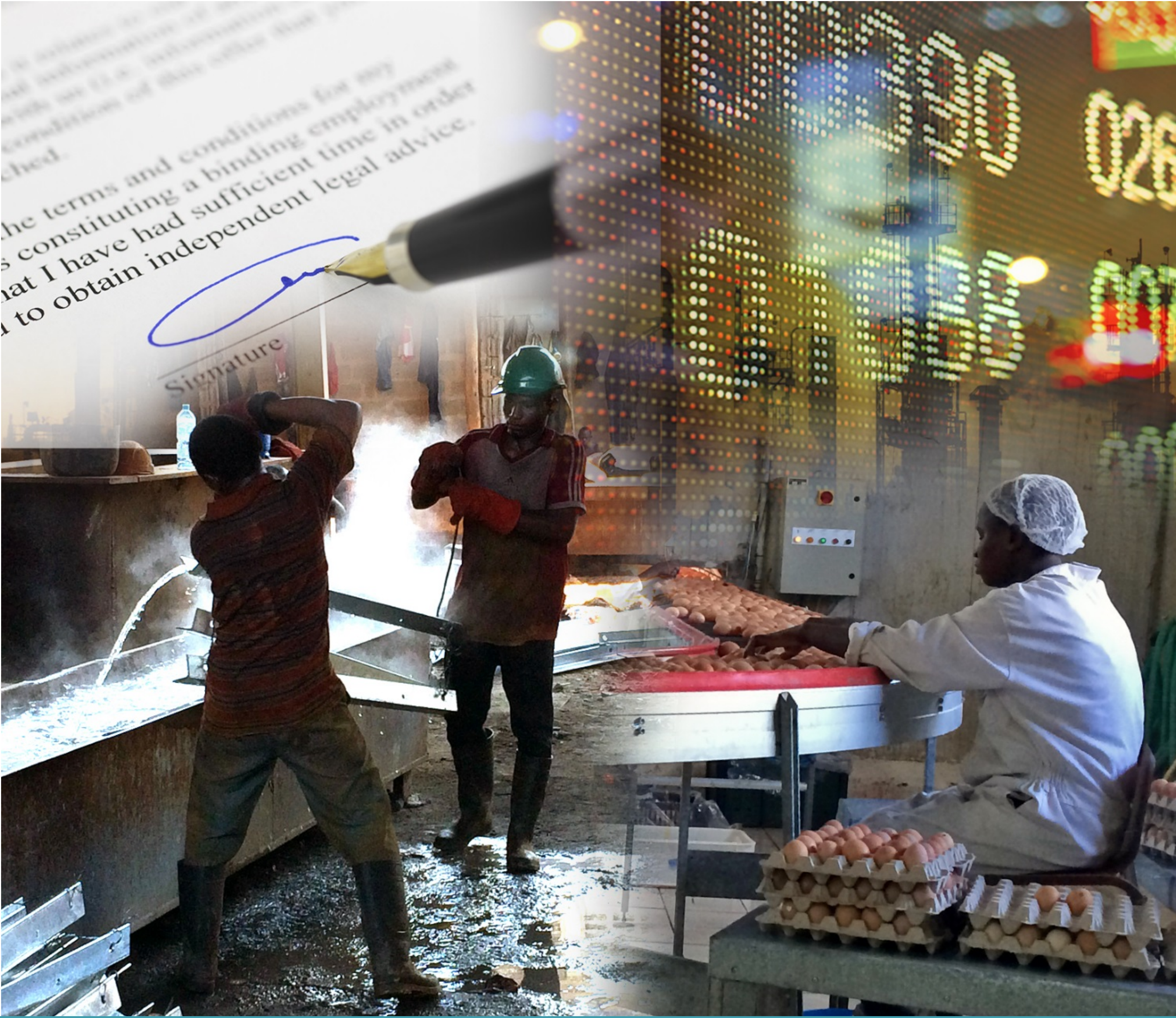

Business Environment Reform Facility

Scoping Study on Business Environment Reform in Fragile and Conflict Affected States

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BE RF Business Environment Reform Facility

Department for International Development

Contents

Acronyms and Abbreviations

ADR	Alternative Dispute Resolution
BE	Business Environment
BEE	Business Enabling Environment
BER	Business Environment Reform
BERF	Business Environment Reform Facility
CO	Country Office
CPIA	Country Policy and Institutional Assessment
CPT	Central Policy Team
CSSF	Conflict, Security and Stability Fund
DCED	Donor Committee for Enterprise Development
DFID	Department for International Development
EC	European Commission
FCAS	Fragile and Conflict Affected States
FDI	Foreign Direct Investment
FSI	Fragile States Index
HMG	Her Majesty's Government
IDA	International Development Association
IFC	International Finance Corporation
IPA	Investment Promotion Agency
LASER	DFID programme — Legal Assistance for Economic Reform
M&E	Monitoring and Evaluation
MSME	Medium, Small and Micro Enterprise
ODI	Overseas Development Institute
OSS	One-stop Shop
PEA	Political Economy Analysis
PF	Prosperity Fund
PPP	Public Private Partnership
PSD	Private Sector Development
SME	Small and Medium Enterprises
UNDG	United Nations Development Group
WB	World Bank

1. Purpose of the scoping study

1.1 Purpose of the study

The objective of policy research commissioned under the Business Environment Reform Facility (BERF) is to help DFID country offices (COs) and central policy teams (CPTs) to improve their understanding and implementation of business environment reform (BER) by contributing to the evidence base of what works and what does not work. The research will aid implementation of DFID's programmes, DFID's central policy work, and the global development community more broadly.

This scoping study considers the existing evidence on how to design effective BER in fragile and conflict affected countries (FCAS). DFID has identified this as a priority area given the increasing focus on economic growth and the greater concentration of expenditure in FCAS. This scoping study provides a high level assessment of the existing evidence on the design and impact of BER in FCAS. This scoping study also provides evidence to assess the need for more in-depth pieces of policy research.

The objectives of the study are as follows:

- To provide a summary of the availability of evidence on how to design effective BER in FCAS.
- To identify the key complete or ongoing research on business environment reform in FCAS.
- To identify the key gaps in the evidence that should be addressed as a matter of priority for DFID.
- To make recommendations for further research to help build evidence around these gaps.

Where possible, the study will note the availability of evidence in relation to the following areas:

- Different functional areas of business environment reform (such as licensing, commercial justice, land, access to finance, labour, tax and public-private dialogue).
- Different types and levels of conflict and fragility.[1]
- Cross-cutting themes of gender, political-economy and environment.

The study does not provide a detailed review of the literature or an assessment of the strength of the evidence, rather an overview of what evidence is available.

1.2 Relevance of the topic to DFID and wider HMG

DFID is increasingly focusing on FCAS. DFID has explicitly committed to allocating 50% of its spending in fragile states and regions (HM Treasury and DFID 2015:4). Whilst there is a large collection of research around how to design BER in general, there is relatively little which looks specifically at BER in an FCAS context.

The findings of the study are also relevant to the programming decisions of other UK government departments' and cross-departmental funding pools such as the Prosperity Fund and the Conflict, Security and Stability Fund (FCO, DFID and the MoD).

1.3 Methodology

This study is based on:

[1] DFID's list of Fragile States and Regions can be found in section 2.1 of this scoping study.

- Desk-based research on the existing literature on BER in FCAS and identification of gaps within it.
- Interviews with selected leading donors, policy makers and researchers on BER reforms to discuss the latest thinking, trends and developments in BER reforms in FCAS.

2. Definitions

The definitions used for fragility and conflict vary by organisation and author. This section discusses some of the main definitions and indicators used.

2.1 Fragile and conflict affected states

DFID identifies that fragile states and regions are those 'that suffer external and social stresses that are particularly likely to result in violence; lack the capacity to manage conflict without violence; and neighbour states that are especially susceptible to instability' (DFID 2015). The assessment of what DFID constitutes as a fragile state is a result of analysing open-source data such as those available from the World Bank, the UN and the Global/World Peace index. The following table presents DFID's list of fragile states and regions, with DFID's priority countries highlighted in green.

Table 1: DFID list of Fragile States and Regions

High Fragility	Moderate Fragility	Low Fragility	Neighbouring 'high fragility' states	Regions
Afghanistan	Angola	Belarus	Algeria	Middle East
Burma	Azerbaijan	Cambodia	Armenia	North of Sahara
Burundi	Bangladesh	Cameroon	Jordan	South of Sahara
Central African Republic	Egypt, Arab Rep.	Colombia	Laos	
Chad	Ethiopia	Congo, Rep.	Rwanda	
Congo, Dem. Rep.	Guinea	Côte D'Ivoire	Tanzania	
Eritrea	Guinea-Bissau	Djibouti	Thailand	
Iran, Islamic Rep.	Haiti	Honduras	Tunisia	
Iraq	Kenya	Liberia	Turkey	
Korea, Dem. Rep.	Kyrgyz Republic	Madagascar	Zambia	
Libya	Lebanon	Mauritania		
Pakistan	Mali	Nepal		
Somalia	Nigeria	Niger		
South Sudan	OPTs*	Paraguay		
Sudan	Tajikistan	Sierra Leone		
Syrian Arab Republic	Turkmenistan	Timor-Leste		
Yemen, Rep.	Uzbekistan	Uganda		
	Venezuela	Ukraine		
	Zimbabwe			

*OPTs are a non-member Observer State at the UN

Source: DFID 2015

DFID works directly in 28 priority countries (for further information, see Appendix 1), of which 18 have some degree of fragility and three neighbour highly fragile states. A selection of current DFID business environment reform programmes in the priority and fragile countries can be found in Appendix 5.

The World Bank defines FCAS as "an International Development Association eligible (IDA-eligible), low-income country or territory with a Country Policy and Institutions Assessment (CPIA) score of 3.2 or below.[2] Core fragile states score lowest within this grouping with a CPIA score of 3.0 or lower. Marginal fragile states have scores between 3.0 and 3.2 (Favaro, 2010). According to the World Bank data topics, the CPIA scores for 2014 in Africa are highest for Cabo Verde with 3.9 and Kenya and Senegal – both with 3.81 – and lowest for Eritrea and South Sudan with 1.99 and 2 respectively (World Bank, 2016).

