

**USAID ECONOMIC GROWTH OFFICERS WORKSHOP
OCTOBER 15-19, 2007
WASHINGTON, D.C.**

Wednesday, October 17, 2007 “Takeaway Points”

Plenary

Plenary Session: Doing Business 2008

Speaker(s): Simeon Djankov, IFC

Main Takeaway points:

Introduced the general back ground of Doing Business – latest version compares 178 countries on a number of ease of doing business indicators.

- Egypt led the top of the reformers list. Many other USAID countries were included in the top ten such as Georgia and Croatia.
- Highlighted reasons why the use of international comparisons can be helpful to USAID projects:
 1. Plays on the Patriotism Effect– Nations can be more motivated to change from a sense of nationalist competition when they know their neighbors are doing better. He used the example of Georgia and an advertisement the government put together to show how much better their reforms have gone compared to a number of countries, including neighbors (like Armenia, Turkey, Azerbaijan etc).
 2. Showing by Doing - It shows reforms can be done because other countries are doing it.
 3. Doing Business indicators are quantifiable with high publicity – Some other types of reforms may have been less successful because they aren’t easily quantified or don’t have the public exposure so therefore governments don’t see the immediate benefit to the reforms.
 4. Sector comparisons - Countries who compete in certain sectors can compare how they are doing, like countries competing with Dubai or Singapore for port infrastructure. So not really just competing with neighbors but with major sectoral competitors globally.

Plenary Session: USAID & FIAS: Opportunities for Collaboration AND the Role of the MCC in Economic Development

Speaker(s): Tom Davenport, FIAS & Rodney Bent, MCC

Main Takeaway points:

Tom Davenport of FIAS (World Bank Group’s Foreign Investment Advisory Service) and Rodney Bent of MCC (Millennium Challenge Corporation) spoke to the ways that USAID can collaborate with each of their institutions.

- FIAS, which focuses on investment climate reforms including helping countries improve performance against DoingBusiness indicators, has been working successfully with USAID in the Balkans and elsewhere. They would like to expand that collaboration—focusing on DoingBusiness reforms and working in post-conflict “frontier” countries. FIAS has found that

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they can achieve almost as much success in frontier markets as they do in non-frontier, making them good potential partners for USAID in riskier markets.

- Rodney Bent, representing the MCC, called out the complementary differences between MCC and USAID. MCC is a boutique operation, offering large incentives for pointed reforms, while USAID is a full-service provider. He is taking great pains to keep the MCC at 300 people with a limited overseas presence, and to have MCC instead take advantage of USAID's overseas presence around the world.
- There followed a lively Q&A session, in which people raised issues like what the MCC will do if a government falls down on several indicators and they are midway through the compact (answer: TBD); or what to do if corruption issues emerge, or an election occurs and policies change (answer: it depends, see case of Ortega in Nicaragua); or, more fundamental issues: that MCC compact countries with good policies don't necessarily have good institutions, or that countries eligible for MCA are poised for economic takeoff, (answer: that's why you need good collaboration between donors).

Breakouts

Breakout Session: Measuring and Reducing Trade Obstacles in USAID Host Countries

Speaker(s): David Dod, Chad Ford, Ali Kamel

Main Takeaway points:

- The Doing Business Survey is a valuable tool for analyzing specific obstacles to trade. Presentation focused successful projects in Georgia and Egypt.
- The results of the survey revealed that in fact, contrary to popular belief, geography and corruption were not the most important obstacles to growth.
- Since they cause the longest delays, reforms in document preparation, customs and technical control produced the most dramatic impact in improving cross-boarder trade.
- Reducing obstacles for importers is just as important as for exporters in improving the competitiveness of a country's private sector.

Breakout Session: Improving business regulation: the Guillotine and other approaches

Speaker(s): Marc Shiman; Scott Jacobs, Jacobs & Associates

Main Takeaway points:

- The guillotine approach focuses on a systematic and catalytic approach to deregulation. Experience has shown that it is critical to tackle all regulations at once, asking whether regulations are needed, can be streamlined, or should be eliminated. This approach shifts the burden of proof to the regulators -- if a regulation cannot be justified, then it should be eliminated. Also, it is critical that a system be in place to review carefully new regulations, using regulatory impact analysis to require that new regulation be clearly justified. The approach

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involves a high level commitment by political leadership, and full transparency and public information campaign.

