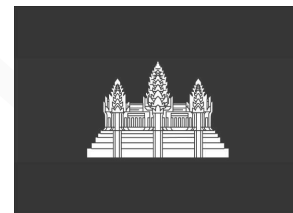
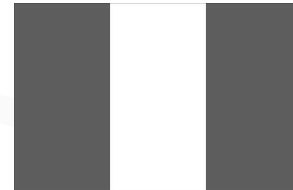
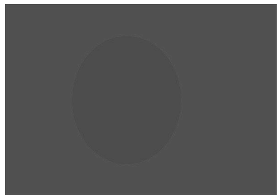
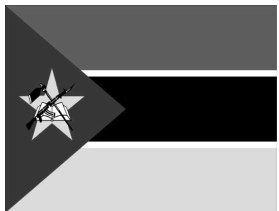
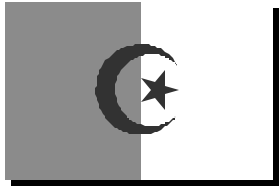


IMPACT

How Investment Climate Assessments Influence Reform

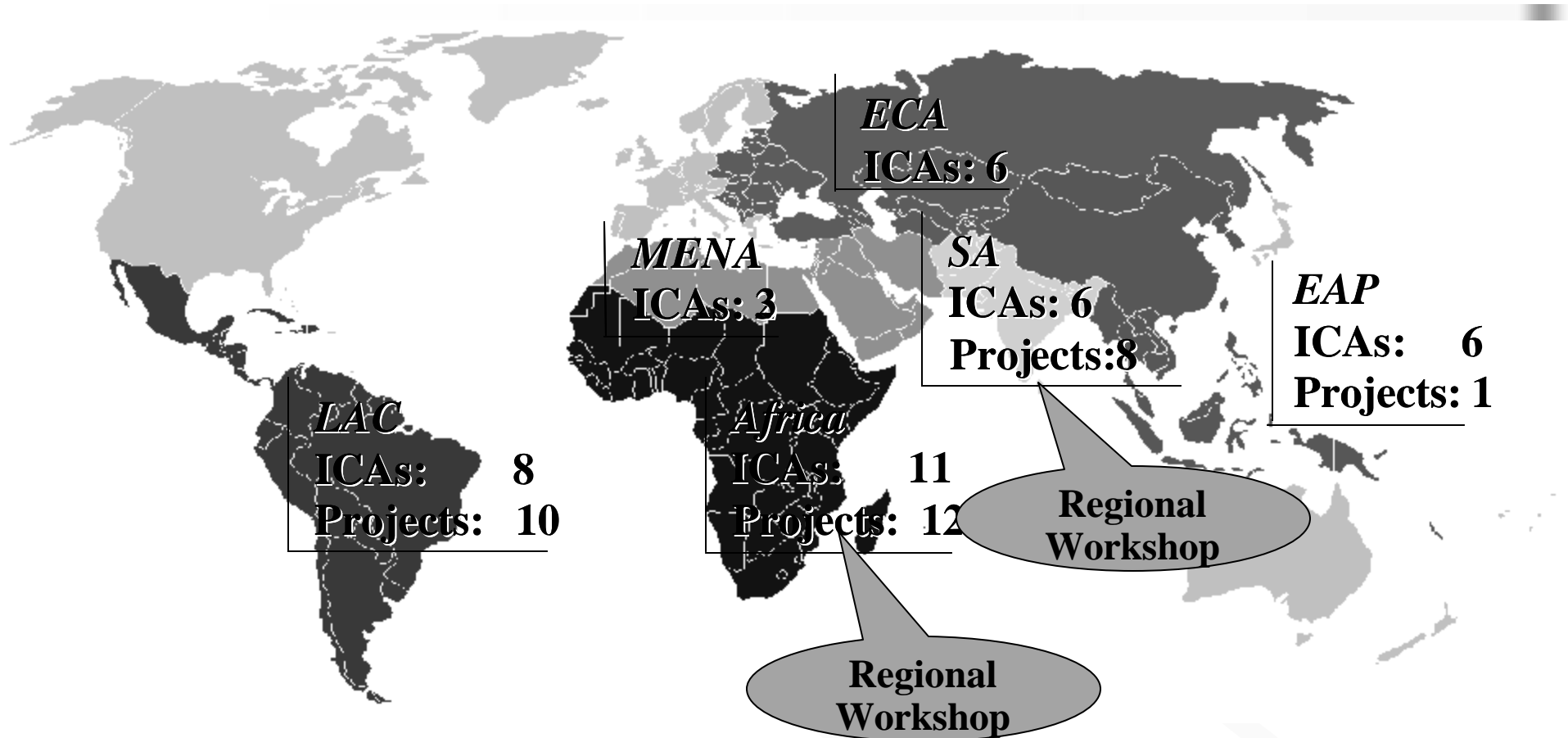
Prepared by Andrew Stone, Senior Private Sector Development Specialist in the World Bank's Finance, Private Sector and Infrastructure Group of the Office of the Regional Vice President for Middle East and North Africa. Members of the World Bank's Investment Climate Unit contributed to this presentation. Date: Nov. 19, 2004



