2015 ANNUAL REVIEW

FIAS

Celebrating 30 Years of Partnership

WORLD BANK GROUP

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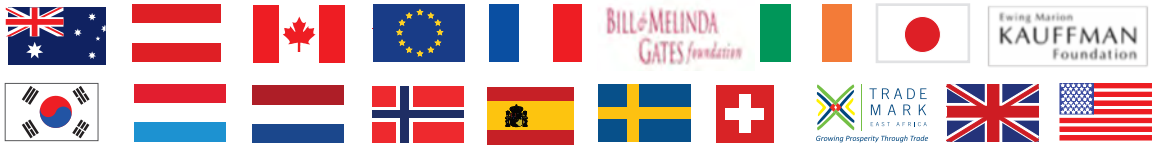

About the Facility for Investment Climate Advisory Services (FIAS)

Through the FIAS program, the World Bank Group and donor partners facilitate investment climate reforms in developing countries to foster open, productive, and competitive markets and to unlock sustainable private investments in sectors that contribute to growth and poverty reduction. The FIAS program is managed by the Trade & Competitiveness Global Practice of the World Bank Group. For more information, visit ***www.wbginvestmentclimate.org***, ***www.worldbank.org/trade*** and ***www.worldbank.org/competitiveness***.

This report was written by the staff of the World Bank Group's Trade & Competitiveness Global Practice and edited by John Diamond, with editing and design support provided by Lorenzo Nelli-Feroci and Boyan Stanoev.

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265 reforms

achieved in 75 client countries FY12–15, exceeding target for cycle with one year to go

$1.36b generated

FY 12–16, in new investment through FIAS-supported projects that created thousands of jobs in underdeveloped regions.

MESSAGE FROM THE SENIOR DIRECTOR

"T&C will enable FIAS to support an integrated suite of cutting-edge analytical, advisory, financial, and convening services to help countries compete in global markets."

Thirty years ago the International Finance Corporation embarked on an effort to help developing countries attract more foreign direct investment to benefit their economies. The program grew rapidly to include all the major institutions of the World Bank Group and expanded its mission to encompass domestic as well as foreign investment strategies. Today the Facility for Investment Climate Advisory Services (FIAS) is at work across the developing world, particularly in the most vulnerable countries, fostering policies and sharing expertise to encourage robust, sustainable, and inclusive growth led by the private sector.

Fiscal 2015 marks the first year in which the programs supported by the FIAS Trust Fund have been implemented by the World Bank Group's new Trade & Competitiveness Global Practice (T&C). The merging of a highly skilled and experienced Bank Group team with a well-established program of helping developing countries bodes well for the future of FIAS and for the countries we serve. As we celebrate the 30th anniversary of FIAS, it gives me great pleasure to present the *FIAS 2015 Annual Review*, outlining our achievements in working with poor and conflict-affected countries as we pursue the Twin Goals of eliminating extreme poverty and boosting shared prosperity.

With one year still to go in the FY12–16 strategy cycle, FIAS support as of the end of FY15 has exceeded the target goal of 250 reforms benefiting the business environment and private sector activity in client countries. For FY15, the total of 68 reforms achieved in 40 client countries reflects continued emphasis on conflict-affected countries, members of the International Development Association, and the Sub-Saharan Africa region. Over the course of the cycle this work has benefited more than 75 countries by streamlining business regulation, rationalizing tax policies, promoting trade and investment, and increasing the competitiveness of their businesses large and small.

Planning is well under way for an even more ambitious program for the FY17–21 cycle. T&C will enable FIAS to support an integrated suite of cutting-edge analytical, advisory, financial, and convening services to help countries compete in global markets. The work will focus on three strategic pillars: improving business environments in client countries; expanding market opportunities; and strengthening firm competitiveness. The thematic areas of gender and inclusion, transparency and political economy, green competitiveness, and a focus on high-growth businesses will cut across the entire FIAS portfolio.

On behalf of the T&C team, I would like to convey our heartfelt thanks to our FIAS donors and partners for continuing their strong support in FY15 and for working with us toward the next chapter in the FIAS effort to ensure that the benefits of economic growth reach the poorest and most vulnerable people.

Anabel González

Anabel Gonzalez
Senior Director
Trade & Competitiveness Global Practice
World Bank Group

FISCAL YEAR 2015

MAIN ACHIEVEMENTS AND MILESTONES

In FY15 the Trade & Competitiveness Global Practice began implementing FIAS-supported programs, exceeding targets for reforms and investment generation

$170 million
investment generated supported by FIAS in FY15. Total FDI for cycle: $1.36 billion, 36% above target

68 reforms
FIAS-supported work by the World Bank Group contributed to 68 reforms in 40 client countries.

$20.8 million
in direct compliance cost savings in FY15 due to streamlined regulation and lower business costs

MAIN ACHIEVEMENTS AND MILESTONES

From streamlining construction regulations in Benin to expanding trade in the Balkans to ensuring the safety of trekking trails in the Himalayas, FIAS support for projects promoting inclusive growth achieved significant successes in FY15 through a more versatile World Bank Group structure. The Trade & Competitiveness Global Practice (T&C), a joint World Bank/IFC organization, was launched in FY15 and took over responsibility for implementing FIAS-supported programs. T&C's expansive footprint—with staff located in over 80 offices, including its Istanbul, Singapore, and Vienna hubs—ensures proximity to clients and a unique rapid-response capability. The evolution of FIAS entails a shift in emphasis from the quantity of reforms to their quality and depth. A more robust system for measuring results and impact enables FIAS to measure benefits in terms of jobs, investment, and economic growth. T&C's commitment to innovation puts good ideas into practice on a foundation of strong research and analytics, with a firm commitment to effective implementation.

1

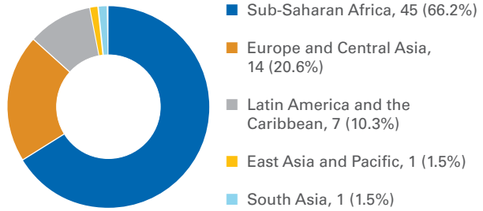
Impact and Reform: Five-Year Target Exceeded in Four Years

- FIAS-supported programs implemented by T&C contributed to 68 reforms in 40 client countries and one region (76 reforms in 39 countries in FY14).
- With one year still to go in the FY12–16 strategy cycle, FIAS has helped bring about 265 reforms, exceeding the five-year target of 250 reforms for the strategy cycle (see Annex 1.1, FIAS FY12–16 Reform Totals, p. 68). These have taken place in 75 countries across all developing regions.
- The Bank Group's Doing Business report records 43 of the FY15 reforms, or 63 percent (in FY14: 74 percent; see FIAS-supported reforms table on p. 11).
- FIAS-supported efforts contributed to $170 million in new investment generated in FY15 for an energy-efficient power plant project in Bangladesh. For FY12–15, private sector investment generated with FIAS support totals $1.36 billion, well above the target of $1 billion.
- FIAS support helped achieve $20.8 million in direct compliance cost savings (CCS) in FY15, reflecting lower business costs due to streamlined regulation and permitting.
- The FY12–16 strategy cycle seeks to achieve a total of $600 million in cost savings as a result of investment climate projects and related reforms ($350 million in CCS and $250 million in trade-related savings). Actual savings achieved have surpassed the overall target, reaching $626 million through FY15. Trade-related cost savings of $433 million far exceed the target. The $193 million in CCS is expected to increase by the end of FY16.
- *Doing Business 2016* lists 10 countries as showing the most improvement across three or more areas measured in the report. Of these, six countries—Benin, Costa Rica, Jamaica, Kenya, Senegal, and Uganda—benefited from FIAS-supported projects and implemented reforms with FIAS support.

FIAS FY15 FINAL REFORM COUNT		
Preliminary Count	68	
of which in FCS	23	34%
of which in IDA	43	63%
of which under Trade	25	37%
of which under Competitive Industries	1	1%
of which under Investment Climate	42	62%
of which in EAP	1	1.5%
of which in ECA	14	20.6%
of which in LAC	7	10.3%
of which in MENA	0	0.0%
of which in SA	1	1.5%
of which in SSA	45	66.2%
*of which DB Validated**	43	63%
of which DB16 validated	36	53%

* 7 reforms have been validated by DB15 and reported retroactively.

REGIONAL DISTRIBUTION OF REFORMS, FY15
100% = 68 Reforms



In the early years, FIAS was the only part of the Bank Group fully dedicated to investment climate reform. More recently, World Bank and IFC advisory services became important players in this area. As FIAS-supported work drew from the resources and expertise of the World Bank and MIGA, in addition to IFC, the FIAS program became the only tripartite World Bank Group operational entity.

FIAS Celebrating 30 Years of Partnership

Originally the "F" in FIAS stood for 'foreign,' as in foreign direct investment, a high-priority goal of developing countries. Beginning with the FY12–16 strategy cycle, the "F" stood for facility, reflecting the broader FIAS mission as a financial instrument for supporting not only increased FDI but also development and expansion of domestic investment in developing countries. Over time, the focus of FIAS-supported work shifted from diagnostics to the design of solutions and implementation of reforms. A key part of this success was the ability to leverage and collaborate with IFC field-based advisory services, World Bank lending programs, and MIGA technical assistance activities.

FIAS-supported investment climate work has strong links to the efforts of developing countries to improve their ranking in the World Bank Group's annual *Doing Business* reports. Over the past four years, 28 out of the 40 countries to make the annual top 10 most-improved list in *Doing Business* have implemented projects with FIAS support; 21 of those countries achieved one or more reforms.

The FIAS story continues with the approach of the FY17–21 strategy cycle. Extensive planning undertaken by T&C in FY15, in consultation with donors, has led to a robust proposal now going through final review and approval. The strategy envisions a broader FIAS mandate supported by one of the only two Global Practices that encompasses both World Bank and IFC elements.

Portfolio Information: Focus on Priority Client Groups

Reform results for FY15 reflect continuing emphasis on FIAS priority client groups:

- 34 percent of reforms were achieved in countries in fragile or conflict-affected situations (30 percent in FY14), the highest level achieved in the last five years.
- FIAS supported active projects in 21 out of the world's 33 FCS countries in FY15, the highest number for the cycle (in FY14, FIAS supported projects in 19 of 36 FCS countries).
- 63 percent of reforms were achieved in IDA countries (83 percent in FY14).
- 66 percent of reforms were achieved in Sub-Saharan Africa (82 percent in FY14).[1]
- The 68 reforms in FY15 exceed the yearly target of 50 reforms.

FIAS: Three Decades Helping Client Countries Grow their Economies

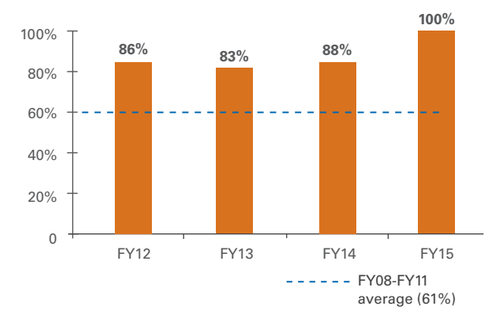
FY15 marks the 30th anniversary of the FIAS trust funds. FIAS got its start as an IFC program, tracing its origins to a 1985 request from the Chinese government for advice on foreign investment legislation. With the support of an increasing roster of donors and partners, it rapidly grew to include programs and expertise spanning the Bank Group, with an expanding roster of client countries from across the developing world. Today it is one of the Bank Group's longest-standing technical assistance programs.

[1] The figures add up to more than 100 percent because of overlap between the FCS, IDA, and Sub-Saharan Africa categories.

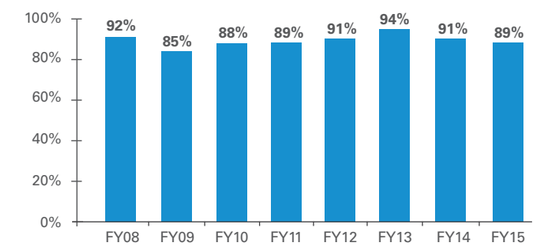
Trade & Competitiveness Global Practice: Development Effectiveness and Client Satisfaction

- The Development Effectiveness rating for FIAS-funded projects increased 12 percentage points to 100 percent in FY15.
- Five client-facing FIAS-funded projects closed in FY15. All five received a positive ("successful") rating.
- Overall client satisfaction with advisory services provided in FY15 by the Trade & Competitiveness Global Practice, through which a majority of FIAS-funded programs are implemented, totaled 89 percent. This was the first year in which client satisfaction was measured for T&C, which assumed responsibility for implementing FIAS-funded programs in FY15. The client satisfaction rating for these programs in FY14 was 91 percent.
- Satisfaction with Quality of IFC Service increased in FY15 from 92 percent to 95 percent, while satisfaction with Timeliness and Responsiveness increased from 86 percent to 88 percent.
- FIAS-supported projects also received an overall client satisfaction rating of 89 percent in FY15 (88 percent in FY14).

FIAS DEVELOPMENT EFFECTIVENESS RATINGS, FY08-FY15
(Share of completed projects with positive ratings)



TRADE & COMPETITIVENESS GLOBAL PRACTICE CLIENT SATISFACTION, FY08-FY15*
(Share of clients satisfied)

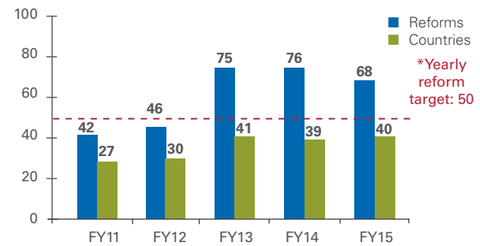


*Client satisfaction ratings for Investment Climate Business Line from FY08-FY14.

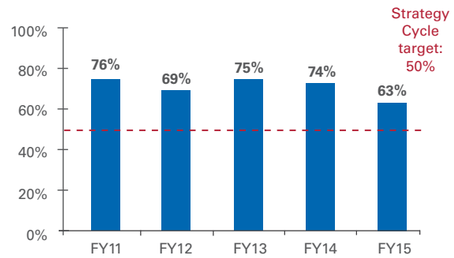
FIAS Strategy Cycle Metrics, FY11–15

With four years of the strategy cycle completed, the numbers indicate that steady-state expenditures are yielding more projects and reforms. FIAS-supported teams are now working in two-thirds of the FCS states and generating more reforms in more countries. (Figures for FY11 are shown to provide a pre-strategy cycle baseline.)

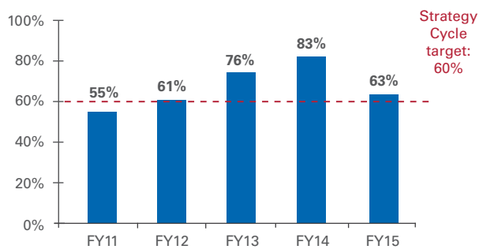
TOTAL FIAS-SUPPORTED REFORMS



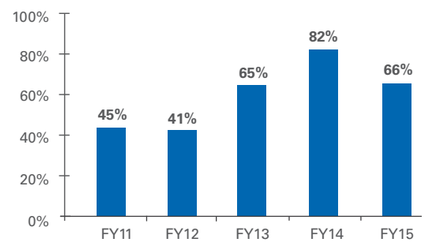
IMPLEMENTED REFORMS RECORDED IN *DOING BUSINESS*



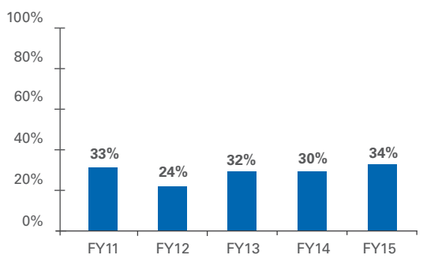
REFORMS IN INTERNATIONAL DEVELOPMENT ASSOCIATION



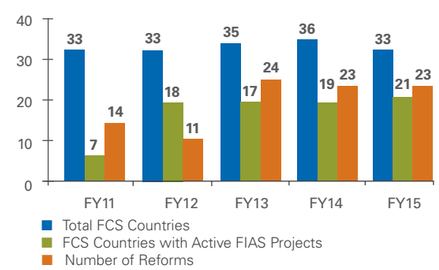
IMPLEMENTED REFORMS IN SUB-SAHARAN AFRICA



SHARE OF FIAS-SUPPORTED REFORMS ACHIEVED IN COUNTRIES IN FRAGILE AND CONFLICT-AFFECTED SITUATIONS



FCS COUNTRIES, FIAS-SUPPORTED FCS PROJECTS AND REFORMS



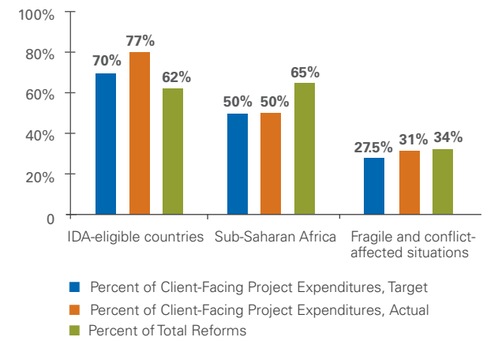
*Note: Target indicates goal per year for the FY12-16 Strategy Cycle.

Balance in the FIAS Portfolio

As the figure below indicates, target spending, actual spending, and distribution of reforms by priority area are in rough alignment in FY15.

RESULTS BY PRIORITY CLIENT GROUP, FY15

Share of Client-Facing Project Expenditures and Total Reforms



FIAS Portfolio: Client-Facing, Knowledge and Product Development, Industry-Specific

- FIAS funding was used to co-finance 69 projects implemented by T&C, including 17 non-client facing projects focused on knowledge management and product development.[2]
- Total project expenditures were $18.3 million in FY15, up slightly from $18 million FY14, with $9.9 million going to client-facing projects ($10.8 in FY14) and $8.4 million to knowledge management and product development projects ($7.2 million in FY14).
- The share of expenditures on industry-specific activities supported by FIAS totaled $1.57 million in FY15, 15.9 percent of client-facing FIAS expenditures. This compares to 13.4 percent in FY14 and 19 percent in FY13.
- The highest proportion of regional spending went to Sub-Saharan Africa in FY15, accounting for 50 percent, in keeping with the priority the FIAS program has placed on that region.
- Funding administered via FIAS contributed to 19.8 percent of total T&C spending in FY15, and FIAS funding was involved in projects that supported the implementation of 76 percent of all IFC advisory area reforms (68 of 89 reforms).
- The increasing share of expenditures devoted to knowledge and product development, from 40 percent in FY14 to 45 percent in FY15, reflects the emphasis on widely applicable knowledge products in line with the FIAS strategy.
- Trade logistics drew the largest share of client-facing expenditures in FY15 with 18 percent, followed by business regulation, indicator-based reform advisory, and industry-specific work.
- A FIAS-funded project in Bangladesh supporting a low-carbon special economic zone won the Bank Group's KNOWbel Award in the Client Solutions category, one of nine winners selected from among 387 entrants. The award celebrates teams that leverage knowledge for better business results and deliver high-impact benefits to clients, business, and process impact.

[2] FIAS funding supported an additional 10 projects that had less than $10,000 in expenditures for the fiscal year.

FY12–15 Funding and Expenditures+

	2012		2013		2014		2015	
Contributions (Sources of Funds)	In US$, Thousands	Share of Total	In US$, Thousands	Share of Total	In US$, Thousands	Share of Total	In US$, Thousands	Share of Total
WORLD BANK GROUP CONTRIBUTIONS	12,089	36%	11,754	42%	9,917	19%	7,627	21%
Core	8,188	24%	8,000	28%	7,600	14%	6,700	18%
IFC[a]	4,088	12%	4,000	14%	4,500	9%	5,100	14%
MIGA	2,500	8%	1,600	6%	1,500	3%	-	0%
World Bank	1,600	5%	2,400	8%	1,600	3%	1,600	4%
Project Specific/Other Contributions (IFC)	3,901	11%	3,754	13%	2,317	4%	927	3%
Donor Contributions	21,390	63%	16,435	58%	42,584	81%	29,060	79%
Core	5,730	17%	5,532	20%	21,241	40%	7,872	21%
Programmatic	6,678	20%	5,447	19%	15,410	29%	16,522	45%
Project Specific	8,982	26%	5,456	19%	5,933	11%	4,666	13%
Client Contributions	484	1%	90	0.3%	75	0.1%	50	0.1%
Total Contributions[b]	**33,963[a]**	**100%**	**28,279**	**100%**	**52,577**	**100%**	**36,737**	**100%**
Less Trust Fund Administration Fees	1,122		1,021		2,507		1,421	
Total Net Contributions	**32,841**		**27,258**		**50,070**		**35,316**	
Expenditures (Uses of Funds)[a]	In US$, Thousands	Share of Total	In US$, Thousands	Share of Total	In US$, Thousands	Share of Total	In US$, Thousands	Share of Total
Staff Costs (including consultants)	19,740	70%	21,855	69%	22,439	81%	22,262	80%
Operational Travel Costs	5,847	21%	6,099	19%	3,643	13%	4,176	15%
Indirect Costs (including office and operating costs)	2,455	9%	3,603	11%	1,792	6%	1,673	6%
Total Expenditures	**28,042**	**100%**	**31,557**	**100%**	**27,875**	**100%**	**27,875**	**100%**

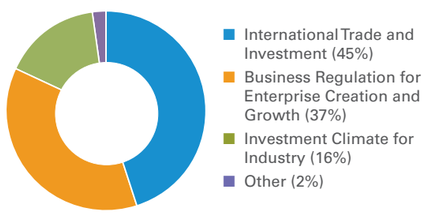
+Note: IFC Admin budget is included—this table does not match (donor) contributions in Table 1: Sources.

[a] Includes Advisory Services administrative budget and expenditures of approximately $1.2 million in FY12 and FY13, $2.3 million in FY14 and $3.1 million in FY15 provided by IFC to cover staff and travel costs of a number of mainstreamed Advisory Services (AS) positions related to the delivery of the FIAS Program.

[b] FY12 donor contributions amended to correct a typographic error in the FY12 Expenditures table on page 6 of the FIAS 2012 Annual Review.

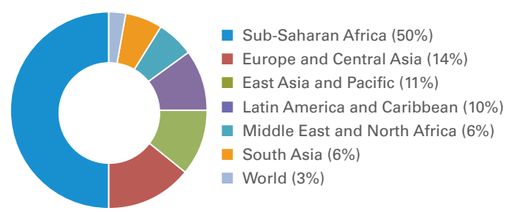
TOTAL EXPENDITURE BY THEMATIC PRIORITY OF CLIENT-FACING PROJECTS, FY15

100% = $9,891,466



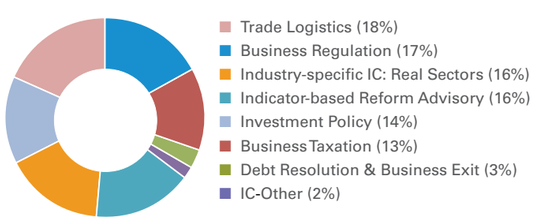
CLIENT-FACING EXPENDITURE BY REGION, FY15

100% = $9,891,466



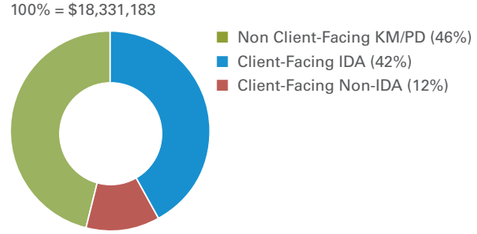
PROJECT EXPENDITURES BY PRODUCT, FY15

100% = $9,891,466



PERCENT OF FIAS FY15 DIRECT PROJECT EXPENDITURES (Client-Facing and Non Client-Facing)

100% = $18,331,183



FIAS-Supported Reforms by Region and Country, FY15

Region	Country	Competition	Construction Permits	Enforcing Contracts	Getting Credit	Inspections	Investment Incentives	Investment Law	Licenses and Permits	Property Transfers	Protecting Investors	Registering Property	Resolving Insolvency	Starting a business	Tax simplification and compliance management	Tourism	Trade Logistics	Grand Total
EAST ASIA AND THE PACIFIC	Philippines	✓																1
EAST ASIA AND PACIFIC TOTAL		1																1
EUROPE AND CENTRAL ASIA	Albania		✓**											✓*			✓*	3
	Armenia					✓												1
	Bosnia and Herzegovina[b]							✓	✓								✓	3
	Kosova[a, b]																✓	1
	Kyrgyz Republic[a]				✓*		✓											2
	Macedonia, FYR[a]																✓	1
	Montenegro																✓	1
	Tajikistan													✓**				1
	Ukraine													✓*				1
EUROPE AND CENTRAL ASIA TOTAL			1		1	1	1	1	1					3			5	14
LATIN AMERICA AND CARIBBEAN	Colombia				✓**													1
	Costa Rica				✓*													1
	Dominican Republic										✓**							1
	Guatemala													✓**				1
	Honduras	✓																1
	Jamaica				✓**													1
	Peru															✓		1
LATIN AMERICA AND CARIBBEAN TOTAL		1			3						1			1		1		7
SOUTH ASIA	Bangladesh[a]														✓*			1
SOUTH ASIA TOTAL															1			1
SUB-SAHARAN AFRICA	Africa Region[a]	✓																1
	Angola													✓*	✓*			2
	Benin[a]		✓*											✓*			✓*	3
	Congo, Dem. Republic	✓	✓*											✓*				3
	Côte d'Ivoire[a, b]			✓*	✓**					✓*							✓*	4
	Gabon													✓*				1
	Guinea[a]													✓*				1
	Kenya[a]	✓																1
	Madagascar[a, b]				✓*						✓*	✓*					✓*	4
	Malawi[a]	✓																1
	Mali[a, b]				✓*												✓*	2
	Mauritius[a]	✓																1
	Namibia				✓*													1
	Rwanda[a]	✓			✓*						✓*		✓*	✓*				5
	Senegal[a]													✓*				1
	Seychelles	✓																1
	Sudan[a, b]	✓																1
	Swaziland	✓																1
	Tanzania[a]	✓																1
	Togo[a, b]													✓*			✓*	2
	Uganda[a]	✓													✓			2
	Zambia[a]	✓			✓*										✓*			3
	Zimbabwe[a, b]	✓			✓*						✓*							3
SUB-SAHARAN AFRICA TOTAL		13	2	1	7					1	3	1	1	8	3		5	45
GRAND TOTAL		15	3	1	11	1	1	1	1	1	4	1	1	12	4	1	10	68
Reforms captured by *Doing Business*																		43
FIAS Total of which in IDA																		43
FIAS Total of which in FCS																		23
FIAS Total of which in AFR																		45
FIAS reforms under Investment Climate																		42
FIAS reforms under Competitive Industries																		1
FIAS reforms under Trade																		25

[a] International Development Association (IDA) country.
[b] Fragile or conflict-affected situation.
* Of the 48 reforms under *Doing Business* topics, 36 were validated by *Doing Business 2016* and 7 by *Doing Business 2015*. Five reforms reported under *Doing Business* topics do nto fall under the standarized *Doing Business* case study.
** These reforms are recognized retroactively; they were validated by *Doing Business 2015*, but not reported during FY14.

SPECIAL TOPIC

INVESTMENT POLICY & PROMOTION

The FIAS-funded Investment Policy and Promotion program grew rapidly in FY15 and today is active in more than 60 countries throughout the developing world.

90k
big firms
with 900,000 affiliates generate 25% of global GDP

53 IPP
projects
active with FIAS support in 60 client countries

14
new RAS
(reimbursable advisory services) projects requested by client countries in FY15

INVESTMENT POLICY & PROMOTION

2

International production has become an essential force of globalization and has led trade and investment to become two dimensions of the same economic phenomenon. Today, a global network of more than 90,000 multinational enterprises, with their 900,000 affiliates, generates a quarter of the world's GDP. In 2014 they sold more than $25 trillion worth of goods and services with an added value of more than $7 trillion. This is occurring in an increasingly internationalized economy where the generation of higher value-added jobs tends to depend on technical knowledge and innovation embedded in the production of both new goods and services. As a result, the development dilemma for most governments is no longer whether to accord privileged status to foreign direct investment (FDI) over domestic investment.