The Global Peace Index, used in DFID assessments of fragile states, is an annual index which ranks nations according to their level of peace based on 23 indicators.[3] The 2015 Global Peace Index report ranks Iceland and Denmark as the most peaceful nations with Iraq and Syria being the least peaceful (see Global Peace Index 2016).

The Uppsala Conflict Database records armed conflicts, noting the level and type of conflict within a country. Indicators and measures include the number of conflict-related deaths per year, length of conflict and geography of conflict (regional, across the entire country or even between countries). Holden and Pagel (2012) note that conflict deaths per year may be best to be done on a per capita basis to gauge the severity rather than absolute figures.

Countries that are described as 'post conflict' are within the first 10 years of peace establishment

Appendix 4 sets out the definitions and approaches used for both fragility and conflict in various sources.

2.2 Business Environment Reforms (BER)

The Donor Committee for Enterprise Development (DCED, 2008) defines the business environment as a "complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g. government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.)."

In recent rapid evidence assessments commissioned by DFID (White and Fortune, 2015) it is noted that "BER typically focuses on specific 'functional areas', 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;

[2] The CPIA rates countries across 18 different criteria which are listed in Appendix 2.

[3] The full list of indicators used in the Global Peace Index can be found in Appendix 3.

- 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."

2.3 Summary

For the purpose of this study and for consistency, the DFID definition and list of fragile states is used. The differences in organisations' definitions of fragile states, as well as the different levels of fragility, is important for donor assistance, coordination, and lesson learning from interventions in FCAS. There are many indicators and assessments which aid defining what is meant by a fragile and conflict affected state. The most prominent approach to defining FCAS is a combination of those indices provided by World Bank, the Global Peace Index and the Uppsala Conflict database

In this study we adopt the definitions of BE and of BER provided by DCED. This definition stipulates that the business environment is a subset of the investment climate yet excludes programmes on matters such as infrastructure and educational provision. The differences in institutions' and authors' definitions of BE are also relevant when compiling lessons learnt from different donors, as well as academic analyses of what works in FCAS.

3. Key themes emerging from the literature

This section describes recurring themes and discussion topics emerging from the literature. For more detail on each relevant paper and the messages identified, see Appendix 6.

3.1 General remarks on the Business Environment in FCAS

The definition of 'fragile states' varies from author to author and institution to institution, as discussed in Section 2. DFID's current list of fragile states, as shown in Table 1, includes countries with very different characteristics: with varying levels of income, levels of fragility, and geographical scale of fragility (ranging from those which only have regions of fragility to countries in actual conflict (ICAI, 2015)). For example, the income per capita across fragile states varies largely but on average is lower than in developing countries not experiencing fragility (Holden and Pagel, 2012). A large proportion of the economy is often invested in agriculture. This affects the types of BER interventions that are required and their effectiveness.

Furthermore, in FCAS significant parts of the economy are focused on delivering security services to the development and local communities on a private basis. Often these industries create significant regulatory and BE issues for example around requirements to form joint ventures with local companies. There is no consistent framework within the development space as to how to address the BER issues associated with the private security industry, which can employ large numbers of unskilled workers.

The challenges facing businesses and investors in FCAS are broadly defined and agreed upon in the literature analysed; but vary across countries and regions. These can be broken down into four categories, and vary in terms of severity across FCAS (Sweeney, 2009).

- **Economic**: reduced foreign and local investment, sectoral shifts, damaged infrastructure, illicit taxation and extortion, the legacy of war economy, and informality. This causes a poor business enabling environment (BEE) thus making BER essential to bring business back to the formal sector and to spur economic growth.

- **Political and security related**: low legitimacy and capacity of the state, residual violence, and a lack of a functioning judicial system. BER particularly in the judicial system is of upmost importance to bring back faith in the system.
- **Social**: tensions between communities, weak and disrupted networks, low trust and psychological trauma. This can act as a barrier to effective BER due to slow implementation and uptake; and thus impact.
- **Demographic**: high number of female headed households, a large number of incapacitated and injured combatants, health issues, population displacement, employee flight and low education. This is a prominent issue in how to guide BER to obtain inclusive growth.

As each FCAS country will have different individual characteristics within these categories, the effectiveness of particular BER reforms in a given country will vary. Nevertheless, research on the effectiveness of BER reforms in countries with similar characteristics across several of these categories would be useful to inform programming. Research questions would include, for example, which BER reforms are effective in:

- low income and high fragility countries
- middle income and moderate fragility countries
- low income countries with high numbers of female headed households.

3.2 Factors affecting conflict and fragility

The following characteristics are important to consider when designing BER programmes to understand how different aspects of the economy can affect conflict and fragility.

There is evidence of a relationship between low economic growth and episodes of conflict. Paul Collier's research has highlighted this; showing that in countries experiencing civil war annual economic growth was -0.5% in the five years preceding conflict, relative to 2% in peaceful countries (Collier et Al, 2009).

There is a strong relationship between the physical security of women and broader inequality, and the level of conflict within a state, although there is no definitive evidence on the direction of causality (McIntosh and Buckley, 2015).

Evidence on the relationship between foreign direct investment (FDI) and conflict is inconclusive, with the direction of the causal relationship being debated (McIntosh and Buckley, 2015). It is argued that investment can spur economic growth and aid the peacebuilding and stabilisation of a state, yet it can also have an adverse effect on distribution and political unrest which can stimulate further conflict. Conflict can encourage resource-seeking FDI, by way of resource FDI being less conflict sensitive, while other investors may be discouraged due to the riskier environment (Holden and Pagel, 2012).

Whereas job creation was in the past believed to lead to a decrease in conflict risk, most recent papers find no empirical evidence that employment reduces the likelihood of men participating in violent acts (McIntosh and Buckley, 2015; Blattman and Ralston, 2015). It is, however, possible that the causality can go both ways (i.e. low growth and high unemployment rates can lead to conflict and vice versa). Consequently, the case has been made that BER needs to be considered at the same time as humanitarian interventions to reduce the risks of further conflict (Willitts-King, B, 2016).

3.3 Effective reform design and implementation

It is noted by all of the studies reviewed, summarised in Appendix 6, that a rigorous and detailed political economy analysis (PEA) is needed to implement impactful reforms. It is important that donors recognise the underlying factors and causes of conflict as well as the political structures, the culture of the country and the structure of the economy. There are many assessments which can help the donors to realise PEAs, including the Post Conflict Needs Assessments, undertaken by the UN Development Group (UNDG), European Commission (EC), World Bank (WB) and Regional Development Banks. A targeted, thorough and continuous PEA of the countries and regions where BER is being implemented is necessary for BER interventions to be successful.

The timeframes for reforms in general, and BER specifically, in FCAS are longer and therefore more costly that in other countries. Contingency for this needs to feed into the design and implementation of BER programmes. Aid programmes are, in comparison with transformation periods, relatively short (typically 3-7 years). In FCAS, however, the host is unlikely to have the capacity for sustained funding without donor intervention. Programmes therefore must be designed to have realistic prospects of achieving sustainability.

Planning, design, implementation and evaluation of BER needs to be particularly flexible and adaptable in FCAS situations, more than in peaceful states, as the situation in a country is much more susceptible to rapid change. Gathering baseline data and constant monitoring is essential so that lessons can be learnt and mitigations/responses put in place quickly.

Studies have suggested that small ‘digestible’ changes are often better than sweeping reform, although this might vary between different contexts (Channell, unknown). For example, compared to comprehensive judicial reform in Mozambique, where large scale interventions were slow and ineffective, smaller scale reforms, such as creating an alternative dispute resolution for commercial contracts, had a big impact on reducing the number and time of commercial disputes.

Post-conflict conditions may present opportunities for positive social reforms, such as women’s empowerment, as traditional power structures may be more open to inclusion of women in business (McIntosh and Buckley, 2015). This suggests that post-conflict situations may be the most effective time to implement gender-focused BER.

Stakeholder engagement throughout the planning, design, implementation and evaluation of reforms is especially important in FCAS, to ensure no stakeholders are isolated causing further tensions, in order to build a sustainable and stable consensus. Reforms need to align with the priorities and needs of the private sector in the host country. In addition, the objectives and work of donor organisations need to be aligned with each other, as the absence of coordination can lead to duplication of efforts or conflicting policies which can have the effect of further destabilising the country (ICAI, 2015).

There is no consensus on the optimum time to implement BER in the sequencing of different types of intervention and reform. i The UN suggest that humanitarian interventions and stabilisation should come first as they form a basis for further reforms (McIntosh and Buckley, 2015). The IFC argues that there is evidence to show earlier intervention in private sector development (PSD) is more effective, as it can contribute to growth, which can in turn help to stabilise the country. A relevant study looked at five post-conflict countries: three where PSD activities were implemented later in the recovery process, seven to nine years after peace, and two where PSD interventions were introduced earlier, within three years of peace agreements. The findings did not indicate whether the timing of PSD had any impact on the effectiveness of the reforms, only that PSD was tending to be implemented earlier in more recent programmes, as a result of its perceived importance in post-conflict recovery (Peschka, 2012). .

International intervention can sometimes undermine the legitimacy of the system which it is trying to build and in some cases can arguably do more harm than good. Some researchers have argued that the extensive use of foreign consultants to draft laws and regulation can lead to rejection of these laws as non-representative (Datzberger and Denison, 2013). This could be mitigated through extensive, exhaustive and transparent stakeholder involvement throughout the process which will help to ensure the needs of the country are met and local stakeholders are seen to be driving reforms.

3.4 Impacts

The consensus in the literature is that empirical evidence on BER in FCAS is very limited and only refined to a few anecdotal examples and case studies (Manuel, 2015). There is a gap and need for more rigorous evaluation of BER in FCAS.

There is no agreement over what indicators should be used to measure the success of BER. The effectiveness of BER can be measured purely in economic terms (including compliance cost methodologies) but can also include state building and conflict sensitivity, which is crucial for lasting and sustainable growth and development.[4] There is no single indicator against which to measure the impact on fragility. The World Bank's Doing Business Index, which is frequently used to measure progress, has been widely criticised for failing to promote country ownership and for promoting a particular view of what reform should comprise (McIntosh and Buckley, 2015). These criticisms include that certain indicators, such as the starting a business indicator, only measure the incorporation of companies in the largest city, rather than registrations after initial incorporations, and therefore do not evaluate the full system (Marusic and Karuretwa, 2014). Many barriers and issues may still exist post-reforms, which are not reflected in these indicators.

