

Scaling up to Help Clients Mitigate the Impacts of the Global Financial Crisis

Dear Friends and Partners of FIAS,

Approaching the mid-point of our current four-year strategy cycle, the FIAS program is currently supporting close to 100 investment climate projects around the globe. Preliminary results from a performance review of all FIAS projects indicate that we are on track to deliver the key reform target for this fiscal year: 120 significant investment climate reforms induced and facilitated by FIAS. We are also making good progress with the expansion of our work in strategic priority areas such as Sub-Saharan Africa, IDA countries and conflict-affected states. We expect that by year-end about 40% of our project expenditures will be in Africa, and about 60-70% in IDA countries and frontier regions of non-IDA countries. We are also expanding our involvement in conflict-affected states, with new activities launched in Haiti, Yemen, Nepal, Liberia, the DRC, and Sierra Leone, among others. The FIAS donor meeting this Fall (dates to be announced) will provide an opportunity to assess these results in detail, review the lessons learnt and re-validate our strategy for the coming two years.

In the meantime, we have begun to scale up and re-focus our service offerings in response to the global financial crisis. To address the marked increase in demand for investment climate reform, we have started to strengthen our delivery capacity in the areas of DB Reform Advisory, Secured Lending/Global Collateral Frameworks and Registries, Business Tax Simplification and Trade Logistics. Moreover, we have launched the development of a new Insolvency product which will allow us to assist countries in improving their legal and institutional frameworks for insolvency and corporate restructuring, with the objective to help expedite the release of productive assets tied up in insolvent companies. The World Bank Group's Insolvency and Creditor Rights Group is closely involved in these efforts.

Additionally, as part of our crisis response, we are shifting the emphasis of our Investment Policy and Promotion work from pro-active investment promotion to investor aftercare and the retention of jobs created by existing investors. New "aftercare" components of projects are underway in, or in discussions, with client countries including Macedonia, Rwanda and Armenia. In turn, and to maintain a manageable product focus, we have decided to gradually phase out our work related to Access to Land and scale back our involvement in sector-specific activities (e.g., via an exit from mining-related work). Further scaling back might be needed, depending on the funding situation for FY10 and beyond.

Expansion of our crisis-related activities around the world requires significant additional resources, estimated at about \$3-4 million annually over the coming two-three years. We are making some of these resources available through internal re-allocations and the downsizing of non-essential activities. Moreover, we are working very closely with the IFC to mobilize additional crisis funds via a concerted effort that covers the entire spectrum of the IFC's crisis response. Initial supplemental funding for FIAS has already been approved by Austria and Luxembourg, for which we are grateful. However, we will need additional support from donors—existing and new ones—to ensure that the program for FY10 and beyond can be funded.



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Project Highlight: Doing Business Made Easier in Burkina Faso



The IFC Advisory Services in Africa team working on the Burkina Faso project. From left to right: Inoussa Ouedraogo, Houmoulhaira Dabo, Alain Traore, Hamidou Sorgo, Marie Genevieve Compaore, and Karim Soma Kone.

Since 2007, the Burkinabe government has enacted major reforms that will stimulate private sector growth. Stifling bureaucracy and burdensome regulations are slowly being lifted, allowing businesses to expand. Burkina Faso has become one of Africa's top reformers in ease of doing business. The *2009 Doing Business* report, launched in September 2008, ranks the country 148th of 181 countries, up 16 places from the 2008 ranking and sixth among the world's top ten reformers.

The government reduced the corporate income tax rate from 35 to 30 percent and reduced the tax rate on dividends from 15 to 12.5 percent. These reforms will lead to cost savings for firms estimated at US\$ 50 million. Other reforms introduced with FIAS' help include a new labor code which makes it easier for firms to employ workers; the introduction of a one-stop shop for building permits and the elimination of random inspections during construction; and a reduction of the number of procedures required to register a property.

"The reduction of profit tax from 30 to 35 percent has helped reinforce private businesses' self-financing capacity," says Miougoupri Joseph Baro, Managing Director of AGF Vie, a subsidiary of a French insurance company. "The 2007 Finance Law resulted in a 63 percent increase in life insurance companies' cash flow and a 96 percent increase in their capitalization premiums in 2007."

