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46176

# 2008 ANNUAL REPORT

## FIAS: THE INVESTMENT CLIMATE ADVISORY SERVICE

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FIAS assists the governments of developing countries and transition economies in reforming their business environments, with emphasis on regulatory simplification and investment generation. FIAS relies on close collaboration with its donors and World Bank Group partners to leverage value and deliver tangible results for client governments. FIAS is managed by the International Finance Corporation (IFC) and supported by the Multilateral Investment Guarantee Agency (MIGA) and the World Bank (IBRD). For more information, visit www.fias.net.

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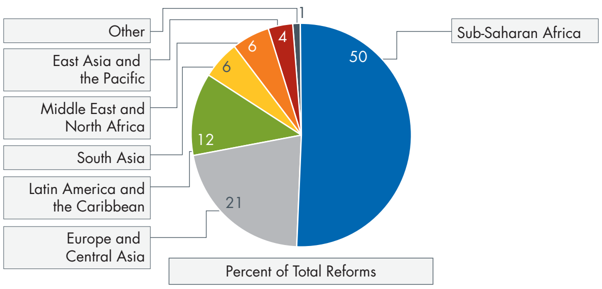
# HIGHLIGHTS

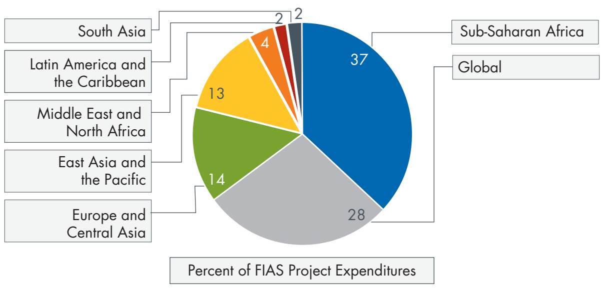
# FIAS AT A GLANCE IN FY08[1]

FIAS focused its efforts on helping clients achieve significant business environment reforms. FIAS supported a total of 108 reforms, many of which contributed to 51 improvements to Doing Business indicators across 23 countries, as reported in *Doing Business 2009*.

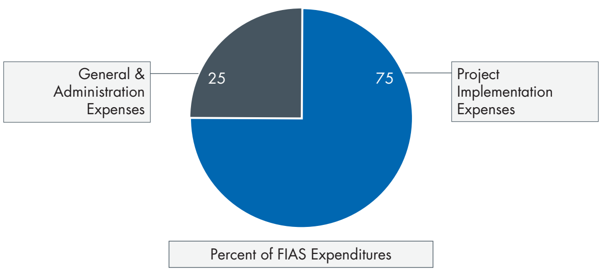
## FY08 Reforms Supported by FIAS (by region)



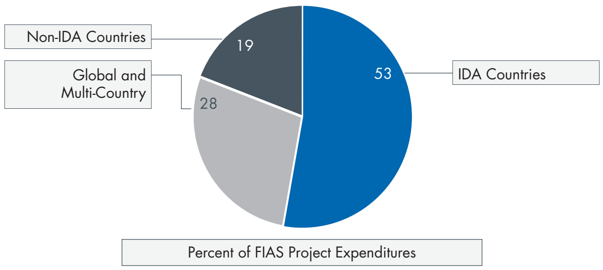

## FIAS Work by Region




## Resources Allocated to Project Implementation




## Focus on IDA Countries




FIAS invested over 50 percent of its resources in IDA countries, and close to 40 percent in Africa. As a result, nearly half of total reforms supported by FIAS took place in Africa.

1 The FIAS fiscal year is from July 1 through June 30.

## Reform Impact

REFORMS SUPPORTED BY FIAS IN FY08

| Region* | Country/Region | TOTAL completed reforms | Starting a business | Dealing with construction permits | Employing workers | Registering property | Protecting investors | Business licensing and regulatory governance | Business taxation | Access to finance | Trade logistics | Investment policy and promotion | Industry competitiveness |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EAP | China | 2 | | | | | | | | 2 | | | |
| EAP | Tonga | 1 | | 1 | | | | | | | | | |
| EAP | Vietnam | 1 | | | | | | | | 1 | | | |
| ECA | Albania | 3 | 2 | | | | 1 | | | | | | |
| ECA | Armenia | 1 | | 1 | | | | | | | | | |
| ECA | Azerbaijan | 6 | 1 | | 1 | 1 | 1 | | 1 | 1 | | | |
| ECA | Belarus | 8 | 3 | | | | | | 2 | 2 | 1 | | |
| ECA | Croatia | 1 | | | | | | 1 | | | | | |
| ECA | Kyrgyz Republic | 3 | 1 | 1 | | | 1 | | | | | | |
| ECA | Serbia | 1 | | | | | | | | | | 1 | |
| LCR | Antigua and Barbuda | 1 | | | | | | | 1 | | | | |
| LCR | Central America Region | 1 | | | | | | | | | | | 1 |
| LCR | Colombia | 8 | 1 | 2 | | | | | 1 | | 1 | 3 | |
| LCR | El Salvador | 3 | 2 | | | | | | | | 1 | | |
| MENA | Egypt, Arab Rep. of | 4 | 3 | | | | 1 | | | | | | |
| MENA | Yemen, Republic of | 2 | 2 | | | | | | | | | | |
| SA | Bangladesh | 4 | 1 | | | 1 | | 2 | | | | | |
| SA | India | 1 | | | | | | | | | | | 1 |
| SA | Nepal | 1 | | | | | | | | 1 | | | |
| SSA | Burkina Faso | 5 | | 1 | 1 | 2 | | | 1 | | | | |
| SSA | Ghana | 1 | 1 | | | | | | | | | | |
| SSA | Kenya | 2 | | | | | | 2 | | | | | |
| SSA | Liberia | 11 | 1 | 2 | | | | | | 1 | 5 | 2 | |
| SSA | Madagascar | 8 | 1 | | | | | 1 | 3 | | | 1 | 2 |
| SSA | Mali | 2 | | | | | | | | | | 2 | |
| SSA | Mauritania | 2 | 1 | 1 | | | | | | | | | |
| SSA | Mozambique | 2 | | | | | | | 2 | | | | |
| SSA | Rwanda | 8 | | 1 | | 2 | | | | | 5 | | |
| SSA | Senegal | 2 | 1 | | | 1 | | | | | | | |
| SSA | Sierra Leone | 4 | | | | | | | 2 | | | 2 | |
| SSA | South Africa | 8 | | | | | | | 8 | | | | |
| | Netherlands | 1 | | | | | | 1 | | | | | |
| TOTAL: | | 108 | 21 | 10 | 2 | 7 | 4 | 7 | 21 | 8 | 13 | 11 | 4 |

*Abbreviations: EAP – East Asia and the Pacific; ECA – Europe and Central Asia; LCR – Latin America and the Caribbean; MENA – Middle East and North Africa; SA – South Asia; SSA – Sub-Saharan Africa.

Reforms supported by FIAS in the areas of starting a business and business taxation gained the most traction in FY08. For instance, the launch of a unified registry database in Belarus reduced the number of procedures and time required to start a business. In South Africa, FIAS supported eight reforms related to business taxation. *(See Appendix 2, p. 64).*

DOING BUSINESS REFORMS SUPPORTED BY FIAS IN FY08*

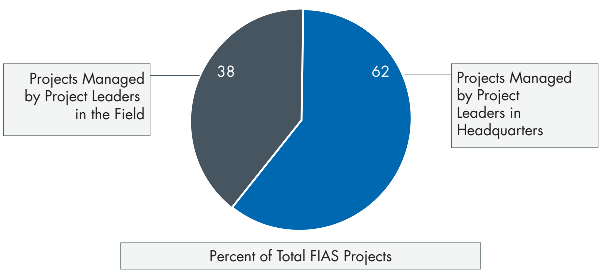
| Region | TOTAL completed reforms | Starting a business | Dealing with construction permits | Employing workers | Registering property | Getting credit | Protecting investors | Paying taxes | Trading across borders |
|---|---|---|---|---|---|---|---|---|---|
| EAP | 3 | 0 | 1 | 0 | 0 | 2 | 0 | 0 | 0 |
| ECA | 16 | 4 | 2 | 1 | 1 | 2 | 3 | 2 | 1 |
| LCR | 7 | 2 | 1 | 0 | 0 | 0 | 0 | 2 | 2 |
| MENA | 3 | 2 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| SA | 2 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| SSA | 20 | 6 | 4 | 1 | 3 | 1 | 0 | 3 | 2 |
| | 51 | 15 | 8 | 2 | 5 | 5 | 4 | 7 | 5 |

* In this table, Doing Business reforms are counted following the Doing Business methodology. The information here is consistent with the information included in the *Doing Business 2009* report.

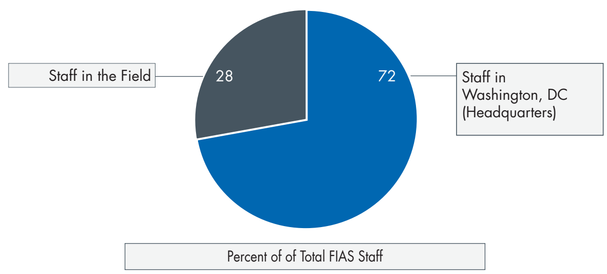
## Decentralized Delivery Model

FIAS continues to shift client management responsibilities to the field to better serve clients' needs. In addition, nearly all FIAS projects are implemented in cooperation with IFC or World Bank units.

FIAS PROJECTS



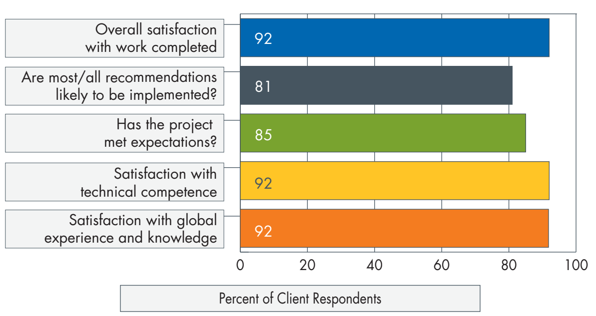

STAFF LOCATION




## Client Satisfaction

In the 2008 IFC Client Survey, 92 percent of IFC Business Enabling Environment clients said they were satisfied with services offered.

IFC BUSINESS ENABLING ENVIRONMENT CLIENT SURVEY 2008




## FY08 Funding and Expenditures

| SOURCES OF FUNDS | In US$ thousands |
|---|---|
| World Bank Group Contributions (Core funding) | 14,000.0 |
| World Bank Group Contributions (Project-Specific) | 3,800.0 |
| Donor Contributions (Core) | 4,309.5 |
| Donor Contributions (Programmatic) | 8,619.8 |
| Donor Contributions (Project-Specific) | 5,525.4 |
| Client Contributions | 128.8 |
| Balance Carry-Forward | 3,031.2 |
| TOTAL AVAILABLE FUNDS | 39,414.7 |

| USES OF FUNDS | In US$ thousands |
|---|---|
| Staff Costs (Incl. consultants) | 19,283.0 |
| Operational Travel Costs | 6,217.0 |
| Office and Equipment Costs | 799.3 |
| Other Operating Costs | 213.8 |
| Other Costs | 1,207.4 |
| TOTAL USES OF FUNDS | 27,720.5 |

Note: World Bank Group contributions include IFC's FY09 contribution of $4 million disbursed in March of FY08.

# FIAS DONORS IN FY08

During fiscal year 2008, the FIAS program received funding from IFC, MIGA, and IBRD, and co-financing or other significant support from the following donors.

- Australia
- Austria
- European Union
- France
- Iceland
- Ireland
- Italy
- Luxembourg
- The Netherlands
- New Zealand
- Norway
- Sweden
- Switzerland
- United Kingdom
- United States

# MESSAGE FROM THE GENERAL MANAGER

Pierre Guislain

At the close of this first year of FIAS' new strategy cycle, I would like to thank our donors and World Bank Group stakeholders for their support in the implementation of our new strategic approach. The global economic slowdown and financial markets turmoil have posed new challenges to our client countries, but they have also underscored the importance of investment climate reforms in maintaining economic competitiveness.

Demand for our advisory services continues to increase, particularly among IDA countries. In Sub-Saharan Africa, for example, FIAS and IFC Advisory Services staff are managing projects involving business environment reform in 35 countries. Our newly formed Doing Business Reform Advisory team advised 31 countries, mostly IDA members, during the past year. Consistent with our strategic objectives, IDA countries now account for more than half of project expenditures.

In conflict-affected countries, another important constituency, there is a growing recognition among governments and donors that private sector development is a critical element in economic recovery. We helped support significant business environment reforms in countries such as Liberia, Nepal, Sierra Leone, and Sudan.

FIAS' work program in FY08 centered on establishing a more agile service delivery capability based around eight products and a focus on actual reform implementation. This product orientation, described in further detail in the next section, enables us to assist clients in addressing key aspects of their business enabling environments and improve their performance in the Doing Business indicators. During the past year and with our assistance, our clients implemented at least 108 reforms, many of which contributed to 51 reforms tracked by the *Doing Business* report. Many notable successes were also achieved in attracting foreign direct investment.

To scale up FIAS' activities in light of this increased client demand, we have expanded our partnerships, both within the World Bank Group and among bilateral and multilateral donor agencies. Our partnership models encompass financial support for FIAS operations, joint development of knowledge and staff resources, and coordination of projects in the field.

For example, our collaboration with IFC continues to intensify as FIAS product teams develop communities of practice with counterparts in the IFC field offices to transfer knowledge and increasingly localize management of field projects. The success of this approach has been validated through three IFC corporate awards which recognized project teams in Liberia, Kenya, and China. We have successfully integrated MIGA's technical assistance unit into FIAS, and are continuing MIGA's work on facilitating foreign direct investment into developing countries. MIGA's online investor information services complement FIAS' advisory services by disseminating information on investment opportunities and successful business environment reforms to a large private sector audience. Cooperation with our World Bank counterparts extends from joint efforts with country teams to identify and implement business environment reforms to collaborative approaches on specialized issues, such as SME taxation reform and implementation of special economic zones.

The Bangladesh Investment Climate Fund (BICF), which FIAS is co-managing with IFC Advisory Services, saw great progress in FY08. BICF is providing real-time support to the government on regulatory simplification and economic zones in particular.

Fourteen bilateral donors and the European Commission have supported FIAS in FY08, providing over $18 million in funding; these contributions leverage IFC, MIGA, and World Bank allocations also totaling close to $18 million. Among our donor partners, the Austrian government has made a major commitment in support of FIAS' investment generation activities, which includes an expanded hub office in Vienna and the secondment of senior staff. DFID and the Dutch government have strongly supported the growth of our regulatory governance capabilities, including via joint teams for knowledge resource development and field project implementation. GTZ and USAID are collaborating with FIAS to develop tailored approaches for supporting private sector development in conflict-affected countries. Italy and Iceland became new FIAS donors in FY08.

For five products, we have established advisory committees comprised of experts from development agencies, academia, and the private sector to provide guidance on the identification of best practices and the development of knowledge resources for field staff. FIAS is also utilizing staff secondments as a tool for sharing knowledge and increasing coordination with donor partners and is currently hosting six donor agency staff members. For example, a staff member from Agence Française de Développement has been seconded to FIAS to help coordinate business law reform in francophone African countries while a FIAS staff member is working in AFD's Paris office.

Field staff members are being recruited or transferred to new hubs in Vienna, Dakar, and Nairobi, continuing the process of staff decentralization that begun in FY07 by adding to our existing hubs in Belgrade, Johannesburg, and Sydney as well as to WBG offices through joint staff appointments.

We look forward to working with our contributors and partners to build on the successful reform results achieved in FY08.

# FY08 RESULTS: NEW STRATEGY SUPPORTS OVER 100 SIGNIFICANT BUSINESS ENVIRONMENT REFORMS

FIAS' new strategy for the FY08-11 funding cycle[2] delivered strong results in FY08 in terms of actual reforms in client countries *(see Appendices 2 and 3)*. The strategy guides the reorientation of FIAS' operation toward assisting clients in designing and implementing meaningful reforms, as reflected in its six key operational themes:

**Delivery of measurable business environment reforms.** The new strategy envisages a shift in operational focus toward reform implementation and away from standalone diagnostic activities. The metrics by which FIAS measures its success increasingly focus on the volume and quality of business enabling environment reforms and investments facilitated, rather than the number of completed projects. During FY08, FIAS standardized its methodology for classifying reforms and formulated a common set of monitoring and evaluation (M&E) indicators for business enabling environment activities (*see Monitoring & Evaluation, p. 31*). These new baseline indicators and monitoring approaches are being integrated into all new projects during the design stage.

**Emphasis on practice areas and products.** FIAS' advisory services offering has been consolidated into eight products within two practice areas, regulatory simplification and investment generation. All products are jointly developed with IFC Advisory Services. FIAS' investment generation practice incorporates the MIGA advisory products as a result of the integration of MIGA's technical assistance unit in FY07. A product leader and team are responsible for continually developing and upgrading each product to reflect evolving client demand as well as changes in best practices, for instance, the use of technology; developing and disseminating knowledge resources to support the product's deployment in projects; and maintaining the quality of service delivery across the organization. (*See FIAS Products, beginning on p. 11.*)

2 See www.fias.net, under Publications.

**New service-delivery model.** FIAS continues to decentralize its operations as part of the strategic shift in its service-delivery model. FIAS hubs have now been established in Vienna, Nairobi, and Dakar to complement the existing field presence in Belgrade, Johannesburg, and Sydney.

The provision of FIAS advisory services is evolving into a two-tier approach: (i) short-term standardized assistance utilizing structured methodologies to promote efficiency and consistency in service delivery, such as the rapid response services offered through the Doing Business Reform Advisory group; and (ii) customized long-term (one to three-year) interventions, which are typically managed by combined project teams comprised of field-based units (mainly IFC) and FIAS product specialists.

**Focus on IDA countries and frontier regions of non-IDA countries.** In concert with the World Bank Group's increasing focus on the world's poorest countries and regions, FIAS' main service priority is IDA[3] countries—recognizing that they have the greatest need for reform and the lowest domestic capacity to create it. This is reflected in FIAS' emphasis on Sub-Saharan Africa and the overall rise in expenditures within the project portfolio for IDA countries and frontier regions of non-IDA countries. Conflict-affected countries also continue to be a priority, with special programs underway to develop and validate service-delivery approaches tailored to the unique challenges for investment climate reform and investment generation within these economies.

**Alignment with partners.** FIAS has entered into strategic partnerships with several bilateral donors to develop service-delivery capabilities in key areas and more effectively serve specific client groups. For example, the partnership with Austria on investment generation supports countries in Eastern and Southern Europe and Central Asia in improving their business climates and enhancing the flow of pro-poor investments; in West Africa, FIAS collaborates with the French government in providing technical assistance to the Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA) countries.[4] FIAS has also diversified

3 The International Development Association, the World Bank's lending arm, serves the poorest countries (countries with gross national income per capita less than $1,095) by providing interest-free credits and grants for programs that boost economic growth, reduce inequalities, and improve living conditions.

4 OHADA provides a common framework for business legislation for 16 African countries.

its collaboration with external partners, drawing on their unique experiences in areas of common interest, such as regulatory governance and business enabling environment reform in conflict-affected countries.

