

Investing Across Borders

Global Indicators of FDI Regulations

Progress Update

Summary

FIAS has recently launched its new global flagship initiative – the Investing Across Borders indicators project – in 87 countries. This project uses the proven Doing Business methodology to develop indicators on the ease of starting and operating foreign-owned companies in countries around the world. The IAB indicators are based on an annual questionnaire administered to law firms and other professional services providers, and combine an evaluation of the quality of legal frameworks and their implementation and enforcement in practice.

Strong demand for the project has been demonstrated through governments interested in leveraging the indicators in their reform efforts, and through the pro-bono contributions of more than 1,000 world’s leading law and accounting firms. To ensure robust continuation of the project in FY10-11, FIAS is inviting its donors to consider co-financing this initiative. The launch of the first annual IAB report is planned for spring 2010.

Project dimensions

| IAB Indicators | Sub-indicators (tentative) |
|---|--|
| Investing across sectors | Foreign ownership restrictions index (0-100). Covered sectors: Primary: Mining, oil and gas, agriculture, forestry Manufacturing: Light manufacturing, food processing, pharmaceutical products, etc. Services: Energy, transport, ICT, financial services, tourism, etc. |
| Starting a foreign business | Procedures (number) Time (days) Establishments rights policy index (0-100) |
| Accessing land | Procedures (number) Time (days) Land rights policy index (0-100) |
| Arbitrating and mediating disputes | International commercial arbitration legal index (0-100) Ease of enforcement of arbitration awards index (0-100) Investor-state arbitration legal index (0-100) Mediation and conciliation legal index (0-100) |

Key accomplishments to date

- The project’s **Expert Consultative Group (ECG) endorsed final project design**, based on results from tests in 22 pilot countries and consultations with over 400 FDI specialists conducted in 2008. Members of the ECG include the OECD, UNCTAD, academics from leading universities (Harvard, Georgetown, McGill, etc.), International Bar Association, etc.
- **Asia-Pacific Economic Cooperation (APEC)** has expressed strong interest in using the IAB indicators to benchmark the progress of its member economies toward streamlining and

modernizing their investment policy frameworks. APEC is likely to finance the extension of the project to cover all of its 21 member countries.

- IAB has forged **strategic partnerships with the International Bar Association**, American Bar Association and other industry groups who have helped engage their members in completing the IAB questionnaires.
- More than **1,000 international law firms and local legal and regulatory experts** from 87 countries have completed the IAB questionnaires. Estimated value of this generous pro-bono contribution to the project is over US\$ 500,000.
- IAB team is finalizing the preparation of detailed benchmarking reports for each of the 87 countries containing more than 1,000 data points per country.

2010 and beyond (planned)

- **Launch of the first IAB report and public database** accompanied by a communications and media relations campaign is planned for spring 2010.
- **Expansion of country coverage** and possible addition of new indicator topics is envisaged for summer-fall 2010.
- Consolidation of the operation and establishment of a **regular annual production** of the IAB indicators is planned for late 2010 and beyond, provided adequate financial support.

Project Objectives

The IAB indicators aspire to be **practical and actionable tools for:**

- **Governments and investment promotion agencies (IPAs)** to advocate, prioritize, and implement investment policy reforms. The project will identify regional and international good practices and foster competition for improved FDI policy climates among countries.
- **Development partners** to guide their advisory services to client governments on some of the key policy-level constraints to increasing FDI competitiveness. It is expected that the indicators will connect investment climate diagnostics with solution design and implementation assistance. This linkage has already been demonstrated by the *Doing Business* project, where the DB indicators have stimulated client demand for greater assistance in business environment reform solutions (FIAS' DB Reform Unit has to date received requests for assistance from more than 50 governments). The project will also analyze regional and global good practices to allow development partners to better target and design their advisory assistance to client governments, and to monitor and analyze the impact of investment climate reforms.
- **Foreign investors and site location consultants** to help guide their investment location decisions and policy-level dialogue with governments.

The project aims to **add value to the current family of investment climate indicators and assessments** by:

- Identifying specific legal, regulatory and administrative impediments affecting investment competitiveness;

- Measuring administrative efficiency and institutional capacity, in addition to the quality of legal and regulatory frameworks;
- Extending country coverage to the global level;
- Using primarily objective and verifiable information, rather than perception- and opinion-based data;
- Collecting information through a survey of local practitioners, complemented by a review of laws and regulations;
- Linking indicator results to tailored technical assistance on investment climate reforms.

Funding Needs for FY10-11

The World Bank Group, through its own resources as well as donor-contributed funds, has provided full financing for the project's development, pilot testing phase and the currently ongoing first year of operation.¹ **Donors are invited to join the Bank Group in co-financing this initiative.** Annual costs of the project are ~ US\$ 1,000,000 (i.e., ~ US\$ 10,000 per country).

Collaboration on the IAB project can include the following opportunities for the partner and FIAS:

- Leveraging the IAB indicators as tools for advancing technical assistance with the client governments, and facilitating strategic dialogue with public policymakers and private sector;
- Global recognition for thought leadership on FDI benchmarking and policy through annual IAB reports and indicators database, press releases, etc.;
- Input into the selection of new countries to be included in the future years;
- Knowledge transfer between the partner and FIAS/World Bank Group on private sector development solutions;
- Membership in the high-level Expert Consultative Group for the project, and/or indicator-specific expert committees;
- Collaboration with FIAS and other partners in delivering advisory services in response to the client's demand for assistance generated by the project in selected countries.

Contact Us

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More information about IAB is available online at www.investingacrossborders.org.

¹ 50% of the contributions came from IFC's retained earnings, and 50% from FIAS' core funding, including a generous contribution of the Government of Austria.