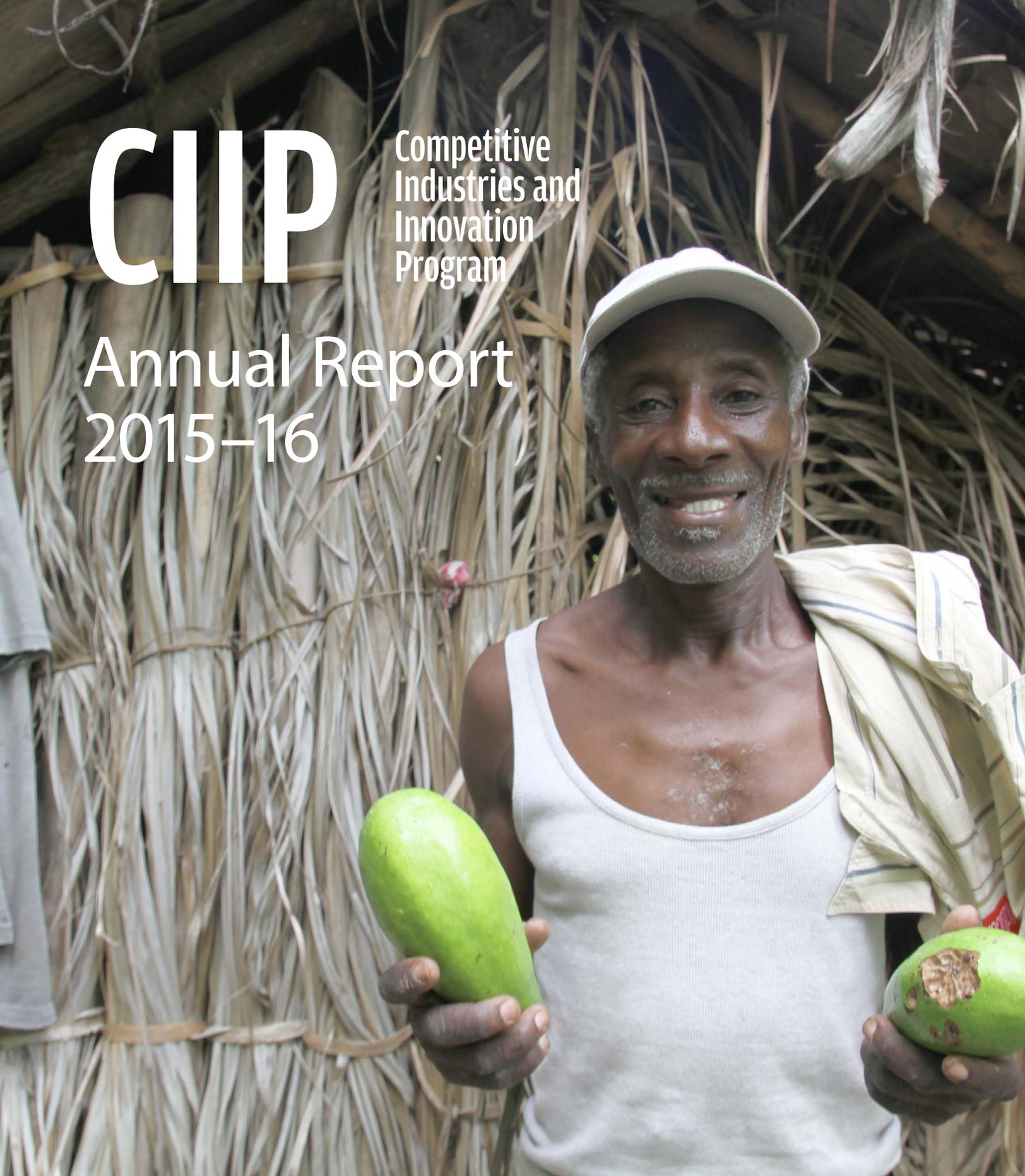


CIIP

Competitive
Industries and
Innovation
Program

Annual Report 2015–16



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About the Competitive Industries and Innovation Program (CIIP)

The CIIP partnership was created to enhance country growth and employment prospects by supporting public policies and investments that promote competitiveness and innovation within and across industries. As the Trustee and Administrator for CIIP, the World Bank Group is responsible for program development, implementation, and monitoring and evaluation. For more information, visit www.theciip.org

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ABBREVIATIONS AND ACRONYMS

ACP	African, Caribbean, and Pacific Group of States
BDS	business development services
CCKB	Competitive Cities Knowledge Base
CGF	Caribbean Growth Forum
CIIP	Competitive Industries and Innovation Program
CPF	Country Partnership Framework
DFAT	Australian Department of Foreign Affairs and Trade
EU	European Union
Fab Lab	Fabrication Lab
FDI	foreign direct investment
FIAS	Facility for Investment Climate Advisory Services
FITD	Fund for Innovation and Technological Development
FY	fiscal year
GDP	gross domestic product
GITA	Georgia's Innovation and Technology Agency
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Development Agency)
GVC	global value chain
IBRD	International Bank for Reconstruction and Development (The World Bank)
ICT	information and communication technology
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IMWG	Inter-Ministerial Working Group
IP	industrial park
IPDC	Industrial Parks Development Corporation
IPF	Investment Project Financing
IPP	Innovation Policy Platform
IZ	industrial zone
LCP	local content policies
LNG	liquefied natural gas
MG	matching grant
MCIISP	FYR Macedonia Competitive Industries and Innovation Support Program
MDTF	Multi-Donor Trust Fund
MSME	micro, small, and medium enterprises
NDP	National Development Plan
NSEZ	Nigh Son Economic Zone, Vietnam
OECD	Organization for Economic Co-operation and Development
OECS	Organisation of Eastern Caribbean States
PK24	Côte d'Ivoire PK24 Industrial Park PPP
PPD	public-private dialogue
PPP	public-private partnership
R&D	research and development
SDTF	Single-Donor Trust Fund
SECO	State Secretariat for Economic Affairs
SEZ	special economic zone
SME	small and medium enterprises
WBG	World Bank Group

Note: All dollar amounts are U.S. dollars unless otherwise indicated.

Message from CIIP Partners

Anabel González
Senior Director
Trade & Competitiveness Global Practice, The World Bank Group

I am pleased to share with you the 2015–16 Annual Report of the Competitive Industries and Innovation Program (CIIP). This marks the third year of our partnership in which we have continued to provide policy support to countries within the African, Caribbean, and Pacific Group of States (ACP), as well as a few emerging economies in East and Central Asia, the Middle East, and Eastern Europe.

