

**Review of World Bank Group Support to
Structured Public-Private Dialogue for
Private and Financial Sector Development**

April 2009

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Versioning

This version is adapted from the internal report “Review of World Bank Group Support to Structured Public-Private Dialogue for Private and Financial Sector Development” commissioned by the IFC and released for internal distribution only in March 2009. This present edited version aims to make findings available to public-private dialogue practitioners outside the World Bank Group as well. This present version is dated April 2009.

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Review of World Bank Group Support to Structured Public-Private Dialogue for Private and Financial Sector Development

Executive Summary

1- World Bank Group-sponsored structured dialogue partnerships are implemented in 30 countries¹

“Public Private Dialogue” refers to the structured interaction between the public and private sectors in promoting the right conditions for private sector development, improvements to the business climate, and poverty reduction. It is about stakeholders coming together to define and analyze problems, discuss and agree on specific reforms, and then working to ensure that these ideas become a reality.

World Bank Group (WBG) supported Public Private Dialogue (PPDs) operate in 30 countries and are divided into the following typologies:

- IFC-sponsored Public Private Dialogue initiatives, mostly in Asia and Africa;
- World Bank-sponsored Presidential Investors' Councils in Africa;
- **World Bank-sponsored Convergence Special Project Initiative (SPI) financial sector initiatives, operating in Romania and Albania and now expanding elsewhere;**

Although there are some operational differences, these three platforms typically share a common structure including the operation of Working Groups, a higher level governance body, and an administrative support entity commonly referred to as a Secretariat.

2- Reforms processed through PPD mechanisms span the entire PPD spectrum

PPD activity is highly diverse, with some PPDs focusing on cross-cutting investment climate issues, other PPDs focusing on sector-specific issues, other PPDs addressing both, and pronounced differences by region. The explanation for this diversity in focus is partly due to the fact that PPD activity is driven by country demand, and is fully integrated in the WBG's support for a particular country. In the vast majority of cases, PPDs have been an entry point through which to implement broader and more ambitious programs focused on improving the investment climate..

3- The PPD network can be associated with about 400 reforms and \$400 million in private sector savings in the past 5 years.

PPD has been profoundly useful for the WBG as a tool to facilitate the introduction of several of its reform service packages, and PPD's application has elevated the WBG's credibility as a contributor to and catalyst of reform vis-à-vis governments and investors alike.

In total, WBG supported PPD activity has resulted in the implementation of approximately 400 specific reforms embracing more than 50 distinct areas within the

¹ This study also looked at the World Bank sponsored Payments Systems initiative, which operates in 100 countries worldwide. It was determined, however, that the initiative did not fit into the typology of PPD, given its heavy emphasis on working with the public sector for reform. Therefore, it was decided to leave this initiative out of the review.

financial and private sector development space. However, it should be pointed out that in nearly all cases, while the reform may have been initiated within the PPD, the PPD has not been the sole influence in the reform's implementation. Impact assessments of a fairly limited number of PPDs carried out to date indicate total net benefits generated of over \$400 million USD (private sector savings); this is testimony to the high value for money that investment in PPD can generate. For an investment of between \$100,000 – 200,000 annually per PPD, reforms within some PPDs have fundamentally transformed the investment climate.

The PPD network has also generated a number of less directly quantifiable outcomes. The dialogue process in and of itself has been a positive outcome for the reform process. PPDs have opened communication and advocacy channels where before they did not exist. Government has utilized PPD to improve its own coordination and accountability. Trust between stakeholders and a willingness to engage have emerged in countries with little history or track record of dialogue, or emerging from armed conflict. All of these outcomes are important contributors to development and to nation building.

There does not appear to be one particular PPD typology which has proven to be the most effective; far more important is the approach to planning and delivery of PPD activity. Three particularly influential factors in determining a PPD's success are:

- the political will of Government to make reform happen;
- an efficient and effective Secretariat as the dialogue's "engine"; and
- the selection of Working Group participants.

All of these factors are evident in the high performing PPDs which are found in Vietnam, Cambodia, Laos, Romania, Albania, Uganda, Bangladesh and Liberia. **The fairly new Convergence SPI Program (in Romania and Albania) has delivered substantial quantifiable benefits for the banking sector and the economy.** Much can be attributed to its meticulous approach to Working Group membership, issue selection, development of Secretariat staff, and strong analytical emphasis. Particularly noteworthy are its rigorous approach to hiring and training the Secretariat, an effective transition in the Bank's own support role, introducing a culture of cost/benefit analysis, and precision in planning, documentation and reporting.

4- As country-driven exercises, PPD pose special challenges to implementation teams

PPD poses special challenges in developing countries and/or post conflict environments; it is demanding on people's time, must confront major attitudinal gulfs between Government and the private sector, and is typically undertaken in countries where there are huge institutional capacity shortages, strong political influences, and limited commitment to reform. To make it work requires a real investment in institutions and people. In that context, the capacity of some newly established PPDs to address ambitious reform agendas is an emerging issue.

Success or failure of a PPD depends largely on the way PPD support programs are implemented on the ground by IFC country teams, which are faced with large operational challenges when it come to supporting a PPD on a day to day basis. Four operational factors that appear largely missing across the entire spectrum of country-based PPD activity are:

- consistent use of evidence-based analysis and impact assessment;
- a realistic consideration of government implementation capacity;
- a focus on sub-national level reform; and
- outreach capacity and delivery.

The greater focus within PPD activity in recent years on process, structure and outcome-orientation and M&E is a key advancement. This includes risk mitigation steps and monitoring and evaluation techniques, which are helping to maximize the contribution of PPD to economic reform. Knowledge management has been led by the BEE Business Line of the IFC, which has issued over time a PPD handbook with implementation guidelines, a number of standardized M&E tools, is maintaining a community of practice, and has offered an annual PPD workshop, training and light advisory for the past four years. **The Convergence program has also issued a number of guidelines and tools, with heavy implementation support from HQ, but those have only been deployed for two initiatives so far (although it is expanding).** These are welcomed developments but they call for:

- more coordination;
- a broader reach (with some of the tools possibly made mandatory); and
- a quicker capacity to respond to country demand for advice and guidance.

It is especially urgent that the new evaluation tools put in place by the IFC to measure outputs, outcomes and impacts of PPDs be made more broadly available for use by each PPD activity within the WBG.

As opposed to KM, M&E and advisory support, the diversity in term of PPD funding in the field is not a worry at this point. Funding is locally-driven as it should be, and thus donor funding pool in support of PPD activity is becoming increasingly diverse, particularly in Asia. There appears to be little overlap or duplication among Bank Group sources of PPD support. **In the financial sector, where the risks of duplication are greatest, the expansion of the Convergence SPI Program into countries where the IFC is already engaged in the sector has begun smoothly.**

5- The WBG needs to manage PPD entry and exit strategies carefully

Progress has been slow within several African PPDs in moving from initial scoping to implementation, raising questions about the adequacy of IFC support at the critical initial stages of implementation, including the on-the-ground support of specialists. The transfer of PPD management from IFC consultants to locals needs careful attention, the hiring and training of Secretariats needs to be made more rigorous, and the level of inter-Secretariat experience exchange could be elevated.

Although there is high stakeholder demand for continued IFC brokering of PPD, the WBG is placing increasing emphasis on PPD exit strategies. The ongoing example in Laos underlines the care required by the WBG in disengaging from PPD, in particular the support required as part of the transition to a local host institution, and the risks to the WBG's reputation if this is mishandled. How best to ensure continuation of the "honest broker" function of PPD is a key practical concern of the disengagement issue. **The Build-Operate-Transfer model used by Convergence SPI can work but only to the extent that enough capacity building investment is made early on in the initiative.**

Within PPDs there is some level of WBG support for private sector associations but no consensus within the PPD community about the degree to which this direct support is warranted. A more consistent application of a formal Advocacy Scoping exercise is needed as part of initial PPD groundwork, and the PPD and BMO (Business Membership Organization) Diagnostic Tools put forward by IFC needs to be consistently utilized. A PPD baseline should be requested from any new PPD project.

The real opportunity for PPD within the WBG lies as a set of country-driven initiatives supported by KM offering and technical advisory support to local teams. Such roles should include:

- More systematic scoping as part of PPD groundwork
- Field support to projects in need of design, re-engineering, M&E advice
- Greater investment at the initial implementation stage including capacity building for business membership organizations
- Maintaining and ideally expanding the community of practitioners
- Issuance of operational good practice and better coordinated implementation frameworks
- A redesign of the Evaluation Wheel to ensure appropriate weighting on the most critical factors determining a PPD's success.

Implementation and funding for single PPD initiatives should remain country-based, and focused on:

- Initializing the PPD process
- Funding and staffing the PPD initiative
- Managing the day to day activities of the PPD
- Building the capacity of local institutions and stakeholders
- Linking the PPD to AS and investment opportunities
- Managing exit strategies

Study Objectives and Methodology

The present review focuses on WBG-sponsored platforms for country-level public-private dialogue on financial and private sector development related policy issues, including:

- IFC-sponsored Public Private Dialogue initiatives
- FPD- Africa sponsored Presidential investors' Councils
- **FPD-sponsored Convergence/SPI financial sector initiatives**

The work was organized with the following objectives:

- 1) Inventory and map the current WBG-sponsored initiatives.
- 2) Assess the cost and benefits of such initiatives, including cataloguing their specific and documented achievements, using basic indicators, including but not limited to the number of reforms to which these initiatives significantly contributed.
- 3) Offer a typology of the various modes of engagement and implementation of such initiatives
- 4) Assess their sustainability, including entrance and exit strategies.
- 5) Assess the risks brought upon by those initiatives and what mitigation strategies have been put in place, if any, to manage those risks.
- 6) Assess the level to which these initiatives are coordinated with other WBG activities in the same country, and, at a higher level, coordinated with other development partners' activities in the same country.
- 7) Assess the level of global and regional support and guidance provided to those these initiatives.
- 8) Based on the above, offer recommendations as to how the WBG Management should consider or not supporting these initiatives going further, and what that would entail in term of strategic decisions needed to be taken.

The study was co-financed by IFC's Result Measurement Unit, headed by Geeta Batra, IFC's Business Enabling Environment business line, headed by Pierre Guislain, and IFC's Access to Finance business line, headed by Peer Stein.

The independent evaluator for this study was Malcolm Toland. The overall study was administered by Benjamin Herzberg (WB) with Shalini Sankaranarayan (IFC) covering the financial sector dimension.

The consultant was tasked to perform the following tasks:

- 1) Desk study: Collection and analysis of all internal supporting material as well as external documentation related to the activities of the initiatives under review.
- 2) Interviews with stakeholders: The consultant developed a standardized interview template and conducted interviews with relevant stakeholders.
- 3) Field work: The consultant directly assessed the PPD initiatives in Albania, Uganda and Sierra Leone.
- 4) Report writing: The consultant wrote the report summarizing the findings and recommendations, answering the questions mentioned above and under the editorial guidance of the study coordinators.

The consultant wishes to thank all the interviewees and stakeholders who participated actively or provided information for this study. Firstly to Mr Luigi Passamonti, Head of the World Bank Convergence SPI Program and Ms Ramona Bratu, SPI Regional Operations Director for organizing a visit to Albania to see first hand the SPI Convergence financial sector reform program in action, and for their generous time, ideas and vision. Also to Ms Anuela Ristani and Ms Elona Bollano of the SPI Albania office for arranging the week of meetings and making available SPI documentation. Thanks also goes to Mr James Brew of the IFC for sharing numerous insights gained from his long experience in managing and advising on public private dialogue. The meetings held with Dr Maggie Kigozi and her staff in the Uganda Investment Authority (UIA) provided valuable information on the Uganda Presidential Investors' Roundtable. Other useful ideas, lessons and suggestions emerged from discussions with numerous PPD practitioners around the world including Mr Massimo Cirasino and Mr Mario Guadamillas, Ms Lili Sisombat in Cambodia, Ms Pham Lien Anh in Vietnam, Mr Greg Elms and Mr Luqyan Tamanni in Aceh (Indonesia), Ms Maha Hussein in Pakistan, Mr Roger Handberg and Mr Sayef Qayyum in Nepal, Mr Shihab Ansari Azhar in Bangladesh, Mr Ivan Nimac in the Pacific, and the Africa based contingent of Ms Mary Agboli, Mr Wil Bako Freeman, Mr David Bridgman, Ms Ida Wanendeya, Mr Julien Haarman and Ms Sarah Kitakule. Also an acknowledgment to the numerous stakeholders met in Sierra Leone as part of an earlier review of the Sierra Leone Business Forum, the results of which have been summarised in this analysis.

1 Introduction

This study aims to measure the results and effectiveness of the current stock of country-level Public Private Dialogue (PPD) Forums sponsored by the World Bank Group (WBG) which focus on private sector development and financial sector policy issues. The assessment looks at the different implementation modes used and their associated risks, the degree of coordination with other WBG and development partner activities in the same country, and the level of global and regional support and guidance provided to these initiatives.

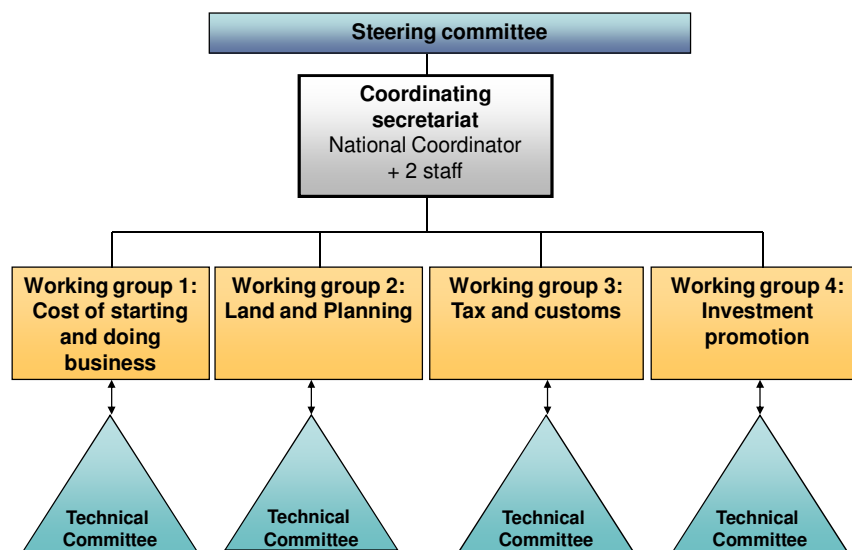
“Public Private Dialogue” refers to the structured interaction between the public and private sectors in promoting the right conditions for private sector development, improvements to the business climate, and poverty reduction. It involves diagnosing, designing, implementing and monitoring reforms. Although dialogue between the government and private sector aimed at improving the investment climate can take many forms, what all these forms have in common is giving formal structure and expression to the common desire of businesses and governments to create conditions in which the private sector can flourish. Their core value is twofold: governments that listen to the private sector are more likely to design credible and workable reforms, while entrepreneurs who understand what a government is trying to achieve with a reform program are more likely to be constructive and supportive. Dialogue helps to reveal to governments the likely micro-economic foundations for growth, but it also creates a sense of ownership of reform programs among the business community which makes policies more likely to succeed in practice.²

A more practical definition of PPD is probably as a “structured mechanism” into which the machinery of government and the private sector are pulled³. It is about public-private sector engagement for designing, enacting and implementing policy reforms, and building trust as a by-product of that engagement. Its formality lies in the establishment of technical discussion fora, known as Working Groups, which meet regularly to hash through issues, problems, and possible solutions and then agree on specific recommendations. A higher level structure known as a Governing Board or Committee or Task Force acts as a conduit through which to validate the efforts of the Working Groups and take the issues to Government to lobby for their implementation. Coordinating all of this activity is an administrative support body commonly referred to as a Secretariat, generally designed as a neutral entity or “honest broker” focused on keeping every actor within the PPD informed, prepared and productive.

² The Public Private Dialogue Handbook: A Toolkit for Business Environment Reformers, by Benjamin Herzberg and Andrew Wright, DFID/World Bank/IFC/OECD.

³ From discussion with Mr James Brew, IFC PPD expert.

Figure 1: Public Private Dialogue: Typical Structure



1.1 Understanding the PPD Dynamic

The operation of a PPD Forum can be misleadingly simple; the truth is that this is awfully hard work, and where progress can often be extremely slow. Identifying and consistently bringing the right people to the table and ensuring a technically rigorous discussion involving a free exchange of ideas requires openness, objectivity, commitment, analytical rigor, trust, communications, information, political acumen, and a genuine belief that change is possible and that stakeholder inputs can actually make a material difference. In countries which have little or no experience with open dialogue or transparent decision making, let alone countries which have just emerged from major conflicts that left behind profound physical, financial, sociological and psychological scars, this is a precious set of commodities. Also precious is the range of skills required in a Secretariat to continually merge people and issues, forge consensus, actively network, avoid political minefields, build trust, and keep decision makers accountable. As Pham Lien Anh, Coordinator of the Vietnam Business Forum says, “you need to use contacts and relations, keep in touch closely with stakeholders, show them good facilitation, and build trust. Only then will they come to you for assistance”. And on top of all of this is the risk of major internal strife, such as in Chad, which can tangibly derail PPD efforts and WBG engagement. James Brew, who has run PPD Forums in Africa and currently advises on them, recalls from his experience that “not everyone wants to do the administrative work. It’s tough to even get people to come to the table; you need to be a little pig-headed to get them to engage”.

What PPD really is about is Change Management. This is reflected in the approaches that parties learn in coming together to define and analyze problems, discuss and agree on specific reforms, and then work to ensure that these ideas become reality. It is heavily process-driven and the success or failure of the PPD often lies in the detailed process through which proposals are elaborated by working groups. Much must be learned, the process can be extremely political, and is demanding on people’s time – both the voluntary time of the private sector and the formal administrative time of

government. PPD typically takes place in environments where massive gulfs between the Government and the private sector in perceptions and attitudes are common, and where there is little consensus, huge institutional capacity shortages, strong political influences, and limited commitment to reform⁴. To make it work requires a constant presence in the early stages and an investment in institutions and in people.

