both the formal and informal economies. Within the DCED framework, BER programmes are about reducing the transaction costs of doing business; decreasing risks; and providing greater levels of certainty regarding the quality and stability of government policies, laws and regulations so as to increase investments and raise competitive pressures by reducing entry barriers and stimulating levels of efficiency and innovation (DCED 2008). Overall, the study responds to a previous BERF work and the identified gaps in research in relation to BER in FCAS (Glanville et al. 2016: 17-18).

Annex 1 provides further information about trends in thinking about FCAS and BER relevant for this study. Annex 2 provides an overview of relevant country data and BER timelines for the four cases. Annex 3 describes the guiding questions for the interviews and workshops that have structured the data collection process of this research. Annex 4 provides information about the research team members.
1. Current state of BER practice

1.1 BER programming

BER programmes have been based upon assumed causal linkages related to making markets work for the poor by harnessing the power of the private sector. These include the premise that effective BER influences the behaviour of firms by inducing them to increase investment, and that this change in individual firm behaviour results in a broader impact across the economy leading to higher economic growth, increased employment and a reduction in poverty (White and Fortune, 2015: 5-6).

Development agencies have in the past two decades supported BER and private sector development (PSD) programmes because of these supposed causal links and their measurability in terms of impact. As a result of a growing debate about the relative success of development assistance, development agencies have been attracted to BER because of data availability, and the fact that it relies on a crowding-in effect which harnesses both the private and public sectors into pursuing a broader developmental agenda (Scheyvens et al. 2016).

The evidence supporting these causal links, however, is not uncontested. Some dimensions are supported by stronger evidence than others. There are major challenges in establishing causal links between BER and growth. At a micro level it is difficult to demonstrate an association between BER and changes in firm behaviour that lead to increased investment.

There is good evidence that economic growth is a necessary, but not sufficient, condition for poverty reduction. Although there are countries and regions which have targeted social development without focusing on economic growth, there are questions about the long-term viability of such an approach. But at the same time, research has demonstrated the limitations of trickle-down economics: the broad consensus is that whilst economic growth is important, the fruits of that growth need to be specifically directed to encourage broader developmental objectives (Alvaredo et al. 2017; Dabla-Norris et al. 2015; Greenwood and Holt 2010).

The evidence of a direct link between BER and poverty reduction is weak, but there is evidence on the indirect channels through which it contributes to poverty reduction (White and Fortune 2015). These indirect channels are manifest in the following ways:

- Reforms that simplify business registration and licensing procedures have some impact on the decisions of business owners to register, but the overall evidence about the anticipated benefits such as higher average revenues or employment are often overstated.
- Tax reforms and improved administration have led to an increase in the number of firms registered for tax, and there is evidence that this formalisation may have significant benefits for firm growth.
- Access to more and better paid employment is critical to lifting people out of poverty, but the effects of improvements to labour laws on poverty reduction are not direct.
- Land titles and registers are closely related to property rights, and research on the relationship between the latter and economic growth is overwhelmingly positive at a
Secure property rights create greater confidence amongst business owners, who are more prepared to invest because their long-term ownership rights are better assured. Evidence of linkages between the formalisation of land titles and poverty reduction is less convincing. The same is true with respect to improved access to finance and credit, as there are other factors that affect the performance of financial markets.

This evidence suggests that there are, potentially, some distinct advantages to BER from a development perspective over other approaches that development agencies have utilised. A criticism of development projects is that they are disparate interventions, not leading to large-scale systemic change and impact. BER is focused from the outset on how resources will promote large-scale change, attempting to address underlying causes rather than symptoms. For example, in addressing the problem of low levels of output, productivity and investment in African farming, BER might look beyond symptomatic problems such as a lack of access to suitable financial services, but seek to address underlying causes, which may be related to uncertainty and confusion over formal title in relation to traditional rural land holdings, which act as a disincentive to bank finance (DFID and SDC 2008: 29-31).

There are risks in viewing the declining cost of doing business, as evidenced by various proxies, as an end in itself. For example, success is often measured by improvements in doing business indicators (DBI) or as moving up international rankings. The assumption is that this results in improved development outcomes, without interrogating these links directly at a more micro level to establish or validate the causal chain (see White and Fortune 2015; Glanville et al. 2016 for a review of the inconclusiveness of these causal links within the academic literature). The World Bank has recognised the limitations of focusing on improving DBI (which is the usual starting point when evaluating BER), and staff have noted that singularly focusing on these indicators “can miss out on the wider issues that are not covered by the indicators” (Glanville et al. 2016: 16).

BER programming is a means to an end. The underlying development objectives need to be identified. Success should not be defined purely as a reduction in transaction costs associated with market activities, but in terms of the inclusiveness of new economic opportunities.

### 1.2 Situating BER in FCAS

Introducing FCAS into the equation complicates matters further. It adds the additional assumptions that BER not only aims to affect firm behaviour and economic outcomes, but also peace and security in these fragile environments, within their particularly challenging contexts.

Collier (2010) highlights the importance of economic recovery as vital to stability in FCAS. He finds that the lower the income, the higher the risk of conflict reversion, and the slower the economic recovery the more likely a reversion to violence. (cf. Manuel, 2015: 13). In a similar vein, Mallet and Slater (2012) underline that conflict can cause significant and long-lasting detrimental effects on human capital formation, and that certain segments of the population suffer worse and longer-lasting effect than others. Conflict and its aftermath create a number of obstacles to business start-up and continuation. These can take the form of damaged infrastructure, depressed demand for goods and services, a lack of formal state protection of
property rights, and other barriers that can have a negative impact on firms, and development outcomes.

Another issue is the often absent or weak social contract in FCAS, and associated disincentives for productive economic activity. Luiz (2009: 61) argues that the ‘rules of the game’ can either bluntly restrict or invoke certain actions, or can affect behaviour in more subtle ways by changing the incentive structure. He states that poor countries are often typified by “non-existent property rights for the majority of the people, the erratic enforcement of the law, elites which have unlimited political and economic power and use it for extractive purposes, and high levels of inequality with only a select few having access to high quality education and opportunities in the economic realm. These are not conditions conducive to fostering economic growth because the incentives to invest resources in these economies are not there.” This, in turn, is linked to conditions of violence and instability.

BER in FCAS takes place in a context in which not all key stakeholders are reform minded. Cramer (2006) points out that the interlinkages between distribution, conflict and growth are complex; it is over simplistic to argue that inequality leads to instability or that conflict has exclusively negative effects on growth. Berdal and Keen (1997: 816) show that seemingly “senseless” civil wars are sometimes linked to the rational pursuit of economic goals on the part of powerful groups within society. They state (p. 818) that is “not enough to condemn violence” and that, in order to address it, we need to understand the “functions it performs, and the benefits it may yield”, as well as who the beneficiaries and interest groups are. These political economy constraints for BER in FCAS do not mean that businesses cease to operate in environments of conflict. In fact, they often respond with innovative coping strategies and find ways to develop alternative systems of governance and regulation. But these activities are often driven by informal or ‘invisible’ transactions. They create niche markets as opposed to markets which foster large-scale or broad-based business activity.

Despite these constraints of economic legacies of war and violence, weak social contracts and strong political economies, the World Bank (2011) suggests that BER can restore confidence, and signal a more business-friendly environment by alleviating some of the main bottlenecks identified by the private sector. In turn, this can help create the conditions for economic revival. The most important constraints, as identified by the World Bank’s enterprise surveys in FCAS, are related to political instability, scarce electricity, corruption, and a lack of access to finance, land and transport.

BER in FCAS programmes therefore aims to address the overall obstacles to growth that arise in countries emerging from conflict, which include weak financial systems, institutions for protecting property rights, and/or regulatory systems. ‘Successful’ BER programmes in FCAS aim to create the conditions that promote PSD, and that can lead to increased job creation, formalisation of economic activity and therefore tax revenues, and, presumably, lower poverty rates and strengthening of the state-society bond.

Some BER programmes in FCAS attempt to address conflict and instability head on. For example, by focusing on social cohesion through the building of networks across ethno-linguistic divisions or including previously excluded groups, or supporting the development of
strong formal institutions that can arbitrate social divisions, BER may be able to promote broader objectives for peaceful development. This is often presumed to potentially have an immediate impact at a very basic level with, for example, job programmes that facilitate the demobilisation of soldiers and their reintegration into broader society. The evidence on the efficacy of such programming efforts, however, is weak and often non-existent (Ganson 2017).
2. Lessons and experiences of BER programming in FCAS

This Chapter distils the findings on lessons and experiences of BER programmes in FCAS with respect to the impact of BER programmes in the aggregate, and their implementation, sequencing, and functional areas. The factors influencing BER effectiveness are highlighted in Box 3 (see page 22). The Chapter draws on the country research and literature review, interviews with international experts, and the expert consultations in Sierra Leone and Uganda. It focuses on the lessons and experiences of the application of BER as a development policy instrument to foster broad-based growth, improve livelihoods, and promote peaceful, just and inclusive societies.

2.1. Impact of BER programming

**BER has had positive results reducing transactions costs in some FCAS.** If one measures success by a reduction in transaction costs, interventions such as one-stop shops have in many cases been successful. This connects to the public administration literature on ‘pockets of effectiveness’ that can occur in countries that have poor governance and weak public sectors and yet produce some well-functioning agencies or systems (Leonard, 2010). In Rwanda, there was especially strong evidence of reduced transactions costs (Luiz 2017b). Results, however, are not uniform. In Uganda, for example, the one-stop shop was characterised as ‘one-more stop’, as it was unable to overcome inertia in sister agencies.

**BER impact on overall competitiveness is inconclusive.** Transaction costs may not capture broader competitive dynamics of FCAS markets associated with the ‘cost of doing business’, which is important for investors. In Uganda, for example, reforms to lower transaction costs – like the reduction in registration times for new businesses from 15 to 5 days – did not meaningfully change business opportunity for applicants. Additionally, they were expensive for the state to implement, and perversely, they resulted in an increase in the bureaucracy to implement the change which in turn resulted in even more ethnically-driven patronage positions.

**BER impact on inclusive development is not clearly established.** There is limited evidence that BER successes, in and of themselves, impact other developmental objectives. Evidence is stronger in Rwanda where BER was part of a broader strategy that includes both an efficient state and a vibrant private sector (see Section 3.1.). In such cases, there is a clearer line of sight from discrete BER efforts to development outcomes.

**BER performance is mixed with respect to direct and indirect effects of BER on economic development and greater inclusivity through the building of social capital.** There is evidence that BER can act as a catalyst for economic growth (McIntosh and Buckley, 2015). But this effect is not universal across implementation contexts. The role of BER to attract FDI is less apparent, and other factors seem to be important in that regard. Evidence on directly linking BER to socio-development and political outcomes and state-building and peacebuilding, is contested (see White and Fortune, 2015; McIntosh and Buckley, 2015).

**BER may be an altogether less strong lever for stability and development in extractives economies.** BER is not meaningfully changing the predominance of investment in natural
resources, such as oil in Uganda or minerals in Sierra Leone. Structural change appears to occur primarily through exogenous factors of the global economy that determine investment (in Sierra Leone) or disinvestment (in Uganda). BER has not created economic opportunities resilient to commodity fluctuations, and the experience of both countries suggests that investments in the extractives sector are particularly prone to conflict risks.

**BER as a concept and programme appears not widely known outside a limited group of development actors.** While ‘BER’ as a development policy instrument was clearly understood by respondents from bilateral and multilateral donors and their targeted beneficiaries, ‘BER’ was largely unknown beyond this restricted group of actors. As stated by one leading international development scholar with decades of research experience in conflict-affected states in sub-Saharan Africa: “I’m hardly an expert in Business Environment Reform – in fact I’d never heard the term before your email, so thanks for the new acronym!” This sentiment was echoed among private sector actors. As stated by one senior corporate executive with a long experience of investing in fragile and conflict-affected states: “I haven’t heard of BER. It isn’t mentioned anywhere, not even in the recent World Economic Forum Compact for Responsive and Responsible Leadership.”

### 2.2. Implementation of BER programming

**Implementation has been compromised by the generic application of BER formulae and assumptions, insufficiently tailored for different contexts.** One expert observed “the international institutional narrative is about rolling out the investment climate, strengthening competitiveness, putting in place the building blocks: private-public partnership, finance, access to markets, etc. But this market-wide approach does not have an impact. Rather, we should focus on supporting a few big investments – like mining, agriculture – and then identify the bottlenecks and provide the support to work through them. This makes so much more sense to governments, who can then work through clearly identified issues, rather than struggling with a very broad agenda.”

Such observations seem to be supported by the experience of Ethiopia, whose most remarkable economic and social successes came from its focused package of reforms – from extension services to infrastructure to trade facilities – in support of agriculture-led growth, even as reform efforts in other areas have faced substantial resistance. In Sierra Leone, as another example, one success came with the focus on the package of reforms necessary to build a local value chain to supply the Heineken/Guinness Brewery. Notably, both Ethiopia and Rwanda, which have seen positive growth in both the economy and social indicators, have implemented ‘heterodox’ approaches to PSD and BER: private sector actors of any scale remain subject to substantial state control (often as contractors to the state, or as partners with military- or party-owned enterprises), and reforms are implemented not to improve the general climate of investment, but to advance focused performance objectives around which there is substantial elite agreement. Conversely, commentators noted that when the objective of “generalised BER” was the entry point for policy – such as the introduction of commercial courts in Sierra Leone or of one-stop shops in Uganda – there was little appetite for real reform or chance of meaningful impact.
There are risks to be mitigated when adopting BER that focuses on large-scale investment projects or development initiatives. First, large-scale projects associated to the extractive industries and agriculture are known for their minimum employment effect when addressed through large investments, so the impact on broad based growth may be limited. Second, the risk of exacerbating inequalities emerges when only focusing on such large scale project without parallel interventions on employment-intensive growth and on informal markets. Finally, such projects tend to be magnets for conflict to the extent that they are implemented without broad stakeholder involvement and substantial consensus.

In light of these cautions, the most prudent approach may be to identify and develop economic opportunities around which there is significant political interest, as well as potential broad-based benefits. Examples include improvements in smallholder agricultural productivity (as evidenced by the successes in Ethiopia); and the development of a tourism sector that could provide significant formal and informal employment (a reasonable success in Ethiopia that commentators believe could be a more productive area of focus in Uganda and Sierra Leone). These could form the entry point for BER programmes tailored to unlock private sector participation in a particular sector’s development.

BER programmes, which have not always achieved inclusive development, have been constrained by political economy issues. The very factors that make a context fragile: rent seeking; a tendency to perceive and act along well-worn conflict lines; contested power and legitimacy between the centre and the periphery; and other drivers of fragility – will tend to undermine attempts to address fragility through BER. As evidenced by patronage politics in Uganda; the re-emergence of conflict along old divides with regard to large-scale investments in Sierra Leone; the crackdown on political freedoms in Ethiopia in response to protests over land leasing policies; and the growing role of the military in the Rwandan economy (see Chapter 3); the economic sphere seems particularly prone to contestation that will tend to reinforce rather than ameliorate fragility. For example:

- In Rwanda, Uganda, and Sierra Leone, BER was associated to a greater or lesser extent with consolidation of economic and political power by a ruling elite, rather than with broad-based economic expansion.

- In Ethiopia, BER was in earlier years associated more directly with benefits to the country’s broad base of smallholder farmers; but more recently has been contested as government focus shifts towards larger-scale enterprises. The violent crackdown on political freedoms, for example, is in response to protests that are in part prompted by government land leasing policies.

- In Sierra Leone, conflict over large-scale investment practices – from land allocation; to lack of prioritisation of local employment; to deployment of military and paramilitary forces to supress protest; – is increasingly evidencing grievances and fault lines that echo the run-up to the civil war.