We have seen a steady increase for CIIP-type policy support from our client countries as they search for policy solutions to address increasing unemployment. The pressure on commodity prices has pushed economic diversification to the top of the agenda. For many economies, alternative sources of revenue generation have to be found to finance social expenditures and urgently needed infrastructure. Policy solutions that promise a reasonable level of success with a low risk of failures are, therefore, in high demand.

Our partnership has continued to grow. In the past year, CIIP has extended its outreach to six additional countries, three of which are ACP countries. We have reportedly created 8,981 jobs, which have roughly enabled \$184 million in private investment globally. In ACP countries alone, we have been involved with 500 micro, small, and medium enterprises and \$63 million in private investment.

As we embark on our fourth year, we hope that the CIIP partnership will grow stronger and will achieve much more impact on those living in poverty. We hope to further improve, to learn more of what does and does not work, to create more evidence-based solutions, to collect more data, and to develop many more policy solutions for our clients and partners in development.

Dr. Guenther Schoenleitner
Director, International Financial Institutions
Federal Ministry of Finance, Austria

New industrial policies are the center of economic growth strategies but remain quite controversial. While seeing most developing countries engaging on this path and sometimes registering costly failures, we decided to join the CIIP to take a practical and evidence-based approach to competitiveness and innovation. Supporting firms to lead to growth and jobs needs to be done through programs that work and are well implemented, but not necessarily based on development fashions. The World Bank team leading CIIP brings us those types of programs. They help us select, explore, and measure solutions in difficult countries. The impact of this approach goes well beyond the measured financial leverage that is well reflected in this annual report or the number of jobs created for specific country projects. It helps influence overall development strategies around private sector development in a novel but measured way.

Liliana de Sa Kirchknopf**Head of Division Private Sector Development****Federal Department of Economic Affairs, Education, and Research, Switzerland**

The partnership of the State Secretariat for Economic Affairs with the World Bank Group on private sector development issues has a long and fruitful history. As we continue to strongly support the development of the Facility for Investment Climate Advisory Services, where our action across the board allows regulatory changes in developing countries, we see CIIP as a more vertical intervention where we focus on the growth of firms in specific industries or sectors. The combination of those two types of interventions is powerful. After only three years since its founding, we are pleased to see the results that CIIP has obtained so far.

Tom E. Eriksen**Senior Advisor, Section for Multilateral Development and Global Economic Issues****Norwegian Ministry of Foreign Affairs, Norway**

Our objective, which matches our white paper on private sector development in Norwegian development cooperation, is to identify projects in which the Norwegian development assistance funds are used in cooperation with funds from the private sector. We aim to reduce risks but also to grow impact. CIIP has been using such criteria to select its country operations, and that is the reason we are interested in supporting this trust fund.

Antti Karhunen**Head of Unit, Directorate-General for Development and Cooperation, EuropeAid,****European Commission, Belgium**

The European Commission is keen to engage in partnerships that seek to provide tailored policy solutions based on dialogue, evidence, and analysis to address the complex challenges faced by many developing economies. With increased focus on ACP countries, the partnership formed under the CIIP provides an opportunity to work on practical solutions at the country level, aiming to reduce poverty through initiating and sustaining long-term processes of economic growth and jobs creation. The European Commission has recently set out its proposal for the European External Investment Plan, and the CIIP can support this effort to encourage investments in developing countries through evidence-based solutions and by helping to remove obstacles to investment, by providing visibility and technical assistance to investment projects, and by making smarter use of new and existing financial resources.

Implementing the Strategy

This document is the third annual report of the Competitive Industries and Innovation Program (CIIP), a multidonor partnership among the World Bank Group (WBG); the European Union (EU); the African, Caribbean, and Pacific Group of States (ACP) Secretariat; and the governments of Austria, Norway, and Switzerland. This report outlines the progress that CIIP has made in implementing the main objectives set out in the CIIP strategy and summarizes the partnership's key milestones and achievements from July 1, 2015, through June 30, 2016.

CIIP provides funding at the project preparation stage to shape the design and early stages of project implementation. CIIP funding is directed at World Bank Group task teams or, more broadly, government teams that are preparing projects to be financed primarily by the World Bank and often in complementarity with other multilateral development banks or bilateral institutions. As such, CIIP helps leverage large amounts of aid funding. Its grants provide project teams with the opportunity to learn from policy initiatives that have already been tested; to conduct analytical work, such as market assessments, enterprise mapping, or feasibility studies (in the case of International Finance Corporation operations); to develop a public-private dialogue; to design policy instruments; and to impact evaluations. In addition, CIIP also conducts operation assessments and learning events that act as repositories or resource hubs for related policy interventions. Last, CIIP aims to trigger more development partner collaboration in the countries where projects have been identified. A more detailed description can be found in the section Theory of Change on page 19.

CIIP has expanded activities to seven additional projects in six new countries during this reporting period. In the ACP region, new countries include Nigeria and Suriname. In the non-ACP region, new countries include Albania, the Arab Republic of Egypt, Jordan, and Morocco. Tanzania in the ACP region gained a new project. This new expansion completes the allocation for non-ACP countries as the available financing has been fully allocated. Details for ACP countries are on pages 30-41, and details for non-ACP countries are on pages 42-48.

CIIP also started and is in the process of completing three major operational reviews: special economic zones (SEZs), where a database consisting of more than 300 SEZs has been established; matching grants (MGs); and initiatives to build firm-level capabilities. A summary of these operational reviews is on pages 24-27.

During the course of our fiscal year, CIIP leveraged an additional \$58 million through the approval of two World Bank lending operations in Jamaica and Mauritania. CIIP support contributed to the creation of close to 9,000 new jobs. More than \$3 million were leveraged for the financing of innovation activities, and a total of \$55 million were approved and disbursed in commercial loans to private firms. Also, 210 new firms were created and 374 small and medium enterprises (SMEs) were directly supported with training. A summary of the results is reflected on pages 14-15.