ICAs are reshaping:

- **Programs:** 11 of 12 post-ICA CAS countries incorporated ICA findings
- **Projects:** 31 (16 active, 15 pipeline) worth \$1.7 billion.
- **Partners:** 16 Private Partners. PDF and Donor Partnerships pay off downstream.
- **Perception:** 24 country dissemination events, 2 regional workshops, extensive press.

The geography of ICA impact



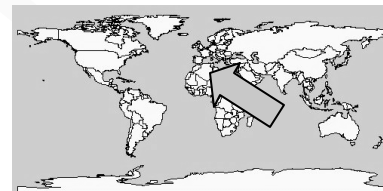
Programs

- Algeria: Land scarcity addressed in CAS
- Pakistan: New IC issues brought into CAS, PRSP priorities
- Moldova: Deregulation and “la guillotine”

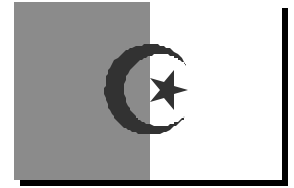
Algeria: ICA highlights land scarcity



- Access to land 3rd biggest complaint of Algerian firms
 - 37% of ICS firms searched for land, average of 5 years
 - Land availability determines location choice for 62% of firms
- Inadequate titling and property rights key reasons for land scarcity
 - Less than 50% of industrial land titled
 - Widespread corruption in allocation of government land



Algeria: CAS addresses land scarcity



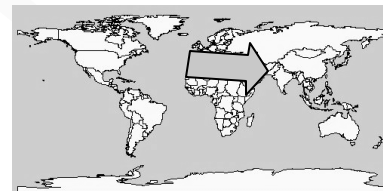
ICA Recommendations incorporated into the CAS

- Increase supply of land by
 - Reforming industrial land markets
 - Increasing supply of available public land
 - Unifying current dual land market
- Review institutional set-up of industrial land development and management to increase participation of private actors

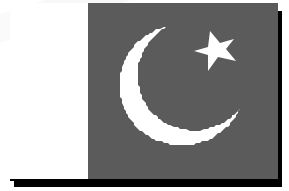
Pakistan: ICA identifies key constraints



- Labor productivity same as Bangladesh, wages 50% higher
- Infrastructure
 - Power supply losses cause average sales loss of 5.6%, 6-7 week wait for new phone line.
 - Calls for PPI (enabling regulations, regulatory reform)
- Trade facilitation: 17 days to clear imports
- Low access of SMEs to formal sector finance
- Undue regulatory burden, esp. on SMEs



Pakistan: Government, WB address key



IC constraints

- 2002 -- Committee on Reforms in Regulatory Legal and Policy Environment took up ICA agenda, introduced labor market reforms
- 2004 CAS Progress Report and PRSP draw from ICA, emphasize “creating a favorable environment for trade and investment”:
 - Open new sectors to private sector, competition
 - Privatize large public enterprises to boost efficiency
 - Increase public investment in infrastructure
 - Modernize and better-administer regulations
 - Reform labor regulations

Moldova ICA: Les Contraintes



ICA identifies key constraints, including:

- Over-regulation and heavy government interference in economic activities, excess inspections, proliferating agency fees, large regulatory compliance costs

Moldova's ICA Follow-up: La Guillotine!