In countries in which up to 80% of the population engages in subsistence agriculture, BER is to some extent an elite activity; and the land- and resource-hungry enterprises it tends to promote, (for example in mining or commercial agriculture,) bring it into direct conflict with
farming and pastoral communities whose livelihoods are disrupted. In all countries, there are incidences of conflict over PSD eroding the state-society bond, and of government’s increasing defensiveness – and as raised by interviewees in the case studies, even violent reprisals by state agents – in response to civic protest related to large-scale PSD projects.

This risk is insufficiently appreciated by private-sector actors. As stated by one expert “current practice focuses on the footprint left by the company, but there is a lack of attention to the context, and a disconnection from how companies might be exacerbating tensions, violations, etc. This can lead to very negative ends. Companies have a significant impact on existing power structures, but they rarely think in this way.”

The same seems true for development actors, particularly those intervening in technical areas such as BER. An understanding of the political economy, and a plan for navigating it, are crucial starting points for BER success.

A lack of capacity in FCAS has constrained BER implementation. Differences in capacity between ministries and local government actors are a considerable limitation for implementing BER, especially with respect to market-wide programmes. The need for support to government capacity was repeatedly raised as a key issue across industries in the expert interviews. As stated by one investor “you can only go as fast as the slowest piece.”

Another interviewee explained, “companies should have greater interest in promoting capacity building, training, and raising the capacities of [counterparts] commensurate with the level of international standards.”

The lack of capacity was illustrated by one interviewee with experience of Sierra Leone: “[the Sierra Leonean Environmental Protection Agency] had only eight staff, with a budget of USD 120,000 a year, and no vehicles. The regulatory structure is extremely weak. There were 270 assessments pending review, but no capacity for doing the review. Tremendous scope for corruption… While it was good that the companies were attempting to enter the regulatory framework, it was impossible to get through it, and they just went ahead with their business. There is a need for supporting the regulatory capacity, including staffing, mentoring, guidance. But also include civil society to support constructive disagreement.”

A large investor noted his experience in one FCAS, “there are extremely high levels of turnover with national counterparts. We start building trust; then they are moved. The government is increasingly centralised, and no one wants to make decisions. [Our government counterparts] know the risks that are entailed. They are rational civil servants who protect their careers. They may be highly competent and trained, but are totally overworked, totally undermined by the political climate and an archaic bureaucracy.”

It should be noted, however, that lack of capacity may be a symptom rather than a cause of ineffective BER in FCAS. In Uganda, for example, a succession of agencies and commissions has been established to tackle questions of BER, none with enduring political support, resourcing or success. Interviewees for this study underline, however, that formal rules, systems, and institutions are simply not prioritised within the country’s patronage system, and that they may have little bearing on real decision-making or the success or failure of enterprises in the economy. Where institutions and their goals do command political support
– such as the case of the Ugandan Central Bank and its focus on macroeconomic stability – capacity constraints give less cause for concern.

**Box 1: Employment Generation in FCAS**

A CCDP study with the International Labour Organization (ILO) found that employment itself may not automatically become a stabilising factor for fragile situations, as extremely harsh and poor working conditions of employed workers are often a driver of insecurity. This case is most evident in the extractive sector – social unrest and mass mobilisation in mining sites is generally not led by unemployed local citizens but the employees who are mistreated by the companies. As such, macroeconomic improvement in unemployment rates do not speak to the quality of work – it is entirely possible that more jobs are generated by business reforms but these are not “decent work” which respect to human dignity and do not empower inclusive growth. Finally, the generation of jobs may be used as a strategy to distribute patronage in economically privileged areas. In such cases, the increased employment rate is likely to be negatively associated with fragility and insecurity as widespread perception of widening inequality and deepening social injustice may trigger uprisings in areas that feel discriminated against or marginalised (Jütersonke and Kobayashi 2015).

### 2.3. Sequencing of BER

One of the key gaps in BER research identified by Glanville et al. (2016) is the question of the optimal phasing of BER. This Section briefly reviews the existing research and the findings on the sequencing of BER from the case studies. The strongest evidence on BER sequencing emerges from Rwanda, with additional insights from Ethiopia. The reason that Uganda and Sierra Leone offer fewer insights may be related to the fact the BER was not such a central component of market reforms in comparison to Rwanda, and in some areas, Ethiopia. This Section also draws on the literature and expert interviews.

**More effective BER implementation occurred after establishing security followed by political commitment and capabilities to implement reforms.** The cases appear to support these findings: Rwanda (discussed in more detail in Box 2 on page 18); Ethiopia (in which the World Bank acknowledged the strength of sequencing infrastructure investments, followed by trade-related reforms which directly and indirectly benefited large numbers of smallholder farmers, before tackling broader reforms); and Sierra Leone and Uganda (both of which have demonstrated difficulty prioritising or implementing BER initiatives).

The overall finding seems to contradict some IFC assertions that earlier interventions in PSD are more effective, arguing that they can contribute to growth, which can in turn help to stabilise the country. It also contradicts arguments for more integrated approaches as expressed by Krech (2009: 26), who states that whilst BER was “previously considered a second- or third-stage intervention, after addressing the immediate needs of displaced people, the thinking has become more holistic and the need to provide early support to the private sector has become more widely accepted.”

What if there is no political interest in or capability to implement BER? According to one of the experts working in a multilateral institution: “avoid BER in difficult contexts. When countries
are truly in the middle of the conflict, governments are not capable of paying attention to [BER] and are far more concerned with more urgent issues. … In a place like DRC, you can’t do BER – we have no idea where the government is going. Why come up with a reform agenda? … Yemen is another case: we had been doing BER there for years, but there was no improvement.”

These observations suggest that donors cannot advance BER in the middle of a war or in the absence of security and that BER is severely limited unless there is political commitment and capabilities to implement reforms. These observations reflect broader experience of other development interventions. In such cases, attention and resources may be more usefully shifted to helping to build sufficient consensus for effective change (see Chapter 5).

**The most effective sequencing is based upon adapting BER implementation to the local political context.** The case studies provided specific illustrations of this finding:

- In Sierra Leone, one diagnosis given for the incoherence of policy to promote local rice production was the failure to find a solution that accommodated current rice importers, who are particularly powerful politically and able to protect their interests.

- Also in Sierra Leone, a post-Ebola recovery plan developed through an inclusive deliberative process reportedly garnered significant political support and was assessed to have a reasonable chance of being implemented. However, these dynamics changed when a bilateral donor put a significant budget behind its own preferred approach to economic recovery, which it negotiated directly with a small number of high-level government officials, undermining the local consensus, and with it the opportunity for more effective collaborative action.

- In Ethiopia, assistance to the government to help advance its policy of smallholder agricultural development have been welcomed, while any number of structural reform initiatives proposed by Bretton Woods institutions (World Bank and IMF) to address Ethiopia’s ‘laggard’ status have been largely rebuffed by indifferent officials.

- In Rwanda, BER evolved within the post-genocide context for the government to establish performance legitimacy (see Box 2 on page 18).

Recognising context-specific political factors will highlight the dynamics of how BER will trigger responses, both in support of and against reforms in conflict-sensitive areas. This will prepare reformers to identify possible trade-offs: quick wins versus deeper interventions; incremental versus bold reforms; direct versus indirect implementation; and the ways in which these dynamics are likely to shift over time.

Hence the most optimal sequencing is the one which is synced to the local context to recognise opportunities and limitations in the particular context. This finding resonates with current research explaining successful public sector reforms in developing countries. While such research has not specifically focused on BER, it underlines:

- the limits of ‘solution- and leader-driven change’ (“a disciplined, formal project process” in which “solutions are identified up-front and are the focus of change; the reform is fully
planned; a champion drives the process; and a pure-form best practice solution is produced”); in contrast with the opportunities of

- ‘problem-driven iterative adaptation’ (“a process of experimentation and trial and error; with multiple agents playing different leadership roles; producing a mixed form of hybrid that is fitted a peculiar context”) (Andrews 2015: 197; see also Andrews et al 2013; Andrews 2013).

**Sequencing decisions will involve trade-offs, between supporting inclusive economic growth and power consolidation of the government.** The cases of Rwanda and Ethiopia reinforce the narrative of a hard, capable state that has relatively efficiently pursued an economic growth and development trajectory, resulting in substantial improvements in economic outcomes and in human development indicators. But it also portrays a picture of a model that has come at a cost regarding human rights and civil liberties, and in which security remains tenuous, relying on strong and often enough repressive security forces. This begs the question of whether these are trade-offs between the promotion of inclusive economic growth and power consolidation of the ruling elite. One respondent for the Rwanda study argued that the “deeply militarised nature of the economy and the pervasiveness of military values, means that even though the macro business environment seems very supportive, there are number of practices that harm business. To create a more sophisticated economy requires innovation, and that requires freedom of thought and being able to speak your mind, which is not the case in Rwanda.”

Will Rwanda and Ethiopia be able to transition towards a more democratic approach and still retain their developmental state? At the core of this issue is whether powerful economic actors linked to the ruling party will be able to make way for private sector participation not under their control, and open up to competition in some sectors. These are important matters, at the core of transitioning from ‘closed’ to ‘open’ access economies, that can harness private-sector activity for broad-based benefit.
Box 2: Three insights from Rwanda on sequencing BER

‘Security first’ before major economic plans and reforms. In this case sequencing occurred as follows: security first, accompanied by institution building, and then the big economic plan and vision with capable implementation and monitoring. The process of institution building itself appears to follow its own sequencing, which initially focused on security and justice and the provision of basic needs, and then the construction of more advanced institutions required to implement more ambitious economic plans. This sequence of “security first before wider institutional reform” is mirrored by the World Bank (2011: 11-16) and findings by McIntosh and Buckley (2015) that humanitarian interventions and stabilisation should come first as they form a basis for further reforms. The sequence is also corroborated by respondents interviewed on Rwanda.

- “Rwanda wanted to be systematic. It first put the institutions in place and then undertook the systematic reforms to the business environment. It utilised the Doing Business Indicators (DBI) as its framework. … The DBI provided a useful breakdown of what needed to be done and allowed them to track the progress which was important. … [Specific BER reforms] were done early on were property rights and land titles, and the early push for decentralisation … was important for service delivery”.
- “Pre-2000 the focus was on getting the institutions right and focusing on security both internally and along the borders. This was also important in the nation-branding process as investors needed a new narrative and not to focus on the past but on the future of Rwanda. Then putting in the processes for monitoring and evaluation are essential.”
- “The initial focus has to be on emergency and crisis management. … Then the institutions for stabilisation which are related to providing basic needs with a particular focus on human resources and education. Then put in the necessary policy and legal framework and involve the stakeholders to consolidate and consult and validate. The policy and legal framework has to focus on making it more entrepreneurial and innovative.”

Political interest by the government in reforms first before roll-out of BER programmes. The Rwandan ruling elite after 1994 had relatively low political legitimacy and therefore had to rely on performance delivered in an impartial manner with an effective state. The state was portrayed as a depoliticised arena with politicians appearing as technocrats being evaluated by managers to achieve ambitious targets. The RPF’s hegemony allowed it to adopt policies which were not immediately popular, but which allowed for the creation of performance legitimacy in the long run. The RPF’s legitimacy was closely tied to a well-functioning state and the delivery of economic outcomes, and this created a sense of urgency and discipline. This tactical political interest in BER was the essence for BER being perceived by many donors as a ‘success story’ in Rwanda.

Public trust in institutions first before wider institutional reforms. Rwanda also highlights the importance of building trust in the state and in its capacity early on, as countries emerging out of conflict generally have very low levels of trust and especially low levels of trust as regards the state. This finding is corroborated by the World Bank, which asserts that there is a need to restore confidence in collective action in FCAS before embarking on wider institutional reforms, and that the priority is a transformation of institutions that provide security, justice and jobs (World Bank 2011: 11-16). Such efforts also relate to the importance of rebuilding a social contract between states and citizens as set out in the New Deal for Engagement in Fragile States.
2.4. BER functional areas

The DCED BER approach defines specific ‘functional areas’ (DCED 2008; see Annex 1). This Section reports on the findings of this study with respect functional areas defined by DCED. The functional areas not addressed below did not feature prominently in the research.

**Business registration and licensing procedures.** One-stop shops represent an attempt to ease the cost of doing business, by helping investors navigate through the red tape and stimulate further reforms. They are designed to streamline processes, such as registering a business, and reducing the number of contact points that investors would need to manoeuvre within inefficient bureaucracies. These one-stop shops are used widely at different national and regional levels. Glanville et al. (2016: 12) discuss examples of implementation of one-stop shops in FCAS, and report positive experiences of their implementation in Burundi, Mali, and Timor-Leste – at least in terms of radical reductions in the time taken to register businesses. In Burundi, a one-stop shop brought together five institutions in one physical location, and the process for registering a business fell to only four steps from eight, and costs were reduced from 117% to 18.3% as a percentage of gross national income per capita. The one stop shop for starting a business in Burkina Faso cost roughly USD 200,000, but these costs are far outweighed by the estimated savings for businesses – estimated at USD 1.7 million a year (c.f. Manuel, 2015: 7).

One-stop shops, however, are no panacea. As noted above, Uganda’s have been unable to serve their intended function due to bureaucratic rivalries. More generally attempts to facilitate business entry may create an ‘oasis’ of efficiency, within an otherwise dysfunctional system, masking underlying problems. Advantages may be bestowed on newcomers, often foreign investors, who get access to this ‘oasis’, whilst other market actors have to survive the dysfunctional system. Furthermore, smaller, often domestic players are not always able to access advantages. In both Uganda and Sierra Leone, the preferential treatment of foreign investors – in both bureaucratic procedures, and the resulting tax and other benefits negotiated – are reported to fuel resentment among the local business community. The local community associate ‘streamlined processes’ with unholy alliances between powerful foreign companies and the ruling elite. In Ethiopia, foreign companies perceived to benefit from land allocations and other benefits at the expense of local populations, are currently the targets of popular protest.

**Land titles, registers and administration.** Where there is conflict over land ownership, it becomes important to create a framework for the development of property rights. Channell (2010: 2) argues that perceived inequity and injustice in the exercise and acquisition of property can lead directly to violent conflict, and that donors can exacerbate this by recognising ‘legal’ rights that may not be perceived as legitimate. He refers to the case of Kosovo, which continues to suffer from uncertainty over land occupation and ownership rights arising both from violent dispossession, as well as abandonment of land during the war. “Settling these rights will require more than legalisation of current occupants by legislative fiat, as any perceived injustice will sow seeds of future conflict. It will require a mix of long-term participatory policy development and short-term solutions.”
Channell states that reformers can improve the land market in the short term by categorising land according to whether it is contested and documented: “markets can develop rapidly for documented, uncontested property; uncontested but undocumented land can be formalised, while reformers should adopt deliberative systems for dealing with contested properties. … Uncontested state-owned property can provide an excellent resource for getting productive assets back into use, but this should be done carefully and only after establishing transparent systems for non-corrupt sale or lease” (Channell 2010: 5).

This begs the question, however, of who is categorising the land, control over which will predictably be contested in FCAS. In Uganda, the government in at least one case engaged in gross human rights abuses – including the burning of occupied houses – to deliver ‘unoccupied’ land as promised to a forestry company, despite families having lived on the land for generations; large-scale leasing of land characterised as ‘unutilised’ or ‘marginally utilised’ to foreign-owned commercial farms fuels violent conflict in Ethiopia; and similar issues arise in the leasing of land for palm oil plantations in Sierra Leone without community knowledge or participation.

Another point worth emphasising is that attempting to formalise property rights in FCAS can be counter-productive, where the government lacks the capacity to enforce changes, which leads to further confusion and contestation. In Colombia, for example, land restitutions meant to be part of restorative justice, are hampered by lack of land registry information; and the Instituto Geográfico Agustín Codazzi (IGAC), the entity mandated to oversee land surveying, fails to carry out its duties due to both political pressures and capacity constraints (OECD Overview of Colombia 2015:31). Constitutional limits on land acquisition to protect smallholders’ livelihoods have also been circumvented by companies that used multiple shell companies to acquire huge expanses of land (Oxfam 2014). Such implementation challenges exacerbate persistent narratives about land grievances that underpin long-standing conflict.