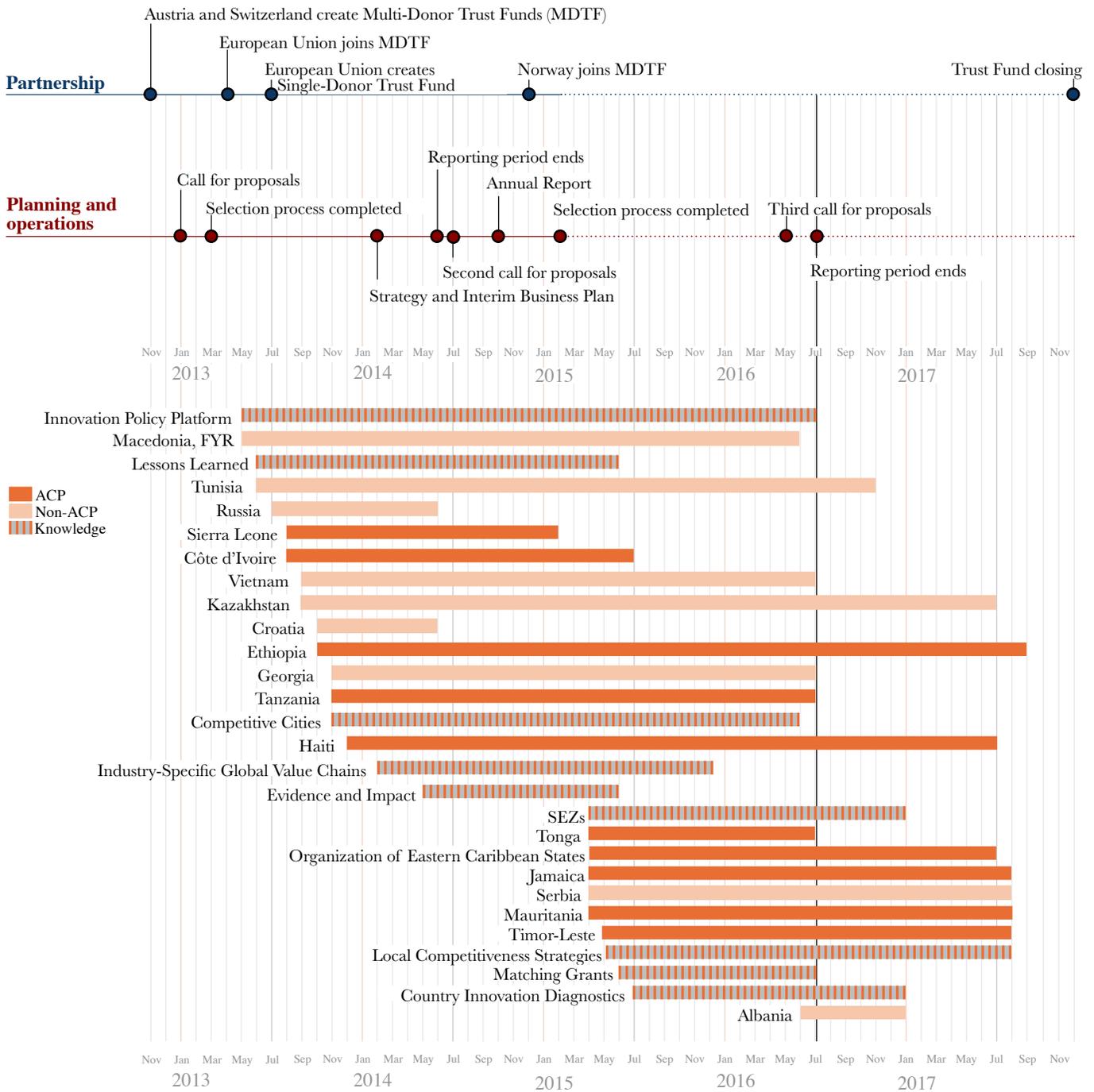
AN EXAMPLE OF COLLABORATION

The Case of Albania

A CIIP grant is being used in Albania to help design appropriate tourism-related investments in the Project for Integrated Urban and Tourism Development. This project is a €70 million World Bank loan to the government of Albania and is focused on economic growth and job creation through investments in a tourism circuit that includes the towns of Berat, Gjirokaster, Përmet, and Sarandë in the south. The CIIP grant is financing spatial analysis of tourism potential, baselines for tourist experience and expenditure patterns, and household and enterprise surveys linked to tourism-related employment. The project team is fortunate to be working with in-country Swiss State Secretariat for Economic Affairs (SECO) and EU program staff. The collaboration with SECO has led to discussions about integrating and leveraging future planned SECO programs focused on employment and entrepreneurship with the intended support to municipalities in the tourist circuit. This focus is particularly important because it minimizes country debt exposure linked to technical assistance for training or private sector business support. The CIIP work so far has highlighted the lack of skills related to market access, business operations, and innovation across the tourism value chain. SECO expressed willingness to consider complementing the loan with support to the selected activities to achieve the development objectives. There has also been discussion with the in-country SECO team about a future joint CIIP program in Albania that can serve as a template for innovation and skills development with tourism firms and entrepreneurs.



TIMELINE



Results at a glance

During fiscal 2016, CIIP grants continued to advance the process of change and to leverage public funding for the design and implementation of competitiveness strategies and policy reform in supported countries. The solid analytical and policy foundation has contributed to development impact in a number of countries in the form of job creation, sales growth and private investment leveraged, and critical regulatory changes. A number of new knowledge activities on matching grants, city competitiveness, and global value chains have helped to inform World Bank Group lending and to influence the thinking of policy makers and practitioners.

FY16 GLOBAL COUNTRY RESULTS

8,981 jobs created

6,331 in Ethiopia, Bole Lemi I, 650 in Georgia, and 2,000 in Macedonia, FYR of which **5,264 were for women** (5,198 in Ethiopia, Bole Lemi I, and 66 in Georgia)

184 million USD private investment leveraged

\$28 million from UNIMER in Mauritania, \$35 million from Jamaica, \$121 million in Macedonia, FYR

12.5 million additional sales value linked to supported industrial zones (IZs)

Ethiopia, Bole Lemi I

374 SMEs trained or supported

75 in Mauritania, 26 in Jamaica, 195 in Georgia, and 78 in Macedonia, FYR

18.5 million USD committed and approved for infrastructure investment

Organization of Eastern Caribbean States

500 micro, small, and medium enterprises (MSMEs) participating in supply chains or cluster working groups

Organization of Eastern Caribbean States

The 5th Steering Committee Meeting sought to further clarify the definition of reported results to ensure that CIIP's results are being tracked as accurately as possible. At the outcome and impact level, CIIP will report on what can be feasibly associated with CIIP-enabled outputs. Reported figures presented by the task teams will be scrutinized by the CIIP secretariat and given to the steering committee only if the information is found to be credibly associated with CIIP's work. The reported outputs must be attributed to CIIP's work and inputs (for example, the earmarked public financing will only be attributed to CIIP if it is clearly linked to CIIP-financed inputs). It is important to acknowledge the myriad attribution questions associated with CIIP's cross-sectoral and policy-based interventions. Therefore, where feasible, country examples will also be used to inform a narrative of different country trajectories for enhancing competitiveness and for creating jobs.

Note: All results are preliminary and are pending validation by the project teams.

FY16 AFRICA, CARIBBEAN, AND PACIFIC COUNTRY RESULTS

6,331 jobs created

Ethiopia, Bole Lemi I
of which 5,198 were for women

18.5 million USD committed and approved for infrastructure investment

Organization of Eastern Caribbean States

63 million USD private investment leveraged

\$28 million from UNIMER in Mauritania and \$35 million from Jamaica

101 SMEs trained or supported

75 in Mauritania and 26 in Jamaica

12.5 million additional sales value linked to supported IZs

Ethiopia, Bole Lemi I

500 MSMEs participating in supply chains or cluster working groups

Organization of Eastern Caribbean States

KNOWLEDGE

Innovation Policy Platform: IPP has a growing user base of more than 2,658 members; in 2015, the platform was used by visitors from 128 countries.