Virtually all FIAS programs are developed in collaboration with World Bank Group partners. In FY08, FIAS established joint ventures with IFC regional departments in the Middle East and North Africa and in Latin America and the Caribbean that involve the joint appointment of Business Enabling Environment (BEE) program managers. These ventures add to existing partnerships in Sub-Saharan Africa, East Asia and the Pacific, South East Europe and South Asia. All regional outposts are managed in conjunction with IFC Advisory Services under joint strategies and work programs.

Many of the product teams within FIAS have also established advisory committees, consisting of representatives from internal and external partners, to guide the progress of product development efforts and provide input to program evaluation.

Internal and external client satisfaction. FIAS' success as a product innovator and integrator of World Bank Group capabilities to support investment climate reform largely depends on meeting the evolving demands of its internal and external constituencies. Increased tracking of client satisfaction will be an important means in evaluating success—of both FIAS' new strategy and its efforts to coordinate service delivery within the World Bank Group to clients seeking business enabling environment reform.

*The following sections, FIAS Products (beginning on p. 11) and Regional Focus (beginning on p. 33), provide detail on how these six themes have been reflected in FIAS' product development and implementation of field projects during the past fiscal year.*

# FIAS PRODUCTS


# BUSINESS LICENSING AND REGULATORY GOVERNANCE

Burdensome regulatory regimes and inefficient government bureaucracies are the two major impediments to healthy and thriving investment climates. Poorly planned and out-of-date regulation places unnecessary demands on business and imposes additional costs that discourage entrepreneurs and inhibit economic innovation. Proper regulation is not overly invasive and works to protect a healthy and competitive marketplace.

FIAS' Business Licensing and Regulatory Governance product aims to create robust marketplaces by helping client countries streamline and eliminate regulations that place unnecessary burdens on business activities. These reforms are designed to create environments less restrictive of business; encourage and increase foreign and domestic investment; increase protection for all citizens; and reduce corruption. In its product approach, FIAS goes beyond cutting the immediate red tape to advise regulators in designing systemic changes that deliver sustainable good regulatory performance.

In FY08, FIAS led or contributed to more than 40 World Bank Group projects with business licensing and regulatory governance activities. FIAS also applied lessons learned from successful programs in Kenya and Croatia to roll out comprehensive business licensing initiatives in **Madagascar**, **Rwanda**, and **Zambia** *(see box on Madagascar project, p. 13)*. The team continued to pilot the Standard Cost Model, a methodology used throughout countries in the Organisation for Economic Co-operation and Development (OECD) and South East Europe to map and measure the administrative burdens imposed on businesses by licenses and other regulatory requirements.[5] FIAS is refining the original methodology to meet the specific needs of client countries. This exercise will develop a rigorous instrument for quantifying burdens and monitoring and evaluating business environment reforms within and

5 The Standard Cost Model methodology developed in the Netherlands consists of: 1) *mapping the administrative burden* to identify all regulations that impose a burden on business and the underlying activities businesses have to perform to comply; and 2) *placing* indicative values on those activities.

across countries. *(See also box on Better Regulation for Growth Program, p. 30.)*

At the government's request, FIAS increased activity in **Kenya** following the country's performance as a top reformer in *Doing Business 2008*. FIAS' work in the country expanded to a full-fledged regulatory reform program including regulatory streamlining and capacity building. The government is in the process of establishing an e-registry for licenses, and three capacity-building workshops were conducted.

In four municipalities in **Serbia** and three municipalities in **Bosnia and Herzegovina**, FIAS and IFC Advisory Services completed the first stage of a pilot project to enhance the business enabling environment and subnational competitiveness. The project has reviewed 1,260 business and civil formalities. More than 400 recommendations for eliminating or simplifying business formalities have been endorsed and adopted by the municipal councils. With the assistance of international experts and advice from the government of the Netherlands, FIAS has adapted and applied the Standard Cost Model to estimate the cost of complying with business formalities in these municipalities. Based on the ex-ante results, these municipalities are targeting a 10 percent reduction in compliance costs for businesses after the reforms are fully implemented.

FIAS has also provided technical assistance and project management support to government reforms in **India**, **Bangladesh**, **Uzbekistan**, **the Russian Federation**, **Haiti**, **Burkina Faso**, **Vanuatu**, and **Bhutan**. FIAS coordinated with World Bank Group units in these countries, contributing project inputs, best practices, and strategic planning. FIAS began discussions with the Danish government to carry out a review of selected aspects of its regulatory reform program, a project similar to one FIAS conducted in the Netherlands in FY07. Early experiences from Timor-Leste and Sudan suggest that business licensing reforms can offer an appropriate platform for investment climate reforms in conflict-affected countries.

### Reforming the Business Licensing Regime in Madagascar

While Madagascar has generally not been an easy place for either local or foreign investors to launch and grow a business, the government's strong commitment to improving the investment climate is prompting positive change. During FY08, FIAS assisted the Malagasy government in significantly reforming its business licensing regime.

FIAS helped the government conduct the country's first-ever comprehensive national inventory of business licenses. The inventory identified a total of 206 licenses issued by 48 agencies and indicated that current licensing practices impose administrative burdens to the private sector of $10 million and 400,000 cumulative weeks of waiting time per year. In response to these findings, the government has embarked on a program of broad-based reforms and committed to a 30 percent reduction in the overall administrative burden of the licensing regime by the end of 2009. Preliminary results include a revision of the investment law stipulating that all permits, agreements, and licenses granted by the Economic Development Board of Madagascar should be delivered within 20 days.


# BUSINESS TAXATION

FIAS helps to improve the business enabling environment by reducing the time and financial cost that firms incur in complying with tax rules. A country's tax structure is a defining element of the national investment climate. Effective tax policies provide governments with instruments to address income inequities. Yet traditional technical assistance has focused on the implementation of revenue-generating mechanisms, while largely neglecting the impact of the tax system on investment and economic growth.

Only 5 percent of the taxable base complies with fiscal obligations in developing countries, according to OECD estimates. Cumbersome tax structures create a drain on investor time and resources and act as a disincentive to participation in the formal economy. As a result, investment drops and economic growth suffers. By streamlining tax systems, FIAS helps governments bring firms into the formal economy, encourage foreign direct investment (FDI), widen the tax base, and lower the per-business costs of tax compliance.

In FY08, the Business Taxation product team addressed rising demand for rapid-response, small, and focused interventions. The initial product offering had envisaged large, multi-faceted programs that would allow clients, internal stakeholders, and program managers use of all technical tools within FIAS' tax simplification services: tax incentives, subnational tax licenses and fees, tax legal reform, tax procedural simplification, and tax reform for small and medium enterprises (SMEs). This year FIAS began offering an à la carte menu of services from which clients may choose differentiated levels of intervention. Services include: mathematical simulations that demonstrate the financial burden of individual tax law; assessments of the time and expense of a country's procedures for tax collection; and determination of the tax level that will encourage the largest number of firms to comply with tax law.

In the past year, FIAS' Business Taxation product contributed to significant accomplishments in some of the world's poorest countries. In **Madagascar**, FIAS and the International Monetary Fund (IMF) advised the government in developing new legislation. The 2008 Finance Law reduces the number of taxes from 26 to 14 by merging various instruments into one income tax and eliminating levies such as the professional tax, transaction tax, and tourism-related fees. It also reduces the income tax rate from 30 to 25 percent. Following these reforms, FIAS began working with the government to simplify tax compliance requirements for small businesses, which will encourage more small firms to leave the informal sector, thus spurring their growth and broadening the tax base.

In **South Africa**, FIAS supported the government as it continued progress in dismantling an old economic system based on import substitution, high tariffs, subsidies, and widespread government intervention. Regulators reduced the corporate tax rate from 30 to 29 percent, which resulted in tax relief of $255 million per year. In October 2007, secondary taxes on companies were cut from 12.5 to 10 percent. Secondary taxes on companies are slated to be replaced with a dividend tax.

To sustain cutting-edge relevance and quality, the product team established an advisory committee, including representatives from the World Bank, the IMF, Deutsche Gesellschaft fur Technische Zusammernarbeit (GTZ), the OECD, the British Department for International Development (DFID), and the French Ministry of Finance. Through regular consultations, the advisory committee provides expertise, strategic guidance, and quality control in support of FIAS' tax product development.

FIAS began representing IFC on the International Tax Dialogue Steering Committee, a collaborative arrangement between the World Bank, IMF, Inter-American Development Bank, OECD, and United Nations. The steering committee is designed to foster discussion of tax matters among national tax officials, international tax organizations, and other key stakeholders.


## Simplifying Business Taxation in the Republic of Yemen

FIAS is collaborating with IFC, the World Bank, and the IMF to provide targeted services within the broader framework of the Republic of Yemen's ongoing initiative to improve the investment climate. FIAS' efforts in FY08 focused on three areas: simplifying the tax system, easing business start-up, and improving the country's capacity to attract foreign investment.

Working in partnership, FIAS and IFC's Advisory Services in the Middle East and North Africa developed a two-phase tax simplification program following a request in November 2007 from the government and key members of the private sector to assist the Tax Authority and Ministry of Finance in the design and implementation of necessary tax reforms. Within one week, the team launched the program's initial 18-month phase focusing on tax policy and tax administration. Results from the initial stage included a new draft of the income tax code, a compliance cost survey, and benchmarking of tax compliance costs and procedures. The second stage will develop a new SME tax system and overhaul the tax administration architecture.


# SECURED LENDING

Effective secured lending laws are a crucial component of a healthy business climate. In their absence, entrepreneurs are unable to leverage their assets into capital for investment. FIAS' Secured Lending product team works to foster the use of movable assets such as livestock, cash flow, and equipment as collateral in exchange for loans. FIAS, jointly with IFC's Access to Finance business line, supports the development of a well-functioning secured lending framework through a delivery model that focuses on harmonizing laws, building electronic registries, streamlining registration processes, and eliminating unnecessary paperwork.

In FY08, the team achieved significant results in **China**, **Vietnam** *(see box, p. 17)*, and **Nepal** and initiated projects in **Ghana**, **Senegal**, **the Lao People's Democratic Republic**, **Azerbaijan**, and the **Republic of Yemen**. In addition, FIAS is developing a toolkit for project managers and reform implementers (to be published in FY09) that compiles international best practices in handling secured transactions.

In **China**, FIAS and IFC Advisory Services helped the People's Bank of China establish the first nationwide, electronic, online receivables registry, which launched in October 2007. As of January 15, 2008, the registry had recorded 10,469 new entries. By the end of June 2008, total new entries had increased to over 20,000 registrations, representing loans with an aggregate value estimated at over $300 billion.

An agreement was reached with the government of **Nepal** outlining the implementation timeline for an electronic nationwide collateral registry. The registry will be established on a public-private partnership basis with the Ministry of Finance and the Credit Information Bureau. The impact of the registry on credit volumes is expected to be significant. According to a survey of lenders, within five years of inception the registry is expected to receive 11,500 new loan registrations.

## Secured Lending in Vietnam

Accessing credit continues to be a binding constraint for entrepreneurs and the burgeoning sector of smaller businesses in Vietnam. Donor reports estimate 20 to 40 percent of households and small firms do not have access to formal financing channels. In September 2006, FIAS and IFC Advisory Services responded to a request from the government of Vietnam to streamline the country's secured transactions laws and registry. This effort resulted in a three-point improvement on the Doing Business "getting credit" indicator in the Legal Rights Index, raising the Vietnamese legal framework on par with the OECD average. Vietnam's "getting credit" ranking in the *Doing Business 2008* report improved from 80 to 48 among 178 countries. As a result of the law, any asset could legally be used as collateral, creditors would be better able to assess the risk profile of their lending portfolios, and all conflicting legislation was repealed.

In FY08, FIAS worked to maximize the impact of these new laws by supporting the implementation phase. With the new policy framework in place, the project's primary focus has become streamlining the administrative operations of the National Registration Authority for Secured Transactions. Currently, registration documents are still stored in paper form and have not been unified into a single electronic system. Registrars can exercise some discretion in examining applications for registration, contrary to international best practices. Certain procedures continue to discriminate against certain types of users, particularly occasional registrants. A survey conducted by the FIAS-IFC Advisory Services team and the Vietnam Bankers' Association also indicated that many banks continue to complain about the onerous and time-consuming nature of registration, which may take up to six days due to excessive requirements.

Significant progress has been made in redesigning the registry. The new electronic registry is expected to be operational in FY09, reducing registration time from six days to six minutes. In addition, ongoing specialized workshops and seminars are being conducted to help Vietnam's financial sector build capacity, learn risk-management techniques, and structure new products.

# TRADE LOGISTICS

Faster, leaner, and more responsive supply chains are essential for businesses to survive in a competitive and globalized world. Firms increasingly use global sourcing strategies that require flexible, speedy, and cost-effective solutions. This demand has energized governments to make world markets more accessible by improving their trade logistics services and providing efficient, easy, and accountable import and export procedures.

FIAS launched its Trade Logistics product in July 2007 in response to client requests for specific solutions in this area. Its mission is to reduce the total time and cost for firms to import and export in client countries by helping their governments develop efficient trade logistics systems and services. The product is typically implemented in two phases within the client country. The first phase delivers quick reforms that aim to improve the country's performance as measured by the Doing Business "trading across borders" indicators. The second phase generates deeper systemic reform to build sustainable trade supply chains. This strategy depends on close collaboration with key partners, including World Bank Group units, client governments, donors, international and regional agencies, nongovernmental organizations, and members of the private sector. The product's ultimate impact is demonstrated in increased investment in tradeable goods sectors, increased share of exports, and the creation of productive jobs.

FIAS typically advises governments on four types of trade logistics solutions: simplifying and harmonizing procedures and documentation; implementing electronic processing and automation and developing "single window"[6] systems; introducing risk management in border inspections and clearance; and improving the capacity of customs and technical control agencies in client countries.

6 "Single window" is a system that allows parties involved in trade to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once (adapted from UN/CEFACT).

In FY08, FIAS' trade logistics team focused on the launch of its initial pilot programs in **Rwanda** (*see box, below*) and **Liberia** (*see box, p. 48*). In less than 10 months, the projects generated a total of 21 improvements that could lead to potential reforms (11 improvements in Liberia and 10 in Rwanda), resulting in immediate and significant progress in the trade logistics supply chains for business in both countries.

The trade logistics team also organized a very well received conference, "*Building Competitive Trade Logistics for Global Markets*," held in May 2008 in Washington, D.C. More than 135 World Bank Group staff participated in the event, which featured presentations from several developing and OECD countries. World Bank Group and IMF colleagues, practitioners, and private sector experts participated in presentations and discussions on several practical topics, including: how to achieve sustainable reforms by addressing inefficiencies in international supply chains that can have multiplicative impacts on global trade networks; the powers and limitations of automation; risk management approaches; and important considerations in outsourcing logistics functions.

## Improving Cross-Border Trade and Logistics in Rwanda

Following the cessation of four years of conflict in 2000, Rwanda experienced rapid growth and is transitioning into a period of stabilization. With current economic growth around 6.4 percent per year, the government is making long-term commitments to improve the investment climate by reducing the costs of doing business, promoting competitive markets, and supporting the private sector. Moreover, Rwanda's entry into the East African Community and the Common Market for Eastern and Southern Africa brings it closer to fulfilling its potential as a regional trading hub.

Despite efforts to integrate with global markets, cross-border trade in Rwanda has been mired in bureaucratic red tape and excessive regulation. The *Doing Business 2008* report ranked Rwanda as the twelfth worst country in the world for trading across borders. On average, goods passing through Kenya's nearby port of Mombasa required 47 days to export and 69 days to import. Approximately 60 percent of the transit time was consumed by procedural delays involving documentation, clearing customs, and other regulatory compliance.

Rwanda's largest exports—tourism services, coffee, tea, tin, and horticultural products—need competitive supply chains to thrive in export markets; these goods and services are time-sensitive and buyers increasingly use global sourcing strategies that rely on just-in-time quality products. Demand from private businesses to streamline regulatory procedures, limit excessive physical inspections, and reduce endless documentation has mobilized Rwanda's government to improve its trade logistics services.

The government initially requested assistance in November 2007. FIAS conducted a detailed analysis of Rwanda's trade facilitation practices and recommended a series of reforms. To date, the government has implemented 10 improvements to reduce procedures, improve payment systems for trade, increase cost savings for firms, and introduce risk management in border inspections and clearance. Rwandan customs officials implemented automatic cancellation and validation of transit bonds, releasing money to businesses that would otherwise be tied up in paperwork. Rwanda also implemented a risk-based inspection and clearance regime that reduces the number of unnecessary border inspections.

# DOING BUSINESS REFORM ADVISORY

Doing Business Reform Advisory focuses on helping governments design and implement reform agendas to improve their business environments as measured by the Doing Business indicators. It provides prompt assistance to governments in enacting policy reforms. In delivering its services, the advisory team collaborates extensively with the Doing Business team, other FIAS product teams, IFC Business Enabling Environment regional teams, and other World Bank Group units.

**Strong demand.** Between October 2007 and June 2008, the team received more than 40 government requests for reform assistance. Requests came from all regions and countries. At the year's close, the group was working on 31 active projects.[7]

**Focus on IDA countries.** Of the 31 active projects, 64 percent are in IDA countries. Most IDA countries requesting assistance completed more than three reforms in FY08. **Liberia** and **Burkina Faso** each implemented reforms in four Doing Business areas. **Azerbaijan**—another IDA country—was the top reformer in *Doing Business 2009*, with seven implemented reforms. *(See also box on Mauritania project. p. 21.)*

Doing Business Reform Advisory also channels significant resources into helping countries with the lowest *Doing Business* rankings. Among countries requesting assistance, 71 percent rank in the bottom half of the Doing Business indicators, such as Madagascar, Burkina Faso, Senegal, and Timor-Leste. Conflict-affected countries also feature among those striving to reform. Rwanda and Liberia, for instance, were two of the most successful African reformers in the past year.

**More than 50 reforms in nine months.** Strong demand for Doing Business Reform Advisory assistance and government commitment to reform resulted in more than 50

7 In order to be considered an "active project," the Doing Business Reform Advisory team must have completed at least one mission to discuss reforms and delivered to the requesting government either a memorandum outlining reforms or an action plan specifying reform activities.

reforms, completed with assistance from the team and in collaboration with other World Bank Group partners in FY08. Twenty reforms were in Sub-Saharan Africa. In FY08, the Doing Business Reform Advisory team assisted seven client countries ranked among the world's top 10 reformers in *Doing Business 2009*: Azerbaijan, Albania, the Kyrgyz Republic, Belarus, Senegal, Burkina Faso, and Colombia.

In **Azerbaijan**, the team partnered with IFC Advisory Services and the World Bank to advise the government on reforms impacting several indicators. As a result of this collaboration, the government restructured the labor market to make it more flexible for job entrants, tightened corporate governance requirements for large firms, and broadened the scope of information the credit bureau makes available to banks, increasing funds available to businesses. The government also cut unnecessary steps in property registration and introduced online filing for taxes. A new one-stop shop for business start-up streamlined the process in Baku. In the first four months of operation, registrations jumped 40 percent.