Rather, the challenge is how to *link* the domestic private sector of a country with the dynamism generated by cross-border trade and investment patterns involving both FDI and non-equity modes (NEMs) of cross-border investment. This is where the work of investment policy and promotion (IPP), supported by FIAS and implemented by the Trade & Competitiveness Global Practice, comes in.

Evidence shows that cross-border investments can provide many benefits to host countries, including productivity improvements, better jobs, and knowledge transfers. It can serve as a vehicle for transformation of domestic production and better integration with global value chains (GVCs). But these benefits are not automatic.

A New Policy Approach to Attract, Retain and Maximize the Benefits of Foreign and Domestic Investment

Investment policies are needed to maximize potential FDI gains. Most countries actively seek investments both foreign and domestic to help advance their socioeconomic objectives. But paradoxically, a wide array of legal, regulatory, and administrative measures—some of which may be intended to attract investment—frequently act as barriers preventing countries from maximizing the potential of investments. For example, policies that mandate the inclusion of local content as part of foreign investment can deter FDI instead of encouraging it. Such local content performance requirements may distort competition and be inconsistent with international or regional trade and investment obligations. Barriers such as these tend to affect different dimensions of the investment life cycle, including strategy formulation, investment attraction, investment establishment, investment protection and retention, investment linkages, both at subnational, national and regional level. How to assist countries in avoiding, addressing, and gradually overcoming those barriers is the main focus of the FIAS-supported IPP effort.

Keen Client Interest in the IPP Offer in FY15

During FY15, the new IPP technical assistance offering of T&C brought about a substantial increase in the number of projects and their geographic coverage in the investment policy and promotion space. Participation by investment stakeholders also increased sharply. Today IPP projects are being implemented in more than 60 countries in all regions of the world (see map, p. 14). The number of projects reached 53 during 2015, up from just 5 projects in 2012. During FY15 alone, 14 new reimbursable advisory services (RASs) were requested by clients, or more than one new request per month, contributing to a trend that has resulted in nearly 60 percent of RASs implemented by T&C being investment climate-related. Among these programs, those in the IPP space are in greatest demand. The trend suggests that the new IPP offering responds to client needs, as evidenced by their willingness to finance these services out of their own resources.

The innovative approach of the IPP offering of T&C has also caught the attention of many investment stakeholders. During FY15, the T&C IPP team was invited by many governments—such as Australia, Canada, the European Union and the United States—to directly engage in brainstorming on the links between international investment agreements and domestic reform. The team also engaged with many other institutions on joint activities, including more than a dozen conferences and other learning events. These interactions involved a wide range of private sector, international, academic, and non-governmental organizations, among them, the

European Chamber of Commerce of New York and the U.S. Chamber of Commerce; Asia-Pacific Economic Cooperation, the Association of Southeast Asian Nations, and the Organisation for Economic Cooperation and Development (OECD); the University of Barcelona, Columbia and Georgetown Universities, and the Peterson Institute of International Economics.

IPP advises client governments on tailored solutions for integrating domestic firms into GVCs through policy tools geared toward domestic firms with a high potential to participate in GVCs. These interventions can range from strengthening legal and regulatory institutions and helping firms comply with quality standards to the elimination of policies that interfere with developing linkages to GVCs and beneficial economic spillovers.

Launched during FY14, the investment policy product continued to evolve in FY15, incorporating investment promotion into its offering, fine tuning its initial work streams, and developing more nuanced approaches in areas such as investment incentives and investment linkages and domestic value added. The IPP product currently delivers solutions in six core areas, described in greater detail below: (i) investment reform map (IRM); (ii) investment promotion; (iii) investment incentives; (iv) investment entry and establishment; (v) investor protection and retention; and (vi) investment linkages and domestic value addition.

(i) Investment Reform Map: The IRM helps clarify the investment policymaking process guided by the understanding that not all cross-border investment is the same nor has the same impact. The IRM allows for a nuanced policy discussion of such issues as the investment life cycle and the various types of investments (grants, loans, technical assistance, direct purchase of equities, etc.) along with the accompanying policy reform options best suited to national development objectives. This can include enabling a reform champion within a government to coordinate the implementation of the reform agenda with other government agencies.

(ii) Investment Promotion: This long-standing area of World Bank Group support helps developing countries organize their investment promotion efforts to maximize FDI. IPP advises on the institutional and policy arrangements needed to implement a country's FDI vision while offering advice on sector competitiveness for FDI. FIAS-supported teams provide hands-on support to develop and build capacity in key implementation areas such as investor facilitation, sector targeting, investor outreach, and investor aftercare. Thanks to FIAS support, the investment policy and promotion team (up until FY15 located in the Investment Climate for Industry unit) has helped client countries attract $1.36 billion of new investment generated over the last four years (see box, p. 15).

(iii) Investment Incentives: Increasing competition for FDI has led most countries in the world to use investment incentives to attempt to attract investments. The degree to which incentives influence decisions on where to invest depends on a series of variables, beginning with the type of FDI being targeted by host economies. Efficiency-seeking FDI, for example, occurs when a firm that has invested widely consolidates operations on a product or process basis. It is a type of investment that many countries seek to attract due its potential to transform a host country's exports. Data suggests that incentives do play an important but not necessarily decisive role in attracting this kind of FDI. They certainly cannot offset a bad investment climate. Countries, therefore, must make sure that their incentives are effective and efficient. The IPP offering attempts to fill this need by taking stock of existing investment incentives, mapping and improving procedures for allocation of investment incentives; conducting cost-benefit analysis to assess the effectiveness of incentives; and reducing the degree of potential distortion of incentives by increasing their compatibility with applicable international rules and disciplines on subsidies and performance requirements.

(iv) Investment Entry & Establishment: Despite a long-term trend in the direction of liberalization of FDI inflows, protectionism has regained momentum in recent years. One out of four new investment policy changes made by countries each tends to obstruct rather than liberalize FDI flows. The IPP intervention on investment entry enables client countries to enhance investment entry regimes by reducing or eliminating discriminatory barriers to the establishment of FDI, particularly in services sectors; and streamlining and improving the transparency of procedures affecting the establishment of investment.

(v) Investor Protection & Retention: Survey evidence shows that one in four investors in developing countries either withdraws from an existing investment or cancels planned investment projects because of concerns related to government actions such as expropriations, arbitrary regulatory changes, transfer restrictions, or breaches of contract. The IPP offering enables governments to improve investor confidence and retain greater levels of investment. The goal is to eliminate gaps between international and domestic legal frameworks on key investment protection guarantees. This line of work helps client countries streamline procedures that affect the effective implementation of investment protection guarantees and establish mechanisms to improve regulatory transparency and effective implementation of key investment protection guarantees. It also helps them improve investment aftercare services. All these activities aim at increasing the retention of investment, preventing investor-government disputes, and boosting investors' confidence in the host state.

T&C-Implemented IPP Projects Worldwide

Measuring the results of different IC T&C interventions

FIAS has a long record of supporting advisory services for the implementation of economy-wide or sector-specific reforms that level the playing field for businesses, help make markets more competitive and attractive to investors, and streamline regulatory processes. All of these initiatives are important to increasing investment stocks, reducing costs of business operations, calibrating firm productivity, amplifying regulatory transparency, and achieving other improvements that eventually leading to job creation and a greater growth.

The FIAS-supported T&C Investment Policy and Promotion team (IPP) has worked over the years on methodologies to measure the results of its interventions, including seeking a consistent approach to investment generated for the various reforms undertaken in client countries. The effort allows the FIAS-supported teams to measure the results aimed at both generating and retaining foreign and domestic investment in the short, medium and long term in client countries. This can be achieved through broader policy reforms or work with investment promotion and related agencies enabling the realization of specific investment opportunities.

Until FY15, IPP activities used a specific methodology adapted to the needs of a particular project context. In FY15, in an effort to present even more consistent and meaningful results across projects, the team integrated all IPP investment climate methodologies into a new framework. While still under development, the framework is already being used to measure the results of specific policy reforms. Examples of some of the key elements of the framework point up the commitment to stating results accurately (and not overstating them) in a way that provides useful baseline data and enables comparisons as projects move forward. In the case of investment generated work, the framework stipulates that teams measure foreign direct investment that has either commenced or been realized, not just promised or approved. In cases where reform work targets domestic as well as foreign investment, the results indicator will include both. The framework also differentiates between different types of reform, weighing results based on the level of restrictiveness that certain barriers addressed by reforms pose to investment. For example, if foreign ownership is simply not allowed in a country, or limited to 25 percent of voting capital, an intervention that relaxes those restrictions would be critical to FDI entry. Relaxation of lesser restrictions, such as lengthy approval processes required to allow investors to make bank deposits in foreign currency, can be helpful to promoting FDI, but likely at a lower scale.

(vi) Investment Linkages & Domestic Value Addition: IPP offers a variety of solutions which clients may employ as policies to enable linkages with domestic businesses, increase domestic value added, and better integrate FDI into the local economy. While the intent to increase domestic value added is an important element of national investment strategies, misguided policies often lead to opposite results. In particular, policies to mandate local content by fiat can deter FDI by forcing on the economy a local sourcing scenario that cannot be achieved. This indirectly promotes corruption, frightening away serious investors and stretches the administrative capacities of client countries. Local content performance requirements often distort competition and consequently are often inconsistent with international investment agreements.

Investment climate interventions can contribute to added domestic value by helping client countries ensure that their investment climate framework is best attuned to allowing economic linkages to FDI and spillovers from FDI wherever possible.

Project Examples

Myanmar Investment Policy Project

The World Bank Group has been working with the government of **Myanmar** in facilitating the process of opening its economy to international investment and markets. The overall objective of this project is to help Myanmar to become a more attractive destination for private investment through strengthened investor protection, streamlined investment entry procedures, clarification of the role of the Myanmar Investment Commission, and rationalization of the investment incentive regime.

As a first step toward these objectives, the project supports the government in preparing a new investment law that would unify the two current laws—one for foreign investment and the other for domestic investment. Together, these provisions would contribute to reducing the number of projects and sectors subject to screening, strengthening the rights of investors, and decoupling the benefits of investor protection from the award of incentives. The logic behind the law is that investors should be protected irrespective of whether they apply for incentives. In seeing that this is done, the law will also help align domestic legislation with Myanmar's international commitments under its Bilateral Investment Treaties and the Association of Southeast Asian Nations Comprehensive Investment Agreement. Due to the election process in the fall of 2015, this law is expected to be approved during the first half of 2016. It has already generated the most extensive consultation process for an economic affairs law in recent memory. As a result of positive expressions of interest from foreign investors, the MIC has revised its forecast for FDI to more than $5 billion for the fiscal year that began in April, surpassing the earlier estimate of $4 billion. New ventures in energy and telecoms were a leading factor in these revised estimates. The new estimate may be conservative: in the first five months of the current fiscal year, the MIC has recorded $3.32 billion in investments, more than double the amount generated during the corresponding period a year earlier.

Vietnam Agribusiness Investment Promotion

In **Vietnam**, agriculture is crucial to economic development and social stabilization. Working in close collaboration with a World Bank lending operation and IFC's Manufacturing, Agribusiness and Services department, T&C is providing advisory support to the government of Vietnam to help increase private sector foreign and domestic investment in both agriculture production and agribusiness processing. The project is enhancing sector competitiveness and sustainable development through a coordinated set of agribusiness investment policy and regulatory reforms, for example in the area of seed reform, and also by providing targeted support for proactive investment promotion.

The IPP team is providing support to the Ministry of Agriculture and Rural Development (MARD), including pilot work in selected provinces, to identify agribusiness sub-sectors that have a competitive opportunity to attract new FDI and build capacity to seek and win new FDI entrants.

Value Addition: Some guiding principles for policy makers include:

- Prevent the use of mandatory local content performance requirements that may be ineffective and inconsistent with international agreements.
- Rationalize incentives that may inadvertently distort markets and prevent local sourcing.
- Explore development of support services around already existing productive clusters.
- Explore the use of Non-Equity Modes of investment (NEMs)—such as outsourcing, management contracts, and franchising—as a vehicle to transfer knowhow between foreign and domestic businesses.
- Consider other positive policies which can be used to upgrade local capacity of domestic firms to link with others already undertaking international business.

IPP undertook a detailed competitiveness survey and analysis of some 26 agribusiness sub-sectors in Vietnam to identify the best opportunities for attracting FDI. The results are helping to MARD to create a smoother reception and facilitation service for incoming foreign investors. Vinh Phuc and Dong Thap provinces are also using the results to build capacity to proactively promote for FDI in sectors such as fruit processing, specialty rice milling, and seafood processing, and in export processing zones for floriculture and horticulture.

Guinea Investment Policy and Tax Project

The FIAS-supported team has been working with the government of **Guinea** to maximize the benefits of foreign investment to the domestic economy. The mining sector dominates investment flows in Guinea, with approximately $30 billion in concessions signed in the last two years alone. Considering this, as well as IFC's investments in the Simandou mining project, the team has focused on helping Guinea develop an overarching investment policy and institutional framework which encourages, rather than mandates, that these kinds of large investments significantly increase the degree of linkages and spillovers.

Though a constructive and sustained dialogue with the Bank Group, Guinea has agreed to forego requiring specified degrees of local content in its linkages policy. The government has instead opted for a holistic approach which includes identifying promising services sectors, using mining as a growth pole. The policy simplifies registration processes and requirements through an automated one-stop shop and strengthens institutional capacity, with a particular focus on the local content working group and coordinating agencies. The approach also entails developing a taxation and appeal system geared toward small and medium enterprises.

The project will continue to focus on investment climate issues around extractives, as well as implementing activities under the linkages policy. Additional activities to be included relate to: activating a mechanism for identifying and resolving issues between the mining sector and the government; targeted investment promotion and aftercare activities for services sectors ancillary to mining; and the design of behavioral incentives to increase local training and sourcing opportunities.

Kosovo Investment Climate

Kosovo is a post-conflict state in which IPP is working to improve the investment climate and competitiveness for both domestic and foreign investors. The work targets increased FDI in-flows, increased investor protection, streamlined investment incentives, and increased capacity of the investment promotion authority.

The project has recently delivered a reformed investment law for the country—the impact of which is being measured. The FIAS-supported effort includes a support program for the Kosovo Investment and Enterprise Development Agency, including investment promotion activities and after care. Further the team has engaged the private sector through an investor perception survey report on current and potential investors. As a result of efforts by the IPP team, the Ministry of Interior streamlined and simplified work and residence permits for foreign employees; 305 companies will benefit annually from these reformed licensing requirements.

OPERATIONAL HIGHLIGHTS

FIAS is supporting implementation of more reforms in more fragile states than ever. T&C demonstrated its ability to respond rapidly with post-quake work in Nepal.

66%
of FIAS reforms in Sub-Saharan Africa

63%
of reforms in IDA countries

34%
of reforms in FCS

OPERATIONAL HIGHLIGHTS

FY15 marked the first year of FIAS-funded operations coming under the management of the Trade & Competitiveness Global Practice. T&C's make-up encourages the flow of expertise, solutions, and learning from region to region and sector to sector. At the end of FY15, FIAS funding supported a portfolio of 69 projects, including 17 non-client-facing projects in knowledge management and product development. This compares with 95 projects mapped to the Investment Climate Department or to IFC Advisory Services units in FY14, including 26 non-client-facing. The decline stems from the remapping of the debt resolution and business exit work program out of T&C and to the closure of completed projects as the strategy cycle neared its conclusion. FIAS support contributed to a project in Bangladesh that generated $170 million in investment, bringing the total investment generated for the FY12–16 strategy cycle to $1.36 billion, well above the $1 billion target with a year to go in the cycle. Compliance cost savings and trade sector savings to private sector firms due to reforms in client countries have reached $626 million, surpassing the $600 million target for the cycle.

3

This chapter surveys FIAS-funded work touching on the three major thematic areas outlined in the FY12–16 strategy: business regulation and reform; programs to promote investment and trade; and industry-specific work. For details on the projects highlighted below as well as other FIAS projects, please visit the T&C portals at **www.worldbank.org/trade**, and **www.worldbank.org/competitiveness**. Along with its project-related work, T&C, in collaboration with FIAS donor partners, also began development of the FY17–21 FIAS strategy cycle (see box below). The plan under development combines continuity in these same investment climate areas with innovation and expansion brought about by the additional capability enabled by the new Global Practice structure.

Planning the Next FIAS Strategy Cycle

Working in close concert with donor partners, the FIAS-supported T&C team in FY15 began planning for the FIAS FY17–21 strategy cycle. With the strategy details still under discussion, the outlines of the forthcoming cycle are emerging from donor feedback, from the results of FIAS and investment climate evaluations, from the needs of client countries amid shifting economic circumstances, and from opportunities created by the launch of the Global Practices. T&C enables FIAS-supported projects and programs to leverage all of the World Bank Group's key tools and instruments, from advisory to technical support to lending and investment.

The focus remains on achieving the Bank Group's Twin Goals of eliminating extreme poverty and boosting shared prosperity. The FIAS program, drawing on expertise in both the World Bank and IFC, emphasizes the importance of fostering a robust private sector, which will be relied upon to create 90 percent of the 600 million new jobs needed by 2030. FIAS operates at the intersection of government and private enterprise to ensure that business environments enable private sector growth and are not unnecessarily burdensome.

The overarching aim of FIAS-supported work is to develop dynamic and resilient economies that promote economic inclusion through investment, job-creation, and higher productivity. As developing country economies gain a more competitive position to participate in international markets, new routes will open up to lift people out of extreme poverty. T&C brings together some 500 World Bank and IFC staff members working in more than 80 developing countries. The planning process for the FY17–21 cycle groups this work into **three strategic pillars: improving business environments in client countries**; **expanding market opportunities**; and **strengthening firm competitiveness**.

Supporting these pillars are **four thematic areas** that will serve as guiding priorities across the portfolio: **gender and inclusion**, **transparency and political economy**, **green competitiveness**, and **high-growth businesses**. These themes will be embedded and mainstreamed within the FIAS pillars.

FIAS Focus on FCS States

Countries emerging from years of conflict need help to get their economies up and running, which in turn promotes stability and reduces the chances of conflict flaring up again. FIAS remains committed to helping states in fragile and conflict-affected situations (FCS) emerge from conflict and turn their focus to sustainable growth and inclusive economic development. In FY15, 23 of the 68 reforms, or 34 percent, achieved with the help of FIAS-supported projects occurred in 9 countries on the FY15 Harmonized List of Fragile Situations (in FY14, 23 out of 76 reforms, or 30 percent, in 12 countries).

In FY15, FIAS supported active country-specific or regional projects benefiting 21 out of the world's 33 FCS states: Bosnia and Herzegovina; Burundi, Central African Republic, Chad, the Comoros, Democratic Republic of Congo, Côte d'Ivoire, Eritrea, Guinea-Bissau, Haiti, Kosovo, Madagascar, Mali, Myanmar, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, and Zimbabwe. (In FY14, FIAS supported projects in 19 out of 36 FCS states.)

Project expenditures in FCS countries totaled $3.06 million, or 31 percent of client-facing project spending ($3.3 million, or 31 percent of client-facing project spending in FY14).

Starting Businesses and Fostering their Growth

In FY15, FIAS support under the strategic theme of **fostering enterprise creation and growth** made crucial and measurable impact on client countries in the areas of promoting the formation and growth of domestic businesses, lowering the cost of business start-up and operations, fostering competition, and increasing productivity. An analysis of investment climate work in Sub-Saharan Africa (see box below) found that FIAS-supported work in the area of starting a business provides one of the clearest means of measuring investment promotion and job creation as a result of investment climate work.

Measuring the Role of Reform in Africa's Economic Growth

Africa has been growing at a rate of 5 percent per year for nearly two decades, rebounding from a similarly lengthy period during which per-capita income fell by 1.3 percent per year. In FY15 the World Bank Group and Britain's Department for International Development (DFID) published an evaluation of investment climate reform in five countries over the course of six years.[3] All five—**Burkina Faso, Liberia, Rwanda, Sierra Leone**, and **South Sudan**—have all been beneficiaries of FIAS-supported investment climate work. The study, done by the independent firm Economisti Associati, sought to measure the impact of programs in these countries on investment, jobs, and private sector cost savings.

From the outset the team understood that investment climate reform was not solely responsible for the region's economic progress. The end of the Cold War and associated reduction of armed conflict by about a third, structural adjustment reform, and global debt forgiveness were important factors. A boom in commodity prices and demand for natural resources were significant growth drivers. Nevertheless, the study found that the reduction in costs and delays stemming from streamlining of business procedures totaled $40 million across the five countries. In Liberia alone, a single reform to reduce the pre-shipment inspection fee from 1.5 percent to 1.2 percent saved traders $4.6 million.

> *"The results overall, and with the Rwanda case in particular, suggest that investment climate reform is usually necessary to clear out the morass of often dated regulations—many of which even date back to the colonial period in Sub-Saharan Africa—which constrain business growth and consign too many businesses to stay in the informal sector."*
>
> —Evaluation of the World Bank Group's Investment Climate Programs

The challenge in the study—and going forward—lies in establishing a direct line-of-sight connection between reforms on the one hand and growth in jobs and investment on the other. The study found the clearest results in Rwanda, where business registration reform enabled an accurate measurement of number of new businesses post-reform versus pre-reform, and from that, an estimate of additional investment and job creation attributable to reform. The report found that this reform generated an additional $33 million to $88 million in investment and between 19,000 and 24,000 jobs.

The results point to the importance of pursuing investment climate reform as part of a holistic strategy across a broad spectrum of areas that can deliver cumulative benefits to an economy, improving not only regulatory procedures but private sector perception of investment prospects.

[3] Economisti Associati, *Evaluation of the World Bank Group's Investment Climate Programs: Focus on Impact and Sustainability*, co-funded by IFC and Britain's Department for International Development, Nov. 30, 2014, at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/05/21/090224b082eadb01/2_0/Rendered/PDF/Evaluation0of00t0and0sustainability.pdf.

Targeted Advice on Key Investment Climate Indicators

As developing countries work to improve their ranking in the World Bank Group's annual *Doing Business* report, the FIAS-supported Indicator-Based Reform Advisory (**IBRA**) provides an effective and proven entry point for improving the economic climate for domestic and foreign investment, sustainable growth, and job creation. IBRA can deliver technical assistance on a rapid-response basis to client countries working on one or more of nine investment climate areas: business start-up, construction permitting, property registration, access to credit, investor protections, tax administration, trade logistics, contract enforcement, and resolution of insolvency. Technical assistance includes legislative reviews, process mappings, review of reform proposals, communications support, and advice for investment that would help implement the country's reform agenda, for example, the creation of one-stop shops for business registration, establishment or re-organization of property and collateral registries.

Since 2007 the team has worked with more than 60 countries as a joint World Bank-IFC global product, implemented beginning in FY15 by T&C. More than 170 national reforms have been supported in over 50 countries and 6 regions. IBRA also helps develop more comprehensive reform programs that go beyond the areas measured in the indicators. Since FY09, over 10 investment climate programs have developed out of these interventions. These country-specific programs are fulfilling a FIAS priority to transition client country *Doing Business* programs into broader and deeper investment climate reform programs.

In the East Europe and Central Asia region (ECA), the regional IBRA project implemented by T&C has made a significant contribution to delivering investment climate reforms in client countries. The project has delivered rapid-response technical assistance enabled by a flexible platform that responds to client demand and mobilizes experts from within and outside the Bank Group, laying the groundwork for other Bank Group operations. In FY15, the project has supported seven business environment reform efforts, including:

In **Albania,** the project has accelerated business startup by streamlining registration procedures and eliminating the requirement to obtain a company seal. The process of property transfers has been improved by shortening the deadlines for property registration. Construction permitting is now a more transparent process thanks to new regulations obliging municipalities to publish all documentation related to local plans and the process of permit-issuance—from application to final approval—in the Integrated Register of the Territory. The time required to issue a social protection and pension, or SIN, number—a key step for a startup—in **Tajikistan** has been reduced from 14 days to 1 day with the help of IBRA technical

Making Regulations Work for Clients—the Central Asian Way

More than a decade of experience with investment climate reform work in Central Asia has confirmed a view now applied across the Trade & Competitive Global Practice: Legal and regulatory reform to promote economic reform is important, but without effective implementation, it will not achieve the end goals of sustainable, inclusive growth and job creation.

"For years, working with the governments of Tajikistan and Kyrgyz Republic on improving business inspections, we noticed that the issues of how to make regulations work—i.e., how to enable the private sector to respond to reforms with greater levels of investment and contribute to job creation—are becoming increasingly relevant for our government clients," said Christopher Miller, T&C program manager in Central Asia.

The traditional view that upstream reform will automatically lead to effective downstream delivery is a fallacy. Implementation is the critical missing link.

Following the launch of the Bank Group Global Practices in FY15, this awareness of the importance of implementation brought T&C together with the Governance Global Practice in a joint effort to develop this area of work.

"We initiated this cross-practice work in Central Asia hoping that it will be picked up by other regions experiencing similar issues," Miller said.

Great laws, no matter how well worded, make no difference if they are not implemented consistently, professionally, comprehensively. The quality of implementation ultimately determines the degree of reform success.

The first step was to understand where and why implementation failures occur and what solutions each practice can bring forward. The Central Asia team performed feedback loop exercises to get a better sense of why inspection laws were not working as intended in Kyrgyz Republic and Tajikistan. The results of the exercise helped clarify weaknesses in upstream regulatory design and downstream delivery.

assistance. Construction permitting has been made easier by reducing the time to obtain a project clearance from 45 days to 20 days and the time to connect to utilities from 45 to 10 days. In the **Kyrgyz Republic**, IBRA has helped improve access to credit information both positive and negative, which can be key to unlocking investment capital. And in **Ukraine**, the business registration process has been improved by eliminating the registration fee for legal entities and private entrepreneurs.

In addition to providing technical assistance on design and implementation of investment climate reforms, the ECA project has stimulated peer-to-peer knowledge exchange and stakeholder learning by organizing conferences, tours, and other events that have drawn more than 200 participants, including: an Investing in Women's Employment in the Western Balkans event in Belgrade; a conference on Enabling Business Environment for Development, organized jointly with the Austrian Ministry of Finance in Vienna; a One-Stop-Shop for Business Registration event in Tajikistan, including representatives of the tax authority, pension fund, and statistics agency; and a study tour to Georgia for Tajikistan construction agency officials.

At the organizational level the IBRA ECA project significantly contributed to country engagement and business development efforts of the Bank Group overall. In Albania, the Ministry of Economy has requested additional Bank Group assistance, including the Albania Jobs and Competitiveness Development Policy Loan, currently under development, which will build on the IBRA-supported reform efforts. T&C will also sign an agreement with the Ministry of Economy which will include technical assistance on agribusiness, investment policy, and construction permits. This builds upon the technical assistance IBRA has already provided. Similarly, IBRA has laid the groundwork for further technical assistance in trade logistics in Tajikistan and Kyrgyz Republic, for the Investment Climate project in **Kosovo**, and for the World Bank's "Fostering Competitiveness for Growth and Jobs Project" in Ukraine.

The IBRA activities supported by FIAS in Latin America and the Caribbean (LAC) in FY15 use established indicators, primarily those tracked by *Doing Business*, to identify areas for possible reform, recognize proven regional models for reform, and provide an independent measure of a country's reform success.

During FY15, the IBRA-LAC program has had far-reaching impact in a broad range of countries. The team has continued implementing advisory services in **Costa Rica**, the **Dominican Republic**, **El Salvador**, **Guatemala**, and **Trinidad and Tobago**, in addition to moving forward with new engagements in **Dominica**, **Paraguay**, and **St. Lucia**. Projects in the pipeline include advisory work in **Ecuador**, **Guyana**, **Panama**, and **Peru**.

Nine reforms brought about with the help of the FIAS-supported IBRA-LAC team in Colombia, the Dominican Republic, Guatemala, Jamaica, Nicaragua, Saint Lucia, and Trinidad and Tobago were recognized in the 2015 *Doing Business* report. Reform work in El Salvador and Costa Rica was cited in the 2016 *Doing Business* report.