- Strong guillotine programs to reduce regulations do not mean that government officials must be laid off -- rather, in most cases, the goal is to dramatically reduce bad regulations and to shift attention to improving useful regulations. Effective regulation is a fundamental responsibility of government -- the objective is to assure that such regulation effectively achieves the desired social objective at the least cost to business compliance as possible. Infrastructure challenges include physical and commercial declines, such as informal privatization, the affect sustainability, and a focus on rebuilding physical infrastructure which is not properly managed or operated due to rampant corruption, weak governance, and bad management.

Breakout Session: “Lighting Africa” – a World Bank initiative

Speaker(s): Mark Gallagher, DAI; Agim Krasniqi, Budget Director, Kosovo MFE

Main Takeaway points:

- According to Fabio Nehme of the Lighting Africa Project, there is a huge market (500 million Africans) for off-grid lighting solutions that can be catered to by suppliers of better quality lighting solutions than the kerosene solutions that dominate much of the market in Africa
- IFC is helping to get this market going by undertaking a set of activities aimed at 1) reducing market entry costs, 2) fostering competition and innovation, and 3) supporting long term market development
- As part of this initiative there will be a Global Off-Grid Lighting Meeting in Accra, Ghana in April 2008

Breakout Session: Doing Business – Sub-national competition Vietnam, Mexico, Brazil

Speaker(s): Helle Weeke and Zenaida Hernandez

Main Takeaway points:

Helle Weeke and Zenaida Hernandez spoke about two indices for spurring sub-national business environment competition.

- Helle Weeke talked about the Provincial Competitiveness Index in Vietnam, implemented by DAI and the Asia Foundation. With events like Vietnam’s accession to the WTO and its hosting of the APEC Summit, PCI was named one of the top 10 economic events last year. Why? Because by measuring economic governance through a series of business perception surveys and hard data, it is highlighting which provinces have better business environments—and this had led to healthy inter-provincial competition...and reform.
- Zenaida Hernandez spoke about the World Bank’s effort to expand the DoingBusiness indicators to the sub-national level. These can both promote competition between regions in a country, and between regions or cities in different countries. She highlighted the case of Mexico, where in 2005, there were two states that had comparable DoingBusiness scores to

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OECD countries. Only one year later, the number of states increased to 5; and reforms were also made in many other provinces.

- A key challenge: how can customize these surveys to make them appropriate to the country context – without compromising their aggregatability?

Breakout Session: The promise and limits of land titling

Speaker(s): John Bruce, World Bank

Discussants: Jolyne Sanjak, MCC & Karol Boudreaux, George Mason

Main Takeaway points:

- John Bruce pointed out that while there is a broad consensus on the importance of property rights and the role of land titling and registration programs in supporting property rights, empirical studies have shown mixed results from such land titling projects. He listed a set of factors that will determine whether such projects will result in benefits and pointed out that it is critical to ask the right questions about the presence of these factors before undertaking such projects
- Jolyne Sanjak clarified that rather than think of “land titling and registration” initiatives, we should think more broadly of “property rights systems,” since property rights include ownership as well as non-ownership user rights. The key for property rights systems is to have a package of interventions in domains of law and policy, institutions and people
- Karol Boudreaux stated that the following key gender issues, among others, must be considered carefully in implementing land titling programs: 1) what gaps are there between de jure and de facto rights of women? 2) do social norms and traditions constrain women’s property rights? 3) do women know of their legal rights with respect to property? And 4) do women have inheritance rights to property as a de facto as well as a de jure right?