- New CAS triggers for reducing licensing & inspection costs, import clearance time
- GoM Economic Growth and Poverty Reduction Strategy emphasizes investment climate
- New Inter-Ministerial Commission for Deregulation Action Plan prioritizes curtailing inspections and agency fees, simplifying licensing and reporting requirements
- Government applies WB-backed “guillotine approach” to excess, obsolete inspections



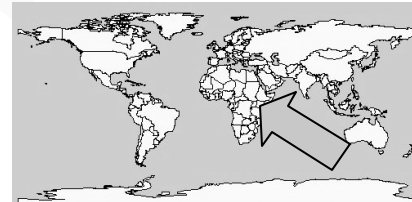
Projects

- Mozambique: PRSC and Joint Donor Review pick up ICA priorities
- Bangladesh: Power Sector Findings Yield WB T.A.
- Uganda: PRSC 2 adopts ICA agenda

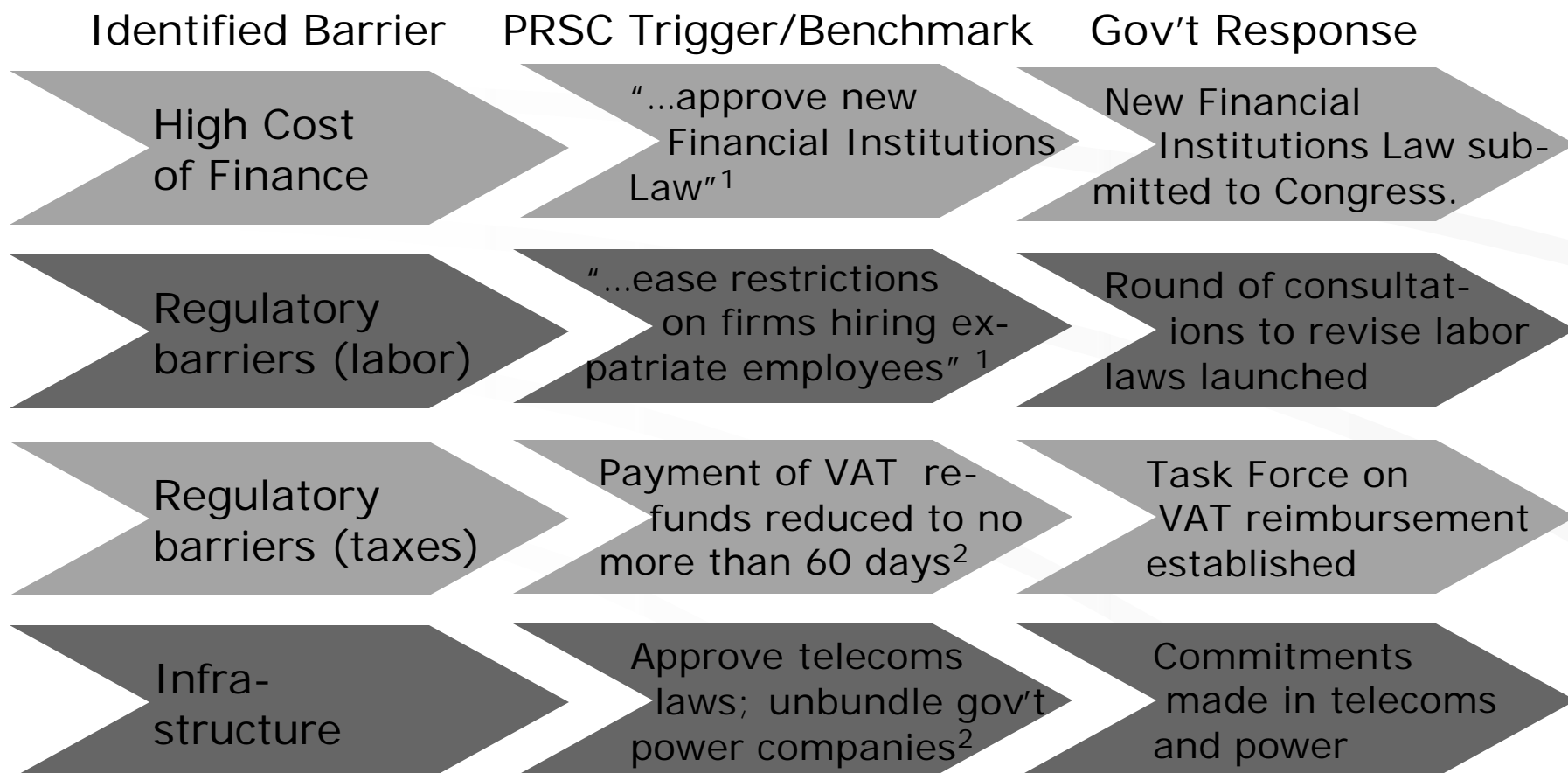
Mozambique: ICA findings shape PRSC



- Despite rapid growth, outside of “mega projects”, private sector struggling. Yet ordinary firms create 100 times as many jobs as mega-projects
- ICA identified 3 key reasons for PSD stagnation:
 - High cost of finance
 - Regulatory barriers in labor and taxes
 - Inadequate infrastructure
- Presented at annual private sector conference, to President, key ministers, 300 private sector participants and donors
- Involvement of private sector partners and country team ensured follow-up