**Colombia** is among the top 10 *Doing Business* reformers for the second year in a row. Since December 2007, the Doing Business Reform Advisory team has been assisting the Colombian government in its continuing efforts to reform. After the Doing Business Reform Advisory team delivered a reform memorandum and the subnational *Doing Business in Colombia* report was launched, the government formed five working groups and concentrated on pushing through key reforms. By June 2008, Colombia reduced the time and cost to register a firm, cut the time to obtain a construction permit by 32 days (from 146 to 114), streamlined export and import processes (time decreased by 10 and 5 days respectively), and made paying taxes easier: an entrepreneur now files 31 instead of 69 annual tax payments, in large measure due to online filing and payment.

## Doing Business Reform Advisory: Quick Results in Mauritania

In late 2007, Mauritania's Ministry of Private Sector Promotion set its sights on two strategic development goals: to increase the number of new firms setting up in the country and to improve Mauritania's ranking on the Doing Business indicators. The goal was to change the mindset in Mauritania so that entrepreneurs would face fewer obstacles when starting and operating their businesses. In October 2007, the Ministry contacted the World Bank Group requesting assistance. Based on the findings of the *Doing Business 2008* report, FIAS' Doing Business Reform Advisory group drafted a memo with specific recommendations on how Mauritania could improve its business environment. Within eight months, the government had passed its initial set of reforms.

Three main areas have been improved. The process to formally register a business in Nouakchott is simpler due to a governmental decree streamlining the steps required for non-exporting companies. Smaller firms no longer need apply to the Ministry of Economic Affairs and Development to benefit from the incentive regime of the investment code, a process which typically required 45 days for application processing. The government also passed a new building code to better regulate new construction. The law establishes a single window for processing building permits and sets statutory time limits for their approval. The law also limits the number of agencies from which builders must seek approvals. A new finance law lowered the minimum turnover tax.

*See information on Doing Business Reform Advisory projects in other countries: Albania (p. 36); Burkina Faso (p. 47); Egypt (p. 42); Liberia (p. 48); Rwanda (p. 47); and the Republic of Yemen (p. 41).*

# SUBNATIONAL DOING BUSINESS

Subnational Doing Business projects apply the Doing Business methodology at the local level, measuring whether local government regulations and practices enhance or restrain business activity in selected cities within a particular country or region. Subnational rankings foster competition among cities to improve their business environments and to reform. This is increasingly important in a globalized world where specific locations rather than countries lure investors. FIAS' Subnational Doing Business team assists client countries in three stages: by investigating the regulations using the Doing Business indicators; by identifying the bottlenecks firms face in setting up and operating; and finally, by providing recommendations for reform and promoting local and international best practices. Subnational *Doing Business* reports guide policymakers throughout the regulatory reform cycle and are well suited to address problems of frontier regions.

In FY08, FIAS published subnational *Doing Business* reports for **Morocco**, **the Arab Republic of Egypt** *(see p. 42)*, **Colombia** *(see p. 40)*, **China** *(see p. 35)*, **Nigeria** and **the Philippines**. Subnational projects were in progress in **India**, **Mexico**, **Pakistan**, **Russia**, and **Ukraine**. In South East Europe, FIAS launched a multi-country, subnational project providing comparable city-level data and identifying reforms that can improve competitiveness in a region becoming increasingly integrated into the European economy. *(See box, p. 23.)*

In planning and launching these projects, FIAS has made a concerted effort to ensure their sustainability. For instance, in **Mexico**, FIAS provided support to a local think tank, the Instituto Mexicano para la Competitividad. In the fall of 2008, the institute will publish the third *Doing Business in Mexico* report, marking the first time the Doing Business methodology has been transferred to a local strategic partner. In the Philippines, FIAS and IFC Advisory Services partnered with the Asian Institute of Management to produce the first *Doing Business in the Philippines* report.

During FY08, the product team implemented a knowledge management strategy to roll out the subnational Doing Business product globally and share information with practitioners. The new strategy focused on the development of the subnational Doing Business Web site (www.doingbusiness.org/subnational), which made subnational reports and data easily accessible. The Web site not only provides clients and researchers with the opportunity to browse information about procedures and rankings in over 230 measured cities, but also allows them to simulate the impact of proposed reforms. The Web site will be used to disseminate information about new subnational projects and tools. The team also developed "Subnational To Go," a resource guide for practitioners of the subnational Doing Business methodology. This tool aims to strengthen their capacity to manage subnational projects. It compiles project-related best practices and lessons learned and contains chapters on project design and implementation and sample project documents.

### Highlights of Selected Subnational Doing Business Projects in FY08

***Doing Business in Nigeria*** covers 10 states and Abuja in four areas of regulation: starting a business, dealing with construction licenses, registering property, and enforcing contracts. Key findings include:

- Registering a business became significantly easier across Nigeria, thanks to computerization of the registry, establishment of zonal branches of the Corporate Affairs Commission and new Stamp Duty Offices.
- Enforcement is a significant factor to delays in recovery of commercial debts among all states. Typically, court performance is better in states such as Abuja, Kaduna, and Lagos that have implemented the new High Court rules.

***Doing Business in the Philippines 2008*** covers 21 cities and three areas of regulation: starting a business, dealing with licenses, and registering property. Key findings include:

- City regulations and the interpretation and implementation of national laws vary greatly, thereby constraining or promoting local business activity. Property transfer takes 21 days in Mandaluyong compared to 43 days in Mandaue. Similarly, to build a warehouse and connect basic utilities requires 23 procedures in Taguig compared to 33 in Mandaue and Pasig.
- Starting a business in the 21 cities takes an average of 18 procedures (11 by the national government and 7 at the local level).

***Doing Business in South East Europe 2008*** compares business regulations in 22 cities in seven economies in four areas: starting a business, dealing with licenses, registering property, and enforcing contracts. Key findings include:

- Despite a similar regulatory framework for property registration across the region, the time, cost, and number of procedures vary due to local administrative practices and taxes. People from the seven economies covered in the report spend four times longer than Slovenians or Bulgarians and pay six times more than entrepreneurs in Poland to transfer a property title.

# INVESTMENT POLICY AND PROMOTION

FIAS' Investment Policy and Promotion product takes a two-step complementary approach in assisting countries with their efforts to attract global investors. One dimension focuses on establishing an effective legal, policy, and institutional framework to support investment generation. The second dimension targets increased investment through marketing of the location's competitiveness, including the improving business climate. Thus, FIAS' Investment Policy and Promotion product aims to not only strengthen the investment policy environment in client countries, but also to enable their governments to effectively market the benefits of new investment policies and other reforms to prospective investors.

Following the restructuring in early FY08 that integrated MIGA's technical assistance unit with FIAS, the product team focused substantial effort on integrating the policy and promotion functions and developing a range of new services and products. In addition, FIAS has expanded the scope of its investment policy and promotion activities through the newly established Investment Generation program office in Vienna. FIAS is also developing a new FDI indicator—piloted in some 20 countries—that will measure the openness of countries to FDI, thereby creating the transparency necessary to stimulate investment climate reforms. The indicator is designed as an easy-to-use reference for policymakers, analysts, and investors. Its information on foreign ownership restrictions, pre-establishment procedures, access to arbitration, currency convertibility, and repatriation of profits is particularly relevant for potential foreign investors.

During FY08, FIAS' portfolio of investment policy and promotion projects was substantially renewed with the influx of 20 new projects, increasing total volume from 15 to 26 projects and shifting the emphasis toward new projects in IDA countries. For example, FIAS has been working with the government in **Rwanda** to develop an effective and targeted FDI strategy; in **Bangladesh**, to support reform of the Board of Investment and the Bangladesh

Export Processing Zones Authority; in **Uganda**, to support targeted sector outreach and marketing initiatives; and in **Indonesia**, to help establish a new office in Aceh for investor outreach. During FY08, the Investment Promotion and Policy team also reviewed and made recommendations for upgrading the FDI legal framework in **Indonesia**, **Libya**, **the Republic of Yemen**, and **Liberia**.

Several ongoing FIAS programs gained momentum in FY08. The Invest in the Western Balkans (IWB)[8] team played an active role in helping the government of **Croatia** secure an $8 million investment from Oberndorfer, an Austrian construction materials manufacturer. The company built a new plant in an industrial zone approximately 60 kilometers outside Zagreb in the city of Siska. In **the former Yugoslav Republic of Macedonia**, the marketing strategy and outreach support provided by FIAS promoted the country's advantage as a regional hub for automotive production.

FIAS' e-learning course, "Managing Effective Investment Promotion Campaigns," sustained its early success. The proliferation of investment promotion agencies (IPAs) and high staff turnover continue to drive strong demand for professional training in investment promotion. FIAS partnered with the World Bank Institute in 2005 to provide a free internet-based curriculum for investment promotion practitioners. An active pool of course moderators, who work directly for an IPA, the World Bank Institute, or FIAS, provides online coaching for students, thus maximizing the curriculum's relevance and efficacy.

In FY08, district and state officers from **India**'s state of Orissa used their e-learning course training to set up an IPA and develop a sector promotion strategy and promotional materials. In **Rwanda** and **Uganda**, the e-learning curriculum is being integrated into FIAS' broader reform work. The newly created Investment Promotion Institute of **Cyprus** began independently organizing an e-learning training session for its staff with one of the FIAS e-learning course moderators.

In **the Philippines**, FIAS helped the Board of Investments design and implement a strategic investor aftercare program to start building long-term relationships with key investors. The program targets both investors with the potential to expand their Philippine operations and those at risk of reducing their current investment level in the country. Since the program was established, the Board of Investments has been working closely with about 50 of the country's largest foreign investors and has identified a pipeline of potential investments worth an estimated $1 billion. In FY08, a number of these companies announced additional investments: Germany's DEDON group invested $2.4

8 The IWB program, based in Vienna, supports investors in search of business locations, partners, and sector-specific information about the Western Balkans region. IWB serves investors as they work through all stages of the investment process.

### Bogotá Drives Foreign Investment into Colombia

For years, Colombia has been looking to overcome misperceptions abroad and attract international investors. Despite a vibrant real estate industry and a booming stock market that jumped fourteenfold between 2001 and 2007, investors remained skeptical. FIAS programs, beginning with the efforts of MIGA's technical assistance unit prior to its integration with FIAS, have worked to change perceptions among investors by promoting the country's well-trained work force, natural resources, prime geographic location, and openness to market economics.

In 2006, FIAS helped the municipal government of Bogotá and the Bogotá Chamber of Commerce complete the successful launch of Invest in Bogotá, now one of Latin America's most active subnational investment promotion agencies. Since its launch, Invest in Bogotá has drawn global attention to Colombia, including coverage in both the *New York Times* and *FDI Magazine*. In its first 18 months, Invest in Bogotá facilitated $140 million in foreign investment commitments in hotels, call centers, and manufacturing. When these investments become fully operational, they are expected to create 2,165 technical jobs.

During FY08, FIAS helped Invest in Bogotá complete five outreach campaigns targeting international investors in four industries: call centers, medical devices, automobile parts, and pharmaceuticals. As a result, the pipeline of potential investment projects grew at a rate of 10 percent per month.

million in its furniture manufacturing facility in Cebu; Nanox Philippines, Inc., invested $40 million in a semiconductor project in the Clark Special Ecozone; and the IndoPhil Group announced its decision to maintain investment in the Philippines, dropping plans to relocate abroad.

In **Serbia**, FIAS continued to work with the European Agency for Reconstruction to increase FDI inflows and accelerate the country's transition to a market economy. During FY08, FIAS assisted the Serbian Investment and Export Promotion Agency in developing an operational and marketing plan to implement the country's strategy to attract foreign investment. FIAS provided technical assistance in the areas of marketing, finance, operations, and human resources to 30 companies working to become suppliers to multinational companies based in Serbia.

FIAS assisted in organizing the first-ever "Meet the Buyer" event in Belgrade, which brought together 15 multinational corporations operating in Serbia—including Coca-Cola, Telenor, Ball, Gorenje, Siemens, General Motors, Kentucky Fried Chicken, and U.S. Steel—and more than 100 Serbian SMEs from a range of key sectors. The event provided opportunities for the multinationals to showcase their sourcing requirements to potential Serbian suppliers. An exit poll showed that each multinational had arranged 10–20 potential business meetings with Serbian firms. FIAS also trained 40 economic development staff from 29 municipalities, three regional agencies, and two local non-governmental organizations in Serbia on investment promotion and investor facilitation issues. To help ensure sustainability, 12 local experts were trained to provide instruction to new municipal economic development staff.

# INDUSTRY COMPETITIVENESS

Micro policy and enforcement issues affecting product market competition are often industry-specific in nature. Although these issues, such as product standard specifications, import policy distortions, and constraints to competition, can play a critical role in the reform agenda, they may be underestimated or overlooked when priorities are set. FIAS' Industry Competitiveness product addresses this gap by identifying and prioritizing the main policy, regulatory, and legal issues through an industry-specific lens, focusing initially on the tourism and agribusiness sectors. This product approach brings together the regulatory simplification and investment policy and promotion practices at FIAS and provides a broad platform for partnering across IFC.

In FY08, the Industry Competitiveness product team worked on introducing new focused programs in IDA countries, frontier regions, and conflict-affected countries. Results for the fiscal year included three publications: *Moving toward Competitiveness: A Value-Chain Approach; Competition Policy and Promotion of Investment, Economic Growth, and Poverty Alleviation in Least Developed Countries;* and *Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development.*

The development of special economic zones (SEZs), as platforms for piloting reforms and energizing private sector activity in conflict-affected countries, is an important component within the product approach. The team began developing a practitioner's guide for establishing SEZs in conflict-affected countries and launched pilot projects in **Liberia** and **the Democratic Republic of Congo**, both conflict-affected countries. FIAS also provided technical support to the World Bank-funded industrial estates project in Alexandria, **Egypt**, BICF in **Bangladesh** (*see box, p. 44*), and IFC Advisory Services in **Cambodia**. *(See also box on Panama, p. 28.)*

In the agribusiness sector, FIAS is working closely with IFC Advisory Services in **Mali**, **Liberia**, **Madagascar**, and **India**. In **Mali**, an agribusiness sector analysis of the onion, potato, tomato, and mango value chains conducted by FIAS will guide the implementation of sector-specific reforms. In **India**, the team is helping the government of Bihar—the country's poorest state—to organize a public-private sector approach to reform in the maize and sugar sectors, in collaboration with the World Bank. This project aims to promote the competitiveness of these industries and attract private sector investment.

The Industry Competitiveness team supported implementation of three large tourism projects: the Central America Tourism and Hotel Investment Exchange (*see p. 39*), and with IFC Advisory Services, two projects in **Madagascar** and **Mozambique**. In **Mozambique**, the Tourism Anchor Investments Program, an expected $1 billion project to develop four anchor coastline resorts and create 30,000 jobs over time, plans to stimulate tourism investment through a practical, hands-on approach. This includes proactive project development in selected tourism zones supported by complementary advisory services in SME linkages and community development. FIAS is also working closely with IFC Advisory Services to develop a joint tourism benchmarking tool with funding from the IFC Innovation Fund.

### A Special Economic Zone Yields Long-Term Results in Panama

A FIAS-IFC-MIGA team, led by IFC's Advisory Services department between 2005 and 2007, assisted the government of Panama in developing legislation to transform the 2,005 hectares encompassing the Howard U.S. Air Force Base into a SEZ. The legislation also created the Panama Pacifico Agency to oversee the transformation.

FIAS' assistance in creating the framework in place today has been key in cultivating robust private sector activity within the SEZ. Today the project continues to attract investment from firms such as Dell Computer, Singapore Technologies, 3M, and Caterpillar. To date, investments have generated more than 3,000 jobs with average salaries three times higher than the national average.

During FY08, the Panama Pacifico Agency selected London Regional Properties to serve as the project's master developer. The developer committed to investing $407 million over the next eight years and a minimum of $100 million for each subsequent eight-year period. According to the developer's plans approved by Panama's Cabinet of Ministers in December 2007, the project is expected to add approximately 20,000 jobs and attract $3 billion in FDI over the next 20 years.

Among the lessons gleaned from the SEZ experience in Panama is the prospect that it can be replicated in different contexts around the world. As a result, the Panama Pacifico project is an integral part of FIAS' long-term knowledge management strategy and is seen as a model for establishing SEZs in countries such as the Republic of Yemen, Indonesia, Bangladesh, the Democratic Republic of Congo, and Liberia.

# KNOWLEDGE MANAGEMENT

The management of knowledge resources is a key objective under FIAS' FY08–11 strategy. The Knowledge Management team facilitates the development and dissemination of knowledge products to support World Bank Group and external clients' advisory activities in implementing investment climate reform and investment generation initiatives. The team provides methodological support to technical specialists within the product teams and ensures dissemination of this knowledge using print publications, online services, and learning workshops. For example, FIAS manages several online information services that provide clients with knowledge resources to support their reform efforts.

In FY08, FIAS published six practitioner guides, studies, and discussion papers:

- *Moving toward Competitiveness: A Value Chain Approach* – a technical report on using value chain analysis for identifying sector-specific business environment reforms to improve competitiveness.
- *Designing a Tax System for Micro and Small Business* – a toolkit for policymakers and reform advocates on how to create tax systems favorable to micro and small enterprises.
- *Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development* – a retrospective study and survey of best practices based on the experiences of policymakers and zone developers that examines the effectiveness of special economic zones in improving industry competitiveness and attracting FDI.
- *Attracting Investment to South East Europe: Survey of FDI Trends and Investor Perceptions* – an analysis of the perceived obstacles to and potential for increased foreign investment.
- *FIAS' Impact on Latvia's Business Environment* – a case study of FIAS' successful work in helping the

government of Latvia reform its investment climate from 1998 to 2004.

- *Competition Policy and Promotion of Investment, Economic Growth, and Poverty Alleviation in Least Developed Countries* – a study examining the role of competition law in the developing country context.

In online services, FIAS staff contributed to IFC's new knowledge-sharing resource *SmartLessons*, a Web-based collection of short papers contributed by staff, clients, and donors, which highlights innovative approaches to implementing advisory services and investment projects. The six lessons from FIAS authors added during FY08 discussed various topics, including implementing investment climate reforms in conflict-affected countries, reforming customs in South Africa, and monitoring and evaluation of business environment reform projects. FIAS staff also contributed to the Finance and Private Sector Vice Presidency's *Viewpoint* note series, including an analysis highlighting the impact of well-organized reform teams on the successful implementation of business climate reforms in Botswana, Cape Verde, Malaysia, Mauritius, and Taiwan (China).

Staff learning figured heavily into the knowledge management agenda as the unit coordinated 29 training events. FIAS' first Learning Week, held in January 2008, featured 15 learning events attended by more than 150 professionals working on FIAS' products and regional strategies for advisory services.

The Knowledge Management team also substantially increased FIAS' use of technology to support learning and knowledge sharing. One of the key tools implemented was new intranet functionality designed to support increased product and project team collaboration. Using this platform, FIAS has begun piloting a number of knowledge management resources such as a new online handbook for conducting subnational Doing Business assessments and a practitioner's guide to investment law and policy development.

FIAS also expanded the use of web-casting and video-conferencing technologies to increase access to learning resources for staff in the field. Major learning events are now archived online for staff members to view at their convenience.