Competitive Cities: Using evidence from 750 cities and case studies from 6 secondary cities in developing countries, the initiative tries to identify drivers for economic and job growth in cities. It explores examples of the institutional and delivery models that are needed to get things done on the ground.

Industry-Specific Global Value Chains: The analyses focused on 10 countries and 3 sectors to identify concrete investment opportunities, including for the International Finance Corporation: Mexico, Colombia, FYR Macedonia, and Vietnam for automotive; Sri Lanka, Bangladesh, and Turkey for apparel; and Bangladesh, Ethiopia, and Tanzania for dairy.

Matching Grants: The study reviewed 106 projects implemented by the World Bank Group since the 1990s, in which 75 percent of the projects were judged to have achieved a positive outcome. However, a clear design feature leading to success could not be found.

Special Economic Zones: To enhance support for SEZ projects, the team built a unique database encompassing more than 250 SEZs in 17 countries to investigate the drivers of SEZ performance and spillover effects.

FEATURE STORY

Women's economic empowerment in Mauritania's fisheries sector in and around Nouadhibou Free Zone

Women represent some of the most vulnerable actors operating in the Nouadhibou Free Zone, suffering from low bargaining power, limited access to credit, low capacity, lack of access to adequate space, and at times physical insecurity. Most of the women working in the free zone do so out of economic necessity to provide for their families, generating income as small-scale merchants and artisanal processors with the majority buying and selling in local markets, often in poor conditions. The CIIP is supporting women's activities in the Nouadhibou Free Zone by encouraging skills acquisition in fish processing and handling and in business management and marketing, which will improve women's incomes.

The women in Mauritania's northern port city of Nouadhibou are well known for their dynamism and ability to navigate a bustling and complex international market of fishermen, merchants, distributors, and processors. In the Nouadhibou Free Zone specifically, many women actively seek work because of a mixture of "push" and "pull" fac-

tors, including widowhood and the need to provide for their families, but also to take advantage of the city's vibrant economy that serves both local and international markets.

Fisheries plays a significant role in the Mauritanian economy, contributing 25 percent of public revenue and as much as 5 percent of gross domestic product (GDP). In addition, the sector has generated 53,000 jobs, 26 percent of which are indirect. Women operating in the sector take up roughly 30 percent of this work—numbering around 4,590 total. The vast majority of their work is concentrated in the artisanal sector.

Women operating in the fisheries sector continue to face significant challenges when engaging in their activities and to suffer from gender-specific constraints. Women are only active in the low-price, -margin, and -quality segment of the local market. Women are priced out of the market for higher-quality products, which are reserved for wholesalers. Not surprisingly, women play virtually no role in the export sector, where the highest profits are made. Sometimes women spontaneously coordinate and pool their funds to buy just one fish that they then divide, mitigating liquidity constraints and risk. Physical security is also a concern, because women often travel at night to meet the boats as they arrive on shore. As individual operators, they generally travel either alone or in small groups that are easily harassed and targeted by thieves.





Women working conditions today (drying fish)

Women also have no recognized formal space of their own and are forced to work outside the market in the open air on the streets, which leads to an accelerated depreciation of the value and quality of their products. They are extremely limited in their ability to stock and securely store their products, particularly when selling fresh. This problem is compounded by a series of cultural norms that consider many forms of work too physically draining for women to conduct. In effect, women tend to be less organized than their male counterparts and depend on men to facilitate many aspects of their work, from carrying stock to overseeing the administrative side of their operations. In addition, because of their marginalized role in the market, these realities are not taken into account by mainstream institutions and captured in policy formulation.

Women groups have begun addressing these issues by pooling resources through cooperatives, which include buying larger quantities of fish and storing their products in more secure storage units. The ability to organize through cooperatives has allowed women to coordinate with other market actors, to negotiate prices, and to reduce transport costs, all of which have increased their competitiveness. The Ministry for Social Affairs, Children, and Family has registered more than 850 cooperatives in the free zone, which includes artisanal fisheries, agriculture, and other activities.

CIIP has contributed to the stronger engagement of women with the Nouadhibou Free Zone by bringing their issues to the forefront of policy dialogues and by developing tailored initiatives to enable women. Those initiative include improving women's organization and coordination and supporting their acquisition of market-relevant skills. The inclu-

sion of women in the design of the World Bank Group's Nouadhibou Competitive Eco-Seafood Cluster project is a significant contribution funded by CIIP. Starting in September 2016, women will benefit from a \$900,000 capacity-building and training program funded by the project.



The CIIP Theory of Change

In a number of countries, policy makers have implemented a series of policy interventions designed to attract private investment, to raise firm-level productivity, to produce higher value-added goods, and ultimately to create more and better-paid jobs. All of this assumes political stability, peace and security, macroeconomic stability, and the basic rule of law in the partner countries. The policy initiatives range from developing special economic zones, growth poles, or growth corridors; providing grants to firms to enable innovation, capacity development, and product development; and initiating reforms of the overall regulatory and policy frameworks. The effectiveness of these initiatives has remained debatable largely due to the absence of evidence-based assessments of the interventions.



Vision and purpose analytics

In 2012–13, the WBG, the EU, the ACP Secretariat, and the governments of Austria, Norway, and Switzerland set up a partnership under the umbrella of the CIIP, which aims to improve the effectiveness of industry competitiveness and policy formation and enforcement.

The purpose of CIIP is to support the creation of private sector employment by enabling and promoting firm-level competitiveness across industries.

Approach

CIIP provides funding at the project preparation stage to shape project design and the early stages of project implementation. CIIP funding is directed at WBG task teams or more broadly government teams that are preparing projects to be financed primarily by the World Bank and often in

complementarity with other multilateral development banks or bilateral institutions. As such, CIIP helps leverage a large amount of aid funding. The funding provides project teams with the opportunity to learn from policy initiatives that have already been tested; to conduct analytical work, such as market assessments, enterprise mapping, or feasibility studies (in the case of the International Finance Corporation operations); to develop a public-private dialogue; and to design policy instruments and impact evaluations. In addition, CIIP also conducts operation assessments and learning events to act as a repository or resource hub for related policy interventions, such as SEZs or grants. Last, CIIP aims to trigger more development partner collaboration in the countries where projects have been identified. The level of collaboration can range from involvement in project design to participation in implementing and financing parts of the project.