3.5 Summary

FCAS have many different characteristics, including varying levels of fragility, inequalities, income and economic performance, and there is no 'one size' or single defining feature. The complex issues within business environment and wider investment climate faced by donor agencies within FCAS can be separated into four broad categories: economic; political and security related; social; and demographic. There is debate over the relationship between different factors (such as economic growth, FDI and inequalities) and causality.

There is a general consensus within the literature over how to implement effective BER in FCAS, ensuring that interventions have the following aspects:

- Conflict sensitivity analysis and detailed PEA.
- Flexibility to be able to adapt to sudden changes, being experimental and innovative, and the use of continual stakeholder engagement.
- Focus on long-term changes, by accounting for the additional time and resources that are required for effective BER than in a non-fragile state.

[4] Monitoring and evaluating conflict sensitivity differs from monitoring and evaluating peacebuilding in focus, purpose, and contribution to peace: conflict sensitivity can assess any contribution to peace, while peacebuilding is concerned with whether the intervention affects a key conflict driver positively (Goldwyn and Chigas, 2013).

There is, however, an ongoing debate over sequencing and timing issues, such as the best time to implement BER in FCAS (i.e. whether some political or security preconditions should be met before BER reforms can be effective) and how it should be timed relative to other types of intervention, such as humanitarian aid.

There is very limited empirical evidence on what works in FCAS, as monitoring and evaluation are limited, for example due to a lack of resources and the higher costs of undertaking research in FCAS environments. There is no apparent consensus on how to measure success and in what terms: whether it is better to measure reform impacts solely in terms of economic benefits, or to attempt the measurement of additional stabilising and peacebuilding effects. Indicators to effectively measure these impacts need to be developed.

4. Evidence from specific BER interventions

This section outlines specific evidence on the impact of a selection of key BERs in an FCAS environment. The reforms being looked at include: one-stop shops; banking reforms; land reforms; government procurement and regulatory authorities; commercial justice and alternative dispute resolution as well as tax policies and administration. These reform areas were identified based on the literature review as common approaches, but the list is not exhaustive and the interventions are not in a particular order of prioritisation.

4.1 One-stop shops

One-stop shops (OSS) can create ease for doing business by helping investors to clearly navigate through the red tape involved and can be used to stimulate reforms (White, and Fortune, 2015). OSS are designed to streamline processes such as registering a business, cutting time taken and therefore reducing costs. Some examples of implementation of OSSs in FCAS situations are presented below.

In Burundi, the World Bank and IFC's support was requested in 2010, five years after the end of the civil war, to support the implementation of key private sector reforms (Marusic and Karuretwa, 2014). These reforms included an OSS for business registration in the Investment Promotion Agency (IPA), which brought together five institutions into one physical location, and a OSS created for construction permits (World Bank Group, 2013). The process for registering a business fell to only four steps from eight, and took only eight days (one in some cases), where it had previously taken 13. Costs were reduced from 117 percent to 18.3 percent of gross national income per capita. The approach was limited, however, as the OSS could only facilitate new incorporations, meaning that businesses that were already registered had to visit the institutions separately; the business register was unreliable; and there was only one location of the OSS. These limitations are not captured in the Doing Business indicators.

The IFC helped to set up an OSS for business registration in Mali which reduced the amount of time taken to register a business from 26 days to eight. The IFC has also helped to set up OSS in Timor-Leste for business registration which reduced the time taken to register a business from 94 days to five (IFC, 2015).

USAID discussed UNCTAD's practice of involving OSS approaches to business registration, which aim to simplify the steps one has to take to register a business. The model is based on stable states, and may not always be applicable in FCAS. For fragile states, getting all the regulations into one place might be a sensible first step.

This evidence would suggest that the OSS can be an effective intervention in FCAS environments. However, the success of OSS can be limited by poor communication of services to potential users (OECD, 2010). Burkina Faso, for example, launched an OSS for business registration and, despite widespread reporting, the low penetration rates of the media required additional presentations at business associations to be effective.

4.2 Banking Reform

Without an effective banking and payments system there is limited formal access to credit for businesses who need working capital, and this causes a reliance on expensive, unregulated and informal financial services (Peschka, 2012). Reforming the banking system and providing access to credit is, therefore, seen as a crucial intervention for BER in FCAS environments to enable businesses to be created and operate cost efficiently and within the formal sector.

In 2010, Rawbank started to implement the Africa MSME Finance project in the Democratic Republic of Congo (DRC) which was an SME Banking Investment and Advisory programme with a 'Women in Banking' Component (IFC, 2015). By the end of 2014, ten percent of the loans provided were to women, expected to rise to 25 percent in five years' time, with a total value of loans at $23.6 million from 243 loans and 61 overdrafts. In addition, 1,500 women in business held deposits with the bank valued at £10.65 million.

The IFC has been pivotal in implementing reforms in Afghanistan's financial institutions by establishing electronic registries for moveable assets. This has improved access to credit for small businesses (IFC, unknown). The registry has facilitated over $580 million of financing to 1,600 MSMEs.

Mobile banking and telecommunications have had a large impact in Somalia, DRC and Afghanistan (Peschka, 2012)). The ability to enter FCAS markets is something driving success in mobile technologies as there is low initial investment and huge growth potential. Roshan in Afghanistan is a particular example of mobile banking where the company teamed with Vodafone to set up a money-transfer system (M-PAISA), which can stimulate the economy with little or no cost. The system has 1.6 million subscribers, since its launch in 2007, with capabilities ranging from loan disbursement and repayments and the ability to withdraw and pay money into Roshan retail outlets without a physical bank needed. There were also similar and successful interventions in Kenya with M-PESA. There are many other benefits of the telecommunications industry, including increased trust and transparency, empowering women and access to information.

This evidence suggests that banking and access to finance is a critical need in FCAS and, with appropriate interventions, progress can be made. However, the weaknesses of the formal financial system, including effective supervision and regulation, would pose a particular challenge for banking reforms and programmes in FCAS compared with peaceful developing countries.

4.3 Land Reforms

Land reforms, including formal titling and registration, are seen as important to economic growth in countries which have a high share of agriculture in national income and employment. Many FCAS states fall into one or both of these categories, often depending on the extent of non-renewable natural resource wealth. Secure land rights can enable access to credit and increase productivity among other benefits (Locke and Henley, 2014). In the FCAS context, conflict can often being ignited through land disputes, but property rights and land reform policies are challenging and can often lead to continued conflict (Van Der Zwan).

The Land Tenure Regularisation Programme in Rwanda registered all land in Rwanda for the first time, by surveying all land parcels and providing titles, and designing and implementing a new Land Administration System (Gillingham and Buckle, 2014). There was a specific focus on enabling women to assert land rights to promote gender equality. The programme led to 10.3 million land parcels being "demarcated and adjudicated with 81% being approved to title." In addition to which "8.4 million leases and freehold titles were prepared with over 5.7 million collected by landowners".

The USAID Land Titling and Economic Restructuring in Afghanistan helped with tenure formalisation, streamlining processes of registration, and also mapped land and assisted ministries in formulating a national land policy (USAID, 2009). 58,100 households benefited directly from deed formalisation processes for informal settlers as well as an estimated one million households through holding their land through normally registered property deeds, governmental deeds or Amlak records. There is also a large component of land reforms and policy to the DFID funded HARAKAT project, including the Afghanistan Commercial Land Agency and the Land Reform Modernisation Project (DFID 2013).

This evidence suggests that land titling interventions can be effective in FCAS environments, but will require a degree of administrative capability to make rapid progress. The issue of corruption is also an important consideration, as are gender dimensions. In some FCAS contexts (as in non-FCAS states to a lesser extent) there are barriers to equitable land titling for women.

4.4 Government Procurement and Regulatory Authorities

Public Financial Management reform has been documented and reviewed in both Sierra Leone and the DRC by ODI. In Sierra Leone there was focus on establishing a suitable legal and regulatory framework. Good progress has been claimed, yet questions of appropriateness of the reforms for the particular context remain and there are issues with capacity and use by those at the local level (Tavakoli, 2012). In the DRC, the system is still suffering from strong political interference which has undermined achievements made (Baudienville, 2012). Goals, in terms of service delivery and poverty reduction, have not been met as a consequence.

This is a rather limited set of examples to draw solid conclusions from, but it may be plausible to argue that government procurement and regulatory authorities are unlikely to be areas for "quick wins" in an FCAS context. This is because such institutional reform tends to take a long time even in the most conductive environments (including developed countries), and in FCAS the basic capabilities of such institutions is very limited. Nevertheless these institutions are important for long-term development of states.

4.5 Commercial Courts and Alternative Dispute Resolution (ADR)

Simplifying the execution of contracts and settlement of trade disputes can increase private sector investment in productive sectors and significantly improve a country's business environment. The judiciary and the legal profession, however, have historically not been considered as central stakeholders of BER (Russ).

A review paper on contract enforcement concluded that evidence on the impact of improvements in contract enforcement on levels of investment is limited (Aboal, Noya and Rius, 2014). Nevertheless, individual programme reports have highlighted important achievements from contract enforcement initiatives. In 24 months, 28 regulatory requirements were streamlined in Bangladesh, saving the private sector $21.8 million in compliance costs and facilitating savings of $4.6 million through an ADR mechanism (RiSE, 2012). In Ethiopia, the average time to resolve a commercial dispute was reduced by 10% (World Bank 2010). In Liberia, training in ADR of 15% of adults across 86 communities resulted in more land dispute settlements and less violence than in control towns in the 246 communities studied (Blattman, Hartman & Blair, 2014).