Mozambique: ICA impact on PRSC & JDR



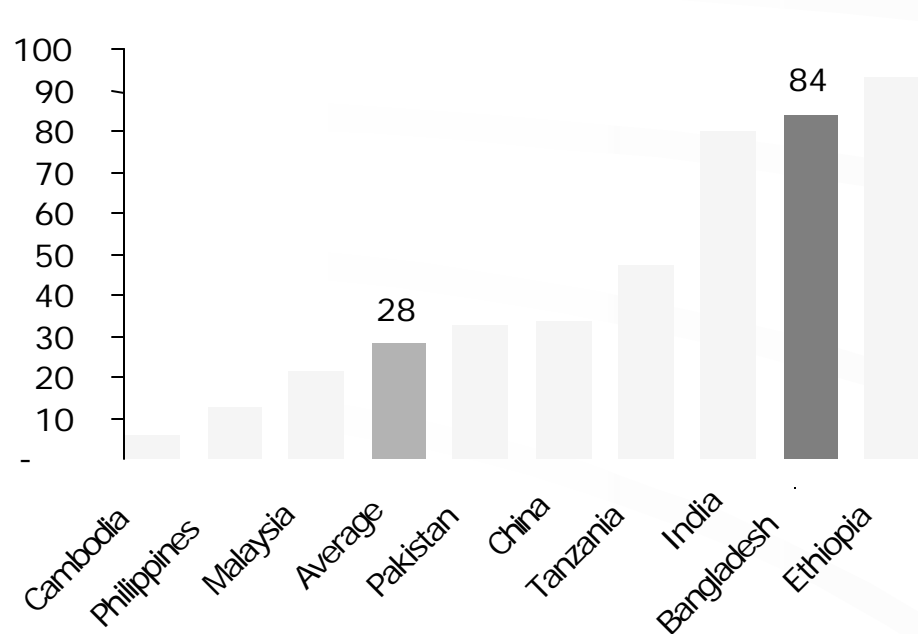
1. Triggers for PRSC2
2. Benchmark in PRSC1

JDR=Joint Donor Review

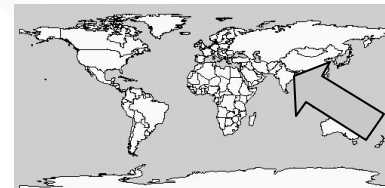
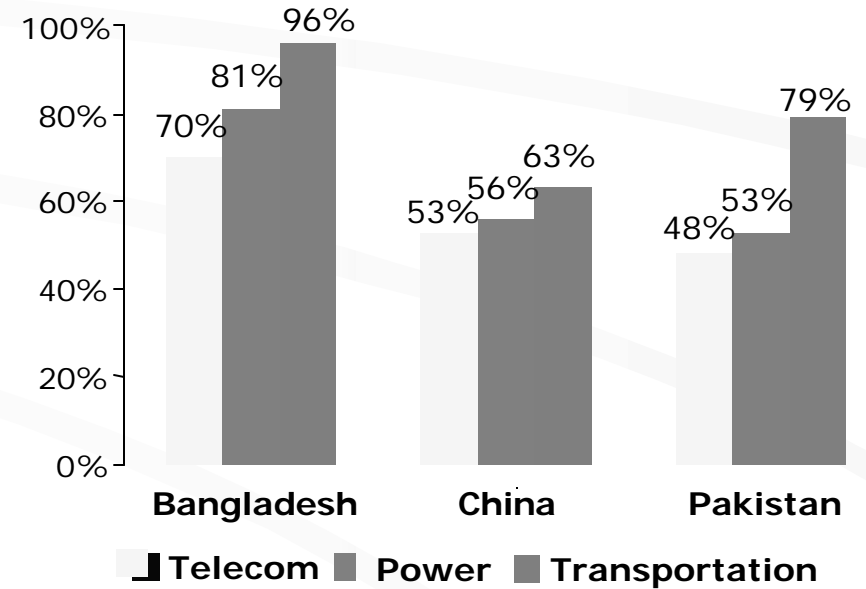
Bangladesh: Power constrains PSD



