

# USAID and FIAS: Opportunities for Collaboration

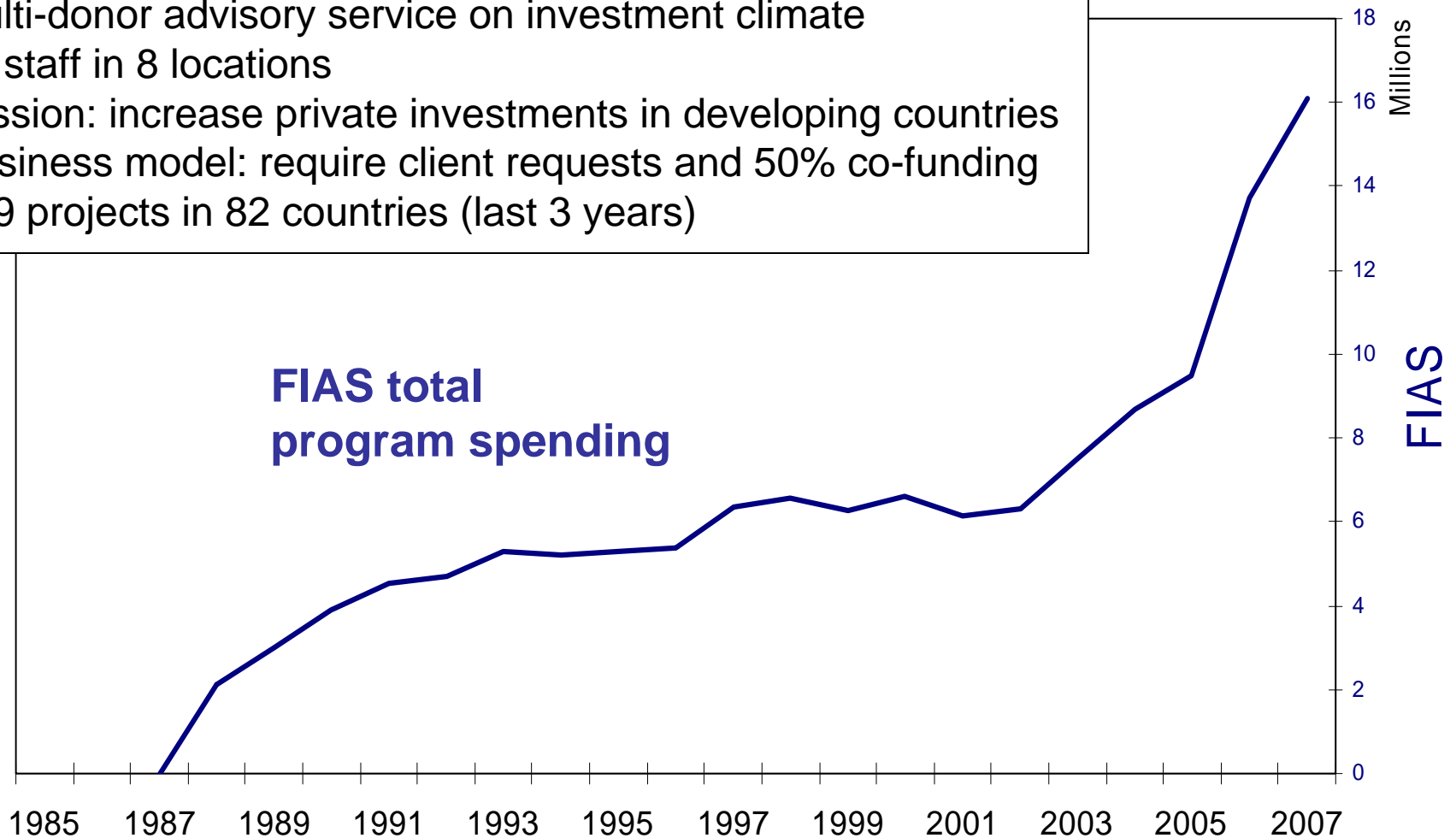
## USAID Workshop

Tom Davenport  
FIAS, Senior Manager

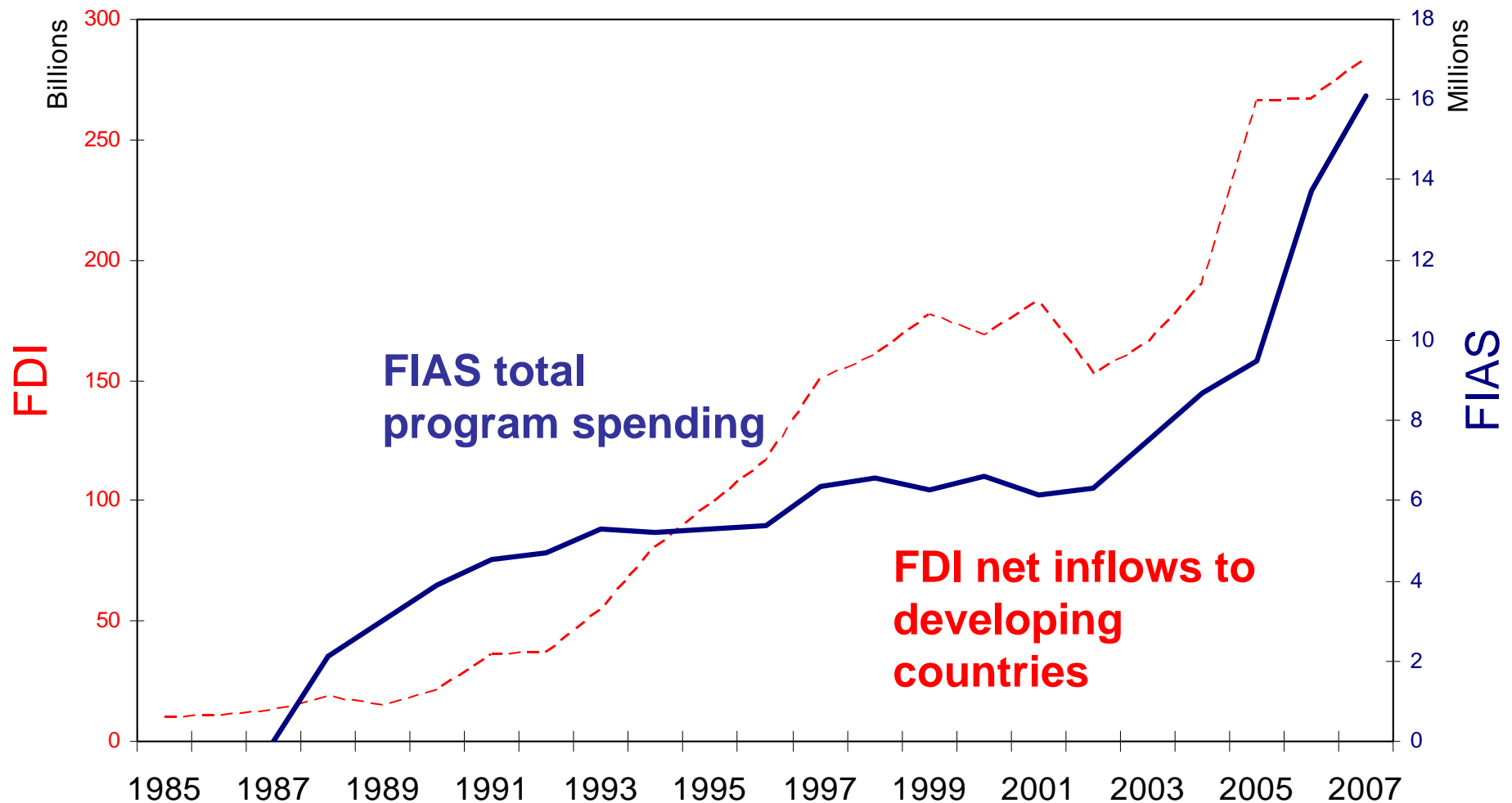
Washington, DC  
October 17<sup>th</sup>, 2007

# FIAS: 20 years of experience in investment climate

- Multi-donor advisory service on investment climate
- 84 staff in 8 locations
- Mission: increase private investments in developing countries
- Business model: require client requests and 50% co-funding
- 219 projects in 82 countries (last 3 years)



# FIAS: 20 years of experience in investment climate



# FIAS and USAID today

*Overall, a positive relationship*

- Periodic collaborators, going back to the early days of investment climate work
- Eight joint projects in the last 4 years
- USAID recently pledged support for Doing Business projects, as well as FIAS work in post-conflict countries