Knowledge products produced by the IBRA-LAC team in FY15 included several technical reports, reform memorandums in Paraguay and Ecuador, a background note on investment climate in **Uruguay**, and a chapter on investment climate and competitiveness as part of a flagship paper published during the World Bank Annual Meetings in October 2015 in Lima, Peru—more than 20 reports in all. In addition, peer-to-peer knowledge-sharing events were held in Guatemala and El Salvador, where both public and private sector representatives from countries across the region gathered to share best practices and discuss challenges and lessons learned on investment climate-related reforms. Several other workshops were held over the course of the year, including a series of *Doing Business* training workshops and video-conferences with practitioners from the different indicators within *Doing Business*.

Excavators cleaning up, leveling and covering ash heap in the Republic of Kosovo.
(Photo by Lundrim Aliu, World Bank)

Investment Climate Rapid Response at Work in Sub-Saharan Africa

The FIAS-supported Investment Climate Rapid Response (**ICRR**) program continued to support investment climate reform in Sub-Saharan Africa in FY15, delivering time-sensitive assistance to reform efforts in **Cabo Verde**, **São Tomé and Príncipe**, **Tanzania** (on tax), and regional investment support in the Great Lakes Region of Africa. ICRR serves as an important means of supporting the expansion of investment climate reform in Sub-Saharan Africa, launching reform efforts where there is new demand and ensuring continued momentum on implementation with existing reformers. ICRR business development efforts contributed to the launch of six new projects in FY15 in **Burundi**, the **Democratic Republic of Congo**, the **East African Community Regional Scorecard II**, **Madagascar**, **Senegal**, and **Zimbabwe**. FIAS supported continuing work in delivering diagnostics or discrete reform support in **Cabo Verde**, **Côte d'Ivoire**, the **Great Lakes Region**, **São Tomé and Príncipe**, **Sierra Leone**, and **Tanzania**.

ICRR supported completion of five country-level impact case studies which are deepening T&C's understanding of the impact of its business development interventions (see box below). In addition to work in specific countries, ICRR continued to disseminate the findings of Sub-Saharan Africa investment climate impact research through a number of blog articles[4] and the publication of a *Viewpoints* note on a decade's worth of work in investment climate in Sub-Saharan Africa. The results of this thinking on impact are feeding into the strategic focus of T&C's business development efforts in Sub-Saharan Africa.

In **São Tomé and Príncipe**, support from FIAS helped bring about an easing of key business constraints in FY15. An electronic one-stop shop for business registration has been launched and fully enabled to register companies online. Entrepreneurs can find important information about business licenses on the one-stop shop portal, saving them time and hassle. Firms are also finding it easier to trade, thanks to FIAS support. In FY15, IFC provided technical assistance to the country's customs administration to install the globally recognized ASYCUDA[5] single window system for processing imports and exports. (For more on FIAS-supported trade programs, see the next section of this chapter.) Simplification of these processes is ongoing, but already traders have been relieved of the obligation to present a tax declaration and terminal handling receipts as this information is now gathered electronically through the single window.

Boosting Trade and Investment in Developing Countries

In FY15, FIAS expanded its work in supporting the efforts of client countries to stimulate and retain investment, modernize their trade logistics systems to become more competitive in international trade markets, and develop more transparent and balanced business taxation systems that will promote growth. (For more on FIAS-supported work in Investment Policy and Promotion, see Chapter 2.) At the end of FY15 the tax and debt resolution teams migrated to other Global Practices while continuing to benefit from FIAS support.

Effective and Transparent Business Taxation Mechanisms

In the area of business taxation, FIAS support helps clients improve the efficiency and transparency of tax administrations, reduce the private sector tax burden, promote the formalization of businesses, and expand the tax base.

In **Benin**, the tax team worked with the country's tax administration and Ministry of Finance to reform the tax regime applying to micro and small enterprises (MSEs), which was rolled out in the Finance Law of 2015. The new regime introduces a simple self-assessed turnover tax to replace a complex system of four regimes applying to different tax bases, which left assessment to the discretion of the administration. A streamlined fixed-fee system was also introduced to micro-operators. The streamlined MSE taxation forms part of a more comprehensive intervention to spur formalization of businesses in Benin through the *"Entreprenant"* regime, a new simplified legal status for individuals. The new system was introduced by the reform law approved by 17 member countries of the Organization for the Harmonization of Business Law in Africa, known by its French acronym **OHADA**. Initial results from this intervention have been encouraging, and the team has received a number of requests for replicating this approach in other OHADA member States.

In early FY15, **Uganda** enacted legal- and policy-related reforms in the tax sphere developed with the help of the FIAS-supported team, helping to realize key outcome targets. Specifically, tax simplification for small and medium enterprises (SMEs) led to a 20 percent reduction in compliance costs. An online filing system for micro, small and medium enterprises (MSMEs) translated into annual cost savings of more than $3.74 million, or 41 percent, benefiting 13,951 registered tax payers. The reform work included creation of a micro tax segment with a threshold of $4,000, exempting 5,021 registered taxpayers from the tax regime and related compliance cost burdens. The presumptive tax threshold has been increased from $16,000 to $50,000, meaning that those below the new, higher threshold have moved from the regular and complicated income tax regime to the simplified turnover tax regime.

[4] See, for example, David Bridgman, "Tracking the impact of investment climate reform in Sub-Saharan Africa," *Private Sector Development: News and Views on a Competitive Private Sector and a Resilient Financial Sector* (World Bank blog), June 8, 2015, at http://blogs.worldbank.org/psd/tracking-impact-investment-climate-reform-sub-saharan-africa.

[5] The UN Conference on Trade and Development Automatic Systems for Customs Data.

The value-added tax (VAT) annual registration threshold was increased from $16,000 to $50,000, similarly simplifying tax compliance for SMEs below the higher threshold. The cash accounting threshold has been increased from $66,000 to $160,000, saving large numbers of taxpayers the burden of paying taxes on invoices that have not yet been settled by customers. The government now publishes tax expenditure data and has discontinued issuance of discretionary tax incentives except in the areas of agriculture and tourism, both viewed as productive sectors.

In **Latin America and the Caribbean** FIAS support helped deliver training to 60 tax administrators from the region on base erosion and profit shifting. The training sought to increase awareness among authorities of new tools to limit the ability of global corporations to take advantage of the digital economy to exploit gaps in double non-taxation. Fighting such practices could help strengthen the fairness and integrity of tax systems and reduce tax interference on competition within the private sector.

In Central Asia, the tax team continued work with **Uzbekistan** in FY15 on implementation of a country-wide risk-based audit (RBA) system. RBA is a methodology for tax audits that aims to detect non-compliant businesses during audit planning, eventually resulting in lower compliance costs for honest taxpayers, higher tax audit efficiency of the tax authority, and increased control over planning and less room for corrupt practices. The project includes training events supporting the introduction of the RBA modules in regional tax departments throughout the country as part of an effort to build capacity for tax officials *(see photo below)*.

With FIAS support, IFC helped the government of **Georgia** streamline international taxation procedures for multinationals to improve transparency, protect tax revenues, and boost investor confidence. The IFC Georgia Investment Climate Project, implemented by T&C, advised on detailed guidelines, adopted in FY15, that provide auditors with clear and transparent rules for auditing companies in the area of transfer pricing. Transfer pricing is usually applicable when two related companies—such as a parent company and a subsidiary, or two subsidiaries of a common parent—trade with each other. The detailed guidelines help ensure fair taxation, give clarity on transfer pricing matters, and foster an attractive investment climate and are in line with the best practices of the OECD. They provide guidance on issues of major concern to developing countries, thereby providing a high level of certainty for investors regarding their obligations in Georgia. Earlier in 2014, the project helped develop a legal framework for transfer pricing.

The team's extensive work in Georgia led to a policy paper, *Small Business Tax Policy, Informality, and Tax Evasion: Evidence from Georgia* which measured the impact of SME tax reform directed at Georgian micro and small enterprises (MSEs). The paper examined how the introduction of preferential tax regimes for micro and small businesses in 2010 affected formal firm creation and tax compliance. The paper was shared with other practitioners at a learning event during FY15.

An impact evaluation of tax reform work in Georgia completed in FY15 found that the introduction of a simplified tax regime led to increased formalization in the short-term, with little evidence of major post-reform tax abuse. Some evidence surfaced of reduced tax compliance by previously registered firms around the micro taxpayer threshold, but the problem appeared to be short-lived and largely disappeared after the first year after the new regime was introduced. (For more on FIAS-supported impact work, see p. 46.)

In other work in the knowledge sphere, the tax team completed a policy paper on micro- and small business taxation in transition economies. The paper reviewed good practices and trends in designing simplified taxation regimes for MSEs in the Europe and Central Asia region. The team also prepared two transfer pricing papers, one on the availability of comparable information in emerging economies, the other on profit shifting in the oil and gas industry. Team members served as co-authors of "Options for Low Income Countries' Effective and Efficient use of Tax Incentives for Investment," in collaboration with other international organizations, and delivered to the G20 Development Working Group. The Working Group requested the team's help, along with other international organizations, in preparing two practical toolkits for developing countries. They cover "Options for Developing Countries' Efficient and Effective Use of Tax Incentives for Investment," and "A Practical Toolkit to Assist Developing Countries Address Difficulties in Accessing Comparables Data and Approaches to Apply Internationally Accepted Principles in the Absence of Comparables."

Working with other internal and external partners, T&C in FY15 developed an agenda for the **Association of Southeast Asian Nations (ASEAN)** to move toward tax harmonization in two areas: provision and use of fiscal incentives, and engaging in a regional discussion of principles of dealing with international tax issues affecting multinationals.

Given the success of the Bank Group's partnership with OECD in **Colombia** on international tax policy as well as administration, Colombia has requested that the Bank Group take the lead on the development of an Advance Pricing Agreement program, to allow taxpayers to gain certainty with the tax administration for years moving forward. The team assisted in drafting legislation, which is in process, conducted training, and designed customs policies and procedures for Colombia. An effort is now underway to help Colombia develop a Mutual Agreement Program which will provide further certainty to multinationals operating in Colombia by ensuring no double taxation for countries with which Colombia has signed a double tax convention.

Supporting a Historic Trade Agreement

FIAS support to achieve trade reforms during FY15 included the launch and initial activities to implement a major global trade agreement through the **Trade Facilitation Support Program (TFSP)**. Implemented by T&C, TFSP provides support for countries seeking assistance in aligning their trade practices with the WTO Trade Facilitation Agreement, a historic trade accord reached in Bali, Indonesia, in December 2013. The Agreement, known as TFA, is still going through the ratification process. It seeks to simplify trade and customs procedures and lower their costs, reducing delays at borders, rationalizing inspection regimes. Underlying TFA is the idea that the costs involved in improving the flow of trade more than pay for themselves in increased volumes, revenues, and profit. The most recent Bank research suggests full implementation of the TFA promises global welfare gains of around $210 billion per year, and most importantly, that developing countries—since they tend to lag wealthier countries in their trade logistics and regulations—will benefit disproportionality.

But the Agreement also places disproportionate burdens on developing countries, and so contains provisions calling on the international community to assist eligible countries in meeting their obligations under the agreement. This is where TFSP comes in. TFSP is helping developing countries implement trade facilitation reforms and improve trade facilitation systems and practices, thus leading to increased trade, investments, job creation, and private sector competitiveness. A dedicated trust fund under the FIAS umbrella supports TFSP initiatives. The effort partners the Bank Group with Australia, Canada, the European Union, Norway, Switzerland, and the United States.

The TFSP program has completed its first year in implementation. To date, 45 countries have formally requested support. In FY15, the TFSP team completed validation assessment missions in 31 countries: **Bangladesh**, **Botswana**, **Burundi**, **Cabo Verde**, **Costa Rica**, **El Salvador**, **Ethiopia**, **Fiji**, **Grenada**, **Guatemala**, **Honduras**, **Jamaica**, **Jordan**, **Lao People's Democratic Republic**, **Madagascar**, **Malawi**, **Myanmar**, **Nepal**, **Nicaragua**, **Pakistan**, **Papua New Guinea**, **Rwanda**, **St. Kitts and Nevis**, **Samoa**, **São Tomé and Príncipe**, **Solomon Islands**, **Sri Lanka**, **Tonga**, **Ukraine**, **Vanuatu**, and **Zambia.** Through TFSP, 12 countries have begun reform implementation: **Bangladesh**, **Botswana**, **Burundi**, **Cambodia**, **Jamaica**, **Lao PDR**, **Madagascar**, **Malawi**, **Nepal**, **Rwanda**, **Sri Lanka**, and **Zambia**. In addition, the **Pacific Islands** Forum Secretariat and the Bank Group's IFC signed a memorandum of understanding (MOU) which will facilitate cooperation in the provision of assistance to the six Pacific Island members of the WTO.

"The high costs, bureaucratic procedures and burdensome multiple documentation requirements related to the clearance of goods at the border form some of the greatest obstacles to trade in Pacific Island countries," said Dame Meg Taylor, Secretary General of the Pacific Islands Forum. "By streamlining trade and increasing transparency, [the MOU] will boost exports, lower costs for business, and deepen regional integration among the Pacific islands. Leadership from the Pacific in

[6] To read more about PIFS' advances in trade facilitation, go to: http://www.forumsec.org/pages.cfm/newsroom/press-statements/2015-media-releases/support-for-pacific-islands-to-advance-work-on-trade-facilitation-agreement.html.

implementing the Trade Facilitation Agreement will send an important signal about the region's support for the WTO and the TFA."[6]

In addition to carrying out pending missions and prioritizing implementation efforts in client countries, the TFSP organized a peer-to-peer learning event to share knowledge on reform experiences and challenges as part of the WTO's Fifth Annual Review of Aid for Trade in Geneva at the end of FY15. The peer-to-peer learning workshop organized jointly by the Bank Group and WTO was attended by 180 participants sharing their country reform experiences and discussing different instruments that the Bank Group and WTO are providing to help countries to align with the TFA. T&C Senior Director Anabel Gonzalez told the participants, "We are ready and fully committed to taking forward the Trade Facilitation agenda to help developing countries who request assistance to implement the TFA."

The FIAS-supported TFSP team is working with **Pakistan** to cover trade facilitation on all border crossing points to the east and west. The effort is designed to support the overall objectives of the Pakistan Integrated Transit Trade Management Project. Activities in FY15 included a donor Conference on the integrated project and completion of a detailed study of the Wagah Border—the country's only border crossing with India—which measured every step in the cargo clearance process: Integrated Transit Trade Management Project. The team also reviewed Pakistan's transit trade regime and compliance requirements for the private sector in the context of the growing volume of goods crossing both the eastern and western borders. Training sessions on risk management, integrated transit trade management, and inspections were also provided.

With the help of FIAS support, IFC is working with the revenue service of **Georgia** to modernize the country's trade logistics system by streamlining customs procedures, saving time and boosting cross border trade. IFC has partnered with the United Nations Conference on Trade and Development (UNCTAD) to upgrade ASYCUDA World modules used to manage trade transactions. The resulting enhanced features help modernize customs procedures in line with those of major trading partners. The upgrade enables efficient and compatible data exchange between the revenue service and other agencies. It also aims to improve information availability for the private sector and allows the service to manage risks more efficiently. In FY15, the IFC Georgia Investment Climate Project was awarded the World Customs Organization's Certificate of Merit for rendering exceptional service to the international customs community.

Linking Developing Countries to Trade Networks

While FIAS-supported trade work is often country specific, trade is an inherently international enterprise, giving rise to strategies and programs that take a regional or even global approach to fostering and promoting trade. This has been a hallmark of the trade team's work in the Western Balkans countries, which seek to improve and speed trade within the region and gain accession to trade with the European Union.

Easing Trade Flows in the Western Balkans Region

From FY12 through FY15, IFC's **Western Balkans Trade Logistics Project** operated with FIAS support in seven countries—Albania, Bosnia and Herzegovina, Croatia, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, and Serbia. All except Albania had been part of the former Yugoslavia and had experienced unrestricted movement of goods and people within that territory. Inefficiencies in the trade logistics supply chain of the Western Balkans persist, as is evidenced by the World Bank Group's *Doing Business* report. On average, the Western Balkans continue to require three to five more documents than OECD countries for export and import, and it takes four more days to trade in the Western Balkans than in the OECD, resulting in 20 percent higher costs for traders.

The Western Balkans Trade Logistics Project was tasked with bringing greater efficiency to the process of clearing goods in the region so that they can be delivered to market more quickly and at lower cost. The seven countries participating in the project, plus Moldova, are parties to the Central European Free Trade Agreement (CEFTA) and aspire to be members of the European Union. They are at various stages of the accession process. A primary goal of the project was to address and seek consensus on trade issues on the regional level while undertaking capacity-building and reform activities at the country level.

In **Albania**, the project facilitated an upgrade of the Albanian customs information technology system, which allowed for the introduction of "green channel treatment," meaning no customs controls for low risk goods, reducing their processing time from three hours to as little as ten minutes. The upgrade also eased the data exchange interface with Kosovo customs. **Kosovo** customs, meanwhile, received guidance from the team on how to regulate its customs broker profession.

Map of the Western Balkans

In **Montenegro**, the project supported the development of software that reduces the number of documents required by Montenegro Customs to be presented by freight forwarders, and in **FYR Macedonia** the project helped develop a data collection and data management system in support of the risk-based sampling system that enabled the Macedonian Food and Veterinary Agency to cut its sampling rate in half.

Border-crossing point in the Western Balkans.
(Photo by G. Gabrielyan)


SmartLessons
real experiences, real development

Implementing Trade Logistics Reforms in Complex Multi-Country and Regional Settings: The Case of the Western Balkans

Capacity building and risk management work in the handling of food, plant, and animal products continued with **Bosnia and Herzegovina**, **Montenegro**, and **Serbia**. The Veterinary Office of Bosnia and Herzegovina finalized its risk-based sampling risk methodology in the sanitary and phytosanitary sphere (SPS) in mid-2015. The team helped **Montenegro** customs develop a post-clearance audit guide and standard operating procedures. Serbia's newly formed Serbian Port Governance Agency got advice on how to best perform its regulatory role.

Country-specific reforms included the following:

- Interagency synchronization of working hours in Bosnia and Herzegovina, which, along with other actions, reduced time of trade clearance by 13 percent.
- Reduction of physical controls of imported goods subject to excise tax from 100 percent to 23 percent in Montenegro through the application of risk-based controls.
- Streamlining and automation of customs clearance processes in Montenegro, which helped expedite processing time by up to 50 percent.
- Reduction of time required for customs clearance by up to one full day through introduction of electronic payment of fees and duties and upgrading of the customs electronic system in Albania.
- Introduction of a risk-based approach in SPS control in FYR Macedonia, resulting in a 40 percent reduction of the sampling rate of imported consignments.

The project supported a number of research initiatives, including a poll of border inspection practices performed by regional SPS agencies, and a study of time spent by consignments of processed food products at regional borders. It also supported pioneering research by the World Bank Group on the impact of customs reforms on trade behavior in Albania and Serbia. These studies were published in 2015 (see Key Publications Released in FY15, p. 51).

Successful completion of the program has enabled an assessment of lessons learned in the Western Balkans project. Among them were the importance of prioritizing interventions to maximize benefit in multi-country environments where needs and interests often diverge. Prioritization focused the team's efforts on reforms that were feasible. Strong inter-agency dialogue across

[6] To read more about PIFS' advances in trade facilitation, go to: http://www.forumsec.org/pages.cfm/newsroom/press-statements/2015-media-releases/support-for-pacific-islands-to-advance-work-on-trade-facilitation-agreement.html.

[7] Gagik Gabrielyan and Violane Konar-Leacy, "Implementing Trade Logistics Reforms in Complex Multi-Country and Regional Settings: The Case of the Western Balkans", *SmartLessons* series, IFC, June 2015, at http://smartlessons.ifc.org/smartlessons/lesson.html?id=1899.

Supporting Trade Accession to the European Union

T&C is applying FIAS support to assist Bosnia and Herzegovina in its effort to gain accession into the European Union. In FY15, the team provided programmatic assistance with regulatory, agribusiness, and investment policy tools to improve the country's competitiveness. Implementation of reforms in these areas reduced the administrative burden to businesses, assisted regional and city governments in attracting foreign direct investment (FDI), and helped enable single economic space for the free movement of goods and services. The project had generated significant impact by linking reforms achieved at various levels of government, achieving synergies and promoting collaboration.

At the level of national regulatory reform, the team supported development of strategies to increase FDI and join the EU by improving the regulatory, policy, and institutional framework for investment. The project helped the country decrease regulatory impediments to attracting and retaining cross-border investments. It supported institutions at both the national and subnational levels in reducing the administrative burden in import and export procedures in seven key sectors important to Bosnian industries: wood processing; machinery, electrical appliances, and metal processing; basic materials; dairy; meat; and fruits and vegetables. The project helped assess the competitiveness of agribusiness value chains and assisted in devising and implementing a strategy for generating investment in priority agribusiness sectors.

At the subnational reform level, the project assisted in simplifying business administrative procedures in 11 municipalities, three cantons, and two entity governments, with special emphasis on the agribusiness sector. The effort focused on reducing administrative burdens in regions and localities with strong business activity. As part of the project's exit strategy, the FIAS-supported team helped institute a mechanism to extend the regulatory reform work to other municipalities and cantons.

An independent assessment of the subnational work showed that employment increased by 6.4 percent in localities where the project helped with regulatory simplification as compared with localities that did no reform work. Total private sector savings as measured through compliance cost savings amounted to $7.9 million, 23 percent above the cumulative project target. The number of active firm-level investment leads more than doubled, from 44 as the project started to 115 leads at project closure. Project activities facilitated or generated $35 million in new investment. And a total of 27,736 businesses and entrepreneurs benefited from reformed procedures at all levels in the country.

the region was critical to promoting and implementing reforms. And the team learned that there was no substitute for hands-on engagement with clients and stakeholders. These lessons are being shared with other regional project teams.[7]

An impact evaluation showed that the trade logistics work in Albania contributed to a dramatic reduction in the rate of physical inspections by Albanian customs. The expected median number of days spent in Albanian customs fell by 7 percent when the probability that a shipment is inspected fell to less than 50 percent. Along with this reduction in time came an associated 7 percent increase in import value. Applying this figure to the value of Albania's non-oil imports produced a reform-induced trade cost savings estimate of approximately $12 million in 2012.

The Serbia trade logistics impact evaluation calculated that one additional unexpected day of delivery time was roughly equal to 1 percent of the value of the shipment. Findings suggested that firms that adopted an in-house clearance program realized statistically significant reductions in their median time to clear customs. However, the program did not have a statistically significant impact on changes in firm-level imports.

(For more on FIAS-supported impact work, see p. 46.)

Sustainable Investment in Key Industries

Even before the beginning of FY15, the FIAS-supported team had met or exceeded key benchmarks in generating investment in client countries, a key element of the team's work in **unlocking sustainable and climate-friendly investments in key industries, particularly agribusiness, tourism, and light manufacturing**. Through FY14, the FIAS-supported industry team has contributed to generating $2.96 billion in new investment, with $1.36 billion of that total in the form of FDI in priority sectors (surpassing the $1 billion target for FDI) and $1.6 billion invested by new firms following business entry reforms (approaching the target). With two years to go in the strategy cycle, FIAS was already close to surpassing its total $3 billion investment generation target for new domestic and foreign investment.

Investment Generated: A Key Goal of Industry-Specific Work

In FY15 the FIAS-supported industry team, working with the Investment Policy and Promotion team now housed in the IPP work-stream, continued to make significant progress in helping clients generate specific investment in major projects that might not have happened but for the intervention of the team. The total generated in FY15 was down from the previous year, mainly due to the timing of a major investment in Brazil brought about in FY14 with the help of the industry team. The results in FY15 were nevertheless considerable, and the team is making substantial progress on projects expected to yield results prior to the end of the FY12–16 strategy cycle.

In an offshoot of a major initiative working with **Bangladesh** on special economic zones, the team helped secure a $170 million investment in FY15 for construction of an energy efficient power plant that will fill an urgent need for reliable power. The 193-megawatt plant will generate power through a more efficient combined cycle reciprocating gas engine located on the site of an existing power plant in Ashuganj, northeast of Dhaka in central Bangladesh. IFC is providing a loan in support of United Group, a Bangladeshi business consortium that will own and operate the plant.

Bangladesh is one of the most energy starved countries in the world. Nearly 75 million people in Bangladesh, or about half the total population, do not have access to electricity. This is the second largest population without access to electricity in the world after India. Those in Bangladesh who do have electricity suffer through frequent and sustained outages as the power system sheds load to cope with excessive demand. Per capita energy use is only 180 kilowatt hours per year, one of the lowest in the world. The country's electric power generation capacity is 5,500 megawatts as compared to estimated demand of 6,600 megawatts. The shortfall to meet demand continues to be a major constraint for the country's economic growth. To address those issues, the government of Bangladesh has given top priority to the development of the power sector while at the same time maintaining a commitment to energy-efficient, green growth. The Project will add a much needed highly efficient power generation capacity to the Bangladesh grid and create jobs during construction and operation of the plant. Benefits will include a reduction in the country's power deficiency and reduction in the cost of power to consumers. IFC is lending $40 million in support of the project and working to mobilize an additional $80 million in financing.

T&C's industry team has 'scored' the investment generated for the Bangladesh power plant through a rigorous review and accounting methodology which articulates the specific role provided by the team and calculates impact based only on actual commitment of funds to a project (see box, page 15). With this project, the investment-generated totals for the FY12–16 strategy cycle are: $108 million in FY12; $329 million in FY13; $750 million in FY14; and $170 million in FY15, for a total of

$1.36 billion. This exceeds the target for the five-year cycle of $1 billion in FDI priority sectors, with a full year left in the cycle.

The power plant project grew from FIAS-supported work helping Bangladesh develop a road map for reducing carbon emissions from export processing zones (EPZs), which have become an increasingly vital part of the country's economy. A project in the Chittagong EPZ that generated investment and led to significant reduction in carbon emissions in FY14 became a model in FY15 for efforts in other EPZs around the country. The road map sets out guidelines for carbon emissions that are being replicated across the country's EPZs.

Investment Climate Reforms in Agribusiness

Despite the predicted movement of some 200 million poor people from rural to urban spaces over the next 15 years, projected population growth implies that the absolute numbers of rural poor will not change dramatically. This makes the development of inclusive agribusiness a long-term priority for poverty reduction, as well as a potential source of growth. The opportunity to do so is strong. Food demand is expected to grow by 70 percent from 2005 to 2050, driven mostly by demand from the urban markets of the developing world. This points to the importance of facilitating the domestic, regional and international movement of food. And since over 60 percent of the world's poor work in the agriculture sector, coordinated efforts along agricultural value chains, for food or non-food commodities alike, are essential to realizing transformational change in the agricultural sector.

The coming together of teams working in trade, investment climate, and innovation and entrepreneurship into the Trade & Competitiveness Global Practice has further strengthened the capacity of the FIAS-supported agribusiness portfolio to meet these challenges. In line with T&C's vision, the agribusiness work aims to expand market opportunities in the agriculture sector and enable a country's private sector to develop these opportunities all along the value chain for inclusive economic growth.

Drawing on a wider set of skills and experience from across T&C has strengthened the design and implementation of agribusiness solutions in ongoing and new areas of activity. For example, in FY15 support to agribusiness has extended to the livestock sector in projects developed in **Ethiopia** and **Tanzania** that aim to increase the access of smallholder farmers and pastoralists to improved services and technologies and to more stable, predictable income-generating market opportunities. The experience and expertise of T&C's global value chains approach brings to livestock the proven approaches to regulatory reform and investment promotion that have yielded results in crop production, as described in previous *Annual Reviews*. The work also strengthens the identification of market opportunities and design of interventions required for actors all along that value chain to upgrade and connect to markets. It serves as a cornerstone for the design of detailed interventions, many of which leverage long-standing expertise in agribusiness, for livestock reform with our partners.