World Bank Group supported Public Private Dialogue (PPDs) can be divided into the following typologies:

- IFC-sponsored Public Private Dialogue initiatives, mostly in Asia and Africa;
- World Bank-sponsored Presidential Investors' Councils in Africa;
- **World Bank-sponsored Convergence Special Project Initiative (SPI) financial sector initiatives, operating in Romania and Albania and now expanding elsewhere.**

IFC-Sponsored Public-Private Dialogue (PPD) initiatives

- 1 Aceh
- 2 Bangladesh
- 3 Belarus
- 4 Cambodia
- 5 Chad
- 6 Cameroun
- 7 Central African Republic
- 8 Ethiopia
- 9 Laos
- 10 Liberia
- 11 Nepal
- 12 Pakistan
- 13 Rwanda
- 14 Sierra Leone
- 15 North Sudan
- 16 South Sudan
- 17 Timor Leste
- 18 Tonga
- 19 Vanuatu
- 20 Vietnam
- 21 Zambia

World Bank-Sponsored Presidential Investors Advisory Councils (PIACs) in Africa

- 22 Mauritania
- 23 Ghana
- 24 Mali
- 25 Benin
- 26 Senegal

⁴ Many of the African countries where the IFC has committed resources to PPD typify this situation. The South Sudan example is particularly stark; Ida Wanendeya, Short Term Consultant for PPD in South Sudan, highlights the almost total absence of structure and systems when the Comprehensive Peace Agreement was signed, the diversity among the wide array of displaced Sudanese returning home, complex tribal dynamics, and the largely underdeveloped private sector together as factors making the implementation of PPD activity daunting. This mix of extreme political, cultural and economic challenges is no doubt a major contributing factor to why the time lag between initial discussions on PPD with government to meaningful delivery of PPD outputs is stretching over 2-3 years and counting.

- 27 Uganda
- 28 Tanzania

World Bank-Sponsored Convergence Special Project Initiative (SPI)

- 29 Romania
- 30 Albania

1.2 Outcomes and Impacts of PPD

In total, Bank supported PPD activity can be associated with the implementation of approximately 400 specific reforms embracing more than 50 distinct areas within the business enabling environment. However, it should be pointed out that in nearly all cases, while the reform may have been initiated within the PPD, the PPD has not been the sole influence in the reform's implementation.

A formal impact assessment carried out on the Mekong PPDs indicated a total measurable economic impact (as expressed by private sector savings from reform with which the PPDs are associated) of \$309.8 million USD, or \$291 of private sector savings for each dollar invested in PPD advisory service by IFC (this number discounts for private sector dollar-equivalent input into the process, which exceeds, yearly, the budgetary input by the IFC)⁵.

The financial sector-focused Convergence SPI platform in Romania and Albania has associated benefits within its first two years of operation in excess of 100 million USD⁶. A multi-stage and participative impact assessment and cost-benefit process was applied to assess the SPI Romania 2007 program⁷. This stakeholder assessment estimated that SPI-sponsored reforms resulted in \$393.6 million in gross additional income, increase in lending volume and equity relief

The clearly positive returns from structured dialogue in these countries as well as in Bangladesh, Liberia, and Uganda are testimony to the high value for money that investment in PPD can generate⁸. For an investment of between \$100,000 – 200,000 annually, reforms emanating from and associated with some of these PPDs have fundamentally transformed the investment climate.

PPD activity can be classified into two distinct categories: the first are the PPDs which have been operating for several years and have reached a level of relative maturity (the Mekong PPDs and some of the Africa PIACs); the second category of PPDs are those which are completely new, and/or still in the process of being organized. This dichotomy

⁵ Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, Result Measurement Unit, April 2007. See details of calculations in Annex 2.

⁶ Much of this impact comes from the SPI Romania Program given its longer duration. The SPI Secretariat's impact assessment addresses income streams (reflected as gross additional income, equal to cost savings plus income from additional lending), increase in lending volume, and equity relief. SPI has also applied a NPV of the estimated future impact of its reforms over a 5 year period. Regarding SPI Albania, the impact of the change in the civil procedural code is estimated to be USD 4m in the first year and USD 24m over 5 years.

⁷ Involving a local expert panel over a two-month period and a two day engagement of approximately 75 experts from 14 banks and 8 public institutions.

⁸ PPDs outside the Mekong are considered by this study to have brought about \$100 million in private sector savings. This estimation is extremely conservative, given that the Mekong PPDs were calculated to have resulted in \$309 million over a sample of 12 reforms. Total private sector savings is hence evaluated at \$400 million over the past five years for all PPDs, but could possibly be two or three times that amount. Unavailability of data drives nonetheless this study to limit benefits at \$400 million.

prevents the carrying out of a rigorous benchmarking analysis of the PPD network. A review of the research shows that new evaluation tools put in place by IFC to measure outputs, outcomes and impacts of PPDs are not yet sufficiently used by each PPD activity. In addition, the two formal independent evaluations (2005 Africa Investors Councils and 2007 Mekong PPDs) need to be complemented by others on a more systematic basis as there is a considerable imbalance in outputs within the PPD network. For instance, the Ghana PIAC had scored many achievements up until 2006 and the Uganda PIAC continues to chalk up successes, but the impact of these efforts have not been adequately quantified; in fact the last time that the PIAC platform as a whole was formally reviewed was nearly 4 years ago.

There are few if any PPDs in what can be considered an “intermediate” stage of operation. The total output from PPD activity to date has therefore been largely concentrated within a fairly small number of PPD initiatives. It is important to note, however, that certain country-specific PPDs within each of the three platforms listed above have all managed at least a moderate level of output, and in general there does not appear to be one particular type of PPD platform that has proven to be most effective. We will see later that it is the approach to delivering the PPD that matters much more than typology.

The diversity of outputs achieved by some of the PPDs is worth highlighting. The Vietnam Business Forum has influenced the achievement of approximately 150 reforms embracing more than 20 themes – an unmatched level of achievement - including taxation, labor, banking and capital markets, technology transfer, import-export procedures and infrastructure. The Cambodia Government-Private Sector Forum has led to about 100 reforms in the past five years. PPD activity in Laos has supported reform in mining, tourism, taxation policy and intellectual property. The Bangladesh Better Business Forum has impacted reforms in skills development, SME taxation and banking, women entrepreneurship and environmental protection. Liberia’s PPD efforts have addressed microfinance and administrative reforms for business start up. Zambia has focused on licensing reform in four sectors so far with more to come. PPD in Uganda has generated reforms in agriculture, mining, energy, ICT and education among other areas, while PPD in Ghana has achieved impacts in land and labour. By itself, the PPD in Cambodia is focusing on approximately 130 different issues within its 8 working groups. This contrasts with Zambia’s singular focus on licensing, and Belarus’ singular focus on administrative procedures.

A comparison of the number of reforms of the various PPDs is presented below. Reforms are defined here as the “number of recommended laws/regulations/amendments/codes enacted”, as well as the “number of recommended procedures/policies/practices that were improved or eliminated”. The table below is conservative. It only includes reforms that have been already fully implemented. It excludes reforms whose implementation is still in progress or only an intention. Results are dependent on the quality of data provided by the respective PPD teams to the evaluator. In some cases, a low reform count might mean that poor information was provided rather than demonstrating poor results.

It must be noted that data collection from some of the PPDs was difficult, particularly in understanding the full range of issues or outcomes that they have influenced and/or the degree to which the reform had been implemented.

| PPD Typology | Year Established | NUMBER OF REFORMS | | | |
|--|------------------|---------------------|----------------------------|-------------------------|--------------------|
| | | High (more than 15) | Moderate (5 – 14 Outcomes) | Marginal (1-5 outcomes) | None (no outcomes) |
| IFC PPD Forums | | | | | |
| Aceh | 2008 | | | | 0 |
| Tonga | 2005 | | | 3 | |
| Vanuatu | 2008 | | | | 0 |
| Timor Leste | 2008 | | | | 0 |
| Nepal | 2008 | | | | 0 |
| Vietnam | 1997 | 150 | | | |
| Cambodia | 1999 | 100 | | | |
| Laos | 2005 | | 6 | | |
| Bangladesh | 2007 | 17 | | | |
| Pakistan | 2008 | | | | 0 |
| Cameroun | 2008 | | | | 0 |
| Central African Rep. | 2007 | | | | 0 |
| Rwanda | N/A | | | | N/A |
| Chad | 2008 | | | | 0 |
| Ethiopia | 2008 | | | | 0 |
| Sierra Leone | 2007 | | | 2 | |
| Liberia | 2007 | 21 | | | |
| Zambia | 2007 | | | 1 | |
| North Sudan | 2007 | | | | 0 |
| South Sudan | 2007 | | | | 0 |
| Belarus | 2007 | | | 1 | |
| | | | | | |
| Presidential Investors Advisory Councils Africa | | | | | |
| Uganda | 2004 | 35 | | | |
| Ghana | 2002 | 18 | | | |
| Mauritania | N/A | | | | N/A |
| Mali | 2004 | | 5 | | |
| Benin | N/A | | | | N/A |
| Senegal | 2002 | | 10 | | |
| Tanzania | 2002 | | 5 | | |
| | | | | | |
| SPI Financial Sector Initiative | | | | | |
| Romania | 2007 | | 10 | | |
| Albania | 2008 | | | 2 | |

Types of Issues Addressed by PPDs

The issues being addressed by PPDs tend to be either cross cutting in nature (i.e. issues which affect the entire private sector regardless of sector or size or location) or

issues affecting individual sectors only. There are several reasons for this divergence, including the local political context, the history of public-private engagement, the degree of influence of the World Bank in the organization of working groups and its stake in particular topics or sectors. What is interesting are the major differences by region in terms of PPD thematic focus:

- PPDs in Asia Pacific countries tend to focus on cross-cutting issues, consistent with broader business enabling environment reform programs;
- PPDs in the Mekong focus almost exclusively on sector specific issues;
- PPDs in Africa (to the extent that Working Groups have been established) tend to focus on both types of issues with somewhat greater emphasis on cross-cutting issues.

The most common sector-specific issues being addressed by PPDs are as follows:

| <u>Sector</u> | <u>Number of Country Specific PPDs</u> |
|----------------|--|
| Financial | 11 |
| Infrastructure | 10 |
| Agriculture | 7 |
| Tourism | 6 |
| Manufacturing | 5 |
| Trade | 5 |

The most common cross-cutting themes (by number of PPDs) are as follows:

| <u>Type of Reform</u> | |
|-------------------------------------|---|
| Licenses, permits, registration | 6 |
| Taxation | 5 |
| Legal and regulatory | 5 |
| Business start up | 4 |
| Administrative procedures/processes | 4 |
| Labour/HR/skills development | 3 |
| Contract enforcement | 2 |

Themes of Working Groups Established and/or Operating, by Country of PPD

| <i>Predominantly Cross Cutting</i> | <i>Combination of Cross Cutting and Sector Specific</i> | <i>Predominantly Sector Specific</i> |
|---|--|---|
| Belarus | Bangladesh | Aceh |
| Cameroun | Ghana | Cambodia |
| Central African Republic | Liberia | Laos |
| Chad | Pakistan | Nepal |
| Senegal | Timor Leste | North Sudan |
| South Sudan | | Vietnam |
| Tonga | | Uganda |
| Vanuatu | | SPI Romania |
| Zambia | | SPI Albania |

Working Group Diversity

| | |
|------------|--------------------------------|
| Aceh | Agribusiness |
| | Tourism |
| | Trade |
| | Regulation |
| | |
| Bangladesh | Business finance |
| | Infrastructure |
| | Business entry and operations |
| | Macroeconomic policy |
| | Skills development |
| | |
| Belarus | Administrative procedures |
| | |
| Cambodia | Law, tax and governance |
| | Export and trade facilitation |
| | Services – banking and finance |
| | Tourism |
| | Manufacturing and SMEs |
| | Agriculture and agribusiness |
| | Energy and infrastructure |
| | Industrial relations |
| | |
| Cameroun | Business registration |
| | Tax administration |
| | Debt recovery |
| | |
| CAR | Business registration |
| | Trade licenses |
| | Operating licenses |
| | SME taxation |
| | |
| Chad | Business entry |
| | Taxation |
| | Enforcement of contracts |
| | Cross border trade |
| | |
| Ghana | Financial sector |
| | Labour |
| | Civil service/customs |
| | Land |
| | Agriculture and agribusiness |
| | |
| Laos | Energy and mines |
| | Services and trade |
| | Manufacturing |
| | Tourism |
| | |
| Liberia | Legal and regulation |
| | Infrastructure |

| | |
|--------------------|----------------------------------|
| | Administrative processes |
| | Institutional development |
| | Trade and export promotion |
| | |
| Nepal | Agriculture |
| | Infrastructure |
| | Manufacturing and exports |
| | Financial services |
| | Tourism |
| | |
| Pakistan | Tax reform |
| | Doing Business indicators |
| | Infrastructure |
| | Agribusiness |
| | |
| Senegal | Administrative procedures |
| | Finance and taxation |
| | Infrastructure, land, production |
| | Human resources |
| | |
| SPI Albania | Financial sector |
| | |
| SPI Romania | Financial sector |
| | |
| Sudan North | Agriculture and livestock |
| | Banking and finance |
| | Construction and transport |
| | Commerce and trade |
| | Law and governance |
| | Manufacturing/industry |
| | SMEs |
| | |
| Sudan South | Financial sector |
| | Tax policy and administration |
| | Infrastructure |
| | Land |
| | Skills development |
| | Legal and regulatory |
| | |
| Timor Leste | Administrative barriers |
| | Financial services |
| | |
| Tonga | Business start up |
| | Licenses, permits, inspections |
| | Immigration |
| | Fisheries |
| | |
| Uganda | ICT |
| | Agriculture |

| | |
|---------|--------------------------------|
| | Education |
| | Infrastructure |
| | Regulatory environment |
| | Tourism |
| | Mining |
| | |
| Vanuatu | Business start up |
| | Contract enforcement |
| | Investment law and promotion |
| | Labour |
| | |
| Vietnam | Banking |
| | Capital markets |
| | Manufacturing and distribution |
| | Infrastructure |
| | Tourism |
| | Education and training |
| | Mining |
| | |
| Zambia | Licensing |

The explanation for this diversity in focus is partly due to the role and position of PPD within the WBG’s support for a particular country. In the vast majority of cases, PPDs have been a tool, or an entry point, through which to implement (and ideally make more credible) broader and more ambitious donor/Bank programs focused on improving the investment climate. PPDs have also served as a window of opportunity through which the World Bank Group is able to promote and implement a range of its investment climate reform “products”, including the Doing Business Indicators, the WB’s Financial and Private Sector Development (FPD) products, or IFC’s Better Business Environment (BEE) Business Line products, such as regulatory simplification, industry-specific BEE products or trade logistic ones, and the IFC’s Access to Finance (A2F) Business Line products such as microfinance, credit bureaus and secured transactions. Several PPDs (including Timor Leste, Tonga, Liberia and Cameroun) acknowledged the value of utilizing PPD to support IFC’s broader work programs. As one person interviewed put it, “IFC’s strength lies in its ability to combine its horizontal cross-cutting PPD expertise and its vertical BEE product-specific expertise”.

There are several exceptions to this model, including: (i) the dominance of sector issues within the Mekong PPDs; (ii) the movement away from a donor-driven agenda within the Sierra Leone Business Forum; (iii) the efforts in Timor Leste and Southern Sudan, as well as Romania and Albania to ensuring full local stakeholder control over defining and prioritizing issues; and (iv) the emergence of a sector-specific agenda in Nepal. The principle being followed here is to let the market decide.

But even in the PPDs not cited here, there is always emphasis on local ownership and local decision process to determine the working group structure. However, since PPD is not always the entry point to the private sector program in the country, but often a tool put in place to facilitate the implementation of such program, the PPD structure tends to follow the lines of the pre-existing WBG program in countries where they exist. A PPD can for instance be proposed to government and private sector actors as a means to

engage on concrete proposals to reform the areas pointed to by the Doing Business Report. In such a case, the Working Group structure is likely to follow the lines of the Doing Business indicators, and those of the BEE Business Line (Business Entry, Business Operation, SME Taxation, Trade Logistics, etc.).

There are benefits to the fact that the agenda is somewhat mapped to BEE products. These reform areas are the early quick wins, and such issues can be addressed at a relatively low cost by governments (which is why they are BEE products in the first place). Wil Bako Freeman, who coordinates the Liberia Better Business Forum, explains that “the Doing Business indicators survey is a key driver and source of low hanging fruit”. Experience in many countries shows that regulatory reforms start off well with issues such as business entry and operation, because it has direct impact on the population, can be executed relatively rapidly, is more consensual, and generates momentum for other issues. Of course, the ability of the IFC to provide advisory service to PPD Working Groups will only happen if IFC has that product expertise, but that does not mean that no other working groups are created.

An issue here is not so much the dynamics influencing the choice of issues but how extensive is the range of initial issues identified and whether there is adequate capacity to take on such large menus, especially in countries with little or no policy dialogue legacy. Several of the newer PPDs have set out ambitious agendas. In Cameroun, tax reform and business start up are to be two of the three issues to be addressed at the outset. The North Sudan PPD calls for up to 7 Working Groups to be created. The Zambian experience with licensing reform – specifically the major level of effort expended to date to move licensing reform only partially forward (and with an extremely ambitious planned agenda extending beyond licensing) - highlights the challenges in tackling cross cutting issues. It also raises the question as to whether PPDs would be better off by focusing to a greater degree on sector specific issues as starting points – given the successful track record of the sector approach in the Mekong countries, Uganda and Romania.

1.3 “Soft” Outcomes of PPD

The PPD network has also generated a number of “soft” outcomes, which although difficult to quantify, have been significant as contributors to economic reform as well as nation building. The dialogue process is seen in and of itself as a positive outcome for the reform process since they did not exist before in several of the countries where PPDs are now operating successfully. PPDs have opened communication and advocacy channels where they did not exist before, as well as expanding pre-existing channels to new groups, allowing reform issues to be considered, accelerated and successfully processed by governments. In each country Government uses the PPD to improve its own communication, coordination and internal accountability. These are important achievements in post-conflict environments, where levels of trust and willingness to jointly engage on reform of any kind have been low or nonexistent. The demand driven establishment of PPDs in several countries is a reflection of this commitment, as is the effort of stakeholders to jointly engage in strife-torn and volatile countries such as Southern Sudan, or in countries like Tonga with no prior history of PPD. The willingness of the private sector in Lao to publicly voice its concerns, for example, is a remarkable development in a country where this type of behavior has been considered either risky or culturally inappropriate.

These so-called soft outputs are best illustrated by the way they sometime manifest themselves, such as in the following examples:

- The PPD Forum in Cambodia having achieved a status equal to a Cabinet meeting.
- The development in Sierra Leone, for the first time, of a genuine willingness to engage in economic reform dialogue among public and private stakeholders.
- The commitment of the Government and the private sector in the Central African Republic to co-fund the PPD.
- The development of a Code of Practice for the PPD Secretariat in North Sudan.
- **The rapid transition to local management and financial ownership of the SPI financial sector reform initiative in Romania.**
- **The introduction, within the SPI Program, of RIA as a standard analytical tool.**
- The embedding of the work of the Presidential Investors Advisory Council in Uganda into government decision making through establishment of a PIAC monitoring committee chaired by the Prime Minister.
- The intention of the Chamber of Commerce to take over management of PPD in Chad.
- The direct links established in Vietnam, Cambodia, Uganda and Nepal with donor PSD activities.
- **The surveys of banks conducted by the SPI Romania initiative.**
- The innovative outreach and information campaigns being implemented in Liberia and Zambia, and the extent of documentation and reporting in Zambia about licensing reform.
- The annual survey of SMEs undertaken each year in Vietnam.