There are, however, success stories regarding land reforms and property rights in FCAS. Glanville et al. (2016: 14) mention the cases of Rwanda and Afghanistan. In the former, the Land Tenure Regularisation Programme registered all land for the first time, by surveying all land parcels and providing titles, and designing and implementing a new Land Administration System. It led to 10.3 million land parcels being demarcated and adjudicated, with 81% being approved to title, and 8.4 million leases and freehold titles being prepared with over 5.7 million collected by landowners. The Ethiopia research suggests that even more modest land reforms can have beneficial impact, with even ‘holder rights’ helping to increase smallholder investment in productivity increases.

**Access to commercial courts and to alternative dispute resolution mechanisms.**

Glanville et al. (2016: 14) maintain that the strengthening of commercial courts and alternative dispute resolution systems can significantly lower transaction costs, although evidence that this directly leads to investment is limited. Contract enforcement initiatives have resulted in the average time to resolve a commercial dispute in Ethiopia being reduced by 10%, and savings associated with a decrease in compliance costs being estimated in a number of countries including in Bangladesh and Uganda. Further support is found in Liberia, where training on an alternative dispute resolution system of 15% of adults across 86 communities
resulted in more settlement of land disputes and less violence than in ‘non-treated’ towns in the 246 communities studied (cited in Manuel, 2015: 10).

The benefits may be overstated, however, in largely informal economies in which there is in any case little faith in formal agreements. In Uganda, for example, there are reportedly few formal contracts below ‘elite levels’ of business; little forward financing of commercial transactions; and limited commercial lending, largely because there are perceived to be no ways of enforcing agreements. This results in most business being done on a transactional, cash basis only. In Sierra Leone, the establishment in law of a commercial court helped the country to improve its Doing Business ranking; but the tribunal is widely described by interviewees as dysfunctional and having no meaningful impact.

**Public-private dialogue processes with a particular focus on including informal operators.** Across all interviews, emphasis was on engaging at the local level from the earliest planning stages: “… local government actors may often have no idea of what was signed in the capital. Local actors might do everything possible to prevent [the project] from happening. Significant preparatory work must be undertaken at the local level by the company, such as assessments, stakeholder mapping, etc. Usually companies do this after the fact, but this is too late. Even large companies do this after having signed the contract.”

Another corporate executive explained “We took a long time to negotiate at the local level. We held dozens of discussions – we did not helicopter in like so many others. We started local first, began in the community, worked on building relationships with paramount chiefs, and established a very strong local relationship base.”

One expert described the risks involved in engaging solely with government actors in the capital: “[Projects negotiated in the capital] have run into serious problems. Due diligence was not done, leading to land disputes and a wide range of legal and ethical issues. The companies had not thought about these concerns at all when signing the agreement, they had only thought about the government. They had not engaged the local actors, then they rely on the states’ heavy-handed response to protests. Once companies are confronted with their mistake, they may try to recalibrate, but this is very difficult.”

A good practice was suggested by one researcher for bridging the divide between companies and local communities, and managing conflict as they arise: “A well-respected mediator can be a crucial partner for private actors negotiating agreements. [They can bring] all the parties together to deal with deep issues of distrust.”

These insights again relate back to the importance of nurturing the social contract between states and citizens as set out in the New Deal for Engagement in Fragile States.
Box 3: Factors influencing effectiveness of BER

The study was tasked to consider factors that could influence the effectiveness of BER. This Box summarises the assessment of the authors about these factors based on the research presented in this study. The factors are presented from the more salient to the less salient, and by implication, factors not addressed here did not feature prominently in the cases.

- **The political economy of a country.** Overwhelmingly important for effectiveness of BER both in terms of understanding the political coalition needed for genuine reform and in terms of understanding limited impacts or perverse consequences. A political economy lens should be included in all aspects of BER programmes (see Section 2.2).

- **Ethnic and linguistic homogeneity.** Ethiopia and Uganda illustrate that patterns of conflict and patterns of development map onto pre-existing ethno-linguistic conflict lines. Depending on the degree to which BER recognise and address these conflicts, BER can mitigate or exacerbate conflict (see Sections 3.2 and 3.3).

- **Spatial and rural-urban divide.** Inattentiveness to spatial considerations can lead to less effective BER, especially in countries in which rural populations derive their livelihoods from informal rural economies, and in countries in which BER is focused primarily on large-scale mining or agriculture investments in rural areas. Attentiveness to smallholder farmer needs and interests in rural areas was critical to BER success in Rwanda and Ethiopia (see Section 3.1 and 3).

- **A focus on sectors that create broad-based opportunity.** BER gains in effectiveness if structured around sectors and initiatives that represent real economic opportunities for value chain development in the formal and informal economy, whether smallholder farming productivity in Ethiopia or what is seen as a missed opportunity in Sierra Leone, tourism. The literature, as well as respondents, questioned the role of mining or plantation agriculture as drivers of inclusive growth.

- **The pace of reforms.** Slower implementation tends to produce more sustainable outcomes. Overall, security has to be in place first before BER can become an effective policy instrument (see Section 3.3). Furthermore, security is not just a matter of reductions in armed violence, but of whether local populations believe their fundamental needs and interests are being met (see Section 3.4).

- **The pace of economic growth and development.** BER effectiveness in FCAS can be compromised when outside shocks (drought, commodity price, health emergency, etc.) affects overall economic performance, illustrating key source of fragility in FCAS. On the other hand, the Sierra Leone case suggests that downturns create possible opportunities for reform, as there is greater recognition of the need for economic coherence and institutional discipline.

- **The role of external agencies.** When external actors are more focused on the political process surrounding BER and less on BER’s technical substance, they tend to increase the effectiveness of BER. When external actors attempt to impose particular BER ‘solutions’ from outside, they can undermine multi-stakeholder consensus of various local actors about development priorities (see Section 3.4).
3. Country Findings

This Chapter reports the findings of the research on Rwanda, Uganda, Ethiopia, and Sierra Leone, the countries selected as “deep dives” in the BER FCAS research, drawing on secondary research, key informant interviews, and in the cases of Sierra Leone and Uganda, expert roundtables conducted in-country. It distils key insights of the BER performance with potentially general applicability. Following these is an overview of risk and opportunities of BER in relation to key drivers of fragility. For timelines of BER programmes see Annex 2.

The four countries differ substantially across a variety of dimensions. Politically, Ethiopia is a federal state explicitly recognizing its ethno-linguistic diversity, while the other countries downplay ethno-linguistic differences in pursuit of a unified nation state. Ethiopia and Rwanda have been highly effective in using laws and formal state institutions as tools for implementing state policies, while Uganda and Sierra Leone represent states where the formal system rarely describes how decisions are actually made or implemented. Ethiopia’s current reform path can be traced back to 1992 and Rwanda’s to 1994, while Sierra Leone’s started more recently in 2002 and Uganda’s in 2006 following transitions out of acute conflict in each country.

Ethiopia’s population is nearly 100 million and Uganda’s nearly 40 million, while Rwanda’s is under 12 million and Sierra Leone’s roughly 6.5 million. Agriculture accounts for 71% of GDP in Sierra Leone, but 36% in Ethiopia, 35% in Rwanda, and only 25% in Uganda (CIA Fact Book). Large scale commercial mining is of critical importance to Sierra Leone, but almost non-existent in Uganda. The World Bank estimates per capita GNI in US dollars at 1320 in Sierra Leone, 1730 in Ethiopia, 1820 in Uganda and 1870 in Rwanda.

These differences make the substantial commonality of the findings with respect to BER effectiveness and ineffectiveness across the four countries (captured in the Comparison of risks and opportunities of BER, below) all the more important. It suggests that the dynamics of FCAS BER are deeply rooted in socio-political factors that cut across even quite different FCAS countries, linking insights on FCAS BER to emerging understandings of fragility and statebuilding more generally (see Annex 1).

The similarities in BER dynamics appear to flow from a dominant factor present in each of the four countries: all represent ‘closed access’ economies or ‘hybrid political orders’ (see North et al 2009, and Annex 1). Ethiopia has explicitly chosen a state-centric economic model; Rwanda justifies the dominance of the military and the ruling party in the formal economy as transitional measures; while Uganda and Sierra Leone espouse liberal economic values at the same time a powerful and exclusionary elite maintains effective control over the economy.

Thus, to the extent that BER is envisioned as a set of sensible policies that level the playing field and open the economy to the benefits entrepreneurship, innovation, and competition, the country studies suggest it has little chance of success in the FCAS context. BER in FCAS needs to be placed into a new vision, the contours of which are charted in Chapter 5. Policy and practice are filtered in all four countries through the lens of control over the distribution of benefits from economic growth and development, not a lens of opening space for political or economic competition. This helps to explain both socio-economic outcomes – in particular the
persistence of important challenges with respect to poverty, hunger, inequality and violence even as aggregate levels of GDP per capita increase – as well as socio-political ones – in particular the closing of space for political debate and the difficulties of renegotiating the social contract through peaceful means – in each of the four countries.

BER in the four countries is therefore more usefully understood as a tactic of implementation of other elite economic objectives. These need not exclude more broad-based economic and social benefit, as the Ethiopian and Rwandan cases in particular show. But BER appears to be effective only to the extent that it operates within the constraints and opportunities of the pre-existing political economy; it does not itself appear to be a strong lever of change for that political economy or firm behaviour within it. These dynamics of possibility and challenges for FCAS BER are explored in greater detail below.

3.1. Rwanda

Very few countries in modern history have targeted BER as systematically and explicitly as Rwanda has since the genocide of 1994. There is substantial evidence that it has successfully reduced the transaction costs of doing business and made the business environment more attractive. Furthermore, interviewees for this study generally associate BER with the country’s rapidly improving macroeconomic trends, as well as with progress against development indicators such as: literacy rates; life expectancy; health outcomes; access to basic services; and poverty rates; - reflecting real progress experienced by broad segments of the population. The line of reasoning is further extended to argue that the growing economy and economic opportunities contributed towards higher levels of stability.

As such, BER is subsidiary to, and part and parcel of, a broader strategy of mobilizing the state to plan and implement the country’s economic transformation and exit from fragility. Political elites were willing and able to impose high levels of urgency and discipline on different state organs. Institution-building initially focused on security and justice, and the provision of basic needs, as the ruling RPF party’s legitimacy and popular support was closely tied to a well-functioning state and the delivery of economic outcomes. It then turned to the construction of more advanced institutions required to implement more ambitious – in terms of scale and complexity – economic plans. These were in turn enabled by the previous large-scale social upheaval that disrupted traditional sources of power and vested interests, making radical planning possible.

Questions remain as to the sustainability of the Rwanda experience, particularly in light of the patrimonial and authoritarian nature of the government. BER has disproportionately advantaged the RPF and the military within the economy – and it can of course be questioned whether enterprises owned by the military or a ruling political party constitute part of a private sector at all. As a relatively small elite consolidates economic and political power, it is unclear by which mechanisms the government can or will be held to popular account for development outcomes in the future.

Despite its economic progress, Rwanda remains highly dependent on foreign assistance, with 30-40% of the budget still coming from aid. 70% of the population still relies on subsistence agriculture (including roughly 85% of women), and over 63% live in extreme poverty. To the
extent that the broader and deeper economic development required to create a self-sustaining state — including the ‘knowledge economy’ and ‘home grown initiatives’ that the government has promised — will also require commensurate increases in social and political freedoms, it is unclear whether the ruling elite has the willingness or capacity to implement such reforms.

Key insights of potentially general applicability that emerge from the Rwanda case include:

- **BER can make a difference.** Rwanda makes economic and social progress in part by setting ambitious administrative targets and monitoring them carefully. Sound BER policy is an integral part of this executional excellence.

- **BER can be pursued as one element of a broader political strategy of the government.** The country’s Vision 2020 identifies six interwoven pillars, including good governance and an efficient state; skilled human capital; a vibrant private sector; world-class physical infrastructure; and modern agriculture and livestock, “all geared towards prospering in national, regional and global markets” (RoR 2012: i). It is premised not only on economic outcomes, but also the implicit link between economic progress and peace and stability. Under this broader umbrella, embraced by the ruling elite and receiving meaningful popular support, BER efforts receive political backing and administrative traction — and therefore have a better chance to achieve meaningful impact.

- **Authorities should be opportunistic in identifying and exploiting opportunities for reform.** Rwanda was able to implement fundamental reforms of the economy and state structures, in part because of the breakdown of entrenched power structures and interests in the wake of the genocide. Yet disruptions — whether in political or economic markets — need not necessarily be so cataclysmic to align interests around change; there are many historical examples worldwide when major reforms have been undertaken in the aftermath of social upheaval where vested interests have been significantly weakened. Such reforms may be harder to execute in situations of negotiated reform. Monitoring of the political economy, and in particular evolving power dynamics and interests within it, may help identify windows of opportunity — in particular those where stronger state institutions support rather than oppose powerful interests.

- **There are limits to what BER can be expected to deliver.** Rwanda’s impressive growth comes from a very low base. World Bank data suggest that its’ GDP per capita was USD 313 in 1993 falling to USD 126 after the genocide in 1994. Rwanda’s small market size and geographical disadvantages have acted as a constraint in terms of attracting FDI and economic diversification. It is unclear how its largely state-coordinated economy can supply better livelihoods for the large majority of its population currently engaged in subsistence farming. For example, agricultural policies aim to increase productivity in the sector by achieving scale in agricultural production, even as increasing population density puts even more pressure on the land.
Where significant, state-affiliated enterprises require particular attention. A disproportionate percentage of the Rwandan formal economy is directly owned or controlled by the RFP and military. It was asserted that, in the early phases of economic development, these state actors were required to fill economic voids. But this raises questions of when and how they withdraw; how they engage with new private sector participants (particularly those that threaten their dominance); the extent to which they are crowding out private sector investment; and the extent to which they serve primarily to consolidate patrimonial control.

A broad and long-term view of the reform process is required. It is simplistic to argue that Rwanda’s progress is irreversible or that the institutional reforms have been fully consolidated (see Table 1). As one respondent noted with concern, “civil society has been marginalised and continues to be marginalised, and in fact the RPF has become less tolerant. BER has reinforced existing systems of power and perpetuated the dominance of the RPF.” The Ibrahim Index of African Governance shows deterioration in civil rights and increases in human rights violations. This analysis suggests that, to avoid surprises and setbacks in the future, BER should be evaluated in terms of its impacts – however indirect – on consolidation of power, popular accountability, economic sustainability and democratic freedoms.

3.2. Uganda

The election of President Museveni in multi-party elections in February 2006, followed by the signing of the truce between the Ugandan government and the Lord’s Resistance Army (LRA) in August, heralded a new era of hope for a more stable economic and political climate that would deliver peace and development for Ugandans. Over the course of a decade, a variety of high-profile initiatives and institutions sought to reform the business environment in ways that supported the government’s vision for private sector-led development. These included structural reforms; a policy of divestiture of state enterprises; and the establishment of the Uganda Investment Authority, the Presidential Economic Council and the Presidential Investors’ Roundtable.

The results of these efforts have been mixed, at best. There have been some relatively clear successes; for example the establishment of professionalised key economic institutions such as the central bank and ministry of finance. Where concerted investments have been made, some agencies, including the tax authority, have shown improvement in their administration of core functions. Other initiatives transformed into political crises, including for instance infrastructure projects intended to (inter alia) increase market access, that were so rife with corruption that they imperilled international assistance to the country. In one instance, “the World Bank Group took a decision to withhold new lending to Uganda effective August 22, 2016 while reviewing the country’s portfolio … to address the outstanding performance issues in the portfolio, including delays in project effectiveness, weaknesses in safeguards monitoring and enforcement, and low disbursement” (World Bank 2016). There are also a number of initiatives – most of which are drawn from the typical menu of BER – that show perhaps some
marginal improvement against a particular metric, but that are hard pressed to show broader impact on economic growth, inclusive development or key drivers of fragility.