The Knowledge Management team played an integral role in redeveloping and updating FIAS' FDI Promotion Center (www.fdipromotion.com) in FY08. FDI Promotion Center is the first knowledge portal dedicated to economic development and investment promotion practitioners, containing a wealth of how-to resources to support the design and implementation of FDI promotion strategies at the national, provincial, and local levels. The web portal was initially developed by MIGA's technical assistance unit before its integration with FIAS. It has a registered audience of more than 7,000 economic development practitioners, who gave it high marks in a recent user survey.

## Partnering with Donors to Develop and Share Knowledge Resources

A widely acknowledged impediment to effective regulatory reform is the lack of awareness about available policy tools and how to effectively use them. FIAS is partnering to address this challenge through the knowledge management activities of the Better Regulation for Growth Program, a joint initiative with DFID and the Dutch Ministry of Foreign Affairs. The program brings together practitioners from several organizations to create a shared understanding of the political dynamics that drive regulatory reform processes, and to identify, adapt, and develop appropriate reform tools. The program is managed by FIAS and a steering committee of donors who work in consultation with a panel of experts, including more than 30 reformers, leading academics, and practitioners.

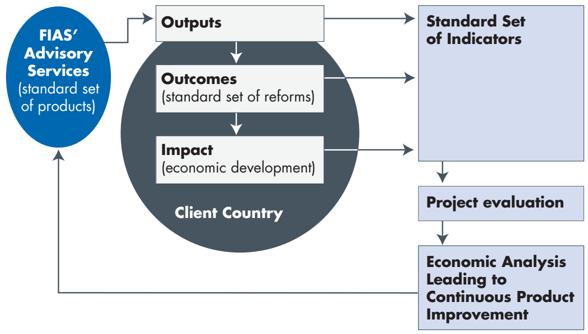
Together the three groups are working to evaluate and refine the program's priorities. While articulating the overall agenda for regulatory reform in developing countries, the project is also addressing the knowledge gaps that must be filled in order to carry out effective investment climate reform. Specifically, the program has worked to advance understanding of the programmatic tools used to generate regulatory reform momentum, ensure sound regulatory management systems, and measure regulatory reform changes in the development country context.

# MONITORING & EVALUATION

In FY08, FIAS developed and implemented new monitoring and evaluation tools designed to track and report progress in implementing the FY08-11 strategy at both project and aggregate levels.

The concept of reform is central to FIAS' FY08-11 strategy and the new M&E framework reflects this focus. FIAS defines a reform as an outcome or a collection of interrelated outcomes that can be clearly linked to a project's strategic objective and to its expected developmental impact *(see figure)*.

FIAS' M&E FRAMEWORK




**The integrated concept of reform.** FIAS has identified, for each of its products, a set of major business-environment reforms that are likely to have a positive effect on private sector development. These reforms are outcomes achieved by client countries with the support of FIAS. They are the result of inputs and outputs that lead to impacts such as increased private sector investment, job growth, and increased savings for the private sector.

In defining reforms product by product, FIAS worked to standardize reforms across products so the reforms represent improvements of similar magnitude, within a product and across products. Reforms are thus comparable; one reform compares to another not only in its complexity, but also in its relative importance in the reform agenda of the client. Across product lines, reforms typically fall into one of three groups: (i) reforms related to the enactment of laws and regulations; (ii) reforms related to the implementation of laws and regulations; and (iii) reforms related to increased efficiency in the implementation of laws and regulations (which usually include improvements in institutional arrangements and the value added that these institutional arrangements bring to economic development).

Applying the concept of reform not only allows FIAS to monitor and evaluate performance, but also to create a consistent project-design methodology. During the design stage, each project includes from the outset a target set of reforms to be achieved at project completion. This process allows clients to clarify expectations and determine and delegate programmatic responsibilities. Better design allows for better evaluation, and better evaluation leads to valuable lessons that can be applied for continuously improving FIAS products.

**Product-specific M&E frameworks.** FIAS developed an M&E framework to monitor, report, and evaluate reforms for each of its products. Each framework includes a product-specific logical model that clearly summarizes the outputs, outcomes, and impacts[9] resulting from a FIAS project. The logical models encompass a series of indicators to track progress in project outputs, outcomes, and impacts. Building on the logical models, product-specific matrices have also been developed to provide staff with practical, step-by-step guidance on how to integrate the standardized performance indicators into project design. Following the matrices ensures proper project design and product coordination and provides a structure for tracking performance.

In developing the M&E frameworks, FIAS standardized indicators across projects and products to facilitate performance comparison. Performance can now be compared within FIAS across projects and products as well as externally with those IFC business lines that have adopted the same standardized performance indicators. In addition, FIAS is better able to monitor and evaluate multi-product, multi-client projects operating in multiple national or regional jurisdictions.

9 FIAS' outputs are typically deliverables required to meet short-term project objectives, such as recommendations for reform. Outcomes are the results of government efforts to implement reforms with FIAS assistance. Impacts are aggregate results, often over the longer-term, such as the reduced costs to firms resulting from streamlined business regulations.

The tools within the overall M&E framework allow staff to design, monitor, report and evaluate the outcomes and impacts of projects in a way that allows for continuous improvement of FIAS' work over time.

**Scorecards.** During FY08, FIAS developed a corporate scorecard to track performance in implementing the FY08-11 strategy. The scorecard consists of 54 indicators grouped under six strategic themes. It tracks product-level and FIAS-wide outcomes and impacts, and outlines contributions to the achievement of FIAS' mission.

**Reporting reforms supported by FIAS.** Reforms, as defined by FIAS, can have a major impact on a country's business environment. Some of these reforms can be clearly linked to improvements in Doing Business indicators, while others are related to areas not covered by the indicators. Therefore, in addition to reporting the outcome of its efforts through its own definition of reforms, FIAS also reviews and reports on the number of Doing Business reported reforms to which it contributed. This provides an independent verification of the outcomes of FIAS projects. *(See detail on reforms supported by FIAS in FY08 in Appendices 2 and 3, pp. 64–71.)*

**Continuous improvement of FIAS' M&E framework.** FIAS' M&E framework not only reflects the current state of the art in monitoring and evaluation for business environment advisory services, but is also continuously evolving based on new developments and FIAS' experience in implementing it. It is expected that further refinements will be made to the definition of reforms, the tools to monitor them, and the overall approach to evaluation.

# REGIONAL FOCUS

# EAST ASIA AND THE PACIFIC

Despite slowing growth in exports to the United States, rising volatility in global financial markets, high and unstable international commodity prices, and uncertainty in the world economy, countries in East Asia and the Pacific continued to show strong overall growth in 2007. While this growth was driven largely by China's 11 percent growth rate, low-income economies such as Cambodia, Lao PDR, Mongolia, the Philippines, Timor-Leste, and Vietnam posted robust growth rates in the 7 to 10 percent range. Even some of the region's most vulnerable and isolated countries such as Palau, Papua New Guinea, the Solomon Islands, and Vanuatu posted growth rates in excess of 4 percent.

In FY08, FIAS' work in East Asia and the Pacific focused on the four technical areas of business entry (start-up and licensing), alternative dispute resolution, investment law, and investment promotion. FIAS also adjusted its service-delivery model in two ways: to collaborate with FIAS' Doing Business Reform Advisory group, which uses the Doing Business indicators to create reform momentum; and to implement a decentralized staffing structure that integrates the investment climate teams from FIAS, IFC Advisory Services, and the World Bank. Such a structure that relies on partnership and joint teams maximizes resource efficiencies and ensures that local knowledge and best international practices combine to create effective programs *(see also box, p. 35)*. Using this approach, FIAS successfully initiated new investment climate reform programs in **Indonesia**, **Lao PDR**, **Papua New Guinea**, **the Solomon Islands**, **Timor-Leste**, **Tonga**, and **Vanuatu**.

FIAS continued to achieve results for projects already in progress. For example, in **Papua New Guinea**, FIAS completed an informal economy project focused on business enterprises across the country. The study identified poor access to markets, weak infrastructure, and the complexity of government processes as the major impediments to growth of small businesses in the country. These challenges are most stark for informal businesses, which account for an estimated 70 percent of all economic activity. In response to the study's report, the government adapted its stance on the role of the informal sector in the national economy and has begun developing its first-ever informal sector policy. The study will serve as the baseline as Papua New Guinea prepares to simplify its business registration and licensing regimes.

In **Vietnam**, FIAS and IFC Advisory Services continued work on the Vietnam Land Program funded by the Australian Agency for International Development. During FY08, the program addressed impediments at the provincial and national levels to small businesses accessing land. FIAS assisted local governments in the Hue and Bac Ninh provinces in simplifying procedures for acquiring, registering, and developing land. At the national level, FIAS is providing expertise to the government on a new land code.

FIAS began assisting **Lao PDR** in reforming its investment law, investment incentives, and investment promotion functions. Three workshops were delivered on international good practice for investment law and promotion. With FIAS assistance, the Lao government began drafting the new investment law in June 2008.

In April 2008, FIAS and IFC Advisory Services in **China** launched *Doing Business in China*, a report examining 30 major cities and measuring four key indicators: starting a business, registering property, getting credit (creating and registering collateral), and enforcing contracts. The report provided the Chinese cities with a benchmark on which to build and monitor reforms. Findings of the report suggested that reforms are underway in all regions, but noted significant variations in business regulations and their implementation across the country. The report also highlighted the potential scope for localities to adopt practices that are working in other Chinese cities.

## Pacific Regional Business Enabling Environment Program: Innovative Solutions To Problems of Scale and Distance

The Pacific island countries have a total population of less than 10 million people living in 14 mostly IDA states, which are spread over an expansive area twice the size of Europe. These isolated, narrowly based, and fragile economies face common challenges of distance from major markets, vulnerability to natural disaster, and poor infrastructure.

The Pacific Regional Business Enabling Environment Program has been put into place to respond more effectively to demand among the Pacific island countries. The program both scales up efforts and provides for a more rational use of limited resources for the promotion of BEE in the region within a more effective delivery mechanism.

The program builds on the increasingly seamless delivery of World Bank Group (FIAS, IFC, World Bank) business enabling environment advisory services in the Pacific. It is composed of a suite of interventions in the form of scalable components replicable from country to country that allow for regional benchmarking. The expected outcomes include improved regulatory procedures and compliance and modernized investment promotion initiatives, resulting in aggregated cost savings to businesses operating in the Pacific region. The components incorporate three products from the core practice areas of regulatory simplification and investment generation: business entry (start-up and licensing), alternative dispute resolution, and investment law and investment promotion.

The program draws on the appetite for reform created by the Doing Business project by providing regulatory reforms which, apart from improving investment climates, will also result in better performance in the global rankings. Public-private task forces under the program provide a linkage between it and other IFC advisory services in access to finance and the tourism sector. Diagnosed gender-specific constraints in the business environment are being addressed through reforms introduced within the framework of the program. Vanuatu and Tonga are current program participants, and Papua New Guinea and the Solomon Islands are due to join.

# EUROPE AND CENTRAL ASIA

Growth in gross domestic product remains strong in the Europe and Central Asia region, but is expected to slow from 7.6 percent in 2007 to 6.1 percent in 2008. Structural reforms in most countries have driven the region's ongoing reform success, surpassing even East Asia on the ease of doing business, according to *Doing Business 2008*. Four countries (Croatia, FYR Macedonia, Georgia, and Bulgaria) were among the top 10 performers worldwide. Net FDI inflows increased from $125 billion in 2006 to $162 billion in 2007, with Russia accounting for the largest share ($52 billion), followed by Turkey ($22 billion), and Poland ($18 billion).

FIAS' work in South East Europe has targeted national and subnational regulatory reforms to help improve the business enabling environment and support the market transition in seven economies—Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Kosovo, Montenegro, and Serbia—as they move toward integration with the European Union *(see also box, p. 37)*.

In FY08, an essential component of FIAS' work in South East Europe focused on providing assistance for regional, national, and subnational regulatory reform. In collaboration with IFC Advisory Services, FIAS prepared a regional *Doing Business* report comparing the performance of 22 local economies across South East Europe. The study provides a basis for comparing special aspects of the business environment in the various localities. This initial study also provides a baseline against which performance in subsequent studies can be compared as the localities work to improve their business environments and enhance their competitiveness *(see box, p. 23)*.

Doing Business Reform Advisory work in support of the government of **Albania** delivered strong results. In April 2008, the Albanian legislature initiated sweeping reform to its corporate governance legislation. The laws introduced new disclosure requirements and standards of conduct for company managers, providing investors for the first time with legal recourse against corporate malfeasance. With FIAS assistance, Albania has developed corporate governance laws that require companies to report potential conflicts of interest and management practices that may have a negative impact on the bottom line. The government also set up a National Registration Center that allows entrepreneurs in one application to simultaneously complete tax, social insurance, health insurance, and labor directorate registration. In addition, Albania reduced corporate tax rates and set up a private credit bureau in FY08.

At the subnational level, FIAS partnered with municipal officials in completing the initial pilot phase of the Subnational Competitiveness Project in four municipalities in **Serbia** and three municipalities in **Bosnia and Herzegovina**. FIAS recommendations for revising and simplifying more than 400 business formalities were endorsed and adopted by the municipal councils (*see p. 13*).

Investment climate reform remains uneven in the states of the former Soviet Union. In FY08, FIAS focused on generating reform momentum to reduce bureaucracy and corruption in **Ukraine** and **Russia**. FIAS also developed an initial reform agenda to assist **Azerbaijan** and **the Kyrgyz Republic** in conjunction with IFC Advisory Services.

## FIAS Charts Course for South East European Network of Reformers

As the economies of South East Europe seek to compete in the global economy and regionally with other European Union members and aspirants, each is striving to simplify and streamline a patchwork of regulations affecting business start-up and operations in order to improve the business enabling environment. Lessons learned in one country are often readily applicable in others. FIAS is working to help establish a regional network of reformers to facilitate peer-to-peer learning and knowledge sharing on good-practice business environment reform in the region.

In September 2007, a conference was held in Zagreb, Croatia to launch this regional effort and a subsequent series of video-conference seminars. The conference brought together 60 top policymakers from across the region to assess the issues and challenges they face in reforming their business environments. The discussion focused on a range of issues including the role of regulatory reform in economic growth, increasing trade and competitiveness with the enactment of the Central European Free Trade Agreement, e-government as a catalyst for business environment reform, and the role of the private sector in business environment reform.

FIAS collaborated with the World Bank Global Distance Learning Network to conduct a series of video-conferenced seminars on regulatory reform, targeting the members of the network. Presentations were made by regional and international experts, including representatives from Croatia's HITROREZ ("swift-cut" project to eliminate and simplify business regulation), the United Kingdom's National Audit Office, and the government of the Netherlands. This series attracted roughly 150 participants from across the region.

In addition to working on an initial strategy, members of the network have begun to explore options for collaborating with the EU's Directors of Better Regulation Network and the Regional Cooperation Council.

In **Ukraine**, FIAS collaborated with the World Bank's Tax Reform Project and IFC Advisory Services to document the cost to businesses of tax compliance and tax inspections. FIAS will help identify reform priorities for business taxation to reduce compliance costs, and to serve as a baseline for measuring the impact of future reforms.

FIAS' investment climate methodologies in **Russia** are gaining recognition. As one example, officials in Tomsk Oblast and Rostov Oblast have begun to conduct regular self-assessments of their business climates using FIAS' standard methodology. FIAS continued to expand its activities in Russia with the preparation of a subnational Doing Business program to rate business climates in 10 cities by determining how easy it is for entrepreneurs to start a business, obtain construction permits, register property, and trade across borders. In the Republic of Tatarstan, FIAS launched the Municipal Business Card project, which focuses on streamlining and simplifying procedures for state-owned land allocation, construction permitting, and the registration of property at the municipal level.

While FIAS continues to work on a fee-for-service basis across Russia in more developed parts of the country, its work program emphasizes regions such as the North Caucasus where endemic poverty and post-conflict institutional weakness remain serious concerns. In FY08, FIAS conducted a survey of the informal sector in the republics of North Ossetia-Alania and Karachayevo-Cherkessia. The survey revealed the primary reason unregistered firms in the two regions do not enter the formal economy is to avoid overzealous inspectors. These findings will be used as a platform for future reforms aimed at better protecting businesses in the inspection process and making regulatory procedures more accountable and transparent. Toward the end of FY08, FIAS responded to requests from local governments to replicate the program in the republics of Adygeya and Kabardino-Balkaria in the North Caucasus, in cooperation with the World Bank and with funding from DFID.

# LATIN AMERICA AND THE CARIBBEAN

While economic growth in Latin America and the Caribbean lags behind the emerging economies of Asia and Eastern Europe, the 5.7 percent growth rate posted in 2007 capped the best four-year growth trend since the 1970s. The region led FDI inflows worldwide with annual growth of 46 percent compared to an average global rate of 36 percent. In 2007, investors seeking broader markets and natural resource supplies pushed FDI to $106 billion, surpassing the previous record of $89 billion set in 1999. However, economic concerns rose significantly in the second half of FY08 at the prospects of a slowdown in the United States.

In FY08, FIAS' work in Latin America and the Caribbean focused on tourism industry development in Central America, the launch of the subnational *Doing Business* report in **Colombia**, competition policy work in **Costa Rica** and **Peru**, and investment promotion in Bogotá *(see box, p. 25)*.

FIAS has been working to create cross-border synergies to promote international investment in tourism across the region. During FY08, FIAS assisted the governments of **Guatemala**, **El Salvador**, **Honduras**, and **Nicaragua** in launching the Central America Tourism and Hotel Investment Exchange, a regional tourism investment conference aimed at attracting international and regional hotel and tourism development. The conference, organized in partnership with Burba Hotel Network, attracted more than 250 participants including representatives of international brands, real estate developers, banks, consultants, and project owners. The event received widespread media coverage, including an article in the *Hotel Yearbook 2008*.

In **Honduras**, FIAS provided support to the Foundation for Investment and Development of Exports in attracting international investors to Honduras' tourism and manufacturing sector. The foundation completed five promotional campaigns, which resulted in five visits from prospective investors interested in further researching Honduran sites. FIAS also helped the foundation restructure its operations to maximize advantages offered under the Central American Free Trade Agreement.

The *Doing Business in Colombia* report, which covers 13 cities, was introduced at a January 2008 event in **Colombia** chaired by President Alvaro Uribe. The report's launch was covered extensively by local media, including in a talk show featuring Luis Guillermo Plata, Minister of Commerce, Industry, and Tourism, and Carolina Rentería, Director of the National Planning Department. Fabio Valencia Cossio, High Commissioner at the President's Office for the Competitiveness and Productivity of Colombia, subsequently requested a second study covering 27 regions of the country.

In **Costa Rica**, competitiveness assessments of the telecommunications and rice sectors previously completed by FIAS served as the foundation in guiding policy reforms. FIAS' assessment of the rice sector is integral to a case in the constitutional court challenging Costa Rica's current monopoly on the import, processing, and sale of rice. The assessment of competitiveness in telecommunications is the basis for arguments to be presented to the national legislature by the Costa Rican Competition Committee as it works to liberalize the sector.