2 PPDs: Organization and Operation

2.1 PPD Platforms

The various modes of engagement and implementation of PPD can be presented as follows:

2.1.1 IFC-sponsored Public Private Dialogue

The format of IFC-supported PPDs is similar - structured dialogue between the public and private sector involving mechanisms for both high-level engagement (a Forum which meets on average every 6 months) as well as technical engagement (Working Groups, typically composed of representatives of both the public and private sectors). All activity is coordinated by an operational group commonly known as a Secretariat.

Among IFC-supported PPDs, some variances in structure can be found:

- *Formation* - Some PPDs have been created by Presidential Decrees, while others have been established on the basis of MoUs signed by participating parties including the IFC.
- *Oversight* – the main oversight body can either be a large populated “Forum”, or a smaller number of senior officials within a “Task Force” or “Governing Board”. The main difference among these bodies is the degree to which they openly advocate to Government for implementation of the reforms recommended.
- *Working Groups* - In the more mature PPDs, Working Groups (WGs) are supported by Sub Groups as way of breaking down an issue into more detailed components, and/or Private Sector Working Groups which allow the private sector its own space to develop its positions in advance of joint sessions. In the less mature structures, joint WGs have not yet been created or do not meet regularly.
- *Location* – the location of the Secretariat varies; it is often within a specific Government Ministry, but can also be within a private sector institution such as a Chamber of Commerce, directly within IFC offices, or independently. In Bangladesh, the plan is to establish a separate Secretariat for each Working Group.
- *Government Coordination* - A small number of PPDs have within their structure a Government Coordinating Unit to act as liaison within Government to promote reforms.

2.1.2 World Bank-supported Presidential Investors’ Advisory Councils (PIACs)

Presidential Investor Advisory Councils, which are based in Africa, were initially established in 2002 and now operate in 7 African countries. The main purpose behind the establishment of the Councils was to enable presidents and governments to engage in dialogue with experienced business leaders in identifying obstacles to investment, generating recommendations for concrete action, and reinforcing and accelerating ongoing policy reforms to improve the overall investment climate. The Councils are comprised of prominent business leaders and are chaired by each country’s President. PIACs were established in response to requests from government leaders to provide a direct channel of dialogue between investors and political leaders at the highest level, to

bring to bear the perspective of international investors together with the knowledge of local business and government leaders.

Like other PPD platforms, PIACs are also centered around a Forum, Working Groups and a Secretariat. However, efforts are guided and strongly influenced by the direct involvement of the country's President, and the representation of the private sector is much smaller, concentrated on a small number of business leaders both local and international.

2.1.3 The World Bank-supported Convergence Special Projects Initiative (SPI) Program

Launched in 2005 by the World Bank with support from Italy's Ministry of Economy and Finance, the Convergence Program SPI focuses on financial sector modernization⁹ through structured dialogue centered on micro regulatory financial sector reforms. It retains the common PPD structure of a Secretariat, Working Groups and a higher level oversight body.¹⁰

Under a "BOT" concept (Build-Operate-Transfer), the aim of Convergence SPI is to help authorities and market participants set up a partnership (SPI Platform) to prepare micro-regulatory reform proposals based on "Better Regulation" analytical methods. The idea is that local public and private stakeholders decide the program, including the scope of activities to address and the engagement of international consultants, and where unanimous agreement is required for all actions. Local stakeholders are also responsible for SPI's sustainability; the plan is for local stakeholders to take operational and financial responsibility for the SPI Platform after a two-year Convergence Program involvement.

SPI was initially launched in Romania and became operational there in September 2006. Within a space of 15 months it was responsible for the full implementation of 10 reforms, either legislative action initiated by the Cabinet or by MoF, or self-regulatory decisions endorsed by the Romanian Bankers Association (RBA). By early 2008 SPI Romania was fully owned by local institutions and nearly 100% financed by them. The Convergence Program's mandate, renewed in December 2007, ends in 2009. SPI has since been launched in Albania (early 2008), is about to receive a mandate to start a Moldovan operation, is in discussions with the European Banking Federation to operate SPI Platforms in Eastern Europe, and is launching SPI Bangladesh, SPI Nepal and SPI Sri Lanka.

2.2 PPDs: The Impact of Structure on Performance

2.2.1 The Evaluation Wheel

The PPD Handbook uses a tool called the "Evaluation Wheel" to visually evaluate different aspects of a PPD. The Wheel addresses all 12 elements of the PPD Charter¹¹ considered as essential contributors to an effective PPD process, and is a

⁹ Financial sector modernization is defined as the process of financial innovation and organizational improvements in the financial system which: (i) reduce asymmetric information; (ii) increase the completeness of markets; (iii) increase opportunities for agents to engage in financial transactions; (iv) reduce transaction costs and (v) increase competition.

¹⁰ In December 2008 this reviewer spent one week in Albania to assess the SPI Albania financial sector reform program.

¹¹ Charter of Good Practice in Using Public Private Dialogue for Private Sector Development, from the International Workshop on Public Private Dialogue.

tool that measures how well the Secretariat is performing tasks along the 12 key processes:

1. Assessing the **optimal mandate** and relationship with existing institutions
2. Deciding who should participate and under what **structure**
3. Identifying the **right champions** and helping them to push for reform
4. Engaging the **right facilitator**
5. Choosing and reaching **target outputs**
6. Devising a **communication and outreach strategy**
7. Elaborating a **monitoring and evaluation framework**
8. Considering the potential for dialogue on a **sub-national level**
9. Making **sector-specific dialogue** work
10. Identifying opportunities for dialogue to play an **international role**
11. Recognizing the specificities and **potential of dialogue in post-conflict** or crisis environments
12. Finding the best role for **development partners** (aka donors)

For each of the 12 aspects, a score between 1 and 10 is derived from indicators (each aspect has 2 indicators, each with 2 data points, with a total of 24 indicators) and presented on the Wheel¹². If a PPD were to have mostly high scores (i.e. near 10) for all the aspects, the resulting Wheel depicted on the grid would be almost fully formed. In contrast, a PPD with several low scores would have several gaps or significant empty space depicted. This approach can help instantly spot possible problem areas or aspects of a PPD which can be strengthened. The Evaluation Wheel also allows for quick comparisons between PPDs, and for the PPD community as a whole can be a valuable aid in tracking PPD dynamics over time.

The total score for a given PPD only reflects the effectiveness of the processes put in place by the secretariat, and does not reflect on the result of the PPD in terms of reform impact. However, there is a strong correlation between the organizational effectiveness of the secretariat and the results achieved by a PPD.

It is important to note that the evaluation wheels were produced for this report based on desk study and remote interviews for the most part. Hence the ratings are estimations and are given in an indicative fashion. A more thorough analysis of each PPD would be warranted if more accurate ratings were sought after.

¹² The M&E framework for PPD and the Wheel excel-based tool, with detailed indicators, can be downloaded at <http://www.publicprivatedialogue.org/>

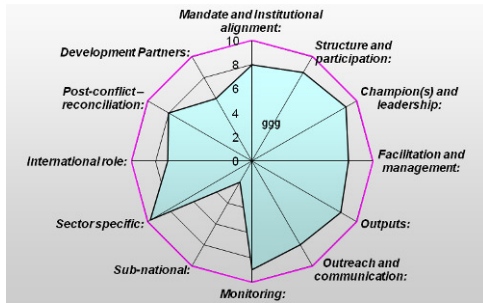
The order of performance of the PPDs in terms of average score for the 12 indicators is as follows:

| Country | Year Established | Total Score | Average Score |
|--------------------|------------------|--------------|---------------|
| Cambodia | 1999 | 94.50 | 7.88 |
| Vietnam | 1997 | 91.75 | 7.65 |
| SPI Romania | 2007 | 89.25 | 7.44 |
| Laos | 2005 | 88.75 | 7.40 |
| SPI Albania | 2008 | 88.63 | 7.39 |
| Uganda | 2004 | 81.25 | 6.77 |
| Liberia | 2007 | 78.00 | 6.50 |
| Bangladesh | 2007 | 75.00 | 6.25 |
| Ghana | 2002 | 72.00 | 6.00 |
| Pakistan | 2008 | 65.50 | 5.46 |
| Zambia | 2007 | 64.75 | 5.40 |
| Belarus | 2007 | 64.25 | 5.35 |
| Sierra Leone | 2007 | 60.50 | 5.04 |
| Chad | 2008 | 58.50 | 4.88 |
| Tonga | 2005 | 58.25 | 4.85 |
| Vanuatu | 2008 | 57.75 | 4.81 |
| Aceh | 2008 | 55.50 | 4.63 |
| Timor Leste | 2008 | 50.25 | 4.19 |
| South Sudan | 2007 | 39.50 | 3.29 |
| CAR | 2007 | 38.75 | 3.23 |
| North Sudan | 2007 | 37.75 | 3.15 |
| Nepal | 2008 | 37.25 | 3.10 |
| Cameroun | 2008 | 34.75 | 2.90 |
| Ethiopia | 2008 | 31.25 | 2.60 |

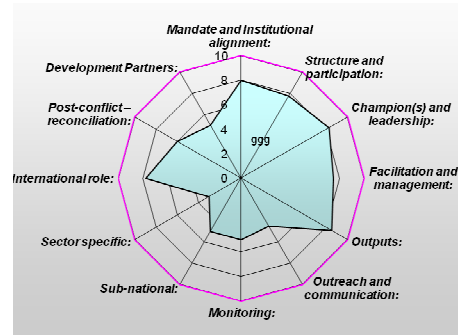
The Evaluation Wheels as developed are presented below. Only 24 wheels were developed due to lack of data availability for a number of PPDs under scope.