At the heart of the BER challenge for Uganda, there appears to be a political system in which formal rules and structures largely remain subordinate to patronage politics, and in which corruption is so entrenched that it can be considered effectively officially sanctioned. “Corruption-related challenges in the country stem from a weak separation between the public and private spheres, leading to extensive clientelistic practices and patronage, as well as widespread political corruption. Such corruption challenges are exacerbated by weak law enforcement, which fuels a culture of impunity, particularly with regards to high-ranking officials involved in corruption schemes…. [I]llegal payments are so widespread that they often happen in full view, with public officials openly asking for bribes in exchange for services, and citizens and companies openly paying without complaining” (Martini 2013: 1-2).

Within such a context, ostensibly business-friendly policies and institutions may be put in place, but they will have limited impact. Just as importantly in an FCAS context, key drivers of fragility – political exclusion, inequitable government service delivery and economic development, youth alienation, poor natural resource management, and endemic land disputes – remain unaddressed and in fact may be exacerbated by BER initiatives as they are perceived and experienced by much of the population.

Thus while the Ibrahim Index on African Governance measures for the business environment shows slow, modest improvement over the course of a decade (+6.6), many other indices that are more directly aligned with fragility and development have stalled or fallen from 2006 to 2016: for example government accountability (-4.4), rule of law (-11.4), public management (-3.8), rights (-3.8), and the rural sector (-12.1), (see Annex 2).

Some key insights of potentially general applicability that emerge from the Uganda case may include the following:

- **The bigger picture of political change and economic transformation matters.** The typical, largely technical, measures of BER success (such as days required to register a business) may say little about the country’s trajectory out of fragility or towards development. The pertinent question is impact: how BER is (or is not) contributing to broader dynamics of conflict and development, and whether change is happening broadly enough and fast enough to meaningfully affect positive change within a fragile system.

- **Designers of BER programmes should be attentive to the informal sector.** In a country in which over 50 per cent of GDP and 80 per cent of the labour force – including most women and youth – are tied to the informal economy, the inter-relationship of BER to the informal sector requires more explicit attention (see Annex 2). This has both potentially positive dimensions – e.g. the importance of international trade facilitation to smallholder farmers – and negative ones – e.g. the impact of large-scale agricultural promotion and oil development on land tenure and household economic security.
Non-state interventions may be an easier entry point for genuine change. In Uganda, many state agencies remain in persistent crisis: agricultural extension services have been repeatedly reorganised, for example, at one point being moved to the army deploying soldiers with two weeks of training. Most seeds and fertilizer on the market remain fraudulent or mislabelled due to lack of effective regulation. In such contexts, investment in donor- or NGO-led initiatives to provide finance, enhance market access or increase smallholder productivity, for example, may provide higher returns on BER investment.

Islands of excellence can be developed within a difficult context. Despite the chronically poor state of Ugandan governance as measured by most all indicators, islands of excellence – for example, the central bank – exist. These appear to be explained by elite consensus that certain core functions – including macro-economic stability and perhaps also tax collection – are indispensable even within a patronage-based political economy. This suggests the need to invest both in consensus-building as a foundation for effective reform, and to explore the possibilities for further investments in already-functioning institutions to broaden their scope and impact.

Attention to potentially and actually negative impacts is required. The Ugandan experience suggests that BER efforts – including infrastructure development and trade promotion efforts – may be concentrated in already more developed areas, exacerbating inequality and exclusion. Reforms geared towards sectors deemed important from the national perspective may have very different impacts locally. According to a respondent, oil development has driven in-migration that increases pressure on public services and fuels local conflicts, for example, and it is a contributing factor to 94% of cases before local courts in the north involving land claims. BER requires sensitivity from both a local development and conflict perspective.

Infrastructure can promote growth, but be a magnet for corruption. The Ugandan experience suggests that the sizeable funds invested in infrastructure projects are often irresistible magnets for predation within the context of a patronage state and endemic corruption. On the other hand, this infrastructure, once built, provides important enablers of market access for a variety of formal and informal private sector actors, even in the absence of other functioning state institutions and services. If issues of corruption could be managed, targeted infrastructure development may provide an avenue for impact that does not require inordinate state capacity for coordination or administration.

3.3. Ethiopia

Following the end of the Eritrean war and regime change, Ethiopia entered a first phase of notable (if relatively unstable) economic growth in 1992 as it transitioned from a command economy through the set of structural reforms supported by the Bretton Woods institutions
that also opened the door to substantial international financial aid. Following the severe drought of 2003/4, a sustained period of growth began.

What makes the Ethiopian BER case distinctive, is that the country did not prioritise private-sector liberalisation or BER in ways comparable to the other countries in this study. It is considered by the World Bank as a ‘laggard’ in structural reforms; with the exception of the trade reform index, Ethiopia falls below averages for low and lower middle income countries in Sub-Saharan Africa, across most reform dimensions. The government under the banner of the ‘developmental state’ has remained highly interventionist in the economy, influencing lending, prioritising state-led development projects, and restricting foreign participation in key economic sectors. A fundamental foundation of growth is public investment, notably in infrastructure and agricultural productivity.

The economy remains at risk to both external and internal shocks. AQUATAT data suggest that most agriculture is still rain-fed, rendering the economy’s largest sector, employer and source of household security prone to risks of drought; 80% of the population engages in subsistence farming, and as recently as 2010-2012 there was still a 40% prevalence of under-nutrition. The country engaged in a border skirmish with Eritrea in 2016, and has intervened directly and indirectly in South Central Somalia. It is the world’s fifth largest refugee hosting country. More than 50% of the national budget is underwritten by foreign aid.

Internally, the ruling party dominates state institutions, and its allies receive preferential access to credit, land leases, jobs and public-private partnership opportunities, fuelling social and political tensions. The state of emergency imposed in 2016 in the wake of increasingly violent civic unrest – some of which more recently has been directed particularly at foreign-owned firms – along with heavy-handed government responses to political opposition – the Ethiopian security forces have been repeatedly accused of brutality, torture and killing of political opponents, and opposition and protest rallies are habitually responded to with violence (see HRW 2017) have somewhat dampened foreign appetite for new investment.

The government thus finds itself in a quandary. In an economy in which the manufacturing sector accounts for only 6% of GDP – dominated by food and beverage, textiles and apparel, and leather industries – and faces low growth rates, the government’s espoused priority is industrialisation, and its policy documents acknowledge the ‘pivotal role’ of the private sector. Yet there is little apparent progress towards joining the WTO, and a government typically committed to tight control seems loathe to address fundamentally questions of telecommunications, land acquisition, foreign exchange controls, transaction costs, institutional weaknesses, corruption, competition, access to ideas and information, or other issues critical to investor interest. The country does not appear to be on track to reach its aspiration of middle income country status by 2025.

Some key insights of potentially general applicability that emerge from the Ethiopia case include the following:

- **BER for the informal sector is a priority if most people are to benefit.** Ethiopia’s policy of agriculture-led industrial development includes a sustained focus on smallholder productivity. Complementary investments range from seed and fertilizer
programmes, to finance mechanisms for micro- and small enterprises, to rural road development, to issuance of certificates formalising ‘holder rights’, to one of the world’s highest densities of agricultural extension agents (at least in the Highlands). This recognition that the rural poor are the largest cohort of the business community has supported not only economic growth, but a fall in the extreme poverty rate from 55.3% to just under 30% from 2000 to 2010 (based on AQUASTAT data).

- **Small scale-mining can be significant for large numbers of people.** The 137 companies operating in the mining sector in Ethiopia are estimated to employ around 6,000 people. The government estimates some 500,000 artisanal miners in the country, with five to seven million people believed to depend on mining for their livelihoods (Ethiopian Investment Agency 2014). These numbers are considered by a study to be substantially underestimated, with more than 1.2 million artisanal miners identified in the gold and opal producing areas alone (Tadess 2016). The government has introduced some initiatives to address regulation, technical assistance, and market access, for example, but not at the scale, quality or level of commitment seen in the agricultural sector.

- **Appropriate sequencing of reforms can help overcome broader structural constraints.** A recent comprehensive country study by the World Bank observes that “Ethiopia’s experience supports the impression that ‘getting infrastructure right’ at the early stage of development can go a long way in supporting growth” (World Bank 2015: 7). In line with common orthodoxy, the World Bank also asserts that “[t]he trade first sequence is generally good for growth as a liberal trade regime is involved in both igniting growth and sustaining it”. Furthermore, the report finds that “a ‘trade first’ strategy is also better for growth than a ‘big bang’ approach of liberalising all sectors at once”.

- **Ongoing attentiveness to local conflict and developmental impacts is required.** As recently as 2010, the ruling EPRDF recognised that “rapid development which benefits all sectors of the population is a survival question” for the Ethiopian state. Yet PSD and BER policies that are perceived as unfairly benefiting a minority, exacerbating inequality or undermining community rights are among the drivers of resurgent domestic unrest. As one of the largest land leasers in the world, for example, Ethiopia experiences high levels of investment-induced displacement and conflict, often on land that the government has classified as ‘unused’ or ‘marginally used’ to ready it for ‘development’ or urban expansion. Tensions are also growing due to internal economic migration that alters the balance among identity groups, and potentially the political power in what has been designed as an ethno-federalist state. There seem to be few answers for those most directly and negatively affected by such growth policies.

- **The basis of a political consensus underpinning a period of stability is likely to change over time.** In earlier years of Ethiopia’s development, the strong link between agriculture growth and poverty reduction provided a basis for consensus
around reform policies, especially related to infrastructure and smallholder
development. As the government aspires to migrate from strategies of improving
yields within a primary production economy to an efficiency-driven economy capable
of competitively producing advanced products and services, the nature and extent
of the consensus – between the national government and the federal states,
between government and civil society, and between formal and informal sources of
power and authority – shifts in ways that are currently poorly managed. Ethiopia may
in some dimensions be moving towards greater fragility – as evidenced by the
aforementioned state of emergency and widespread state violence against its own
citizens – not in spite of its successes in economic growth and development, but
because of them.

3.4. Sierra Leone

Since the end of the civil war in Sierra Leone, a variety of actors explicitly link PSD and BER
to reduced fragility and accelerated development. Among others, the government promotes
‘mining for peace’ and has announced a ‘made in Sierra Leone’ initiative to promote PSD.
UNCTAD (2010) asserts that the country has made significant progress towards achieving
peace and stability through reforms to attract foreign direct investment. The predominant focus
of BER has been attracting foreign direct investment into world class deposits of iron ore as
well as rutile, bauxite and gold; commercial agriculture and marine resource exploitation; and
telecommunications and infrastructure. From 2010 to 2014, large new mines and concessions
boosted the GDP growth rate to surpass 20% annually (Besada 2013: 3).

Yet these PSD and BER efforts do not appear to have addressed – and in some cases appear
to have exacerbated – long-standing dynamics of conflict and fragility. The Truth and
Reconciliation Commission found in its review of the causes of the civil war that, “from the
outset of the post-independence period, those in power plundered the state and its resources,
putting self-enrichment before any form of real development or accountability” (SLTRC 2004:
13) using business as the direct and indirect medium to perpetrate their plunder. Comparing
the pre-civil war period with the contemporary period, many argue that the role played by
businesses has not changed substantially. Medium-sized businesses ‘win’ government bids,
only to subcontract to professionals for a commission shared with public officials; large firms
operating in the natural resources sector allow the extraction of considerable rents in return
for waivers, concessions and lenient application of official regulations, making it difficult to
separate state from private interests, or to distinguish between the interests of foreign
businesses and local actors.

Sierra Leone experiences high levels of corruption. The EITI determined that Sierra Leone
had failed to sufficiently account for payments by companies in 2013 at either national or local
levels, suspending its application (SLEITI 2016). The Auditor General, Human Rights
Commission, NGOs and think tanks regularly document bad governance, mismanagement of
natural resources, and misuse or lack of proper accountability for the use of public funds. The
Auditor General, for example, has found that “Neither the will nor the discipline to make
reforms is present, and even if it was it is only the first step. Reform must be balanced with
staff competency and there needs to be consequences for failure for all parties…. It’s not enough to have laws on the books – they need to be enforced with rigour, consistency and a strong sense of justice for all” (Bah 2015: vii). Yet so far these reports have not resulted in significant punitive action or changes in behaviour.

Sierra Leone remains highly vulnerable to external shocks. When commodity prices fell sharply, and the Ebola epidemic hit, the country suffered a devastating downturn, notwithstanding the increases in official aid transfers during the Ebola period. The value of the national currency, the Leone, dropped by almost 40 percent against major currencies, public expenditures on development programmes plummeted, and inflation rose to double digits (11.5 percent). Several important development projects were suspended or cancelled. GDP growth declined to 4.6 percent in 2014, and -20.6 percent in 2015. A modest recovery of 4.9 percent has been estimated for 2016 (see Annex 2).

In a country where localised riots and strikes around mines and other natural resources projects historically preceded national conflict, seven major strikes and riots in and around mines and concessions have taken place over the period 2009 to 2014, in some cases accompanied by the loss of life. The refusal to issue permits for peaceful protests in the capital has kept the capital relatively free of instability. In addition, after the ten-year conflict, there is so far little popular appetite for widespread violence as a response to disaffection.

Yet the political, economic and social conditions prevalent in the country show increasing similarities with the past, including widespread under-employment, a sluggish economy, high dependence on the extractives for foreign exchange, rapid fall of the local currency’s value against major currencies, and increasing public pressure for accountability. Consultations in and around Bo, for example, Sierra Leone’s second city, documented endemic conflict and violence around large scale mining, plantation agriculture and infrastructure projects. Informants described a potential ‘powder keg’ where militant structures were being reactivated in response to perceived injustices.

Some key insights of potentially general applicability that emerge from the Sierra Leone case include the following:

- In some contexts, a sub-region (such as a Regional Economic Community) may be the better unit of BER analysis. With a population of seven million – most of whom live below the poverty line of two dollars a day – the domestic market for goods and services in Sierra Leone is small. Businesses have therefore concentrated on commercial trading, infrastructure, small service-sector operations, and production of raw materials for export. The result is growth dependent on raw materials exports and a limited number of manufactured products. Additionally, small market size heightens the likelihood that BER and PSD will generate significant negative effects. Yet the Mano River Union (MRU), comprising Sierra Leone, Liberia, Guinea and Côte d’Ivoire, has a combined market size of nearly 45 million people (half the size of Ethiopia, and roughly the size of Kenya). Most BER studies appear to take for granted that the unit of analysis ought to be the country, while perhaps more can be accomplished at the regional level.
Business interests must be balanced with other social and political interests. Incoherence and even contradiction in rules and policies meant to create a favourable business environment may also create tensions and even ignite violence at the local level. A case in point is the high court judgment in a case brought by a host community, finding that a particular mining company is exempt from the payment of all taxes according to the terms of the mining agreement between the state and the company. This outcome violated local expectations, espoused national policy, and international norms and standards.

Box 4: The case of Heineken in Sierra Leone

The Heineken/Guinness Brewery, badly damaged in the civil war, resumed commercial operations in 1999, but suffered substantial losses due to the high taxes placed on both product sales and the import of raw materials from abroad. In 2005, however, the Sorghum Project, jointly financed by Heineken International, Guinness Breweries Ltd, and the Common Fund for Commodities, and managed by the European Cooperative for Rural Development (EUCORD), developed a local supply chain for sorghum. It allowed the brewery to lower the tax charge for import materials, reduced the absolute cost of raw materials for brewing, and contributed to local employment and the development of local agricultural production and distribution networks. In this case, the import tax facilitated a more equitable development of the local business sector by incentivising the foreign firm to initiate local procurement procedures. Had Sierra Leone had a more business- and FDI-friendly tax regime in 2004, perhaps the Heineken/Guinness Brewery would have never shifted its procurement from the international to the domestic market.