The DFID Legal Assistance for Economic Reforms (LASER) programme draws on the latest development thinking and adopts a 'politically smart', i.e. politically informed and astute, approach to development in FCAS (LASER 2015a). In addition to its own programming, LASER reviewed the evidence on the impact of DFID's support to the Ugandan commercial court (LASER 2015b). The LASER review noted that DFID's, as well as other donors', support to the court is an example of a 'doing development differently' and a 'politically smart' approach, which started with locally identifying a problem and designing and implementing a locally led, highly flexible and adaptive programme. It is clearly difficult to directly attribute the precise impact of the commercial court on the Ugandan BE, nevertheless LASER estimates that 'if the Court were responsible for just 1% of the US$2.5bn pa increase in private sector lending and 1% of the US$1bn pa increase in foreign direct investment this would have covered the total investment in the Court (donor and government) thirty times over' (LASER 2015b:3).

Again, although the evidence is rather patchy, there are encouraging examples of FCAS reforms in the area of Commercial Courts and ADR. Careful political economy analysis of particular contexts is important in deciding on whether and how to proceed in this area. Reforms of commercial courts may be a priority where commercial courts are both inefficient and important for the BEE. This may apply in heavily regulated countries such as those in South Asia. ADR is likely to be more promising where commercial courts are not able to perform an effective role due to a lack of institutional capability.

4.6 Tax policies and administration

The tax regime is often cited as a key constraint that firms face in countries with poor business environments, and is a key pillar of the World Bank Doing Business Index. Resource rich countries tend to face particular challenges when implementing effective tax regimes (Collier, 2010:51-52). In 2013, the International Development Committee (2013) assessed DFID's work on the different forms of taxation:

- **Personal income taxation,** recommending that "If developing countries are to improve their collection of tax revenues, it is imperative that elites within those countries pay the correct amounts in personal income taxation, and – critically – are seen to do so." Personal income tax revenue tends to be low in many FCAS states.
- **VAT** has been seen by the IMF amongst others as a relatively efficient form of taxation and has gradually been replacing sales taxes, although some NGOs raised concerns surrounding its allegedly regressive nature.
- **Local taxation**: the Committee commended DFID's work on land registries in Rwanda and DFID's iFUSE facility, under which UK institutions provide short term technical assistance to their counterparts in developing countries, to which the UK Land Registry has also signed up.
- **Corporate taxation**: the Committee urged "DFID to stress—in its dealings with the national revenue authorities of developing countries—the importance of making corporate accounts available to the public."
- **Broadening the tax base**, incentivising previously unregistered companies to join the formal and tax paying economy.

This evidence provides little guidance as to the relative attractiveness of revenue mobilisation though policy and administrative reforms in FCAS countries. Clearly interventions will need to take account of both the political economy of the country concerned, as well as the structure of the economy. In many FCAS countries, for example, the extractives sector will be the top priority not just from the point of view of mobilising revenue, but also in terms of promoting economic efficiency, attracting investment and tackling corruption. FCAS countries often have low ratios of revenue to national income and mobilisation can be a high priority from the point of view of creating a sustainable public sector development capability. From a BER perspective, however, many FCAS countries will have a large informal sector which is relatively untouched by the formal sector taxation system. Revenue reform may not be a priority intervention from the perspective of that element of the economy.

4.7 Summary

The evidence on the impact of different types of reform and intervention are based largely on individual case studies and evaluation. A systematic review of the effectiveness of different interventions in FCAS is lacking. We have drawn some tentative and speculative conclusions above, which would benefit from further investigation and validation.

5. Stakeholder experience and on-going BER research

5.1 World Bank

The World Bank's work on BER includes the traditional BER interventions, including business entry, licensing, and regulations that affect business operations. However, it is now looking at new areas of involvement, such as standards, certification of products and high growth businesses. This changes the focus from the traditional approach which focused on informality and business registration. As such, the World Bank is moving beyond business-specific reforms.

The World Bank staff interviewed noted that focusing on improving Doing Business Indicators (DBI) can miss out on the wider issues that are not covered by the indicators. DBI can, nevertheless, provide a good entry point for a donor to work with a country government on BER. The wider issues that the World Bank would like to focus on include sustainability and cost efficiency, including regulatory governance issues, integrating government services and generally improving how government operates.

The availability of data poses significant issues in measuring the impact of interventions. The depository of data about businesses (including how many businesses currently operate and exits of firms) is practically non-existent in FCAS. BER reforms are more about building institutions rather than regulation and cutting red tape, which is often the focus in stable states.

Randomised trials have proven useful as a programme design tool, in addition to their usual use for programme impact evaluation. A programme in Benin piloted the approach by selecting several different types of interventions, piloting them and subsequently scaling up those that appeared to work best.

5.2 USAID

USAID staff interviewed noted that appetite for BER and wider PSD and investment programmes tend to vary over time. These are now increasingly gaining attention following a previous reduction. The organisation has recently been expanding its resourcing in the area of trade liberalisation and facilitation. It is currently seeking to develop new interventions which address e-commerce and the legal and regulatory environment to enable it.

USAID staff stressed that when implementing BER, donors need to consider the amount of time reforms will take to produce significant results. Some reforms can be more effective in the short term offering “quick wins”, such as dispute resolution or arbitration, while others tend to take longer to achieve results (for example, working on court reforms). Expectations and funding need to be set accordingly.

Business regulation reforms, including having laws and regulations published in one place, is an important focus area for USAID. Significant trading restrictions – such as cartels on food processing or transport – may be reinforced by laws; dismantling those laws could have a significant effect on poor people as they spend a higher share of their income on basic goods such as transport and food. Research under BERF could usefully add to the evidence base of the effects of reforms on different social classes within a fragile state.

5.3 Other Stakeholders

This section is by no means a comprehensive review of the experience of agencies involved in FCAS in fragile states. The World Bank and USAID have been selected as very significant players in the field, but a comprehensive study would certainly wish to take on board other experiences, including a number of UN Agencies and other multilateral and other bilateral donors.

It is worth recording here, however, that consultation with other organisations and individuals with fragile state experience, ranging from those in conflict and acute humanitarian need (e.g. Yemen and Sudan) to those states that have moved out of most indices of fragility (e.g. Bosnia and Serbia) highlighted two key points about successful BER reform:

- Understanding the sequencing and length of different types of BER interventions was important in establishing meaningful change.
- BER needs to take account of the immediate context.

6. BER research gaps

We have identified gaps within general research on BER in FCAS, which could be useful to address for DFID and other donor programming to give BER interventions the highest potential to succeed. These include the following:

- There is no synthesis paper or rigorous evaluation of BER in FCAS. There are specific case studies of certain intervention in countries but nothing that brings this together in an easy to read format for policy makers.
- What constitutes effective monitoring and evaluation is contested (i.e. what should be measured and how). The impact of BER on peacebuilding, for example, is unknown, as it has not previously been measured by evaluations due to the lack of key indicators. There is debate over whether it is more appropriate to measure BER impact on peacebuilding or conflict sensitivity[5].
- More evidence is needed on the varying effects of the type of conflict, levels of fragility and income on the success of BER reforms.

[5] Conflict sensitivity relates to having a deep understanding of the context of conflict and how interventions and conflict interact with each other.

- There is lack of consensus on the optimal phasing of reforms. Specifically, research is needed to address the questions of whether reforms should wait several years after conflict or be implemented simultaneously with humanitarian assistance, and whether some interventions pose more risk at different stages of conflict.
- More research is needed to ascertain whether reforms for women's economic empowerment in FCAS are effective and produce impact.
- There is no consensus on whether taking a broad approach to BER and working on multiple areas and sectors at once, or focusing on in depth reform in one sector, is more effective in various FCAS.
- More evidence is required on whether extensive foreign intervention negatively impacts the ability of local institutions to carry out their core functions, for example, law making.
- Finally, more work is needed on how the agendas of different donors and political organisations can be best aligned to coordinate BER in FCAS.

7. Conclusions

7.1 Summary

There is a distinct and notable lack of evidence around BER in FCAS states. Where research and evidence exists specifically on FCAS it tends to subsume BER reform within wider PSD or Investment Climate programmes. There has been surprisingly little evidence-based research on successful BER in FCAS states.

Significant gaps that require further research include the sequencing or timeline of interventions on BER and the appropriateness of BER in humanitarian or conflict situations. There is also little acknowledgment of the variable regional dimension - typically BER interventions (and consequently research) focus on the capital city and do not highlight the sometimes significant differences in BE between different cities and provinces in FCAS.

Further research, focusing on measurable achievements that can be attributed to the interventions, is needed to assess and compare evidence on the effectiveness of different specific interventions, including:

- OSS for business registration and investment licensing
- The role of business and trade associations
- Land registration processes
- Dispute resolution
- Impact of capacity building within government procurement

Commissioning research to address these shortfalls in BER research is problematic because of the breadth of FCAS states and the range of potential interventions within the BER categorisation. A more focused approach based on a specific range of intervention types that are appropriate within the full range of FCAS states is recommended. Sometimes these interventions need not be specific to FCAS environments; rather they may represent a more flexible and simplified approach to those employed in other developing states.

7.2 Suggested next steps

Policy research undertaken by BERF has the capability to support in-depth research to address some of the most important and prominent recommendations shown above. A research study could take between 2 and 6 months depending on the nature of the individual interventions analysed, and would including empirical targeted research. The recommended next steps include:

- an in-depth study to assess the body of evidence relating to case studies of individual reforms in FCAS (e.g. OSS, land registration, ADR, tariff reforms)
- an in-depth study on the optimal phasing of reforms, i.e. whether reforms should wait several years after conflict or be implemented simultaneously with humanitarian assistance, and whether some interventions pose more risk at different stages of conflict.

Scoping or longer studies to address the other research gaps listed in Section 6 are also a possibility. The outcome of further scoping studies would be to refine the question for a longer research piece which would bring together the evidence from individual interventions.

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Appendix 1 DFID priority countries

DFID 28 priority Countries[6] are as follows:

- Afghanistan
- Bangladesh
- Burma
- Democratic Republic of Congo
- Ethiopia
- Ghana
- India
- Kenya
- Kyrgyzstan
- Liberia
- Malawi
- Mozambique
- Nepal
- Nigeria
- Occupied Palestinian Territories
- Pakistan
- Rwanda
- Sierra Leone
- Somalia
- South Africa
- Sudan
- South Sudan
- Tajikistan
- Tanzania
- Uganda
- Yemen
- Zambia
- Zimbabwe.