High Performers

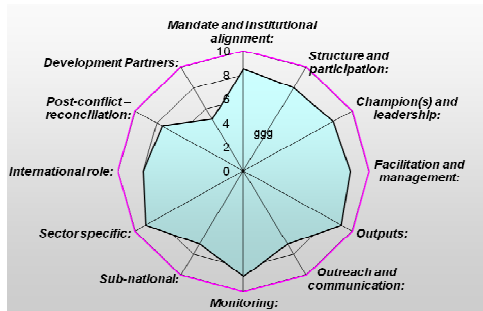
VIETNAM



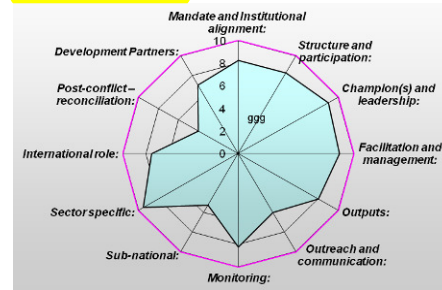
BANGLADESH



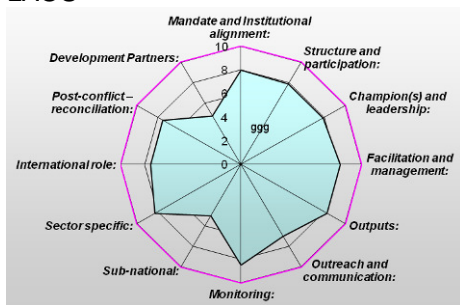
CAMBODIA



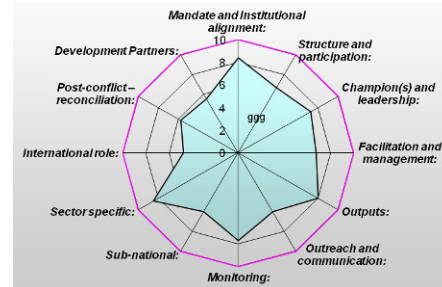
SPI ROMANIA



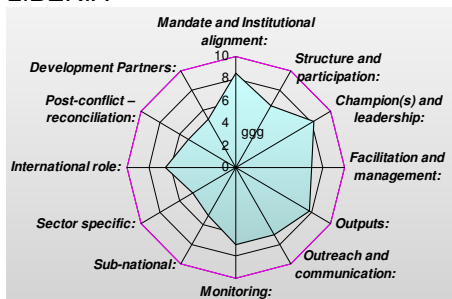
LAOS



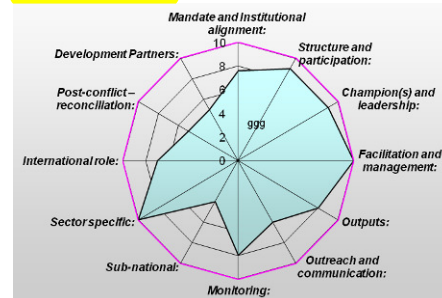
UGANDA



LIBERIA

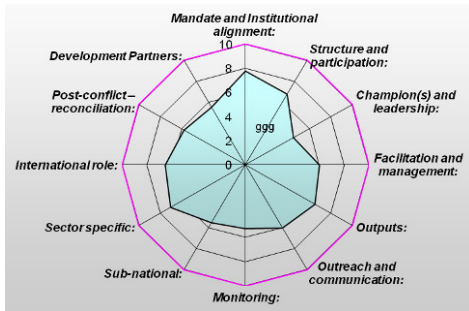


SPI ALBANIA

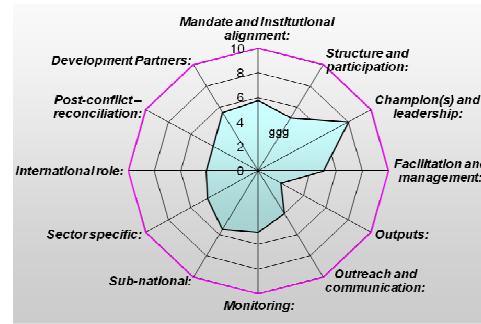


Medium Performers

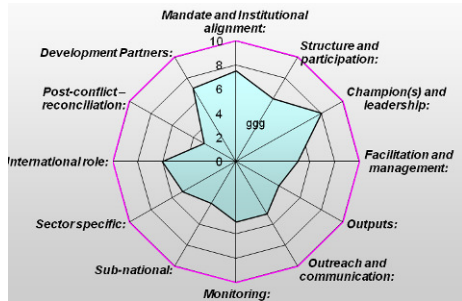
GHANA PIAC



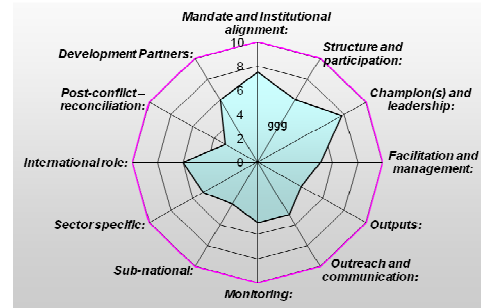
TONGA



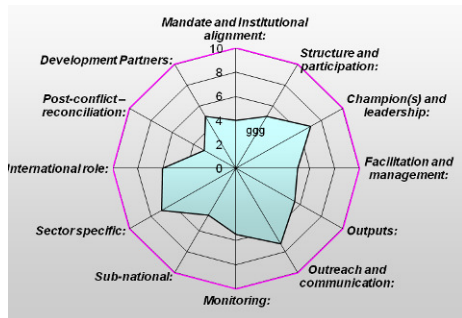
PAKISTAN



BELARUS

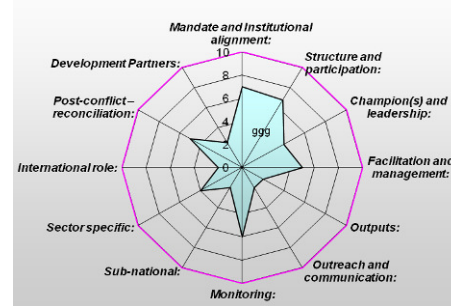


ZAMBIA

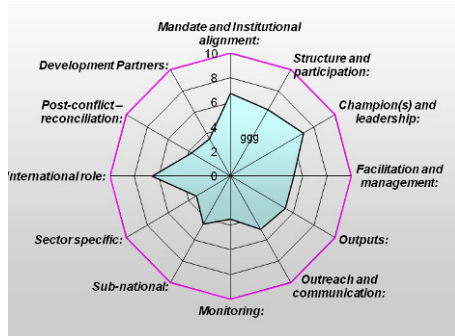


Low Performers

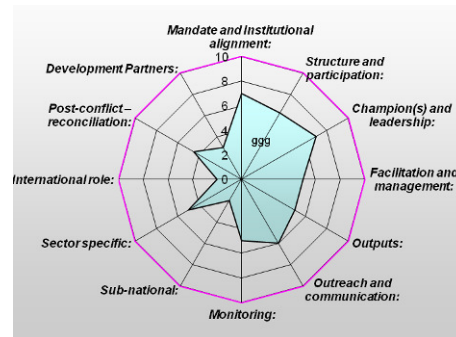
TIMOR LESTE



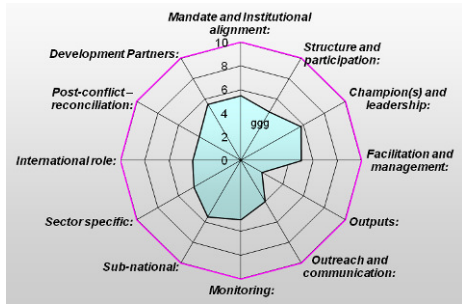
SIERRA LEONE



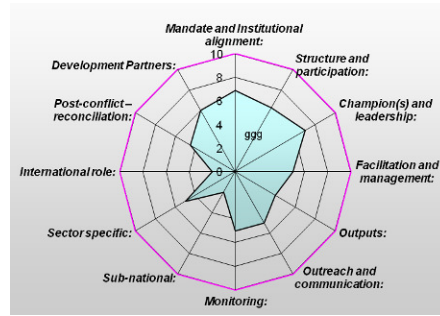
VANUATU



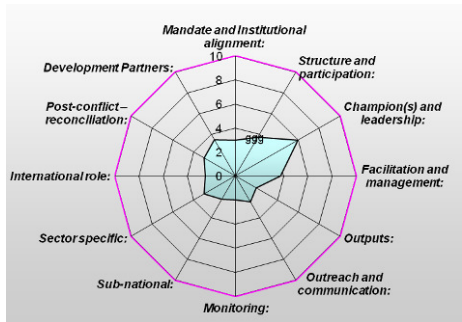
ACEH



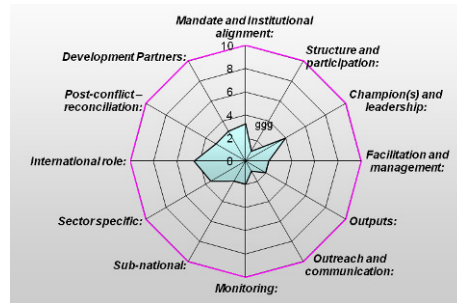
CHAD



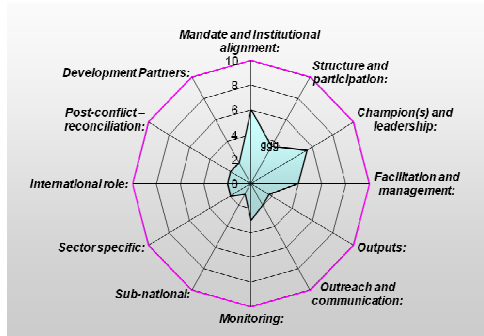
NEPAL



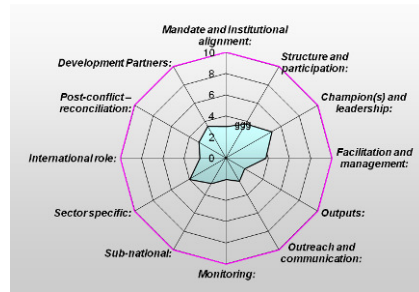
ETHIOPIA



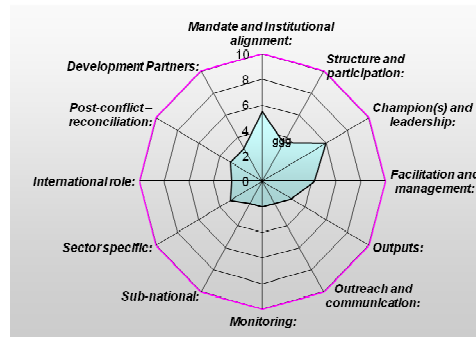
CAMEROON



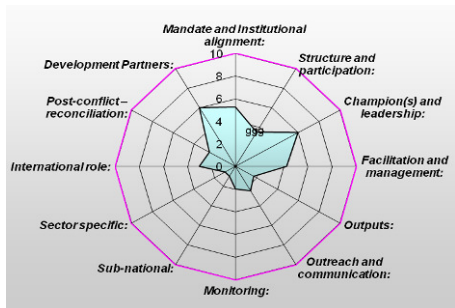
NORTH SUDAN



SOUTH SUDAN



CENTRAL AFRICAN REPUBLIC



The wheels above demonstrate the much greater focus within PPDs in recent years on process, structure and outcome-orientation which is a significant step forward. The classical “model” structure of a PPD – a combination of technical working groups, a Secretariat and a high level governance or oversight structure – appears to have a long future life. The acknowledgement by the Bank of the risks associated with supporting PPD – and the risk mitigation steps it has introduced (in particular the Evaluation Wheel, the litany of available best practice material, and the increasing emphasis it is placing on M&E frameworks) are all important steps which will add rigor to PPD efforts for years to come. As a result of these analytical tools, the specific impact of PPD Forums is becoming more readily visible. This is important, given the debate currently underway within the World Bank Group about the degree to which funding of PPD should be linked to measurable impacts.

The 12 aspects of a PPD which are displayed on the Wheel can be narrowed into three particularly influential factors in determining a PPD’s success:

- the political will of Government to make reform happen;
- an efficient and effective Secretariat as the dialogue’s “engine”; i.e. to operationalise that willingness; and
- ensuring the right people – those genuinely committed to reform – populate the Working Groups.

The section of the Report below will flesh out examples of each of these critical factors. As a general recommendation, the Report will recommend that greater weighting be placed on these three factors in measuring a PPD’s performance.

All three of these factors are strongly evident within the most productive PPDs – in Vietnam, Cambodia, Laos, Bangladesh, Liberia, Romania, Albania and Uganda. For example, Wil Bako Freeman (Coordinator of the Liberia Better Business Forum) points to “the way in which the Government of Liberia has embraced the concepts of ‘change’ and ‘reform’ both philosophically and operationally (the latter evidenced by the establishment of a Business Reform Committee at Cabinet) has strongly impacted the LLBF’s outputs”. The treatment of PPD Forum meetings in Cambodia as the equivalent of Cabinet-level interactions, and the Committee established in Uganda and chaired by the Prime Minister to monitor PIAC activities demonstrate a clear trend – that a Government’s “champion” role is much more meaningful if institutional structures have been set up linking PPD with the regular business of the public sector. As Lili Sisombat, PPD Coordinator in Cambodia reports, “ownership of PPD by the Government, including the direct involvement of the Prime Minister and the Minister of Finance, has created a situation where the PPD Forum has become a part of Government machinery, and now all Government mechanisms are aggregating around it”.

With Government seen to be on board, this has made it easier for the private sector to engage as well. As one IFC representative in East Asia put it, “In Bangladesh, the “BICF Inside” model, where we supported the process without overt branding, has worked extremely well. This may not be the case in other countries, where IFC may have to visibly drive the process themselves. There is therefore no “one size fits all” model that can be applied to IFC’s support to PPDs - what is more important is getting the right local ownership at the appropriate senior levels within both the public and private sectors”.

2.2.2 Convergence SPI: Confirming the Essentials

The impressive achievements of the Convergence SPI Program in Romania (and now Albania) in its initial phase of operation have produced substantial quantifiable benefits for the banking sector and the economy in those countries. From SPI Romania's first full year of operations, total additional loan volume arising from SPI reforms has been estimated at 236 million EUR, while total cost savings to banks and consumers have been estimated at 73 million EUR. Specific examples of SPI Romania reforms and their impacts are as follows:

- Expansion of positive credit information sharing – a potential increase of EUR 130 million in lending volume;
- Rural lending reforms – estimated additional annual lending of EUR 104 million;
- Anti Money Laundering Law - EUR 11 mln/year net benefits for the banking community;
- Electronic Processing of Debit Instruments - EUR 30 mln/year net benefits for banks.

From SPI Albania, reforms of the civil procedure code to improve auction procedures for immovable collateral under foreclosure have produced the following impacts:

- Reduction in the time for foreclosure of immovable collateral by 120 working days, increasing thus efficiency of the enforcement process
- Improvement of the Albania's rank in the World Bank Doing Business Contract Enforcement section by seven places.
- Benefits or cost savings for the creditor will be achieved through the increased debt recovery ratio and the earlier usage of "frozen" funds i.e. bad loans under foreclosure. In an annual basis these benefits amount to 5 - 7% of banks' operational expenses depending on the recovery moment (in the first or in the second auction).

The Convergence SPI Program is still young and relatively untested, and arguably has been introduced in countries (and sectors) which can be considered relatively more "ripe" for reform. In Albania, the previous track record of cooperation between financial sector authorities and the banking sector, the strong international banking sector presence, and the lure of EU integration – probably gives SPI Albania a "head start" over other PPD Forums, making comparisons somewhat difficult. Indeed, SPI probably needs to be further tested before any sort of comprehensive evaluation is made. That test is coming in 2009, with more ambitious initiatives now being addressed in Eastern Europe and its expansion as a platform into Asia.

Nevertheless, SPI performance to date along with the achievement of numerous "soft" outputs such as a fundamental transformation in the way that dialogue is carried out - demonstrates that much can be mined from focus on a single sector and where a broad and robust project selection process is in place. As Luigi Passamonti (Head of the Convergence Program) says, "it also underlines the impacts achievable through adherence to a meticulous approach to Working Group membership, issue selection, a rigorous training program for Secretariat staff, and a strong analytical emphasis".

Below are some of the most noteworthy aspects of Convergence SPI:

- SPI's rigorous approach to hiring, training and monitoring a Secretariat is revelatory; this includes dividing the role of the Secretariat into 5 distinct phases for each issue being addressed to better appreciate the changing dynamic of the Secretariat's work over time.
- Its efforts to introduce a culture of Regulatory Impact Assessment/cost benefit analysis is a unique accomplishment within the PPD pantheon.

- The enormously high productivity of the SPI Secretariats.¹³
- The strict guidance provided to the Secretariat by the regional Convergence Program, allowing Convergence to move away from direct operational engagement to quality control in less than 6 months.
- Development of an Operations Manual describing the roles of each SPI actor and the process to be used for moving issues forward.
- An initial focus on “low hanging fruit”, i.e. on issues of interest to local stakeholders and/or where previous reform efforts have already been made.
- Creation of the “Project Owner” position – as a bridge between the high level Committee and the Working Groups.
- The balanced criteria used to prioritize reforms, focusing on: (i) time frame; (ii) impact, and (iii) balance among activity areas
- The level of documentation - of issues, analysis and progress, and the degree of standardization of all key Forum documents (Operations Manual, reporting, project Terms of Reference, Project Scoping documents, meeting minutes).
- Easily accessible information to explain the SPI initiative, including a Handbook on “How to Launch and Run an SPI Platform to Support Financial Sector Modernisation, and the availability of all key documents on CD ROM.
- A clear and convincing presentation of achievements and quantifiable impacts.
- The attention to internal planning and the quality and consistency of external reporting, including monthly updates, an annual report, and a Web Site.
- Innovative steps taken to ensure effective local engagement and high impact outputs. These include:
 - Questionnaires disseminated to identify potential projects
 - Letters of invitation to individuals to join PWGs
 - A Problem Scoping document developed for each project
 - Internal lessons learned sessions involving Working Group management teams
 - Thank you letters to Project Working Group members from the SPI Committee, acknowledging their efforts
 - A rigorous recruitment process for the Secretariat, including all-day interviews, joint interviews with qualified candidates who were not interested in the job (as a way of building team dynamics), and the inclusion of teamwork exercises (analysis, recommendations, advocacy)
 - Hands-on management support by the Head of Convergence in the initial stages. This included 95% of each morning working with them - over Skype and through emails, a detailed task-by-task weekly planning of activities, combined with monthly planning and SPI Committee preparation planning.¹⁴

¹³ In just 6 months, the SPI Albania Secretariat has carried out the following: Drafting of Committee Operating Guidelines; Interviews with banks and authorities; Development of Background Notes & Drafted ToRs for specific issues; Relationship building with other international institutions; Designed and finalized Website layout and regularly updating it; Development of SPI Identity/logo; Organization of Project Working Group (PWG) meetings; Organization of Committee meetings; Participation in local and international meetings and conferences; Organization of advocacy meetings in support of specific reforms; Developed, disseminated and analysed findings from questionnaires; Information collection from other government entities; Development of background notes on international experience; Compiled draft list of regulations impacted by first SPI project; Organized presentation by Italian Association of Banks; Information dissemination to all PWG members; Development of Scoping of the Problem document for all initiatives; Carrying out RIA; Organised seminars and training on RIA; Designing and administering questionnaires to banks in support of specific prioritized issues; Regularly briefing PMT and Committee; Drafted invitation letters to individuals for participation in PWGs; Drafted letters for POs to send in support of reforms; Summarized/aggregated PWG members' inputs and drafted their recommendations; Collected illustrative examples of banks' difficulties with bailiff's office; Sent documents to relevant authorities; Screened proposals to sponsor a national research study; Created document describing complete cycle of mortgage creation; Preparation of information packages for Committee meetings; Prepared and delivered internal lessons learned session for all PMTs.

¹⁴ Through this intensive management support, one of the original Romania SPI Secretariat staff (who is now the Convergence Regional Manager) is now able to manage SPI Albania (at distance from Bucharest) with full autonomy regarding operations.

- The RIA tool has become an accepted analytical standard in the banking community; the Bank of Albania's development of its own RIA tool plus its delivery of RIA training in the region demonstrates the degree of buy in.
- The transition to local ownership in Albania is being actively addressed even at this early stage. This includes research on institutional options, written proposals submitted to the AAB, and discussions with individual banks about their financial support. The planned hiring of a General Manager within the Secretariat (by early 2009) to oversee this transfer, and the signing of a MoU with Tirana University in January 2009 (to ensure logistical and analytical support) are steps being taken to reinforce local sustainability. The SPI Regional Operations Director will transfer management and analytical knowledge until June 2009. The June 2008 Note on Incorporation of SPI Albania as legal entity addressed: (i) role of the Central Bank and possible restrictions; (ii) Board representation; (iii) scope of the new entity's mandate; and (iv) sources of financial support.
- An emerging regional SPI talent pool and management capacity.

2.2.3 PIACs: Risks and Rewards

The performance of the Africa based Presidential Investor Advisory Councils (PIACs) is testimony to both the risks and opportunities which PPD offers. On the one hand, the impact can be startling as in Uganda, where the PIAC is strongly supported by a country President, where the PPD's mandate has become embedded into the Government decision-making process, and where SMEs and local business associations are engaged. The Uganda example over the period 2006-2008 contrasts starkly with Ghana¹⁵, and demonstrates the stagnation that can result when a President loses interest and frequent changes take place at the top echelons in Government. The essence of the PIAC structure – involving relatively few members of the private sector - also raises the more challenging question of whether a focus on a broad magnitude of reform can coexist with deep and broad-based local engagement, and whether a PIAC's existence will stand in the way of the emergence of indigenous advocacy capacity in the private sector. The Uganda PIAC, fortunately, has demonstrated that these outcomes are possible to a degree, and for this and other reasons deserves closer study.¹⁶ The Senegal PIAC also appears to be very productive and operates effectively, although more information is needed to substantiate this claim.

The April 2005 World Bank review¹⁷ cited PIACs as the most effective, credible and visible PPD mechanism in all 5 African countries where they were then operating. The report stated that their value added was the strong positive impact in fast tracking existing reform proposals (as opposed to new proposals), largely because they operated in an atmosphere of discipline and pressure for action – thanks in great part to direct Presidential involvement - that no other PPD had come close to being able to match. Other positive observations of note in the 2005 review included:

- (i) the motivation of Government and private sector representatives selected to participate;
- (ii) the emphasis on sector-specific reforms;
- (iii) the advantages of being hosted by entities closely aligned to the Office of the President;
- (iv) effective issues tracking systems and Action Plan matrices; and

¹⁵ The Ghana GIAC scores relatively highly on the Evaluation Wheel used as part of this analysis based on its overall level of performance since inception. However, from early 2006 to late 2008 not a single PIAC Forum was held, which has damaged its momentum and impacted relations with stakeholders.

¹⁶ Except for the PIACs in Ghana and Uganda, it was difficult to obtain information on the PIACs.

¹⁷ Presidential Investors' Advisory Councils in Africa: Impact Assessment Study, May 2005

(v) the organizing and coordinating skills of Secretariats.

The 2005 review also found little evidence of capture by the large firms which tended to dominate from the private sector, and concluded that PIACs fill a vacuum by compensating for limited government understanding of private sector issues and policy making, and a lack of capacity in private sector BMOs and think tanks.

However, the 2005 Report cited a number of challenges associated with PIAC operations, the most significant being limited Government implementation capacity of Council decisions. The role of donors was also criticized; they were cited as being largely invisible during Council proceedings and providing little in the way of technical, research and analytical capacity. A third major issue cited was the limited representation from the private sector – essentially PIACs are dominated by representatives from a fairly small number of large firms, with the debate over whether to include more SMEs in PIAC structures still unresolved and the role and impact of local business associations unclear. A fourth issue highlighted was the gap in the use of analysis to support proposals and decisions. The Report concluded by stating there was no direct link between PIAC achievements and increases in the levels of investment.

Key recommendations from the 2005 Report included the following:

- Pilot specific reforms through Councils then incorporate into the work programs of Ministries.
- Support capacity building in private sector research and policy analysis.
- Regular review and realignment of Council membership.
- Local BMOs must be consulted.
- Secretariats should be anchored in local bodies with clout, access to the President, and credibility with key Government Ministries.
- World Bank should participate more directly in the Council deliberations, and should leverage its data (Entreprise Surveys, Doing Business indicators) and advisory services thru the Councils. Specific Bank support could include: research, consultancy expertise, surveys and focus groups (to engage SMEs more) as well as training for the Secretariat and sharing of lessons learned.
- Need clear and achievable action plans with reliable follow up and monitoring mechanisms.
- Council expansion should be clearly defined, not duplicating, and limited in duration.
- Diffusion of knowledge and good practices from the Councils should be integrated into regulatory improvement exercises to be undertaken by Governments.
- Build advocacy capacity of BMOs as a more sustainable long-term solution.

Recent PIAC Evaluations: Ghana and Uganda

A recent review of the Ghana Investors Advisory Council¹⁸ highlights the risks of the lack of engagement of a country's President, frequent changes at the Cabinet decision-making level, and the failure to embed the PIAC mandate at an operational level within Government. The fact that the GIAC stopped meeting from April 2006 to late 2008 - a period of over 2 1/2 years – (due to the unavailability of the President and frequent changes at the Ministerial level) highlights the potential fragility of this PPD typology. Although a number of notable “hard” and “soft” outputs have been achieved by the GIAC (including an increase in FDI by several times over the period during which GIAC has been operating), a mountain of unfinished business remains, including (arguably) a much more difficult set of reforms such as land reform, infrastructure and agricultural reform. Government bureaucracy and capacity were cited as major reasons for

¹⁸ Evaluation of the Ghana Investors' Advisory Council, Abena D. Oduro, Department of Economics, University of Ghana, October 2008.

implementation delays, communication to members about these delays was considered subpar, and a number of logistical and organizational issues were highlighted as needing improvement, including:

- More consistent use of tracking mechanisms;
- More consistent follow up of recommendations;
- Setting more precise implementation targets and timelines within all of the WGs;
- Having in place a more standardized format for operations.

Specific concerns were as follows:

- The continuing lack of emphasis on certain sustainable foundations for developing country reform, namely:
 - Inadequate attention to Government implementation capacity.
 - Limited degree of evidence-based analysis underpinning the discussion and the consideration of reform proposals, and the absence of impact assessment to measure the impact of reforms approved.
 - Lack of representation of the local private sector in Council deliberations.
 - Lack of concrete evidence that participation in the GIAC has positively impacted the work patterns and outputs within both the public and private sectors represented. This includes the advocacy capacity of BMOs.
 - Limited attention to self-sustainability of the PIAC platform.
- After 6 years of operation, the amount of remaining work still facing the GIAC is daunting. It raises the question as to whether the original spirit of the PIACs – namely, top focus on a small number of areas – is being abused – and whether enough thought was given to defining what is a reasonable amount of input and output to expect from this PPD vehicle.
- The organizational and logistical weaknesses cited within the GIAC raises questions about how best to sustain capacity within a Secretariat, whether a greater investment in training is required at the outset, and whether more frequent and comprehensive monitoring of a PPD Secretariat is required over time.
- The fact that the October 2008 review was carried out for the GIAC three and a half years after the previous review (and in which there was a 30 month gap between Council meetings) – also raises questions about the adequacy of PIAC oversight.