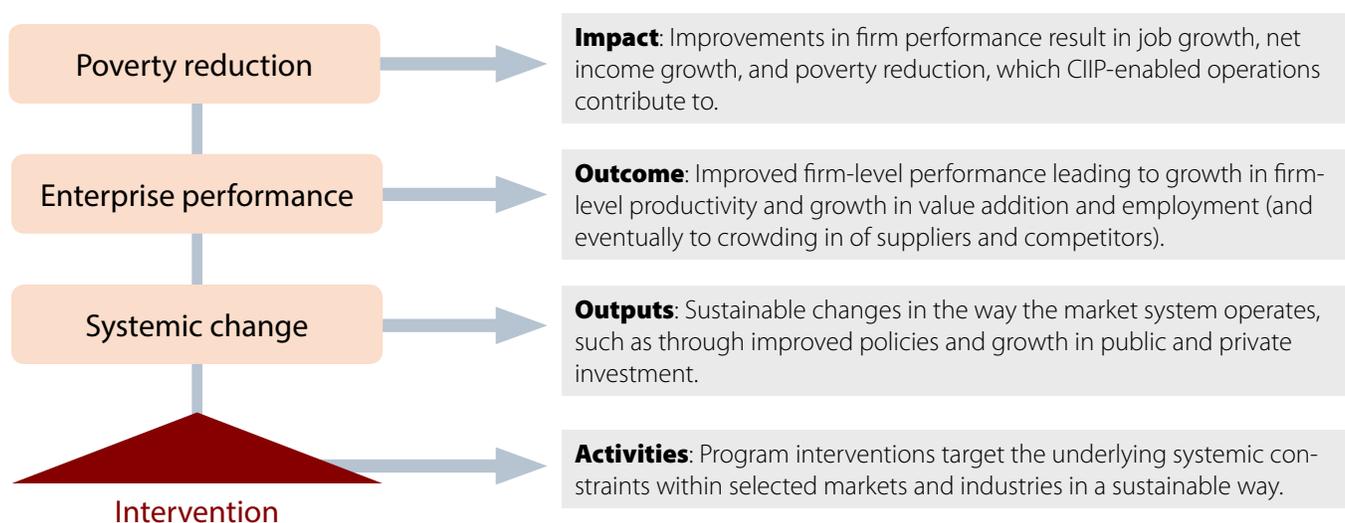
Theory of change

CIIP's theory of change underpins the program's overall objectives and, operationally, the causal chain of objectives for each project. CIIP aims to achieve its outcome and impact milestones by supporting the design and early implementation phase of interventions, which support the removal of the systemic constraints hindering firm competitiveness. These interventions aim to deliver systemic changes—for instance, policy reforms that shape the way markets perform and that change the way firms participate in and access those markets. This work, in turn, will lead to better functioning markets (industry output level) and to improved firm performance among target beneficiaries (outcome level), which is measured through improved business practices, sales, and increased productivity and profitability. The result is increased additional net income and employment for poor women and men, ultimately contributing to a reduction in poverty and shared prosperity. The 5th Steering Committee Meeting sought to further clarify the definition of reported results to ensure that CIIP's results are being tracked as accurately as possible. At the outcome and impact level, CIIP will report on what can be feasibly associated with CIIP-enabled outputs. Reported figures presented by the task teams will be scrutinized by the CIIP secretariat and reported to the steering committee only if the findings are credibly associated with CIIP's work. The reported outputs must be attributed to CIIP's work and inputs. For example, the earmarked public financing will only be attributed to CIIP if it is clearly linked to CIIP-financed inputs. It is important to acknowledge the myriad attribution questions associated with CIIP's

cross-sectoral and policy-based interventions. Therefore, where feasible, country examples will also be used to inform a narrative of different country trajectories for enhancing competitiveness and for creating jobs. This program logic is depicted in the following figure.

Key assumptions underpinning the theory of change are as follows:

1. That CIIP enables the identification of core constraints in selected markets and industries that are preventing effective private sector engagement.
2. That the firm-level improvements facilitated by CIIP project interventions will encourage additional firms as suppliers, distributors, and competitors, as well as raise their standards and improve their competitiveness.
3. That the network of more productive firms ultimately create growth in employment and income-generating opportunities for the poor.
4. That CIIP is able to identify project teams and project ideas that effectively address the constraints that have been identified.
5. That the government is willing to take up an International Development Association (IDA) financed project or a project financed by any of the donor partners can be made available to support the implementation of project design.
6. That there are no external shocks that prevent market players acting as visionaries, including conflict- and environmental-related shocks.
7. That in terms of employment there will be a net crowding of employment by competitive firms.



CHAPTER 1

Global Knowledge, Analysis, and Assessments

This chapter provides information on the various knowledge initiatives that CIIP has helped finance and deliver during fiscal 2016. The findings of several of these studies have already influenced the design of ongoing country operations or even broader development agendas in-country.



Innovation Policy Platform

IPP (www.innovationpolicyplatform.org) has built an online platform whose content and functionality are increasingly used by the innovation policy community. Following the launch of the IPP beta site in mid-fiscal 2014, which included publications, statistics, and web pages produced by the Organisation for Economic Co-operation and Development (OECD) and World Bank, the IPP project has focused on building an innovation policy community of practice and further developing technical functionality on the platform.

The communities' space is designed to facilitate participative knowledge exchange and collaboration between policy makers, analysts, international organizations, and other non-governmental stakeholders, and it supports different types of content, such as blog posts, discussions, a file-sharing system, collaborative editing, calendar events, and links to external content.

The community of practice area is an online workplace and meeting point for users that enables peer-to-peer learning. Key features include document sharing, document collaboration, access to other experts and practitioners, and a shared space for conversation. All those features have been implemented using a community-based content strategy model, which allows the platform to focus on topics specified by the core membership and intended audience.

IPP has a growing user base of more than 2,658 members, and in 2015, the platform was used by visitors from 128 countries. IPP attracted 350,000 page views in 2015, a significant growth since 2014, where it had 110,000 views. The platform's data visualization tool has hundreds of data series on innovation issues that permit the quick generation of time-series graphs and country comparisons, which can be easily added to documents or slides. The introduction of interactive charts in IPP web pages, which replaced many of the site's static images, also occurred in 2015. The site further includes a dynamic statistical visualization dashboard that features around 300 quality-checked indicators with metadata. Under the new setup, charts and the visualization dashboard are linked so that both are automatically updated as new data becomes available.