The continued emphasis on coordinated agribusiness solutions has yielded notable success. The approach of deliberately leveraging different expertise and interventions from across the World Bank Group and other development partners in the design of FIAS-supported advisory projects is showing promise even in the most challenging of environments. In FY15, the **Burundi** Investment Climate Reform Program's cross-Bank Group approach helped unlock a key bottleneck for the government's coffee sector privatization program. This FIAS-supported program has organized an innovative development solution around inclusive and sustainable coffee sector by delivering on public-private dialogue and investor outreach, while coordinating these inputs with those of a T&C World Bank loan and the activities of several other Bank Group teams. The project has helped make the privatization more inclusive by designing ways for farmers and their organization to participate in the privatization of coffee washing stations for the first time, and by updating the privatization strategy accordingly. The project developed financing options and inclusive farmer-owned business models and conducted a successful investment promotion campaign that has raised support and interest from six social impact investors and large private sector agribusiness firms in partnership with farmers. These efforts directly supported the government's other activities with the Bank Group on the country's wider privatization program and the work of the Agriculture Global Practice developing a new market-based coffee sector competitiveness strategy, which was adopted. The integration of private sector stakeholders, from farmers to international investors, anchors the reforms in the economic fabric of the sector and may serve to insulate the economic progress from the volatile political environment.

Access to finance is a persistent problem for developing country farmers and traders in agricultural products. Banks face difficulties in assessing risks and are constrained by the limited and fixed assets that could be used as collateral. In **Senegal**, agricultural production represents 16 percent of GDP, but only 5 percent of formal credit goes to the agricultural sector. FIAS is supporting a pilot project in Senegal's rice sector aimed at developing warehouse receipt financing. This approach, which has been applied successfully in Ethiopia, South Africa, and Zambia, among other countries, provides a method of inventory financing in which loans can be made against goods held as collateral. Warehouse operators issue receipts for stored commodities, providing farmers, processors, and traders with a portable form of collateral that can be used in applying for a bank loan. The project aims to help Senegal enact warehouse receipt legislation based on best practices, including implementation support, and thus encourage an increase in the flow of capital along the entire rice value chain.

Similar gains were seen through the portfolio's support to public private dialogue in other key areas of market access and reform. For example, in **Mongolia**, following the FIAS-supported efforts in drafting the Food Safety Law, in force now since 2013, the T&C advisory project identified gaps in the reform implementation process through a comprehensive review and benchmarking of food safety related legislation in Mongolia against international best practices and coupled this with intensive research with private sector food business operators. This resulted in an evidence-based agenda around which a major public-private dialogue event was organized, uniting all key reform stakeholders to gather at one table. As in Burundi, this was achieved through the coordination of Agriculture global practice and other World Bank Group teams to support a solution in this critical area to Mongolia's growth and market development.

T&C's work in key sectors has been particularly fruitful in agribusiness through the formation of strategic partnerships. For example, T&C work with the World Economic Forum (WEF) provided an entry point to collaboration on WEF's "Grow Africa" initiative, which brings private sector investors together with government counterparts to develop agribusiness opportunities. The synergies between the FIAS-supported agribusiness work and Grow Africa networks and activities are being actively explored. Similar partnerships are being forged to enrich the portfolio's regulatory work on food safety and phystosanitary standards through deeper collaboration with the WTO's Standards and Trade Development Facility (see p. 32).

Knowledge for impact and international partnerships also grew and developed over FY15. The impact evaluation for the **Rwanda** green leaf tea pricing mechanism reforms received early support from FIAS donors. Regulating farm gate prices to protect the returns to farmers in agricultural commodity markets has been widespread globally, and justified by a range of market failures, including asymmetries in market power. More often than not, however, these prices are not linked in any way to market signals and are subject to downward pressure, either through regulatory capture or bureaucratic lag in updating prices. Green leaf tea prices (i.e., farm gate prices) for tea growers in Rwanda have been historically set by the Rwanda tea board, a mechanism that the government sought to reform. The evaluation sought to measure the impact that FIAS-supported reform has had on prices, farmer incomes, production levels, tea quality

levels and investments in tea. FY15 saw the completion of the baseline analysis, the results of which—namely, key differences in the demographics and level of awareness of the reforms between tea and non-tea farmers—have already informed the policy dialogue the government is having around the tea sector. The baseline analysis has been shared with industry and farmer stakeholders. The government plans to incorporate the final impact evaluation results in FY16 to further inform its policy position on tea sector reforms.

With FIAS co-funding, T&C is implementing the Central America Regional Agribusiness Trade Logistics Project in a strategic alliance with USAID in **Costa Rica**, **El Salvador**, **Guatemala**, **Honduras**, and **Nicaragua**. The goal is to streamline, harmonize, and automate sanitary registration procedures for processed food and beverages in the region to enhance the potential for trade in these products. The project will create a regional system to facilitate mutual recognition of sanitary registration. During FY15, the team signed a cooperation agreement with the Central America Secretariat of Economic Integration (SIECA), which will ensure the sustainability of the regional system and a more solid cooperation between Central American stakeholders. In Nicaragua, the team provided technical assistance on the implementation of its national sanitary registration system and on the development of a tracking module for users to receive automatic notifications on the status of their processes. In Honduras, the team proposed legal provisions to allow improvements to its national system.

T&C is involved in developing a new regional project in **Central America** to support the implementation of the World Trade Organization's Bali Trade Facilitation Agreement. Part of the **Trade Facilitation Support Program**, the project is also serving as a source of information and guidance to the WTO's Standards and Trade Development Facility regarding e-phyto registries. (For more on TFSP, see p. 25.)

Enabling Investment Opportunities in Tourism

Tourism generated 4.7 million new jobs last year—five times more than the chemical or auto industries. More than half of these jobs are held by women, and the tourism industry employs young people at almost twice the rate of other industries. Nearly half of the one billion international tourist arrivals per year are in developing economies; in 2010, tourists spent $240 billion in developing countries, almost triple the level of development assistance for that year. Tourism is included in the Poverty Reduction Strategies of more than 80 percent of low income countries.

Improving Trade Logistics for Agribusiness

Expediting the movement of food products requires the creation of efficient trade logistics systems and services that facilitate agribusiness trade while ensuring food safety and security. In Africa, for instance, according to the World Bank report, *Africa Can Help Feed Africa*, African farmers can potentially grow enough food to feed the entire continent and avert future food crises. "However, this potential has yet to be exploited," according to the report, "because African farmers face more trade barriers in accessing the inputs they need, and more trade constraints in getting their food to consumers in African cities, than do suppliers from the rest of the world."[8] To address these issues in Africa and elsewhere, the trade logistics agenda expanded in FY15 with FIAS support. The work has encompassed a variety of initiatives including:

- Building a framework to measure the cost of trade logistics in agribusiness in **South Asia**.
- Implementation of risk-based approaches to managing the quality of food products for import and export that are imported or exported in **Kenya**, **Rwanda,** and **Zambia**.
- Promotion of interconnectivity between agencies that implement sanitary and phytosanitary, food safety, and other regulations in **the Caribbean**, **the Philippines**, and **South East Europe**.
- And promoting recognition and adoption of international and regional standards, mutual recognition, and equivalence in **Central America**.

FIAS support enabled T&C to help facilitate agricultural trade in the Philippines through two key reforms in the agricultural quarantine and maritime logistics sectors. In January 2015, the government enacted a new policy to institute risk management techniques in quarantine inspections, leading to the repeal of mandatory import licenses for low-risk imported food products. In June 2015, the government passed new legislation to allow foreign vessels to transship import and export cargo throughout the archipelago, promoting more options for agricultural exporters to deliver their products to foreign markets.

[8] World Bank, *Africa Can Help Feed Africa: Removing barriers to regional trade in food staples*, Poverty Reduction and Economic Management, Africa Region, October 2012, at http://siteresources.worldbank.org/INTAFRICA/Resources/Africa-Can-Feed-Africa-Report.pdf.

These are among the reasons why FIAS supports the tourism portfolio work implemented by T&C. In FY15, the FIAS-supported portfolio of industry-specific projects in tourism included 13 active projects, with the addition of a new project in **Rwanda**. Pipeline projects at the close of FY15 are under review in **Madagascar**, **Myanmar**, and **Peru**, along with other selected countries in Latin America and the Caribbean. The program continues to deliver results with investments in **India** and **Nepal**, and reforms introduced in India, **Lebanon**, and Peru. Expertise in investment generation was supported by the delivery of a successful half-day seminar "Growth & Investment in Tourism: Bringing Success to the States," which addressed the management of public-private partnership opportunities along the Buddhist Circuit as part of the "HIFI Investment Conference" sponsored by the Burba Hotel Network.

With the launch in FY15 of the new Bank Group Global Practices, demand for tourism-related support from across the Bank Group expanded significantly. The FIAS-supported team provided assistance to other Bank Group units for projects in Albania, Armenia, Azerbaijan, Belize, Burundi, Benin, Bolivia, Cabo Verde, Côte d'Ivoire, Ecuador, Egypt, Ethiopia, Georgia, Haiti, India, Iraq, Kenya, the Kyrgyz Republic, FYR Macedonia, Maldives, Morocco, Pacific Island states, Russia, Senegal, Sri Lanka, Tajikistan, Tanzania, Uganda, West Bank, and the nine member countries of the Organization of Eastern Caribbean States.

Collaboration and coordination remain key themes of the industry work in the tourism sector. FIAS-supported teams continue to build strong links to IFC Investment Services and other teams working on tourism throughout the Global Practices. During FY15, the team consolidated the process of developing an integrated approach to tourism across the entire Bank Group following the introduction of the Global Practices on July 1, 2014. The team led the development of a proposal to establish a Sustainable Tourism Global Solutions Group, drawing on expertise from across the entire Bank Group. The organization has been approved and is now operational. In June, the Tourism Group sponsored an international meeting—"Measuring for Impact—Convening Thought Leaders in Tourism"—to initiate a dialogue among global practitioners to better measure and understand the impacts of tourism. The event involved participation by several international agencies, private companies, non-governmental organizations, and academic institutions, strengthening relationships between FIAS-supported tourism staff and external stakeholders. In collaboration with the Investment Policy team, the tourism team advanced work on streamlining visa regulations to improve access to visitors and investors.

Improving the Tourist Experience in Cusco

As the gateway to the famous UNESCO World Heritage Site of Machu Picchu, **Peru**, Cusco is one of the busiest tourist towns in Latin America. With rapid growth and multiple jurisdictions, regulations to control businesses and protect the ancient patrimony have become financially burdensome and overly complex. As a result, they are often ignored. Burgeoning informality places at risk tourists and the very endowments they come to see. At the request of the national, regional, and local governments, the FIAS-supported tourism team developed a program to improve compliance and reduce transaction costs for tourism businesses. The project objective is to streamline procedures to obtain licenses and permits for the startup and operation of businesses such as lodging establishments, restaurants and tourism, and travel agencies. Following detailed analysis and mapping of existing procedures, the team in FY15 introduced a number of reforms designed to more effectively regulate the sector. To date 11 reforms have been introduced and over 150 unnecessary procedures eliminated; 10 laws have been passed supporting the new simplified procedures; and new information technology solutions have been introduced. Over 600 public servants, almost half of them women, have been trained in the new systems. The government has requested that the project be replicated in other key tourism destinations in Peru.

T&C Rapid Response Helps Nepal's Tourism Industry Recover from Quake

The magnitude 7.8 earthquake that struck **Nepal** on April 25, 2015, claimed an estimated 9,000 lives and injured some 23,000. The quake, and another 7.3 magnitude quake on May 12, 2015, inflicted severe structural and economic damage on one of Asia's poorest countries. Among the impacts was a rash of cancelations by tourists planning to explore Nepal's highly popular trekking routes, a key source of income to scores of villages in the Himalaya region.

Building on its FIAS-supported work with Nepal in business regulatory reform and industry-specific work in tourism, T&C moved quickly following the quake to set up a quick-recovery project aimed at helping the vitally important trekking industry resume operations in time for the peak fall season. The project focused on assessing damage along the popular Mount Everest base-camp trek, which annually draws some 40,000 adventure seekers. Revenue losses from the cancelation of travel plans following the quake posed a threat to an already fragile economy. Tour operators reported cancellation rates of more than 90 percent following the quake. Small-scale tour operators, hotels, pensions, and villages along the trekking route were facing severe economic losses on top of the quake damage they had already sustained.

The objective of the rapid assessment was to develop a baseline understanding of the extent of the earthquake damage to bridges, tourist accommodations, and other structures important to the trekking trade, assess the safety of the region's trekking routes, make recommendations to the government to take action on

Mount Everest Base Camp Trekking Routes

Geotechnical map: Lukla to Tengboche of Everest Base Camp trek
Source: Myamoto International

Geotechnical Map: Tengboche to Gorak Shep of Everest Base Camp trek
Source: Miyamoto International

The FIAS-supported tourism work in Nepal comprises product development, sector-specific business climate, and safety.

The project has to date attracted

$70 million

in new investment and has a pipeline for an additional

$130 million

expected by FY17

repairs and to industry to manage its risks and insure accordingly. T&C, with FIAS support, financed the assessment of the Mount Everest base-camp trek at the request of Nepal's Ministry of Tourism. Miyamoto Engineers, an internationally recognized engineering firm with extensive experience in earthquake damage assessment, conducted a rapid survey encompassing 15 villages, 710 structures including accommodation and residential buildings, and nine bridges. The results, which were shared with the insurance industry, showed that 83 percent of the surveyed buildings were structurally sound and that none of the major suspension bridges along the route appeared to have been affected by the quake. The majority of accommodation structures and trails sustained minimal damage from the April earthquake and a second quake in May, the assessment found. Repair and reconstruction of damaged buildings was under way.

After dropping off almost entirely, bookings for the peak season from September through December began to recover as a result of the public and media attention given to the assessment, with confirmations at about 20 to 25 percent of 2014 bookings. (The rate of recovery would have been higher but for the ill-effects of a severe fuel shortage due to unresolved trade and trucking issues with neighboring India.) The Nepalese government was particularly appreciative of T&C's rapid response. The Nepal Investment Climate for Industry Team received an IFC FY15 Performance Award for its work on the post-quake assessment and for support to the government effort to re-build the tourism industry.

T&C's work in Nepal continues to focus on the government's keen interest in business regulatory simplification and inter-agency connectivity and process automation. With the advent of a new constitution and federalism, process coordination between central and state administrations will be even more important to minimize the time and cost burden of double administration on businesses. The FIAS-supported work in tourism comprises product development, sector-specific business climate, and safety. The project has to date attracted $70 million in investment and has a pipeline for an additional $130 million expected by FY17. In addition, T&C is unfolding an image re-building project and a business sustainability quick-recovery project to minimize the damage to the tourism industry and encourage the return of the Chinese visitors to Nepal.

KNOWbel Award Recognizes Industry Project in Bangladesh

The World Bank Group's 2015 KNOWbel Award in the Client Solutions category went to a T&C-implemented, FIAS-funded project in **Bangladesh** that established the first road map in a low-income country for reducing carbon emissions from special economic zones. The work focused on the Chittagong export processing zone, generating energy savings, reducing operating costs, and boosting confidence of global firms that do business with manufacturers in the EPZ, particularly in apparel and other textiles. The low-carbon zones initiative is poised to be replicated throughout the country, and has already spawned other significant investments, including the $170 million energy-efficient power plant project (see p. 25). The winning project was one of nine selected from among 387 entrants.

CORE THEMATIC AREAS IN INVESTMENT CLIMATE INTERVENTIONS

FIAS support for thematic approaches is helping T&C step up efforts to close the gender gap in economic participation and expand its work in competition policy.

COMPETITION

INFORMATION COMMUNICATIONS TECHNOLOGIES

TRANSPARENCY

GENDER

GREEN REFORMS

PUBLIC-PRIVATE DIALOGUE

CORE THEMATIC AREAS IN INVESTMENT CLIMATE INTERVENTIONS

Underlying the FIAS-supported work in business regulation, trade and investment, and industry-specific sectors, and the focus on fragile and IDA countries, and the Sub-Saharan Africa region are a series of six thematic priorities that influence all FIAS project planning and implementation. Four core thematic areas covering competition policy, gender inclusion, transparency, and public-private dialogue bring to bear expertise from across the World Bank Group in endeavors devoted to inclusiveness, the widening of economic opportunity, and the elevation of business sectors in developing countries. Two other programs focus on the results of FIAS-supported work, covering impact measurement and monitoring and evaluation. These are rapidly evolving areas of work in which FIAS support is helping deepen and broaden the data derived from projects and programs to ensure knowledge capture and a clear understanding of the economic impact generated by investment climate work.

4

Transforming Markets through Effective Competition

Competition policy is a cornerstone of national agendas aimed at expanding market opportunities and enabling private initiative. Competition fosters more productive firms and industries while allowing consumers to have access to higher-quality goods and services at competitive prices. The FIAS-supported Competition Policy Cluster within T&C works with over 40 countries to implement solutions that address their most pressing market challenges, such as spurring growth of productivity and mobilizing efficient private investment in key sectors.

The potential for competition policy work to deliver significant impact has been clearly demonstrated. For example, World Bank Group studies show that substantially increasing competition in Tunisia and in Turkey would boost labor productivity growth by at least 5 percent in each country, and would enable a new generation of entrepreneurs to play a greater role in their economies.[9] In Kenya, poverty could fall by 2 percent if competition was more intense in the maize and sugar markets.[10]

FIAS supports the delivery of advisory services to client countries in reforming the way they enforce their competition laws, ensuring that regulations are more conducive to competition, and increasing their implementation effectiveness. The FIAS-supported team provides advisory services through World Bank Group operations (lending and technical assistance, knowledge generation, and advisory services that aim to foster competition). During FY15, competition interventions were included in World Bank lending operations in **Haiti**, **Kazakhstan**, and **Moldova**, among other places, while the team—in collaboration with regional teams and sectoral colleagues—supported additional reform efforts both in introducing pro-competition market regulations at the sector level and fostering effective antitrust enforcement in **Colombia**, **Egypt**, **Honduras**, **Kenya**, **Kuwait**, **Mali**, **Mexico**, **Panama**, **Peru**, **Philippines**, **Romania**, **Rwanda**, and **Zambia**. It also produced analytical notes to help clients in **Cameroon**, **Egypt**, **Haiti**, and **Madagascar** set policy priorities to develop market competition as part of country strategies and systematic country diagnostics (SCDs). Further, the team prepared a wide range of knowledge products, including competition policy assessments and institutional effectiveness reviews in 12 countries across four regions (**Colombia**, **El Salvador**, **Honduras**, **Kenya**, **Kuwait**, **Mali**, **Mexico**, **Namibia**, **Peru**, **Romania**, **Tajikistan**, and **Uruguay**). These reviews complement reform efforts in **Colombia**, **Honduras**, **Kenya**, **Mexico**, and **Romania** to detect and eliminate anticompetitive price-fixing agreements that artificially raise prices in intermediary input and food markets. In collaboration with the Latin America and Caribbean region and the Inter-American Development Bank, data collection efforts on product market regulation and competition were expanded to an additional six countries (**Bolivia**, **Ecuador**, **Guatemala**, **Panama**, **Paraguay**, and **República Bolivariana de Venezuela**). Targeted advisory services improve competition frameworks, and implementation of reforms in **Kenya**, **Mali**, **the Philippines**, **Rwanda**, **Zambia**, and the Common Market for Eastern and Southern Africa (**COMESA**), and of a state aid control framework in **Moldova** are generating positive economic impacts.

Specifically, in FY15, the FIAS-supported team helped bring about a sharp decline in costs for businesses in

[9] World Bank, "The Unfinished Revolution: Bringing Opportunity, Good Jobs and Greater Wealth to All Tunisians," 2014. World Bank, *Republic of Turkey Reform for Competitiveness Technical Assistance: Fostering Open and Efficient Markets through Effective Competition Policies*, 2013.

[10] Jonathan Argent and Tania Begazo, "Competition in Kenyan markets and its impact on income and poverty: a case study on sugar and maize," *World Bank Policy Research Working Paper 7179*, 2015.

COMESA associated with merger review. FIAS support for T&C's competition team helped member countries reduce the costs and time borne by private companies seeking to merge. At a time of dwindling flows of critical investment to fragile and conflict-affected states (FCS) such as **Burundi** and **Eritrea**, and other low- and middle-income COMESA countries, the new merger guidelines eliminated obstacles for investment opportunities in the region, increasing predictability for the private sector and dramatically reducing notification costs. Implementation of the new guidelines potentially benefits all 19 COMESA member countries and, in FY15, directly contributed measurable benefits to 12 countries that were recorded as reforms.

Heather Irvine, a competition lawyer in South Africa, noted the considerable uncertainty around merger control in the region prior to the adoption of guidelines in late 2014.[11] The reform lowered the costs of complying with the regional merger control regime for comparatively small businesses and for firms which do not have significant operations in the region. The new rules enable the **COMESA Competition Commission** to clear non-problematic mergers in no more than 45 days. Previously, the clearance process took up to 140 days. Estimates show that at least $4 million of compliance cost savings for the private sector per year could have been generated if these guidelines had been applied in 2013.

A second reform passed in March 2015 reduced the notoriously high merger filing fees to a maximum cap of $200,000, down from $500,000 previously. The same reform raised the notification threshold so that only the most problematic merger cases came under scrutiny. Media coverage and opinions from the private sector, academia, and practitioners commended the improvement in the merger control system, particularly regarding greater predictability and lower barriers for cross-border investment.

The positive experience at the regional level generated reform momentum at the national level. With FIAS support, **Zambia** passed a similar reform that creates a more transparent and effective system, and reduces compliance costs, particularly for mergers that are not likely to raise competition concerns. The resources thereby freed up will be put to effective use in the initial leniency program, introduced with FIAS support, to facilitate detection of harmful cartel agreements through whistle blowing. Further regional spillover effects are reaching **Rwanda**, where the FIAS-supported team presented proposals to operationalize the competition law passed in 2012 but not yet implemented.

FIAS-supported work is helping **Moldova** minimize the market distortion caused by incentives and state aid to specific firms. In August 2014, the government adopted a regulation on state aid for airport infrastructure and services that will foster competition in that business sector. Later in 2014, an innovative portal was launched to track all financial and non-financial support measures to firms. Guidelines on criteria for the design of state aid to minimize distortions to competition were issued early in 2015. As a result, the transparency of support measures granted in the previous two years increased as more than 170 public entities reported state aid to the Competition Council in 2014 compared with just a few in 2011 and 2012. Since the first reform in 2014, the Moldovan Competition Council examined 20 alleged state support measures. Selected measures in the air services were modified to reduce potential harm to markets. State aid granted in Moldova has been declining as a result of these steps, and systematic screening of support measures is expected to produce savings of at least 5 percent in public state aid funds, resulting in better allocation of government resources.

FIAS supported a new mechanism to assess regulatory impact on competition in **Kenya** as well as the ongoing consultation phase with stakeholders. To implement a 2013 act that mandates assessing the impact of new statutory instruments on the private sector, the FIAS-supported team worked with the Competition Authority to design guidelines that include a checklist of potential ways in which the instrument may restrict competition. Subnational governments in Kenya have already identified regulatory issues that hamper competition in agriculture markets. In parallel, the FIAS-supported team is strengthening the Competition Authority's efforts to break up injurious cartel agreements by launching an innovative compliance program. It calls for a temporary amnesty allowing business associations that are violating the competition law to halt that illegal activity before risking incurring heavy fines and even imprisonment after the grace period.

"There are trade associations currently using rules that suppress the competitive landscape in their specific sectors to the detriment of consumers," said Wang'ombe Kariuki, Director General of the Kenyan Competition Authority. Financial services and agricultural markets

[11] Tom Madge-Wyld, "Comesa overhauls board and merger laws, *Global Competition Review*, April 10, 2015, at http://globalcompetitionreview.com/news/article/38384/comesa-overhauls-board-merger-laws/.

were chosen for this first phase of the program given their "significant contribution to the economy."[12] Based on research conducted with FIAS support, poverty could fall by 2 percent if competition was more intense in the maize and sugar Kenyan markets alone.[13] These activities complement a broader competition advisory services program led by the FIAS supported team on anti-cartel enforcement, merger control, regulatory quality and competition in payment systems and telecommunications.

In **Mexico**, the FIAS-supported team scaled up an innovative methodology that allows states to identify, prioritize and eventually align state and municipal-level regulations in key economic sectors with competition principles. A successful pilot in Oaxaca, third poorest state in Mexico, was rolled out in the states of Tabasco and Mexico State during FY15. In January 2015, a government decree adopting this methodology specifically acknowledged the World Bank Group's role and marked the first step for this tool to be applied in all 50 states across Mexico.

The competition policy team is following up on initial successes from previous fiscal years. Based on previous technical assistance work, both **the Philippines** and **Romania** passed reforms to improve their competition law enforcement frameworks. In the case of the Philippines, the first competition law was enacted in June 2015. In Romani**a**, both the competition and state law frameworks were adjusted to provide more effective implementation provisions. A competition reform intervention in the Philippine**s** aimed at reducing freight shipping rates by as much as 5 percent is being empirically evaluated as the beneficial effects of increased competition materialize in a growing number of ports.

Recognizing Innovation in Competition Advocacy

Generating consensus for competition reforms requires political champions, clever advocacy, and strategic partnership with stakeholder groups and the media. It is not an easy task, since it often involves going up against entrenched political and economic interests holding favorable positions. In FY15, the FIAS-supported team continued to stimulate this policy dialogue in the second round of the Competition Advocacy Contest. The awards and honorable mentions recognize countries and governments that have implemented notable competition advocacy initiatives in one of three categories: fostering growth and reducing inequality; promoting awareness of benefits of competition in a time of crisis; and balancing competition goals with other public interests. Due to the positive reaction from the previous year's award ceremony, held at the Bank Group Annual Meetings, the International Competition Network—the largest network of competition practitioners—offered to co-host the 2015 contest. The winners ranged from initiatives in countries newly embracing competition policy to the efforts of more well-established competition authorities:

Malawi was recognized for taking steps to deal with a monopolistic situation affecting sugar warehouses and distribution systems, a key sector for growth in the country. Results included increased sugar availability nationwide and new entrants in the distribution market.

Kenya engaged with private healthcare providers to prevent a 20 percent price increase of healthcare services proposed by their trade association. This initiative had a tremendous impact in a sector critical public welfare, saving more than $100 million in medical bills over a three-year period.

El Salvador deployed an innovative app to enhance citizen participation in competition issues. It makes readily available public information pertaining the competition cases under review by the competition authority and enables citizens to comment and share related information.

New Zealand moved quickly after an earthquake in Christchurch to ensure that surging demand for construction materials did not spark consumer fraud. A one-stop shop website provided guidance on competition and consumer law to all those supplying goods and services to the construction sector.

Moldova created an on-line portal with information on state aid to enhance transparency in the allocation of public resources and reduce selective support to specific firms. The registry has become a key tool for monitoring the impact of state aid on the competition environment.

Singapore tackled the competition issues raised by third-party taxi booking apps through strong cooperation with the Land Transport Authority, showing that the entry of innovative technology like third-party apps can bring about benefits to commuters and the taxi industry as a whole.

Programs in the three award categories were recognized with honorable mentions to **Finland**, **Greece**, **Iceland**, **Indonesia**, **Israel**, **Mexico**, **Portugal**, **Russia**, and **South Africa**.

[12] Mugambi Mutegi, "Watchdog issues 10-month deadline to break cartels," *Business Daily*, April 23, 2015, at http://www.businessdailyafrica.com/CAK-issues-10-month-deadline-to-break-cartels/-/539546/2694206/-/2k7u96z/-/index.html.

[13] Jonathan Argent and Tania Begazo, "Competition in Kenyan markets and its impact on income and poverty: a case study on sugar and maize." *World Bank Policy Research Working Paper* 7179, 2015.

Work in the competition policy space focuses intensively on knowledge generation and dissemination. In FY15 the team produced a number of publications and participated in several significant learning events (detailed in the next chapter) and continued to deepen its collaboration with partners such as OECD, Inter-American Development Bank (IADB) and other World Bank Group elements, for example, the Poverty Global Practice, on projects including the launch of the Global Network of Experts on Competition and Shared Prosperity and the TI GP where teams work and deliver advisory services in an integrated fashion such as the case of Mexico for the assessment of the telecommunications wholesale broadband infrastructure.

Leveraging Technology to Deepen Reform Impact

World Bank Group reform programs supported by FIAS-funded expertise in the fields of information and communications technology increased in FY15. The FIAS-supported team engaged in 61 active and pipeline ICT project components in 43 country programs, covering lending, advisory services, and reimbursable advisory services, including two regional projects. By comparison, the team supported 50 ICT project components in FY14 across 32 countries, with two regional projects. Today over 40 percent of investment climate advisory projects contain a technology component—up from zero in 2007. More than 80 different software applications are being deployed across all regions to improve transparency, accessibility and accountability in government-to-business service delivery. In addition, ICT initiatives initially undertaken under advisory projects are increasingly being scaled up through follow-on lending operations.