Update: Uganda Presidential Investors' Roundtable (PIRT)

The Uganda Presidential Investors Roundtable is a top level Business Advisory Council which was launched by H.E. the President on 30 September 2004. Each Working Group is chaired by a prominent businessperson for two years. The Uganda PIRT has scored numerous achievements in each of the areas where it is operating, including ICT, agriculture, education, infrastructure, and the regulatory environment. Not only has the Ugandan PIRT maintained its pace of activity since 2005, but it has actually expanded its mandate and embedded itself firmly within the decision-making structure so that the engagement of the President is now less critical to success. Noteworthy achievements include:

- A PIRT Cabinet Implementation Committee has been formally established, chaired by the Prime Minister, and is responsible for ensuring Government follows through in implementing PIRT recommendations.
- The participating private sector extends beyond the “typical” domination of a small number of big business leaders to SMEs and BMOs. The two leading business membership organizations in the country participate actively in PIRT deliberations and engage regularly with the PIRT Secretariat.

- A direct link between PIRT and donors has been established – after every PIRT Forum meeting, the UIA meets with the donor community to present what has transpired. This has influenced how and where donor support for PSD is allocated.
- Renewal is the norm - every 2 years, there is a complete change in the membership of the Technical Working Groups, as well as changes in the themes being pursued.
- The work is focused largely on sectors, not on cross-cutting investment climate themes. The UIA took a pragmatic view to link the PIRT with the development plans of the country including key growth sectors.
- The documentation trail about the PIRT's activities and achievements is very comprehensive.
- The annual cost to the World Bank of running the PIRT, at \$100,000, is low by any standard, especially in comparison to the results achieved. Although World Bank support is now ending, the UIA intends to make the PIRT's continuation their "number one priority" as part of their annual request for Government assistance.

The success of the Uganda PIRT reinforces the importance of the following key ingredients for PPD success:

- (i) Government's commitment to reform and having in place a sufficient number of champions to make this happen;
- (ii) ensuring the right people are selected to participate at the Working Group level, that is, including those willing to devote the required time to make change happen;
- (iii) an effective and efficient Secretariat which is located in the right institution (Ugandan Investment Authority, or UIA) and which is closely supervised;
- (iv) adequate attention placed on follow up with Government, including the utilization of tracking mechanisms, and embedding its work institutionally; and
- (v) a focus on sector-specific reform themes.

Potential concerns with the Uganda PIRT of relevance to the wider PPD network are as follows:

- An ever expanding mandate and hence increasing logistical pressure on the PPD and implementation pressure on Government.
- Limited use of RIA or impact assessment or analytical support of any kind; in its place is a reliance on the technical knowledge of Working Group members.
- The fact that the Uganda PIRT has never been formally evaluated since its early days nearly four years ago. This includes no attempt to measure the impact of its efforts on the investment climate; no attempt to link its efforts with changes in the actual level of FDI in the country; and providing it with few opportunities to engage with other PIACs or other PPD Forums to share ideas and experiences.

2.2.4 IFC-Supported PPD: Struggle in responding adequately to local demand

As impressive as IFC-supported PPD performance been in Asia, its performance in Africa has been much less stellar. While dynamics associated with WBG support of PPD (see Section 3) is a contributing factor to this Africa conundrum, the operational problems unearthed earlier this year as part of a detailed review of the Sierra Leone Business Forum (SLBF) – in particular, poor communication, misaligned stakeholder expectations, an underperforming Secretariat and a mixed level of interest from Government - should serve as warning to other Africa PPDs whose gestation began at the same time (2006-2007) about the perils of ignoring certain good PPD operating practices.

Missing Fundamentals: IFC-supported PPDs are locally driven by government and private sector demand and by the capacity of local IFC offices to respond adequately to such demand, to the extent that it fits IFC’s strategic objectives in a region. Hence, success or failure of a PPD depends largely on the way PPD support programs are implemented on the ground by IFC country teams. While the support on PPD provided from IFC HQ addresses some needs of the country teams in term of framework, KM, and M&E, the local IFC team are still faced with large operational challenges when it come to supporting a PPD on a day to day basis. In reviewing these operational fundamentals, this Report found that there are four operational factors that appear largely missing across the entire spectrum of country-based PPD activity. These are:

- (i) inadequate use of evidence based analysis and impact assessment;
- (ii) a realistic consideration of government implementation capacity;
- (iii) little evidence of PPD processes extending beyond the national level;
- (iv) outreach capacity and delivery.

Government implementation capacity was cited as a major constraint within the PIAC platform in the 2005 evaluation, and reinforced in the evaluation of the Ghana PIAC in 2008. The widening mandate of the Uganda PIAC will place greater pressure on Government’s ability to turn the PIAC’s recommendations into reality. The Cameroun PPD has assumed that “the Government will proceed with implementation of the Forum’s recommendations”; the Lao PPD Forum admits that implementation capacity is still a big issue affecting the Intellectual Property Law and Tourism Law. Although the Bangladesh Better Business Forum rigorously follows up with decision makers on the implementation status of recommendations, what is unclear within most PPDs is the degree to which implementation capacity issues are addressed as part of PPD Working Groups and higher level governance bodies, both in evaluating reform options as well as agreeing solutions. A lesson from the principles of regulatory best practice – and a major reason why reform measures tend to succeed - is to address implementation and enforcement capacity as early as possible in the reform discussion.¹⁹

Although many PPDs are too immature to be expected to adopt formal **analytical or impact assessment techniques** (impeded in part because many PPDs operate in countries with limited baseline data about the economy), the paucity of effort or intended effort in this area – including within many of the more successful PPDs - is discouraging, given the long term sustainable benefits to Government decision making that an evidence based analytical foundation provides. The continuing absence of analytical capacity within the participating private sector is a particular concern. In the relatively successful Bangladesh Better Business Forum, Mr Shihab Ansari Azhar comments on this weakness, saying that “some PPD

¹⁹ One recommendation from the PIAC 2005 evaluation was for PIACs themselves to take on government implementation capacity as an issue.

recommendations are too general and cannot easily be implemented. There is a need for more desk research and expert advisory service support to develop more concrete recommendations and implementation plans”.

An exception here is the formal Regulatory Impact Assessment (RIA) training provided within the SPI Program, and its application of RIA to all SPI reform proposals. While admittedly still a challenge for the SPI Program’s Working Groups in Albania, the adoption of RIA by the Bank of Albania and its participation in the delivery of RIA in the region are encouraging signs that RIA can indeed be embedded within PPDs as a decision making tool.²⁰

PPD remains largely a ***national level phenomenon***, dominated by national institutions and stakeholders. It has not trickled down to the provincial or local level in any meaningful or systematic way – including within the relatively advanced Mekong PPDs (the 2008-2011 planned IFC support for PPD in Cambodia includes a PPD push to the regions, but this Forum has been running for nearly 10 years). With many influences on PSD in developing or post-conflict countries emanating from the provinces or regions, this gap represents a missed opportunity for PPD and a sense that it has not yet come full circle.

Outreach activity to inform the wider business community and general public about PPD continues to be insufficient. However there are some successful outreach campaigns in place that the PPD network can learn from. They include:

- The efforts in Zambia to promote and inform about licensing reform;
- The intention of the Liberia Better Business Forum to conduct a survey to gauge the level of its name recognition;
- In Bangladesh, the IFC Business Investment Climate Facility (BICF)’s communication efforts about the BBBF and its achievements.²¹

Revisiting the Formal Evaluation of the Mekong PPDs: Progress? A yardstick against which PPD progress should be compared are the key recommendations from the 2007 formal evaluations of the Mekong PPDs (Vietnam, Cambodia and Laos). These recommendations included:

- Generalizing the practice of developing branded position papers;
- Improving the coordination of donor PSD programs with the PPDs (with only a limited amount of AS having been injected into the PPDs up until the time of the review);
- Addressing deficiencies in marketing and communications;
- Paying much greater attention to M&E.

On paper at least, the newly created PPDs appear to be taking the M&E function seriously, although the regular use of impact analysis as an analytical support tool is not yet widespread, and branded position papers are not yet a common output. PPD efforts in Liberia and Zambia

²⁰ For more information about SPI’s analytical approach, please see: <http://www.spi-albania.eu/en/2008-program/improving-auction-procedures-for-immovable-collateral-under-foreclosure> and <http://www.spi-albania.eu/en/2008-program/the-impact-on-the-banking-regulation-of-the-ifrs-implementation/> for examples about analytical outputs.

²¹ The IFC’s outreach support to the Bangladesh Better Business Initiative (BBBI) is an interesting example. IFC research in September 2008 showed that only about 2 percent of the general public, and less than a fourth of opinion leaders, had heard about the BBBF. However, after a message testing exercise with both positive and negative messages about the BBBF, there has been a significant shift toward approval of the forum. Approval for the BBBF and RRC jumped to 79 percent among the public, while approval among opinion leaders jumped to 90 percent. IFC Communications support has included development of a website, the development and implementation of a communications campaign on business reforms, media coverage of BBBF events, achievements and activities and other support.

have introduced creative approaches to marketing and communications, and Uganda, Vietnam, Cambodia and Nepal are taking concrete steps to link PPD activity with donors' PSD agendas. However, technical assistance is still not being extensively relied upon.

3 How PPDs are Supported by the WBG

The following table presents some of the funding and implementation dynamics of the various PPDs:

| Type of PPD | Cost | Funding | How Implemented | Types of Support |
|----------------------------------|---|---|---|---|
| <i>IFC-Supported PPDs</i> | Average annual cost of between 100-200k | IFC locally More evidence of pooled donor trust support among PPDs in Asia | 100% locally Supported by local teams | HQ support: - Heavy KM - Light advisory on 100% cross-support basis |
| <i>PIACs</i> | 100k average annual cost | Integrated into larger WB programs | 100% locally | Local WB team Little HQ support: no KM, no tools, no M&E framework |
| <i>Convergence SPI</i> | Average annual cost approx 200k | WB FPD in HQ | By both HQ and Local (local staff paid by HQ) | Heavy HQ implementation support HQ KM |

There are significant differences in the types and level of global or regional support provided to the various PPD platforms:

- IFC PPDs are implemented 100% locally; headquarters provides heavy Knowledge Management support and light advisory support (only geared at design, re-engineering or M&E).
- PIACs are also implemented 100% locally (i.e. the local WB team); there is little or no headquarters' support and coordination (no Knowledge Management, tools or M&E).
- Convergence SPI includes the involvement of both headquarters and local WBG teams (the latter being paid by headquarters); there is heavy headquarters implementation support particularly at start up.

3.1 Funding Diversity

The funding pool in support of PPD activity is becoming increasingly diverse within the donor community, particularly in Asia. This demonstrates good region-driven demand for PPDs, which are thus funded regionally. Multi Donor Pooled Trust Funds play a key role in countries such as South Sudan, Zambia, Timor Leste, Aceh, Tonga, Nepal, Pakistan, Lao, Vietnam, Chad and elsewhere. Bilateral support (either within the pooled trust fund model or separately) is coming from AusAID, NZAID for the Pacific PPDs, with Cambodia PPD attracting the support of USAID as a result of deliberately linking with the PSD donor working group operating in that country. Pakistan PPD activity is in part supported by Denmark, the Government of Luxembourg supports PPD in Lao, PPD work in Cambodia actually ran for three years at the outset without any donor support at all, while donor support for PPD in Vietnam has shifted from IFC and Danida in its early years to CIDA and the Netherlands in the middle years, and now from several sources through a pooled donor trust fund.

There appears to be little overlap or duplication among Bank Group sources of PPD support. What could be a potential for overlap support is financial sector reform, given: (i) the financial sector has been prioritized by several PPDs; (ii) the IFC's Access to Finance Advisory Services Group has completed over 230 financial sector reform projects in more than 90 countries, worth over \$310 million USD; and (iii) **the emergence of the SPI financial sector micro regulatory initiative which is expanding into countries such as Bangladesh and Nepal where the IFC is already been active in financial sector reform.** A closer look shows little cause for concern. SPI Bangladesh is to complement the Bangladesh Better Business Forum by adding an analytical capacity component to what is essentially a discussion and consensus-building forum. **In Albania, SPI has stopped its direct involvement in property appraisal reform since IFC Albania is also involved in this effort; SPI has in fact offered to IFC its infrastructure to support the IFC-led project²². The SPI platform is meant to facilitate, support and deliver cost-efficiencies to IFC Access to Finance advisory projects even though it is not tied to it.**

3.2 Role of the WBG

The WBG has played a significant role in supporting PPDs, from establishing PPDs as conduits through which to implement broader WBG investment climate reform agendas through to staffing and running Secretariats itself. The WBG possesses expertise in the establishment and operation of PPDs, and the role of a few Bank consultants, with numerous years of field experience in running PPD Forums, to advise and assist in different countries is invaluable. But those individuals are extremely scarce and this study will argue that an investment in a larger pool of such talent is needed. To focus PPD on issues commonly associated with improving the business environment, such as business operation reform, is a practical way in which to maximize gains from this IFC expertise, given the overwhelming evidence of the value of such reforms in improving the investment climate.

However, there are some concerns:

²² A memo from the IFC Albania office to SPI Albania reflects this spirit of cooperation, as follows: "Dear Ramona, First, I would like to thank you for your cooperation in regards to the Albanian's Evaluation of Properties Standards. IFC team is really looking forward to this project, as it values its great and vital role into Housing Market in Albania. As per our conversation we agreed on: (i) a couple of changes that will be made to the letter send to SPI Committee; (ii) one person from your team will be part of IFC working group in regards to this project. We are open to exchange information on the project as the IFC group meetings happen".

- Progress has been very slow within several African PPDs in moving from initial scoping to implementation. Although the barriers to achieving effective dialogue are numerous, this slow pace of progress is troubling, and raises questions about the adequacy of IFC resources provided to make the needed investments in institutions and people as part of this preparatory stage of PPD activity.²³ The Zambia PPD experience is particularly frustrating; beyond its good initial work on licensing reform (which however still has a long ways to go), there has been little or no progress in establishing a more broad-based PPD Forum. The absence of a regular IFC person on the ground to catalyze this is most unfortunate given the abundant lessons in organizing dialogue in Zambia around licensing reform. Another example is the case of the Central African Republic, where a good initial start was hampered by the time it took IFC to place someone on the ground to follow the process and oversee the use of funds. This was amplified by the dramatic lack of resources at the government level, which made the IFC resources to run basic forum activities very much needed by forum participants.
- Some of the problems identified within the Sierra Leone Business Forum (SLBF) in 2008 could be linked with the quality of WBG support. These included an inadequate presence of IFC staff in country as part of providing strategic and operational support, and the limited amount of advisory service provided on substantive issues discussed within the SLBF, including analytical support.

The Bank may be under-investing at the critical initial stage of implementation.

The intention to formally launch the South Sudan PPD Forum in January 2009 - without having achieved any outputs or having even hired and trained a Secretariat – is unfortunate, as was the original planned timing of the Sierra Leone Business Forum launch in 2008, and which is why talk of a formal launch of the Cameroon PPD seems far too premature. Representatives in Aceh acknowledge that their own PPD launch – recently completed – could have achieved more. Any pressure being exerted by the WBG to conduct such events should be reconsidered. While a launch can sometimes serve as a catalytic event to bring people together, this is not the kind of activity that should be pushed on to PPDs until demonstrable initial outputs have been achieved.

3.2.1 Hiring, Staffing and Implementation Issues

- Capacity – this refers to the balance between local versus international staff within a PPD Secretariat. This paper is not recommending one approach or the other. The fact that certain PPDs have struggled with the choices made to manage their Secretariats is not the issue: what is important is that as rigorous an approach as possible be used to hire and train local staff (the benefits of this approach are underlined within the SPI platform). For the many PPDs currently staffed by IFC consultants and which intend to transition to local management in Year 2 or 3, it is crucial that the designated local replacement be totally engaged at a high technical level in all PPD activities as early as possible, an adequate transition period be put in place, and the WBG presence be maintained through capacity building, distance monitoring, and possibly funding. It also goes without saying that local government and private sector actors shall be full partners

²³ The current situation is typified by the description of the PPD effort in Sudan: “Although almost one year old this program is still in its early phase. The ownership of the initiative exists but mandate and alignment still need to be resolved. Capacity in Sudan is high and the apex Chamber will likely take it forward as long as the process can become well instituted and the structure strengthened”. The question is when precisely this Forum will move to its next stage.

of IFC or WB in such transition of Secretariat activities from IFC or WB to a local host institution.

- Although it is common within PPDs to develop ToRs for Secretariat staff, the interview process in some cases appears thin (based on a single panel interview of shortlisted candidates), while more creative and revealing interview techniques such as simulation exercises are utilized only within the SPI Program. The good practice of involving stakeholders in some of the interviews so as to get their buy-in in the hiring of a candidate is also not generalized.
- Once staff are in place, the training they receive – if they receive any at all - is not standardized and sometimes not intensive enough. As one PPD practitioner in Asia commented, “there is lots of oversight but the weakness is that we do not have a formal training program for the person that matters most”. While the PPD Workshops/deep dives organized annually by IFC since 2006 represent a unique occasion for PPD staff to get trained and exposed to implementation framework and guidelines, such training workshops are not mandatory for PPD staff. Without the incentive of these workshops to be mandatory, it is up to the WBG local team to dedicate budgetary resources to send their PPD staff to get trained at the PPD Workshop. Given the crucial importance of the Secretariat in ensuring effective PPD, it would appear prudent for Management to devote the appropriate resources to nurturing its PPD staff by making sure they are exposed to the PPD implementation guidelines and tools on a regular basis. Pham Lien Anh, Coordinator of the Vietnam Business Forum suggests that as part of this training special emphasis be placed on how to organize Working Groups and how to ensure they are productive.
- The annual PPD workshops are good but not sufficient, and could even be complemented by regional training, or along the lines of the “planning days” for the Asia Pacific countries, which Ivan Nimac of IFC says is an opportunity for PPD representatives to meet together in Sydney.
- This extends to cultivation of a “PPD talent pool” to provide regular guidance and direct engagement in a number of PPDs simultaneously. The role currently being played by Mr James Brew in Africa, for example, could be extended to establishing a team of similarly experienced individuals providing implementation guidance to local PPD teams. As Mr Luqyan Tamanni (IFC Operations Analyst for East Asia and Pacific in the Banda Aceh office) says, “there is a need both for formal training of a Secretariat as well as more upfront hands on help in how to run a Secretariat”.
- The continuity of Secretariat’ oversight by the Bank should be more closely reviewed. This is not to say that a locally run Secretariat must be kept on a short leash; it is saying that the transition to local ownership must be managed carefully so that the Bank can continue to advise the Secretariat as needed, particularly in the areas of planning, reporting and Working Group management. The Vietnam and Cambodia PPDs – the two longest running – have long insisted that managing Working Groups is an art as opposed to a science, requiring great care and skill. A proactive rapid fire online response capability may be one approach for the WBG to ensure a smooth handover while retaining input over time.
- It appears that the level of inter-Secretariat experience exchange could be elevated - some field practitioners are calling for more opportunities for Secretariat staff to

exchange PPD experiences directly, including visits and secondments to other Secretariats. It is good to note in that context that the 2009 PPD Workshop will be global with representation from about 20 countries, as opposed to the Africa focus only of the 2007 and 2008 PPD Workshops.