*... but let's return to this later*

# FIAS at a glance

The multi-donor investment  
climate advisory service of  
the World Bank Group

## Regulatory Simplification

- Tackle the systemic, root causes of bad regulation
- Implement the Doing Business agenda



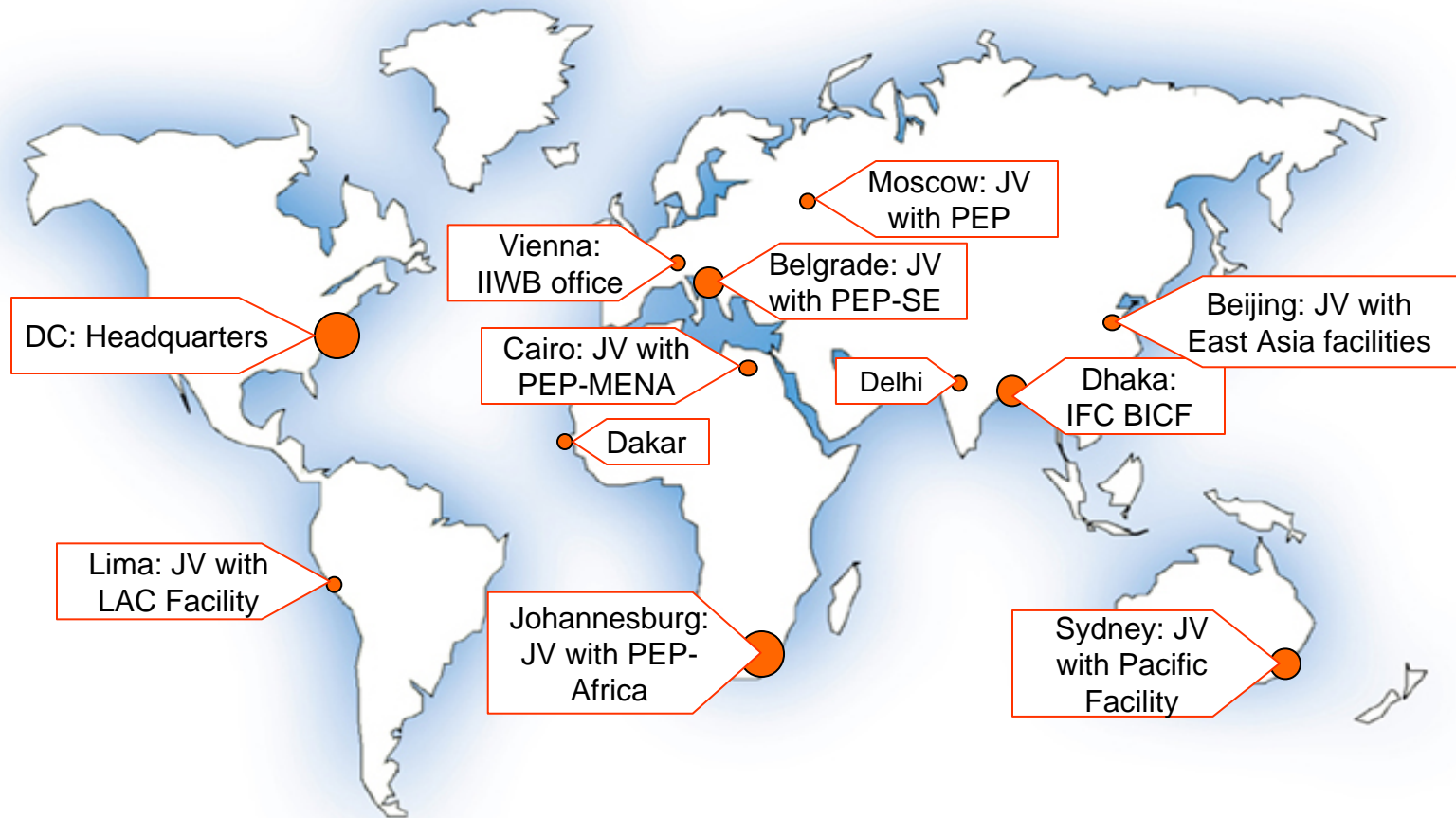
## Investment Generation

- Investment policy and promotion
- Industry Competitiveness
- Special Economic Zones