In **Peru**, FIAS completed a regulatory reform review to improve the investment climate in five pilot regions. The study reviewed the legal and regulatory framework of the dominant sectors in each project region: Arequipa (garments/textiles), Cusco (tourism), Ica (agribusiness), Junín (aquaculture), and Loreto (wood processing). Results from the 700-firm survey are being used by IFC to develop an action plan for addressing regional regulatory constraints within Peru's business climate and streamlining legal and regulatory procedures in agribusiness and tourism.

# MIDDLE EAST AND NORTH AFRICA

The Middle East and North Africa region is at a critical stage in its development. In the past decades, economic growth in most Arab countries has been below potential. While high oil prices have been a boon for the Gulf states, the region overall faces burgeoning demographic pressures, ever-rising unemployment rates, and challenges in creating viable opportunities for its young men and women.

FIAS' approach in the Middle East and North Africa continues to focus on building and sustaining reform momentum, supporting and tracking the progress of policy implementation, and providing capacity-building assistance. While many challenges remain, in the past year a few governments began to adopt effective strategies to create employment opportunities and establish a favorable environment for private initiatives, entrepreneurial freedom, and investment.

The poorest countries and subnational regions in the Middle East and North Africa remain a top priority for FIAS. In **the Republic of Yemen**, FIAS continues to be engaged on several fronts. The tax administration reform program—a joint initiative with IFC Advisory Services in the region and DFID—is showing strong results *(see box, p. 15)*. This project is likely to be a first example of a much broader and programmatic collaboration among these partners as a three-year support program is presently under preparation. Through this program, FIAS product teams will provide support to a wider range of reforms, including FIAS involvement in areas such as investment regulation and attraction, customs and logistics reform, special economic zones, and industry-specific assistance.

FIAS' Doing Business Reform Advisory team will also support the government in targeted Doing Business reforms. This work will build on the strong results of IFC Advisory Services, which advised the government on streamlining business start-up procedures in the Yemeni capital, including the opening of a one-stop shop that places representatives from multiple agencies under one roof for company registration. The new one-stop shop makes it possible to complete business start-up at a single location and easier to obtain a license from the municipality and to register with the chamber of commerce and the tax office. This reform resulted in an advance of 25 positions in the global aggregate rankings for the Republic of Yemen in *Doing Business 2009*, presenting an excellent starting position for further reforms supported by FIAS.

Although investment in the Republic of Yemen continues to improve, attracting foreign direct investment remains a challenge. In July 2007, the government asked FIAS to assess the country's capacity to attract FDI. The resulting assessment pinpoints regulatory vacuums and inconsistencies within the overall business environment and provides a set of international best practices in the areas of investor servicing and investment promotion tailored to the country's needs. The assessment is a cornerstone in FIAS' plans to assist the Government Investment Authority in improving its investor servicing practices.

In **Egypt**, FIAS partnerships with IFC Advisory Services and the United States Agency for International Development (USAID) have initiated and sustained reform momentum. Following Egypt's recognition as the top reformer in the world in early FY08, FIAS released *Doing Business in Egypt*, a subnational report covering three cities and three areas of regulation: starting a business, dealing with licenses, and registering property. The report found that differences in municipal requirements are most pronounced related to construction licenses. In Assiut, construction permits require 19 procedures and 109 days; in Cairo, 28 procedures and 249 days; and in Alexandria, 30 procedures and 207 days. The time it takes to meet all the legal requirements can vary widely across locations. Property registration can require between 33 and 193 days. These findings further catalyzed Egypt's reform momentum and prompted Egyptian Minister of Investment Mahmoud Mohieldin to ask FIAS to complete subnational *Doing Business* reports on the investment climate in six governorates.

In FY08, FIAS also reviewed FDI legislation in **Libya** and **the Republic of Yemen**, advised the government of **Tunisia** on improving the competitiveness of key industries (agro-business, automotive parts, and construction), provided a comprehensive value-chain analysis in **Pakistan**, and assessed the institutional capacity to promote investment in **Oman**.

# SOUTH ASIA

Despite the serious obstacles of civil conflict, corruption, increased oil prices, and political transitions, South Asia continued to achieve impressive economic growth and poverty reduction in the past year, maintaining an annual growth rate of 7 percent. If growth accelerates to 10 percent a year, the region could see single-digit poverty rates by 2015. Nonetheless, 400 million South Asians currently live on less than $1 a day and the region continues to attract less domestic and foreign investment than any region in the world except Sub-Saharan Africa.

In the past year, FIAS' approach to South Asia has focused on the investment climate in the region's poorest and most unstable countries and subnational areas.

Within **India**, FIAS is working with IFC and the World Bank to improve the investment climate of the lagging states,[10] which contain 44 percent of India's population, 66 percent of its poorest citizens, and account for 25 percent of gross domestic product. In FY08, FIAS began working with the government of Bihar, India's poorest state, to enhance the competitiveness of the region's agribusiness value chain and design support for investment promotion and regulatory simplification. FIAS organized a workshop on investment climate reforms in Bihar with funding support from the Danish International Development Agency in February 2008. FIAS also organized an IFC Investor Forum held in May 2008. With assistance from DFID, FIAS implemented the second phase of competition and regulatory impact assessments of several sectors and areas, including: freight transport (ports and railways), air transport, intellectual property law, and competition policy. In March and June 2008, FIAS sponsored workshops that brought together the Competition Commission of India, DFID representatives, and technical experts.

10 Lagging states are those recognized by the Indian government as having slower growth and lower development outcomes, including Bihar, West Bengal, Uttar Pradesh, Chhattisgarh, Jharkand, and Orissa. For example, the gross domestic product per capita for Bihar is $92 as compared to $280 for India as a whole.

## The Bangladesh Investment Climate Fund Breaks New Ground

The 2008 fiscal year was a very active and productive period for the Bangladesh Investment Climate Fund in its first full year of operations. Launched in May 2007 with a total commitment of $55 million over eight years from DFID and the European Commission, BICF is IFC's largest single-country advisory program. It is jointly managed by FIAS and IFC's South Asia department. FIAS also provides active technical assistance to individual BICF projects.

Although Bangladesh remains in political transition following the departure of the elected government in September 2006, BICF has managed to successfully engage the country's caretaker government as well as key private sector and civil society stakeholders in reforming the country's investment climate. During this time, the primary focus has been to support public-private dialogue by establishing the Bangladesh Better Business Forum and the Regulatory Reform Commission.

Chaired by Fakhruddin Ahmed, Chief Advisor of the Caretaker Government, the Bangladesh Better Business Forum has identified and is now acting on more than 100 recommendations to improve the private sector. Examples of the recommendations include: streamlining visa and work permit procedures for foreign investors; appointing public information officers within ministries; and reducing the number of days for company notification and registration. At the end of FY08, more than 30 recommendations had been implemented. An additional 28 recommendations were under active implementation and 64 recommendations were slated for near-term further discussion and possible implementation.

The Regulatory Reform Commission is designed to complement the work of the Bangladesh Better Business Forum with systematic oversight of the country's regulatory reform process. Since its launch in November 2008, the Regulatory Reform Commission has identified 202 business-related laws and prioritized 30 of these for possible streamlining. Several types of procedures are targeted for simplification, including approval of foreign loans, issuance of critical business licenses and certificates, and forms and procedures used in calculating customs duties.

BICF has been active on a number of other fronts, including:

- At the request of the Bangladesh Board of Investment, BICF supported the government in the planning and drafting of a "home-grown" economic zones policy that would pave the way for significant private sector participation in developing the economic zones of the country, and would lay the foundations for a more competitive and modern zones regime in the global marketplace.
- BICF provided technical assistance to the Bangladesh Board of Investment in preparing a strategic plan, which outlined a comprehensive structural reorganization and capacity-building program.
- The Ministry of Establishment agreed to work jointly with BICF on the design and delivery of a comprehensive capacity-building program focused on private sector development issues for all levels of civil servants. Over the life of the program, more than 2,000 civil servants are expected to be trained.
- In light of Bangladesh's unpredictable political environment, BICF initiated a tactical stakeholder engagement and advocacy program that targets opinion leaders in order to enlist their support as champions for investment climate reforms. BICF also started a small grants program to catalyze a community of researchers and focus groups to gauge stakeholder perceptions on investment climate issues.

FIAS also launched a subnational *Doing Business in India* study benchmarking critical areas of regulation such as starting a business, dealing with licenses, registering property, paying taxes, trading across borders, enforcing contracts, and closing a business. In preparation for the report, FIAS presented the project to local government officials in the 16 target states with the aim of building project ownership and engaging them in the reform process. To raise awareness of the Doing Business indicators and promote sharing of best practices, FIAS delivered four regional reform workshops attended by state government officials.

In **Nepal**, FIAS partnered with the World Bank and IFC Advisory Services to assess the investment climate, focusing on analysis of the legal and regulatory regime for SEZs, market benchmarking, development of a collateral registry, and analysis of tax incentives. The recommendations will anchor the country's investment reform and promotion strategy to support domestic and international investment now that conflict has ended.

FIAS and IFC Advisory Services supported the government of **Bhutan** in conducting ongoing FDI review and began exploring the scope of a comprehensive country program on investment climate issues.

# SUB-SAHARAN AFRICA

Stable macroeconomic performance and the end of much civil strife have heightened the interest of both local and international investors in Africa. Political leaders are increasingly aware of the importance of the investment climate and the value of the *Doing Business* rankings in measuring improvements of importance to investors. As a result, an increasing number of African countries are asking FIAS to determine the specific country-level policy reforms necessary to improve their performance in *Doing Business*, attract investment, and generate growth. In FY08, FIAS worked in 35 African countries and the continent continued to be the leading region of FIAS activity.

During the year, the Africa program focused its efforts in four technical areas: i) implementing integrated, multi-element investment climate reform programs; ii) outlining and implementing reform agendas using the technical expertise of the Doing Business Reform Advisory team; iii) stimulating reform momentum in conflict-affected countries by establishing public-private dialogue; and, iv) opening discussions with the OHADA secretariat to discuss the possibility of reform to the 16-country commercial legislation.

FIAS has been able to provide these services in the face of surging demand through a hub-based, service-delivery model that is based on a fully integrated partnership with IFC Advisory Services. This model consists of technical support based in Washington, a network of hub offices in Johannesburg, Nairobi, and Dakar, and a number of on-the-ground staff in several other African countries. The decentralized management structure allows FIAS and IFC Advisory Services to rapidly respond to client requests with calibrated expertise in three forms: short-term technical input, medium-term work to support policy reform, and long-term, multi-year programming to address larger investment climate issues.

While short-term technical assistance projects remain a significant portion of the work program in Africa, FIAS is increasingly working with more troubled states that require more comprehensive reform of the investment climate in order for policies to be effective and sustainable over time. In FY08, the FIAS team in Africa focused on long-term projects that address the overall investment climate and create reform momentum *(see box on Liberia, p. 48)*.

In **Burkina Faso**, the Doing Business Reform Advisory and IFC Advisory Services teams have been implementing a successful multi-component investment climate program. In FY08, the government eliminated filing fees for the registration of articles of association and minutes of founding meetings, reduced the cost of construction licensing by 50 percent, cut the waiting time for property registration by 45 days, lowered the real property tax from 11 to 9 percent, adopted a more flexible labor code, eliminated a tax for contract enforcement, and reduced the corporate income tax from 35 to 30 percent.

Significant momentum for reform continued in **Nigeria**, where FIAS, the World Bank, and DFID are collaborating with the government to foster investment and growth in non-oil sectors of the economy. In FY08, steering committees for local business climate reform in four Nigerian states adopted FIAS' recommendations and developed action plans supported by state government budgets. FIAS also completed a subnational *Doing Business in Nigeria* report comparing local business climates across the country *(see box, p. 23)*. In addition, FIAS began a pilot program to implement a single tax identification number across a number of states and completed a study benchmarking investment taxes.

FIAS activities in FY08 included programs in the conflict-affected states of **the Democratic Republic of Congo**, **Rwanda**, and **Sudan**, and development of tourism investment in **Mozambique.** In **the Democratic Republic of Congo**, FIAS began work on an integrated program encompassing Doing Business reforms, investment promotion, tax incentives, and SEZs.

In **Rwanda**, FIAS helped the government design and implement fast-acting, measurable reforms that lower the time and cost of doing business for Rwandan firms. FIAS is supporting government efforts to streamline business licensing and regulation, expand global trade, and foster private sector investment *(see box, p. 19)*. During FY08, the Doing Business Reform Advisory team and IFC Business Advisory Services supported successful Rwandan reforms in four areas: starting a business, dealing with licenses, registering property, and trading across borders. The improvements to registering property are the most dramatic: in January 2008, a presidential decree abolished the 6 percent property registration fee at the Rwanda Revenue Authority and replaced it with a flat rate of $37. When Egypt instituted a similar reform in 2006, property transfers rose 40 percent in the following six months.

In **Sudan**, FIAS worked with the government to launch the multi-year Administrative Barriers Reform Program, which is stimulating reforms in business registration, property rights, business licensing, tax, and customs administration. Specific reforms in northern Sudan included the adoption of long-term strategic plans by both the Tax Chamber and the Customs Authority, development of plans to streamline and computerize the Tax Chamber, and completion of a strategic plan for value-added tax. As a result, the government successfully reduced the waiting period for imports from 83 to 54 days and for exports from 59 to 7 days. Paperwork for imports was cut from 13 to 7 documents, and for exports from 12 to 7 documents. The government also eliminated blanket tax holidays and established standardized tax rates for agriculture, manufacturing, and services.

In the region of Southern Sudan, FIAS helped build local capacity to support and implement reform. FIAS assisted the Ministry of Legal Affairs and Constitutional Development in drafting ten bills to improve the business climate, four of which have been enacted. The enacted legislation creates a foundation for the registration of businesses, especially small and micro enterprises, and the establishment of an investment promotion agency for Southern Sudan. FIAS also completed a three-year work program for investment promotion and assisted in the re-launch of a business registry that resulted in the registration of 1,600 companies by December 2007.

In **Mozambique**, FIAS is facilitating quality investment into the tourism sector by assisting the government in legally securing, packaging, and marketing locations to the international investment community. In FY08, FIAS supported the government in organizing investor outreach activities that yielded 20 e-mail inquiries from developers, three formal letters of interest from targeted primary developers, and two site visits from serious prospective investors *(see also p. 28).*

## The Power of Investment Climate Reform in Liberia

The 2004 peace accords in **Liberia** closed an era marred by 14 years of civil strife and decades of destabilization and poor governance. While still considered a fragile state, today Liberia enjoys peace, rehabilitation, and growth. Economic growth, currently estimated at an annual rate of 10 percent, could rise to 15 percent in coming years driven largely by the reopening of the forestry and mining sectors as well as a pro-business government that has made private sector revitalization a top priority in alleviating poverty.

In FY08, FIAS began supporting the government of Liberia in its efforts to rebuild the private sector with the launch of the Liberia Investment Climate Reform Program, a demand-driven, multi-year program designed to generate sustained momentum for business reform. FIAS' work has been coordinated among numerous government ministries and departments, and with partners including the World Bank, IFC, and the United Nations Development Programme.

FIAS assistance in 2008 consisted of a rapid assessment followed by implementation of comprehensive reforms. FIAS helped the government streamline business start-up procedures, reduce trade barriers through improved port processes, train investment promotion officers, and develop a transparent agricultural concession policy.

The impact of FIAS' support has been most apparent at the grass-roots level. Of the 21 improvements FIAS helped Liberia initiate, those that have streamlined business start-up, the issuance of construction permits, and trade logistics have had the most visible results. The initial assessment conducted by FIAS revealed that most businesses had tried to formally register with the government, but had given up in the face of confounding and contradictory regulations. FIAS' Africa and Doing Business Reform Advisory teams assisted the government in developing standard forms and procedures for business registration and building construction. As a result, entrepreneurs no longer need to pay lawyers to guide them through a bureaucratic maze, and contractors spend 90 percent less time waiting for the government to process the permits they need to break ground for new homes and businesses.

The trade logistics program component achieved 11 improvements in FY08. The Ministry of Finance cut the administrative charges from 3 to 1.5 percent for special products, directly reducing the cost to trade. A number of procedures for trade transactions were also streamlined, resulting in the elimination of the Excise Tax Division and the Bureau of Concessions, removal of the export clearance requirement, and reduction of various security functions and staff at the port gates. All these improvements reflect reduced transaction costs for traders captured in less documentation and time spent at government agencies.

# FIAS STAFF AND EXPERTISE

# STAFF GROWTH AND LOCATION

In response to steady growth in demand for its services, FIAS continued to shape its staff structure to provide more financially efficient and technically effective service delivery. FIAS added staff in the field, created a hub-based staffing configuration, and developed a secondment and staff exchange program with donors.

As of June 30, 2008, the total number of FIAS staff was 102. This total includes 81 staff and 21 long-term consultants. Of total staff, 72 percent were based at headquarters. The number of field-based staff rose from 24 in FY07 to 29 in FY08. This follows a nearly threefold increase in the number of staff based in the field since FY06 and reflects a period of adjustment and redeployment as FIAS continues to decentralize its services *(see table, p. 51)*.

The hub-based staffing configuration that FIAS launched in FY07 is a geographically decentralized global network of offices designed to improve proximity to both clients and donors. In contrast to FIAS' former service-delivery model, which relied on a small number of field-based staff to provide logistical support to technical staff flown in from headquarters, the new model maintains technical experts in the field who provide services to clients located in-country and across their regions. This allows FIAS to provide rapid response services to clients by minimizing administrative and travel time and expense.

The Austrian Ministry of Finance's long-term commitment to private sector development in Eastern Europe and Central Asia helped FIAS to further implement its hub concept in Vienna, Austria, where the office has focused on attracting investment into the Western Balkans since 2004. FIAS' Invest in the Western Balkans program, launched as the European Investor Outreach Program under MIGA, was part of MIGA's technical assistance unit integrated into FIAS in FY07. FIAS expanded its presence in Vienna in FY08 to fully leverage the opportunity presented by the Austrian government's support. The Vienna office has added programmatic staff and broadened its geographic focus to include the entire region. FIAS filled one senior

STAFFING AT HEADQUARTERS AND IN THE FIELD

| STAFF BY GRADE | 30-JUN-05 | | 30-JUN-06 | | 30-JUN-07 [A] | | 30-JUN-08 [B] | |
|---|---|---|---|---|---|---|---|---|
| Administrative Support Staff | 10 | | 9 | | 15 | | 15 | |
| Operational and KM Staff | 31 | | 34 | | 57 | | 82 | |
| Management [C] | 2 | | 4 | | 5 | | 5 | |
| Total Staff | 43 | | 47 | | 77 | | 102 | |
| Staff in Washington, DC (Headquarters) | 34 | 79% | 38 | 81% | 53 | 69% | 73 | 72% |
| Staff in Field | 9 | 21% | 9 | 19% | 24 | 31% | 29 | 28% |
| Total Staff | 43 | | | | 77 | | 102 | |
| Regular/Term IFC Staff | 26 | 60% | 23 | 49% | 27 | 35% | 43 | 42% |
| Regular/Term IBRD Staff | 12 | 28% | 15 | 30% | 33 | 43% | 38 | 37% |
| Extended Term Consultants (IBRD) | 5 | 12% | 40 | 21% | 17 | 22% | 21 | 21% |
| Total Staff | 43 | | 47 | | 77 | | 102 | |

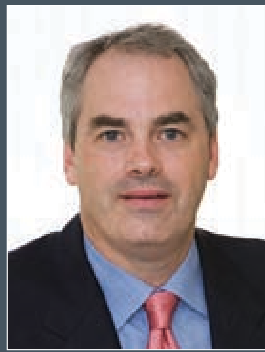
A Includes MIGA technical assistance staff.
B Does not include new Manager, Strategy and Analysis; appointment effective July 1, 2008.
C Does not include FIAS General Manager, who is also IFC Director.