FIAS funding continues to support the development of "entry level" software applications, such as business licensing information portals, construction permit administration systems, and mobile phone-based apps to collect private sector feedback on government service delivery. These are generally provided to clients with no licensing costs as part of larger investment climate projects which also address legal and process reforms to improve government-to-business service delivery. In FY15, a FIAS-supported team implemented online services for business licensing in Mombasa and Nyeri counties in **Kenya**, as well as a system for construction permit administration in Mombasa. The latter allows architects and developers to submit their building plans online and track the review process through their computer or mobile phone, as well as supporting back office processing of the applications within the county administration. In **Ethiopia**, a FIAS-supported team helped upgrade the Ministry of Trade's business registry technology platform, improving its functionality and extending its reach to over 500 registration points nationwide.

The tax team's success in assisting **Rwanda** with an automated mobile tax payment system for micro, small, and medium enterprises, called "mDeclaration," provided material in FY15 for the sharing of lessons learned with colleagues working on SME-related tax programs in other countries.

ICT-related research and knowledge management efforts in FY15 have focused on identifying emerging good practices in two areas: the integration of online service delivery through establishing one-stop transactional portals for investors; and improving regulatory oversight by interconnecting databases in key government agencies, such as the company registry, tax authority and business regulators. Many client countries are undertaking efforts in this area and request advice on technology options as well as on dealing with key issues such as the introduction of a unique business identifier across government to facilitate online data exchange among regulators.

Enhancing Governance and Transparency in Client Countries

In virtually all the client-facing work supported by FIAS, transparency has emerged as a crucial thematic area touching on everything from policy development to implementation to dialogue and stakeholder engagement. The word "transparency" appears throughout this report in connection with a range of projects from tax policy and competitive sectors to investment policy and promotion and public-private dialogue. Transparency means that investors and financiers can weigh the risks of ventures more precisely. It means that businesses can see whether they are competing on a level playing field with other firms. It enables consumers to discover if they are paying fair prices for food, construction materials, and other basic necessities. It puts online or in other conveniently available platforms information about the costs and regulations involved in starting a business. Transparency lets business managers know whether their firms are being subject to the same frequency of tax or safety inspection as competitors. And it promotes a higher degree of public buy-in for pro-growth initiatives by helping governments articulate and disseminate their economic strategies.

As described in Chapter 2, FIAS-supported work in the field of investment policy and promotion emphasizes transparency as a key element of client country investment entry regimes. This includes clarity in the procedures required of potential foreign investors and transparency of regulations in the area of investment protection guarantees. This can make the difference between FDI generated and FDI withheld, since fear of peremptory action by governments against foreign investors is one of the major impediments to increasing FDI in developing countries.

In the **Kyrgyz Republic** in FY15, a FIAS-supported investment climate project concentrated on investment policy and regulatory governance and transparency. The project produced reports analyzing existing investment incentives as well as investor perceptions. For the first time, the government adopted and publicized an investment incentives register. It lists more than 80 types of investment incentives and procedures for obtaining them, as well as details on related laws and by-laws. Investors responded positively, saying that the document significantly improved investment regime transparency and reduced the possibility official abuse by officials with the power to award incentives. Creation of the exhaustive list of incentives opened the door to further cost-benefits analysis and revision of the investment incentives regime in the country. The enhanced availability of information on investment incentives is expected to spur new investments inflows. The amount of new investments facilitated will assessed by the project.

For regulatory governance and transparency, a flagship international conference on regulatory governance was conducted jointly with T&C and other Global Practices of the World Bank Group, along with participants from governments and private sectors of many countries. Held in Bishkek, the Kyrgyz Republic, the conference

focused on helping the government improve regulatory transparency and provided assistance on improvement of professionalism among public officials and the introduction of an effective feedback mechanism for the private sector.

Transparency is a critical factor in developing tax policy that both protects government revenue and boosts investor confidence. FIAS is supporting IFC work that is helping **Georgia** streamline international taxation procedures to improve transparency, protect tax revenues, and boost investor confidence (see p. 24). The effort has involved the FIAS-supported tax team working in concert with the OECD's Global Forum for Transparency and Exchange of Information for Tax Purposes working toward a level playing field for private companies and boosting competitiveness. Georgia joined the Forum for Transparency in 2011 and has since undergone successful peer review in demonstrating its tax transparency to foreign investors. The Forum's report states that Georgia passed the Phase 1 review in FY15, meaning that the country's legal framework is in compliance with international standards of tax transparency and information exchange. In FY15 Georgia began Phase 2, which will assess information exchange with other countries.

Addressing Gender Disparities in the Business Environment

Gender has emerged as a critically important thematic area in the FIAS FY12–16 strategy cycle, and an area of high interest to FIAS donors. The gender gap in economic participation remains vast. Women own fewer businesses, and businesses they do own tend to have fewer employees, lower sales, and lower invested capital than businesses owned by men. There are fewer women in the global labor market, and women in every economy are paid less than men for their work.

To reduce this gap, T&C has developed a four-year proposal to enhance the importance of gender programming in FIAS operations. The program aims at achieving reforms that reduce explicit discrimination in laws or regulations, with a particular focus on certain topical areas and sectors that affect women entrepreneurs. The proposal includes a scoping, piloting, and innovation track for exploring potentially larger interventions that could provide greater impact in delivering results for women. A thought leadership track designed as part of the program consolidates lessons learned from FIAS-supported country work and links to other gender programs within the Bank Group, resulting in a community of practitioners in gender and investment climate. T&C has hired a full-time gender lead to elevate FIAS-supported gender programming and implementation.

As of FY14, approximately 20 percent of investment climate projects were flagged as having a gender focus, with a budget allocation of less than 3 percent of total project expenditures, with a large majority of projects having 10 percent or less of expenditures devoted to gender and only 3 projects (2.3 percent) in the entire portfolio signaling that their activities predominantly benefit women. FIAS support is helping to deepen T&C's engagement in gender issues. Some of the gender-related project highlights from FY15 are described below.

Leveraging a spotlight provided by the *Women, Business and the Law* report, a project in the field of discriminatory law has supported the passage and implementation of groundbreaking legal reforms in **Côte d'Ivoire** which give women the right to inherit property, secure registration and travel documents without the approval of a spouse, and to benefit from income tax provisions. Legal amendments linking to four indicators from the *Women, Business and the Law* report were enacted in 2013, and in FY15 the team worked with the client to review the implementation gaps and increase information dissemination to women. This implementation effort sought to increase awareness of these new rights not only to women but also to government officials to ensure that enforcement and administration activities would be firmly grounded in the newly amended laws.

In the **Democratic Republic of Congo**, FIAS supported the drafting of legal reforms to allow loans, bank accounts and work outside the home for women. Under previous law, married women needed a husband's permission to sign a contract, open a bank account, take out a loan, register a business, register land, or go to court. Under the draft legislation, such permissions would no longer be necessary.

Years of work in investment climate have shown that the passage of reforms must be followed by effective and sustained implementation. This is particularly true in spheres of reform that seek to move countries away from long-established social norms that have discriminatory effects. T&C is using gender tracking to help address implementation gaps experienced by women, even when at face-value laws appear to require equitable treatment of women. For instance, in **Nepal**, the FIAS-supported team worked on a business registration automation project that now supports gender tracking. A project in the **Republic of Yemen** led to the establishment of a "Female Business Registration Department" that has begun receiving applications from women entrepreneurs. In **Cambodia**, public-private dialogue (PPD) was used to identify constraints for female entrepreneurs and advocate for the reduction of import duties for 20,000 silk weavers. In an initiative applicable to projects in many client countries, the FIAS-supported team has developed a gender PPD checklist that includes gender components in the scoping guidance documents for agriculture projects.

Green Reforms: The FIAS Link to the Climate Change Agenda

T&C works with client countries to increase the competitiveness of their industries and supply chains by promoting climate-efficient solutions, clean technology development, best practices in green buildings, and the use of special economic zones as a lever in spreading the use of climate-efficient business solutions. The strategy recognizes that industries and their supply chains are both key drivers of economic development and significant contributors to climate change. Industries are expected

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to account for more than a quarter of the increase in greenhouse gas emissions from 2005 to 2030. Through technological innovation, industry can also be a major contributor to climate change mitigation and adaptation.

Climate poses significant risks to developing countries in terms of food production and a number of other economic sectors. Changing climate and rainfall patterns threaten food production, particularly in semi-arid regions such as the Sub-Saharan African Sahel, where many FIAS-supported programs concentrate. Climate change is also increasingly linked with the competitiveness of firms and industrial sectors. The FIAS team in FY15 began planning for the next five-year strategy cycle, developing new and expanded offerings in the climate change space. FIAS support seeks to help governments and industries maximize green growth along supply chains, enhance competitiveness, and minimize negative effects on climate by promoting innovation, enabling better use of energy and water, and supporting more efficient management of waste.

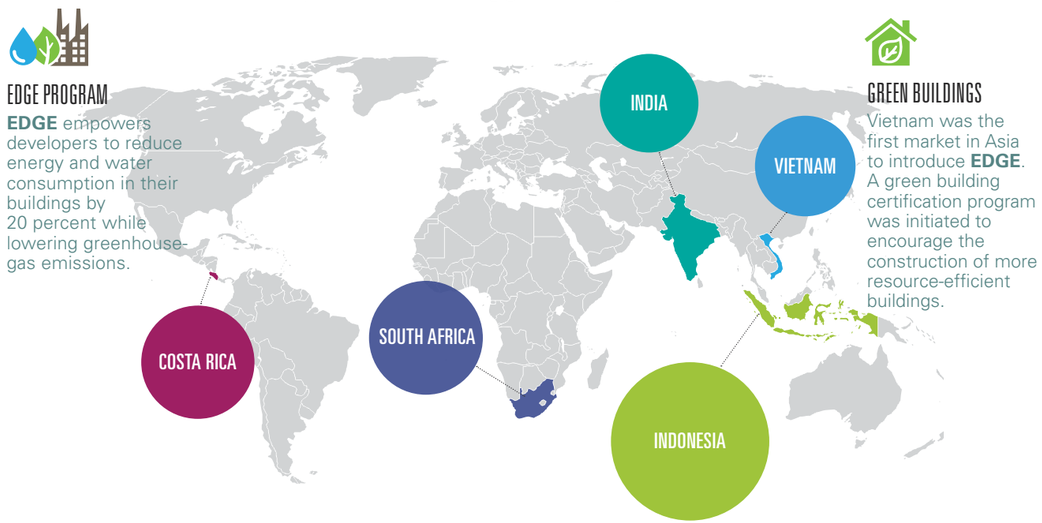
These efforts build on years of FIAS-supported work in legal and regulatory spheres to promote green growth, such as the IFC **EDGE** program, which helps client governments establish green building codes that lead to reduced greenhouse gas emissions. FIAS contributes expertise and advisory inputs to the EDGE program in the area of legislative and regulatory design and implementation. In FY15, IFC launched a green-building certification program in **Vietnam** to encourage the construction of more resource-efficient buildings. Vietnam is the first market in East Asia to introduce EDGE, which stands for Excellence in Design for Greater Efficiencies. EDGE empowers developers to reduce energy and water consumption in their buildings by 20 percent while lowering greenhouse-gas emissions. EDGE offers free software that allows designers to choose technical solutions while showing the extra costs to build green and the payback period to break even on energy-efficient designs. Buildings account for more than 30 percent of the total energy use in fast-growing economies like Vietnam, hence improving energy efficiency in new buildings is critical. Other priority countries participating in the EDGE program include **Costa Rica**, **India**, **Indonesia**, and **South Africa**.

The Climate Efficient Industries initiative in **Pakistan** is working with the government of Punjab to promote competitiveness in industries through improved use of energy resources in textiles, food processing, and other manufacturing sectors. In order to drive these initiatives, the World Bank Group with the support of the Korea Energy Agency (KEA) is assisting the Government of Punjab in establishing an energy efficiency and conservation cell within its energy department. This program will help the agency assess its capacity to support industrial resource efficiency projects and activities overall through capacity building knowledge exchanges with KEA.

A crucial part of the Punjab program is assistance to the new agency in focusing on the efficiency of electric motors, with a particular emphasis on fans. Electric motors are responsible for 40 percent of industrial energy use, and fans account for about 14 percent of that. This area of focus was identified jointly through the efforts of KEA and the IFC advisory team, major consumers of energy within industries, and also in the residential sectors. The application of energy-efficient technologies could improve the availability of energy to the country. A general power shortage in Pakistan has been hampering economic performance due to irregular supply and brownouts. It is estimated that the project should improve cost-savings for firms and help avoid harmful greenhouse gas emissions by 375,000 metric tons per year, equivalent to the annual emissions from 79,000 passenger cars. T&C worked with the Punjab Energy Department to organize a one-day public-private dialogue in January 2015 on electricity transmission and private energy production that drew about 100 public and private sector participants to discuss the need for regulatory reform in relation to transmission, private grids, and private sales arrangements.

EDGE PROGRAM PARTICIPATING COUNTRIES

EDGE empowers developers to reduce energy and water consumption in their buildings by 20 percent while lowering greenhouse-gas emissions.



Fostering Public-Private Dialogue to Catalyze Reform

In FY15 FIAS contributions continued to support strong stakeholder engagement through public-private dialogue across projects in an expanding range of activities from advisory to lending to analytic exercises. FIAS-supported teams delivered tailored PPD offerings to governments and the private sector with the aim of improving the efficiency and effectiveness of private sector reforms.

A total of 54 active projects made up the portfolio, compared to 64 in FY14. The modest decline in the number of projects stemmed not from a reduction in work but from organizational restructuring in which some projects were remapped to other World Bank Group Global Practices. An additional two projects were completed and closed in FY15. Total portfolio value at the end of FY15 was approximately $15.6 million versus $17 million in FY14. Of the total project portfolio, 23 projects were in fragile and conflict-affected states, up from 18 in FY14.

FY15 marked the end of the three-year PPD strategy. During that time, PPD efforts included eight published reports, 36 projects that directly benefitted from PPD team input and expertise, workshops that drew 280 participants, and six training events. Among others, key projects were designed and initiated for **Côte d'Ivoire**, **Myanmar**, **Somalia**, and **Tunisia**. Other countries supported by PPD work were **Bangladesh**, **Egypt**, **Ethiopia**, **Guinea**, **Mali**, and **Togo**.

The FIAS-supported team developed in FY15 and launched in July 2015 (the beginning of FY16), a new PPD strategy that seeks to build on and integrate learning from previous efforts and respond to increasing regional demand. Continuing client country demand has validated the flexible PPD approach in place for the past three years. The strategy also reflects the reality of the changing business environment at the Bank Group. Citizen engagement, for example, is now a key element of PPD efforts. The FIAS-supported team is developing this institutional agenda, including pilot approaches such as "e-PPD," currently under design in Rwanda. The new strategy includes a renewed focus on innovation and piloting of new ideas, reflecting the interest from other Bank Group units covering such issues as jobs and competition policy, to name a few examples. The team will also explore delivering on an expanded gender agenda and seek to identify potential PPD interventions.

Included among the selected highlights from FIAS-supported PPD work in FY15, in **Somalia**, the Somaliland Chamber of Commerce, Industry and Agriculture—a Private Sector Apex Chamber—and the government signed a PPD memorandum of understanding agreeing to collaborate through evidence-based and inclusive dialogue to improve the investment climate in Somaliland (a region of Somalia). The memorandum included nine implementation guidelines reflecting PPD good practice. The Ministry of Trade and Investment, meanwhile, agreed to provide an office and two staffers to manage the secretariat for a PPD meeting on economic sector coordination.

In **Côte d'Ivoire**, the government committed in FY15 to draft a national PPD strategy due to the numerous sectoral and thematic PPD platforms in the country. This national strategy intends to set up a structure which will permit better coordination of all PPDs.

A two-day workshop in **Madagascar** on public-private dialogue drew 50 stakeholders representing the government and the private sector. The workshop focused on the challenges and success factors of dialogue, including setting agendas, communication and monitoring-and-evaluation, and activity planning led to agreement on establishment of working groups to implement agendas focused on fiscal issues, mining, and commerce, among others.

Improved M&E System to Deepen Results Insights

In FY15, T&C's Monitoring and Evaluation (M&E) team worked with regional and thematic teams to develop an improved results framework for the Global Practice, including FIAS-supported programs. The effort builds on valuable experiences from the work done under the Investment Climate Department, the T&C prospectus, and the launch of the Global Practice on July 1, 2014, the beginning of FY15. The result of this work is an integrated results framework that is based on typical challenges and theories of change of each of the solution areas.

The T&C results framework applies to all projects across all instruments. The adoption of results-based project

design and monitoring practices along with the use of the new T&C results framework is expected to steer the Global Practice toward higher quality and more impactful results for our clients. The T&C management team has endorsed both the results framework and the M&E support approach. Implementation of the framework is well under way in FY16, and management will be monitoring its progress. Indicators previously used under FIAS, such as investment generated and compliance cost savings, remain core measurements in the T&C and FIAS agenda. New indicators have been added to the framework and still others are under development in an effort to capture and measure other impacts that are at the core of the T&C offerings. These include new indicators on investment generation for investment policy and potential indicators for trade interventions, productivity, and others.

Measuring Impact

T&C's M&E and impact teams go beyond the counting of specific reforms to examine the benefits generated by FIAS-supported programs. **Direct compliance cost savings** (CCS) are one of those key measures. The CCS indicator measures the change in the cost of doing business as a result of reform work. This can include savings derived from changes in laws and regulations affecting starting a business, construction permitting, licensing fees, and the time required of businesses to comply. In FY15 FIAS supported $20.8 million in CCS, down slightly from $22 million in FY14. This brings the total CCS for the FY12–16 cycle to $193 million (as against a target for the five-year cycle of $350 million). More CCS has been achieved but is still being measured. The five-year target for trade-related cost savings is $250 million; the actual total through FY15 is $433 million. Thus the combined CCS and trade savings for the private sector four years into the cycle stand at $626 million as against a five-year target of $600 million.

As the FY17–21 strategy cycle approaches, FIAS has met or exceeded most of its key targets for reforms, investment generation, and priority sectors and regions. The T&C team appreciates the vital importance not only of building up the reform count but also of understanding and measuring the impact this reform work has on private sector growth and competitiveness of client countries and developing regions. The team has made significant advances in the tools and techniques of measuring impact. Drawing on input from donors, recent program evaluations, and global expertise, FIAS has supported considerable investment in impact measurement improvements focusing on three areas:

- Refining the log frame of standard indicators to better articulate the expected theory of change.
- Developing and tracking impact indicators as committed in the FIAS strategy.
- Incorporating impact evaluations in key operations through the Impact Program to fill critical knowledge gaps and generate evidence on how to improve operations to maximize their impact.

Measurement of the effectiveness, results, and impact of the FIAS strategy is extending in much greater depth into areas such as job creation, firm productivity, and investment. Carrying out impact evaluations has allowed testing of different solutions to the same policy issue. This produces clearer answers to such critical questions as: What are the key constraints that need to be tackled? What are the effects of T&C interventions on interest groups such as women or small and medium enterprises? And who are the indirect beneficiaries? In the process, this allows the T&C practice, its partners, and its clients to improve the policy response and to use limited resources most effectively.[14]

In this context, important results and lessons have come out of the **Joint World Bank Group-Donor Impact Measurement Program** in FY15, supported by FIAS and with additional contributions from Canada, DFID, and USAID. Four key messages are emerging:

First, impact evaluations elevate the quality of government debates on policy and reform. This is evidenced by the influence that completed impact evaluations are having in **Albania** and **Georgia**, where findings have been disseminated in different government agencies as well as in international research conferences. In Georgia, the tax reform exempts SMEs with income below a threshold from paying taxes. The impact evaluation results show that the reform increased tax registration of firms with income below that threshold by 18 to 30 percent, but only during the first year. Interestingly, no evidence was found that firms were under-reporting income to qualify for the tax exception. In **Albania**, results showed that trade facilitation reform not only reduced the time to trade by 7 percent but, more importantly, that this reduction is associated with a 7 percent increase in imports.

Second, impact evaluations have been particularly valuable when they not only provide data on the impact of reforms but point to ways to improve their design and effectiveness. This is the case with the two impact evaluations aiming at improving formalization programs in **Benin** and **Malawi**. In **Benin**, the government is assessing whether offering registration support alone is more cost-effective than packaging it with banking or tax support. Initial results show that the banking and tax packages added value in terms of promoting business formalization but, so far, have had no effect on business practices or performance. More specific results are also helping the government fine-tune the design of the program before it is scaled-up. For example, a higher impact was found on better-educated male business owners working in sectors other than trade and operating outside Dantokpa Market, one of the largest in West Africa. Also, the impact evaluation found that the businesses most likely to formalize in response to the banking and tax packages had characteristics similar to business already formalized. The qualitative data gathered under the impact evaluation proved extremely useful in identifying the specific services offered in each package.

Short-term impacts in **Malawi** show that no-cost business registration was very attractive to informal businesses and generated very significant program participation (or up-take). In this case, it was the banking package that added most value. In particular, zero-cost registration alone increased formalization by 75 percent; when combined with the banking package the increase was 85 percent; and when combined with the tax package, by 69 percent. The program costs are relatively low, suggesting the potential for scaling up this intervention widely. As in Benin, the evaluation showed that formalization alone seems insufficient to lead to changes in firm-level outcomes. Both governments are now in the final stages of collecting data to assess longer-term impacts before the pilot programs are expanded.

Third, extensive data collection initiatives supported by the Impact Program are providing governments, T&C, and development partners with large amounts of high-quality data. Four surveys and corresponding reports were completed in FY15 in **Benin**, **Malawi**, **Serbia**, and **Tajikistan**. These are large data-collection initiatives for which detailed questionnaires and field procedures are prepared and shared externally. In Benin and Malawi they involve over 3,000 informal firms per round. The final datasets are used in technical papers and to inform government policies and programs. For example, the baseline survey in Kenya provided the government with the geo-location and characteristics of all the health facilities operating in three counties, enabling the government to map the distribution, size, and other characteristics of public and private health facilities. This, in turn, makes it possible to better target programs in the areas where they are most needed.

Finally, impact evaluation activities contributed to capacity building for measuring impacts in client countries as well as in T&C and partner agencies in FY15, through workshops held with clients in Benin, Kenya, and Tajikistan; dissemination events in Albania and USAID; and the flagship **T&C-DIME** (Development Impact Evaluation) workshop held in Istanbul. Engagement with key institutional partners continued with the Inter-American Development Bank in the context of single window impact evaluations under way in Colombia and Costa Rica, and with the Jameel Poverty Action Lab.

[14] The updated work plan and FY15 findings (as of July) can be found at: https://www.wbginvestmentclimate.org/results/impact-program.cfm

COLLABORATION, KNOWLEDGE, AND LEARNING

With FIAS support, T&C is focusing on knowledge leadership in trade and competition policy and industry-specific work, and on effective communications of lessons learned.

268k
page views to investment climate website

78k
unique visitors to investment climate website

2,737
participants in 118 investment climate-related events in 9 countries

COLLABORATION, KNOWLEDGE, AND LEARNING

5

The World Bank Group uses a number of tools to encourage the creation and deployment of project- and staff-generated knowledge and to communicate the priorities, initiatives, and accomplishments of FIAS-supported projects to key audiences. Tools such as blogs, research publications, and workshops with internal and external contributors, among many others, are regularly used to share and disseminate information that can be applied in the field. These initiatives are critical to the knowledge-intensive work supported by FIAS and implemented by the Trade & Competitiveness Global Practice through its suite of core offerings. T&C is committed to continuing improvement and investment in knowledge and learning, and to effectively communicating FIAS priorities to internal and external audiences, partners, stakeholders, academia, and other practitioners. The goal is not just to collect and organize knowledge gained in past projects but to integrate it into the expanding FIAS agenda in actionable terms.

Creating and Disseminating Knowledge

FIAS funding continued to support a robust program, now within T&C, to capture knowledge and channel technical expertise and experiences into published resources and events. In FY15, the substance of publications reflected the breadth of relevant topics encompassed by T&C's global themes—trade, investment climate, competitive sectors, and innovation and entrepreneurship—and its global advocacy role around trade and development, small and medium enterprise development, and investment. Enhanced partnerships with the WTO, OECD, UNCTAD, and others supported groundbreaking work on key issues, such as *The Role of Trade in Ending Poverty*, a report developed in partnership with the WTO (see box, p. 51, for list of more than 35 key external knowledge resources released in FY15).

In FY15, FIAS support contributed to an expanded roster of events to encourage knowledge sharing, peer-to-peer learning, and the exchange of best practices and innovation. A total of 118 events in nine countries attracted 2,737 attendees, including government officials and practitioners, private sector representatives, donor partners, World Bank Group staff, and other stakeholders. These seminars and conferences earned an average quality rating of 4.5 out of 5 in participant evaluations (see FY15 highlights of key learning events, p. 54).

Building Technical Communities and Expertise

The T&C knowledge agenda in FY15 targeted project quality and optimal project staffing through initiatives to identify and bolster staff skills and technical expertise. The portal function to help match staff skills to projects, launched in FY14, was populated with predominantly client-facing staff providing expertise in their specialties. This "SkillFinder" application has helped teams to deploy staff fluidly and to better leverage expertise within T&C.

An exercise that mapped staff in headquarters and the six regions to technical communities of practice around T&C topics, also completed in FY15, has allowed for more expedient information sharing and will enable the practice to align community-of-practice activities and expertise with country and global programs. An assessment of T&C staff learning needs, tailored to staff profiles and country demand, identified gaps and opportunities to enrich technical talent. The next step is the design and delivery of technical curriculum. T&C also began assembling vetted collections of technical content—key tools and resources to support the delivery of the practice's core offerings as customized client solutions.

Communicating a New Delivery Model

The roll-out of the Bank Group Global Practices in FY15, including T&C, entailed an intensive strategic communications effort to ensure that FIAS donors, client countries, partners, and other stakeholders understood the new structure and its wider array of product offerings while being reassured of continuity in the execution of the FIAS program. The T&C communications team participated actively in developing presentations on the new Bank Group architecture to FIAS donors at the November 2014 Consultative Committee. The presentation articulated the new offerings under the T&C umbrella, as well as those work streams, such as tax and debt resolution advisory, which were being relocated to other Global Practices. The team also helped produce a detailed prospectus on the T&C product offerings, many of which are supported by FIAS. The prospectus went to Bank Group country directors, clients, and other stakeholders and has played a role in ensuring a smooth transition from the Investment Climate Department to T&C in terms of implementing the FIAS agenda.

FY15 also saw the launch of the *T&C Monthly Highlights* newsletter, a multimedia forum for feature articles,

22,367
subscribers
to *T&C Monthly Highlights* newsletter

20,512
Twitter followers
of T&C

61K
unique visitors
to Investment Climate web site

blogs, video features, and other communications products focused on topics important to the T&C work program and to the FIAS investment climate agenda. The newsletter drew 22,367 subscribers in FY15. T&C had 20,512 Twitter followers as of the end of the fiscal year, a 67 percent increase over the previous year, with 1,259 mentions and 2,064 re-tweets. The Investment Climate web site drew 268,226 page views, 78,338 visitors, and 60,832 unique visitors in FY15.

The communications team is committed to reaching key stakeholders with strategic messages. In the spring of 2015, the FIAS-supported team organized the roll-out of a major report on the role of trade in ending poverty. Bank Group President Jim Yong Kim and T&C Senior Director Anabel Gonzalez joined World Trade Organization Director-General Roberto Azevêdo at the WTO's 5th Global Review of Aid for Trade meeting in Geneva for the launch. The report is part of a broader effort to highlight the importance of trade—particularly the lowering of trade costs in low-income countries—to alleviating extreme poverty and boosting shared prosperity.