3.3 Exit Strategies for the WBG

The development and application of PPD exit strategies is accelerating, but overall this factor is still a work in progress. This subject – also referred to as ‘local ownership’ or ‘self sustainability’ – is perhaps the most timely and controversial issue facing PPDs at the moment and deserves closer scrutiny.²⁴

Firstly, this Report is not pointing to a lack of attention to this issue within the PPD community. There are in fact several country-specific efforts underway to transform PPDs into locally owned and managed processes and/or institutions. These include:

- Led by Mary Agboli, Liberia has floated the possibility of creating an independent entity and is waiting for a similar process to progress further in Sierra Leone;
- Bangladesh has begun to address the issue of local ownership;
- In Chad and Cameroun, PPD will be transferred as a service within the Chamber of Commerce;
- The PIAC in Uganda will become an activity within the organization hosting the PIAC Secretariat;
- In CAR the plan is to help a local institution that pre-existed the IFC intervention to conduct the dialogue.
- In Vietnam, the local business associations are running the dialogue on their own, with IFC having a very mild coordination activity. However, the VBF is now carrying out a strategic review of its future status.
- In Pakistan, all WBG support is geared to building local private sector advocacy capacity.

Secondly, a clarification is in order. The issue of local ownership as addressed in this report refers primarily to the running and financing (and even the physical location) of the coordinating function (which is sometimes brokered or run by IFC). It does not refer to either: (i) the substantive work done by local stakeholders in their working groups - which has already been achieved by numerous PPDs currently operating (and which has proven to be critical success factor in a PPD's performance); or (ii) the championing of PPD by Government, which is also evident within several existing PPDs and also strongly linked to PPD performance. Because of this broad Government support plus significant local engagement at the Working Group level, many PPDs – despite a heavy IFC role – are perceived as largely local initiatives anyway. As the Cambodia PPD Coordinator says, “in the mind of the public, PPD is not an IFC Project”. This is an important accomplishment.

With regard to ownership and management of the coordinating function, there are two schools of thought:

²⁴ The issue of a PPD's desired longevity has spurred an interesting debate. As James Brew says, “maybe PPD could be better if it focuses on short term tactical dialogue, quick wins, and then gets out”.

- (i) the first school says that a continually heavy WBG role is pre-empting the full transfer of ownership of the dialogue process to local actors, which in a development sense may not be in the long-term best interests of the country.
- (ii) the second school of thought is more practical. It acknowledges the tremendous payoff possible from regularly investing a modest amount of resources into PPDs which continue to produce the kind of outputs such as in the Mekong, as well as the necessity for a third party “honest broker”. There is often a stakeholder demand for IFC brokering such as in Vietnam, in Aceh, and in many other places. The gap between public and private sector in certain countries can be huge, combined with a history of bad governance, and private sector willingness to participate is often there only because a third party is ensuring by its presence the fairness and relative effectiveness of the process. This is true also in the Kyrgyz Republic, Tajikistan, Georgia, Mongolia and Armenia, where the European Bank for Reconstruction and Development (EBRD) is sponsoring PIACs. EBRD entered at the demand of local stakeholders, who were demanding that an established international partner broker the arrangements, which was the only way to make sure that the process was fair and transparent. It is also common for private sector actors to be afraid to talk directly to government because of fear of retaliation. And therefore a third party (in this case the IFC or the WB) can enable the private sector to actually speak up, since their voice is translated by the intermediary of that third party, and then bundled into specific reform proposals. There is then greater willingness from investors to expose themselves. The example of Laos is constructive; it took only 2 forums for the substantive lead transition from foreign investors to local investors, demonstrating that local investors were first in watching mode to see if it was safe or not to speak out, and then decided that after the first results this was indeed safe, and then unleashed their complaints. Without the IFC being there, it would have meant reverting to local cultural factors which go against speaking out. This is an example of a strong case for IFC involvement as honest broker – but not as a local institution. There are arrangements that can be made for IFC to provide support to a local institution, resisting the temptation to build a new institution, which often ends up only adding more burden to an existing poor institutional framework.

The issue here is not whether the IFC is needed as an honest broker as much as *how* it plays that role, and *how well* it plays that role. There are different models:

- 1) IFC supporting a local institution that conducts the dialogue process. Such is the case in Tajikistan, or in Belarus. It is also the case in Central African Republic. That institution that is supported can be either private (Pakistan) or public (FIAC in Belarus) or semi public-private (CAR).
- 2) the IFC plays the role of the Secretariat for the private sector (Cambodia, Vietnam, etc.) where there is a well-funded public-sector Secretariat, and the private sector asks the IFC to do the coordination between the different business associations because the chamber of commerce is not well positioned to fulfill that role.
- 3) the IFC runs the entire PPD.

The transition of a PPD to local ownership carries clear risks and requires careful planning. Early commitments by local actors in the Central African Republic to financially support the PPD have not been fully delivered and this has created a major gap in program delivery.

The risks of local ownership are real and must, where possible, be managed. But local ownership is not at all about productivity; rather it is about local choice and local decisions that the WBG needs to be able to support without disagreement.

Within SPI Albania, the transition to local ownership is being actively addressed at an early stage. This includes undertaking research on institutional options, and formally discussing written proposals with targeted local “owners” including the potential for gaining their financial support. The planned hiring of a General Manager within the Secretariat (by early 2009) to oversee this transfer, and the signing of a MoU with Tirana University (to ensure a supply of logistical and analytical support) are steps being taken to reinforce local sustainability. The June 2008 Note on Incorporation of SPI Albania as legal entity addressed: (i) role of the Central Bank and possible restrictions; (ii) Board representation; (iii) scope of the new entity’s mandate; and (iv) sources of financial support.

Current efforts in Sierra Leone to transition to a locally “owned” Governing Board are in progress. They are based on an assessment which identified a strong but underutilized local talent pool among the public and private sectors.

Concerns expressed by some private sector representatives in Lao about the inadequate attention given to building the capacity of the new PPD Forum’s Secretariat highlight some of the risks in transitioning from PPD. This example also suggests that “localizing” a PPD includes more than the hiring of an individual, and that local conditions and context must always be taken into account. Following the emergence of these concerns, the IFC in Lao PDR took a number of steps in February 2009, including the formation of a transition steering committee including representatives of the private sector, the government and the IFC, tasked with drafting a transition plan to be vetted by all stakeholders, and to implement that plan over a two year period. These steps were agreed upon with the private sector as a joint strategy.

More broadly, the WBG potential disengagement from a PPD raises another question: As Greg Elms, IFC Operations Officer in Aceh asks, how to ensure a neutral local facilitator and continuation of the “honest broker” function? This is an important success factor for PPDs. Many Secretariats are currently housed within Government ministries. This can create intentional or unintentional bias, impact the private sector’s willingness to engage, subject the Secretariat to possibly restrictive hiring procedures and budget rules, and increase risk if the leadership of the host institution changes. Conversely, housing the Secretariat within a private sector institution represents a cost to the private sector, risks a potential loss of credibility in the eyes of Government, and requires a demonstrable level of capacity of the private sector entity to effectively play the Secretariat role.²⁵ One of the major concerns voiced by PPD practitioners at the moment, even in countries where PPD has generated numerous impacts - are the continuing capacity weaknesses within participating local business associations.²⁶

WBG Support for Business Member Organizations (BMOs)

There is some level of WBG support for private sector associations. Within PPDs, support for the Pakistan Business Council is the most visible example. But associations often serve as the Secretariat for various Working Groups. In Chad, for instance, IFC PPD support is going to go to Chamber of Commerce. In Cambodia, the PPD is organizing capacity building for each

²⁵ Greg Elms suggests that a PPD be housed within a Government Ombudsman office as one alternative.

²⁶ The SPI programme has developed an innovative approach where it tries to ensure as closely as possible a 50-50 split between government and the private sector in terms of which institution is initiating the reforms.

association that heads a working group. BMO training is also about to be delivered within the Liberia Better Business Forum.

However it appears that the intention to provide such training exceeds the actual level of delivery, and this may be a concern to the long-term vitality of PPD.²⁷ There also appears to be recognition of the continuing lack of capacity among BMOs; Lili Sisombat in Cambodia says that despite the Cambodia Forum's success, "the main problem is that private sector advocacy is not strong enough, not well organized and lacks analytical skills". Within the PPD community there is a lack of consensus on the degree to which such support is warranted. PPD expert James Brew warns that "private sector capacity building is a long-term prospect and carries significant investment risks; you have to remember that each action taken by a Secretariat is in itself a form of capacity building for PPD members". On the other hand, Maha Hussein, Associate Operations Officer, IFC Pakistan, says that "the problem at this stage of PPD is that it does not ensure continuity. Building BMO capacity is more sustainable, it leaves something behind".

Consistent application of a formal Advocacy Scoping exercise is missing from the initial PPD groundwork undertaken by the WBG in assessing the stakeholder environment. The Diagnostic Tool, created as part of the PPD Handbook, is underutilized by the ground team. On advocacy, as much as on other issue, a baseline is needed. It should consist of a thorough inventory of the advocacy activities and bodies in a given place as well as an assessment of the stakeholder environment. The tool proposed in the PPD Handbook is fairly simple and is done in a way that enables comparisons by country to see where it will be more efficient to undertake PPD. Such a scoping would help clarify the current role that the private sector plays in reform, provide details about the BMO landscape, and highlight the number and quality of reforms initiated or influenced by business associations. It is recommended by this study that such tool be made mandatory to any new PPD activity being undertaken.

3.4 Summary of level of global and regional support and guidance provided to PPD initiatives

3.4.1 IFC-sponsored Public Private Dialogue initiatives

HQ support

- Community of practice: Attempts are made to regularly link PPDs on a regional basis (Asia, West Africa); the Annual PPD Workshop (held most recently in Senegal 2008) brings together all PPDs to share experiences.
- Knowledge management: IFC HQ maintains a website with guidelines, tools, events material, case studies and good practice papers.
- Advisory: IFC HQ expert play major roles in developing strategic and operational plans and structure of many PPD Forums.

In-country/regional support

- Implementation: IFC staff devotes considerable time to in-country scoping, holding initial meetings with key stakeholders, and addressing formal requirements of PPD start up including often being a signatory to MOUs.

²⁷ An example is in Sierra Leone, where numerous business associations are engaged within the Sierra Leone Business Forum but nearly all suffer from massive capacity gaps and several perceive a role of the SLBF to advocate on their behalf.

- Honest broker role: IFC often acts as host of the Secretariat.

What is missing – as noted elsewhere – is sufficient on-the-ground support in making the transition from start up to operationalization. This could be provided either by more implementation staff on the ground or more HQ- or Regional-based PPD expert staff that could be deployed locally at the demand (and cost) of local IFC teams.

In Africa, PEP-Africa has hired one consultant to help perform such tasks on the region.

3.4.2 Convergence/SPI financial sector reform

Significant strategic and practical support is being provided from WB Convergence headquarters:

Strategic

- Initial scoping, canvassing of support, meetings with key stakeholders, and addressing formal requirements of start up.
- Participation on the high-level SPI Committee.
- Design and delivery of RIA training.
- Acquisition of technical support.
- Key role in discussions about the transition to local ownership, and heavy involvement in addressing the transition's logistics and operational requirements.

Operational

- Hiring and training Secretariat staff; a rigorous hiring process and an equally rigorous formal training program for Secretariat staff.
- Constant physical presence in country in early stages, followed up by distance guidance and mentoring to help Secretariat with activities planning and execution, and reporting.
- Quality control over all project documentation and reporting.
- Participation in the development of RIAs on specific issues.

3.4.3 Presidential Investors' Advisory Councils

In the 2005 PIAC evaluation, donors were criticized as being too invisible during PIAC deliberations and providing little research and technical assistance.

With the last formal review of PIACs carried out four years ago, it is time for the WBG to look more closely at this PPD typology. The experiences of PIACs in Uganda and Ghana since 2006 are sharply differing examples. In Ghana, not a single meeting of the GIAC was held over the period April 2006 to October 2008, In Uganda, a broad range of results have been achieved but no impact assessment has been carried out on what clearly appears to be an effectively embedded and locally managed initiative.

4 Strategic Recommendations for Going Forward

This Report has looked at three different types of PPDs, with particular focus on their operating characteristics as well as WBG support dynamics. This assignment is being carried out at a key moment in the history of the World Bank Group's support for Public Private Dialogue to facilitate economic development. The outstanding PPD successes achieved at the country level over the past few years – and the benefits that these efforts have generated - stand alongside the struggles faced by other PPD forums to effectively bring together local stakeholders and meaningfully move issues forward. The Report concludes as follows:

1. PPD has been profoundly useful for the WBG as a tool to facilitate the introduction of several reform packages; PPD's application has elevated the WBG's credibility as a contributor to and catalyst of reform.
2. Mobilizing resources around a single PPD typology is not advisable; successes under all typologies have been recorded, and adherence to good operating practices is a much more important determinant of PPD success.
3. While the benefits of PPD in accelerating the implementation of advisory products and in contributing to private sector development is established, risks of failure, derailment or capture of PPD reform platforms do exist. For this reason, the role of WBG in issuing guidelines, training PPD staff and offering advisory to local team is crucial and should be reinforced, both in term of KM offering and advisory support to local teams. Such roles should include:
 - More systematic scoping as part of initial groundwork
 - Field support to projects in need of design, re-engineering, M&E advice
 - Greater investment at the initial implementation stage including capacity building for business associations/chambers
 - Maintaining and ideally expanding the community of practitioners
 - Greater attention to key operational good practice including analysis, reporting, communications, and outreach
 - A redesign of the Evaluation Wheel to ensure appropriate weighting on the most critical factors determining a PPD's success
4. Implementation of PPD programs should remain 100% country-driven and country-based, and focused on:
 - Initializing the PPD process
 - Funding and staffing the PPD initiative
 - Managing the day to day activities of the PPD
 - Building the capacity of local institutions and stakeholders
 - Linking the PPD to AS and investment opportunities
 - Managing exit strategies

Annex I

List of PPD Reforms

Important note: In nearly all cases, while the reform may have been initiated within the PPD, the PPD has not been the sole influence in the reform's implementation. Moreover, impact data should be considered as associated with the PPDs, as opposed to produced by the PPD.

I Vietnam

Sample of 4 VBF-led Vietnam reforms with \$ 237.9M estimated impact in term of cost savings to private sector²⁸ (see Annex II for impact calculation).

1. Removal of dual pricing for electricity.
2. Personal income tax.
3. Raising foreign investors' limit from 30% to 49% of listed companies' capital.
4. Unified Enterprise Law.

Sample of 29 VBF-led Vietnam reforms without estimated impact²⁹

Import-Export Procedures

5. Long customs clearance time due to bureaucratic procedures and complicated rules - This was streamlined as a result of: The Customs Law effective 2001 and guiding documents have been issued; the introduction of green channels helped reduce clearance time significantly; and Circular 01 of 03/01/2001 whereby custom declaration for multiple import/export shipments under long term contracts is only required in the first shipment.
6. Textile enterprises have to divide a shipment of materials into separate lots for domestic sale and export before importing into Vietnam – this requirement has been abolished.
7. Requirement for approval of Ministry of Trade (MOT) for exporting equipment/spare part for repair – this requirement has been abolished.
8. Slow settlement of tax payment because of complicated procedures and poor facilities – Decision 793 (Dec.2000) has speeded up the process.
9. Discrimination in allocation of textile quota against private and foreign companies - Equal treatment for domestic and foreign enterprise as a result of a circular issued in Oct 2000 whereby 25% of quota now reserved for public auctioning; new mechanism for quota allocation does not discriminate against private and foreign enterprises. The MOT published details on quota allocation on its website.
10. A PM decision allowed tax exemption on imported materials and intermediary products of encouraged projects but the implementing circular of MOF disallows this - a new circular (Dec. 2000) has been issued to grant such exemption to encouraged projects.

Taxes, Fees and Charges

11. Limited time for tax claim - The Law on Tax Administration (effective from 2006) whereby the time for tax claim is extended from 10 days to 20 days for monthly tax claim, to 90 days for annual tax claim. Tax claim procedures have been well informed to tax payers as well.

²⁸ Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, 2007

²⁹ Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, 2007. Review of VBF records and official documents inventoried during the evaluation indicate more than 150 enacted legal and regulatory changes. The number retained for number of reforms for the VBF is 150.

12. The cap of deductible expenses on Marketing, Advertising and Promotion (MAP) should be increased/ removed – the cap has been increased from 3% to 7% in 2005 and to 10% in 2006. The Official Letter #1766/TCT-DTNN dated May 19, 2006 issued by Tax Department defines certain expense of market research, sales promotion, introduction of product, etc., that are deductible in full for corporate tax purpose for 2005. For 2006 onward, this full deductibility of MAP expenses will be reflected in the Corporate Income Tax Decree.
13. Dual pricing (power, air ticket and advertising) and expensive overseas calls - One-price policy has been applied to water (since June 1999), telecommunications (since Oct 2000), airfreight (since Jan 2004) and power. Overseas call charges have been reduced significantly. Cheaper VoIP phone has been introduced. Internet (ADSL) charge was reduced sharply to competitive rate.
14. High personal income tax (PIT) is a disincentive to train and promote locals to senior positions and retain/attract talented international professionals to Vietnam - PIT for Vietnamese was reduced significantly in July 2001. The new PIT ordinance took effect in July 2004 offers substantial tax cut for top tier workers and remove the surcharge. However, the reduction of tax rates comes with reduction in certain tax-free benefits in kind.
15. Letter 687 retroactively taxes benefits - Eligible school fees, air tickets for annual home leave, housing are not taxable if they are paid directly to the suppliers.
16. Effective date of lower profit remittance tax should be the date of the decree rather than the circular - An official letter has been issued by the MOF to confirm the effective date being the date of the decree.

Financial from Corporate Perspective

17. Interest ceilings on offshore loans and USD onshore loans - Interest ceilings on offshore loans and onshore USD loans have been removed (June and Aug. 2001).
18. Forced surrender rule. Companies are forced to sell foreign exchange to banks - Force surrender rule has been reduced from 80% in 1998 to 50%, 40% and 30% in 1999, 2001 and 2002 respectively. In May 2003 it was abolished.