Making BER a priority may be contested in a largely informal economy. Over 80% of the population in Sierra Leone operates in the informal sector, with most of the labour force underemployed and less than 10% of the population having a bank account (based on AQUASTAT data). Their primary concerns include work for subsistence, insecurity driven by illicit activities in remote areas and expanding criminal gangs in densely populated areas, and marked inequality in access to social services. BER efforts to address the formal economy – i.e. officially registered firms which pay taxes to the state – are largely decoupled from the livelihoods of the larger populace. BER initiatives are primarily seen as benefits for the advancement of special and private interest, and not of public interest.
Strong institutions do not necessarily reduce conflict risks. The country has made progress in institution-building, with more regular and credible reports from institutions like Audit Services and the Human Rights Commission. But these have limited capacity to implement reforms. Additionally, the positive progress achieved in the form of a free press and freedom of association, and the easier and faster access to information (including fake news) reinforces disgruntlement and disseminates the transgressions and failures of the state. There is now a perception, for example, that foreign firms are exploiting natural resources without adequate compensation. Rates of compensation for agricultural land are reportedly one third that of Brazil, with these sorts of statistics getting wide diffusion through social media. The effect is that citizens feel short-changed, particularly in the absence of corrective, transparent and credible measures to address problems.

3.5. Comparison of risks and opportunities of BER

This Section presents an overview of the risks and opportunities of BER that draws on the research on Rwanda, Ethiopia, Uganda, and Sierra Leone. The analysis is organised around five factors that have emerged from the country research that illustrate the various factors affecting the effectiveness of BER in FCAS. It should be noted that the risks are well documented in multiple country examples, while the opportunities resulted more typically from key informant interviews as possibilities rather than well-established facts. Nevertheless, matrix may provide a starting point for assessing BER effectiveness and reviewing new entry points for future BER.
<table>
<thead>
<tr>
<th>Factors</th>
<th>Risks</th>
<th>Opportunities</th>
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</thead>
<tbody>
<tr>
<td><strong>Political and Social Exclusion</strong></td>
<td>By prioritising state actors, BER planning and implementation marginalises civil society, constraining political space for dissent and public debate.</td>
<td>BER process may provide a less politically contested arena for public engagement with civil society and business and may serve as a laboratory to experiment inclusive politics.</td>
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<tr>
<td></td>
<td>BER benefits in particular members of a dominating political elite, and marginalising other political or social groups. By working through the government, BER can contribute to constraining political space for dissent and public debate.</td>
<td>BER creates the conditions for entrepreneurial opportunity for all sections of the population; spreading economic benefits irrespective of the political power of the individual or the group to which s/he belongs.</td>
</tr>
<tr>
<td>Closed economic / hybrid political orders</td>
<td>BER less impactful as informal politics predominates.</td>
<td>BER process may help build sufficient consensus for institutional development and genuine reform.</td>
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<tr>
<td><strong>Poverty and Inequalities</strong></td>
<td>BER exacerbates the already skewed distribution of economic development by prioritising politically stable areas or strongholds of those in power. Reforms that protect high-cost and uncompetitive businesses produce high costs and inaccessible goods, exacerbating inequality and reducing access to goods and services.</td>
<td>BER may promote inclusive economic development if it empowers business in disadvantaged areas. BER may prompt the rise of social business which substitutes for the lack of social service provision in remote areas.</td>
</tr>
<tr>
<td>Poverty and inequitable economic development</td>
<td>BER benefits a political and/or economic rent-seeking elite and makes such an elite richer and more powerful.</td>
<td>BER stimulates investments and employment primarily on a priority basis for local people in economically deprived and poor zones of the country.</td>
</tr>
<tr>
<td>Economic inequalities</td>
<td>BER may end up selectively empower male population given that the overwhelming portion of formal business owners are male.</td>
<td>With conscious promotion of female entrepreneurship BER may promote economic and financial independence of women.</td>
</tr>
<tr>
<td>Marginalisation of women and girls</td>
<td>BER exacerbates schisms between the formal and informal sector and large and small businesses by easing the business environment for larger and more formal enterprises.</td>
<td>BER may promote inclusive growth if it empowers business in disadvantaged areas and across all sizes of business from small to large scale.</td>
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<tr>
<td>Marginalisation of informal markets</td>
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**BER Programming in FCAS**

[Image]
### BER Programming in FCAS

#### Factors

<table>
<thead>
<tr>
<th>Youth and Alienation</th>
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<tbody>
<tr>
<td><strong>Youth and intergenerational commitment</strong></td>
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<tr>
<td>The young segment of society can have a different understanding of state legitimacy and top-down policy implementation. Youth frustration fosters recruitment of paramilitary groups and subsequent political turmoil and business disruption.</td>
</tr>
<tr>
<td>BER and business development may reduce youth employment, provide opportunities and further aspirations. BER processes may bring the voices of youth into policy discussion in constructive ways.</td>
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<tr>
<td><strong>Alienation of the informal and small business sectors</strong></td>
</tr>
<tr>
<td>The BER focus on the services sector and relatively sophisticated economic sectors alienates large parts of the population that feel unable to participate in this economy.</td>
</tr>
<tr>
<td>More intentional linkages to the informal sector could allow greater access for all parts of society currently economically marginalised to participate in new economic opportunities.</td>
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<tr>
<td><strong>Economic migration</strong></td>
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<tr>
<td>Large-scale PSD attracts economic migrants from abroad or from other parts of the country. Resulting changes in demographics and political dynamics can create resentment, stresses on public services, and other indirect impacts.</td>
</tr>
<tr>
<td>BER processes analyse and plan for the mitigation of indirect impacts on local communities. BER processes anticipate the need to explore and reach consensus with communities and local governments on local economic benefits.</td>
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#### Land and Natural Resource Management

<table>
<thead>
<tr>
<th>Natural resource governance</th>
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<tbody>
<tr>
<td>Natural resource governance involves pacts with large multilateral corporations which disregard local interests. The ‘modernisation’ of agricultural practices results in increased risk for peasant farmers (e.g. mono-cropping, and land resettlement programmes).</td>
</tr>
<tr>
<td>Efficient and accountable development of natural resources can expand tax base and revenue sharing. The modernisation of agriculture may lead to subsistence farmers increasingly participating in and accessing markets.</td>
</tr>
<tr>
<td><strong>Transparency</strong></td>
</tr>
<tr>
<td>The lack of transparency over natural resource management further alienates disadvantaged groups. Natural resource governance involves pacts with large multilateral corporations which in some cases disregards local interests.</td>
</tr>
<tr>
<td>Efficient and accountable development of natural resources can increase government legitimacy. BER can help balance local and national interests in ways that improve centre-periphery trust.</td>
</tr>
<tr>
<td><strong>Land disputes and development induced displacement</strong></td>
</tr>
<tr>
<td>Large-scale infrastructure and PSD deprives people of access to and the use of water and land resources that were an essential part of their livelihoods, leading to displacement.</td>
</tr>
<tr>
<td>BER is underpinned by effective land administration and land use planning attentive to rights and needs of existing land users.</td>
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</tbody>
</table>
### Factors

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<thead>
<tr>
<th>Factors</th>
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<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict management</td>
<td>Local livelihoods are threatened under the justification of business development, including though land grabs.</td>
<td>Efficient and accountable conflict management can prevent and mitigate disputes between local, national, and outside actors.</td>
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<tr>
<td>Government and Governance</td>
<td></td>
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<tr>
<td>State and market</td>
<td>BER relies on state actors and agencies that over time develop a vested interest in their dominant economic position. BER privileges private sector actors already aligned with the powerful.</td>
<td>Successful BER leads to the creation of new market players as state actors reduce their role in the economy. BER helps to level the playing field for new entrants.</td>
</tr>
<tr>
<td>Weak governance</td>
<td>BER may exist only on paper, driven by external agendas or elite needs to be seen to be taking action BER devised by governments with weak capacities have little prospect for full implementation.</td>
<td>BER can help support more inclusive planning and implementation that leads to sufficient local consensus for genuine reform. BER can be accompanied by adequate support measures, including government at national and local levels as well as civil society support.</td>
</tr>
<tr>
<td>Policy incoherence</td>
<td>BER focuses on special interest groups, and/or donor predilections, creating confusion and undermining fledgling institutions.</td>
<td>BER generated inclusively from the bottom up can help resolve contradictory policies and reduce unintended consequences.</td>
</tr>
<tr>
<td>Dilution of effort</td>
<td>Reforms meant to have economy-wide impact in fact address no particular pressing social or economic need. Discrete BER efforts do not add up to economic or development impact because critical links in the impact chain are still missing.</td>
<td>BER process helps create consensus around priority areas for economic development and social impact. BER process helps create clear line of site from intended beneficiaries to the full package of enabling reforms.</td>
</tr>
<tr>
<td>Cross-border vulnerabilities</td>
<td>Acceleration of cross-border trade by BER may serve as a conduit for capital flight, dilute state control in the border areas and exacerbate vulnerabilities.</td>
<td>BER may expand local business opportunities by promoting cross-border trade.</td>
</tr>
<tr>
<td>Innovation</td>
<td>A state-led economy hampers participation and innovation.</td>
<td>BER may create conditions for a more innovation by opening space for debate, experimentation, and competition.</td>
</tr>
</tbody>
</table>
4. Overarching findings about BER in FCAS

This Chapter is a synthesis of overall findings from the study that draws on three sources of data, including a literature review, case studies and outreach to over 83 senior individuals level including country experts, senior-level investors, policy makers and researchers working across sectors and geographical areas. The Chapter places an emphasis on forward-looking elements that could increase the positive impact of BER in FCAS and contribute to inclusive development.

**BER has the greatest potential for positive impact on peaceful development in FCAS when it is attentive to three objectives simultaneously:** stimulating broad-based economic growth; expanding economic opportunity in formal and informal markets; and addressing drivers of conflict and fragility. When BER focuses exclusively on economic growth, it risks contributing to perverse impacts and fails as a policy instrument to foster inclusive development. In Uganda, for example, BER largely ignores the majority of the population that lives on subsistence farming or works in the informal sector, missing opportunities for more broad-based impact. Meanwhile, reforms highly touted by the World Bank – like the reduction in registration times for new businesses from 15 to 5 days – do not meaningfully change business opportunities, are often expensive, and reportedly result in an increase in the bureaucracy to implement the change that results in even more ethnically-driven patronage positions. They are therefore ineffective at best, and fuel for conflict at worst.

In Sierra Leone, growth- and tax-revenue oriented initiatives in mining and commercial agriculture seem blind to growing conflict risks from displacement of local communities, while even needed infrastructure initiatives such as new road projects are implemented in ways – for example, using predominantly foreign workers – that both diminish local benefits and increase grievances. In Rwanda, conversely, there seemed to be a firmer understanding of the nexus of a well-functioning state and the delivery of economic outcomes to a broad-based constituency, with commensurately positive results.

**BER in FCAS has the greatest potential for positive impact when it is attentive to the informal economy.** In Africa, more than half of GDP and more than 80% of the labour force are tied to the informal sector (in which most workers are women and youth). So BER risks being irrelevant to much of the economy, particularly those parts affecting the most vulnerable parts of the population. Also, when governments (and international partners) prioritise formalisation as a driver of development, they risk perverse impacts. For example, Rwanda’s agricultural trajectory privileges large players at the expense of smallholders, and Sierra Leone’s agricultural investment strategies force land conflicts back to the fore.
Box 5: Experiences of BER in Uganda

While the promotion of cross-border trade is generally marked by the World Bank as a great accomplishment, the efforts to enhance cross-border trade have generally been concentrated on a few important trading hubs such as Malaba and Mombasa, with no transparent or accountable justification provided for how these sites (among numerous others) have been selected for reform. In fact, these reforms are concentrated in South-Western Uganda and may have even exacerbated the pre-existing “perception that this part of the country has benefited disproportionately from investments in infrastructure and service provision” (Knutzen and Smith 2014: 5). In a context of structural inequality, the promotion of business at the nationwide level may actually widen the disparity between stable and conflict-affected regions. This is especially the case where the provision of infrastructure and basic public goods (e.g. electricity) is already heavily skewed to the areas and regions relatively remote from acute manifestations of violence and conflicts. In this sense, an equitable business reform needs to take an affirmative approach by granting special incentives and waivers for conflict-affected zones to promote a level-playing field in the domestic market.

Box 6: On formal and informal market development

Many donors and economic analyses maintain that the access to banking and credit is limited, and that such limits are hindering economic growth. The fundamental assumption in this narrative is that the people want to open bank accounts and gain access to finance, but the lack of technical capacity is preventing this from happening. The reality is far more complex. In the case of Uganda, many individuals, and especially owners of small and medium enterprises, often do not want to open official bank accounts because they believe that the government will tax these accounts or use them to identify wealthy individuals to satisfy their predatory greed. In this context, mobile banking has become extraordinarily popular because it is anonymous and operates largely outside of governmental oversight. A new mobile banking platform opened last year registered more than 600,000 accounts only in two months, and is estimated by one informant to have roughly two million accounts. This popularity would have been unlikely if the system were not anonymous. In light of this, reforms to encourage access to banking is likely to be limited because even if the banks open branches in remote places, business owners will not want to register.

BER in FCAS has the greatest potential for positive impact when it is attentive to the political economy in both programming and implementation. Political economy is the central backdrop for understanding BER in FCAS. Processes of transition are inherently periods of uncertainty and instability. The consolidation of institutions, together with rapid development progress, is important in securing these transitions. FCAS represent countries in transition; they are ideally transitioning out of conflict and violence, transitioning towards functioning economies and inclusive political systems, and undergoing processes of institutional transition. They are a subset of developing countries in which the speed of social change outstrips the capacity of existing institutions. As economies grow, different social structures emerge and new technologies disrupt the social or political status quo. How
institutions are able to accommodate these new actors influences the ability of a country to transition. “Where institutions are unable to accommodate the new scenario it can lead to either political decay or a stable system of clientelism and elite coalitions built around the distribution of rents. Politics then centres on state capture and zero-sum games over rent distribution rather than productive activities” (Luiz 2016: 8).

**BER has the greatest potential for positive impact when it is implemented within a systems approach.** Interviewees consistently called for a holistic approach to private sector investment which considers commercial operations systemically. For example, for any investment, multiple ministries usually need to be engaged. As noted one interviewee: “in support of legislative and regulatory reform, a perfect text can be drafted, but still needs to go through Parliament. For this, a long-term stakeholder consultation process is needed to gain buy-in. This needs to occur across line ministries. There is a need for coordination between mining, energy, environment, agriculture, the President, etc. In general, institutional support interventions remain too narrowly focused on the host institution.”

A system-wide perspective should be encouraged among investors and governments, including in terms of infrastructure development. Such an approach would be significantly more efficient. One respondent said: “there is a lack of appreciation for shared infrastructure. Sierra Leone really missed out on a mining boom. Rather than having insisted on shared infrastructure, each company built their own, then struggled with viability. Government was merely trying to get as many operations going as quickly as possible. The government lacked the capacity to push for this. Similar case with Mozambique, where railways could have been jointly built and managed…. For effective shared infrastructure, there needs to be an army of lawyers, but it is possible.”