## Frontier and conflict-affected countries

- Large country programs with partners
- Develop and diffuse knowledge

# FIAS' global reach



*FIAS has extensive field presence, including several joint ventures with IFC regional facilities*

# FIAS Practice Areas & Core Products

- Regulatory Simplification
  - Regulatory Governance & Licensing
  - Business Taxation
  - Trade Logistics
  - Secured Transactions
  - *Doing Business Reform Unit*
- Investment Generation
  - Investment Policy & Promotion
  - Industry Competitiveness

# Croatia: Regulatory Guillotine

- “Hitrorez” (Swift-cut) program, a joint FIAS/IFC initiative
  - An inventory of 2,863 business-related regulations
  - A proposal to **eliminate 742 regulations** and to simplify 817 individual regulations over a period of less than nine months
  - An estimated \$250 million in costs savings for businesses
- Sophisticated outreach campaign, including [Hitrorez Commercial](#)
- Critical USAID involvement



# Secured Lending in China

- Sustained assistance from a joint FIAS and IFC-PEP China team over the past three years
- Creation of a secured transactions framework to facilitate inventory and accounts receivable financing
- Landmark 2007 Property Law means that **over \$2 trillion** of movable assets held by SMEs and farmers, formerly dead capital, can now potentially be put into circulation as collateral for loans

# Kenya: Simplifying Business Licenses



## Progress to date:

- 315 licenses eliminated
- 379 licenses simplified

## Private sector-driven approach:

- Businesses identified the 26 most burdensome licenses
- Twenty-four have been eliminated or simplified

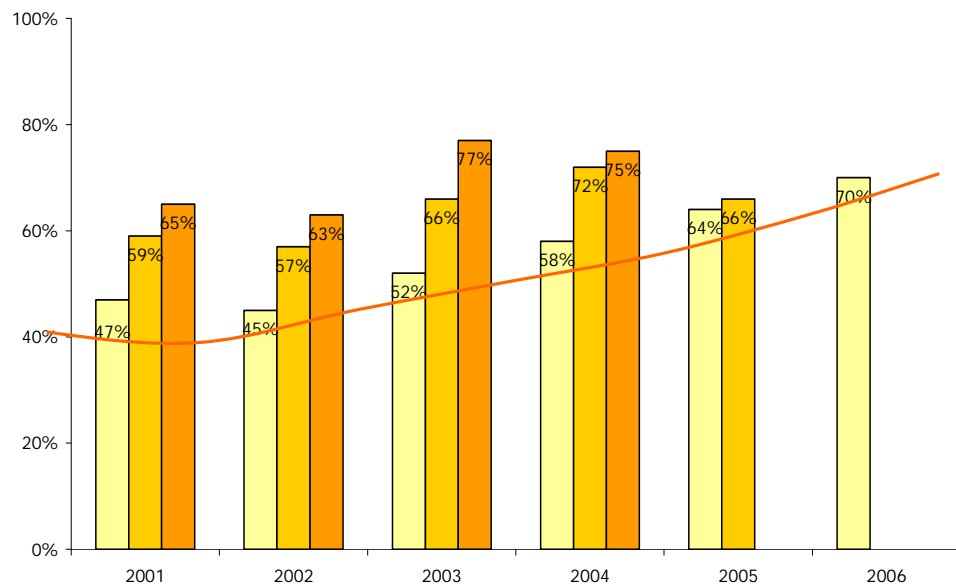
# Paving the way for frontier investments: Panama Pacifico SEZ

- Government of Panama sought IFC advice to transform a former US Air Force base into prime location for productive investment (1999)
- Regulatory constraints addressed through a Special Economic Zone framework:
  - SEZ to serve as a model for broader national investment climate reforms (demonstration effect)
  - WTO compliance
  - More flexible labor code
  - Corporate social responsibility
- Development impact to date (2007):
  - \$405m investments, including a Dell call center and an aviation service center for Singapore Technologies
  - More than 3000 jobs created since 2003, with a further 20,000 expected