The Burkinabe experience reflects a collaborative approach among World Bank Group partners, a key factor in the program's success. FIAS and IFC's Advisory Services in Africa have been working intensively with the government, the private sector, and other key stakeholders in building sustainable partnerships to improve the business environment for private sector growth. The Swiss government's strong support through SECO has allowed for an extended program in Burkina Faso.

The program exemplifies the integration among World Bank Group partners in delivering advisory services to client governments. FIAS is providing technical assistance—through its business taxation, trade logistics, business licensing, and Doing Business advisory product teams—and IFC Advisory Services in the region is lending its on-the-ground expertise.

In addition to the reforms being implemented, a Ministry of Commerce, Enterprises and Handicraft Promotion was established to ensure that proper measures are taken to support private sector growth. "These efforts are aimed at creating better conditions for investors, attracting new investments, creating wealth, stimulating the economic growth and finally alleviating poverty," says Lancina Ki, Managing Director of Burkina Faso's Private Sector Development Agency.

FIAS' Global Benchmarking Study Sets Course for IPI Service Improvements

A recent study conducted by FIAS can be used by governments to focus their investment promotion intermediaries (IPIs) on activities most likely to influence investors' decisions. FIAS' Global Investment Promotion Benchmarking 2008 (GIPB) study—which evaluated 213 IPIs in serving the information needs of foreign investors—aims to add transparency to the investment promotion effort, allowing governments to better understand the work and impact of their IPIs.

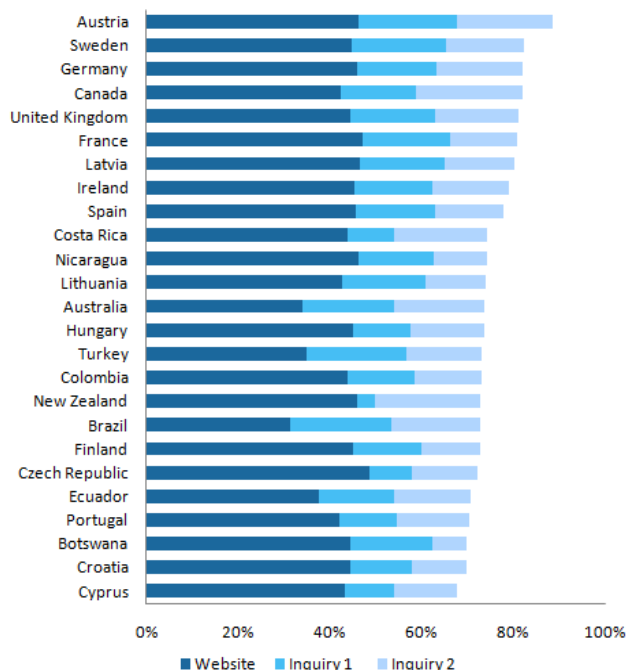
The GIPB 2008 study results indicate that a nation's wealth no longer determines its excellence in investment promotion. While OECD countries still dominate the study's top rankings, several developing countries—including some in Africa—outperformed OECD economies to place in the upper echelons.

Clients of FIAS' Investment Generation practice area featured strongly among the IPIs showing improved

performance; 16 of more than 60 IPIs that improved their performance since the first study was undertaken in 2006 were clients of FIAS over the past years.

Among regions, the biggest improvers were East Asia and the Pacific and South Asia, each achieving a 25 percent improvement in overall performance. The Middle East and North Africa also improved (16 percent), as did Europe and Central Asia (13 percent). Sub-Saharan Africa was the only region to show an overall decline. Yet although the study's weakest performers were mostly in Africa, there were also pockets of strong performance in the region. Twice as many IPIs in Africa were evaluated in 2008 than in 2006.

The GIPB study is a biennial survey of national and subnational IPIs. The report with the study's detailed results and key conclusions will be available at www.fias.net in late April.



Top 25 National IPIs (per GIPB 2008)

Investing Across Borders flagship project launched

FIAS has launched a new global initiative designed to benchmark the quality of regulations and efficiency of administrative processes for foreign direct investment (FDI). The Investing Across Borders (IAB) project (www.iabindicators.org), designed in collaboration with the Doing Business (DB) team, expands the scope of DB indicators to include foreign ownership restrictions in 20 sectors, the process of establishing foreign companies, access to land, and use of international arbitration. Data collection underway in 85 countries is expected to be completed later this year.