**Expanded assessment metrics can make BER more accountable to supporting peaceful, just and inclusive societies.** Existing BER indicators often take a one-dimensional approach, focusing on market transaction costs and economic growth. This confuses means and ends. For example, in the case studies with large extractive sectors, interviewees suggested that a significant by-product of the intense wave of foreign investment in exploration was conflict. For instance, in Uganda, they highlight that land reform is often undertaken in a way to give the government a mandate to take over land from indigenous people for the purpose of giving it to foreign business for commercial purposes, exacerbating conflicts on the ground. In this case, the increase of FDI should not be judged as an indicator of BER success, as it may fuel a public perception of inequality and injustice.

To correct for these shortcomings, what is needed are ways of evaluating not only the immediate outputs of BER (were the reforms effectively implemented?), but also direct impacts (did they have the intended effect?) and indirect impacts (did they contribute in meaningful ways to inclusive development, social cohesion and greater stability?). In few if any cases are the baseline studies or systems for monitoring and evaluation in place that would allow for assessment of BER in such a comparative and robust manner.
5. Towards a new vision for BER in FCAS

Chapters 2, 3 and 4 discussed key findings of BER programming and the case evidence focusing on the assessment of performance of BER as a technical development intervention to strengthen private enterprise and market development. This Chapter raises the issue of how the identified lessons and experiences can translate into a new vision for BER in FCAS – which we call ‘BER 2.0’. The chapter develops a rationale for a new vision for BER in FCAS, describes the key principles for a new vision and suggests entry points for programming.

5.1. Rationale for a new vision for BER in FCAS

FCAS countries are seeing unprecedented levels of interest from public and private investors. DFID, for example, is engaging in a large-scale investment promotion programme in Africa that aims “to deliver a programme to drive the economic transformation needed to create jobs for the future and set countries on a trajectory out of poverty. To achieve this goal, the Invest Africa Programme aims to deliver significant increases in Foreign Direct Investment (FDI) into manufacturing sectors in 5-9 countries in Africa” (DFID 2016). The World Bank has similarly announced a US $57 billion investment agenda for Sub-Saharan Africa with blended public and private financing intended to double investment in fragile states (World Bank 2017). Such investment promotion programmes may create opportunities for reducing drivers of conflict and fragility, but may also exacerbate these drivers. They therefore invite reflection about the impact of BER programmes – both positive and negative – in FCAS, and how it should be adapted to maximise effects on inclusive development.

Investors and donors need to change their mind-set about investment, development and fragility in FCAS. This study and others show that the assumption that ‘pouring any kind of private investment into fragile states is good for development’ is not necessarily warranted. The cases studies demonstrate the various ways in which market development and investment promotion has exacerbated drivers of conflict. Over the last two decades, there is ample evidence that confrontations among companies, communities and governments in fragile states related to large-scale business operations have been growing in number and intensity (Ganson and Wennmann 2016). This study underlined that BER practice has been premised on the generic application of BER formulas insufficiently tailored to local contexts. Systematically integrating conflict-sensitivity and political economy awareness into the planning and implementation of BER could go a long way towards mitigating the unintended consequences of BER.

BER needs adjustment to the new strategic landscape of conflict in violence in FCAS. New sources of conflict and fragility are rapidly changing the strategic landscape. In Africa – as in many regions elsewhere – population pressures, climate change and rapid urbanisation are increasing the pressure on existing political and social systems, with the risk of rising conflict and political turbulence in the years ahead (Nørby Bonde and Wennmann 2015). By 2050, the United Nations forecasts that there will be one billion Africans under the age of eighteen (UNICEF 2014). Yet, many African markets are characterised by ‘closed’ access orders, patronage and rent-seeking in key sectors. Given their exclusive nature, such orders will neither provide a sufficient degree of justice and inclusion; nor produce the necessary
scale of economic opportunities to satisfy the aspirations of the growing number of young people. The argument that “a large African labor pool brings growth through expanded light manufacturing, is belied by the fact that African labour markets aren't now absorbing a vast and growing supply of workers” (Soni 2014). As the pool of unsatisfied young people grows, there will be increased rallying for a more pronounced systems change; and these demands may result in elites resorting to further repression (Branch and Mampilly 2015a; 2015b). In these changing strategic landscapes of conflict and fragility, market development and investment promotion will become more important to maintaining peace and security in African and other FCAS. In turn, BER will need to be a more deliberate positive contribution to these efforts and adjusted to be fit for purpose.

**BER programmes need updating to be in sync with the underlying principles and norms of the 2030 Agenda for Sustainable Development.** While BER practice has evolved differently in different settings – including the development of the notion of Local Business Environment Reform (LBER) (DCED 2016) – the findings of this report suggest that BER programmes are not fully in sync with the normative development consensus expressed in the 2030 Agenda. While BER has focused on growth-enhancing support, it has been less attentive to broad-based economic opportunity, to the effects of key drivers of conflict fragility, and the notions of localisation and multi-stakeholder partnership as a means of implementation. Given that the 2030 Agenda is a universally adopted document and that it will be the primary reference point for national development plans and for monitoring of their implementation, BER programmes may need to become more fully SDG compatible, with respect to both SDG norms and their monitoring metrics.

5.2. Principles for ‘BER 2.0’

BER has its origin in a development paradigm that is focused on macro-economic growth support and has been primarily conceived as a technical instrument that is part of a broader portfolio of development programmes of bilateral or multilateral donors or national governments. In order to become more effective as a development policy instrument and respond to the changing strategic landscapes of conflict and fragility, BER needs to adopt a new way of working. This Section proposes several principles that could frame an upgraded ‘BER 2.0’.

**Adopt a people-centred approach to BER in FCAS.** New opportunities for inclusive growth and BER can emerge when conceived from a people-centred perspective; which means BER programmes designed from the perspective of the people a programme intends to assist. If the starting point for programming is the need for smallholder farmers to reach export markets, or for sustainable employment to be created in the tourism sector, then the package of reforms necessary across different levels and institutions to achieve broad-based benefits becomes clearer and more manageable.

**BER in FCAS is multi-dimensional:** This report found that BER needs to achieve the three objectives at the same time if it is to contribute to inclusive development: stimulating broad-based economic growth, expanding economic opportunity in formal and informal markets, and addressing drivers of conflict and fragility. BER 2.0 therefore needs to go beyond limited focus
on economic growth and towards a holistic approach to private sector investment with its impact – both positive and negative – on the systems that define conflict and fragility. Unless such approaches are prioritised, the risk of BER programming in FCAS generating perverse economic or social impacts BER remains significant.

**Conflict-sensitivity and political economy analysis at the centre of planning and implementation of BER in FCAS.** Corruption (at both elite and bureaucratic levels), the political economy (patronage politics and concentrations of economic control), or conflict- and context-sensitive programme management (attentiveness to existing conflict divides and the impact of programming on vulnerable populations) all represent practical challenges for country programmes. These are well described within DFID and other analyses and guidance material, but need to be more systematically prioritised with respect to the planning and implementation of BER in FCAS.

**BER in FCAS as consensus building for the implementation of reforms.** Positive change within FCAS is opportunistic, and the ‘best’ solution is the one that achieves sufficient consensus for genuine reform. Imported solutions have little chance of taking root and carry high risks of unintended consequences. Furthermore, new opportunities for inclusive growth will likely arise from outside existing power structures. BER programmes can therefore focus on supporting platforms for discovery, collaborative analysis and planning, as well as new coalitions in support of inclusive development.

5.3. Entry points for programming innovation for BER in FCAS

**Maximise BER programmes as a tactical instrument for governments and government institutions at national and sub-national levels to build performance legitimacy.** A recurring feature in some African economies is that the formal economy is captured by a ruling elite (North et al. 2009). BER can therefore be mistrusted by those excluded from the formal economy and be considered an instrument for the rich and powerful. In these contexts, BER targets a more exclusive group that can be structured along ethnic, clan, or family lines, and can foster exclusive governance and economic development (Humphreys et al. 2007; Ganson and Wennmann 2012). When such ‘exclusive’ growth becomes stronger, a gap opens between the political narrative of inclusive growth, and the delivery of welfare and opportunity by national governments to the population – and when the gap widens disillusionment is the result (Stevens et al. 2013, 93).

In such moments, ‘closed’ access orders are challenged by popular unrest and growing opposition to open up and allow more people to benefit from opportunities. At these junctures, the goals of donor states to help FCAS exit from fragility – by moving towards more just and inclusive economies – can be positioned in a way attractive to incumbent elites: broader participation in, and benefit from, economic reform helps to ensure political survival, with BER a disciplining mechanism for broad-based performance legitimacy.

**Harness major investment projects and development initiatives as entry points for BER.** BER appears to have the best prospect when it is implemented to support a focused, pro-poor policy objective or economic outcome, such as raising smallholder productivity or creating community benefits from FDI in a particular sector. Projects and initiatives that already have
broader political support can serve as an entry point for the complementary reforms that are most needed. They may also generate the political backing necessary, not just to agree to reforms, but also to implement them.

**Prioritize broad-based opportunity.** BER gains in effectiveness if structured around sectors and initiatives that represent real economic opportunities for value chain development in the formal and informal economy, whether smallholder farming productivity in Ethiopia or what is seen as a missed opportunity in Sierra Leone, tourism. The literature, as well as respondents, questioned the role of mining or plantation agriculture as drivers of inclusive growth.

**Devote specific attention to the informal sector in a BER agenda.** Economic opportunities for most people in FCAS will remain within the informal sector. The informal sector is particularly important to women, youth, and other marginalised people. Even where the focus is on larger-scale enterprises or formalisation, this can prioritise the perspective of enterprises (e.g. agricultural processing hubs) and initiatives (e.g. farm-to-market roads) that provide economic opportunities to small-scale actors in the informal sector. BER programming also needs to diversify entry points beyond government agencies to impact on informal markets. NGOs and civil society organisations can be reliable and cost-effective partners for support of rural populations and marginalised population groups in business development and BER.

**Consider regional (multi-country) BER programming.** National BER approaches in isolation may have limited success if the most important factors shaping the national economy are either regional or international; hence it is important to question BER practice that relies on national level programming. The Sierra Leone case highlights the potential benefit of regional approaches, especially for smaller economies.
References


Appendix 1: Key concepts

Fragile and conflict-affected states

For nearly a decade, the term ‘fragile state’ has joined other known characterisations of ‘developing countries’, ‘least developed countries’, or ‘global south’ familiar in development policy circles. In practical terms, the attribute ‘fragile’ to the referent object ‘the state’ is yet another label attempting to categorise and rank a series of countries that receive development assistance. Definition of ‘state’ attributes range from the legitimacy of force used to constrain populations (monopoly of the use of force), state strategies to construct and sustain the use of force (state capacities), a balance between coercion and consent of societies (state-society relations), and mechanisms by which legitimacy can be established (representation and justice) (Wennmann 2010). ‘Fragility’ describes something that is easily broken, delicate, or vulnerable. Following on such thinking about fragile states as places that are not robust or resilient, Call (2010: 304) describes three gaps in the realms of capacity, security, and legitimacy as a lens for analysing the challenges faced by states and for formulating reform policies.

FCAS generally fall into either the low or middle income World Bank categories with regard to GDP per capita. Within these categories, FCAS exhibit relatively poor performance and a large development gap. Such poor economic performance was also reflected with respect to progress towards achieving the Millennium Development Goals: about two thirds of FCAS did not achieve a primary Millennium Development Goal of cutting poverty by half (OECD 2015: 13).

In recent years, there has been a marked shift in rhetoric from emphasis on the ‘fragile state’ to the ‘fragile city’ and more generally ‘fragile contexts’ that may exist at the sub-national level. This recognises that ‘fragility’ cuts across low, medium and high-income countries, with ‘pockets of fragility’ even within, for example, the USA, Germany or Switzerland. Conversely, this more granular view of fragility recognises that there are ‘pockets of effectiveness’ in some of the most fragile states where things work and get done (Wennmann 2010).

The most recent evolution in the ‘fragility’ discourse in the donor community involves a shift from a focus on ‘the state’ or ‘the city’ – to ‘the diversity of risk and vulnerabilities that generate fragility in so many forms’ (OECD 2015:9). In-built is a shift from narrow interventions on ‘states’ to affecting change through a systems approach. Overall, the OECD’s ‘states of fragility’ approach looks at five clusters of fragility targets and objectives:

- **Violence**: Reduction and prevention of violence;
- **Justice**: Promote the rule of law at the national and international levels, and ensure equal access to justice for all;
- **Institutions**: Develop effective, accountable and transparent institutions at all levels, reduce illicit financial flows and combat organised crime;
- **Economic foundations**: Reduce youth unemployment, promote economic, social and political inclusion;
• **Resilience**: Reduce exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters; build adaptive capacity (Ibid.).

Another trend is the increasing awareness of field-based practitioners about the limitations of ‘exclusively state-focused’ or ‘government controlled’ programmes. The trend is towards recognising the impact on effectiveness and delivery of programmes in the context of ‘hybrid political orders’. In such orders, the state is in practice not necessarily the only provider of security, welfare and representation, but as one of multiple actors that provide authority, legitimacy, and capacity. The term 'hybrid' captures different non-state forms of order and governance, including customary arrangements, and how they permeate each other into “a different and genuine political order” (Boege et al. 2009: 606). In its policy guidance for statebuilding, the OECD noted that “the majority of states in the global South can [...] be described as hybrid political orders” (OECD 2011: 25). Such trends have also been recognized in terms of ‘limited’ or ‘open’ access orders. In ‘limited access orders’, authorities limit access to valuable political and economic opportunities through barriers-to-entry such as patronage, tenders or licenses. ‘Open access orders’ structure access to political and economic opportunities in competitive terms through markets, elections, and merit (North et al. 2007).

These trends imply an overlap of different forms of order competing with state or government power, as well as the existence of conflicting claims to legitimacy and economic resources. Yet they nevertheless capture a certain reality of conditions and dynamics in FCAS relevant for the implementation of donor programming. In particular, they recognise that the problem is often enough not that conflict-prone and underdeveloped states are ‘fragile’ in the sense of being delicate or vulnerable, but rather that they are highly resilient systems that are resistant to change, particularly from outside intervention. Any reforms must therefore be implemented “in the face of social division, legacies of grievance, weak institutions, lack of trust in government, pressing socio-economic challenges, or the presence of spoilers content to exploit or tolerate conflict to meet their narrowly defined interests – that is to say, the very conditions that define fragility and enable conflict to fester and turn violent in the first place” (Ganson and Wennmann 2016: 183).

**Business environment reforms**

Every country – whether developed or developing, fragile or resilient – has a ‘business environment’ which refers to the rules of the game underpinning market transactions. These rules influence the incentives and provide the certainty required by economic actors to invest and engage in activities in a market. Depending on the nature of the business environment, it can both positively and negatively impact upon economic activity. Underpinning the business environment is a set of institutions that are essential: for providing clarity on property rights; for controlling the discretionary power on the part of the state: the predictability of the investment environment; the lowering of transactions costs in exchange transactions; and the management of conflict and political instability (Luiz, 2009).
The DCED defines the business environment as a complex of policy, legal, institutional, and regulatory conditions that govern business activities and affects the performance of private enterprises in both the formal and informal economies. Figure 1 provides an illustration of the components of the business environment within the context of the investment climate.

Given the assumption that a robust private sector and private sector investments have a critical role to play in development, many bilateral and multilateral donor agencies and institutions have focused on transforming business environments as a way of supporting the development of a private sector, and have supported governments of developing countries with BER programmes. At their core, these are about reducing the transaction costs of doing business; decreasing risks; and providing greater levels of certainty as regards the quality and stability of government policies, laws and regulations so as to increase investments; and to raise competitive pressures by reducing entry barriers and stimulating levels of efficiency and innovation (DCED, 2008).

BER typically focuses on specific ‘functional areas’ (DCED 2008), such as:

- Simplifying **business registration** and licensing procedures;
- Improving **tax** policies and administration;
- Improving **labour** laws and administration;
- Improving the overall quality of **regulatory governance**;
- Improving **land** titles, registers and administration;
- Simplifying and speeding up access to commercial **courts** and to alternative dispute resolution mechanisms;
- Broadening **public-private dialogue** processes with a particular focus on including
  - Informal operators, especially women;
  - Improving access to market information; and
  - Enabling better access to finance.