In addition to which they operate 3 regional programmes in Africa, Asia and the Caribbean, and development relationships with 3 aid dependent Overseas Territories – St Helena, the Pitcairn Islands and Montserrat.

64 percent, 18 of the 28 highlighted in red, of DFID's priority countries are identified to have a degree of fragility with eight classified as 'high fragility', six as 'moderate fragility, and four as 'low fragility', in addition to which three neighbour highly fragile states- these are highlighted in orange.

[6] https://www.gov.uk/government/organisations/department-for-international-development/about

Appendix 2 Criteria used in the CPIA indicators[7]

Economic Management

1. Fiscal Policy
2. Quality of Budgetary and Financial Management
3. Efficiency of Revenue Mobilization
4. Monetary Policy
5. Trade Policy
6. Regional Integration
7. Debt Policy

Structural policies.and Regulation

8. Business Regulatory Environment
9. Infrastructure Development
10. Property Rights and Rule Based Governance
11. Quality of Public Administration
12. Transparency, Accountability and Corruption in th epublic Sector
13. Financial Sector Development
14. Environmental Policies and Regulation

Social Context and human Development

15. Building Human Resources
16. Social Protection and Labor
17. Equity of Public Resource Use
18. Gender Equality

[7] Africa Development Bank Group, 2015, *2015 Country Policy And Institutional Assessment (CPIA): Questionnaire,* Africa Development Bank Group

Appendix 3 Indicators used in the Global Peace Index[8]

- Perceptions of criminality
- Security officers and police
- Homicide
- Incarceration
- Access to weaponss
- Intensity of internal conflict
- Violent demonstrations
- Violent crime
- Political instability
- Political terror
- Weapons imports
- Terrorism impact
- Deaths from internal conflict
- Internal conflicts fought
- Military expenditure
- Armed services personnel
- UN peacekeeping funding
- Nuclear and hevay weapons
- Weapons expots
- Displaced people
- Neighbouring countries relations
- External conflicts fought
- Deaths from external conflicts

[8] http://www.visionofhumanity.org/#/page/indexes/global-peace-index

Appendix 4 Definitions of fragility and conflict used

Paper	Definitions
McIntosh, K and Buckley, J, 2015, *Economic Development in fragile and conflict-affected states: Topic guide*, Birmingham, UK:GSDRC, University of Birmingham	• States there is a lack of consensus around the definition of FCAS but most use the description of "a fundamental failure of the state to perform functions necessary to meet citizens' basic needs and expectations. This includes the assurance of basic security, maintenance of law and justice, and provisions of basic services and economic opportunities." • States the DFID definition. • Recognises fragility is not always determined by boundaries and there can be pockets of fragility within otherwise non-fragile states.
IFC, A Rough Guide to Investment Climate Reform in Conflict Affected Countries, World Bank	• Longstanding definition of conflict uses the Uppsala Conflict Data Program International Institute of Pease Research's database and therefore the Uppsala definition of conflict. • No definition of fragility
Sweeney, N. M, 2009, *Private Sector Development in Post-Conflict Countries: A Review of Current Literature and Practice*, DCED	• Post-conflict situations are not clearly defined and there is overlap on different stages of conflict and some pockets of conflict even in post-conflict cycle. • Post-conflict involves some recognition of a political authority by existence of a peace process. Violence should not be at the level of open warfare and allows independent working of aid and development agencies.
Fragile States Team of Policy Division, CHASE, the Improving Aid Impact team of FCPD, RED and Evaluation department, 2012, *Results in Fragile and Conflict-Affected States and Situations*, DFID	• Outlines DFID's approach of the mix of indicators and that fragile and conflicted affected situations can appear in elsewise stable state.
Peschka, M, 2012, *The Role of Private Sector in Fragile and Conflict-Affected States*, IFC	• Does not specify definitions.
LASER, 2015, *Is there a causal link between investment climate and growth? A review of the evidence*, DFID Legal Assistance for Economic Reform (LASER) programme, LDP, UKAID, KPMG, Manuel C.	• Does not specify definitions.
Mcloughlin, C, 2012, *Topic Guide on Fragile States*, GSDRC University of Birmingham	• Most development agencies define fragility and fragile states as a fundamental failure of the state to perform functions necessary to meet citizens' basic needs and expectations. • OECD DAC characterised fragile states as those "unable to meet [their] population's expectations or manage changes in expectations and capacity through the political processes. There are four classifications under their International Network on Conflict and Fragility; (i) post conflict or political transition, (ii) deteriorating governance, (iii) gradual improvement, and (iv) prolonged crisis or impasse." • Cites DFID definition as above and typology of 4 environments: (i) 'Monterrey' cases of strong capacity and reasonable political will, (ii) 'weak but willing' where government capacity is an obstacle, (iii) ' strong but unresponsive' where state capacity is directed to achieving goals , and (iv) 'weak-weak' state capacity and political will is lacking.

	• World Bank typology includes deterioration, prolonged crisis or impasse, post-conflict or political transition, and early recovery or reform. • Weak state legitimacy is a key characteristic of fragility. • The centre for research on Inequality and Social Exclusion defines fragile states as "failing or at risk of failing, with respect to authority, comprehensive service entitlements or legitimacy." • The Crisis States Research Centre similarly defines fragile states as ones that are significantly susceptible to crisis in one of more of its sub-systems and particularly vulnerable to shocks and conflict.
Gündüz, C and Van Der Zwan, J, *Practice note 2: Business environment reforms in conflict-affected contexts*, Strengthening the Economic Dimensions of Peacebuilding Practice note series	• Does not specify definitions.
Van Der Zwan, J, *Practice note 7: Conflict-sensitive land policy and land governance in Africa*, Strengthening the Economic Dimensions of Peacebuilding Practice note series	• Does not specify definitions.
ICAI, 2015, *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*,	• No single definition, cites DFID's one and the method used by combining the three main indicators.
Guglielmetti, C, 2010, *Measuring the Business Environment for Entrepreneurship in Fragile States*, UNU-WIDER	• Fragile states are those where governments lack the authority, legitimacy and often willingness to promote economic development. • Cites one study (Binzel and Brück 2007) that defines fragility as 'the existence of persistent, systemic, significant and interrelated social, political and economic uncertainties'.
Datzberger, S and Denison, M, 2013, *Private Sector Development in Fragile States*, EPS PEAKS, LSE Enterprise	• Fragile states do not conform to one definition. • States the World Bank does "not presently define conflict-affected states as such definitions could reflect a political bias. Government of client countries may define conflict differently than international institutions such as the World Bank." • They cite DFID's definition. • Cites OECD definition "a fragile region or state has weak capacity to carry out basic governance functions and lacks the ability to develop mutually constructive relations with society. Fragile states are also more vulnerable to internal or external shocks such as economic crises or natural disasters. " Continuing "Fragility and resilience should be seen as shifting points along a spectrum."
Holden, J and Pagel, M, 2012, *Fragile states' economies: What does fragility mean for economic performance?*, EPS PEAKS, Nathan Associates	• Fragile states are separate from conflict-affected states with much overlap between. • Cites World Bank not adopting one definition, the Uppsala database with more than 25 deaths per year as minor conflicts and over 1,000 deaths per year as major conflicts. • Reference to Failed States Index and CPIA. • States overlap of those with a score of less than 3.2 CPIA, category of conflict and post-conflict under Uppsala and in top four categories (Very high alert, high alert, Alert and Very high warning) on FSI of which there are 13 countries in all three, 24 tick two boxes and 18 tick just one. • For the study they use the definition of CPIA less than 3.2 when rounded.

Goldwyn, R and Chigas, D, 2013, *Monitoring and evaluating conflict sensitivity*: *Methodological challenge and practical solutions* , DFID et al.	• Does not specify definitions.
Corlazzoli, V and White, J, 2013, *Measuring the Un-Measurable: Solutions to Measurement Challenges in Fragile and Conflict-affected Environment*, DFID et al.	• Defines peace as (from Johan Galtung Theories of Peace) "a general expression of human desires, of that which is good, that which is ultimately to be pursued". Negative peace is therefore "the absence of violence, including interpersonal, intergroup, and interstate violence" with positive peace being "the presence of harmonious and positive human relations at all levels". • Split violence into three levels, direct, structural and cultural.

Appendix 5 Business Environment Reforms in Priority Countries listed as Fragile

High Fragility

Afghanistan

Harakat (2008-16). Harakat is a non-governmental organization with interventions around eight priority areas linked to Doing Business. These include streamlined regulations and creation of regulatory impact assessment systems, and access to finance.

SEED – This DFID funded £36m Employment and Enterprise Programme aims to increase employment and income by strengthening the private sector's ability to invest and compete. SEED is a multifaceted umbrella programme made up of multiple projects aimed at facilitating private sector access to finance, skills and technology. The Afghanistan Business Innovation Fund (ABIF) was rated positive by ICAI in a 2014 review of DFID's support to Afghanistan. SEED complements the Afghanistan Investment Climate Facility and the Technical Assistance to the Ministry of Commerce and Industry programmes.

Burma

Business Innovation Facility (BIF) in Burma (2013-17). This project is managed by DFID Burma and implemented by Price Waterhouse Coopers. It aims to fund consultancy advice (technical assistance) to a minimum of 28 companies in three to four sectors in Burma on how they can adopt business models that generate more jobs, opportunities and services for poor people, including women. At least 60,000 people are expected to benefit by the end of the project, along with 1,500 low income producers who will be supported to obtain more secure economic opportunities. BIF Burma has been designed to deliver interventions that will generate a 'multiplier' effect. Enterprises which are selected and supported under the project are assisted to extend their reach, thus doubling the number of beneficiaries who ultimately benefit from DFD's funding.