The IAB project's primary objective is to stimulate and inform investment climate reforms in client countries, leading to a more business-conducive, transparent, and secure environment for FDI. The project aims to deliver lasting, positive effects similar to that of DB, which has inspired 174 reforms worldwide since its inception and generated over 1.6 million online visits to its database last year alone.

IAB survey tests in 22 economies and concept presentations—at global conferences hosted by the OECD, APEC, and WAIPA (World Association of Investment Promotion Agencies) among others—have affirmed strong demand for this benchmarking product among governments, partners, and other public- and private-sector stakeholders. While the IAB project will directly benefit governments and their agencies, FIAS also plans to use the indicators to help clients pinpoint specific impediments affecting countries' investment attractiveness, apply global good practices, and monitor and analyze the impact of investment climate reforms. It is expected IAB's comparative data will also help foster competition to improve FDI regulations among countries and regions.

FIAS gratefully acknowledges financial support received from the Government of Austria for the development of the IAB project and invites additional donors to participate in this initiative.

“Deep Dive” Learning Events Immerse FIAS and Partner Staff in Product Expertise



Over the past six months, FIAS has rolled out a series of product-focused learning events, called “Deep Dives” for their technical depth in relatively short sessions. Deep Dives are designed to familiarize WBG staff, as well as staff of partner agencies, with the latest developments related to the investment climate products supported by FIAS.

Recent Deep Dives were held in Belgrade in October 2008 (with a focus on Investment Promotion and Policy and Business Entry), in Washington DC in February 2009 (on Business Taxation and Business Operations), and in Dhaka, Bangladesh, in March 2009 (on Special Economic Zones). The next Deep Dive will be held in Mombasa, Kenya, from May 13-15, 2009, and will focus on Trade Logistics. Future Deep Dives later this year will highlight the Secured Lending and DB Reform products.

80 participants, including representatives from the Ministry of Industry in DRC as well as 30 client participants from Afghanistan, Bangladesh, Bhutan, Cambodia, Indonesia, Jamaica, and Nepal, attended the recent Special Economic Zones event, organized jointly with staff from the Bangladesh Investment Climate Fund (BICF). Participants benefited from highly interactive technical sessions and workshops as well as many networking opportunities designed to foster closer collaboration between FIAS, other WBG practitioners, partners and clients. For further information on the upcoming Trade Logistics Deep Dive or events held later in the year, please contact us at fias@ifc.org.

The Power of Information – FDI.net and FIAS.net

Via its unique FDI.net web portal (www.fdi.net), the Multilateral Investment Guarantee Agency (MIGA)—a member of the World Bank Group and a key FIAS partner—offers free, on-demand country analysis and information on all things related to foreign direct investment in over 175 countries. The site combines a wealth of business and public resources dedicated to cross-border investment with World Bank Group analysis, with the goal to provide users with a single entry point for the full-spectrum of information needed to stay informed about investing in a foreign country.

Our own dedicated website is located at www.fias.net; please come and visit our “Spotlight” and “FIAS in the News” sections to stay abreast of what is going on in FIAS.



Recent Publications:

In Practice Note Series:

- Small Business Taxation: *How to Encourage Formality and Firm Growth*
- Linking Business Tax Reform with Governance: *How to Measure Success*

Case Studies:

- Regulatory Transformation in Mexico 1988-2000: *Case Studies on Reform Implementation Experience*
- Regulatory Transformation in the Republic of Korea: *Case Studies on Reform Implementation Experience*
- Regulatory Transformation in Australia, Italy, and the United Kingdom: *Case Studies on Reform Implementation Experience*
- Regulatory Transformation in Hungary 1989-1998: *Case Studies on Reform Implementation Experience*

IFC’s *SmartLessons Award Program*, a platform created for development practitioners to share their experiences, also features many lessons gained from FIAS projects.

Please visit www.fias.net to check out the latest FIAS *SmartLessons* contributions.