Today, IPP contains the following:

- 422 content web pages that discuss and summarize a wide variety of innovation policy-related topics
- 808 World Bank publications that have been tagged and linked to IPP's topic pages and country profiles (Policy Briefs, 23; Case Studies, 16; Web pages, 612; Thematic Reports, 119; and Country Reports, 38)
- 77 policy briefs, case studies, and videos on different aspects of innovation policy and specific country information
- 783 statistical indicators and new topic links, as well as country and document pages to relevant statistics (413 country pages, of which 27 are new country pages covering ACP countries; and 1,370 documents)

Experience with Matching Grants

Matching grants have been a staple of development interventions for decades and favored by institutions, such as the World Bank, and by many governments around the world. An MG is defined as a short-term subsidy targeting knowledge and business development services (BDS) acquisition by SMEs, which is provided to the private sector on a cost-sharing basis. The objective of this operational review was to synthesize the current knowledge on MGs and to review the experience with the instrument.

The report reviews 106 projects financed by the World Bank, which are very unevenly distributed among the six regions. More than half of all the MG projects in the sample are in Africa, followed by 21 percent in Latin America. The World Bank rates the performance of all projects from highly satisfactory to highly unsatisfactory. The review used this rating to look at the performance of the MGs. Only 73 projects in the sample have an assigned outcome rating, of which 75 percent have positive outcome ratings. In addition, the review examined a number of design features, such as type of implementing agency, size of beneficiary, eligibility of groups of firms or service providers, focus on specific sectors or exporters, funding for equipment, type of selection mechanism, level of match, type of payment, and provision of diagnostic. The review found that no specific design feature had a systematic correlation with the outcome rating.

The review also examined what teams define as success when using MG instruments. It found that the measure of success varies dramatically between projects and rarely reflects broad and sustainable economic benefits. The review concluded that failing to correctly identify the type of issue or constraint that the MG was aiming to address could lead to incorrect targeting and suboptimal outcomes, such as weak demand and disbursement, limited additionality, limited spillovers, unintended consequences on the BDS market, or nonsustainable impact. We find that a robust definition of the economic rationale is critical for the success of an MGs program and recommend designing an equally robust monitoring and evaluation system to meaningfully measure success.

Operational Review of Special Economic Zones

This CIIP-financed review aims to provide lessons learned from SEZ projects, using both the World Bank's portfolio and an independent census of SEZs globally. The review will investigate the drivers of performance of SEZs. As a result, it should provide policy makers with guidance and knowledge in the design of SEZ projects and how to formulate appropriate objectives and measurable outcome indicators.

By current estimates, there are approximately 3,500 SEZs in more than 130 countries worldwide that employ more than 60 million people. Citing East Asia as a success, many developing economies request financial and technical support from the World Bank Group to implement SEZ policies. In the 1980s and 1990s, the World Bank began to fund a series of SEZ projects. Currently, the World Bank's portfolio of investment lending operations, prepared either in direct

support of an SEZ or containing a component supporting an SEZ, consists of 37 projects, with a total commitment of \$2.38 billion approved between 1973 and 2015. The World Bank SEZ portfolio review provides an opportunity to look at the developmental objectives of individual projects, the extent to which they were achieved in practice, the challenges faced, and the lessons learned that could inform the scope and design of subsequent projects.

Usage of new datasets to cover a larger scope

There is much debate about the factors influencing the success and failure of SEZs and why certain SEZs “fail,” recognizing that there is often no consensus even around the basic definitions of these terms. For the purpose of the review, the team has built a unique database of more than 250 SEZs in 17 countries, which covers information on the various aspects of each individual SEZ, namely (a) legal and institutional background; (b) fiscal incentives available to tenant companies, including tax exemptions, fiscal subsidies, and cash disbursements; (c) amenities available onsite, including customs offices and procedures, one-stop shops, and other service establishments; and (d) the country context. In addition, the review will use nighttime light data as a proxy for the economic performance of an individual SEZ and surrounding areas. As a result, the review tries addressing the following two main questions: What are the main factors driving the performance of SEZs? Do SEZs contribute to economic growth in the surrounding areas?

Industry-Specific Global Value Chain Analyses

The Trade and Competitiveness Global Practice at the World Bank and the Manufacturing, Agribusiness, and Services Department of the International Finance Corporation (IFC) have jointly applied the global value chain approach at the industry level. The approach helped to identify industry-specific public policy and investment options to catalyze private sector development.

The approach was applied to three different industries in selected countries: Colombia, FYR Macedonia, Mexico, and Vietnam for automotive; Bangladesh, Sri Lanka, and Turkey for apparel; and Bangladesh, Ethiopia, and Tanzania for dairy.

The report focused on (a) analyzing industry-specific sourcing trends and plans, (b) analyzing the structure of strategic segments in the industry, (c) identifying overall country characteristics and key operational requirements and industry standards, (d) investigating why certain regions and countries are prioritized by lead firms, and (e) assessing primary constraints to meet industry and investor needs.

For the automotive industry specifically, the IFC determined which segments of the industry and which areas of the value chain they should focus on within the selected countries. The IFC has decided to concentrate on (a) foundries and metal-processing plants, commercial vehicles, and two-wheeler manufacturing in Vietnam; (b) commercial vehicle and two-wheeler manufacturing, as well as bus rapid transit and related technologies in Colombia (and aiming to use the bus rapid transit experience in other countries);

and (c) supporting local tier 1–2 suppliers mainly in the auto components segment, as well as application of the latest urban transport technologies and systems in Mexico. For the long-term sustainability of the textile industry in Bangladesh, the analysis has shown the critical importance of transitioning to higher value-added segments while also addressing labor, factory safety, and working conditions.

Country Innovation Diagnostic for Competitiveness and Employment Creation in ACP

The overall objective of the report is to better understand firm-level innovation in developing countries, providing a better diagnostic of innovation and improving innovation policy capacity and design. The report’s common thread is the creation and support of firm capabilities for innovation: identifying those beyond research and development (R&D), measuring them, and creating policy frameworks and policy and institutional capacities to support them.

Despite the centrality of innovation for productivity growth, there is a lack of clarity about the sets of firm capabilities necessary for successful innovation. Most efforts have been traditionally focused on promoting R&D activities; however, most innovation in developing countries is imitation and technology adoption in the absence of formal R&D activities. Firm capabilities are seen as a black box of knowledge activities, and there is an implicit assumption that government officials in developing countries have the knowledge, capacity, and institutional development to design and implement effective innovation policies that support firm-level innovation. As a result, the main objective of the report is twofold:

- First, to put firm capabilities for innovation at the center stage of the innovation and productivity agenda with a stronger focus on core competences—managerial and organizational practices—by developing a framework for firm capabilities according to the distance to the technological frontier and by providing benchmarking of innovation and firm capabilities.
- Second, to strengthen innovation policy capacity to support firm capabilities by developing an innovation policy instrument guide. (The report contains a chapter that focuses on those instruments that are most important for core competencies. The complete guide will be a separate product used for operations and client countries.)