The linkage between BER, development, and peace in FCAS is premised on a theory of change – often implicit rather than explicit – that BER will result in growing and lucrative private sector activity; that this will contribute to sustainable economic growth; that this will in turn contribute to public good, both through private channels such as increased employment and public channels such as increased tax revenues applied to public services; which in turn will reduce tensions and unrest; which will ultimately contribute to stability and peaceful development in a country.
Appendix 2: Country data and BER timelines

This Annex provides an overview of key country data, trends in social and economic performance, and BER timelines of Ethiopia, Rwanda, Sierra Leone, and Uganda.

1. Data snapshots

**Ethiopia**
Economically active population in agriculture: 83% (2011)
Percentage of poor people: 87.3% (2011)
Global Hunger Index: 33.4 – serious (2016)
Violent deaths per 100,000 population: 9.3 (annual average 2010-2015)

**Rwanda**
Population: 11.6 million (2015)
Economically active population in agriculture: 90% (2004)
Percentage of poor people: 53.8% (2015)
Global Hunger Index: 27.4 – serious (2016)
Violent deaths per 100,000 population: 4.6 (annual average 2010-2015)

**Sierra Leone**
Economically active population in agriculture: 60% (2002)
Percentage of poor people: 81.0% (2013)
Global Hunger Index: 35 – alarming (2016)
Violent deaths per 100,000 population: 2.2 (annual average 2010-2015)

**Uganda**
Population: 39.0 million
Economically active population in agriculture: 72% (2010)
Percentage of poor people: 69.9% (2011)
Global Hunger Index: 26.4 – serious (2016)
Violent deaths per 100,000 population: 11.4 (annual average 2010-2015)
2. Ethiopia

**Economic and social performance**

- **Annual GDP Growth Rates**
- **GDP per capita, PPP (current USD)**
- **Agriculture value added (% of GDP)**
- **Net ODA received (% of GNI)**
- **Doing Business Index (2010-2017)**

**Ibrahim Index on African Governance: Select Human Development Measures**
Ibrahim Index on African Governance: Select Fragility-Related Measures
## Ethiopia BER timeline (2010-2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>Reform Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Starting a Business</td>
<td>Ethiopia has made starting a business easier by creating clear guidance on trade name approvals.</td>
</tr>
<tr>
<td>2013</td>
<td>Getting Credit</td>
<td>Ethiopia improved access to credit information by establishing an online platform for sharing such information and by guaranteeing borrowers’ right to inspect their personal data.</td>
</tr>
<tr>
<td></td>
<td>Paying Taxes</td>
<td>Ethiopia introduced a social insurance contribution.</td>
</tr>
<tr>
<td>2012</td>
<td>Getting Electricity</td>
<td>In Ethiopia delays in providing new connections made getting electricity more difficult.</td>
</tr>
<tr>
<td>2011</td>
<td>Trading across Borders</td>
<td>Ethiopia made trading easier by addressing internal bureaucratic inefficiencies.</td>
</tr>
<tr>
<td>2010</td>
<td>Starting a Business</td>
<td>Ethiopia made starting a business easier by streamlining registration procedures.</td>
</tr>
<tr>
<td></td>
<td>Registering Property</td>
<td>Ethiopia made transferring property easier by decentralising administrative tasks and merging procedures at the land registry and municipality.</td>
</tr>
<tr>
<td></td>
<td>Enforcing Contracts</td>
<td>Ethiopia made enforcing contracts easier by reducing delays in the courts – through backlog reduction, improved case management and internal training, and an expanded role for the enforcement judge.</td>
</tr>
</tbody>
</table>
3. Rwanda

Economic and social performance

Annual GDP Growth Rates

GDP per capita, PPP (current USD)

Agriculture value added (% of GDP)

Net ODA received (% of GNI)

Doing Business Index (2010-2017)

Ibrahim Index on African Governance: Select Human Development Measures
Ibrahim Index on African Governance: Select Fragility-Related Measures

<table>
<thead>
<tr>
<th>Year</th>
<th>Reform Area</th>
<th>Description</th>
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<tbody>
<tr>
<td>2017</td>
<td>Starting a Business</td>
<td>Rwanda made starting a business easier by improving the online registration one-stop shop and streamlining post-registration procedures.</td>
</tr>
<tr>
<td></td>
<td>Dealing with Construction Permits</td>
<td>Rwanda made dealing with construction permits more cumbersome and expensive by introducing new requirements to obtain a building permit. It also strengthens the quality control index by implementing the qualifications required for architects and engineers.</td>
</tr>
<tr>
<td></td>
<td>Registering Property</td>
<td>Rwanda made it easier to register property by introducing effective time limits and increasing the transparency of the land administration system.</td>
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<tr>
<td></td>
<td>Paying Taxes</td>
<td>Rwanda made paying taxes more complicated by introducing a requirement that companies file and pay social security contributions monthly instead of quarterly.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Rwanda made trading across borders easier by removing the mandatory pre-shipment inspection for imported products.</td>
</tr>
<tr>
<td></td>
<td>Enforcing Contracts</td>
<td>Rwanda made enforcing contracts easier by introducing an electronic case management system for judges and lawyers.</td>
</tr>
<tr>
<td></td>
<td>Starting a Business</td>
<td>Rwanda made starting a business easier by eliminating the need for new companies to open a bank account in order to register for VAT.</td>
</tr>
<tr>
<td></td>
<td>Dealing with Construction Permits</td>
<td>Rwanda made dealing with construction permits easier by adopting a new building code and new urban planning regulations.</td>
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<tr>
<td></td>
<td>Getting Credit</td>
<td>In Rwanda the credit bureau started to provide credit scores to banks and other financial institutions while the credit registry expanded borrower coverage, strengthening the credit reporting system.</td>
</tr>
<tr>
<td>2016</td>
<td>Protecting Minority Investors</td>
<td>Rwanda strengthened minority investor protections by introducing provisions allowing holders of 10% of a company’s shares to call for an extraordinary meeting of shareholders, requiring holders of special classes of shares to vote on decisions affecting their shares, requiring board members to disclose information about their directorships and primary employment and requiring that audit reports for listed companies be published in a newspaper.</td>
</tr>
<tr>
<td></td>
<td>Paying Taxes</td>
<td>Rwanda made paying taxes easier for companies by introducing electronic filing and making its use compulsory.</td>
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<tr>
<td></td>
<td>Trading across Borders</td>
<td>Rwanda increased the time and cost for documentary and border compliance for importing by making pre-shipment inspection mandatory for all imported products.</td>
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<td></td>
<td>Resolving Insolvency</td>
<td>Rwanda improved its insolvency system by introducing provisions on voidable transactions and the approval of reorganization plans and by establishing additional safeguards for creditors in reorganisation proceedings.</td>
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<tr>
<td>Year</td>
<td>Reform Area</td>
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<tr>
<td>2015</td>
<td>Starting a Business</td>
<td>Rwanda made starting a business more difficult by requiring companies to buy an electronic billing machine from a certified supplier.</td>
</tr>
<tr>
<td></td>
<td>Dealing with Construction Permits</td>
<td>Rwanda made dealing with construction permits easier by eliminating the fee for obtaining a freehold title and by streamlining the process for obtaining an occupancy permit.</td>
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<tr>
<td></td>
<td>Getting Electricity</td>
<td>In Rwanda the electricity company made getting electricity less costly by eliminating several fees.</td>
</tr>
<tr>
<td></td>
<td>Getting Credit</td>
<td>Rwanda improved access to credit by establishing clear priority rules outside bankruptcy for secured creditors and establishing clear grounds for relief from a stay of enforcement actions by secured creditors during reorganization procedures.</td>
</tr>
<tr>
<td></td>
<td>Protecting Minority Investors</td>
<td>Rwanda strengthened investor protections through a new law allowing plaintiffs to cross-examine defendants and witnesses with prior approval of the questions by the court.</td>
</tr>
<tr>
<td></td>
<td>Paying Taxes</td>
<td>Rwanda made paying taxes easier and less costly for companies by rolling out its electronic filing system to the majority of businesses and by reducing the property tax rate and business trading license fee.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Rwanda made trading across borders easier by introducing an electronic single-window system at the border.</td>
</tr>
<tr>
<td></td>
<td>Resolving Insolvency</td>
<td>Rwanda made resolving insolvency easier through a new law clarifying the standards for beginning insolvency proceedings; preventing the separation of the debtor’s assets during reorganisation proceedings; setting clear time limits for the submission of a reorganisation plan; and implementing an automatic stay of creditors’ enforcement actions.</td>
</tr>
<tr>
<td>2014</td>
<td>Starting a Business</td>
<td>Rwanda made starting a business easier by reducing the time required to obtain a registration certificate.</td>
</tr>
<tr>
<td></td>
<td>Dealing with Construction Permits</td>
<td>Rwanda made dealing with construction permits easier and less costly by reducing the building permit fees, implementing an electronic platform for building permit applications and streamlining procedures.</td>
</tr>
<tr>
<td></td>
<td>Registering Property</td>
<td>Rwanda made transferring property easier by eliminating the requirement to obtain a tax clearance certificate and by implementing the web-based Land Administration Information System for processing land transactions.</td>
</tr>
<tr>
<td></td>
<td>Getting Credit</td>
<td>Rwanda strengthened its secured transactions system by providing more flexibility on the types of debts and obligations that can be secured through a collateral agreement.</td>
</tr>
<tr>
<td></td>
<td>Protecting Minority Investors</td>
<td>Rwanda strengthened investor protections through a new law allowing plaintiffs to cross-examine defendants and witnesses with prior approval of the questions by the court.</td>
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</tr>
<tr>
<td>2013</td>
<td>Getting Electricity</td>
<td>Rwanda made getting electricity easier by reducing the cost of obtaining a new connection.</td>
</tr>
<tr>
<td></td>
<td>Enforcing Contracts</td>
<td>Rwanda made enforcing contracts easier by implementing an electronic filing system for initial complaints.</td>
</tr>
<tr>
<td>Year</td>
<td>Reform Area</td>
<td>Description</td>
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</tr>
<tr>
<td>2012</td>
<td>Paying Taxes</td>
<td>Sierra Leone replaced sales and service taxes with a goods and service tax.</td>
</tr>
<tr>
<td></td>
<td>Starting a Business</td>
<td>Rwanda made starting a business easier by reducing the business registration fees.</td>
</tr>
<tr>
<td></td>
<td>Registering Property</td>
<td>Rwanda made transferring property more expensive by enforcing the checking of the capital gains tax.</td>
</tr>
<tr>
<td></td>
<td>Getting Credit</td>
<td>In Rwanda the private credit bureau started to collect and distribute information from utility companies and also started to distribute more than 2 years of historical information, improving the credit information system.</td>
</tr>
<tr>
<td></td>
<td>Paying Taxes</td>
<td>Rwanda reduced the frequency of value added tax filings by companies from monthly to quarterly.</td>
</tr>
<tr>
<td>2011</td>
<td>Dealing with Construction Permits</td>
<td>Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits.</td>
</tr>
<tr>
<td></td>
<td>Getting Credit</td>
<td>Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank’s public credit registry.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbours, leading to an improvement in the trade logistics environment.</td>
</tr>
<tr>
<td>2010</td>
<td>Starting a Business</td>
<td>Rwanda made starting a business easier by eliminating the notarisation requirement; introducing standardised memoranda of association; putting publication online; consolidating name-checking, registration fee payment, tax registration and company registration procedures; and reducing the time required to process completed applications.</td>
</tr>
<tr>
<td></td>
<td>Registering Property</td>
<td>Rwanda reduced the time required to transfer property through ongoing improvements in the property registration process.</td>
</tr>
<tr>
<td></td>
<td>Getting Credit</td>
<td>Rwanda strengthened its secured transactions system by allowing a wider range of assets to be used as collateral, permitting a general description of debts and obligations in the security agreement, allowing out-of-court enforcement of collateral, granting secured creditors absolute priority within bankruptcy and creating a new collateral registry.</td>
</tr>
<tr>
<td></td>
<td>Protecting Minority Investors</td>
<td>Rwanda strengthened investor protections through a new company law requiring greater corporate disclosure, increasing director liability and improving shareholders’ access to information.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Rwanda reduced the time required for trading across borders by introducing administrative changes such as expanded operating hours and enhanced border cooperation and by eliminating some documentation requirements.</td>
</tr>
<tr>
<td>Year</td>
<td>Reform Area</td>
<td>Description</td>
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<td>------</td>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Resolving Insolvency</td>
<td>Rwanda improved its insolvency process through a new law aimed at streamlining reorganisation procedures.</td>
</tr>
<tr>
<td></td>
<td>Labor Market Regulation</td>
<td>Rwanda increased the maximum duration of fixed-term contracts and eliminated the obligation to notify and seek the approval of a third party in cases of redundancy dismissals.</td>
</tr>
<tr>
<td>2009</td>
<td>Dealing with Construction Permits</td>
<td>Rwanda made dealing with construction permits easier by streamlining project clearances for the second year in a row – combining the procedures for obtaining a location clearance and a building permit in a single application form – and by introducing a single application form for water, sewerage and electricity connections.</td>
</tr>
<tr>
<td></td>
<td>Registering Property</td>
<td>Rwanda reduced the cost and time to register property by replacing the 6% registration fee with a flat rate, regardless of the property value, and by creating a centralized service in the tax authority to speed up the issuance of the certificate of good standing.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Rwanda reduced the time for exporting and importing by extending the opening hours of customs points, implementing or improving electronic data interchange and risk-based inspection systems and making improvements in the transport sector.</td>
</tr>
<tr>
<td></td>
<td>Enforcing Contracts</td>
<td>Rwanda made enforcing contracts easier by launching three commercial courts – in Kigali, in Northern Province and in Southern Province.</td>
</tr>
<tr>
<td>2008</td>
<td>Dealing with Construction Permits</td>
<td>Rwanda made dealing with construction permits easier by decentralizing the permit system – which reduced the time for getting a building permit and an occupancy permit – and by reducing the time for obtaining an electricity connection.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Rwanda made trading across borders easier by expediting the acceptance of customs declarations and liberalising the warehouse services market.</td>
</tr>
</tbody>
</table>
4. Sierra Leone

Economic and social performance

Annual GDP Growth Rates

GDP per capita, PPP (current USD)

Agriculture value added (% of GDP)

Net ODA received (% of GNI)

Doing Business Index (2010-2017)

Ibrahim Index on African Governance: Select Human Development Measures
Ibrahim Index on African Governance: Select Fragility-Related Measures
### Sierra Leone BER timeline (2008-2017)