Delay to obtain an electrical connection (days)



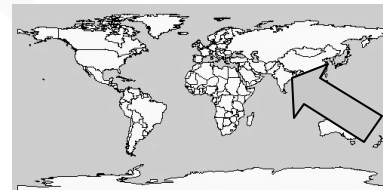
% of firms reporting item is an obstacle



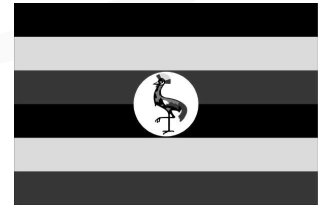
Bangladesh: World Bank Technical Assistance on Power



WB financed Power Sector Development Technical Assistance Project (\$15.5 million) to enhance power supply, address “*erratic and poor quality of electricity supply*” prioritized by ICA.



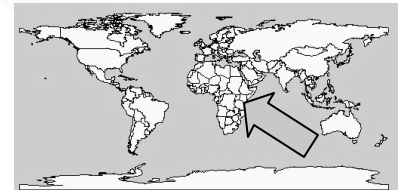
Uganda: From ICA...



**THE
New Vision**
UGANDA'S LEADING WEBSITE

by Sylvia Juuko
2004

“FINANCE obstacles, high tax rates, electricity provision and corruption continue to be some of the major disincentives to private sector investment and growth, a survey of firms has indicated...in an Investment Climate Assessment report compiled by UMACIS...”



...to Action



\$70 million Private Sector Competitiveness Project II components:

1. Improving trade-related services: customs management and admin. of regulations and standards
2. Improving private sector capacity, particularly for SMEs;
3. Improving the competitive investment climate
4. Improving access to finance;
5. Implementation and coordination, including oversight by Private Sector Foundation of Uganda (PSFU)

Source:



Business Bulletin

A Bi-monthly Newsletter of the Uganda Manufacturers Association. Volume 9, No 2 February 1st to 30th 2004

”

Partners

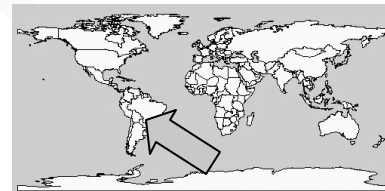
- Bolivia: PDF and Fundes respond to ICA findings on Regulatory Barriers to Entry
- Bangladesh: PDF, DFID follow up
- Nigeria: From diagnostic partnership to project partnership

Bolivia: ICA (2000) found regulatory barriers to entry



“New firms in the sample required an average of four to five licenses and permits. Getting the paperwork done took them 66 days... Some 36 percent contracted a facilitator ... at an average cost of \$3,396.

... [E]stablished firms needed four licenses or permits a year that took 40 days to acquire, and 26 percent contracted a facilitator at an average cost of \$1,730.”