Competitive Cities

The Competitive Cities Knowledge Base (CCKB) was initiated in 2014 as a joint effort between Trade and Competitiveness Global Practice and Social, Urban, Rural, and Resilience Global Practice, with close collaboration with the Governance Global Practice, in response to rising client demand at the subnational level for support in achieving economic growth and competitiveness. The objective of CCKB was to provide a foundational body of evidence for WBG operations to assist cities in formulating and implementing economic development strategies that draws on expertise and talent across global practices. The Competitive Cities Initia-

tive has found that improving the competitiveness of cities is a viable pathway to eradicate poverty and to increase shared prosperity.

Overall, the project has succeeded in repositioning the World Bank Group as a thought leader on city competitiveness and in reinvigorating activities on subnational economic development—providing a conceptual framework, body of analytic evidence, and case studies—and is now starting to be deployed as a Competitive Cities line of business for lending, analytical, and technical assistance projects. The Competitive Cities project recommendations are based on rigorous evidence: analytics on 750 cities worldwide, firm-level econometric analysis, specially commissioned case studies on 6 cities worldwide (one in each WBG region), and secondary literature and consultation sessions with WBG task team leaders and task teams. The team devoted one-third of its work to advance understanding of the implementation of economic strategies so that the recommendations are financially and socially sustainable.

More than 70 staff members and professionals inside and outside of the World Bank have been involved in creating, applying, and sharing the knowledge product. Two report-dissemination events were held: one in Washington, DC (December 2015), and one in Singapore (March 2016). The CCKB material is being turned into executive training modules for city officials and leaders and is already in high demand. The first four modules were requested by clients in Argentina, Ecuador, Singapore, and Uganda, with more than 200 participants among local government officials, and in close collaboration with country management units. Unlike any other traditional knowledge-sharing workshops, these modules offer policy makers the opportunity to gain skills through simulations by doing cases, games, and exercises.

Throughout the research generation period and during the dissemination events, a substantial number of external partnerships have been formed with city leaders and practitioners, other international organizations, academia, think tanks, and private sector players.



Policy Options to Develop Local Content

The issue of local content has been debated in most countries where large multinational corporations have started exploiting natural resources and where policy makers have sought to visibly increase the economic benefits for the host country.

This reflection has generally been about extractive industries, such as oil, gas, and mining, but its relevance extends to any sector where linkages can be encouraged between international firms with large procurement and labor needs as well as domestic companies and workers. While linkages and spillovers can be the largest contribution of foreign direct investment to the economic development of the host country, literature suggests that merely attracting foreign direct investment is no guarantee that such linkages will materialize and indicates that active efforts by both public and private actors are needed to encourage their emergence.¹

CIIP prepared an options note regarding some of the main issues related to the local content debate (for example, definitions, policy objectives, modalities, measurements, and reporting). It highlights lessons learned from various countries' experience with local content policies (LCP) and policy conclusions.² In addition, the note discusses focusing on setting regulatory requirements for local content level and developing alternative approaches to local content through industry-led efforts and public programs to strengthen local firms and workers' capacities.

Mobilizing Local Knowledge to Improve Competitiveness Strategies

This CIIP-financed activity aims to create a localized and policy-relevant knowledge base and research capacity on how to improve industrial productivity in developing countries. This objective will be achieved through specific, in-country local research, which will be mentored and coordinated at a global level.

Following the approval of the proposal by the CIIP Selection Committee in fiscal 2015, the World Bank started working with its partner, the Global Development Network, to quickly launch the activities. Top researchers and practitioners in the field of industrial policy were successfully mobilized to compose the Scientific Committee:

- Dani Rodrik, Harvard University
- François Bourguignon, European Development Network
- Charles Sabel, Columbia Law School
- Célestin Monga, United Nations Industrial Development Organization
- Ha-Joon Chang, Cambridge University

The activity was formally launched on October 1, 2015. Ten proposals were provided to the Scientific Committee for

its evaluation. The proposals are relatively well diversified in terms of ACP countries (including Barbados, Ethiopia, Ghana, Kenya, St. Vincent and the Grenadines, and Zimbabwe) and in terms of sectors (such as textile and garments, cement, agro-processing, cotton, and sugar) and topics (such as clusters policy strategy, impact of specific policy on productivity, and structural transformation). Proposals have elaborated on the two overarching research questions, centered around lessons learned on the measured impact of specific “new” industrial policies and on the determinants of success in terms of public-private dialogue (PPD) modalities. Example research questions include the following: “What are the various formal and informal institutions that participate in decision-making processes for cotton value chain-related policies and initiatives in Kenya, and what are their roles in their implementation?”; “What are the gaps between observed impacts and theory for the successive industrial policy strategies that Ethiopia has implemented since 2002/03?”; and “Does the Ugandan industrial policy have remedies for local industrialization in light of regional free trade policies?”

The Scientific Committee was provided with scoresheets, which will help it make funding recommendations. The recommendations will then be subject to a final decision by the World Bank, which is in line with the need for overall strategic alignment, and by the support of the World Bank country teams.



¹ Farole and Winkler (2014) provide a comprehensive analysis of foreign firms' strategies, domestic environment characteristics, and public policies that can encourage or hinder linkages and spillovers from foreign direct investment in developing countries.

² In addition to the other sources referenced, this note draws largely from Tordo and others (2013).

CHAPTER 2

Country Operations

This chapter provides information about the progress of the 17 CIIP-funded country operations in fiscal year 16. This progress is based on the WBG's annual grant reporting and monitoring process.

Each project's financial information is included in Chapter 3.



ACP Project Results: Main Highlights

6,331 jobs
Ethiopia, Bole Lemi I
of which 5,198 were for women

18.5 million USD committed and approved for infrastructure investment
Organization of Eastern Caribbean States

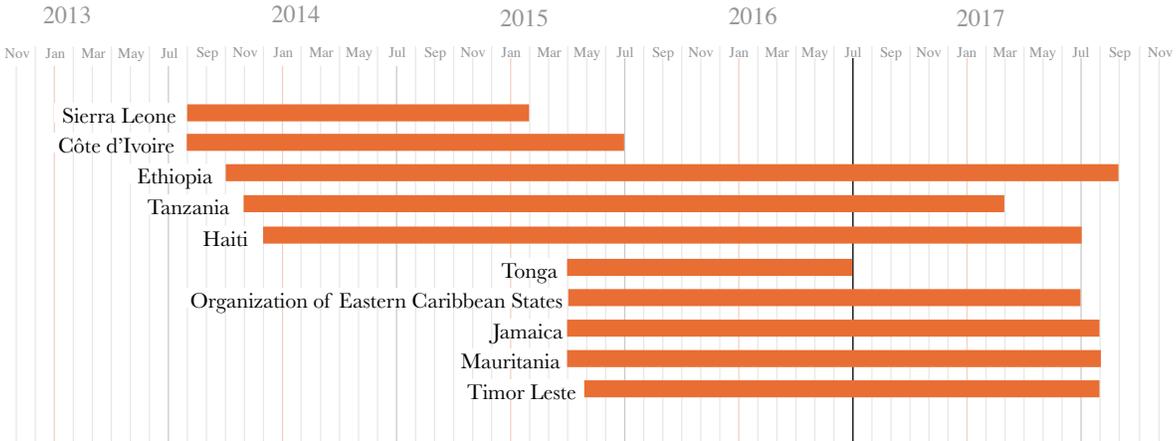
63 million USD private investment leveraged
\$28 million from UNIMER in Mauritania and \$35 million from Jamaica

101 SMEs trained or supported
75 in Mauritania and 26 in Jamaica

12.5 million additional sales value linked to supported IZs
Ethiopia, Bole Lemi I

500 MSMEs participating in supply chains or cluster working groups
Organization of Eastern Caribbean States

Timeline



Note: All results are preliminary and are pending validation by the project teams.