<table>
<thead>
<tr>
<th>Year</th>
<th>Reform Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Starting a Business</td>
<td>Sierra Leone made starting a business easier by reducing registration fees.</td>
</tr>
<tr>
<td></td>
<td>Getting Electricity</td>
<td>Sierra Leone made getting electricity easier by eliminating the need for customers to submit an application letter inquiring about a new connection before submitting an application – and made the process faster by improving staffing at the utility.</td>
</tr>
<tr>
<td></td>
<td>Resolving Insolvency</td>
<td>Sierra Leone made registering property easier by introducing a fast-track procedure.</td>
</tr>
<tr>
<td></td>
<td>Registering Property</td>
<td>Sierra Leone improved its credit information system by beginning to distribute both positive and negative data and by increasing the system’s coverage rate.</td>
</tr>
<tr>
<td></td>
<td>Paying Taxes</td>
<td>Sierra Leone made paying taxes more complicated for companies by introducing a capital gains tax.</td>
</tr>
<tr>
<td>2015</td>
<td>Registering Property</td>
<td>Sierra Leone made registering property easier by computerising the Ministry of Lands, Country Planning and the Environment.</td>
</tr>
<tr>
<td></td>
<td>Getting Credit</td>
<td>Sierra Leone improved access to credit information by establishing a public credit registry at its central bank and guaranteeing borrowers’ right to inspect their personal data.</td>
</tr>
<tr>
<td>2013</td>
<td>Getting Credit</td>
<td>Sierra Leone improved its credit information system by enacting a new law providing for the creation of a public credit registry.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Sierra Leone made trading across borders faster by implementing the Automated System for Customs Data (ASYCUDA).</td>
</tr>
<tr>
<td></td>
<td>Enforcing Contracts</td>
<td>Sierra Leone made enforcing contracts easier by launching a fast-track commercial court.</td>
</tr>
<tr>
<td></td>
<td>Resolving Insolvency</td>
<td>Sierra Leone established a fast-track commercial court in an effort to expedite commercial cases, including insolvency proceedings.</td>
</tr>
<tr>
<td>2011</td>
<td>Dealing with Construction Permits</td>
<td>Sierra Leone made dealing with construction permits easier by streamlining the issuance of location clearances and building permits.</td>
</tr>
<tr>
<td></td>
<td>Registering Property</td>
<td>Sierra Leone lifted a moratorium on sales of privately owned properties.</td>
</tr>
<tr>
<td></td>
<td>Paying Taxes</td>
<td>Sierra Leone replaced sales and service taxes with a goods and service tax.</td>
</tr>
<tr>
<td>2010</td>
<td>Starting a Business</td>
<td>Sierra Leone made starting a business easier by establishing a one-stop shop for company registration.</td>
</tr>
<tr>
<td></td>
<td>Registering Property</td>
<td>Sierra Leone made transferring property more difficult by reinstituting a moratorium on the authorisation of property transfers by the director of surveys and lands.</td>
</tr>
<tr>
<td></td>
<td>Getting Credit</td>
<td>Sierra Leone strengthened its secured transactions system through a new company act that allows the use of fixed and floating charges and</td>
</tr>
<tr>
<td>Event Year</td>
<td>Economic Facet</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>2009</td>
<td>Protecting Minority Investors</td>
<td>Sierra Leone automatically extends a security interest to the products, proceeds and replacements of the collateral.</td>
</tr>
<tr>
<td>2009</td>
<td>Paying Taxes</td>
<td>Sierra Leone strengthened investor protections through a new company act enhancing director liability and improving disclosure requirements.</td>
</tr>
<tr>
<td></td>
<td>Paying Taxes</td>
<td>Sierra Leone made paying taxes easier for companies by improving training and equipment at the tax authority, publishing a consolidated income tax act and introducing a value added tax system that replaces four different sales taxes.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Sierra Leone made trading across borders more costly through an increase in some fees, though it also reduced the time required for trade.</td>
</tr>
<tr>
<td></td>
<td>Resolving Insolvency</td>
<td>Sierra Leone improved its insolvency process through a new company act that encourages financially distressed companies to first try to reorganise rather than going straight into liquidation.</td>
</tr>
<tr>
<td>2009</td>
<td>Starting a Business</td>
<td>Sierra Leone reduced the time, cost and number of procedures to start a business by making the use of a lawyer optional and abolishing other registration formalities, including paying taxes up front and obtaining exchange control permission from the central bank.</td>
</tr>
<tr>
<td>2009</td>
<td>Dealing with Construction Permits</td>
<td>Sierra Leone made dealing with construction permits easier by better enforcing the rules and regulations on risk-based inspections during construction and by issuing a schedule of inspections together with the building permit.</td>
</tr>
<tr>
<td>2009</td>
<td>Registering Property</td>
<td>Sierra Leone reduced the time needed to transfer property by lifting a ban on obtaining the director of survey’s signature on the cadastral map – a ban that had been imposed to prevent a common scam in which the same property would be sold several times over to different people.</td>
</tr>
<tr>
<td>2009</td>
<td>Trading across Borders</td>
<td>Sierra Leone made trading across borders easier by eliminating the requirement for an export license for coffee.</td>
</tr>
<tr>
<td>2008</td>
<td>Paying Taxes</td>
<td>Sierra Leone reduced the sales tax rate.</td>
</tr>
</tbody>
</table>
5. Uganda

Economic and social performance

Annual GDP Growth Rates

GDP per capita, PPP (current USD)

Agriculture value added (% of GDP)

Net ODA received (% of GNI)

Ibrahim Index on African Governance: Select Human Development Measures
Ibrahim Index on African Governance: Select Fragility-Related Measures
### Uganda BER timeline (2008-2017)

<table>
<thead>
<tr>
<th>Year</th>
<th>Reform Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Starting a Business</td>
<td>Uganda made starting a business easier by eliminating the requirement that a commissioner of oaths must sign compliance declarations.</td>
</tr>
<tr>
<td></td>
<td>Paying Taxes</td>
<td>Uganda made paying taxes easier by eliminating a requirement for tax returns to be submitted in paper copy following online submission. At the same time, Uganda increased the stamp duty for insurance contracts.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Uganda made trading across borders easier by constructing the Malaba One-Stop Border Post which reduced border compliance time for exports.</td>
</tr>
<tr>
<td>2016</td>
<td>Starting a Business</td>
<td>Uganda made starting a business easier by introducing an online system for obtaining a trading license and by reducing business incorporation fees.</td>
</tr>
<tr>
<td></td>
<td>Getting Electricity</td>
<td>The utility in Uganda reduced delays for new electricity connections by deploying more customer service engineers and reducing the time needed for the inspection and meter installation.</td>
</tr>
<tr>
<td></td>
<td>Getting Credit</td>
<td>In Uganda the credit bureau expanded borrower coverage, improving access to credit information.</td>
</tr>
<tr>
<td>2015</td>
<td>Trading across Borders</td>
<td>Uganda made trading across borders easier by implementing the ASYCUDA World electronic system for the submission of export and import documents.</td>
</tr>
<tr>
<td></td>
<td>Resolving Insolvency</td>
<td>Uganda made resolving insolvency easier by consolidating all provisions related to corporate insolvency in one law, establishing provisions on the administration of companies (reorganisation), clarifying standards on the professional qualifications of insolvency practitioners and introducing provisions allowing the avoidance of undervalued transactions.</td>
</tr>
<tr>
<td>2014</td>
<td>Registering Property</td>
<td>Uganda made transferring property easier by eliminating the need to have instruments of land transfer physically embossed to certify payment of the stamp duty.</td>
</tr>
<tr>
<td>2013</td>
<td>Registering Property</td>
<td>Uganda made transferring property more difficult by introducing a requirement for property purchasers to obtain an income tax certificate before registration, resulting in delays at the Uganda Revenue Authority and the Ministry of Finance. At the same time, Uganda made it easier by digitising records at the title registry, increasing efficiency at the assessor’s office and making it possible for more banks to accept the stamp duty payment.</td>
</tr>
<tr>
<td></td>
<td>Resolving Insolvency</td>
<td>Uganda strengthened its insolvency process by clarifying rules on the creation of mortgages, establishing the duties of mortgagors and mortgagees, defining priority rules, providing remedies for mortgagors and mortgagees and establishing the powers of receivers.</td>
</tr>
<tr>
<td>2012</td>
<td>Starting a Business</td>
<td>Uganda introduced changes that added time to the process of obtaining a business license, slowing business start-up. But it simplified registration for</td>
</tr>
<tr>
<td>Year</td>
<td>Reform Area</td>
<td>Description</td>
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<td>------</td>
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<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td><strong>Registering Property</strong></td>
<td>A tax identification number and for value added tax by introducing an online system.</td>
</tr>
<tr>
<td></td>
<td>Uganda increased the efficiency of property transfers by establishing performance standards and recruiting more officials at the land office.</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Starting a Business</td>
<td>Uganda made it more difficult to start a business by increasing the trade licensing fees.</td>
</tr>
<tr>
<td></td>
<td>Getting Credit</td>
<td>Uganda enhanced access to credit by establishing a new private credit bureau.</td>
</tr>
<tr>
<td></td>
<td>Enforcing Contracts</td>
<td>Uganda continues to improve the efficiency of its court system, greatly reducing the time to file and serve a claim.</td>
</tr>
<tr>
<td>2010</td>
<td>Paying Taxes</td>
<td>Uganda reduced the time required for companies to prepare, file and pay value added tax through improved efficiency of taxpayer services and banks.</td>
</tr>
<tr>
<td></td>
<td>Trading across Borders</td>
<td>Uganda reduced the time required for trading across borders through expanded operating hours at the port of Mombasa and improvements in customs processes and in border cooperation.</td>
</tr>
<tr>
<td>2008</td>
<td>Trading across Borders</td>
<td>Uganda made trading across borders easier by extending the ASYCUDA++ electronic data interchange system to four additional customs stations, introducing a system linking banks to customs (for payment of duties) and enhancing cooperation at the Kenya – Uganda border crossing at Malaba through joint inspections.</td>
</tr>
<tr>
<td></td>
<td>Labour Market Regulation</td>
<td>Uganda eliminated restrictions on working on the weekly rest day and introduced a requirement for third-party notification for collective dismissals.</td>
</tr>
</tbody>
</table>
Note on data sources


All BER timelines adapted from adapted from World Bank data on business reforms on Ethiopia, Rwanda, Sierra Leone, and Uganda available at http://www.doingbusiness.org/reforms.
Appendix 3: Guiding questions for interviews and workshops

Interview process and workshops

Between February and May 2017, the study team reached out to a total of 83 individuals at the senior level including country experts, senior-level investors, policy makers and researchers working across sectors and geographical areas. This outreach included 42 semi-structured interviews and three workshops with a total of 41 participants to discuss preliminary findings, including in London (9 May), Freetown (25 May), and Kampala (31 May). The breakdown of interviews and workshop participation is as follows:

Interviews
- International experts: 17
- Ethiopia: 2
- Rwanda: 10
- Sierra Leone: 5
- Uganda: 8

Workshops
- London: 10
- Sierra Leone: 16
- Uganda: 15

The interviews and workshops have been guided by a protocol to harmonise primary data collection across the study and to support the documentation of data and narratives. Interviews have been conducted remotely with interview partners being identified through relevant contacts of DFID, KPMG and project team members.

Interviews were conducted on the condition of anonymity of the interviewee following standard research practice on sensitive issues. Interview citations in this study are therefore unattributed.

Lines of inquiry

1. BER motivation
   - What motivated BER?
   - Were the reforms internationally or locally catalysed?
   - Who participated in the analysis and design of reforms? Please specify which external actors as well as which internal actors were involved.
   - Who was marginalised or left out of the BER decision-making process?
   - Were aspects of BER contested? Please elaborate.
   - What processes of consensus-building were relied upon, if any? What lessons emerge from this process?

2. Identification of explicit or implicit theories of change
   - Was there an explicit theory of change guiding BER? Please elaborate.
   - Why was this BER pathway chosen over others?
How has BER been understood among different stakeholders?

Has BER been perceived by key stakeholders as a driver for change (‘law changes behaviour’), or the result of change (‘new social consensus needed to be implemented in law’)?

How did BER fit into other social and political processes underway in the same period (and with reference to the differing timing and sequencing choices made or not made)?

3. Implementation and sequencing of reforms

- Specific BER reforms include land registration, property rights, tariff reforms, one stop shops, and alternative dispute resolution programmes. What learning emerges from the implementation of these (or other) reforms?
- Which reforms were implemented in which order and what was the justification for this sequencing?
- Could alternative orders of sequencing have led to different results?
- Was specific attention given to the role of women in BER? Please elaborate.
- Was specific attention given to the role of youth in BER? Please elaborate.
- Were reforms viewed as legitimate by all stakeholders? Please elaborate.

4. BER Impact

- What were the impacts of BER?
- Did BER efforts achieve what they set out to? Please elaborate.
- Please describe the extent to which BER positively, negatively, or failed to impact key factors of conflict and fragility.
- Did BER support progress from fragility to inclusive development? Please elaborate.
- Was BER a strong or weak lever of reform? Please elaborate.
- Were there uncomfortable trade-offs made with BER? Were the choices made appropriate? What might have been done differently?
- Who were the ‘winners’ and ‘losers’ from BER? Please elaborate.
- Were there positive or negative unintended consequences of BER? Please elaborate.
- What indicators might be used to measure the effectiveness of BER?
Appendix 4: The Research Team

Achim Wennmann: Research Leader, co-author of draft and final report: Achim Wennmann is Senior Researcher at the Centre on Conflict, Development and Peacebuilding (CCDP) of the Graduate Institute of International and Development Studies in Geneva, and Executive Coordinator of the Geneva Peacebuilding Platform, an inter-agency network that connects peacebuilding actors, resources, and expertise in Geneva and worldwide. He is an expert in economic perspectives on violent conflict, conflict resolution, and peacebuilding and author of over 50 publications on these issues. Achim has a broad advisory experience including mediation support, strategic advice, and expert panel roles for international organisations, governments, private foundations, and business. Achim holds a Doctorate from the Graduate Institute in Geneva. achim.wennmann@graduateinstitute.ch.

Brian Ganson: Country Study Leader, researcher on Uganda, co-author of draft and final report: Brian Ganson, JD, is Head, Africa Centre for Dispute Settlement at the University Of Stellenbosch Business School, a hub for research and reflection on the prevention and resolution of conflict with a private sector nexus. He is also a Research Associate with the CCDP. Brian works at the intersection of business, conflict and development, with focus on company management and leadership; project-level risk assessment and risk management; international policy related to conflict prone environments; and the role of neutrals. He engages with multinational companies, governments, community advocates and other international actors as a consultant, researcher, educator, evaluator and mediator. As an Extraordinary Associate Professor, University of Stellenbosch Business School, and Adjunct Associate Professor, University of Cape Town Graduate School of Business, he teaches negotiation, mediation, and corporate diplomacy. He is also the author of numerous books, articles and published reports. Brian.Ganson@USB.ac.za; www.Ganson.org.

John Luiz: BER in Conflict Leader, researcher on literature review and Rwanda, co-author of draft and final report: John Luiz is a Professor of International Business attached to the University of Sussex and the University of Cape Town. He is widely published with in excess of 100 publications including over 75 articles in leading journals and over 20 book chapters. He works as a consultant and has undertaken research for a number of leading international development organisations, multinationals, corporates, government departments, and think tanks. He is active in management training and executive education at several prominent multinational and public entities.

Claudia Seymour: Interview Process Leader: Claudia Seymour is an applied social researcher with 15 years of experience, working primarily in conflict-affected environments. Her research specialisations include youth, child protection, and resilience to armed violence, humanitarian assistance, and DDR and security sector reform. She has extensive experience working with the United Nations (UNICEF, UN DPKO, UN Sanctions Committee Group of Experts, UNITAR) and as a research consultant for a range of international NGOs (Oxfam GB, Save the Children UK, War Child Holland and UK). Her relevant country experience includes DRC, Burundi, Central African Republic, Liberia, and Nigeria. She is a skilled trainer in protection and human rights and a MA-level lecturer in the political economy of violence and
conflict management. She is a Research Associate with the CCDP and the Department of Development Studies, School of Oriental and African Studies (University of London).

**Herbert M’cleod: Researcher on Sierra Leone:** Herbert M’cleod is a development practitioner and has held several senior positions at the UNDP including Resident Coordinator of Eritrea, Cameroon and the DRC where he pursued a career for over 25 years. He is currently the Country Director of the International Growth Centre for Sierra Leone and Liberia. The Centre is set up by the London School of Economics and Oxford University to promote frontier research in areas influencing economic growth. He has been Adviser at the Office of the President of Sierra Leone and head of the country’s negotiating team for mineral agreements. He is a freelance consultant on matters relating to fragile economies, with particularly interest in mineral dependent countries. He was also a member of the World Economic Forum’s Global Action Council.

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