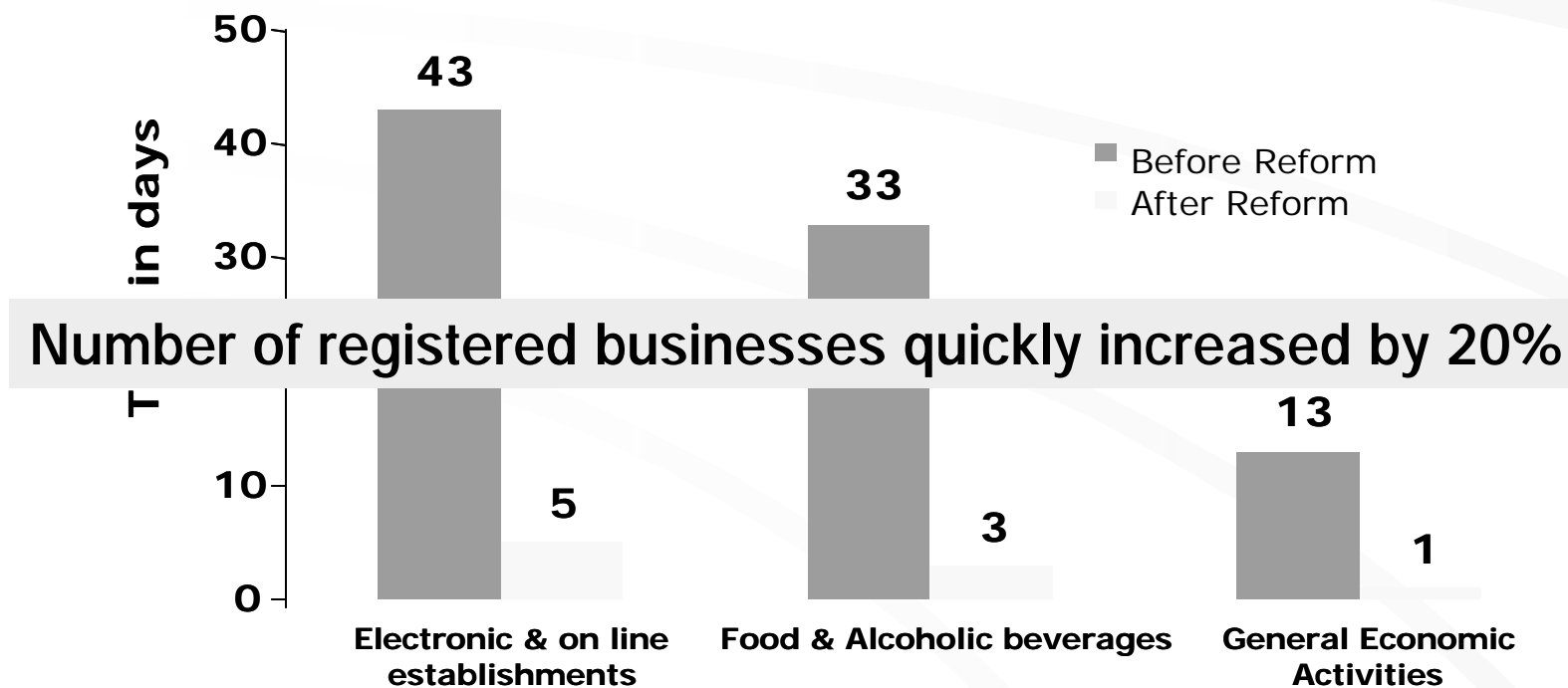


Bolivia: Partners respond to ICA Findings

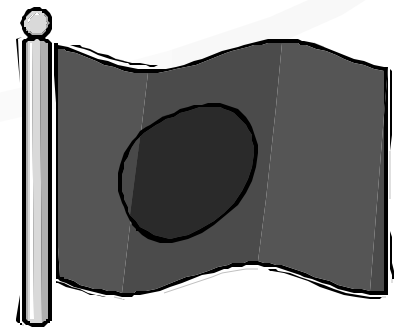


- PDF, Fundes followed up to simplify registration, licensing at municipal level; La Paz results already visible.

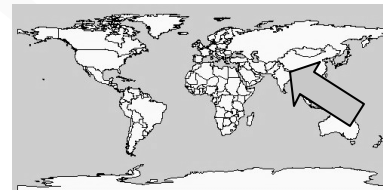
Reduction in official time to start a business



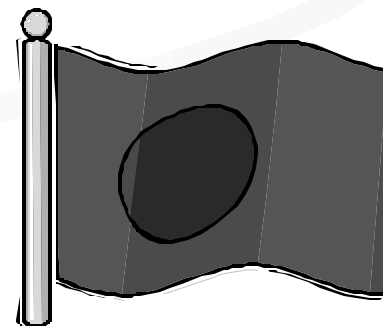
Bangladesh ICA Benchmarks SME Constraints



- Established a baseline/benchmarks
- Showed infrastructure (esp. electricity), corruption, regulation as leading constraints, with finance “looming”
- SMEs disproportionately affected



Bangladesh: PDF, Donor Involvement in ICA follow-up

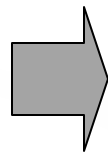


- South Asia Enterprise Development Facility (SEDF) involved from execution to follow-up:
 - Semi-annual panel survey of local SMEs
 - Streamlining of registration, billboards to guide entrepreneurs through start-up and licensing.
 - Help to organize and improve tax treatment of agro-processing sector
- SEDF also supported SME Task Force.
- SEDF and DFID collaboration with WB on regulatory reform follow-up.

Nigeria: From diagnostic partnership...

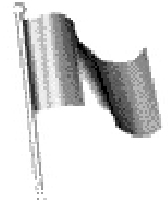


2001/2 ICA
Study:
Low
productivity,
credit
constraints,
policy
uncertainty,
infrastructure



MSME
Diagnostic
Survey: state-
level, focus on
administrative
barriers
Reform agenda
developed by
PSD Forum

...to project partnership.