COUNTRIES AND CITIES WHERE FIAS STAFF ARE LOCATED


position during the year and began recruiting two additional staff members.

FIAS' decentralized staffing structure complements its active and growing secondment and staff exchange program with donors. Staff exchanges and secondments are effective ways for FIAS to collaborate with its donors, adding in-house technical expertise and delivery capacity and bringing the unique experiences of donors to its operations. In return, donors have the opportunity to become directly involved in implementation of the projects they fund and to participate in the development, refinement, and delivery of FIAS programs. In FY08, FIAS hosted six staff from a wide range of donors, including the Swiss State Secretariat for Economic Affairs, the French Agency for Development, the Austrian Development Agency, the Swiss Agency for Cooperation and Development, the Austrian Ministry of Finance, and Deutsche Gesellschaft für Technische Zusammenarbeit. FIAS also had one outward secondment working with AFD.

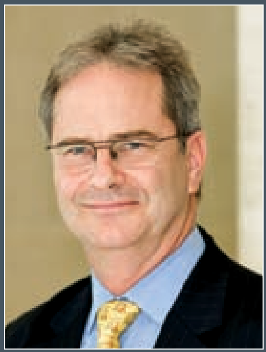

Pierre Guislain

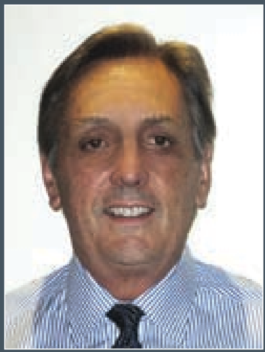

Thomas Davenport


Cecilia Sager


Marialisa Motta


Cecile Fruman


David Bridgman


Russell Muir

**Pierre Guislain**
General Manager, FIAS
Director, Investment Climate Department, World Bank Group

**Thomas Davenport**
Senior Manager, Regulatory Simplification

**Cecilia Sager**
Manager, Investment Generation

**Marialisa Motta**
Manager, Doing Business Reform

**Cecile Fruman***
Manager, Strategy and Analysis

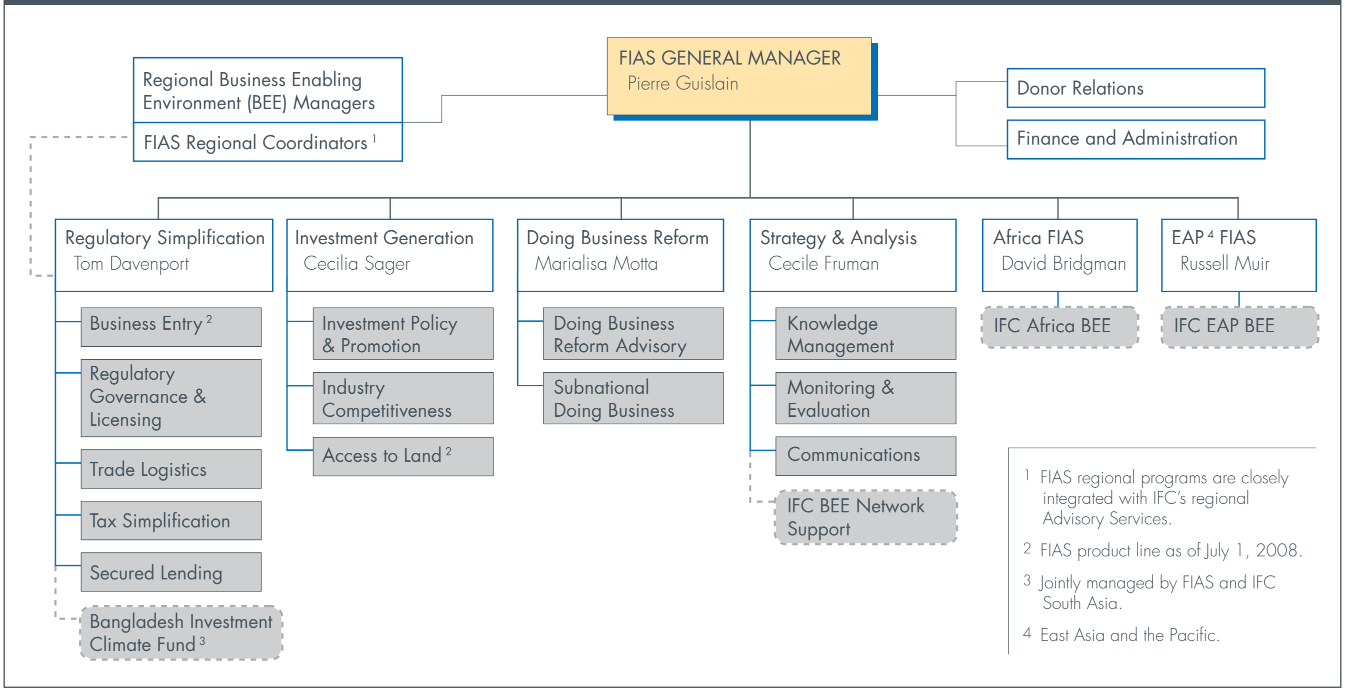
**David Bridgman****
Manager, Africa Program

**Russell Muir**
Manager, East Asia and the Pacific Program

** Effective July 1, 2008.*
*** Effective October 1, 2008.*

# MANAGEMENT TEAM

FIAS ORGANIZATION CHART — July 2008



# THE FIAS TEAM BY PRACTICE AREA*

## GENERAL MANAGER'S OFFICE

Pierre Guislain *(General Manager)*

Ruth Kariuki

### Donor Relations

Beat Heggli

### Finance and Administration

Sharon Sullivan *(Sr. Finance Officer)*

Socorro Cruz-Abalos

Marita Liebegut

Loretta Matthews

Cecilia Najera

Griselda Santos

Igor Tutnjevic

## DOING BUSINESS REFORM

Marialisa Motta *(Manager)*

Fernanda Almeida

Diego Borrero-Magana

Mierta Capaul *(Product Leader, Subnational Doing Business)*

Claudia Contreras-Arias

Penelope Fidas

Manuel Garcia-Huitron

Iva Hamel

Zenaida Hernandez-Uriz

Melissa Johns

Jana Malinska

Alice Ouedraogo

Madalina Papahagi

Aldo Sanchez-Ortega

Stefka Slavova

* Staff working on the BICF project in Bangladesh are classified as staff of the IFC South Asia department, and therefore are not included in this list.

## REGULATORY SIMPLIFICATION

Thomas Davenport *(Senior Manager)*

Alejandro Alvarez de la Campa *(Product Leader, Secured Lending, effective September 3, 2008)*

Laurent Corthay

Alberto Criscuolo

Natalia Cubillos

Zai Fanai

Lars Grava

Ankur Huria

Sebastián James

Sladjana Karavdic Kocevic

Peter Ladegaard *(Product Leader, Business Licensing & Regulatory Governance)*

Jan Loeprick

Naleniedevi Maganbeharie

Nora Mangalindan

Katerina Milanovic

Rina Oberai

Tatyana Ponomareva

Aminur Rahman

Stephen Rimmer

Delia Rodrigo

Tarik Sahovic

Carlotta Saporito

Sevi Simavi *(Product Leader, Secured Lending, until September 3, 2008)*

Goran Stefatic

Richard Stern *(Product Leader, Tax Simplification)*

Uma Subramanian *(Product Leader, Trade Logistics)*

Xiaolun Sun

Snezana Trubajic

Everett Wohlers

## INVESTMENT GENERATION

Cecilia Sager *(Manager)*

Gokhan Akinci *(Product Leader, Industry Competitiveness)*

Betty Asiko

Joseph Battat

Dermot Coffey *(Program Manager, IWB)*

Wim Douw

Xavier Forneris

Maja Gedosev

Kusisami Hornberger

Harald Jedlicka

Biljana Joncic

Igor Kecman

Etienne Kechichian

Dusan Kovacevic

Robert Krech

Peter Kusek

Natalie Larionov

Sumit Manchanda

Karin Millett *(Program Head, Investment Generation, Vienna Office)*

Margit Mischkulnig

Maiko Miyake

Celia Ortega

Xiaofang Shen *(Product Leader, Access to Land)*

Damien Shiels

Gunther Schonleitner

Connor Spreng

Robert Whyte *(Product Leader, Investment Policy & Promotion)*

Lionel Yondo

## EAST ASIA AND THE PACIFIC

Russell Muir *(Manager)*

Josephine Bassinette

Sonali Bishop

Ivan Nimac

Geoffrey Walton

## SUB-SAHARAN AFRICA

David Bridgman *(Manager, effective October 1, 2008)*

Jacqueline Coolidge

Paramita Dasgupta

Wilama Bako Freeman

Julien Haarman

Osongo Lenga

Julien Levis

Catherine Masinde

Nana Yaa Ofori-Atta

Adama Sow

Fred Zake

## REGIONAL PROGRAM COORDINATORS

Igor Artemiev *(former Soviet Union)*

Matilde Bordon *(South Asia)*

Margo Thomas *(South East Europe)*

Alvaro Quijandria *(Latin America and the Caribbean)*

Frank Sader *(Middle East and North Africa)*

## FIAS STRATEGY AND ANALYSIS

Cecile Fruman *(Manager, effective July 1, 2008)*

Ayse Boybeyi

Vanessa Co

Nathalie David

Eduardo Hernandez *(Team Leader, M&E)*

Bartol Letica

Anja Robakowski

John Wille *(Team Leader, Knowledge Management)*

# FINANCIAL REPORT


# FY08 RESULTS

FIAS complies with IFC standard accounting policies and procedures, as noted below.[11] FIAS' financial report is in line with cash-based reporting to align with IFC's Donor Funded Operations' quarterly financial reports.

## FUNDING

In FY08, FIAS received $36.4 million in total receipts. World Bank Group core contributions accounted for $14.0 million. Core and programmatic contributions from other donors totaled $12.9 million. Project-specific contributions totaled $9.5 million, including $3.8 million in IFC Business Enabling Environment Business Line funding.

Within the World Bank Group, FIAS received $4 million from IFC, $4 million from MIGA, and $2 million from the World Bank as core contributions. In addition, IFC made available a $4 million cash advance against its planned FY09 contribution to help FIAS meet a cash-flow shortage due to delayed donor disbursements. IFC also provided project-specific contributions totaling $3.8 million from the Business Enabling Environment Business Line *(see Table 1)*.

FY08 core donors to FIAS included Australia, Austria, Iceland, Ireland, Luxembourg, the Netherlands, New Zealand, Norway, Sweden, and Switzerland. Other programmatic funding was provided by Austria, Ireland, Italy, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States. Project-specific and client co-financing was received in FY08 from Austria, Croatia, the European Union, the Russian Federation, the United Kingdom, the United Nations Environment Programme, and the United States *(see Tables 1 and 2)*. Austria, France, and Switzerland also contributed to FIAS through long-term staff secondments (not shown in the financial tables).

## EXPENDITURES

FIAS expenditures in FY08 reached $27.7 million, a 24 percent increase over the combined FIAS and MIGA technical assistance expenditures in FY07 ($22.3 million). Staff and consultant costs represented 70 percent of total expenditures during FY08. A higher level of consultant costs was due to the one-time expense associated with the on-boarding of new staff *(see Table 3)*.

11 Annual contributions from IFC, MIGA, and the World Bank are treated in the same manner as core donor funds and co-mingled with other donor funds, where the terms and conditions allow. As of June 30, FIAS maintained an outstanding interim budget of $1 million to be fully repaid to IBRD in July 2008. Contributions from the IFC BEE Business Line envelope are treated as an additional source of project-specific funding.

TABLE 1: SOURCES AND USES OF FUNDS [A] IN US$ THOUSANDS

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 [B] | 2007 [C] | 2008 |
|---|---|---|---|---|---|---|---|---|---|
| SOURCES OF FUNDS | | | | | | | | | |
| WORLD BANK GROUP CORE CONTRIBUTIONS | | | | | | | | | |
| IFC [D] | 1,903.0 | 1,960.0 | 2,019.0 | 2,079.6 | 3,000.0 | 3,000.0 | 3,257.1 | 3,257.1 | 8,000.0 |
| IBRD | 953.0 | 1,040.0 | 1,072.0 | 1,104.2 | 1,103.3 | 1,103.3 | 1,203.3 | 1,203.3 | 2,000.0 |
| MIGA | – | – | – | – | – | – | – | 4,008.0 | 4,000.0 |
| Subtotal World Bank Group Core Contributions | 2,856.0 | 3,000.0 | 3,091.0 | 3,183.8 | 4,103.3 | 4,103.3 | 4,460.4 | 8,468.4 | 14,000.0 |
| WORLD BANK GROUP PROJECT-SPECIFIC CONTRIBUTIONS | | | | | | | | | |
| IFC BEE Business Line | – | – | – | – | – | – | – | – | 3,800.0 |
| Subtotal World Bank Group Contributions | 2,856.0 | 3,000.0 | 3,091.0 | 3,183.8 | 4,103.3 | 4,103.3 | 4,460.4 | 8,468.4 | 17,800.0 |
| CORE DONOR CONTRIBUTIONS | | | | | | | | | |
| Australia | – | – | – | – | – | – | – | – | 800.4 |
| Austria | – | – | – | – | – | – | – | – | 367.7 |
| Canada | 195.8 | – | – | – | 910.8 | 510.4 | 1,044.3 | 1,044.3 | – |
| France | – | – | – | – | – | – | 1,334.0 | 1,334.0 | – |
| Iceland | – | – | – | – | – | – | – | – | 45.0 |
| Ireland | 50.0 | 50.0 | 129.8 | 155.5 | 157.6 | 118.7 | 165.9 | 165.9 | 734.7 |
| Italy | – | 266.5 | – | – | – | – | – | – | – |
| Luxembourg | 270.9 | – | – | 500.2 | – | – | 257.2 | 257.2 | 272.5 |
| Netherlands | 190.9 | 264.8 | 276.0 | 380.8 | 380.5 | 488.2 | 508.9 | 508.9 | 559.0 |
| New Zealand | – | – | – | – | – | – | – | – | 399.4 |
| Norway | – | – | 250.0 | 250.0 | 250.0 | 375.0 | 225.0 | 225.0 | 475.0 |
| Spain | 150.0 | – | – | – | – | – | – | – | – |
| Sweden | 187.5 | 390.8 | – | 272.6 | 700.0 | 628.5 | – | – | 405.8 |
| Switzerland | 250.0 | – | 500.0 | – | 500.0 | 500.0 | 375.0 | 375.0 | 250.0 |
| United Kingdom | 165.6 | 166.0 | 182.9 | 210.4 | 225.2 | 637.7 | 349.2 | 349.2 | – |
| Subtotal Core Donor Contributions | 1,460.7 | 1,138.1 | 1,338.7 | 1,769.5 | 3,124.1 | 3,258.5 | 4,259.5 | 4,259.5 | 4,309.5 |
| PROGRAMMATIC DONOR CONTRIBUTIONS | | | | | | | | | |
| Australia (EAPRO) [E] | 132.0 | 337.9 | 358.6 | 430.7 | 914.9 | 1,397.2 | 117.8 | 117.8 | – |
| Austria (Investment Generation) | – | – | – | – | – | – | – | – | 2,571.1 |
| Canada (Africa) | – | – | – | – | – | 340.3 | 696.2 | 696.2 | – |
| Netherlands (Secured Landing) | – | – | – | – | – | – | – | – | 503.1 |
| New Zealand (EAPRO) [E] | 89.8 | 127.9 | 136.2 | 164.3 | 216.5 | 209.7 | 520.8 | 520.8 | – |
| Norway (Trade) | – | – | – | – | – | – | – | – | 300.0 |
| Ireland (Africa) | – | – | – | – | – | 118.7 | 165.9 | 165.9 | 734.7 |
| Italy (Africa) | – | – | – | – | – | – | – | – | 507.5 |
| Sweden (Africa) | – | – | – | – | 340.3 | 300.0 | 352.8 | 352.8 | 628.0 |
| Switzerland (Africa) | 236.3 | 53.9 | 35.0 | 99.6 | – | 240.0 | 240.0 | 240.0 | – |
| Switzerland (Balkans) | 90.8 | 79.4 | 129.4 | 75.6 | – | 160.0 | 160.0 | 160.0 | 819.9 |
| United Kingdom (Balkans) | – | – | – | – | – | – | – | – | 497.1 |
| United Kingdom (Tax) | – | – | – | – | – | – | – | – | 1,426.3 |
| United States (Doing Business) | – | – | – | – | – | – | – | – | 632.1 |
| Subtotal Programmatic Donor Contributions | 548.9 | 599.1 | 659.2 | 770.2 | 1,471.7 | 2,765.9 | 2,253.5 | 2,253.5 | 8,619.8 |
| DONOR CONTRIBUTIONS (PROJECT-SPECIFIC) [F] | 1,245.1 | 1,703.4 | 1,712.0 | 1,742.0 | 3,124.0 | 5,565.0 | 2,969.8 | 3,189.9 | 5,525.4 |
| TOTAL Donor Contributions | 3,254.7 | 3,440.6 | 3,709.9 | 4,281.7 | 7,719.8 | 11,589.4 | 9,482.8 | 9,702.9 | 18,454.7 |
| TOTAL World Bank Group and Donor Contributions | 6,110.7 | 6,440.6 | 6,800.9 | 7,465.5 | 11,823.1 | 15,692.7 | 13,943.2 | 18,171.3 | 36,254.7 |
| Client Contributions | 660.0 | 537.0 | 476.7 | 304.4 | 285.1 | 130.0 | 373.2 | 430.2 | 128.8 |
| TOTAL Receipts | 6,770.7 | 6,977.6 | 7,277.6 | 7,769.9 | 12,108.2 | 15,822.7 | 14,316.4 | 18,601.5 | 36,383.5 |
| TOTAL Available Funds | 11,776.1 | 12,623.3 | 13,586.4 | 13,848.1 | 17,266.2 | 20,386.2 | 20,964.7 | 23,106.8 | 39,414.7 |

*TABLE 1: (CONTINUED)*

SOURCES AND USES OF FUNDS [A] IN US$ THOUSANDS

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 [B] | 2007 [C] | 2008 |
|---|---|---|---|---|---|---|---|---|---|
| USES OF FUNDS | | | | | | | | | |
| STAFF COSTS | | | | | | | | | |
| Staff | 2,889.8 | 3,267.2 | 3,526.3 | 4,535.0 | 5,904.2 | 6,392.9 | 7,272.0 | 9,955.0 | 9,961.0 |
| Consultants and Temporaries | 1,343.6 | 1,304.3 | 1,531.6 | 1,485.6 | 3,187.5 | 3,707.9 | 4,173.8 | 5,528.5 | 9,322.0 |
| TOTAL STAFF COSTS | 4,233.4 | 4,571.5 | 5,057.9 | 6,020.6 | 9,091.7 | 10,100.8 | 11,445.8 | 15,483.5 | 19,283.0 |
| Travel | 1,097.4 | 874.1 | 1,439.7 | 1,698.3 | 2,433.5 | 2,434.1 | 3,314.1 | 4,308.7 | 6,217.0 |
| INDIRECT COSTS | | | | | | | | | |
| Office Occupancy | 170.4 | 176.7 | 232.9 | 288.1 | 415.0 | 347.0 | 322.3 | 560.3 | 683.3 |
| Office Equipment | 98.2 | 28.3 | 12.3 | 53.7 | 82.5 | 16.8 | 25.3 | 33.2 | 116.0 |
| Other Operating Costs | 106.7 | 137.5 | 169.7 | 198.5 | 33.6 | 322.7 | 508.2 | 789.0 | 213.8 |
| Other Costs | 424.4 | 526.4 | 595.7 | 430.8 | 646.4 | 516.5 | 843.7 | 1,108.3 | 1,207.4 |
| TOTAL INDIRECT COSTS | 799.7 | 868.9 | 1,010.6 | 971.1 | 1,177.5 | 1,203.0 | 1,699.5 | 2,490.8 | 2,220.5 |
| TOTAL USES OF FUNDS | 6,130.5 | 6,314.5 | 7,508.2 | 8,690.0 | 12,702.7 | 13,737.9 | 16,459.4 | 22,283.0 | 27,720.5 |
| ENDING BALANCE [G] | 5,645.7 | 6,308.8 | 6,078.2 | 5,158.1 | 4,563.5 | 6,648.3 | 823.8 | 3,031.3 | 15,262.4 |

A FIAS' Annual Report is prepared as a reporting tool for FIAS donors and management, utilizing management accounting principles.