In the fall of 2014, the communications team supported a Bank group event on agribusiness trade attended by over 90 experts from regional and multilateral organizations, private sector representatives and policy makers. Participants included representatives from ministries of finance, trade, industry and agriculture, customs, bureaus of standards, and port authorities from dozens of countries in over 10 emerging markets. Representatives from **Bangladesh**, **Colombia**, **Guatemala**, **Honduras, Lao People's Democratic Republic**, **Kenya, FYR Macedonia**, **Myanmar**, **the Philippines**, **Timor-Leste**, and **Zambia** attended, along with regional organizations including the Association of South East Asian Nations (ASEAN), the Economic Community of West African States (ECOWAS), and the Secretariat for Central American Economic Integration (SIECA). The event allowed participants to exchange knowledge and to discuss policy on trade facilitation best practices and lessons learned. It featured presentations on emerging trends in global trade facilitation and logistics, constraints impacting the efficiency of agricultural supply chains, and international best practices for risk-based quarantine compliance and coordinated border management.

The T&C communications team works closely with Bank Group communications officers worldwide in support of major public presentations, report roll-outs, and public engagement aspects of project work. In **Nepal**, for example, communications support for a rapid-response effort to assess damage to the country's trekking tourism industry following the April 2015 earthquake included a significant public outreach component. A FIAS-supported engineering survey of structures and bridges along trekking routes showed that 83 percent of the surveyed buildings were structurally sound and that none of the major suspension bridges along the route appeared to have been affected by the quake. The assessment report was widely disseminated by the Tourism Recovery Committee (TRC) of the government and received positive media coverage, with at least 34 media mentions. As trekking bookings began to recover, the government and the tourism industry expressed appreciation for the timely support provided by T&C. (For more on the project, see pp. 33–35.)

Key Publications Released in FY15

FIAS funding supported T&C's development of a wide range of published resources to guide government policy makers and practitioners (within client governments and inside the World Bank Group) in designing and implementing reforms. In FY15, these resources were produced primarily to disseminate research and benchmarking data for application in the field, provide practical guidance and hands-on diagnostic tools, and determine reform impact and gaps in analysis. All publications are available at **www.worldbank.org/publications** unless otherwise indicated.

Reports

Africa Competitiveness Report 2015 provides detailed competitiveness profiles for the 40 African countries included in the World Economic Forum's Global Competitiveness Index.

Building Competitive Green Industries: The Climate and Clean Technology Opportunity for Developing Countries provides an overview and estimate of the market opportunity for climate and clean technology business in developing countries over the coming decade.

The Competition Policy Advocacy Awards: Changing Mindsets to Transform Markets showcases the experiences and lessons of the World Bank Group's 2014 contest winners—competition policy authorities that championed successful reforms to address anti-competitive policies and practices through advocacy within their governments and with market stakeholders.
(http://www.worldbank.org/en/events/2014/11/26/2014-competition-advocacy-contest)

Connecting Food Staples and Input Markets in West Africa: A Regional Trade Agenda for ECOWAS Countries argues strong reasons exist to bring a more strategic focus on promoting regional trade in the region.

Does What You Export Matter? In Search of Empirical Guidance for Industrial Policies (Spanish edition released in FY15) considers this question by reviewing literature and taking stock of what is known from conceptual, empirical, and policy viewpoints.

Export Diversification in Africa: The Importance of Good Trade Logistics looks at recent trends in the exports of five categories of light manufacturing and reviews progress in improving trade logistics in Sub-Saharan Africa, with a focus on Ethiopia, Kenya, Tanzania, Uganda, and Zambia.

How to Sustain Export Dynamism by Reducing Duality in the Dominican Republic analyzes export competitiveness in the Dominican Republic, drawing from the Trade Competitiveness Diagnostic methodology (Farole and Reis, 2012) and identifying main strengths and challenges.

Improving Trade and Transport for Landlocked Developing Countries, produced by the World Bank Group and the United Nations, provides a comprehensive 10-year review and assessment of progress made in improving access of landlocked developing countries to global markets, identifies the remaining challenges these countries face, and presents improved and innovative ways to overcome them.

Little Data Book for Private Sector Development 2015 provides reliable cross-country data on aspects of private sector development for each of the World Bank member countries and other economies with populations of more than 30,000.

New Voices in Investment sheds light on the characteristics, motivations, strategies, and needs of emerging market investors, and it identifies differentiating factors among them that are associated with investment decisions.

The Role of Trade in Ending Poverty discusses how trade will make an essential contribution to ending extreme poverty by opening up new opportunities for jobs; lowering prices for products consumed by the poor; improving access to external markets for goods the poor produce; and bringing about structural changes in the economy as export sectors expand and increase employment of low-skilled workers.

The Small Entrepreneur in Fragile and Conflict Situations finds that, compared to entrepreneurs elsewhere, entrepreneurs in FCS have different characteristics, face significantly different challenges, and thus may be subject to different incentives and have different motives.

Trade Policy and Food Security: Improving Access to Food in the Wake of High World Prices discusses the problem of moving food, often across borders, from surplus production areas to deficit ones, at prices that low-income consumers in developing countries can afford.

Trading Away from Conflict: Using Trade to Increase Resilience in Fragile States analyzes the extent to which trade affects the risk of conflict by mapping and empirically testing the channels through which trade may affect conflict and political stability, using data from more than 120 developing countries and in-depth case studies.

Toolkits, Case Studies, and Guidance

Comparative Analysis of Certain Requirements of Food Legislation in the European Union and the Customs Union of Russia, Belarus, and Kazakhstan aims to help guide food business operators and public authorities engaged in reforming national food safety systems in evaluating their capabilities and meeting European Union legal requirements.
(http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/07/16/090224b0830033c7/1_0/Rendered/PDF/Comparative0an0arus00and0Kazakhstan.pdf)

Doing, Learning, Being: Some Lessons Learned from Malaysia's National Transformation Program examines Malaysia's Performance Management and Delivery Unit, an institutional innovation for making, monitoring, and revising ambitious plans for reform involving coordination between public and private actors and among government entities.
(https://www.theciip.org/sites/ciip/files/documents/PEMANDU%20Study%20--Final.pdf)

Getting Financed: 9 Tips for Community Joint Ventures in Tourism provides tips for all actors involved in this arena—including governments, the private sector, communities, banks, and nongovernmental organizations—to reduce risk and greatly improve joint ventures' access to commercial finance.

Growing Food, Products and Businesses: Applying Business Incubation to Businesss SMEs now features 10 country case studies (to download), which highlight best practices and lessons learned from across the globe for developing and sustaining agribusiness incubators.
(http://www.infodev.org/articles/growing-food-products-and-businesses)

Investment Promotion: A Guide to Investor Targeting in Agribusiness provides a step-by-step guide for developing and executing targeting campaigns and practical tools for implementation.

Public Expenditures on Science, Technology, Innovation aims to help countries assess the quality of public spending in these areas through a framework and analysis that yield actionable measures combining institutional and policy reforms with strategic investments.

Supporting Growth-Oriented Women Entrepreneurs: A Review of the Evidence and Key Challenges reviews the outcomes of programs supporting female growth entrepreneurs and draws lessons from available evidence to inform the design of more effective programs.
(http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/11/02/000333037_20141102234229/Rendered/PDF/922100BRI0Box30epreneurs01002014web.pdf)

Valuing Services in Trade: A Toolkit for Competitiveness Diagnostics provides a framework, guidelines, and a set of practical tools to conduct a thorough analysis and diagnostic of trade competitiveness.

Technical Papers and Notes

World Bank *Policy Research Working Paper* Series

Can tax simplification help lower tax corruption? finds a significant link between the measure of tax corruption and tax simplicity—a less complex tax system is shown to be associated with lower corruption in tax administration.

Competition in Kenyan markets and its impact on income and poverty: A case study on sugar and maize investigates the link between competitive, well-functioning food markets and consumer welfare, arguing that for sugar and maize in Kenya a variety of factors conspire to distort market prices upward, including import tariff policy, nontariff barriers, potential anticompetitive conduct by firms, and direct state intervention in markets.

Do special tax regimes for micro and small enterprises encourage formal firms creation? Do they lead firms to underreport revenues? is a policy note that summarizes the findings from the latest research using administrative data from the Georgian Tax Authority to estimate the effects of special tax regimes for micro and small enterprises on formal firm creation and tax compliance.*

Food prices, road infrastructure, and market integration in central and eastern Africa assesses the impediments to market integration in Central and Eastern Africa for three food staples: maize, rice, and sorghum, using a large database on monthly consumer prices for 150 towns in 13 African countries and detailed data on the length and quality of roads linking the towns.

Global Experiences with Special Economic Zones: Focus on China and Africa summarizes the development experiences of special economic zones in China and Africa, lessons, and preliminary results of Chinese investments in African zones, and it makes recommendations on how to unleash the power of zones in Africa by strategically leveraging the Chinese experiences.

The Global Trade Slowdown: Cyclical or Structural? focuses on the sluggish growth of world trade relative to income growth in recent years, using an empirical strategy based on an error correction model to assess whether the global trade slowdown is structural or cyclical.

Integrating border regions: Connectivity and competitiveness in South Asia illustrates the underexploited potential for intraregional commerce between five contiguous districts in India, Nepal, and Bangladesh.

Investment climate reforms and job creation in developing countries: What do we know and what should we do? reviews the literature on the role of investment climate reforms in job creation.*

Integrating Qualitative Methods into Investment Climate Impact Evaluations summarizes key principles and practices underpinning mixed methods evaluations in development, highlights examples, and offers guidelines.*

Short-term impacts of formalization assistance and a bank information session on business registration and access to finance in Malawi provides initial results of the short-term impacts of business registration on financial access and usage.*

Small Business Tax Policy, Informality, and Tax Evasion: Evidence from Georgia examines how the introduction of preferential tax regimes for Georgian micro and small businesses in 2010 affects formal firm creation and tax compliance.*

Survival is for the fittest: Export Survival Patterns in Georgia analyzes the determinants of export flow survival in Georgia, using a unique Georgian firm-level data set, in which firms' characteristics and output dynamics are matched with their customs' export transactions, for the period 2006–12.

Trade effects of customs reform: Evidence from Albania provides information about the reduction in the rate of physical inspections by Albanian customs to estimate the effects of fewer inspection-related delays on the level and composition of imports.*

Understanding the operations of freight forwarders: Evidence from Serbia reports the results from a survey of 153 freight forwarding firms in Serbia.*

* These are products of resources developed by the T&C Impact Team.

Technical Papers and Notes *(continued)*

Viewpoint Note Series

Contract Farming: Risks and Benefits of Partnership between Farmers and Firms reviews the literature to reveal three main findings: contract farming can raise farm income, mainly for high-value crops; firms are willing to work with small farms in many cases; and conflicts are common between buyers and farmers, suggesting an opportunity for alternative dispute resolution.*

Export Competitiveness: Why Domestic Market Competition Matters reviews the literature and finds that industries with more intense domestic competition export more; competition law enforcement can be traced to export performance and is complementary to trade reforms; and, pro-competition market regulation that reduces restrictions and promotes competition is an important determinant for trade.*

Investment Climate in Africa: The Impact of Reform on Sub-Saharan Africa's Growth finds some connection between investment climate reform and economic growth in Africa, but the authors conclude that establishing more concrete evidence of causation will require greater focus at the country level and on SMEs.

Primary Care for the Poor: The Potential of Micro-health Markets to Improve Care cites recent studies in arguing that the micro-health sector needs to be better understood and suggests a more evidence-based approach to better target investments and interventions and help providers fulfill a role serving the poor.

Risk Management in Customs—Benefits of Customs Reform: Evidence from Albania finds that significantly reduced rates of physical inspection of import shipments in Albania reduced the length and variability of customs clearance times and increased import flows; and, reforms induced changes in the composition of trade and favored imports from EU trading partners.*

Journal article

"Fostering Private Sector Development in Fragile States: Why Public-Private Dialogue is Part of the Recipe," in *ECDPM*, discusses how private sector development is playing a crucial role in the expanding field of post-conflict economic development and poverty alleviation strategies in fragile states.
http://ecdpm.org/great-insights/fostering-private-sector-development-fragile-states-public-private-dialogue-part-recipe

* These are products of resources developed by the T&C Impact Team.

Sharing Best Practices, Seizing Opportunities: FY15 Event Highlights

In FY15, FIAS funding continued to support World Bank Group staff in organizing numerous external events which brought together diverse audiences to share insights and reform experiences on topics such as industrial policy, trade dynamics, investment climate regulatory reforms, competition policy, and sector and trade competitiveness. Several are highlighted here.

Three conferences held in Washington, D.C., explored new approaches for developing countries to capitalize on growth and trade in a rapidly changing environment. "New Growth Strategies: Delivering on the Promise" examined the impact of new industrial policy efforts—what has worked and not worked, how and why different outcomes have arisen from relatively comparable interventions, and metrics, measurement techniques, and indicators. In partnership with the Bank Group, the Peter G. Peterson Institute for International Economics in Washington, D.C., hosted a moderated discussion, "Global Value Chains, Megaregionals, and Prospects for Multilateral Trade Cooperation." Panel experts discussed dynamics of trade in the context of global value chains, vertical integration, and WTO trade negotiations.

An entirely new ecosystem of innovative micro and small businesses in the developing world is taking advantage of Internet platforms to sell and provide digital goods and services that can be downloaded and streamed. Pioneers in this space gathered for a full-day conference, "Harnessing Digital Trade for Competitiveness and Development," to discuss policy-oriented and empirical work that illustrates the opportunities digital trade presents developing economies—particularly for SMEs—and address impediments to the use of digital trade in promoting economic growth and boosting prosperity for the world's poorest.

Several events focused on regulatory aspects, governance, and impacts of investment climate reform. The joint World Bank Group/ Organisation for Economic Co-operation and Development (OECD) meeting,

Photo: Claudio Sieber

"From Investment Policy Design to Implementation—Making Investment Climate Reforms Happen," held in Washington, D.C., examined synergies between the OECD's Policy Framework on Investment (PFI) and related activities, and investment climate assistance provided by the World Bank Group. The peer-to-peer forum for practitioners, "From Design to Delivery: The Art and Science of Effective Regulation," held in Bishkek, the **Kyrgyz Republic,** explored links and synergies between regulatory reform and reform of governance systems and their role and importance in ensuring both public and private sectors reap the benefits of changes introduced by new legislation.

The second international Inspection Reform Conference, "Breaking Down Barriers to Trade and Investment," organized by the **United Kingdom's** Better Regulation Delivery Office and the World Bank Group and held in London, was developed in partnership with the U.K.'s Foreign and Commonwealth Office, OECD, and with the support of the U.K. Department for International Development's iFUSE program. The three-day conference explored how changing the way regulation is delivered can support greater trust and confidence for businesses to trade and invest. In Kampala, **Uganda**, the World Bank Group, in partnership with INSOL International, hosted the annual peer-to-peer Africa Roundtable on insolvency reform around the theme, "Jobs in Africa: How Insolvency Regimes Impact Economic Growth."

T&C's work in competition policy featured prominently in FY15 flagship and peer-to-peer events. In partnership with the OECD, the Bank Group led the inaugural, one-day conference in Washington, D.C., on "Promoting Effective Competition Policies for Shared Prosperity and Inclusive Growth," which explored the role of competition policy as a tool to promote more sustainable and inclusive economic growth. As part of the Bank Group's Global Engagement on Competition Policy, this conference included leading academics, policy makers, practitioners, and senior officials from international organizations and focused on understanding the relationship between (lack of) competition on welfare and increasing the effectiveness of World Bank Group efforts in implementing competition policy in client countries. The event featured a roundtable discussion of award-winning

22 projects

The flagship **T&C-DIME impact evaluation workshop** was held in May 11-14, 2015, **in Istanbul**. A total of **163 participants** attended the workshop and advanced the impact evaluation plans of **22 projects**. Following the workshop, the Impact Program and DIME have been working together on the launch of a unified process to support at least 10 additional impact evaluations from FY16 with resources from both programs.

stories from the 2014–15 Competition Advocacy Contest, "Inclusive Growth for Shared Prosperity," organized by the World Bank Group in collaboration with the International Competition Network.

The Awards Ceremony of the first World Bank Group Competition Advocacy Contest, held in October during the World Bank Annual Meetings in Washington, D.C., included presentation of the awards to the 2013 contest winners (https://www.wbginvestmentclimate.org/advisory-services/cross-cutting-issues/competition-policy/winners-2013-competition-advocacy-contest.cfm) and a moderated roundtable, "Changing Mindsets to Transform Markets," where leaders from competition agencies, senior officials of the World Bank Group, representatives from academia, non-governmental institutions, and the private sector shared their experiences on how to overcome political economy constraints and successfully reform markets for the benefit of consumers. More than 100 delegates attended the event, and it was followed via web-stream in all regions.

A peer-to-peer forum held in **Chile** in partnership with the U.K. Foreign & Commonwealth Office brought together representatives from competition authorities and the private sector, donor agencies, and the Regional Center for Competition in Latin America to discuss the use of market studies as a tool to promote competition policy in the region. Participants included representatives from 10 competition authorities in the region and others in the United States, the United Kingdom, and the European Union.

Two peer-to-peer workshops, "Promoting Effectiveness in Anti-Cartel Enforcement: Investigative Methods, Interrogation Techniques, and IT Forensics," were held in Bogota, **Colombia** and Panama City, **Panama**. The workshops were co-financed by the competition authorities. In Bogota, the workshop was attended by 50 officials from the *Superintendencio de Industria y Comercia* and focused on implementing tools to help the authority better detect and prosecute illegal business practices that prevent markets from functioning well and harm consumer welfare. In Panama City, the workshop was attended by 40 officials from six regional competition authorities (in Costa Rica, the Dominican Republic, El Salvador, Honduras, Panama, and Nicaragua) and judges from the Competition Court of Panama, and the program introduced a "dawn raids" checklist as a tool for implementing anti-cartel enforcement.

Several events engaged stakeholders in practical sessions on topics related to sector and trade competitiveness. The peer-to-peer learning event, "Leveraging Opportunities for Agri-Food Agencies in the Post-Bali Era," held in Manila, **the Philippines**, encouraged exchange of best practices and fostered policy dialogue on addressing trade logistics barriers along agribusiness supply chains. The conference brought together more than 90 experts from regional and multilateral organizations, private sector representatives and policy makers from Bangladesh, Colombia, Guatemala, Honduras, the Lao People's Democratic Republic, Kenya, F YR Macedonia, Myanmar, the Philippines, Timor-Leste, and Zambia, among others.

The Confederation of Danish Industry, the World Bank, and the Ministry of Foreign Affairs of Denmark, conducted the "8th International Workshop on Public-Private Dialogue" in Copenhagen, **Denmark**, in March. The workshop brought together about 300 representatives from governments, private enterprises, PPD coordination units, business forums, investors' councils, competitiveness partnerships, community-based organizations, civil society and business organizations, and development partners.

The World Bank Group's first Annual African Diaspora Trade and Education Forum, "Engaging the Africa Diaspora: Partnering for Long-term Trade, Investment and Skills for Workforce Development in Africa," held in Washington, D.C., engaged donors, entrepreneurs, investors, and other stakeholders for a full day of discussions on trade, investment, and mentorship opportunities in Sub-Saharan Africa. The event attracted 360 participants and 1,500 livestream webpage visitors.

The "Measuring for Impact—Convening Thought Leaders in Tourism" forum, the first of a series of events, convened a focused group of specialists and experts in Washington, D.C., to stock-take, define priorities and objectives, and identify possible next steps to improve the Bank Group's ability to effectively and transparently monitor the effects, scale, and value of travel and tourism's diverse impacts worldwide.

The flagship T&C-DIME impact evaluation workshop was held in May 11-14, 2015, in Istanbul. A total of 163 participants attended the workshop and advanced the impact evaluation plans of 22 projects. A mix of projects practitioners, researchers, clients, partners, and management, allowed a rich dialogue that also helped improved the current design of these projects. Following the workshop, the Impact Program and DIME have been working together on the launch of a unified process to support at least 10 additional impact evaluations from FY16 with resources from both programs.

FINANCIAL RESULTS AND RESOURCE USE

Strong donor support continues to characterize FIAS trust fund activities administered by T&C and bodes well for the next five-year strategy cycle.

$143.7 million
total contributions FY12–15, on pace to exceed $155 million target for FY12–16 cycle

$18.3 million
in FY15 project expenditures, with more for knowledge, project development

$9.9 million
of total for client-facing project expenditures in FY15

FINANCIAL RESULTS AND RESOURCE USE

FIAS-supported activities covered in the *FIAS 2015 Annual Review* were cofinanced via a set of FIAS trust funds managed by the World Bank Group's Trade & Competitiveness Global Practice (T&C). Beginning July 1, 2014, the start of FY15, FIAS has been fully embedded in T&C as part of the overall reorganization undertaken by the World Bank Group. In addition to FIAS trust funds, T&C manages other World Bank and IFC trust-funded platforms such as *info*Dev, the Competitive Industries and Innovation Program, and the Trade Facilitation Support Program. T&C also manages funds received from IFC for operational and administrative tasks directly related to the delivery of the FIAS program (in the regions). The financial results reported in this section cover the funds managed by T&C under the FIAS trust fund structure as well as supplemental funds earmarked for the implementation of the FIAS strategy.

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In administering the FIAS program, T&C followed IFC's standard accounting policies and procedures, as noted below.[15] FIAS financial reports use cash-based reporting in alignment with the quarterly financial reports on IFC's donor-funded operations.

Funding

Since the start of the FY12–16 strategy cycle, FIAS-related contributions were received from the following donors, World Bank Group partners, and clients and are gratefully acknowledged:

- Direct contributions to FIAS trust funds:*
  - Australia
  - Austria (C)
  - Canada (C)
  - European Union
  - France
  - Bill & Melinda Gates Foundation
  - International Bank for Reconstruction and Development (C)
  - International Finance Corporation (C)
  - Ireland (C)
  - Japan
  - Ewing Marion Kauffman Foundation
  - Republic of Korea
  - Luxembourg (C)
  - Multilateral Investment Guarantee Agency (C)
  - The Netherlands
  - Norway (C)
  - Spain
  - Sweden (C)
  - Switzerland (C)
  - Trademark East Africa
  - United Kingdom (C)
  - United States

Most donors who supported FIAS during the FY08–11 cycle also provided consent to roll over the unused portions (fund balances) of their FY08–11 contributions to the FY12–16 strategy cycle.

- Client contributions:
  - Morocco

Additional client contributions were received by IFC regions for IFC region-managed projects receiving cofinancing from FIAS trust funds. Such client contributions are accounted for at the regional program level.

[15] Annual contributions from IFC and the World Bank are treated in the same manner as core donor funds and are co-mingled with other donor funds in the FIAS Parent Trust Fund account, as terms and conditions allow. Contributions from IFC in the form of allocations from the Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS) are treated as an additional source of funding for FIAS-related activities. Contributions received from IFC in the form of regular administrative budget for Advisory Services mainstreamed positions are treated as separate from the trust fund contributions. The total of IFC's contribution to the FIAS Core Trust Fund and its contribution to FIAS in the form of regular administrative budget reflect IFC's core contribution in line with the funding targets in the FIAS FY12–16 strategy.

* Donors contributing some or all of their funding in the form of core contributions are marked with "C".

Core and Programmatic Funding

In FY15, FIAS donors, clients, and the World Bank Group contributed a **total of $30.9 million** (including trust fund administration fees of $1.4 million) to the various FIAS trust funds, supporting the implementation of a broad-based investment climate reform program under the FIAS umbrella (see details in Tables 1 and 2 pp. 62-64). An additional $3.1 million was made available by IFC in the form of regular administrative budget to cover salaries and related costs of a small number of staff working mostly on FIAS-related projects. While total FY15 contributions were below the FY15 funding target of $33.1 million, with cycle-to-date contributions totaling $143.7 million FIAS is on track to exceed the funding target of $155 million for the FY12–16 FIAS strategy cycle, with one year remaining in the cycle.

World Bank Group core contributions totaled $3.6 million in FY15, including $2.0 million from IFC, and $1.6 million from the World Bank, a decrease of $1.5 million from FY14 due to the withdrawal of the Multilateral Investment Guarantee Agency (MIGA) as a core contributor to FIAS in FY15. For the first three years of the FY12–16 strategy cycle MIGA contributed $6.4 million in support of the FIAS investment climate reform program. It should be noted that IFC's total contribution to FIAS in FY15 was approximately $5.1 million; $2.0 million as a direct contribution to the FIAS core trust fund and $3.1 million as administrative budget to cover sustaining costs associated with the management of FIAS and IFC's Investment Climate Advisory Services global business. Including the $3.1 million of administrative budget from IFC, the World Bank Group's core contribution to FIAS was $6.7 million.

Core contributions received from donors amounted to $7.9 million in FY15. This is a significant decrease from FY14 core contributions of $21.2 million, which included a one-time contribution from Canada of $16.4 million. Overall, the total amount of core funding received in FY15 from the World Bank Group and donors amounted to $14.6 million, consisting of $7.9 million in contributions from donors and $6.7 million from the World Bank Group. As noted above, the World Bank Group's core contribution includes $3.1 million of IFC regular administrative budget.

Programmatic contributions from donors, made available through thematic and regional FIAS Trust Funds, totaled approximately $16.5 million in FY15 compared to $15.4 million in FY14.

Project-Specific Funding

In FY15, **project-specific contributions** from donor partners amounted to approximately $4.7 million, including a client contribution ($0.05 million) from Morocco (see Table 2, Project-Specific Donor and Client Contributions, p. 64). Project-specific contributions decreased significantly in FY15 from the $7.8 million recorded in FY14. This was due to a combination of factors including a shift in donor focus from smaller project-specific activities to larger programmatic initiatives and T&C's decision to fund global knowledge management and product design and development projects (implemented under the FIAS umbrella) using FIAS core funding. In previous years, these activities (approximately $1.8 million) were funded from project-specific **FMTAAS allocations**[16] provided by IFC.

Client contributions received in FY15 totaled $0.05 million, as noted above, from Morocco, similar to the previous year and below the funding target set forth in the FIAS FY12–16 strategy. The potential to generate significant cash contributions from clients remains modest due to the high concentration of FIAS activities in IDA as well as fragile and conflict-affected countries. Also, in the case of FIAS cofinanced projects managed by IFC regional units, client contributions typically are accounted for under the regional programs.

Other contributions from IFC, received in the form of **FMTAAS allocations**, amounted to $0.9 million in FY15; $.04 million for administrative activities indirectly related to projects, including initial product design and development, portfolio management, monitoring and evaluation, and knowledge sharing associated with the global portfolio implemented under the FIAS umbrella, and $.05 million to support regional advisory service business development activities under the broader T&C work program.

Contributions outside FIAS' Regular Financial Structure

Indirect contributions for FIAS-related advisory activities were made available to T&C via non-FIAS specific funding mechanisms (see Table 3, Other Funding, p. 64). Administrative budget ($3.1 million) provided by IFC to cover the staff costs of certain "mainstreamed" Advisory Services positions associated with the management of FIAS and IFC's Investment Climate Advisory Services global business. As noted above, IFC's total FY15 contribution to FIAS was $5.1 million, including $2.0 million as direct contribution to the FIAS core trust fund and $3.1 million as regular administrative budget.

In-Kind Support Via Staff Exchanges and Secondments

Throughout the FY12–16 strategy cycle the FIAS program has benefited from in-kind resources that several donors have made available in the form of secondments and staff exchanges. In FY15, a senior staff member from the Korean Ministry of Trade, Investment and Energy was seconded to work on FIAS-funded activities. Such staff exchanges and secondments offer an attractive way for FIAS partners to be directly involved in the program and establish direct connections between their respective private sector development programs and FIAS.

[16] FMTAAS is IFC's Funding Mechanism for Technical Assistance and Advisory Services.

$25.0M

FY15, FIAS trust fund expenditures for investment climate reform activities reached $25.0 million.

$30+M

In FY16 T&C expects to spend between $30 million and $32 million.

Use of Funds and Fund Balance

In FY15, FIAS trust fund expenditures for investment climate reform activities reached $25.0 million (see Table 1, Sources and Uses of Funds, p. 62); a slight decrease in FIAS expenditures from FY14 ($25.6 million). In addition, $3.1 million of expenditures were incurred against the administrative budget provided by IFC, bringing the total expenditures to $28.1 million, below the average annual spending target of $31 million. In FY16 T&C expects to spend between $30 million and $32 million to bring overall spending more in line with strategic spending targets.