Business for Shared Prosperity (BSP) in Burma (2015-20). This project has five objectives: (i) improve investment regulation, policy and implementation (ii) address constraints to financial sector development, (iii) boost quality public and private investment in priority infrastructure, (iv) assist Burma to realise its trade potential and (v) facilitate greater inclusion of women and other excluded groups in Burma's economic development. The £10 million project budget is part of a wider package of investment climate support (overall programme value of £36 million) earmarked for Burma over the next four years. The initial £10 million component is expected to be supplemented with funding from Australia's Department of Foreign Affairs and Trade. It will be targeted on developing interventions to improve Burma's investment climate and promote competitiveness with the objective of improving investment policy, regulations and implementation, and developing sustainable solutions to lift poor people out of poverty by increasing incomes and creating jobs. The BSP project will be implemented by the IFC and managed by DFID Burma.

Democratic Republic of Congo

Private Sector Development programme in the Democratic Republic of Congo (2012-24). The intended outcome of this programme is well-functioning markets, access to financial services, and an enabling business environment that fosters economic opportunity for the poor, with an overall impact on improving the incomes of the poor. The programme uses a flexible portfolio approach to respond to emerging opportunities and is structured over the following 4 areas.

- ***Business Environment Reform/anti-corruption***: managed by PWC in a consortium with DAI, Integrity Actions & others. Provides support to the Government of the DRC on an as-needed basis for business environment reform, anti-corruption, and the financial system. Meant to support the implementation of OHADA, a system of harmonised business laws and institutions adopted by 17 Francophone African countries to improve legal certainty for businesses and promote both foreign and domestic investment.
- ***Access to Finance***: Provides access to finance for 100,000 MSMEs.
- ***Market Development***: A M4P project, working with the private sector to address systemic constraints in participation from the poor. Focused on four market functions (agro-inputs, market linkages, business enabling environment, access to finance).
- ***Decision Support Unit:*** Provides 3rd party verification of results, and additional contextual analysis as required.

La Pepiniere: Programme for Adolescent Girls in the Democratic Republic of Congo (2013-17). The expected outcome of this programme are the economic empowerment of women and girls in areas covered by the programme. The initial 3 year period looks at the following areas.

- ***Learning:*** Establishing baselines and situational analysis of adolescent girls in the DRC & to generate evidence about what works to economically empower girls.
- ***Innovation:*** Funding up to 12 pilot projects to grow evidence about what works to economically empower girls & setting up of a space for research participation and knowledge sharing.
- ***Capacity:*** Improve the capacity of DFID, partners & Government of DRC to programme for women and girls.

Evidence generated during this programme will drive a business case for a further 3 years to scale up successful pilots and research.

Mining Sector Reform Project (2007-8). A programme to improve minerals sector governance, by strengthening revenue transparency and developing mechanisms for encouraging private sector activity. Seeks to build the Government of DRC's (GoDRC) capacity to manage the mining sector, enhance transparency and accountability, and tackle the impediments to accessing mineral resources.

Somalia

Support to the Economic Recovery of Somalia (SERS) (2014-19). Supporting the World Bank's Multi Partner Fund (MPF) to build more effective and efficient public institutions, improve the business enabling environment and support the development of key sectors. This is to be delivered through a third party and the business environment challenges are likely to be largely focused on infrastructure.

Promoting Inclusive Markets (PIMS) (2014-18) in Somalia aimed at improving productivity, competitiveness, and long term jobs in six value chains is an extension to the SEED programme. It aims to expand private sector investment by creating more income for firms in livestock, fisheries, poultry, food crop, construction and light manufacturing, to create 9,000 long term jobs, including 4,400 for women, and 500,000 employment days for the poor, women and youth. The programme includes the following 2 components.

- Value chain development including facilitating partnerships between processors, wholesalers and rural producers, educating workers in the advantages of investing in newer practices and facilitating access to finance.

- Cash for work programmes, including skills training, potentially including business planning and savings component.

Moderate Fragility

Bangladesh

Regulatory and Investment Systems for Enterprise (RISE) (2007-16): This £40 million programme seeks to help to improve the investment climate in Bangladesh. It is implemented by the IFC and World Bank. The programme has three outputs: Bangladesh Investment Climate Fund (BICF) which focusses on simplifying and reducing the bottlenecks that businesses have to contend with; South Asia Enterprise Development Facility (SEDF), a regional facility providing access to finance and small business advisory services and Private Sector Development Support Programme (PSDSP).

Business Finance for the Poor in Bangladesh (2014 -18). Under this £29 million programme, DFID will help micro, small and medium enterprises (MSMEs) in Bangladesh gain access to the financial services they are currently excluded from and which they need to increase their future security. The programme will link this 'missing middle' group to the formal financial sector, as part of the Financial Inclusion Programme in Bangladesh (FIPB). The programme will contribute significantly to Bangladesh's growth and will provide more jobs for the poor.

Skills and Employment Programme in Bangladesh (2014-19). The programme will stimulate private sector investment in training for the poor, specifically training that effectively supports women and disadvantaged populations into decent employment.

KATALYST III: Agriculture for Growth in Bangladesh (2013-17). Now into its third phase, KATALYST III intends to promote private sector led agriculture by providing technical assistance to, and (through partnership grants) share risk with, private sector businesses such as seed producers and poultry feed millers to support their extension to small farmers.

Ethiopia

Tax, Audit and Transparency (TAUT) (2014-19): One of TAUT specific results is to improved business operating environment. Improving the tax system will encourage private sector investments. One of TAUT's indirect benefits is the facilitation of private sector development, including development of accountancy, legal and consultancy skills in the economy.

Ethiopia Investment Advisory Facility (2015-19): The programme is designed to strengthen the effectiveness of growth enhancing public investment in Ethiopia in order to promote outward orientated, manufacturing-led inclusive growth.

Kenya

Building a Reliable Investment Climate in Kenya (BRICK) (2013-17). The programme's aim is to transform Kenya's business environment through three key outputs:

- reduction in regulatory burdens on businesses and the private sector
- promotion of effective competition
- support for private sector participation in infrastructure, such as energy and transport, essential to economic growth.

A precursor to BRICK is the Promoting Better Regulation Investment Markets & Employment (PRIME) programme, an £8 million DFID project which ran from 2009-13.

Strengthening Regional Economic Integration (2013-18). The programme aim is to increase trade competitiveness in Kenya through contributions in 2 key areas.

- By reducing inefficiencies and improving capacity at East Africa's largest port, Mombasa, and in associated policy changes, setting up future work on longer term improvements in port operations.
- By installing new custom management system at Kenya Revenue Authority (KRA) to improve the efficiency of revenue collection and reduce the opportunities for corruption.

The programme is implemented primarily by TradeMark East Africa (TMEA) a Special Purpose Vehicle (SPV) established by DFID, and now a multi donor vehicle that operates independently in six countries in East Africa.

Access to Finance For Development (AFFORD) (2011-16). Phase two of this programme, which aims to increase the use of a broad range of higher quality, sustainable financial services by Kenyan households and businesses, especially among under-served lower income groups and small scale enterprises. DFID's contribution is core funding to the Financial Sector Deepening (FSD) Trust, a ten year old independent trust aimed at bringing financial services to small businesses and individuals (and supervised by KPMG) The programme focuses on the following four outputs.

- Increased outreach of financial services to poor people.
- Increased formal financial sector in outreach and efficiency.
- Increased financial sector innovation and outreach among small businesses.
- Knowledge disseminated and used to influence design and policy.

Tajikistan

Central Asia Investment Climate Programme - CAICP (2012-17). This aims to attract greater investment and improve wealth creation by the private sector by reducing the administrative burden faced by businesses through simplifications of regulations and tax administration and development of PPP investments. The project covers Tajikistan and Kyrgyzstan.

Zimbabwe

Business Enabling Environment Programme (BEEP) (2013-17). The programme is designed to support policy reform to improve the BEE. The aim is to increase access to finance; develop capacity for medium, small and micro enterprises; improve Public Private Partnership's (PPP) regulation; improve Public Private Dialogue process.

Zimbabwe Reconstruction Fund (ZIMREF) (2015-19). A multi-donor trust fund to provide policy advice, technical assistance and project financing to the Government of Zimbabwe over five years. Improvement of the Business Environment is one of the focus area.

Low Fragility

Nepal

Access to Finance Programme (2013-19). This project has an element of BE reform in that it assists the establishment of formal financial institution branches in the underserved regions, as well as provides support to financial institutions to open branches in underserved areas and assists with developing financial products & services to poor households to develop micro-enterprises. There is also a financial sector deepening facility.

Sierra Leone

Supporting the Extractives Industries Sector in Sierra Leone (2012-16). Under this programme**,** DFID Sierra Leone had committed to strengthening the regulatory and licensing framework in the extractives sector and setting up key institutions needed to govern the sector. The project is co-implemented by the World Bank, which is also co-financing it. A small component of the budget has been set aside for Technical Assistance to nominated government and industry agencies.

Sierra Leone Market Development Programme (2013-18). This programme will improve the participation of an estimated 30,000 households in environmentally sustainable economic growth, increased agricultural incomes and manufacturing opportunities. The programme has several components: Sierra Leone Opportunities for Business Action (SOBA) is implemented by Adam Smith International and supports the development of agricultural markets and light industries in the country. The expected impact of the project is inclusive green growth leading to prosperity and improvements against the Human Development Index.

Appendix 6 Key messages from literature analysed

This section provides the key messages relevant to the scoping study from each paper read.