Breakout Session: Access to Credit - Beyond banking regulation

Speaker(s): Heywood Fleisig, Center for the Economic Analysis of the Law (CEAL)

Main Takeaway points:

- To strengthen the legal framework for access to credit in developing countries and encourage private lending, we first need to address the primary concern of any private lender: that is, how the lender will get the money back. Both unsecured lending and secured lending can provide avenues for mitigating risk, but the necessary legal and institutional requirements must be in place. In the case of unsecured lending, these requirements include rules and procedures for seizing salary, seizing property, and for creation and management of credit information systems. More attention needs to be paid as well to systems for collections. Secured lending, meanwhile, provides a different path to taking property: i.e., collateral.
- But of course, creating a sound environment for secured lending can be a daunting task. In many of the countries in which USAID and other donors work, even if legal and institutional

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arrangements for secured lending are in place, these are often inconsistent with the legal arrangements for property ownership and possession, with rules and procedures for registering and prioritizing liens, and other factors that affect secured transactions, making enforcement of secured transactions difficult and fraught with problems.

- The bottom line is, if we want our partner countries to achieve the kind of economic growth they are capable of, we need to establish comprehensive legal frameworks that allow private investment to flourish. Solidifying the framework for private lending, both secured and unsecured, is a critical part of this. Accomplishing this requires attention to the panoply of issues from ownership and possession to security interest to bankruptcy procedures that ensure both protection for lenders and borrowers in the lending cycle.

Breakout Session: Workforce Development Programs – South America, Asia, and Haiti

Speaker(s): Caroline Fawcett, EDC & Ron Israel, EDC

Main Takeaway points:

- Although previously part of EGAT, workforce development was shifted to the Education division at USAID. Recently however under the F process, workforce development has been placed back in the Economic Growth.
- Highlighted the demographic pressures in much of the developing world, with more than 50% of the population below 25 years old in much of sub-Saharan Africa for example.
- The speakers challenged participants to think about the benefits and methods to incorporate vocational training and workforce development in EG activities.
- Ron Israel and Caroline Fawcett used the Chile Joven model to highlight some best practice approaches including getting the private and NGO sector more engaged through competitive bidding for programs, vouchers signed by the private sector for internships and memoranda of understanding between associations/training institutions and the private sector.
- Questions included how to manage the trade offs between types of programming and how USAID officers should incorporate workforce development in project design when dealing with a tight budget? Some ideas included using even small funds to leverage larger funding through public private partnerships.

Plenary

Plenary Session: World Development Report 2008 – The Role of Agriculture

Speaker(s): Alain de Janvry, UC Berkeley

Main Takeaway points:

- Alain de Janvry, the co-author of the 2008 World Development Report, called for renewed attention to agriculture, where about 3 billion people work—most of them in extreme poverty. Though 75% of the rural poor work in agriculture, ag receives only 4% of ODA.

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- He reminded the audience that agriculture has been the trigger of growth in many countries: China, India, Vietnam, and Sub-Saharan Africa (since 1995) have had a comparative advantage in agricultural trade.
- The 2008 WDR focuses on agriculture, but this is not just business as usual: it rethinks the relative roles of the state, the market, and civil society. Business and agri-business are being brought into the dialogue; investment climate issues are being reconsidered; new approaches and donor supports are focusing on the rural nonfarm economy, value chains, income diversification, and insurance schemes to mitigate risk.

Plenary Session: Uses and Abuses of Doing Business Indicators

Speaker(s): Wade Channell & Tom Kelly, MCC

Main Takeaway points:

- The session was a discussion by Wade Channell and Tom Kelly reviewing a paper written by Wade that outlined the uses and abuses of the doing business indicators. Wade very charismatically stated his case as to why he strongly endorses the indicators and praised the transparency that they created. Wade then discussed a few of the potential pitfalls of relying too heavily on the indicators. He illustrated this point with a bamboo metaphor, often times countries and donors look only at the stalks neglecting to identify the root causes of the problems.
- Tom Kelly followed with a short review of the key points in Wade's paper: Abuses, potential and impact. Tom stated that reactions to the Doing Business indicators are usually a three step process: denial-numbers are wrong! Anger-you guys shouldn't be doing this to us! It will hurt our image and finally acceptance and willingness to start the discussion of what their country needs to do to improve.
- Rankings don't necessarily reflect the situation on the ground. Must look for root causes.
- Important rhetorical tool to get the discussion going to policy.