IFC SME



IFC

MSME

Diagnostic
Survey: state-
level, focus on
administrative
barriers

Reform agenda
developed by
PSD Forum



Micro-, Small &
Medium
Enterprise Project

1. Access to Finance
2. BDS
3. Investment
Climate

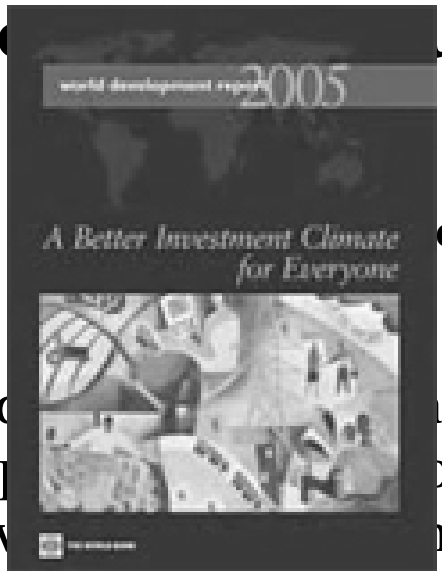


Perception

- Press Coverage of ICAs
- WDR 2005 and related publicity, highlight survey-based lessons

L'investissement, la clef de la lutte contre l'insécurité

FRANÇOIS *A Better Investment Climate for Everyone* **et WARRICK**

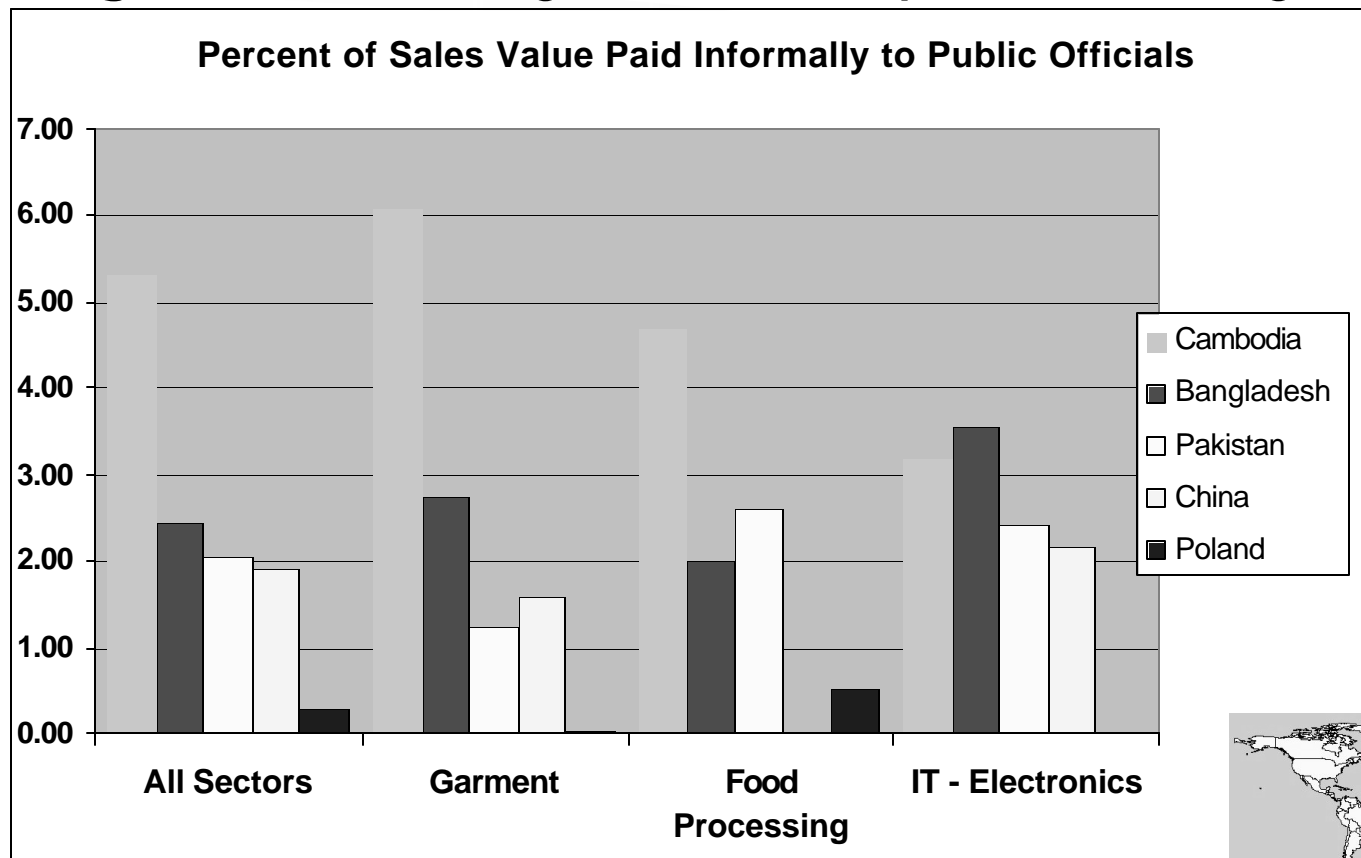


... Les risques d'instabilité macroéconomique et d'insécurité juridique diminuent l'attrait des opportunités d'investissement et contribuent à la frilosité des investisseurs. Les données empiriques montrent les enquêtes menées auprès de 30.000 entreprises réparties dans 53 pays et sur lesquelles s'appuie le rapport. L'instabilité macroéconomique, une réglementation arbitraire et une protection déficiente des droits de propriété ajoutent encore à ces risques...

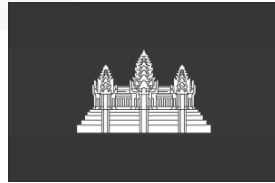
Cambodia: ICA findings bring programs, projects, partners and perception together



ICA identified *weak rule of law, bureaucratic costs, and corruption* as main sources of high transaction costs, huge informality and low productivity.



Cambodia: ICA impact on reform agenda



Phnom Penh Post

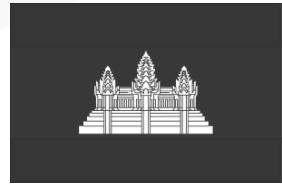
In a speech given August 20 at the seventh Government-Private Sector Forum, [Prime Minister] Hun Sen described trade facilitation as a "top priority and urgent matter," highlighting the importance of changing current customs procedures. ...As part of the streamlining effort, Hun Sen ordered that Customs and CAMcontrol begin joint inspections as of September 1, and that agencies associated with imports/exports take action to reduce paperwork, costs and the number of inspections.