Table 2: Key messages from the literature

McIntosh, K and Buckley, J, 2015, *Economic Development in fragile and conflict-affected states: Topic guide*, Birmingham, UK:GSDRC, University of Birmingham	
Key messages	• Detailed political analysis is needed and BER needs to be conflict sensitive but there is little evidence of what this looks like with Monitoring and Evaluation (M&E) often failing to look at conflict sensitivity. • There is limited information on how conflict impacts different groups of the population. • There is limited evidence on deciding which programme to implement and when- current literature is focused on post-conflict situations not transition. There is debate over sequencing of PSD in post-conflict. DFID and IFC advocate early intervention and the UN place it later in the process. UNDP recommends intervention as early as possible, prioritising governance and security reforms, empowering local entrepreneurs and promoting foreign investment. • Disrupted enforcement can constrain businesses and mitigate effects of early reforms so systems need to be reliable to avoid businesses bypassing them. Early reforms are most likely to work when there is a degree of political stability and risk of continued conflict is low. • Reforming property rights is particularly challenging and should be done with caution and extreme sensitivity as it can often reignite conflict. • There is no rigorous evaluation in FCAS, only some case studies. • Evidence gaps of the economic programmes on wider objectives. The impact of BER on peacebuilding is unsure and not well documented. • Limited evidence on the synergies and trade-offs of peacebuilding and growth objectives yet programmes with multiple objectives will face these. • There is criticism over the indicators used in evaluation such as doing business. • Notes that the impact of FDI on conflict is contested as it can have both negative and positive impacts. • Notes the contested assumption that employment means men are less likely to partake in violence. • Programmes designed for FCAS must be flexible and adaptive. • Stakeholder engagement is crucial for sustainability. When priorities of donors are aligned with the needs of the private sector, there is more scope for success. • M&E is key to ensuring early detection of issues and implementation of solutions.
Notable specific country examples	• Example of Indonesia using relationship rather than rule base cooperation which was a key factor in reform.
IFC, A Rough Guide to Investment Climate Reform in Conflict Affected Countries, World Bank	
Key messages	• Key preconditions for reform include staff safety, humanitarian relief, donor engagement and openness to reform. • Timeframes for reform are longer and costs are higher. Budgets and timelines should reflect this - nearly 80 percent of those questioned stated timeframes needed to be longer in FCAS. • Relationships take precedence over implementation arrangements- stakeholder engagement throughout is key. • Traditionally investment climate reforms were seen as 2[nd] or 3[rd] stage interventions behind addressing refugee needs and internally displaced people, and strengthening the macroeconomic conditions. Now the need for early support is accepted. • Needs of different firms sizes can vary. Larger firms can build an economy quicker but if SMEs are the biggest part of economy, focus should be on them. • The program must be flexible at every stage as situations are fragile and can change quickly.

	• Trade-offs drive decision making at every phase e.g. quick wins versus interventions for deeper issues, incremental versus bold reform and direct implementation versus implementation by the government. • The most effective sequencing varies by country. It may be best to start with interventions signalling engagement and creating political space for reform. Sequencing needs to be based on the needs of a country not the abilities of donors. • Horizontal (broad scope addressing multiple areas) versus vertical approaches (focusing on one sector and the issues faced) will depend on the economic and political analysis. Horizontal can be too much and lack focus but vertical can show bias and be conflict spurring. • There needs to be coordination between all donors. • Data collection needs to start as soon as possible for effective evaluation.
Notable specific country examples	• Iraqi-American Chamber of Commerce and Industry seeking accreditation for IFC market Business Edge. Due to IFC not being allowed in Iraq they ended up securing positions for learning in Jordan for the IACCI who then went on to be highly innovative, showing adaptability. • Sierra Leone for the bold versus incremental approaches.
Sweeney, N. M, 2009, *Private Sector Development in Post-Conflict Countries: A Review of Current Literature and Practice*, DCED	
Key messages	• Conflict sensitivity is needed: understanding of the history of the political and social environment, identifying potential points of tension/hostility, and conducting interventions in a way that is sensitive to these. • Phasing of conflict is key to understanding alongside planning for different outcomes and being aware of the cyclical nature of conflict (returning to conflict after peace), in addition to which there may be pockets of violence. • Engagement with stakeholders is more important in FCAS, NGO, Civil Society Organisations, other Donors, Local and regional government, etc. • Pooling resources and having a flexible approach is key. • Different donors may have different political approaches and ideas. • Public Sector development should be integrated early into relief; economic recovery should start in humanitarian phase. • It may be necessary to form existing PPP and the private donors to stand in for the government to act as guarantor. In this instance, donors may reserve regulatory and licensing rights yet the state must remain prominent as public perception is key to long term sustainability. • MNCs can have a negative impact if they are not integrated into the wider economy, but working with them can mitigate these effects. • Property rights and re-establishing them is part of safeguarding the rule of law and is essential- a pre-requisite for PSD essentially. This is a particular conflict sensitive issue though so must be rewritten, not just restored. • Encouraging the right kind of FDI is important as it is needed to contribute to the host economy, not take from it. • M&E and conflict assessment need to be regularly updated and currently the two do not overall and do not account for each other.
Notable specific country examples	• Evidence of MNCs and donors working together with Heineken brewery in Sierra Leone. • Military and development examples in Iraq (US Provincial Reconstruction Teams) and Afghanistan (Dutch IDEA) and how the initial involvement and goals has been reformed to be in line with development goals. • Coordination examples, Rwanda development partners, the Aid Coordination Unit to bring together donor bodies- this harmonised aid budgets and budget support grants and representatives from different donors. Donor coordination in Somalia was different with the Coordination of International Support to Somalia CISS committee. • Engaging private sector in regulatory reform examples in Bosnia. Improved BEE with cutting red tape as well as improving public attitude and perceptions both in country and international stage.

Fragile States Team of Policy Division, CHASE, the Improving Aid Impact team of FCPD, RED and Evaluation department, 2012, *Results in Fragile and Conflict-Affected States and Situations*, DFID	
Key messages	• Delivery of both long term and short term results is critical in FCAS. Quick results are needed to boost the confidence of the population yet sustainable change can take 15-30 years (donor planning cycles are 2-5 years). • Results frameworks should outline how the programme will contribute to reducing conflict and fragility and provide information about the general direction of travel for the country. • Use Post Conflict Needs Assessments for understanding aspects of the country. • Real-time monitoring is needed alongside robust management so that lessons are learned and corrections made. • A list of indicators for monitoring trends in addressing conflict and fragility for establishing baseline information was provided, but they should be disaggregated by sex.
Notable specific country examples	• Rwanda uses Paris indicators for results. • DRC examples of factual monitoring through the use of phones. • Reference of fastest performing countries taking 15-30 years from a fragile state like Haiti to a functioning state like Ghana. • DRC Media for Democracy and Accountability project used innovative monitoring and evaluation by having a panel of media professionals and analysts in several locations and getting them to rank different outcomes to assess progress. • Annexes include examples in Burma and Nepal on indicators used to monitor progress.
Peschka, M, 2012, *The Role of Private Sector in Fragile and Conflict-Affected States*, IFC	
Key messages	• Evidence shows that reforms for economic recovery are only effective in medium and long term. International aid is often designed for the short-term (3-5 years), whereas PSD reforms take at least 5 years to impact. • The consensus is moving from implementing economic reform later to these reforms being a primary focus as they aid stability. The empirical data needed to support this is limited. • The focus of reforms needs to be for local private sector as foreign investment can be detrimental. • Reforms need to be tailored to each situation yet this can be difficult due to lack of capacity. • To be sustainable, PSD must develop local capacity, extend to rural areas and urban centres - not just the capital, and promote foreign trade and investment.
Notable specific country examples	• One study looked at PSD in 5 post-conflict countries (Afghanistan, Haiti, Rwanda, Sierra Leone and Timor-Leste), yet in 3 of the 5 the PSD activities were introduced later; 7-9 years after peace agreements. In Haiti and Afghanistan these activities were introduced within 3 years. • Liberia Investment climate programme of 2006 generated $13 million in private sector investments for the 2008-2010 period; created more than 20,000 jobs for the 2008-1010 period; generated private sector savings totalling $4.7 million; and moved Liberia up from 177 to 149 in the annual Doing Business ranking. • In Kosovo more than 90,000 businesses have been registered since the opening of the business registry in 1999. • In 2001, with World Bank support provided through the Competitiveness and Enterprise Development Project, Rwanda began the process of building an enabling environment for private sector-led development. One of the early interventions focused on overhauling the contract enforcement regime in the country. Although these interventions came more than three years after the end of the genocide, they arrived quite early in the peace-building effort. Due to the prioritization of private sector development-related interventions, the formal sector economic activity grew 6- 7 percent in real terms during 2003 and 2004. Domestic business registrations increased at a rate of 10 percent per year from 2001-2004.

Manuel C., 2015, *Is there a causal link between investment climate and growth? A review of the evidence,* DFID Legal Assistance for Economic Reform (LASER) programme, LDP, UKAID, KPMG,	
Key messages	• A more business friendly environment can enable wider reform. • There is some anecdotal literature focusing on types of reform to consider, sequencing and need assess political environment but there is a lack of empirical evidence to back up guidance. • Need to develop empirical evidence on what works. • Policy that focuses on growth enhancement, reforming dysfunctional institutions and addressing urgent needs of the population would enable sustainable economic growth. • Lots of work on extractives industry and their conflict implications but less on the potential to deliver transformative growth. • There is currently no experience of RIEs in IC reform in FCAS contexts
Notable specific country examples	• Rwanda and Colombia delivering improvements through sectoral focus. Studies show the political environment and regulatory framework transformed specific agricultural sectors into delivering results for the general population, although not enough evidence to show how this may be replicated.
Mcloughlin, C, 2012, *Topic Guide on Fragile States*, GSDRC University of Birmingham	
Key messages	• Poverty, lack of justice, physical insecurity and conflict affect men and women differently. It is argued that attention needs to be paid to gender issues early on as post-conflict can provide the opportunity to shape new social, economic and political dynamics that break existing stereotypes. • Well defined need for clear objectives and measures of progress in FCAS but no measures set as yet. • Programs need to be designed to be responsive and delivered in a responsive and accountable manner. • Economic recovery is an underemphasised aspect of state-building. Research suggests a balanced strategy of emergency employment, income generating activities (PSD) and the creation of an enabling environment through legal and regulatory reforms is necessary to support durable economic growth. • International intervention can do more harm than good as it may undermine the legitimacy of the sovereignty they are trying to help build. • Security and justice are often described as prerequisites for development.
Notable specific country examples	• None mentioned
Gündüz, C and Van Der Zwan, J, *Practice note 2: Business environment reforms in conflict-affected contexts*, Strengthening the Economic Dimensions of Peacebuilding Practice note series	
Key messages	• Key peace opportunities are: Establishing regulatory and legislative legitimacy, expanding and protecting ownership mechanisms, expanding opportunities for women and reducing and simplifying regulation. • Macro policies come first-the economy needs a banking system and stable currency to grow effectively. • Demand is the starting point in that reform is most effective when aligned with needs of private sector, political will of government and priorities of donors. • Culture is as important as substance; technical changes must respect cultural norms. • Changes need to be digestible: small and targeted changes can be absorbed more readily and, as capacity develops, more complex changes can take place. • Focus should be on domestic investment as 90% comes from domestic business. Don't rebuild unnecessary institutions. • Land and resource reforms need to go slow and should be conflict sensitive
Notable specific country examples	• Rwanda's customary system of gacaca courts to handle business cases • In Afghanistan the private sector in Kabul established its own shura council to fill the gap of reliable courts. • Uganda simplification of business registration allowed women to start 30% more new businesses than men in the first year.