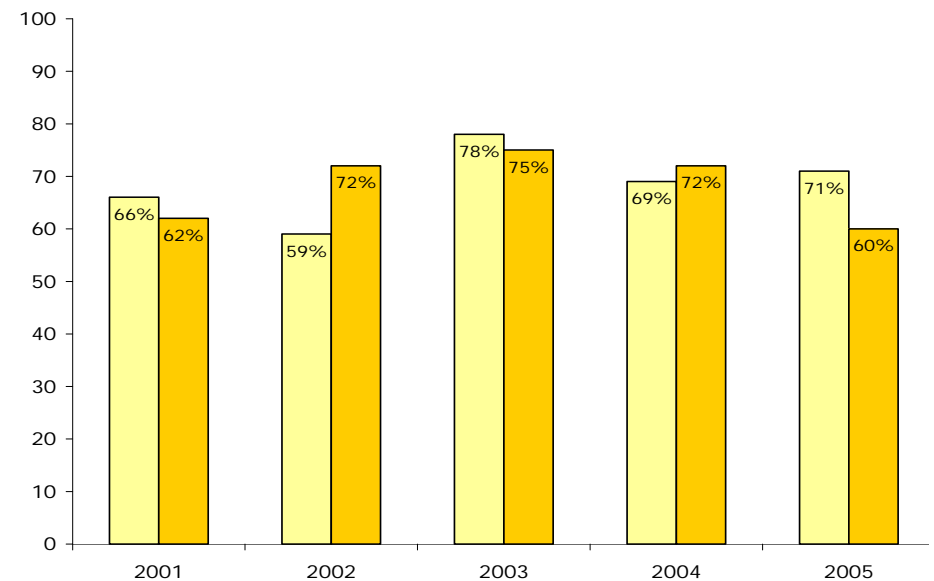
# Implementation improves over time and is strong in frontier countries

Average implementation rates of FIAS recommendations



Number of years since project completion:  
 ■ After 1 yr.   ■ After 2 yrs.   ■ After 3 yrs.

*Over time:  
implementation rises*



■ Frontier  
 ■ Non-Frontier

*Frontier vs. Non-frontier:  
Success rates equivalent*

# Reform: what have we learned

- Reforms happen with new governments, crisis and/or new information
- It is about working on the “will” and “skill” of governments
- Competition, regional or international, boosts enthusiasm for reforms
- We can achieve results in frontier & conflict-affected countries
- Success comes from finding/building an empowered, elite counterpart team to steer the reform process across ministries

# FIAS collaboration with USAID

Collaboration to date has focused on administrative barriers diagnostics and implementation, as well as a more recent emphasis on Sub-national Doing Business

<b>Project</b>	<b>Year</b>	<b>Amount</b>
<b>Ghana:</b> Admin barriers	2004	\$64,980
<b>Croatia:</b> Admin barriers implementation	2004	\$30,395
<b>Bangladesh:</b> Investment promotion strategy	2004	\$41,499
<b>Brazil:</b> Eliminate sub-national admin barriers	2006	\$150,575
<b>Senegal:</b> Admin barriers update	2007	\$100,000
<b>Colombia:</b> Eliminate sub-national admin barriers	2007	\$60,000
<b>Egypt:</b> Sub-national Doing Business	2007	\$50,000
<b>Bosnia &amp; Serbia:</b> Sub-national Doing Business	2008	\$90,000
<b>Global support:</b> Doing Business; Post-conflict	2008-2011	\$1,400,000
<b>Total</b>		<b>\$1,987,449</b>

# Why deepen the relationship?

- USAID and the World Bank Group have traditionally led the way on investment climate work...eliminate duplication
- Working with FIAS is working with the World Bank Group
- FIAS helps countries remove barriers to *Doing Business*, with advisory products on tax, trade logistics, access to land, business registration, and regulatory reform
- FIAS is able to quickly implement strategic donor partnerships
- Our strengths and weaknesses are complementary

# Thoughts as we look ahead...

*Overall, collaboration is working well*

- Themes of joint interest
  - Doing Business ✓
  - Post-conflict ✓
  - Other new products?
- Mechanics of partnership
  - Leveraging USAID field presence (especially where we aren't)
  - Improving communications during projects
  - Partnership is not just about money, but can encompass knowledge management, staff exchanges, and complementary phasing on projects

# Contacts and Resources

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