In FY15, project-related expenditures (both direct and indirect) accounted for 95 percent of total FIAS expenditures with the remaining 5 percent for general and administration including rent, communications, information technology, equipment, and other non-overhead costs such as back-office support staff (see Table 4, Expenditures by Advisory Services Activity, p. 65). While there was a slight decrease in expenditures overall, direct project implementation expenditures increased 2 percent in FY15. In comparison, average project-related expenditures for the FY08-11 cycle accounted for 83 percent of total FIAS expenditures with the remaining 17 percent for general and administration.[17]

Administration fees are collected by IFC to cover trust fund administration costs and are deducted from donor contributions at the time of receipt. In FY15, IFC collected trust fund administration fees of $1.4 million from FIAS donor contributions.[18]

At the end of FY15, fund balances in the various FIAS trust funds totaled $47.8 million,[19] including $21.6 million of core funds and about $26.2 million of program- and project-specific funds received under multi-year donor agreements. While the level of yearend fund balances was expected to drop as FIAS activities were scaled up, a number of factors contributed to the accumulation of these relatively high fund balances. This includes higher-than-anticipated donor contributions in FY14 and lower-than-expected project spending due in large part to the transition of the FIAS Program to the new Trade & Competitiveness Global Practice and the overall restructuring of the World Bank Group. It should be noted that T&C strategically manages FIAS resources with a view to successfully transitioning into the new FIAS FY17–21 strategy cycle.

[17] In July 2010, IFC implemented a new cost allocation methodology for Advisory Services which resulted in a redistribution between direct and indirect project costs. As a result of this change, some figures in Table 4 are not consistent with figures reported in FIAS Annual Reports/Reviews, FY08-10. General and administration expenditures, however, are not affected by this change in methodology (see Table 4, p. 72).

[18] FIAS trust funds established after July 1, 2009 are subject to the standard IFC trust fund administration fee of 5 percent. Trust fund administration fees collected by IFC are included in Table 1, Sources of Funds.

[19] FIAS trust fund cash balances less outstanding consultant commitments.

Table 1: Sources and Uses of Funds[a] – In US$ Thousands

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
SOURCES OF FUNDS								
WORLD BANK GROUP CORE CONTRIBUTIONS								
IFC[b]	8,000	2,000	2,000	4,000	2,863	2,800	2,200	2,000
IBRD	2,000	1,600	1,600	1,600	1,600	1,600	1,600	1,600
MIGA	4,000	3,500	3,000	2,700	2,500	2,400	1,500	-
Subtotal World Bank Group Core Contributions	14,000	7,100	6,600	8,300	6,963	6,800	5,300	3,600
WORLD BANK GROUP PROJECT-SPECIFIC AND OTHER CONTRIBUTIONS								
IFC IC Business Line - Project-Specific	3,800	2,672	1,862	1,915	2,968	3,084	1,759	-
IFC IC Business Line - Administration	-	-	-	1,687	934	670	558	-
IFC AS - Other Contributions - Business Development	-	-	-	-	-	-	-	478
IFC AS - Other Contributions - Administration	-	-	-	-	-	-	-	449
IFC AS Contingency	-	-	-	880	-	-	-	-
IFC Global Fund	-	150	400	-	-	-	-	-
Total World Bank Group Contributions	17,800	9,922	8,862	12,782	10,865	10,554	7,617	4,527
CORE DONOR CONTRIBUTIONS								
Australia[c]	800	676	1,502	-	-	-	-	-
Austria	368	373	355	331	708	621	660	667
Canada	-	-	-	-	-	985	16,392	-
France[c]	-	1,281	1,403	-	-	-	-	-
Iceland	45	-	-	-	-	-	-	-
Ireland	735	-	-	-	205	186	428	199
Italy	-	1,414	-	-	-	-	-	-
Luxembourg[c]	273	539	-	829	-	1,033	548	-
Netherlands (Global Program)[d]	559	2,350	1,950	1,550	1,870	750	-	-
New Zealand	399	276	384	-	-	-	-	-
Norway	475	475	475	1,138	-	-	-	3,843
Spain	-	-	-	-	-	-	-	-
Sweden	406	285	345	396	1,448	1,494	1,528	1,389
Switzerland	250	240	-	-	400	300	300	300
United Kingdom	-	494	332	309	1,099	163	1,385	1,474
Subtotal Core Donor Contributions	4,310	8,401	6,746	4,552	5,730	5,532	21,241	7,872
PROGRAMMATIC DONOR CONTRIBUTIONS								
Austria (IC Cooperation Program)	-	-	-	-	2,010	1,841	2,036	3,843
Austria (Investment Generation)	2,571	2,608	2,489	2,287	-	-	-	-
Austria (Crisis Response)	-	280	307	-	-	-	-	-
Australia (Trade Facilitation)	-	-	-	-	-	-	-	1,745
Canada (Trade Facilitation)	-	-	-	-	-	-	1,821	-
EU (ECOWAS Trade Logistics)	-	-	-	-	-	-	2,423	-
EU (ECOWAS Investment Policy)	-	-	-	-	-	-	5,330	-
Ireland (Africa)	735	-	724	531	615	559	601	597
Italy (Africa)	508	-	-	-	-	-	-	-
Korea (Industry)	-	-	-	-	-	-	-	125
Korea (Trade Logistics)	-	-	-	-	-	200	350	-
Luxembourg (Crisis Response)	-	750	-	263	-	-	-	-
Luxembourg (Tax Transparency)	-	-	-	-	-	646	343	-
Netherlands (Investing Across Borders)	-	-	-	-	200	-	-	-
Netherlands (Tax Transparency)	-	-	-	-	300	-	-	-
Netherlands (Trade Logistics)	503	400	400	-	-	-	-	-
Netherlands (Secured Lending)	-	450	-	600	-	-	-	-
Norway (Business Entry)	-	-	154	428	-	-	-	-
Norway (Trade Logistics)	300	340	150	500	500	500	-	-
Norway (Trade Facilitation)	-	-	-	-	-	-	-	5,504
Sweden (Africa)	628	630	1,122	-	-	-	-	-
Switzerland (Industry)	-	-	-	-	600	400	400	300
Switzerland (Secured Lending)	-	500	400	400	-	-	-	-
Switzerland (Tax)	-	500	300	200	700	500	500	400
Switzerland (Tax Transparency)	-	-	-	-	300	300	-	2,500
Switzerland (Trade Facilitation)	-	-	-	-	-	-	-	300
Switzerland (Western Balkans)	820	600	600	500	-	-	-	-

Continued on next page

Table 1: Sources and Uses of Funds[a] – In US$ Thousands *(continued)*

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
United Kingdom (Western Balkans)	497	440	-	-	-	-		
United Kingdom (Tax)	1,426	183	96	-	-	-		
United Kingdom (Tax Transparency)	-	-	-	-	-	-	1,150	983
United States *(Doing Business)*	632	1,150	724	1,704	978	501	456	225
Subtotal Programmatic Donor Contributions	8,620	8,830	7,466	7,413	6,203	5,447	15,410	16,522
DONOR CONTRIBUTIONS (PROJECT SPECIFIC)[e]	5,525	4,436	8,868	8,267	9,457	5,456	5,933	4,666
Total Donor Contributions	18,455	21,667	23,080	20,231	21,390	16,435	42,584	29,060
TOTAL WBG AND DONOR CONTRIBUTIONS	36,255	31,589	31,942	33,013	32,255	26,989	50,201	33,587
CLIENT CONTRIBUTIONS	129	1,093	1,830	283	484	90	75	50
TOTAL RECEIPTS	36,384	32,682	33,772	33,296	32,739	27,079	50,276	33,637
Trust Fund Administrative Fees[f]	1,099	973	1,140	1,212	1,122	1,021	2,507	1,421
TOTAL (NET) RECEIPTS	35,285	31,709	32,632	32,084	31,617	26,058	47,769	32,216
TOTAL AVAILABLE FUNDS	38,316	46,971	47,530	51,998	53,342	52,721	70,134	76,767
USES OF FUNDS[g]								
STAFF COSTS								
Staff	9,961	11,636	11,181	13,128	12,036	14,934	13,512	11,976
Consultants and Temporaries	9,322	10,268	7,634	8,101	6,570	5,939	6,807	7,186
Total Staff Costs	19,283	21,905	18,815	21,229	18,606	20,873	20,319	19,162
TRAVEL								
Total Travel	6,217	6,488	5,229	5,678	5,618	5,893	3,477	4,176
INDIRECT COSTS								
Office Occupancy	683	1,071	1,018	1,073	102	274	119	105
Office Equipment	116	53	57	47	84	114	321	559
Other Operating Costs	214	863	242	528	635	711	817	539
Other Costs	108	1,693	2,256	1,718	1,634	2,491	530	470
Total Indirect Costs	1,122	3,681	3,573	3,366	2,455	3,590	1,786	1,673
TOTAL USES OF FUNDS	26,622	32,073	27,616	30,273	26,679	30,356	25,583	25,011

a. The FIAS Annual Review is prepared as a reporting tool for FIAS donors and management, utilizing management accounting principles.
b. IFC contributions during the FY08–11 strategy cycle amounted to $4.0 milllion per anum ($16 million over the duration of the cycle), with disbursements frontloaded in FY08 (by $4.0 million) and FY09 (by $2.0 million). IFC contributions during the FY12–16 strategy cycle include direct contributions to the FIAS core trust fund ($2.9 million in FY12, $2.8 million in FY13, $2.2 million in FY14 and $2.0 million in FY15), and IFC Advisory Services administrative budget ($1.2 million each in FY12 and FY13, $2.3 million in FY14 and $3.1 million in FY15) to cover staff costs of a number of mainstreamed Advisory Services (AS) positions related to FIAS. As a result, total IFC core contributions to FIAS amounted to $4.1 million in FY12, $4.0 million in FY13, $4.5 million in FY14 and $5.1 million in FY15.
c. While Australia and France did not make fresh core contributions to FIAS, they provided consent to roll over their remaining shares in core funding from the FY08-11 cycle to the new FIAS cycle that started in FY12. Luxembourg signed a new Agreement with IFC in September 2012 to contribute core and other funding; Luxembourg contribution for FY12 and FY13 were received and recorded in FY13.
d. Netherlands core contributions are earmarked for activities in IDA countries.
e. For details of FY15 project-specific contributions, see Table 2.
f. Administration fees collected by IFC to cover cost of trust fund administration.
g. The Uses of Funds table does not include the use of $3.1 million of regular administrative budget received from IFC in FY15 or the $1.2 million received in each of FY12 and FY13 and the $2.3 million received in FY14 provided by IFC Advisory Services (AS) (see note b).

Table 2: Project-specific Donor and Client Contributions – In US$ Thousands

PROJECT	DONOR	AMOUNT
DONOR CONTRIBUTIONS		
OHADA Business Law Reform	France	1,246
Livestock Micro Reforms in Agribusiness	Gates Foundation	2,742
Investment Climate Reform in East Africa	Trademark East Africa	250
Impact and Knowledge Management	USAID	428
Subtotal Donor Contributions		4,666
CLIENT CONTRIBUTIONS		
Morocco: *Doing Business* Reform	Morocco	50
Subtotal Client Contributions		50
TOTAL FY15 PROJECT-SPECIFIC DONOR AND CLIENT CONTRIBUTIONS		4,716

Table 3: Other Funding – Indirect Support to FIAS Program – in US$ Thousands

OTHER FUNDING - INDIRECT SUPPORT TO FIAS PROGRAM	DONOR	AMOUNT
IFC ADVISORY SERVICES ADMINISTRATIVE BUDGET ALLOCATION		
AS administrative budget-staff-related costs[a]	IFC	3,100
TOTAL FY15 OTHER FUNDING		3,100

a. Advisory Services administrative budget is provided by IFC for certain mainstreamed IFC Advisory Service positions associated with the management of Advisory Services and FIAS-related activities. IFC's FY15 total contribution to FIAS: $5.1 million, consisting of $2.0 million as direct contribution to the FIAS core trust fund and $3.1 million as administrative budget. IFC's direct contribution to FIAS ($2.0 million) is included in Table 1: Sources of Funds.

Table 4: Expenditures by Advisory Services Activity

STANDARD AS ACTIVITY EXPENDITURES[a]	FY08 ACTUAL	% FY08 ACTUAL	FY09 ACTUAL	% FY09 ACTUAL	FY10 ACTUAL	% FY10 ACTUAL	FY11 ACTUAL	% FY11 ACTUAL
PROJECT RELATED EXPENDITURES								
of which: Direct Project Expenditures[b]	17,620,579	66%	21,993,742	69%	18,988,606	69%	19,057,472	63%
of which: Indirect Project Expenditures[c]	4,117,228	15%	3,734,697	12%	3,322,980	12%	7,679,623	25%
Total Project Related Expenditures	21,737,807	82%	25,728,439	80%	22,311,586	81%	26,737,095	88%
General & Administration Costs[d]	4,883,706	18%	6,344,667	20%	5,304,256	19%	3,535,986	12%
TOTAL STANDARD AS ACTIVITY EXPENDITURES	26,621,513	100%	32,073,106	100%	27,615,842	100%	30,273,081	100%

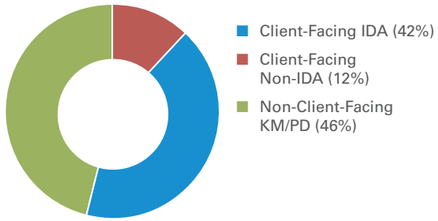
TABLE 4: Expenditures by Advisory Services Activity *(continued)*

STANDARD AS ACTIVITY EXPENDITURES[a]	FY12 ACTUAL	% FY12 ACTUAL	FY13 ACTUAL	% FY13 ACTUAL	FY14 ACTUAL	% FY14 ACTUAL	FY15 ACTUAL	% FY15 ACTUAL
PROJECT RELATED EXPENDITURES								
of which: Direct Project Expenditures[b]	19,116,172	72%	22,943,307	76%	17,930,234	70%	18,331,183	73%
of which: Indirect Project Expenditures[c]	5,252,790	20%	5,282,040	17%	6,383,990	25%	5,523,341	22%
Total Project Related Expenditures	24,368,962	91%	28,225,347	93%	24,314,224	95%	23,854,523	95%
General & Administration Costs[d]	2,310,393	9%	2,130,521	7%	1,268,306	5%	1,156,603	5%
TOTAL STANDARD AS ACTIVITY EXPENDITURES	26,679,355	100%	30,355,868	100%	25,582,530	100%	25,011,126	100%

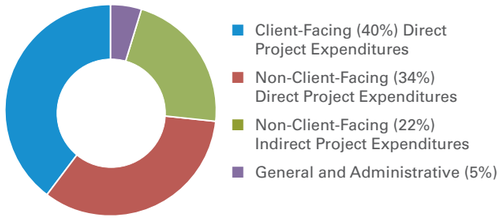
a. Due to the change in IFC's cost allocation methodology, some figures in Table 4 are not consistent with figures reported in FIAS Annual Reports/Reviews, FY08-10. The new cost allocation methodology re-distributes expenditures between direct and indirect project costs. Althought General & Adminstration expenditures are not affected by the change in the cost allocation methodology, FY08-FY10 G&A expenditures restated to exclude trust fund administration fees previously reported as expenditures. Trust fund administration fees are reported on Table 1: Sources and Uses of Funds as a reduction to receipts. b. Direct Project Expenditures include project preparation, implementation and supervision costs.
b. Direct Project Expenditures include project preparation, implementation and supervision costs.
c. Indirect Project Expenditures include program management and operational support costs i.e. product development, M&E, knowledge sharing & staff development, donor relations, and public relations previously reported separately and consolidated under the new IFC cost allocation methodology introduced in July 2010.
d. General & Administration includes overheads (rent, communications, equipment, etc.) and other non-overhead costs such administrative and back-office support staff.

Total FIAS FY15 Expenditures

PERCENT OF FIAS FY15
DIRECT PROJECT EXPENDITURES
(Client-Facing and Non-Client-Facing)
100% = $18,331,183

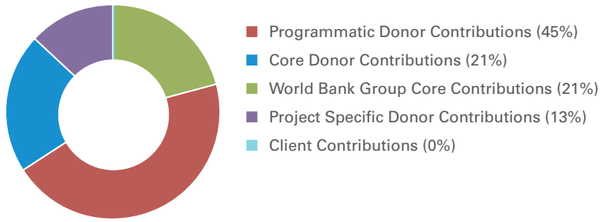


PERCENT OF FIAS FY15
TOTAL EXPENDITURES
100% = $25,011,127



Total FIAS FY15 Donor Contributions

Percent of FY15 Source of Funding (Gross) Receipts*
100% = $36,737,000



*Includes administrative fees of $1,421,000 and $3,100,000 IFC Advisory Services administrative budget to cover staff costs of certain "mainstreamed" Investment Climate Business Line positions.

ANNEXES

- Reform totals and descriptions
- Portfolio of FY15 Projects
- Abbreviations

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7

Reforms funded by FIAS

REFORM COUNT

REFORMS BY REGION

REFORM DESCRIPTION

Portfolio of FIAS funded Projects

PROJECTS IN PORTFOLIO

FUNDING RECEIVED PER PROJECT

SPENDING PER PROJECT

ANNEX 1: FIAS REFORM TOTALS AND DESCRIPTIONS

1.1 FIAS FY12–16 Reform Totals (through FY15)

	FY12	FY13	FY14	FY15	FY16	TOTAL
GRAND TOTAL	46	75	76	68	0	265
EAST ASIA AND THE PACIFIC	0	1	2	1	0	4
Philippines	0	0	1	1		2
Timor-Leste	0	1	0	0		1
Vietnam	0	0	1	0		1
EUROPE AND CENTRAL ASIA	13	10	8	14	0	45
Albania	1	0	2	3		6
Armenia	1	3	0	1		5
Belarus	1	1	0	0		2
Bosnia and Herzegovina	0	0	0	3		3
Georgia	1	0	2	0		3
Kazakhstan	1	0	0	0		1
Kosovo	2	3	0	1		6
Kyrgyz Republic	0	0	0	2		2
Macedonia FYR	0	0	0	1		1
Moldova	3	2	0	0		5
Montenegro	1	0	0	1		2
Russian Federation	1	0	3	0		4
Tajikistan	1	0	1	1		3
Ukraine	0	1	0	1		2
LATIN AMERICA AND CARIBBEAN	11	14	4	7	0	36
Colombia	1	2	1	1		5
Costa Rica	3	2	0	1		6
Dominican Republic	0	0	0	1		1
El Salvador	0	1	0	0		1
Guatemala	1	2	0	1		4
Haiti	0	1	0	0		1
Honduras	0	1	2	1		4
Jamaica	0	1	1	1		3
Mexico	1	0	0	0		1
Nicaragua	0	1	0	0		1
Panama	2	2	0	0		4
Peru	2	0	0	1		3
Trinidad and Tobago	0	1	0	0		1
Uruguay	1	0	0	0		1
MIDDLE EAST AND NORTH AFRICA	2	0	0	0	0	2
Algeria	1	0	0	0		1
Morocco	1	0	0	0		1
SOUTH ASIA	1	1	0	1	0	3
Bangladesh	1	1	0	1		3

Continued on next page

ANNEX 1: FIAS REFORM TOTALS AND DESCRIPTIONS

1.1 FIAS FY12–16 Reform Totals (through FY15) *(continued)*

	FY12	FY13	FY14	FY15	FY16	TOTAL
SUB-SAHARAN AFRICA	19	49	62	45	0	175
Africa Region COMESA	0	0	0	1		1
Angola	0	0	0	2		2
Benin	0	2	4	3		9
Burkina Faso	0	2	2	0		4
Burundi	3	6	0	0		9
Cameroon	0	1	3	0		4
Central African Republic	0	0	1	0		1
Chad	0	1	1	0		2
Comoros	0	2	1	0		3
Congo, Dem. Rep.	0	1	5	3		9
Congo, Rep.	2	0	1	0		3
Côte d'Ivoire	0	4	5	4		13
Djibouti	0	1	1	0		2
Equatorial Guinea	0	0	1	0		1
Gabon	0	2	1	1		4
Ghana	0	0	1	0		1
Guinea	0	2	3	1		6
Guinea-Bissau	0	1	1	0		2
Kenya	0	0	2	1		3
Lesotho	2	0	0	0		2
Liberia	0	1	1	0		2
Madagascar	0	0	0	4		4
Malawi	1	1	1	1		4
Mali	3	0	1	2		6
Mauritania	0	1	2	0		3
Mauritius	0	0	0	1		1
Mozambique	0	3	0	0		3
Namibia	0	0	0	1		1
Niger	0	2	1	0		3
Rwanda	3	7	4	5		19
São Tomé and Príncipe	0	1	2	0		3
Senegal	0	1	5	1		7
Seychelles	0	0	0	1		1
Sierra Leone	2	0	1	0		3
Sudan	0	0	0	1		1
Swaziland	0	2	1	1		4
Tanzania	1	0	2	1		4
Togo	1	1	4	2		8
Uganda	1	2	2	2		7
Zambia	0	2	2	3		7
Zimbabwe	0	0	0	3		3

1.2 FIAS / T&C FY12–16 Strategy Cycle Scorecard - Summary

STRATEGIC THEME	INDICATOR	BASELINE FY08-11 CYCLE[a]	FY12	FY13	FY14	FY15	CUMU-LATIVE FY12-15	FY12–16 STRATEGY TARGET
1. Focus on delivering significant business environment reforms	Number of investment climate (IC) reforms supported by FIAS	51	46	75	76	68	265	250
	- of which reforms validated by *Doing Business* report *	47	36	56	56	43	191	125
	- of which other reforms (i.e., not captured by *Doing Business* report)	4	10	19	20	25	74	125
	Number of IC reforms supported by IC/T&C (including FIAS supported reforms)	68.5	68	102	102	89	361	n/a
	- of which reforms validated by *Doing Business* report	48	51	59	59	56	225	n/a
	- of which other reforms (i.e., not validated by *Doing Business*)	20.5	17	43	43	33	136	n/a
	For comparison: Total number of reforms reported in *Doing Business*	*247*	*201*	*238*	*230*	*231*	*900*	*n/a*
	Share of IC reforms supported by FIAS in IDA countries	59%	61%	76%	83%	63%	72%	60%
	Share of IC reforms supported by FIAS in FCS countries	n/a	24%	32%	30%	34%	31%	n/a
	Share of IC reforms supported by FIAS in Sub-Saharan Africa	n/a	41%	66%	82%	66%	66%	n/a
2. Focus on strategic priorities[b]	Share of FIAS client-facing project implementation spend in Fostering Enterprise Creation and Growth	n/a	49%	47%	45%	37%	45%	n/a
	Share of FIAS client-facing project implementation spend in Facilitating International Trade and Investment	n/a	30%	30%	36%	45%	35%	n/a
	Share of FIAS client-facing project implementation spend in Unlocking Sustainable Investment in Key Sectors	n/a	18%	19%	13%	16%	17%	n/a
3. Focus on priority clients	Share of FIAS client-facing project implementation spend in IDA countries	70%	77%	78%	78%	77%	78%	70%
	Share of FIAS client-facing project implementation spend in Sub-Saharan Africa	52%	69%	57%	58%	50%	59%	50%
	Share of FIAS client-facing project implementation spend in FCS	29%	20%	28%	31%	31%	28%	25-30%
4. Client satisfaction and development effectiveness	Client satisfaction: FIAS-supported projects (results from IFC client survey)	n/a	95%	92%	88%	89%	91%	n/a
	Development effectiveness: FIAS-supported projects (share of projects rated satisfactory in terms of development effectiveness)	61%	86%	83%	88%	100%	89%	n/a
	Client satisfaction: IC/T&C Global Practice (results from IFC client survey)	89%	91%	94%	91%	89%	91%	n/a
	Development effectiveness (share of IC/T&C projects rated satisfactory)	60%	71%	82%	80%	89%	81%	n/a
5. FIAS focus on industry-specific vs. economy-wide	Share of client-facing expenditures on economy-wide projects	92-93%	87%	82%	84%	79%	83%	60-70%
	Share of client-facing expenditures on industry-specific projects	7-8%[c]	13%	17%	17%	21%	17%	30-40%
6. Measuring impact	Direct compliance cost savings (in millions)	n/a	$118	$32	$22	$21	$193	$350
	Investment generated via facilitation of FDI in priority sectors (in millions)	n/a	$108	$329	$750	$170	$1,357	$1,000[d]

* Indicators shaded: directly attributed to or linked with FIAS program.
a. Yearly average based on years for which data is available.
b. Data based on product classification.
c. Value is an approximation.
d. $1 billion is the target for FDI impact via FIAS activities. The target for overall investment generated is $3 billion.

1.3 Reforms and Results from FIAS-Funded Projects

COUNTRY	REFORM TOPIC	NO. REFORMS	REFORM DESCRIPTION	*DOING BUSINESS* VALIDATED
EAST ASIA AND PACIFIC				
Philippines	Competition	1	Government implemented two new regulations streamlining the issuance of ship licenses in the Philippines and limiting the ability of incumbent firms to contest the entry of new shipping firms. The project team hand-collected data on vessel licenses issued in Manila and tracked the impact of the reform in terms of reduced days required to issue ship licenses and number of licenses contested. The average number of days to issue a license declined from 84 to 63.	
EUROPE AND CENTRAL ASIA				
Albania	Construction permits	1	A reform law on territory planning and development introduced the principle of tacit approval for construction permitting of low-risk buildings, in line with the project team's recommendation. Municipalities must decide on permit applications within 15 days or approval is deemed granted. The law eliminates seven procedures and limits the number of permits to two, for development and construction.	1
Albania	Starting a business	1	Albania improved business start-up by streamlining registration procedures and eliminating the company seal.	1
Albania	Trade logistics	1	The project helped Albania Customs upgrade its automated system for customs data (ASYCUDA) processing. Among other features, this new system enables expedited "green channel" processing of goods. The upgrade makes the Albanian Customs IT system compatible with its counterpart in Kosovo, which will facilitate the implementation of transit reforms agreed by the two countries in early 2014. A new green-channel treatment for low-risk goods in Albania reduces processing time from three hours to 10 minutes.	
Armenia	Inspections	1	With IFC help and after intensive discussions, parliament adopted a new law on inspection bodies based on OECD best practices. Regulatory agencies are now operationally independent within their ministries with better trained and professionally supervised staff aided by an improved data and information-sharing system. The reform improved the inspections system and reduced average compliance costs from $832 to $69, benefitting 33,462 firms.	
Bosnia and Herzegovina	Investment law	1	A major new reform law drafted with IFC help provides for a clear list of definitions and treatment of FDI and harmonizes Bosnia's investor regulations with international standards. Foreign investors are now allowed to own more than a 49 percent share of capital in print or television broadcast media businesses. The 49 percent limit remains only for public TV and radio services. Foreign investors are guaranteed national treatment, protection against nationalization or expropriation, the right to dispose of profits and transfer funds, and the option to choose how to resolve disputes. The law signals the country's commitment to attracting of new investment and to retaining and expanding existing investment, leading to job creation and sustainable economic development.	
Bosnia and Herzegovina	Licenses and permits	1	The government adopted a regulatory reform strategy for 2013 through 2016 including a work plan on institutionalization of regulatory quality mechanisms, capacity building, adoption of rule books, and coordination mechanisms with regional and local authorities. Licensing reforms at the subnational level have benefited more than 20,000 firms and led to nearly $7 million in direct compliance cost savings.	
Bosnia and Herzegovina	Trade logistics	1	The project team worked with federal border inspectorates to extend and align working hours with those of neighboring customs organizations at the three most-frequented border crossings with Croatia, responsible for more than 70 percent of Bosnia and Herzegovina's trade volume. The resulting reform shortened the lead time for clearing goods by the phytosanitary agencies by 13 percent within one year of implementation. Estimated savings for the private sector from 2013 through 2015 are $1.75 million. The reduced fee for quality certificates saved the private sector an estimated $650,000 per year.	
Kosovo	Trade logistics	1	IFC's Western Balkans Trade Logistics Project facilitated the signing of a bilateral agreement on transit facilitation between Albania and Kosovo. The project team helped find common ground on issues relating to food and agricultural product safety. Inspections at border crossing points now take as little as 30 minutes, compared two hours before the agreement. Only one customs broker is required instead of the previous two, resulting in estimated cost savings for traders of $700,000 per year.	
Kyrgyz Republic	Getting credit	1	Kyrgyz authorities improved access to credit information by beginning to distribute both positive and negative credit information.	1
Kyrgyz Republic	Investment incentives	1	The team helped create an investment incentives registry listing all investment incentives. The registry will aid economic and cost-benefit analysis to identify bottlenecks in investment policy, while also increasing transparency and reducing the risk of power abuse and rent-seeking. The Law mandates that government update the database and ensure it is available to investors.	