B Excludes MIGA technical assistance, which was fully integrated with FIAS on July 1, 2007.

C FY07 with MIGA technical assistance included.

D Includes IFC's BEE Business Line FY09 contribution disbursed in March FY08.

E EAPRO is the East Asia Pacific Regional Office formed in Sydney and funded by Australia and New Zealand. In FY08, Australia and New Zealand designated their contributions to FIAS as core funding.

F Includes IFC's contribution for FIAS' managed BEE BL projects. For additional detail, see Table 2.

G FY07 and FY08 ending balances were restated to reflect funds under audit and transfer of funds from MIGA technical assistance.

TABLE 2: PROJECT-SPECIFIC DONOR AND CLIENT CONTRIBUTIONS
IN US$ THOUSANDS

| PROJECT | DONOR [A] | AMOUNT |
|---|---|---|
| WORLD BANK GROUP CONTRIBUTIONS (IFC BEE Business Line) | | |
| Subnational Doing Business Egypt | IFC BEE BL | 58.4 |
| Subnational Doing Business | IFC BEE BL | 235.0 |
| Tax Simplification Product Design | IFC BEE BL | 350.0 |
| Yemen Tax Simplification Rollout | IFC BEE BL | 350.0 |
| Licensing Knowledge Management | IFC BEE BL | 125.0 |
| Knowledge Management Trade Logistics Advisory Services | IFC BEE BL | 200.0 |
| Subnational Doing Business Global | IFC BEE BL | 75.0 |
| Liberia Trade Logistics | IFC BEE BL | 100.0 |
| Doing Business Reform Advisory | IFC BEE BL | 500.0 |
| FDI Indicator | IFC BEE BL | 144.0 |
| Business Licensing Madagascar | IFC BEE BL | 125.0 |
| Sierra Leone Tax Rollout | IFC BEE BL | 100.0 |
| Investment Policy and Promotion Product Development and Knowledge Management | IFC BEE BL | 80.0 |
| SEZ Project Development and Knowledge Management | IFC BEE BL | 200.0 |
| Subnational Doing Business India | IFC BEE BL | 100.0 |
| Rwanda – Investment Climate Reform Project | IFC BEE BL | 220.0 |
| SEZ Legal Framework in Democratic Republic of Congo | IFC BEE BL | 200.0 |
| OHADA Africa Business Law Harmonisation | IFC BEE BL | 375.0 |
| Global Tourism | IFC BEE BL | 65.0 |
| Liberia SEZ | IFC BEE BL | 200.0 |
| Subtotal World Bank Group Contributions | | 3,802.4 |
| DONOR CONTRIBUTIONS | | |
| Administrative Barriers Lebanon | USTDA | 50.0 |
| Senegal Accelerated Growth Strategy | USAID | 100.0 |
| Corporate Social Responsibility in China's Information Technology Industry | UNEP | 52.5 |
| Competition Commission in India | United Kingdom | 224.7 |
| Serbia Investment Promotion Program | EU EAR | 1,332.4 |
| Invest in Western Balkans Program | EC | 790.6 |
| Administrative Barriers III in Africa (Sierra Leone) | United Kingdom | 2,972.9 |
| Subtotal Donor Contributions | | 5,523.1 |
| CLIENT CONTRIBUTIONS | | |
| Regulatory Governance | Croatia | 85.5 |
| Tatarstan Business Environment | Russian Federation | 43.3 |
| Subtotal Client Contributions | | 128.8 |
| TOTAL FY08 PROJECT-SPECIFIC DONOR AND CLIENT CONTRIBUTIONS | | 9,454.3 |

A BEE BL – Business Enabling Environment Business Line; USTDA – United States Trade and Development Agency; UNEP – United Nations Environment Programme; EU EAR – European Agency for Reconstruction.

TABLE 3: FY08 BUDGET RESULTS
IN US$ THOUSANDS

| | FY08 BUDGET | FY08 ACTUALS | FY08 EXPENSES AS % OF BUDGET |
|---|---|---|---|
| Staff Costs | 11,010 | 9,961 | 90% |
| Travel | 6,000 | 6,217 | 104% |
| Consultants | 7,510 | 9,322 | 124% |
| Overhead and Indirects | 2,480 | 2,221 | 90% |
| TOTAL FIAS | 27,000 | 27,721 | 103% |

TABLE 4: EXPENDITURES BY TAAS* ACTIVITY CATEGORY

| | JULY – JUNE ACTUAL | PERCENT JULY – JUNE ACTUAL | FY08 BUDGET | PERCENT FY08 BUDGET | BUDGET REMAINING | PERCENT BUDGET BURN |
|---|---|---|---|---|---|---|
| Project Related Expenditures | 20,670,730 | 75% | 20,100,000 | 74% | (570,730) | 103% |
| New Business Development/Project Development | 3,225,236 | 12 | 3,500,000 | 11 | (225,236) | 92 |
| a) General | 967,526 | 3 | 1,500,000 | 6 | 532,473 | 65 |
| b) Early Review—Project Preparation | 2,257,710 | 8 | 2,000,000 | 7 | (257,710) | 113 |
| Product Development | 752,522 | 3 | 100,000 | 0 | (652,522) | 753 |
| Project Implementation and Supervision | 15,362,869 | 55 | 16,000,000 | 59 | 637,131 | 99 |
| a) Advisory Projects | 14,992,099 | 54 | 13,000,000 | 48 | (1,992,099) | 120 |
| b) Knowledge Management Projects | 370,770 | 1 | 3,000,000 | 11 | 2,629,230 | 12 |
| Program Management and Support | 986,791 | 4 | 500,000 | 2 | (486,791) | 197 |
| Monitoring and Evaluation | 343,312 | 1 | 500,000 | 2 | 156,688 | 69 |
| Non-Project Related Expenditures | 7,049,783 | 25% | 6,900,000 | 26% | (149,783) | 102% |
| Knowledge Sharing and Staff Development | 745,233 | 3 | 250,000 | 1 | (495,233) | 298 |
| Fund-Raising and Donor Relations | 187,107 | 1 | 200,000 | 1 | 12,893 | 94 |
| Public Relations | 134,737 | 0 | 275,000 | 1 | 140,263 | 49 |
| General and Administration | 5,982,706 | 22 | 6,175,000 | 23 | 192,294 | 97 |
| a) Overhead | 1,374,429 | 5 | 1,475,000 | 6 | 100,572 | 93 |
| b) Non-Overhead Related G&A Expenditures | 4,608,277 | 17 | 4,700,000 | 17 | 91,723 | 98 |
| TOTAL STANDARD TAAS ACTIVITY EXPENDITURES | 27,720,513 | 100% | 27,000,000 | 100% | (720,513) | 103% |

* TAAS abbreviates Technical Assistance Advisory Services.

# APPENDICES

# APPENDIX 1: ADVISORY AND KNOWLEDGE MANAGEMENT PROJECTS COMPLETED IN FY08

Due to changes in FIAS' performance monitoring system, projects denoted with * were reported as closed in the FIAS FY07 Annual Report. Many of the projects listed as closed were start-up phases for work which continued in FY08. FIAS' transition to larger, multi-year projects with a significantly longer life-span has led to a shorter list of closed projects in FY08.

| COUNTRY | PROJECT NAME | RESULTS | TOTAL FUNDING |
|---|---|---|---|
| Africa Region | ICF/NEPAD Baseline Review of Investment Climate Indicators of African Countries* | FIAS provided support in implementing a baseline review of existing investment climate indicators and developed a comprehensive investment climate database for the Investment Climate Facility for Africa (ICF). | 80,155 |
| Cambodia | Cambodia Tourism: A Value and Supply Chain Study* | FIAS reviewed the strengths and weaknesses of the Cambodian tourism sector, identified the key constraints to the sector's further development, and provided concrete recommendations to address the problems. | 260,000 |
| China | Tourism Development in Sichuan: A Value Chain Approach | FIAS helped identify the policy and regulatory constraints that impede sustainable tourism development in Sichuan and offered practical recommendations for improvements. The project built the capacity of local partners and the consensus needed for long-term reform implementation through interactive solution design. | 248,500 |
| China | Sichuan Value Chain Analysis (China PDF/ FIAS/SME Dept. joint project) | This project was the first in a series of value chain analyses to assist the government of Sichuan in identifying the opportunities and challenges in development of strategic sectors such as agribusiness, electronics manufacturing, and ecotourism. | 1,111,700 |
| China | Access to Business Credit – Secured Transactions | FIAS worked to expand access to business credit and encourage private sector growth by supporting the development of China's new secured transactions law and institutions. The project raised awareness of best practices in secured transactions, provided legislative drafting support for secured transactions laws, and supported the development of a pilot registry for security interests in accounts receivable. | 1,111,700 |
| Costa Rica | The Role and Importance of Competition Policy in Promoting Investment, Growth, Competitiveness | FIAS assisted Costa Rica's Commission for Promotion of Competition in the implementation of competition policy in order to foster a market-friendly investment climate and reduce restrictive business practices. | 470,000 |
| Guatemala, Honduras, Nicaragua, El Salvador, and Panama | Central America: Tourism Promotion Regional Investor Outreach | FIAS helped officials from Guatemala, Honduras, Nicaragua, El Salvador, and Panama develop tourism project porfolios to be presented to prospective investors at the 2008 Central America Tourism and Hotel Investment Exchange. | 57,500 |
| Honduras | Honduras Technical Assistance Program | FIAS conducted investment promotion campaigns to generate FDI in the light manufacturing and tourism sectors, provided oversight for an image-building campaign promoting Honduras as an investment destination, and helped design a program linking Honduran SMEs to foreign investors. | 45,550 |
| Indonesia | Linkages Mining | FIAS and IFC Advisory Services analyzed linkages between the mining sector and the local economy in Indonesia's Aceh region, focusing specifically on opportunities and impediments to growth. | 70,000 |
| Indonesia | Aceh Investment Law | FIAS assisted the government in drafting a regional investment policy statement and conducted preliminary work outlining a regional investment law. | 46,773 |
| Indonesia | Aceh Investment Promotion | FIAS, IFC Advisory Services, and MIGA built the capacity of Indonesia's Nanggröe Aceh Darussalam province to attract and retain investors by providing technical assistance for the design and establishment of an Investment Outreach Office. | 137,000 |
| Jordan | Labor and Corporate Social Responsibility for Qualified Industrial Zones* | FIAS designed a transparent, market-oriented, public-private monitoring and reporting system for the apparel industry. | 140,000 |
| Namibia | Reform of Investment Incentives and Legislation in Namibia* | FIAS worked to increase foreign and domestic investment rates by improving the system of investment incentives, investment promotion, and related investment legislation. | 255,500 |

| COUNTRY | PROJECT NAME | RESULTS | TOTAL FUNDING |
|---|---|---|---|
| Niger | Niger Doing Business Indicator Solution Design, Administrative Barriers and Marginal Effective Tax Rate Assessment* | FIAS assisted the government of Niger in easing regulations for registering a business, provided technical assistance to the National Private Investors Council on how it can improve investment, and assessed the impact of the current tax regime on the private sector. | 662,656 |
| Papua New Guinea | Informal Sector Review | FIAS assisted the government of Papua New Guinea in starting to formalize its economy by identifying drivers of informality and barriers to business formal registration. | 246,000 |
| Peru | Removing Administrative Barriers to Investment in the Regions of Peru | FIAS identified and prioritized major barriers to private sector investment at the subnational level in five regions of Peru. | 132,201 |
| Russian Federation | Pilot Intermediaries' Survey in Russia* | FIAS identified administrative barriers impeding specialized business intermediaries in supplying services to Russian businesses. | 314,000 |
| Senegal | Governance for Senegal Accelerated Growth Strategy | FIAS supported the government of Senegal in addressing institutional dimensions key to successfully implementing the country's Accelerated Growth Strategy. | 100,000 |
| Senegal | Technical Arrangements for Senegal Accelerated Growth Strategy | This project complemented FIAS' other work in supporting the government of Senegal in addressing institutional dimensions key to successfully implementing the Accelerated Growth Strategy. | 100,000 |
| South Africa | Impact of Competition Law-Policy on South Africa's Investment Climate and Investment | FIAS developed general and sector-specific reports on the implementation, impact, and potential for strengthening competition policy. | 259,700 |
| Vietnam | Foreign Investment Agency Strategic Planning | FIAS provided assistance to Vietnam's Foreign Investment Agency in developing a medium-term strategic plan. | 150,000 |
| World Region | Knowledge Management – FDI Policy | Staff contributed text to "Africa's Silk Road," the Africa-Asia Trade and Investment flagship report. Topics covered by FIAS staff in the report included FDI trends in Sub-Saharan Africa, China's trade and investment policies and practices in Africa, FDI and incentives, lessons from Export Processing Zones, the impact of investment climate on FDI flows, Asia-Africa bilateral investment treaties, trade facilitation, and South-South FDI and corporate social responsibility. FIAS also produced an annotated bibliography on South-South FDI and conducted a survey of China-based outward investors. In addition, this project conceptualized and designed the "Attracting FDI" indicator, which was transitioned into a standalone project currently operating in 20 countries. | 520,000 |
| World Region | Knowledge Management – Post Conflict | FIAS collaborated with World Bank partners DFID and GTZ to create a best-practice toolkit for engagement in post-conflict countries for the purpose of private sector reform. FIAS also collaborated with GTZ to write a practitioner's note on how to conduct conflict-sensitive private sector reform in conflict-affected countries. This note complements the FIAS-USAID Handbook on Investment Climate Reform in Conflict-Affected Countries. | 100,000 |
| World Region | World Database of Active Companies | FIAS staff developed a report on how to identify and collect reliable statistics on active companies in developing and transition economies. | 50,000 |
| World Region | Global Investment Law and Policy Research and Advisory project (GILPRA) | FIAS completed research on basic policy and legislation on private investment with a special focus on FDI for the client governments of the Republic of Yemen, Libya, Burundi, and Indonesia's Aceh province. The project consolidated lessons learned and best practices in investment legislation, which enabled FIAS to provide rapid response advice on FDI laws and policies. | 432,000 |
| Yemen, Republic of | Yemen Investment Climate (Tax Review)* | FIAS took initial steps to establish a tax policy and tax administration program with the government. | 138,819 |

# APPENDIX 2: REFORMS SUPPORTED BY FIAS IN FY08

The following tables summarize the reforms supported by FIAS in FY08 across the various product categories. They are summarized by type of reform implemented, including a brief description of the reform measure. See Monitoring and Evaluation section (p. 31) for a description of the methodology employed to classify reforms.

## ACCESS TO FINANCE

| COUNTRY | REFORMS |
|---|---|
| Azerbaijan | Improving the efficiency in accessing credit - The National Bank of Azerbaijan eliminated the minimum loan threshold to report loans to the public credit registry in September 2007. The public registry now records information on all loans extended by the financial system, which has more than doubled the coverage of borrowers with a credit history. |
| Belarus | Improving the efficiency in accessing credit - The public credit registry eliminated the minimum loan requirement to report credits to the registry's database in May 2008. The registry now captures information on all credits extended by the financial system, more than doubling the quantity of borrowers with a credit history. |
| | Implementation of enacted new/revised legislation - New regulations in Belarus guarantee the right of borrowers to inspect the data stored in the credit registry. Borrowers can now verify the accuracy of their credit information, improving the quality of the information distributed by the credit registry. |
| China | Enactment of new/revised secured lending legislation - A new regulation governing the establishment and operation of the receivables registry was enacted. |
| | New/reorganized collateral registry becomes operational - A receivables registry became fully operational in October 2008. |
| Liberia | Improving the efficiency in accessing credit - Liberia improved its public credit registry in the Central Bank of Liberia. The registry provides banks with credit information on potential borrowers and helps banks improve their risk management tools. |
| Nepal | Implementation of enacted new/revised legislation - The government of Nepal agreed on an implementation plan to establish a registry by mid-2009. |
| Vietnam | Implementation of enacted new/revised legislation - The new Decree on Secured Transactions took effect and began implementation. |

## BUSINESS LICENSING AND REGULATORY GOVERNANCE

| COUNTRY | REFORMS |
|---|---|
| Bangladesh | Reduction in time - The Environment Conservation Rule was amended to reduce the time necessary to obtain a Location Clearance Certificate and an Environmental Clearance Certificate. A number of steps were eliminated from the Bonded Warehouse Licensing process and standardized forms were introduced. The Capital Machinery Import Clearance system was simplified. |
| Croatia | Reduction in number of procedures - The Croatian government continued with the implementation of the regulatory simplification initiative. Since September 2007, 321 recommendations for elimination or simplification have been implemented (201 for elimination and 120 for simplification). |
| Kenya | Reduction in number of procedures - In this reform, 205 business licenses were eliminated and 371 were simplified. This included the elimination and simplification of 23 licenses among the 26 considered most important by the private sector. |
| | Simplification/reduction in number of procedures - Kenya launched an electronic registry. |
| Madagascar | New/revised law/regulation enacted - The revised investment law stipulates that all permits, agreements, and licenses delivered by the Economic Development Board of Madagascar should be delivered within 20 days. |
| Netherlands | New/revised law/regulation enacted - Nearly all recommendations from the FIAS Doing Business 2007 review of the Dutch Administrative Burden Reduction Program were incorporated in the Coalition Agreement of the Balkenende IV government. |