Land and Property

19. Restrictions on lending and security by decree 178 (five year rules, ability to mortgage land and building separately etc.).
20. Decree 178 has been revisited to address the issue.
21. Notwithstanding the fact that Decree 71/20001/ND-CP has been issued confirming the right of foreign investors to invest in property projects to build apartments for sale, the implementing guidelines have not yet been issued - The new Land law allows foreign developers to build apartments/house for sale; this issue is resolved.

FDI Enterprise Form

22. FDI is not allowed in joint stock form – A Decree has been issued to allow FIEs to be converted to joint-stock companies; New Investment Law effective from June 2006 allowed FDI in joint stock form.

Administration and Public Governance

23. Prevailing two different legal frameworks for domestic and foreign investors - The UEL and CIL have been effective since June 2006 that provides for the same legal framework for both types of investors.

Intellectual Property Rights, Technology transfer, IT and Telecoms

24. Limited term of the technology transfer contract within 7 years and in special cases 10 years - The Law on Technology Transfer (effective from Dec 2006) and approved Civil Law removed the term and leave it to the contractual parties to negotiate and decide.

25. Various barriers (cap on royalty, approvals, short-term protection) to technology transfer to Vietnam affect the competitive base of the country - The amended decree 45 on technology transfer has abolished these barriers.
26. Internet and Intranet access. Many companies are unable to access their Intranet due to VNPT restrictions on broadband access and levels of encryption. This problem increases business cost, undermine the country's competitiveness and hamper the development of the IT sector - VPN and ADSL lines have become popular. Though service is sometimes interrupted, this marks a substantial improvement and it is hoped that it means reliable GPRS and other services will be available soon.

Capital Markets

27. Unclear and insufficient tax advantage for listed companies - Circular 100 on tax incentives for foreign investors in the stock market and official letters 11924 and 1248 on tax incentives for listed companies have been issued to provide clearer guidance on this matter and thus help promote equitisation and boost the development of the stock market.
28. Lack of transparency in equitisation of SOEs. All new equitisation should be auctioned through securities companies to ensure transparency and fair competition among investors -
- Decree 187/2004/NŞ-CP dated No.16, 2004: companies having the shares sold out at the first issuance worth from VND 1 billion to VND 10 billion have to be auctioned through financial mediators; companies having the shares sold out at the first issuance worth over VND 10 billion have to be auctioned via securities centers. The first two big SOEs (Vinamilk & Vinh Son hydraulic power have been put into auction successfully. Decision 528 in 2005 issued the list of companies to be auctioned through the securities transaction centers in 2005.
29. Lack of legal framework for development of the stock market and thus limited capital mobilization through the stock market - Law on Securities came to effect on Jan 2007 providing legal frame work for stock market activities.

Banking

30. Removal of maximum commission on Bank guarantees and acceptances. The commission should be decided by the bank - SBV issued decision 1384 on 28 October 2001 to abolish the commission ceiling on guarantees.
31. Too high reserve requirement on foreign and VND currency deposits (15% and 5% respectively). The requirement to be reduced to facilitate bank operations - The reserve requirement on USD was reduced from 15% to 10% in December 2001 then from 10% to 8% in May 2002 and a further reduction to 5% in December 2002. SBV also reduced the reserve requirement on VND deposits by 2% to 3% in May 2002.
32. Expansion of ATM network for foreign banks should be allowed in view of already-substantial networks of local banks - FBs are allowed to expand ATM network in 2006.
33. Reducing the number of counterfeit VND currency notes in circulation as banks incur substantial costs to identify, confiscate, report and deliver such notes to SBV. Recommend SBV to take necessary steps to eliminate counterfeit notes from circulation, including withdrawing existing VND notes and replacing by new notes with more / better security features and more difficult to imitate - New series of difficult-to-counterfeit, polymer notes has been issued. Old series notes have been gradually withdrawn from circulation.
34. Anti-Money Laundering (AML) regulation (Decree74): Guiding regulation should be issued so as the decree can be implemented fully and operational problems can be avoided when it is implemented - Guiding regulations for implementation of Decree 74 was issued in form of a SVB's official letter in 2006.

II Cambodia

Sample of 8 GPSF-led Cambodia reforms with \$ 69.2M estimated impact in term of cost savings to private sector³⁰ (see Annex II for impact calculation).

1. Reduction of Sihanoukville port entry fees
2. Toll fee on RN4 – Private sector consultation in concession appointments.
3. Garment sector tax holiday.
4. Removal of scanners at Sihanoukville port.
5. Reduction from 10% to 3% of excise tax on landline phone calls.
6. Postponement of tax on accommodation.
7. Reduction of the Export Management Fees (EMF) by the Ministry of Commerce.
8. Reduction of solvency ratio from 20 to 15% for commercial and specialized banks.

Sample of 36 GPSF-led Cambodia reforms without estimated impact calculations³¹

9. Law on Tax and Sub Decrees.
10. Law on Investment and Sub Decrees.
11. SEZ Sub Decree.
12. Law on Insurance Review.
13. Directive on Bank Branch Licenses.
14. Supporting industry Sub Decree – Elimination of 10% sub-contracting tax on SMEs.
15. Prime Minister's order to stop unofficial fees in the provinces during the 8th G-PSF.
16. Elimination of Certificate of Processing inspections.
17. Streamlining and review of Certificate of Origin.
18. Streamlining inspections from four to one joint inspection of garment industries from cross agencies.
19. Trade Facilitation Unofficial fee reduction.
20. Input into the Law on Accounting, Audit & Accounting Profession.
21. VAT Refund Prakas.
22. Review of Renewable Energy Policy.
23. Withdrawal of Cambodian export monopoly.
24. Duty exemptions on raw materials.
25. Transport of Cargo and Passengers on Land Sub Decree review (E&I WG).
26. Amnesty on vehicle checking fees (E&I WG March 2006).
27. Road repair Chaom Chao.
28. Neak Leoung Ferry opening hours extended.
29. Implementation of Sub Decree 83 on overloading.
30. Review of Sub Decree on Hotel Classification.
31. Postponement of introduction of rubber shoes, booklet and increased fees to Angkor Wat.
32. Review of tourism license application framework.
33. Package tour proposal for PM's visit to China.
34. Review of cross border trade initiative by PS for RGC - Vietnamese consultations.
35. Increase border control on the importing of pigs to help the domestic industry
36. Customs Clearance procedures on national roads review.

³⁰ Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, 2007. Review of GPSF records and official documents inventoried during the evaluation indicate more than 100 enacted legal and regulatory changes. The number retained for number of reforms for the Cambodia GPSF is 100.

³¹ Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, 2007

37. Vietnam - Cambodia Cross Border Transport Agreement implementation consultations on access to Vietnam / Cambodia for registered vehicles.
38. Review of land entry procedures at Poipet for tourists.
39. Tourism infrastructure (Re-open the Sihanoukville Airport)
40. Law on Administration of Factory and Handicraft Review
41. Establishment of Land Concessions Sub Committee.
42. Government clarification on its policy on electricity and the long term forecast for cost, the increase in supply and cost reductions by 2011. (8th GPSF March 05).
43. Construction of by-pass in Siem Reap.
44. Draft Expropriation Law Review

III Laos

Sample of 2 LBF-led reforms with \$ 2.7M estimated impact in term of cost savings to private sector³² (see Annex II for impact calculation).

1. Increase of trucking weight limit
2. Fixed entry fee of US\$1 per tourist

Sample of 6 LBF-led reforms without estimated impact calculations³³

3. Minerals Law (passed at National Assembly in Dec 2008).
4. Intellectual property law (passed by national assembly in Dec 2007).
5. Revision of rules on tax deductibility of business expenses such as travel, training, etc.
6. Extension of tourist visas on arrival from 2 weeks to one month.
7. Prime Minister Notice No. 405 on the implementation of CIQ (customs, immigration and quarantine) issued in March 2007 reduces the number of government agencies involved in import and export inspections as well as documentation requirements.
8. Notice 31, reforming the system of quotas on timber as input to wood-based manufacturing businesses.

IV Uganda PIAC

ICT

1. ICT Ministry created in 2006.
2. Four E-schools launched under NEPAD.
3. E-Government being implemented in 6 Government ministries and local governments.
4. Establishment of ICT incubation centres for ICT development at universities.

Agriculture

5. Uganda Development Bank capitalized.
6. No taxation on interest earned on agricultural loans, as an incentive for banks to lend to the agricultural sector.
7. Financial allocation to microfinance institutions at sub country levels in all districts.
8. Moratorium on new banks lifted.
9. UIA one stop centre is now operational to speed up business registration.
10. Zero tax on exports.

³² Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, 2007

³³ Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, 2007

11. Imported packaging materials for export products are now duty free and zero rated.
12. Private sector appointed on Boards of agricultural bodies.
13. Financial allocation to UNBS to develop standards in Agro-Processing and for exports.
14. 32 marketing enterprises have been formed.
15. DDT application for malaria control was cleared.

Education

16. All Primary Teaching Colleges have been provided with fully equipped science laboratories
17. Government sponsors science students at higher institutions of learning.
18. 54 science laboratories have been equipped in rural areas.
19. 565 Secondary schools have received science kits and textbooks.
20. 13 libraries have been constructed.
21. Agricultural colleges now implementing a new curricula.

Infrastructure

22. Energy Equity Fund was created to commence the construction of one large hydro power station at Bujagali and \$100 million was the first deposit.
23. 100 MW of power generation plants were installed.
24. Rail line from Tororo to Gulu was reopened and upgraded.
25. 3 landing sites were upgraded.
26. Import duty and VAT on all solar equipment was removed.
27. Radar system at Entebbe international airport, to monitor Ugandan air space, was installed.
28. A Road Authority was created to maintain national roads.
29. Traffic lights were installed in Kampala.

Regulatory Environment

30. The Offices of the Inspector General of Government (IGG) and Auditor General (AG) have been strengthened:
 1. Restructuring of IGG office with more Government support;
 2. Enacting an Audit Law that provides for more independence in terms of finance and human resources;
 3. The Constitutional Amendment Act of 2005 made the terms of employment of both the AG and IGG, in particular security of tenure, similar to that of Judges.
31. The management of the Special Revenue Protection Service was brought under the direct supervision of Uganda Revenue Authority.
32. Uganda Investment Authority has now been strengthened; its One-Stop Shop Centre is now operational with staff from the Immigration Department, Uganda Registration Services Bureau, Land Registry and Uganda Revenue Authority, housed at UIA.
33. The following commercial laws have been approved by Cabinet:
 1. Trade Marks Bill 2006
34. The following Commercial Laws have been published in the Uganda Gazette and have been brought to Parliament for first reading:
 1. Partnership Bill 2007;
 2. Geographical Indications Bill.
35. The Copyright Bill was enacted into the Copyright and Neighboring Rights Act.

V Ghana PIAC

Financial Sector

1. Capital Markets Committee established at MOFEP to address delays in approval processes and ensure effective monitoring.
2. Foreign Exchange Act passed in Dec. 2006 and fully operational since April 2007. This has liberalized the foreign exchange market, removed caps and prior approval on transfers by BOG, simplified and facilitated foreign exchange transactions, with a \$10,000 maximum limit on money held by travelers.

Labor

3. NLC spread out to 3 Regions in 2009 planned. Tema, Kumasi and Takoradi NLC to be operational in 2009. Staff & logistic to enhance smooth operations of NLC determined.
4. Legislative Instrument drafted and passed (LI 1833) by Parliament in 2007 to facilitate establishment Private Employment Centers. 27 of such centers have registered with the Labor Department. The LI 1833 has been published in print media for attention of prospective operators.

Land

5. The first Land Bank Directory was launched in May 2007. It covered lands provided by various land owners in 8 regions. The directory provided information on the name of the property, location, size, land use, ownership and contact address. The Directory has been updated to cover all 10 regions and is ready for print.
6. Eight Land Registries have been established in each Regional Capital which has reduced the turn around time for registration of deeds from more than 36 months to less than 2 months.
7. Citizen's Charter has been signed with the Lands Commission which provides specific time frame within which searches can be conducted at the Lands Commission.
8. Customary land secretariats are being piloted as local office points for the provision of local land information and as collection points for the registration of land documents in the traditional area - community. This is being done at Wasa Amenfi CLS, Dormaa Ahenkro CLS, Gushiegu CLS (Tamale), and Gbawe Kwatei Family Land.

Public Sector

9. Single Spine Pay Structure approved; Fair Wages and Salary Commission operational, ready to implement the new pay policy.
10. All CSUs (23 functioning) are provided with Complaints Tracking Systems.
11. A Rapid Response Unit has been established at MPSR in response to demand from Private Sector (Users' Group).

Communications/ICT

12. 90 Community Information Centres constructed nationwide.
13. Reliance on advanced digital switching platforms - Multi-protocol Label Switching (MPLS) to improve Quality of Service and move traffic faster has been introduced.
14. Extension of fibre optic infrastructure to Northern Ghana.
15. Special procurement dispensation granted by Public Procurement Board to MDAs to purchase affordable PCs under the program. MDAs, Educational Institutions, District Assemblies have benefited from the project.
16. Servers and software purchased by GICTeD for implementation of messaging and collaboration.

Energy

17. Policy Planning, Monitoring and Evaluation Directorate of Ministry of Energy has been revamped and equipped.
18. Total of 256 MW of thermal electricity generation capacity has been added to existing capacity installed since 2006/2007.

VI Bangladesh

1. Establishment of the National Skills Development Council (*Ministry of Labour and Manpower Notification MLM/Subdivision 8/Skills/2008/B1 dated September 3, 2008*).
2. Amendments to the Environment Protection Law 1995 and Environment Protection Ordinance 1997 (*have been circulated through a gazette issued on May 22, 2008*).
3. Allowing the establishment of SME Service Centers to provide SME Loans (*Bangladesh Bank BRPD Circular Letter 6: Introduction of SME Service Centres for loan disbursement and recovery in the Small and Medium Enterprise (SME) sector, 4 May 2008, <http://www.bangladesh-bank.org/mediaroom/circulars/brpd/may042008brpd06e.pdf>*).
4. NGOs may be utilized in order to reduce the supervision costs of banks involved in analyzing, disbursing and collecting SME loans (*Bangladesh Bank ACSPD Circular Letter No. 02: Extending loan to Small & Medium Enterprise (SME) sectors, 26 May 2008, <http://www.bangladesh-bank.org/mediaroom/circulars/acspd/may262008acspd02.pdf>*).
5. Standardization of definitions of small and medium enterprises across the Government, including in the Industrial Policy, the Bangladesh Bank definition, and the Bureau of Statistics definitions (*Bangladesh Bank "ACSPD Circular No. 08: Indifferent Definition of Small & Medium Enterprise sector", 26 May 2008, <http://www.bangladesh-bank.org/mediaroom/circulars/acspd/may262008acspd08.pdf>*).
6. Reduction of General Provision Requirement to 1% from 2% (*Bangladesh Bank Circular – link to news article: http://www.thefinancialexpress-bd.com/search_index.php?page=detail_news&news_id=32322*).
7. BB can determine a specific rate of disbursement of bank loanable funds for SMEs, e.g. 40% to small industries and 60% to medium industries (*Bangladesh Bank ACSPD Circular No. 05 : Financing for Small & Medium Entrepreneurs (SMEs), 4 May 2008, <http://www.bangladesh-bank.org/mediaroom/circulars/acspd/may042008acspd05.pdf>*).
8. Increasing refinancing amount for SMEs (*Bangladesh Bank ACSPD Circular No. 06: Re-finance Scheme for Women Entrepreneurs in Small & Medium Enterprises, 18 March 2008; Implemented for women entrepreneurs only, <http://www.bangladesh-bank.org/mediaroom/circulars/acspd/may052008acspd06.pdf>*).
9. Extend the use of Inco Terms in the Import Policy (*Bangladesh Bank FEPD Circular No. 02: Application of appropriate Incoterms in respect of foreign trade, 25 May 2008, <http://www.bangladesh-bank.org/mediaroom/circulars/fepd/mar252008fepd02e.pdf>*).
10. Allowing commodity hedging (*Bangladesh Bank "FEPD Circular No. 04: Hedging the price risk of commodities", 25 May 2008, <http://www.bangladesh-bank.org/mediaroom/circulars/fepd/may252008fepd04e.pdf>*).
11. Provide tax benefits to SMEs (*Implemented in National Budget 2008-09: In order to provide incentives to SMEs, the 2008-09 budget has provision for VAT exemption for firms for turnovers upto 24 lakh or for capital machinery investment upto 15 lakh*).
12. Higher percentage of national education budget allocation to TVET (*Implemented in National Budget 2008-09): Vocational education has been listed as a priority sector in the Medium Term Budgetary Framework, and the allocation of funds has been increased significantly for this sector*).

13. Revise Income Tax Ordinance Article 128 to decrease the penalty for undeclared income from 250 percent to a more reasonable level (*Implemented in National Budget 2008-09: The 2008-09 budget allows for declaring undeclared income by paying a 7% penalty in addition to tax. Further, there is a proposal to charge 10% penalty on income annually, instead of 250% as specified in Article 128*).
14. Transform current PSI system to a business-friendly alternative (*Ordinance 138-Law/2008/2188/Custom/5.6.2008*).
15. Allow dealer banks to disburse the shipping costs in foreign currency of FOB imports that, when combined with the cost of shipping, is less than the equivalent CFR value without prior BB permission (*Bangladesh Bank FEPD Circular Payment of freight charges to chartered ship owners abroad, 12 August 2008, <http://www.bangladesh-bank.org/mediaroom/circulars/fepd/aug122008fepd06e.pdf>*).
16. The timeframe for repayment of medium term loans for medium industries should be increased, or BB should extend refinancing assistance (*Bangladesh Bank ACSPD Circular Letter 2: Extending loan to Small & Medium Enterprise (SME) sectors, 26 May 2008, <http://www.bangladesh-bank.org/mediaroom/circulars/acpsd/may262008acpsdl02.pdf>*).
17. Exporters should not require BB approval for imports against their retention quotas (*Bangladesh Bank FEPD Circular 5: Advance payment against imports, 12 August 2008, <http://www.bangladesh-bank.org/mediaroom/circulars/fepd/aug122008fepd05e.pdf>*).

VII SPI Romania

5 SPI-Romania led reforms with \$ 393.6M estimated associated impact in term of benefits to private sector³⁴ (see Annex II for impact calculation).

1. *Expansion of Positive Credit Information Sharing - Recommendations on expanding positive information sharing through moral suasion, leading to change in the National Authority for Supervision of Personal Data Processing intentions regarding positive information sharing.
2. *Rural Lending - Recommendations on revamping the rural lending based on deposit certificates for cereals, including comprehensive package regulatory proposals and implementation plan. Partially enacted through Government Decision no. 520/2008.
3. *Anti Money Laundering Law - Recommendations on amending the AML Law by aligning it to the Third Directive and FATF Recommendations and by rationalizing the AML reporting system. Enacted by Government Emergency Ordinance no. 53/2008.
4. *Electronic Processing of Debit Instruments - Recommendations approved to implement electronic processing of debit instruments, and amendments to the regulatory framework through Governmental Emergency Ordinances no. 38 and 29 /2008 and NBR Norms no. 7 and 7/2008 on cheques, drafts and promissory notes and Technical Norms no. 4 and 5/2008 as endorsed by European Central Bank (CON/2008/7).
5. *Mortgage Loan Servicing and Loss Given Default Databases - Recommendations approved to establish industry-wide lending databases, identifying the implementing institution, most critical issues and governance principles.