Continued on next page

1.3 Reforms and Results from FIAS-Funded Projects *(continued)*

COUNTRY	REFORM TOPIC	NO. REFORMS	REFORM DESCRIPTION	*DOING BUSINESS* VALIDATED
Macedonia, FYR	Trade logistics	1	The Western Balkans Trade Logistics Project, in collaboration with the World Bank team structuring the Second Competitiveness Development Policy Loan for Macedonia, supported the Macedonian Food and Veterinary Agency and the Macedonian State Sanitary and Health Inspectorate in their efforts to introduce a risk-based approach in their border controls. This led to development of an annual sampling plan expected to reduce the sampling rate by half. More targeted inspections have reduced the sampling rate by 40 percent, yielding private sector savings of $1 million in the second half of 2014 alone.	
Montenegro	Trade logistics	1	The project team helped streamline and automate a cumbersome process for customs officers examining import declarations and transactions that required freight forwarders and traders to either wait in the customs office or make repeated visits to obtain updated information about their declaration. The private sector supported this change by upgrading its own information systems to enable electronic communications with customs. Clearance time has been cut by two hours; inspection time for excise goods by more than four hours.	
Tajikistan	Starting a business	1	Tajikistan made starting a business easier by enabling the statistics agency to issue statistics codes for new businesses at the time of registration through the one-stop shop. The codes are created and shared via a secure VPN channel.	1
Ukraine	Starting a business	1	Albania improved business start-up by streamlining registration procedures and eliminating the company seal.	1
LATIN AMERICA AND CARIBBEAN				
Colombia	Getting credit	1	Colombia established a functional secured transactions system and a centralized, notice-based collateral registry. The law broadens the range of assets that can be used as collateral, establishes clear priority rules in bankruptcy for secured creditors, and allows out-of-court enforcement of collateral.	1
Costa Rica	Getting credit	1	Costa Rica adopted a secured transactions law that establishes a a centralized, notice-based collateral registry. The law broadens the range of assets that can be used as collateral, establishes clear priority rules in bankruptcy for secured creditors, and allows out-of-court enforcement of collateral.	1
Dominican Republic	Protecting investors	1	The Dominican Republic strengthened minority investor protections by introducing greater shareholder rights and requirements for greater corporate transparency.	1
Guatemala	Starting a business	1	Guatemala made starting a business easier by eliminating certain registration fees and reducing the time to publish a notice of incorporation.	1
Jamaica	Getting credit	1	Jamaica improved access to credit by establishing credit bureaus and by adopting a new secured transactions law that implements a functional secured transactions system, broadens the range of assets that can be used as collateral, allows a general description of assets granted as collateral, and establishes a modern, notice-based collateral registry.	1
Honduras	Competition	1	The competition policy team helped in the preparation and adoption of more effective merger controls. These new regulations reduce the burdens on businesses engaged in corporate restructuring, mergers, or acquisitions and allows the competition agency to focus on the mergers more likely to hamper competition and harm consumers. The duration of the review process declined from an average of 170 days in 2011 to 15 days in 2013.	
Peru	Tourism	1	Seeking to encourage private sector investment in the culture and tourism sectors beyond the popular Cusco destination, the reform simplified procedures for opening and operating hotels, hostels, and lodges. The team helped identify and eliminate duplication of procedures, reconcile prices with real operating costs, and reduce the number of procedures from five to three.	
SOUTH ASIA				
Bangladesh	Tax simplification and compliance management	1	IFC supported establishment of a public-private dialogue platform called "BUILD," for Business Initiative Lending Development. BUILD advocated for retionalization and reduction of the country's high corporate income tax rates and helped bring about a reduction in the main CIT rate to 35 percent, resulting in private sector compliance cost savings of $5.3 million.	1
SUB-SAHARAN AFRICA				
Africa Region	Competition	1	The global competition policy project assisted the 19-member Common Market for Eastern and Southern Africa (COMESA) with implementation of merger control guidelines and amended rules. Mergers by small firms no longer require notification. Fees levied in cases that require notification have been cut by more than half. The new thresholds have reduced notifiable mergers by 68 percent. Fees for large mergers declined on average from $500,000 to $200,000. Compliance cost savings from the reform are around $5.8 million per year. Non-problematic mergers can be cleared within 45 calendar days, down from more than 90 days. The average time for a phase-one merger is less than 30 calendar days. In FY15 the regional reform delivered specific benefits in 12 countries (see below).	
Angola	Starting a business	1	The Indicator-Based Reform Advisory (IBRA) team delivered a Doing Business reform memorandum outlining short-, medium-, and long-term recommendations, including a reform relating to starting a business. The team also provided technical assistance to the government. Starting a business is easier thanks to improved registration procedures and reduced fees to register a company. The time required to register a business was reduced by 30 days, and the cost reduced from 124 percent of income per capita to 23 percent in 2015.	1

Continued on next page

ANNEX 1: FIAS REFORM TOTALS AND DESCRIPTIONS

1.3 Reforms and Results from FIAS-Funded Projects *(continued)*

COUNTRY	REFORM TOPIC	NO. REFORMS	REFORM DESCRIPTION	*DOING BUSINESS* VALIDATED
Angola	Tax simplification and compliance management	1	With the IBRA team's technical assistance, Angola made paying taxes less costly for companies by reducing the corporate income tax rate from 54.7 percent to 48.4 percent of total profit.	1
Benin	Construction permits	1	A decree on building permits established a one-stop shop, with streamlined processes limiting the number of required signatories on a building permit to two. A regulation was adopted limiting the time to provide water connection to an applicant to two weeks after payment of fees when an extension is required, and to six days when no extension work is required.	1
Benin	Starting a business	1	Sample statutes were made available online so that LLCs can register at a one-stop shop without costly interaction with a notary. Elimination of the notary and minimum capital requirements was officially notified to the central and commercial banks and publicly advertised.	1
Benin	Trade logistics	1	A diagnostic report laid out the constraints to trade and provided recommendations for improved procedures.	1
Congo, Dem. Republic	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Congo, Dem. Rep.	Construction permits	1	The government cut in half the cost of a building permit as part of a new fee schedule adopted in January 2015 that stemmed from a recommendation was provided by the IBRA team.	1
Congo, Dem. Rep.	Starting a business	1	As a result of a business law reform act approved by ministers of the Organization for Business Law Harmonization in Africa (OHADA) in 2014, the government issued decrees allowing shareholders to freely set the amount of capital to incorporate a limited liability company. A one-stop-shop delivers the tax registration number to the companies. The effort benefited from technical assistance by the IBRA team.	1
Côte d'Ivoire	Getting credit	1	Côte d'Ivoire improved its credit information system by introducing regulations that govern the licensing and operation of credit bureaus.	1
Côte d'Ivoire	Enforcing contracts	1	Enforcement of contracts was made easier by introducing new provisions on voluntary mediation.	1
Côte d'Ivoire	Property transfers	1	Côte d'Ivoire made transferring property less costly by lowering the property transfer tax rate. The rate for registering property declined from 6 percent to 4 percent.	1
Côte d'Ivoire	Trade logistics	1	A single-window platform for importing reduced the time required for documentary compliance.	1
Gabon	Starting a business	1	Following adoption of the new uniform OHADA Company Act, Gabon made starting a business easier by reducing the paid-in minimum capital requirement. The project supported the OHADA Secretariat in enacting the new OHADA Company Act.	1
Guinea	Starting a business	1	A presidential decree eliminated the requirements on minimum capital for business entry and on notary intervention when creating a company, making it easier to start a business. The investor protection act was passed when parliament ratified the revised OHADA Treaty.	1
Kenya	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Madagascar	Getting credit	1	Following close collaboration with the IBRA team, Madagascar improved access to credit by broadening the range of assets that can be used as collateral to include future assets, by allowing a general description of assets granted as collateral, and by allowing a general description of debts and obligations. The IBRA team's support and technical assistance to a Getting Credit technical working group advising the government on international best practices led to the reform included in the new law.	1
Madagascar	Protecting investors	1	The IBRA team's work with the Getting Credit technical working group also covered investor protection issues in the area of secured transactions and secured creditor rights in or out of bankruptcy proceedings.	1
Madagascar	Registering property	1	The IBRA team delivered a Doing Business reform memorandum and organized several technical and high-level policy workshops focusing on Doing Business and investment climate reform. The team helped tailor indicator-specific action plans for the technical working groups, resulting in a budget act that reduces the property registration tax from 6 percent of property value to 5 percent.	1
Madagascar	Trade logistics	1	The ongoing work by the IBRA team has led to significant improvement in the TradeNet system. All documents can now be uploaded on the portal for imports, making it unnecessary to go in person to offices in Antananarivo, Madagascar's capital. The reform work has extended to investments in port infrastructure, reducing shipping delays. To help finance the improvements, port handling fees have increased	1
Malawi	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Mali	Getting credit	1	Mali improved its credit information system by introducing regulations that govern the licensing and functioning of credit bureaus in the member states of the West African Economic and Monetary Union (UEMOA).	1
Mali	Trade logistics	1	Mali introduced an electronic data interchange system, reducing the time required to document border compliance for export from 55 to 48 hours, and for import from 93 to 86 hours	1

Continued on next page

1.3 Reforms and Results from FIAS-Funded Projects *(continued)*

COUNTRY	REFORM TOPIC	NO. REFORMS	REFORM DESCRIPTION	*DOING BUSINESS* VALIDATED
Mauritius	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Namibia	Getting credit	1	An IBRA Doing Business reform memorandum and a series of technical methodology and validation workshops bringing together private and public sector stakeholders led to review of the law to allow borrowers to inspect their own data. The recorded reform is a result of this recommendation.	1
Rwanda	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Rwanda	Getting credit	1	The credit bureau TransUnion Rwanda implemented a credit scoring service providing credit scores based on the positive and negative data in its database, as well as data obtained from other public sources in Rwanda. With the help of the IBRA team, the government's Doing Business 2016 Action Plan identified the need for a credit scoring service. This reform allows Rwanda to maximize its Doing Business score under the Credit Information index of the Credit indicator; Rwanda ranks second globally on this indicator.	1
Rwanda	Protecting investors	1	Rwanda strengthened minority investor protections by introducing provisions allowing holders of 10 percent of a company's shares to call for an extraordinary meeting of shareholders, requiring holders of special classes of shares to vote on decisions affecting their shares, requiring board members to disclose information about their directorships and primary employment, and requiring that audit reports for listed companies be published in a newspaper.	1
Rwanda	Resolving insolvency	1	Rwanda improved its insolvency system by introducing provisions on voidable transactions and the approval of reorganization plans, and by establishing additional safeguards for creditors in reorganization proceedings. The IBRA team provided technical assistance on Doing Business methodology as well as best practices in the area of resolving insolvency, which contributed to the recorded reform.	1
Rwanda	Starting a business	1	Rwanda made starting a business easier by eliminating the need for new companies to open a bank account in order to register for value added tax. The IBRA team assisted Rwanda with its Doing Business 2016 Action Plan, including advice on how to streamline company registration procedures.	1
Senegal	Starting a business	1	Senegal further reduced the minimum capital requirement following the adoption of OHADA Uniform Acts.	1
Seychelles	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Sudan	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Swaziland	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Tanzania	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Togo	Starting a business	1	The country's tax administration adopted a regulation eliminating the fees collected at registration, reducing the amount paid at the tax office significantly. Overall LLC registration costs declined from $97 to $47 and, for sole proprietorships, from $70 to $50.	1
Togo	Trade logistics	1	A government decree established a single window for import and export procedures. The single window reduced costs and delays by providing an electronic platform connecting several agencies and institutions, including the port of Lome, the customs agency, National Shippers Council, customs brokers, banks, consignees and stevedores.	1
Uganda	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Uganda	Tax simplification and compliance management	1	IFC assistance focused on crafting a legal regime to eliminate the requirement for manual tax returns. In practice, e-filing for MSMEs has resulted annual compliance cost savings of $3.45 million and benefited 13,951 registered tax payers.	
Zambia	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Zambia	Getting credit	1	The credit bureau improved credit reporting by beginning to provide credit scores.	1

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1.3 Reforms and Results from FIAS-Funded Projects *(continued)*

COUNTRY	REFORM TOPIC	NO. REFORMS	REFORM DESCRIPTION	*DOING BUSINESS* VALIDATED
Zambia	Tax simplification and compliance management	1	Payment of business taxes was made easier by implementing electronic filing and payment for VAT.	1
Zimbabwe	Competition	1	Capacity building and technical support helped improve regulations on cross-border mergers involving firms operating in COMESA countries. The new framework has reduced merger filing fees and shortened the evaluation period for mergers deemed unlikely to reduce on competition.	
Zimbabwe	Getting credit	1	In Zimbabwe the credit bureau is now providing credit scores, a reform stemming from the engagement of the IBRA team at the request of the Ministry in Finance. A Doing Business reform memorandum followed by several methodology and validation workshops attended by government and private sector representatives led the creation of technical working groups for the government's priority indicators.	1
Zimbabwe	Protecting investors	1	As part of the IBRA team's assistance in Doing Business reforms, Zimbabwe strengthened minority investor protections by introducing provisions allowing legal practitioners to enter into contingency fee agreements with clients.	1

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ANNEX 2: PORTFOLIO OF FIAS-SUPPORTED PROJECTS IN FY15

2.1 FIAS-Funded Client-Facing Projects Mapped to the World Bank Group Trade and Competitiveness Global Practice

REGION	COUNTRY	PROJECT NAME	TOTAL FUNDING	FYTD EXPENDITURES	FY15 FIAS EXPENDITURES	STAGE
East Asia and Pacific	Cambodia	Cambodia Investment Policy	$1,156,777	$233,850	$924	PIPELINE
East Asia and Pacific	East Asia and Pacific Region	EAP Tax Transparency Program	$515,468	$349,711	$329,520	PORTFOLIO
East Asia and Pacific	Mongolia	Mongolia Business Inspection Reform	$3,847,573	$779,947	$19,015	PORTFOLIO
East Asia and Pacific	Mongolia	Mongolia Investment Policy and Investor Protection Confidence	$815,000	$74,741	$74,741	PIPELINE
East Asia and Pacific	Myanmar	Myanmar IC Reforms	$1,967,998	$468,882	$150,433	PORTFOLIO
East Asia and Pacific	Myanmar	Myanmar Investment Policy	$2,082,133	$544,327	$158,284	PORTFOLIO
East Asia and Pacific	Papua New Guinea	PNG SME tax simplification	$2,231,602	$148,637	$106,027	PORTFOLIO
East Asia and Pacific	Philippines	Philippines Agribusiness Trade Competitiveness	$3,227,619	$575,397	$90,188	PORTFOLIO
East Asia and Pacific	Solomon Islands	Pacific Investment Climate Rapid Response	$689,900	$212,373	$101,023	PORTFOLIO
East Asia and Pacific	Timor-Leste	Timor-Leste Tibar Bay Investment Plan (TBIP) - Spatial and GVC Cluster Development	$825,383	$15,846	$15,846	PIPELINE
East Asia and Pacific	Timor-Leste	Timor-Leste Business Registration and Licensing Reform Project	$1,954,679	$188,796	$542	PORTFOLIO
East Asia and Pacific	Timor-Leste	Timor-Leste Trade Logistic	$1,847,266	$541,796	$48,643	PORTFOLIO
East Asia and Pacific	Vietnam	Viet Nam Debt Resolution	$3,005,064	$522,596	$-	PORTFOLIO
Europe and Central Asia	Albania	ECA DR Western Balkan	$2,855,276	$578,137	$124,490	PORTFOLIO
Europe and Central Asia	Armenia	Armenia Investment Climate II	$1,500,000	$216,091	$140,211	PORTFOLIO
Europe and Central Asia	Armenia	Armenia Investment Climate Reform Project	$1,606,702	$142,952	$21,306	COMPLETED
Europe and Central Asia	Belarus	Belarus: National Quality Infrastructure and Business Regulatory Reform Program 2014 - 2016	$3,130,174	$1,116,712	$8,409	PORTFOLIO
Europe and Central Asia	Bosnia and Herzegovina	Bosnia and Herzegovina Investment Climate Project (ISCRA)	$3,013,881	$557,543	$94,544	PORTFOLIO
Europe and Central Asia	Eastern Europe Region	Indicator Based Reform Advisory in ECA	$783,500	$298,750	$299,596	PORTFOLIO
Europe and Central Asia	Georgia	Georgia IC Project	$1,894,000	$365,000	$300,333	PORTFOLIO
Europe and Central Asia	Kyrgyz Republic	Central Asia Tax Project	$3,377,931	$1,127,483	$157,997	PORTFOLIO
Europe and Central Asia	Kyrgyz Republic	Kyrgyz Republic Investment Climate	$2,356,000	$678,043	$9,940	PORTFOLIO
Europe and Central Asia	Serbia	Trade Logistics South East Europe	$2,731,924	$425,170	$215,740	PORTFOLIO
Europe and Central Asia	Southern Europe Region	ECA Debt Resolution and Business Exit#UMB	$253,447	$448	$448	PIPELINE
Europe and Central Asia	Southern Europe Region	Western Balkans Investment Climate Agribusiness Competitiveness Project	$10,700,000	$51,329	$51,329	PORTFOLIO
Latin America and Caribbean	Colombia	Trade Logistics Advisory Program in Colombia	$1,977,030	$353,751	$288,124	COMPLETED
Latin America and Caribbean	Latin America Region	Central America Regional Agribusiness Trade Logistics Project	$2,386,030	$324,989	$257,414	PORTFOLIO
Latin America and Caribbean	Latin America Region	Indicator Based Reform Advisory in LAC	$2,152,995	$632,218	$206,708	PORTFOLIO
Latin America and Caribbean	Latin America Region	Taxation Knowledge Management in LAC	$643,661	$185,471	$24,269	PORTFOLIO
Latin America and Caribbean	Peru	Improving the Business Climate of Tourism in Cusco - Peru	$847,754	$490,022	$246,226	PORTFOLIO
Middle East and North Africa	Egypt, Arab Republic of	ICT Investment Policy in Egypt	$2,478,689	$144,976	$144,976	PIPELINE
Middle East and North Africa	MENA Region	IBRA Project in the MENA Region	$923,091	$373,457	$245,638	PORTFOLIO
Middle East and North Africa	Morocco	Morocco Quality of Public Service Delivery and Transparency to Improve the Investment Climate	$525,000	$44,962	$44,962	PORTFOLIO
Middle East and North Africa	Pakistan	Pakistan-India Trade Facilitation Project	$2,632,505	$160,157	$116,214	PORTFOLIO
Middle East and North Africa	Pakistan	Punjab Energy	$2,548,225	$195,975	$25,637	PORTFOLIO

Continued on next page

ANNEX 2: PORTFOLIO OF FIAS-SUPPORTED PROJECTS IN FY15 *(continued)*

2.1 FIAS-Funded Client-Facing Projects Mapped to the World Bank Group Trade and Competitiveness Global Practice

REGION	COUNTRY	PROJECT NAME	TOTAL FUNDING	FYTD EXPENDITURES	FY15 FIAS EXPENDITURES	STAGE
South Asia	Bangladesh	Low-Carbon Industry Initiative in Bangladesh	$859,744	$22,407	$22,407	COMPLETED
South Asia	India	Buddhist Circuit Tourism: Facilitating Growth Corridors in UP and Bihar	$3,597,378	$368,614	$164,362	PORTFOLIO
South Asia	India	India Rajasthan Investment Climate Reform	$3,369,600	$164,958	$(43,489)	PORTFOLIO
South Asia	India	Madhya Pradesh Competitiveness Partnership	$1,650,075	$17,612	$354	PIPELINE
South Asia	India	Odisha Inclusive Growth Partnership	$2,797,651	$551,597	$152,896	PORTFOLIO
South Asia	Nepal	Nepal ICRP Regulatory Reform	$3,542,721	$131,751	$58,581	PORTFOLIO
South Asia	Nepal	Nepal Investment Climate for Industry	$2,029,872	$464,065	$202,528	PORTFOLIO
Sub-Saharan Africa	Africa Region	IC Rapid Response III	$1,801,706	$830,533	$816,387	PORTFOLIO
Sub-Saharan Africa	Africa Region	Indicator-Based Reform in Sub-Saharan Africa	$1,326,970	$374,185	$374,573	PORTFOLIO
Sub-Saharan Africa	Benin	Benin Investment Climate Reform Program	$1,427,761	$291,793	$62,046	PORTFOLIO
Sub-Saharan Africa	Burundi	Burundi Investment Climate Reform Program	$2,413,207	$-	$-	COMPLETED
Sub-Saharan Africa	Cameroon	Cameroon Investment Climate Reform Program	$1,670,065	$256,108	$118,660	PORTFOLIO
Sub-Saharan Africa	Côte d'Ivoire	Côte d'Ivoire Investment Climate Reform Program - Business Regulation	$2,307,725	$445,614	$128,380	PORTFOLIO
Sub-Saharan Africa	Eastern Africa Region	East African Community IC Phase 2	$8,080,035	$391,130	$267,716	PORTFOLIO
Sub-Saharan Africa	Ethiopia	Livestock Micro Reforms for African Agribusiness	$4,575,000	$111,549	$111,549	PIPELINE
Sub-Saharan Africa	Mali	Mali Investment Climate Program - Phase 3	$1,840,000	$239,272	$245,873	PIPELINE
Sub-Saharan Africa	Mali	Mali investment Climate Program Economy Wide	$1,690,000	$112,592	$121,693	PORTFOLIO
Sub-Saharan Africa	Rwanda	Rwanda Investment Climate Reform Program III - Transforming Local Economies	$8,087,000	$150,016	$104,220	PIPELINE
Sub-Saharan Africa	São Tomé and Príncipe	São Tomé and Príncipe Investment Climate Project	$1,197,190	$22,579	$(1,605)	PORTFOLIO
Sub-Saharan Africa	Tanzania	Tanzania IC Program	$920,000	$113,708	$46,792	PORTFOLIO
Sub-Saharan Africa	Togo	Togo Investment Climate Reform Program	$771,130	$148,693	$148,693	PORTFOLIO
Sub-Saharan Africa	Uganda	Uganda IC Industry Program	$1,138,481	$177,552	$3,337	PORTFOLIO
Sub-Saharan Africa	Uganda	Uganda Investment Climate Program	$1,988,797	$135,838	$135,838	COMPLETED
Sub-Saharan Africa	Western Africa Region	Investment Policy Reform for West Africa Regional Organizations	$10,350,000	$1,116,730	$1,116,730	PORTFOLIO
Sub-Saharan Africa	Western Africa Region	OHADA Uniform Acts Reform phase 2	$3,769,027	$473,229	$463,328	PORTFOLIO
Sub-Saharan Africa	Western Africa Region	West Africa Trade Logistics	$4,588,846	$612,858	$612,858	PORTFOLIO
Sub-Saharan Africa	Zambia	Zambia Iinvestment Climate Program II	$2,857,209	$224,853	$69,674	PORTFOLIO
World	World Region	Competition Policy for Investment Climate	$1,542,951	$258,045	$260,076	PORTFOLIO
World	World Region	Tax Transparency Exchange of Information - Client Facing	$1,500,000	$7,309	$7,309	PORTFOLIO
Grand Total					$9,891,466	

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ANNEX 2: PORTFOLIO OF FIAS-SUPPORTED PROJECTS IN FY15

2.2 FIAS-Funded Knowledge Management and Product Development Projects Mapped to the World Bank Group Trade and Competitiveness Global Practice

REGION	PROJECT NAME	TOTAL FUNDING	TOTAL FY EXPENDITURE US$	TOTAL FY FIAS EXPENDITURE SHARE	% FIAS EXPENDITURES	PROJECT STAGE
World	Business Regulation Product Development and KM	$853,109	$262,504	$262,504	100%	PORTFOLIO
World	Business Taxation Product Design	$2,722,000	$481,734	$481,734	100%	PORTFOLIO
World	Climate Efficient Industries Product Development Project	$994,881	$403,995	$382,317	95%	PORTFOLIO
World	Cross BL PDP Initiative on Green Buildings	$5,294,542	$880,169	$58,083	7%	PORTFOLIO
World	Debt Resolution	$796,861	$285,861	$126,237	44%	PORTFOLIO
World	Debt Resolution and Business Exit	$937,989	$(1,293)	$(1,293)	100%	COMPLETED
World	Gender in Investment Climate	$546,120	$93,967	$93,967	100%	PORTFOLIO
World	IC Agribusiness Supply Chain PDP	$2,575,000	$696,919	$698,448	100%	PORTFOLIO
World	IC Indicator Based Reform Advisory Global	$1,033,091	$390,479	$396,942	102%	PORTFOLIO
World	IC-Business Taxation (Tax Transparency)	$600,000	$62,521	$62,521	100%	PORTFOLIO
World	ICT-enabled Investment Climate Reform Theme Project	$627,577	$228,317	$228,317	100%	PORTFOLIO
World	Investment Climate for Tourism - Global	$2,030,242	$357,913	$357,913	100%	PORTFOLIO
World	Investment Policy Product Development and Roll Out	$1,940,895	$523,323	$523,323	100%	PORTFOLIO
World	Joint Donor/World Bank Group Program on Impact and Value for Money	$4,182,118	$1,070,753	$1,121,372	105%	PORTFOLIO
World	Promoting Competition	$2,050,000	$340,278	$353,050	104%	PORTFOLIO
World	Public Private Dialogue Global KM	$700,000	$76,613	$76,427	100%	COMPLETED
World	Trade Logistics PDP (FY13-FY17)	$6,000,000	$2,526,491	$2,642,151	105%	PORTFOLIO
World	Transparency and Public Private Dialogue	$530,000	$416,081	$416,081	100%	PORTFOLIO
Grand Total				$8,280,093		

ANNEX 3: ABBREVIATIONS

ASYCUDA	Automated System for Customs Data (UNCTAD)
CCS	compliance cost savings
CEFTA	Central European Free Trade Agreement
COMESA	Common Market for Eastern and Southern Africa
DFID	United Kingdom Department for International Development
DIME	Development Impact Measurement Program
ECA	Europe and Central Asia
ECOWAS	Economic Community of West African States
EDGE	Excellence in Design for Greater Efficiencies
EPZ	export processing zones
FCS	States in fragile and conflict-affected situations
FDI	foreign direct investment
FIAS	Facility for Investment Climate Advisory Services
FMTAAS	Funding Mechanism for Technical Assistance and Advisory Services (IFC)
GDP	gross domestic product
GVCs	Global Value Chains
IADB	Inter-American Development Bank
IBRA	Indicator-Based Reform Advisory
IBRD	International Bank for Reconstruction and Development
ICRR	Investment Climate Rapid Response
ICT	information and communication technologies
IDA	International Development Association
IFC	International Finance Corporation
IPP	Investment Policy and Promotion
KEA	Korea Energy Agency
LAC	Latin America and Caribbean
M&E	monitoring and evaluation
MARD	Ministry of Agriculture and Rural Development (Vietnam)
MIGA	Multilateral Investment Guarantee Agency
MSE	Micro and Small Enterprises
MSME	Micro, Small, and Medium Enterprises
NEM	non-equity modes of investment
OECD	Organisation for Economic Cooperation and Development
OHADA	Organization for the Harmonization of Business Law in Africa
PPD	public-private dialogue
PSCS	Private sector cost savings
RAS	reimbursable advisory services
RBA	risk-based audit
SCD	Systematic Country Diagnostics
SIECA	Secretariat for Central American Economic Integration
SME	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary Sphere
T&C	Trade & Competitiveness Global Practice
TFA	Trade Facilitation Agreement (WTO)
TFSP	Trade Facilitation Support Program
UNCTAD	United Nations Conference on Trade and Development
USAID	U.S. Agency for International Development
VAT	value-added tax
WEF	World Economic Forum
WTO	World Trade Organization

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