In a 2004 investment climate survey commissioned by the World Bank Group, Cambodian firms identified corruption as the leading constraint to the country's economic growth, with Customs and the judiciary viewed the most negatively in terms of agency integrity.

and international publicity.



Cambodia ICA impact on Bank Group Operations



- Recommendations incorporated into CAS
 - triggers to include trade facilitation, private sector voice, transparency
- IFC announced related US\$6 million credit to ACLEDA Bank for onlending to SMEs and to support Private Sector Forum
- FY05 PSD Investment Credit/Grant to focus on key ICA recommendations, including trade facilitation
- MPDF, Private Sector Forum follow-up

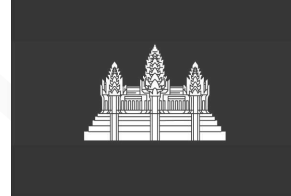
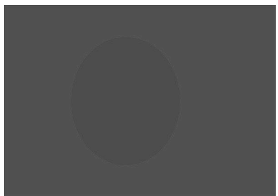
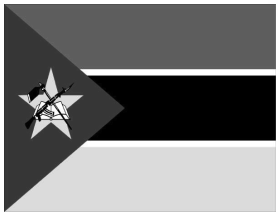
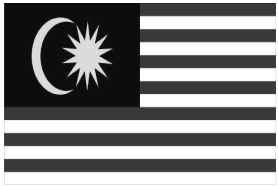
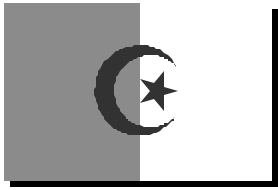
Ways Forward on Collaboration, Stakeholder Involvement to Enhance Impact

- Assuring systematic, up-front engagement of country teams, government, private sector counterparts, potential partners
 - Engaging Regions, Mainstreaming ICA, Getting Strategic/Operational Input and Impact
 - Consulting and Engaging Stakeholders Up Front and in Follow-up
 - Engaging Donors and Mobilizing Resources – Up Front and Downstream

Ways Forward for Scaling Up Impact



- Assuring systematic coverage of IC in CAS, PRSP
- Strengthening policy and operational detail, recommendations of ICAs, sequencing analytic products
- KM: Capturing and disseminating experience, successful approaches – tracking, case studies, training
- Publicity: Magnifying impact through dissemination, public education



IMPACT

How Investment Climate Assessments are Changing the World