SPI-Romania-led reforms without estimated associated impact calculations

6. IFRS Loan Loss Provisioning – new regulations drafted by NBR is drafting new regulations to be issued in 2009 to eliminate double reporting of loan loss provisions.
7. MiFID Implementation – solutions provided for some MiFID provisions.

³⁴ Data calculated by stakeholders through an expert panel and in a public seminar.

8. Stress Test Methodology for Household and Firms – effective dialogue between the National Bank of Romania and credit institutions on the methodologies and practices of stress testing.
9. Consumer Education - National Strategic Plan approved for Promoting Consumer Education, and awareness raising undertaken.
10. Banking Ombudsman - Romanian Banking Association endorsement to establish the Banking Ombudsman.

VIII SPI Albania³⁵

1. Improving Auction Procedures for Immovable Collateral under Foreclosure – Bailiff: Law approved by Parliament on December 11, 2008. Civil Procedure Code: Amendments approved by Parliament on December 29, 2008.
2. IFRS implementation in Bank of Albania Rule Book - Recommendations on regulatory changes to be made in order to implement IFRS and an action plan on issuance of the regulatory amendments. Discussed by Bank of Albania Supervisory Council in November 2008 and forwarded to the Supervision Department for implementation in November 2008.

IX Liberia

Starting a Business

1. A standard form for articles of incorporation will be made available to businesses to enable them to register without an attorney should they so desire;
2. Computerization of corporate names to allow for quick name search for new business entities
3. Co-location of the MoFA at the offices of the MoF to allow for a streamlined filing of articles of incorporation – the entrepreneur can pay for and process the articles in one place.
4. Reduction of approval time by the MoFA for new articles of incorporation to 5 business days.
5. Reduction of the approval time by the MoCI of approval time for new business registrations to 5 business days.
6. Reduction of the number of required signatures on approvals at the MoCI from 4 to 2.
7. Elimination of the previous practice by MoCI of physically inspecting all new business sites.

Construction Permits

8. Implementation of a standard checklist that will provide businesses with a list of all required forms and fees prior to application submission. The checklist will also allow the ministry to quickly identify whether or not applications are complete prior to acceptance.
9. Reduction of the approval time from 90 days (as reported in last years' DB survey) to 30 calendar days. Those applications not rejected within 30 days will be deemed approved.
10. Reduction of the number of signatures required for approval at Public Works from 4 to 2 (zoning and technical services). NOTE: Where a project involves an international government or has a market value in excess of US\$1M, the Minister's signature will be required. The 30 day approval time will still apply.

Trading Across Borders - Imports

11. A 50% reduction of the customs usage charges from 3% to 1.5%
12. Creation of a tiered fine structure for violation of pre-shipment inspection requirements

³⁵ The associated impact of the upcoming change in the civil procedural code is estimated by SPI Albania to be USD 4M in the first year and USD 24M over 5 years.

13. Elimination of various security functions and other nonessential staff involved at the NPA gate and within the port (authorized personnel include the NPA security and the National Police)
14. Elimination of the Ministry of Transport vehicle import permit clearance fee
15. Reduction in the number of required signatures from 4 to 3 at the Ministry of Commerce on the Import Permit Declaration
16. Reduction of pre shipment inspection (PSI) fees from 1.5% to 1.2% of FOB value
17. Shift from compulsory PSI requirement to compulsory destination inspection (DI) for rice, petroleum and cement
18. Reduction in customs clearance steps. From 40 steps in early 2007, the number of steps were reduced to 24 in July 2007, and further reduced in early 2008 to 9 steps (with PSI) and 11 steps (without PSI).

Trading Across Borders - Exports

19. Elimination of the MoF excise tax division and the bureau of concessions in the process flow.
20. Approval and processing of all MoF export documents (including transshipment and bonded goods clearance) at the port vs. at the office of the ministry.
21. Elimination of the MoF export clearance requirement. NOTE: an Export Permit Declaration is needed.

X Senegal PIAC

1. Simplification of business taxation.
2. Streamlining of the investment code.
3. Introduction of a single tax rate for SMEs.
4. Commission against corruption.
5. 30 measures to streamline administrative procedures.
6. New mining code.
7. Plan to improve urban mobility in Dakar.
8. Creation of an Infrastructure Fund.
9. Labour law reform.
10. Public private infrastructure projects.

XI Tanzania PIAC

1. Framework for branding strategy.
2. CEO Scholarship Program.
3. Tourism strategy.
4. Strategy for broadband internet access.
5. Revised Land Act.

XII Mali PIAC

1. Anti Corruption Agency.
2. Investment Promotion Agency.
3. Development strategy for agricultural products.
4. Visa requirements suppressed for countries exporting capital and technology.
5. Declaration of assets of politicians and civil servants.

XIII Zambia

1. Tourism & Hospitality Act No 23 of 2007 reviewed and amendments proposed by FIAS/IFC accepted by the client (Ministry of Tourism, Environment and Natural Resources). Process to amend the Act which involve the Ministry of Justice, now underway. Proposed reforms include amendment of the Act and new Tourism Enterprise, Hotels and Casino Licensing Guidelines and Regulations.

XIV Sierra Leone

1. Accelerated passage of four key financial laws.
2. National Revenue Authority (NRA) public order for customs officials to cease their dealings with managers of trucks who provide transport services to importers at the border.

XV Tonga

1. Development of a Tongan legislation website.
2. Simplification of Tonga immigration procedures.
3. Amendments to consumption tax legislation to streamline consumption tax arrangements for fishing industry and other businesses.

Country PPDs with Zero Reforms recorded

Aceh
Vanuatu
Timor Leste
Nepal
Pakistan
Cameroun
CAR
Chad
Ethiopia
North Sudan
South Sudan

No Information Available

Belarus
Rwanda
Benin PIAC
Mauritania PIAC

Annex II

Calculations of benefits for selected reforms

I Vietnam - Sample of 4 VBF-associated Vietnam reforms with estimated impact in term of cost savings to private sector³⁶

| Reform | Annual Impact | Comments | Date | Impact over the period |
|---|--|---|----------------|------------------------|
| Removal of dual pricing for electricity | \$ 19,300,000 | Dual pricing for electricity was eliminated in 2004 only. According to a JETRO study ³⁷ , foreign companies paid a price premium of 6%. On that basis the Ministry of Industry estimates the PS savings to be VND400 billion per year ³⁸ . In 1998, the average price difference was 18% - not captured in the PPD impact assessment. | 2004, on-going | \$ 57,900,000 |
| Personal income tax | \$ 60,000,000 | Since 2001, the minimum threshold for personal income tax payment was VND3M/ month. In 2004 an amendment raised the threshold to VND5 M ³⁹ . With a first tax rate band of 10% and over 400,000 PIT ⁴⁰ workers the total savings to the PS is equal to US\$5 M per month (US\$60M per year) | 2004, on-going | \$180M |
| Raising foreign investors' limit from 30% to 49% of listed companies' capital | Significant increased capitalization of stock market | Surge of 13% capitalization in 2 weeks between reform announcement and implementation. ⁴¹ Since, listed companies are capable of carrying out seasoned offerings to raise further funds in the market. Since 2005 the companies' | 2005, on-going | - |

³⁶ Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, 2007

³⁷ Presentation: Comparison of Operating Costs, Mr. Ryuichi Hirai, Japanese Business Group in Vietnam, 2003.

³⁸ Expert Interview, Vice Minister of Industry

³⁹ VBF Secretariat, Progress Matrices, 2005-2006

⁴⁰ Ministry of Labour, War Invalids and Social Affairs (MOLISA); PIT: Personal Income Tax

⁴¹ Capitalization listings, Ho Chi Minh City Securities Trading Centre

| Reform | Annual Impact | Comments | Date | Impact over the period |
|------------------------|---|---|----------------|------------------------|
| | | capitalization has grown by a x3.5 factor, the total market capitalization by a x20 factor and the number of listed companies by a 3x factor ⁴² . The raise of foreigners' investment cap is recognized as instrumental in achieving these impressive results – and the VBF can claim significant contribution to the reform. | | |
| Unified Enterprise Law | Expected increase in number of registered businesses. | Full effects of the law not yet felt; very significant role for business climate investments and compliance with WTO requirements. The Enterprise Law 1999 was a major milestone largely responsible for: (i) 160,000 business registrations between the years 2000-2005 and (ii) increase of US\$20billion in assets of registered businesses ⁴³ | 2005, on-going | - |
| Total | \$ 24.3M | | | \$ 237.9M |

⁴² Capitalization listings, Ho Chi Minh City Securities Trading Centre

⁴³ Source: Agency for Small and Medium Enterprise Development, 2006

II Cambodia - Sample of 8 GPSF-associated Cambodia reforms with estimated impact in term of cost savings to private sector⁴⁴

| Reform | Annual Impact | Comments | Date | Impact over the period ⁴⁵ |
|--|---------------|---|---|--------------------------------------|
| Reduction of Sihanoukville port entry fees | \$168,000 | The port entry fees have been cancelled for empty trucks. A conservative estimate put the truck number to 7,000 per month ⁴⁶ . The entry fee was US\$2 ⁴⁷ therefore the PS savings equals 7,000*2*12 per year. | 2004, on-going | \$336,000 |
| Toll fee on RN4 | \$360,000 | Road National 4 is the main Cambodian traffic artery and is a concession. Over the past 4 years numerous price decreases for various categories of vehicles have been accepted by the concession incumbent ⁴⁸ . A monthly estimate of 20,000 cars pays the toll which on average has decreased by about US\$1.5 ⁴⁹ . Noticeably, the reform put concession appointments on the agenda and created a precedent for substantive Private Sector consultation in these appointments. | Incremental improvements for the past 4 years, on-going | \$1,440,000 |
| Garment sector tax holiday | \$25,000,000 | Two year tax holiday was granted to the garment sector as of 2005 ⁵⁰ . The measure was intended to allow the sector to prepare for increased competition due to the end of the quota system under the Multi-Fiber Agreement. The Minister of Finance values the tax holiday to \$25 M per year ⁵¹ . Additionally, in 2005 garment capital investments grew by 39% (US\$118 M) and employment by 8% (over 20,000 jobs) ⁵² | 2005-2006, may be prolonged | \$50,000,000 |

⁴⁴ Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, 2007

⁴⁵ Assuming constant value of money over time.

⁴⁶ Estimate of the number of trucks from transport companies only – based on the largest company market share (over 20%) and fleet (1,500). Including additional users would further increase the economic impact.

⁴⁷ Average price as reported by 3 trucking companies

⁴⁸ IFC-led G-PSF Secretariat, Progress Matrices, EP&TF and E&I Working Groups for the years 2004-2006.

⁴⁹ In the absence of coherent answer from the concession company, the PPDIA team uses the average of estimates provided by 5 transport and export companies (# of vehicle estimations ranged between 15,000 and 34,000; price decrease between \$1 and \$2.5 for different vehicle categories).

⁵⁰ Cambodia Garment Industry Post-ATC, Human Development Impact Assessment, Economic Institute of Cambodia, 2007

⁵¹ PPDIA team interview with the Minister of Finance. Value consistent with GMAC estimates.

⁵² GMAC website; These later numbers are not taken into consideration for calculating the impact estimate.

| Reform | Annual Impact | Comments | Date | Impact over the period ⁴⁵ |
|---|---------------|--|----------------|--------------------------------------|
| Removal of scanners at Sihanoukville port | \$1,044,000 | In 2005, during the G-PSF, the PM cancelled systematic scanning of containers at the Sihanoukville port. MOC figures report 1.500 containers scanned per month ⁵³ . At an average price of US\$58 ⁵⁴ per scanning, the total annual savings of the PS equals 1,044,000. Additionally, because of scanning exporters often had to resort to air freight to meet turnaround times. This was roughly valued at over US\$100M annually by the GMAC Chairman. ⁵⁵ | 2005, on-going | \$2,088,000 |
| Phone taxes | \$3,000,000 | The G-PSF obtained a reduction from 10% to 3% of excise tax on landline phone calls. Telecom Cambodia has 50% market share of the landline phone market and annual revenues of US\$21.5 M ⁵⁶ . The total PS savings is thus US\$21.5M * 2 * 7%. | 2006, on-going | \$3,000,000 |
| Postponement of tax on accommodation | \$5,000,000 | The tax on accommodation of 3% was postponed for one year ⁵⁷ . In 2005, Cambodia had 1,055,202 visitors who spent an average of US\$166 on accommodation each, except for 88,632 tourists that did not spend a night ⁵⁸ . At a 3% rate, the PS savings totaled US\$5,000,000 ⁵⁹ . | 2005, on-going | \$5,000,000 |
| Reduction of the Export Management Fees (EMF) by the Ministry of Commerce | \$3,675,000 | The EMF collects fees based on the # of garment pieces exported. It was originally set at an average of 25 cents per dozen (ranging from US\$0.1 to US\$1.75 per type of garment) ⁶⁰ . Cambodia exported in 2006 70M dozens ⁶¹ . The EMF was reduced overall by 21%. Total savings = 70M*US\$0.25*21% | 2005, on-going | \$7,350,000 |

⁵³ IFC-led G-PSF Secretariat, Progress Matrices, 2005

⁵⁴ In the absence of relative shares of various container size and given that scanning price is a function of container size, the value \$58 is the arithmetic average between the highest and lowest scanning price.

⁵⁵ This 100M number is not taken into consideration for calculating the impact estimate.

⁵⁶ Company Management

⁵⁷ Hospitality industry Expert Interviews

⁵⁸ Figures provided to the PPDIA team by the Ministry of Tourism

⁵⁹ In this partial analysis, we do not seek make comparisons relating to the extent to which hotel businesses would have been able to pass this tax on

⁶⁰ Source:GMAC

⁶¹ Source:GMAC

| Reform | Annual Impact | Comments | Date | Impact over the period ⁴⁵ |
|---|---------------|---|----------------|--------------------------------------|
| Delivery of permanent licenses to banks and microfinance institutions | | 3-6 year licensing of banks and microfinance institutions is modified to permanent licenses ⁶² . This increases their capacity to attract debt-based instruments at lower prices thanks to reduced perceived institutional risks and possibly increases credit supply/access to finance. | 2004, on-going | |
| Reduction of solvency ratio from 20 to 15% for commercial and specialized banks | | Through the WG the commercial and specialized banks obtained a decrease in the solvency ratio from 20 to 15 % on the condition of disbursing additional SME loans ⁶³ . This freed up 5% of capital which increases (i) the sector's profitability and (ii) access to finance for SMEs. | 2005, on-going | |
| | | \$ 31.7M | | \$ 69.2M |

⁶² IFC-led Secretariat Progress Matrices, validated by Banking WG Chairman, Expert Interviews.

⁶³ IFC-led Secretariat Progress Matrices, validated by Banking WG Chairman, Expert Interviews.

III Lao PDR - Sample of 2 LBF-associated reforms with \$2.7 M estimated impact in term of cost savings to private sector⁶⁴

| Reform | Annual Impact | Comments | Date | Impact over the period |
|--|--|--|------|------------------------|
| Increase of trucking weight limit | \$ 2,400,000 | Increased weight limit from 37T to 44T on each truck ⁶⁵ . Daily number of at least 30 trucks in the North (i.e. road 3) and exemptions are being extended for all roads. On road 3 alone this allow savings of 5 trucks per day @US\$1,000 and about half this number on road 9 ⁶⁶ | 2006 | \$2,400,000 |
| Fixed entry fee of US\$1 per tourist ⁶⁷ | Private Sector Savings of \$300K ⁶⁸ . Increase of Government Revenues by US\$700,000 using a more effective taxation system. The sum will be allocated to Lao tourism promotion. | Decreased from original 5% ⁶⁹ tax on tourist accommodation revenues which collected revenues of US\$300,000 only to Government (less than 20% of companies were complying). With the new law Government revenues will increase to ~1,000,000 annually (entry fees collected at borders) and PS reduce administrative burden and will no longer fail to comply with regulations ⁷⁰ | 2007 | \$300,000 |
| Total | \$ 2.7M | | | \$2.7 M |

⁶⁴ Impact Assessment of the Public-Private Dialogue Initiatives in Cambodia, Lao PDR, Vietnam, IFC, 2007

⁶⁵ IFC-MPDF LBF Secretariat, Progress Matrix 2006. Cross-checked in Expert Interviews.

⁶⁶ Source for number of trucks on road 3 and 9 and savings per journey: Expert Interview with the transport business association

⁶⁷ The \$1 tax does not need a law - just PMO approval and a means to implement in practice. The appropriate regulations have been drafted already, according to the LNTA Vice Chairman.

⁶⁸ Assuming tax cost is not passed on to tourists. It also reduces cost differential between compliant and non compliant competitors

⁶⁹ "Tourism Position Paper on Fees for Visa on Arrival & Tourism Fee of US\$1.00 per Person," Lao Business Forum, March 15th 2007. Figures in line with PPDIA Expert Interviews.

⁷⁰ Though note that whilst agreed in principle, this has not yet been implemented for want of a suitable physical collection mechanism

IV SPI Romania 2007 associated enacted projects estimated impact on the banking system

Data calculated by stakeholders through an expert panel⁷¹ and in a public seminar⁷²

| Enacted Project | First - Year impact (USD) | | | |
|--|---------------------------|----------------------------|---------------|-----------------|
| | Gross additional income | Increase in lending volume | Equity relief | |
| Expansion of Positive Credit Information Sharing | \$34,000,000 | \$169,000,000 | | |
| Rural Lending | \$2,000,000 | \$64,000,000 | | |
| Anti Money Laundering Law | \$8,000,000 | | | |
| Electronic Processing of Debit Instruments | \$3,000,000 | | | |
| Mortgage Loan Servicing and Loss Given Default Databases | \$2,600,000 | \$21,000,000 | \$59,000,000 | |
| Total | \$80.6M | \$254M | \$59M | |
| | | | | \$393.6M |

⁷¹ Expert panel members (Luminita Cioaca, Director, Accounting and methodology Dept., Bancpost; Gelu Gherghescu, Director, Fin. Services Division, BRD-GSG; Dragos Cabat, Credit Risk Manager, OTP Bank Romania) meet in November and December 2006

⁷² Seminar held in January 2007, at the Romanian Banking Association, with 48 participants from 14 banks and 26 participants from 8 public institutions