

Subnational Sectoral Studies

EMPOWERING SECTOR-SPECIFIC GROWTH FOR SUSTAINABLE DEVELOPMENT



FILLING THE KNOWLEDGE GAP IN PRIVATE SECTOR DEVELOPMENT AT THE SECTORAL LEVEL

The private sector—including firms, markets, and workers—needs a favorable business environment to grow and prosper. Firms located and operating in sectors and regions with a better business environment exhibit stronger performance in employment, productivity growth, and investments.

Understanding and addressing regional and sectoral variation in the business environment is critical. However, the current lack of primary data in specific sectors can pose a significant challenge in assessing subnational business climate, hindering private sector growth. Subnational sectoral studies enable stakeholders to promote particular sectors by identifying key enablers and constraints within defined regional and sectoral contexts, driving impactful reforms for economic development.

SUBNATIONAL SECTOR-SPECIFIC ASSESSMENT FOR IMPACT

Each industry faces its unique business regulatory challenges, as experienced by firms and entrepreneurs. As a solution, subnational studies unveil the local business climates of different economic sectors through their cutting-edge assessments.

The assessment indicators integrate a unique *process mapping* exercise on strategic sectors based on the country's priorities. Process mapping identifies regulatory bottlenecks, associated timeframes and costs, and public sector agencies involved in procedures that investors or local firms must follow to start and operate their businesses. This approach generates actionable data to support regulatory reforms, policy measures, and investment decisions.

Beyond assessing the performance of public administrations, the *process mapping* approach uncovers inefficiencies in particular sectors, such as redundant procedures or delays, simplifying compliance requirements, and reducing the regulatory burden on investors.

The Sectoral studies produce actionable and comparable primary data that can guide policy reforms to address inequalities in the business climate and promote private sector development at both sectoral and regional levels. The studies are implemented through:

- ✓ comprehensive background research,
- ✓ primary data collection from private and public sectors, and
- ✓ extensive consultations and follow-ups with stakeholders.

EXAMPLE #1: NATURAL RESOURCES SECTOR

The natural resources sector is a cornerstone for economic growth, technological advancement, and sustainable development. Within this sector, our Subnational team gathers business climate data and conducts quantitative and qualitative assessments of bureaucratic efficiency at central and local administrative levels. This comprehensive data and analysis uncover regulations and practices that either promote or hinder business activities at the sectoral level, providing policymakers with a diagnostic tool and a repository of best practices. This information supports data-driven policy dialogue, knowledge sharing, and peer-to-peer learning in the natural resources sector, which is strategically important to countries worldwide.

The Subnational sectoral studies are highly adaptable, with methodologies and approaches customized to align with government priorities and client requests. For instance, in the mining industry, the Subnational sectoral studies can concentrate on specific segments of the mining value chain where research indicates that firms and entrepreneurs encounter the most significant challenges. Furthermore, these sectoral studies can be broadened to encompass not only large-scale mining but also the often-overlooked small-scale and artisanal mining sectors.

EXAMPLE 2: THE RENEWABLE ENERGY SECTOR

Renewable energy is essential for countries to achieve efficient, sustainable, and inclusive economies. It reduces emissions, creates jobs, and expands electricity access. Maximizing the potential of renewable energy projects requires a supportive business environment, efficient implementation, and grid stability.

The Subnational team assesses the business environment for renewable energy projects by collecting data on regulatory frameworks and practical conditions. These studies identify barriers and opportunities for renewable energy development at the regional level, addressing both distributed generation (e.g., rooftop panels) and utility-scale projects based on country-specific priorities. Further, the analysis maps key procedures tailored to project size, including tendering processes for large-scale projects, permitting or technical inspections for smaller installations. The studies aim to identify bureaucratic obstacles, regulatory gaps, and best practices.

WHAT DO SUBNATIONAL SECTORIAL STUDIES DELIVER?

- ✓ Micro-level data that is specifically collected for particular sectors of the economy, providing valuable insights into local business climate.
- ✓ Sectoral profiles with detailed process mapping of regulatory and administrative procedures, offering actionable insights to address bottlenecks and make improvement in each covered sector.
- ✓ In-depth analysis of administrative constraints at both national and local levels for each sector, revealing areas for improvement.
- ✓ Identification and documentation of sectoral good practices that can be replicated to improve business environments, often without the need for national legal changes.
- ✓ Better visibility to donors and investors by showcasing sectors' commitment to improving their business environments.
- ✓ Tailored quantitative assessments for specific sectors, regulatory areas, or industries.

COLLABORATION WITH DEVELOPMENT PARTNERS

Subnational studies are designed to meet the needs of client governments, with funding provided both by the governments themselves and through strategic partnerships with key development donors. These partnerships have been instrumental in supporting subnational business environment assessment across various countries, including Kenya and Nigeria (through UKAid), Central America (CIDA), Afghanistan (USAID), Colombia, Peru, South Africa and Mozambique (SECO), and European Union (European Commission).

With the support of our development partners, these assessments have driven tangible outcomes for client countries such as:

- ✓ Streamlined regulatory processes.
 - ✓ Cost savings for entrepreneurs.
 - ✓ Strengthened private sector development agendas.
 - ✓ Effective delivery of technical assistance and lending operations to improve investment climate.
- Enhanced policy dialogue and greater engagement between national and local governments.

PROVEN TRACK RECORD

Since 2005, the Subnational experts have built on extensive experience conducting subnational assessments and engaging in policy dialogue with national and local authorities from over 600 locations in 86 economies. These include, among others, Brazil, Colombia, Egypt, India, Indonesia, Kazakhstan, Kenya, Mexico, Nigeria, Peru, Poland, and South Africa. Our experts operate under an effective engagement model that has been proven to increase the likelihood of data-driven reforms.

In Peru, reforms based on the Subnational study findings helped remove administrative barriers to business entry and construction permitting, saving the private sector US\$3.5 million, as reported by the World Bank Independent Evaluation Group.

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Visit our website:

<https://www.worldbank.org/en/businessready/subnational>

