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FIAS
Celebrating 30 Years of Partnership

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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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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.

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[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.