	• Mozambique- comprehensive judicial reform was slow and ineffective but an alternative dispute resolution for commercial contracts had significant impact in reducing disputes.
Van Der Zwan, J, *Practice note 7: Conflict-sensitive land policy and land governance in Africa*, Strengthening the Economic Dimensions of Peacebuilding Practice note series	
Key messages	• Land rights are intrinsically linked to realisation of inclusive development as well as natural resources governance. • Land policy reform and governance improvements can contribute to peacebuilding by; addressing grievances and consolidating peace and improving land tenure security. • Due to conflict sensitivity, land reform is often not initiated and/or followed through. • Civil societies are key as they can advocate for government to start inclusive reform and also serve as a central role in providing checks and balances in implementation and holding governments to account. • Foreign acquisition of land can result in increased capital investment, new technologies and employment and potential expansion of food markets.
Notable specific country examples	• Land dispute resolution in Liberia, where the Land Commission established a Land Disputes Task Force.
ICAI, 2015, *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*,	
Key messages	• Transformative impact, by way of stability, takes a generation and depends on state capacity. The 20 fastest moving countries took on average 17 years to get the military out of politics, 20 years to achieve functioning bureaucratic quality and 27 years to bring corruption under reasonable control. • Planning and programming in FCAS needs to be dynamic and responsive, external factors will continually require revisions, e.g. famine in Somalia 10/11. The body of research around what works is developing so there is a need to work experimentally. • Humanitarian and development programming must be done in tandem and cannot be separated or traded-off. • There can be tensions between central programmes and bilateral country programmes, good communication is needed between offices to ensure coherence and alignment. • Economic development programmes will need to be conflict sensitive and requires deep contextual analysis. • The cumulative impact of each country portfolio on transforming FCAS and tackling drivers of instability is not there. • Important to start small and build capacity. • Results framework sometimes only evaluates quantifiable results of big programmes, not small and important efforts. • There are issues with scaling pilots and ensuring sustainability- funding needs to be consistently applied to gain maximum impact.
Notable specific country examples	• Somalia education sector shows incoherent working amongst organisations. • The DRC Tuungane programmes showed pre-existing land and resource based conflict can be exacerbated by DFID programme interventions. • Examples in DRC and Pakistan show the importance of geographical intervention: a coherent set of programmes that not only support delivery of basic services and create economic development but start to create effective and accountable governance at the local level which support it at a national level • Somalia Sustainable Employment and Economic Development programme. In particular the beneficiaries included those in honey and bee-keeping activities who noted marked improvements in production of honey, provision of supplies, skills of producers and ownership. Women were prioritised and have witnessed a real improvement.
Guglielmetti, C, 2010, *Measuring the Business Environment for Entrepreneurship in Fragile States*, UNU-WIDER	
Key messages	• The role and strength of formal and informal institutions has to be emphasized, post-conflict countries are in a greater need of comprehensive public effort.

	• Conflict and fragility offer possibilities of profit and rent for some agents and the role played in possible relapse cannot be underestimated. • The issue of productive allocation is specifically relevant in post-conflict situations. • The need to productively reallocate people who may have been displaced or injured. • There is a different role played by women in war-time as well as possible affects to household composition and gender relations. • Social mobility is a problem as restricted mobility can cause strife and restrains resources. • The need of social ties and networks is greater in FCAS as likely to have been severed. • Policies that enable entrepreneurship, i.e. cutting red tape and reducing regulatory burdens are a "necessary but not sufficient condition for development".
Notable specific country examples	• None mentioned.
Datzberger, S and Denison, M, 2013, *Private Sector Development in Fragile States*, EPS PEAKS, LSE Enterprise	
Key messages	• PSD programmes are often evaluated against economic measures and there is little to measure the effect on stabilisation. • The majority of clients in fragile states are often rural based and it is recommended to link stabilisation efforts with established independent rural-based financial networks. • The conditions in fragile states result in FDI reducing stability and consequently increasing the chance of conflict.
Notable specific country examples	• In Liberia, FDI and exploitation of mineral resources and investment by a tyre and rubber company created distortions. • Sierra- Leone: Operation established by Netherlands Company before civil war was over in 200. Business has been made quicker and easier but huge disparities in coverage raise concerns over political and social divisions-the company has joined with US-base conflict resolution NGO to resolve. • South Sudan: there are many microfinance intuitions operating here yet they service less than 1 percent of available clients, and do not effectively address agricultural and rural sectors. Banking sector growth and coverage depends on strengthening land registry, improving legal and enforcement mechanisms, enhancing management capacity and reducing high transaction costs (poor infrastructure). • Cambodia: Microfinance was successful due to plentiful human resource, skilled and educated, as well as genuine international and national support for microfinance.
Holden, J and Pagel, M, 2012, *Fragile states' economies: What does fragility mean for economic performance*?, EPS PEAKS, Nathan Associates	
Key messages	• Drivers of FDI are resource seeking, market seeking, efficiency seeking and strategic asset/capability seeking. Resource seeking is most common in FCAS. • OECD (2008) report showed FDI to 42 FCAS states increasing from $5bn in 2000 to $21b in 2006 however 70 percent went to Angola, Chad, Equatorial Guinea, Nigeria, Pakistan and Sudan where all, except Pakistan, are natural resource producers. • Investment post-conflict is usually centres around telecoms with transportation and energy investment generally following 6 years after conflict ends, likely due to function of time horizons of these investments. • There has also been a growing trend in land investments in Africa, particularly in fragile states such as the DRC (land deals for almost half of domestic agricultural land) and Mozambique (a fifth of land)
Notable specific country examples	• Chad had seen a recent boom in investment flows, also oil inflows. • Djibouti saw its FDI decrease in the three years post conflict. • Niger and Uganda both saw increases in FDI following conflict, potentially linked to resource wealth. • Georgia following conflict in 2008 saw a significant fall in FDI, perhaps due to the specificities of the situation. • Above expected FDI, in 2011, in Mozambique, Zambia, Sudan, Chad, the DRC, Guinea, Bangladesh, Tanzania and Niger.

	• Land deals (as a percentage of domestic agricultural land): Madagascar (6.7), Ethiopia (8.2), Sudan (2.3), Mozambique (21.1) and DCR (48.0).
Goldwyn, R and Chigas, D, 2013, *Monitoring and evaluating conflict sensitivity*: *Methodological challenge and practical solutions* , DFID et al.	
Key messages	• Conflict sensitivity must be incorporated into evaluations so the do no harm can be assessed and monitored. • Conflict sensitivity is usually a one-off assessment but can also be used at mid-term review. • Identifying, understanding and preventing the possible negative effects of interventions on conflict is key to conflict sensitivity: M&E can assess any contribution to peace, whether intended or unintended, significant or not. • Contribution analysis may be best in whether an intervention contributes to further tensions and how. By setting out problem to be addressed, theory of change, existing evidence on theory of change, assembling and assessing contribution story, seeking other evidence, and revising and strengthening contribution story. • Crucial to disaggregate data by way of sex, ethnicity, region etc. • Indicators should include conflict, interaction and implementation indicators. • Perception-based indicators are important. • Indicators to use depends on the outcome/sensitivity being measured.
Notable specific country examples	• Evaluation in Afghanistan in 2009 didn't include conflict sensitivity which led to key assumptions that were inaccurate about service delivery improving capacity and improving political legitimacy. • Norwegian development assistance agency review of conflict sensitivity among Norwegian NGOs in Nepal. • Kosovo justice and police reforms seemed effective yet there was no disaggregation which may have flagged issues of more Serbs being convicted that Albanians as Albanians had pressure not to testify on each other. • Nepal and use of MERV[9] (German acronym for monitoring of development-relevant changes in the circumstances) scenario process every 6-8 weeks • Multi-donor evaluation of South Sudan: two conflict analysis were used – one at the time of the design of programmes being evaluated (2005) to test whether interventions were relevant to conflict at that point in time, and an up-to-date conflict analysis (2010) to test whether donors had adapted to a changing situation.
Corlazzoli, V and White, J, 2013, *Measuring the Un-Measurable: Solutions to Measurement Challenges in Fragile and Conflict-affected Environment*, DFID et al.	
Key messages	• Measurements of results can be improved by increasing the research capacity of local staff, civil society organisations, research institutes and statistical ministries. • A combination of tools leads to successful measurement of unmeasurable and each situation will need different tools relevant to the context. • No single tool, method, or approach is a cure-all to measurement challenges in peace and conflict and security and justice. • Use of social science methodology for outcome measurements, such as Likert scales, Community score cards, indices, proxy indicators, ICT, Incidents log, media content, rapid assessment procedures, remote monitoring, social network analysis, stakeholder analysis and outcome mapping.

[9] Developed by the Swiss Development Corporation to monitor any context, and is more frequently applied in conflict contexts (1 to 3 months). MERV involves the production of a scenario report periodically through collecting information into structured tables around key themes.

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Notable specific country examples	• Community score cards used in Malawi to determine why governance programme was more effective at local than national level. • Search for Common Ground projects in Sierra Leone, DRC and Nigeria used FrontlineSMS a SMS database software. • Results in Liberia show higher participation rates in a SMS-based data collection compared to other countries. • Media analysis in Yemen: it needed to be used in conjunction with other methods to be effective. • Video diaries in Uganda to analyse micro-level changes but together could lead to a macro-level change. • Remote monitoring in Somalia. • Stakeholder analysis in Ethiopia where focus group were used to create a robust stakeholder and conflict assessment. • In Uganda, stakeholder analysis was used to: ensure sustainability of the program; understand the strengths and weaknesses of each stakeholder; highlight financial incentives to keep stakeholders engaged; and determine appropriate roles and responsibilities within the program.

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