## BUSINESS TAXATION

| COUNTRY | REFORMS |
|---|---|
| Antigua and Barbuda | **Reduction in tax rate and/or widening of tax base** - The corporate income tax rate was reduced from 30 to 25 percent as of January 1, 2008. |
| Azerbaijan | **Implementation of best-practice tax enforcement procedures/practices** - An online tax filing and payment system was introduced with advanced accounting software systems. Computer stations were provided for users without computer facilities. |
| Belarus | **Reduction in tax rate and/or widening of tax base** - The 3 percent Chernobyl tax and the 1 percent, employer-paid unemployment tax were abolished. |
| | **Implementation of an SME tax regime** - The simplified tax system for small businesses was amended. |
| Burkina Faso | **Reduction in tax rate and/or widening of tax base** - The corporate income tax rate was reduced from 35 to 30 percent and the tax on dividends was reduced from 15 to 12.5 percent. |
| Colombia | **Implementation of best-practice tax enforcement procedures/practices** - Electronic forms for tax payments were integrated and unified. Electronic payment is now mandatory for companies with more than 30 employees. |
| Mozambique | **Implementation of an SME tax regime** - A new Corporate Income Tax Code was introduced that included a simplified scheme for companies with annual revenues of up to $103,000 in the previous year. A new Value Added Tax Act took effect in January 2008. Its new simplified regime applies to companies with revenues between $30,000 and $103,000. |
| | **Implementation of best-practice tax enforcement procedures/practices** - Electronic tax forms were introduced for social security taxes and have reduced processing time per form by 12 hours. |
| Madagascar | **Reduction in tax rate and/or widening of tax base** - The corporate income tax rate was reduced to 25 percent. |
| | **Reduction in number of taxes** - The number of taxes was reduced from 28 to 14. |
| | **Implementation/improvement of taxpayer education system** - Taxpayer outreach and training centers were opened in Antananarivo and Antsirabe. |
| Sierra Leone | **Implementation of best-practice tax enforcement procedures/practices** - Coordination between tax policy unit and tax authorities was improved. |
| | **Implementation/improvement of taxpayer education system** - Tax authorities rolled out taxpayer workshops. |
| South Africa | **Reduction in tax rate and/or widening of tax base** - The corporate income tax rate was reduced to 29 percent. |
| | **Reduction in tax rate and/or widening of tax base** - Secondary tax on companies was reduced to 10 percent. |
| | **Reduction in tax rate and/or widening of tax base** - Transfer duty thresholds were increased. |
| | **Reduction in the number of taxes** - The use of stamp duties on banking debt entries was abolished. |
| | **Implementation of an SME tax regime** - Small businesses were made exempt from tax on first $4,300 in revenue. |
| | **Implementation of an SME tax regime** - The depreciation rate for non-manufactured assets of small business was accelerated. |
| | **Implementation of an SME tax regime** - The number of value-added tax returns for small business was reduced and these are now administered quarterly. |
| | **Improvement in the time required to file taxes** - Compliance costs were reduced due to Tax Administration Initiatives. |

## DEALING WITH CONSTRUCTION PERMITS

| COUNTRY | REFORMS |
|---|---|
| Armenia | Reduction in fees - The requirement for all construction permits of mandatory contributions to the mayor's charitable fund was abolished. |
| Burkina Faso | Reduction in time - The government eliminated random inspections during construction. It also introduced a new one-stop shop for building permits, which reduced approval fees and combined five separate payments into one. The reforms cut 17 procedures, 12 days, and $933 from the process of obtaining a construction permit. |
| Colombia | Reduction in number of procedures/Reduction in time - The silence-is-consent principle became fully operational, reducing the total time to deal with building permits by 32 days. A new unified application form for building permits cut one procedure. |
| Kyrgyz Republic | One-stop shop created - A one-stop shop for construction permits was created. |
| Liberia | Reduction in number of procedures/Reduction in fees - The government reduced the time required to obtain a building permit by 59 days by introducing a 30-day statutory time limit and eliminating the requirement for the Minister of Public Works' signature on small- to medium-sized construction projects. Liberia also cut building permit fees by 50 percent. |
| Mauritania | New/revised law/regulation enacted - The government introduced the country's first building code. The new code simplified the requirements for small construction projects and laid the groundwork for a one-stop shop for building permits. |
| Rwanda | Reduction in number of procedures - The government streamlined project clearances for the second consecutive year by combining the processes for obtaining a location clearance and building permit into a single application form. Rwanda also introduced a single application form for water, sewer, and electricity connections. |
| Tonga | Reduction in number of procedures - Regulations of the 2005 Building Code were implemented and three procedures required for construction permits were cut. |

## EMPLOYING WORKERS

| COUNTRY | REFORMS |
|---|---|
| Azerbaijan | New/revised legislation/regulation enacted - In May 2007, substantial amendments to the labor code were adopted. The reform makes hiring workers easier by giving employers recourse to fixed-term contracts for permanent tasks, easing restrictions on night work, and reducing requirements for redundancy dismissals. |
| Burkina Faso | New/revised legislation/regulation enacted - The government adopted a new labor code in May 2008. The new labor code makes hiring workers easier by giving employers recourse to fixed-term contracts. Requirements for redundancy dismissals were reduced. Also, third party notification consent and approval is no longer necessary for the dismissal of a single worker and priority rules were abolished. |

## INDUSTRY COMPETITIVENESS

| COUNTRY | REFORMS |
|---|---|
| Central America Region | Improvement in sector-specific promotion practices or procedures - The Central America Tourism and Hotel Investment Exchange, a conference that once a year brings together countries and potential investors, has been institutionalized as a mechanism to promote tourism investment in the region. |
| India | New/revised law/regulation enacted - An amended Competition Act was enacted in September 2007. The act was amended to more clearly delineate the investigation and adjudication of cases relating to anticompetitive business practices. |
| Madagascar | Enactment of laws and regulations - New tourism laws have been enacted. |
| | Enactment of laws and regulations - A new concession policy has been enacted. |

## INVESTMENT POLICY AND PROMOTION

| COUNTRY | REFORMS |
|---|---|
| Colombia | Investment promotion intermediary became operational - Invest in Bogotá became operational and has already attracted/facilitated seven investments. |
| | Incremental number of leads from strategic sectors into the investment promotion pipeline - Invest in Bogotá successfully helped stimulate investor interest in the targeted sectors where previously there have not been specific investment promotion efforts. |
| | Improved conversion rates of investment leads in strategic sectors - Approximately 10 percent of Invest in Bogotá's investment promotion leads convert to actual investments. |
| Liberia | Formal public-private dialogue mechanisms became operational - New public-private dialogue mechanisms were established and have started submitting recommendations for improving the investment climate in Liberia. |
| | Recommended reforms resulting from public-private dialogue mechanism have been implemented - The government has already implemented some of the 21 recommendations submitted through the public-private dialogue process. |
| Madagascar | Enactment of laws and regulations - New investment law has been enacted. |
| Mali | Enactment of laws and regulations - A decree was passed increasing the number of private sector representatives on the board of directors of the country's national investment promotion intermediary. |
| | Investment promotion intermediary became operational - The Agency to Promote Investment in Mali (API-Mali) started operations after the hiring of key staff. |
| Serbia | Improved FDI links to the local economy - Due to the success of the pilot supplier development program, a $3.5 million supplier development program was secured. |
| Sierra Leone | Investment promotion intermediary became operational - The Sierra Leone Investment and Export Promotion Agency (SLIEPA) began operations after the hiring of key staff. |
| | Formal public-private dialogue mechanism became operational - A public-private dialogue mechanism has been put in place and has started operating. |

## PROTECTING INVESTORS

| COUNTRY | REFORMS |
|---|---|
| Albania | New/revised law/regulation enacted - The law now requires that disinterested shareholders approve transactions between interested parties. Parties must now disclose all the information on the transaction to the public. The law also reinforces director duties and requires directors to pay damages and return profits when they cause damages to the company due to violations of their obligations. |
| Azerbaijan | New/revised law/regulation enacted - The law requires that transactions between interested parties must be approved by disinterested shareholders while interested parties are prohibited to vote on the matter. Further measures to protect investors are ensured through provisions which force directors held liable to pay damages and disgorge profits. |
| Egypt, Arab Rep. of | New/revised law/regulation enacted - The new law requires an independent body (auditor) to assess transactions between interested parties as a prior step to approval. The amendment (Egyptian Capital Market Regulations) increases Egypt's score on the Doing Business disclosure index from 7 to 8. This reform will help improve the transparency of day-to-day management activities. |
| Kyrgyz Republic | New/revised law/regulation enacted - The amended law allows minority investors to undertake legal actions to protect their rights as shareholders. |

## REGISTERING PROPERTY

| COUNTRY | REFORMS |
|---|---|
| Azerbaijan | Reduction in procedures - The government introduced a new unified registry reducing the number of procedures from seven to four. The State Register Service also introduced the option of expediting two of four procedures. It is now possible to register property in 11 days. |
| Bangladesh | Reduction in time - The Municipal Deed Registry Office increased efficiency of internal organization and management. As a result, the time required to issue the original sale deed decreased from 360 to 180 days and the total time required to register property in the country was reduced from 425 to 245 days. |
| Burkina Faso | Reduction in procedures/Reduction in fees - The government eliminated the requirement for municipal authorization in order to transfer a property, merged the payment of two taxes at the property registry (Conservation Foncière), and reduced the transfer tax. As a result, the number of procedures required to register a property has decreased from eight to six. Processing time has been cut by 45 days and the cost of registering property has decreased by 2 percent. |
| Rwanda | Reduction in time/Reduction in fees - The government abolished the 6 percent property registration fee and replaced it with a flat rate of $34. Rwanda also created a new centralized service in the tax authority to speed up the process of issuing the certificate of good standing. As a result, the property transfer costs were reduced by 8.8 percent and processing time was reduced by 56 days (from 371 to 315 days). |
| Senegal | Reduction in time - The government introduced time limits at the Land Registry and at the Directorate of Taxes and Property to improve property transfer. Time limits reduced the time required to obtain registry certificates and to register a property at the Land Registry. |

## STARTING A BUSINESS

| COUNTRY | REFORMS |
|---|---|
| Albania | Reduction in number of procedures/Reduction in fees - Procedures for tax, health insurance, and labor registration were consolidated into a single application, thereby reducing registration fees. Amendments to the company law strengthened disclosure requirements for large firms and enacted stricter protections against corporate self-dealing. |
| Azerbaijan | Creation of one-stop shop - A one-stop shop for completing registration requirements was created, reducing the number of procedures, days required for processing, and the cost of starting a business. |
| Bangladesh | Reduction in number of procedures - Simplification of the registration formalities reduced the number of procedures, time, and cost of starting a business. |
| Belarus | Reduction in number of procedures/Reduction in time/Minimum capital reduced or eliminated - A unified registry database was created, a limit on the time a government can take to register new businesses was introduced, and the minimum capital required to start a business was reduced by half. |
| Colombia | Reduction in number of procedures - Online company registration was introduced and other registration formalities were simplified (including the certificates and the books), which resulted in reduced time, cost, and number of procedures required to register. |
| Egypt, Arab Rep. of | Reduction in time/Reduction in fees/Minimum capital reduced or eliminated - The minimum capital required to start a business was reduced by 20 percent. Bar association fees were abolished, reducing the cost of starting a business. Tax registration was automated, thereby reducing processing time. |
| El Salvador | Reduction in number of procedures/Minimum capital reduced or eliminated - A new commercial code reduced the minimum capital requirement, simplified the legalization of accounting books, and eased publication requirements associated with starting a business. |
| Ghana | Reduction in number of procedures - Requirements that companies register employment vacancies at the employment center and that businesses obtain a corporate seal were eliminated. |
| Kyrgyz Republic | Reduction in number of procedures - The creation of a one-stop shop streamlined and simplified business registration processes. Other formalities were eliminated (such as the proof of residence requirement), which has reduced the number of procedures required for starting a business. |
| Liberia | Reduction in number of procedures - By cutting four unnecessary steps in business registration, the government was able to speed up the business start-up process by two months and cut business start-up costs by almost 80 percent. |
| Madagascar | Reduction in fees - The professional tax was abolished, reducing the cost of starting a business. |
| Mauritania | Reduction in number of procedures - Two business start up procedures were eliminated. New business start-up time was reduced from 65 to 18 days and the cost was reduced by 35 percent. |
| Senegal | Reduction in number of procedures - Requirements for company identification number and registration with labor authorities were consolidated into a one-stop shop. |
| Yemen, Republic of | Reduction in number of procedures/Minimum capital reduced or eliminated - The requirement for a company seal was abolished and the paid-in minimum capital requirement for starting a business was reduced. |

## TRADE AND LOGISTICS

| COUNTRY | REFORMS |
|---|---|
| Belarus | Reducing procedures - A new process for obtaining letters of credit to conduct trade has reduced import and export time. |
| Colombia | Reducing number of agencies involved - Previously, more than one agency would participate in the customs inspection at different times causing unnecessary delays. In May 2008, Decree 1520/2008 was passed mandating non-intrusive and simultaneous inspections by these agencies. |
| El Salvador | Reducing procedures - New information sharing among customs agencies has reduced the number of documents needed to conduct transborder trade. Also, customs declaration fees and taxes can now be paid online. As a result, the number of physical inspections has dropped to 14 percent. |
| Liberia | Reducing procedures - All Ministry of Finance export documents can be approved and processed at the port and must no longer be taken to the Ministry's main office. In addition, the Ministry of Finance is no longer required to clear all exports. Also, the number of signatures required at the Ministry of Commerce for the Import Permit Declaration Reduction was reduced from four to three. |
| | Reducing costs - A tiered financial penalty structure was created for cargo in violation of pre-shipment inspection requirements. Penalties for first- and second-time offenders were reduced from 20 to 10 percent of the shipment's value. Pre-shipment inspection fees were reduced from 1.5 to 1.1 percent of Free on Board value. Also, custom usage charges were reduced 50 percent, from 3 to 1.5 percent for some specific products. |
| | Reducing number of agencies involved - Unnecessary security functions and other non-essential staff involved at the National Port Authority gate and within the port were eliminated. The Ministry of Finance Excise Tax Division and the Bureau of Concessions were removed from the process flow. As a result, transaction costs and red tape were significantly reduced. |
| | Product or sector-specific cost reduction - A $2 levy on bags of rice imports was eliminated and custom usage charges were reduced 50 percent. |
| | Time/procedures improvements - The Ministry of Transport vehicle import permit clearance fee was eliminated. Inspection of rice, petroleum, and cement will no longer be based on pre-shipment inspections, but rather on destination. |
| Rwanda | Reducing procedures - Officials introduced automatic clearance at selected border posts for goods valued up to $2,000. The requirement that cargo transporters have an arrival notice prior to beginning clearance procedures was eliminated. The "desabilage" step, which required unnecessary paperwork before customs cleared shipments, was abolished. The requirement that all cargo pass via the Magerwa weigh bridge was removed. Cargo orientation for both customs at port and the Magerwa inland container depot were put under one roof. |
| | Working capital improvements for private sector - Automatic cancellation and validation for inward and outward transit bonds were implemented, which lowered liabilities and increased working capital for traders. |
| | Institutionalization of risk management - A risk management and intelligence unit was established. Risk management enables freed-up resources to be focused on high-risk traders and facilitates smooth trade flows as trade volume increases. |
| | Implementing international best-practice clearance procedures - Pre-arrival clearance and pre-payment systems for cargo clearance were introduced. Blue and green channel cargo clearance was introduced. |
| | Improving payment systems for trade - A unified bank counter combining customs and the Magerwa inland container depot was established. |

# APPENDIX 3: DOING BUSINESS REFORMS SUPPORTED BY FIAS IN FY08[A]

| Region [B] | Country | TOTAL completed reforms | Starting a business | Dealing with construction permits | Employing workers | Registering property | Getting credit | Protecting investors | Paying taxes | Trading across borders |
|---|---|---|---|---|---|---|---|---|---|---|
| ECA | Albania | 2 | 1 | | | | | 1 | | |
| LCR | Antigua and Barbuda | 1 | | | | | | | 1 | |
| ECA | Armenia | 1 | | 1 | | | | | | |
| ECA | Azerbaijan | 6 | 1 | | 1 | 1 | 1 | 1 | 1 | |
| SA | Bangladesh | 2 | 1 | | | 1 | | | | |
| ECA | Belarus | 4 | 1 | | | | 1 | | 1 | 1 |
| SSA | Burkina Faso | 4 | | 1 | 1 | 1 | | | 1 | |
| EAP | China | 1 | | | | | 1 | | | |
| LCR | Colombia | 4 | 1 | 1 | | | | | 1 | 1 |
| MENA | Egypt, Arab Rep. of | 2 | 1 | | | | | 1 | | |
| LCR | El Salvador | 2 | 1 | | | | | | | 1 |
| SSA | Ghana | 1 | 1 | | | | | | | |
| ECA | Kyrgyz Republic | 3 | 1 | 1 | | | | 1 | | |
| SSA | Liberia | 4 | 1 | 1 | | | 1 | | | 1 |
| SSA | Madagascar | 2 | 1 | | | | | | 1 | |
| SSA | Mauritania | 2 | 1 | 1 | | | | | | |
| SSA | Rwanda | 3 | | 1 | | 1 | | | | 1 |
| SSA | Senegal | 2 | 1 | | | 1 | | | | |
| SSA | Sierra Leone | 1 | 1 | | | | | | | |
| SSA | South Africa | 1 | | | | | | | 1 | |
| EAP | Tonga | 1 | | 1 | | | | | | |
| EAP | Vietnam | 1 | | | | | 1 | | | |
| MENA | Yemen, Republic of | 1 | 1 | | | | | | | |
| TOTAL | | 51 | 15 | 8 | 2 | 5 | 5 | 4 | 7 | 5 |

A In this table, Doing Business reforms are counted following the Doing Business methodology. The information in this appendix is consistent with the information included in the *Doing Business 2009* report.

B Abbreviations: EAP – East Asia and the Pacific; ECA – Europe and Central Asia; LCR – Latin America and the Caribbean; MENA – Middle East and North Africa; SA – South Asia; SSA – Sub-Saharan Africa.

# APPENDIX 4: ABBREVIATIONS

| | |
|---|---|
| AFD | Agence Française de Développement (France) |
| BEE | business enabling environment |
| BICF | Bangladesh Investment Climate Fund |
| DFID | Department for International Development (United Kingdom) |
| EU | European Union |
| FDI | foreign direct investment |
| FIAS | FIAS, the investment climate advisory service |
| FY | fiscal year |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit (Germany) |
| IBRD | International Bank for Reconstruction and Development |
| ICF | Investment Climate Facility for Africa |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| IMF | International Monetary Fund |
| IPA | investment promotion agency |
| IWB | Invest in the Western Balkans |
| M&E | monitoring and evaluation |
| MIGA | Multilateral Investment Guarantee Agency |
| NEPAD | New Partnership for Africa's Development |
| OECD | Organisation for Economic Co-operation and Development |
| OHADA | Organisation pour l'Harmonisation en Afrique du Droit des Affaires |
| PDF | Project Development Facility (IFC) |
| SEZ | special economic zone |
| SMEs | small and medium enterprises |
| USAID | United States Agency for International Development |

*All dollar amounts are in current U.S. dollars unless otherwise specified.*

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