CÔTE D'IVOIRE Flagship Transformational Growth, Competitiveness, and Jobs Program

Leverage FY16/17 IDA Inclusive Urban Growth and Competitiveness project

Partner coordination African Development Bank, European Commission, Japan International Cooperation Agency

Approved grant \$1,206,523

CIIP financed a range of sectoral and spatial analytical work and extensive consultative activities with the public and private sector in fiscal 2016. CIIP technical assistance has supported the formulation of an integrated industrial growth and competitiveness program, which is the cornerstone to the government's National Development Plan (NDP). The implementation of the NDP is supported through the WBG's Strategic Country Diagnostic and the Country Partnership Framework (CPF) FY16–19 in collaboration with donors, such as the EU, African Development Bank, Japan International Cooperation Agency, and the private sector. Within this context, CIIP technical assistance has helped identify the Côte d'Ivoire Infrastructure for Urban Development and Competitiveness of Secondary Cities. This \$100 million project (\$50 million from IDA) supports the development of economic agglomerations out of Abidjan (for example, Bouake in Center North, and San Pedro to the West) with a range of interventions that strengthen social and economic infrastructure and leverage private sector investment through SME and value chain development. Formal project preparation has occurred during fiscal 2016, with World Bank management review and endorsement of the project concept set to ensue in the third quarter of fiscal 2016. The project is slated for board delivery in fiscal 2017.

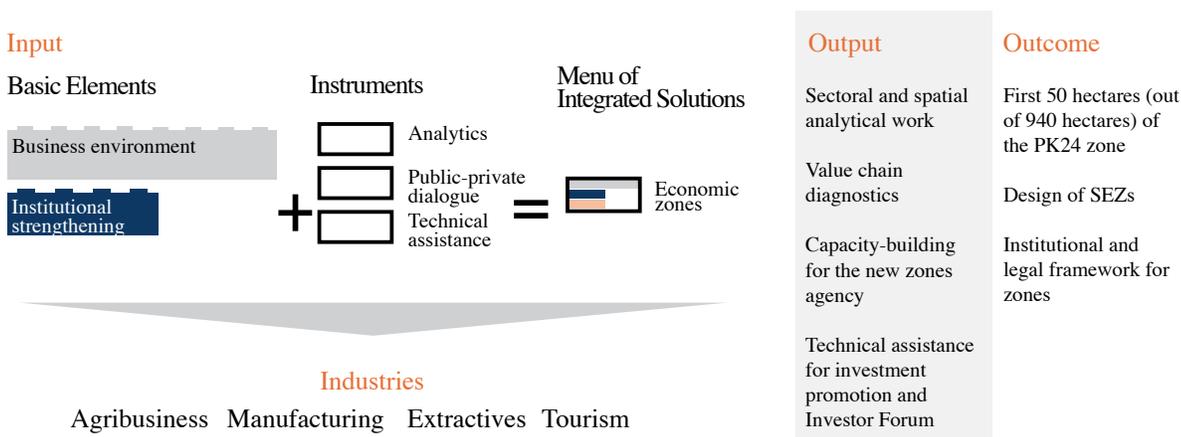
Within this framework and building on the CIIP analytics and consultation activities, a number of specific projects have already been initiated, including Côte d'Ivoire PK24 Industrial Park PPP (940 hectares). Work on the first 50 hectares has commenced, and the selection of a private operator for the first phase (200 hectares, with an estimated total project cost of \$200 million) is under way. The CIIP funds provided technical assistance to the Ministry of Industry related to (a) the general institutional and legal framework for developing and managing industrial zones; (b) the diagnostic and options for the rehabilitation and management of existing zones and the development of new ones; (c) investor demand and promotion, including the high-level Invest in Côte d'Ivoire Forum 2014; and (d) and shared-good practices and international lessons of experience ahead of the launch of the PK24 transaction. Potential IDA/International Bank for Reconstruction and Development investment lending support will be considered as part of the Greater Abidjan project expected to be developed under the new CPF.

In addition, the Côte d'Ivoire Support Project for the Agricultural Sector (\$70 million) is another program that has been leveraged through CIIP funding. This government program (supported by a \$70 million IDA project already in effect) promotes development of priority agriculture value chains. CIIP funds, together with the International Credit and Trade Finance Corporation, leveraged the IDA program to help increase transformation and support investment promotion in key agriculture sectors (cashews, fruits, vegetables, and rubber).

The Infrastructure for Urban Development and Competitiveness of Secondary Cities project aims to support economic agglomeration around secondary cities. The project will support a sequential development of two economic centers; infrastructure developments and direct support to SMEs will be concentrated in Bouake, while preparatory work for San Pedro will be implemented in a second stage. Proposed activities identified during project preparation include a combination of (a) economic and social infrastructure investment and (b) direct technical and financial instruments to address key constraints in the business environment and to support competitiveness, investment, and jobs by targeted firms in the cities. CIIP funds supported project conceptualization, including sector diagnostics and related spatial dimensions (infrastructure diagnostic, demand studies for economic zones, and value chain analysis). Preparation of this project is under way, with delivery to the board scheduled for fiscal 2017.

The CIIP analytical work also supported the conceptualization of the Côte d'Ivoire Regional Trade Facilitation and Competitiveness Development Policy Operation (\$50 million from IDA), which was approved by the board in June 2015. Specific input was provided regarding the articulation of competitiveness constraints and trade-facilitation measures related to the spatial and industrial development around the Bouake area.

Results Chain



OECS Strengthening Clusters through Regional Approach: Stimulating Investment and Jobs through Tourism and Agribusiness Clusters in the OECS

Leverage Regional IDA Competitiveness Project
Partner coordination European Union Delegation, possibly others
Approved grant \$500,000

The CIIP is funding the design and implementation of a project that aims to strengthen local and regional tourism linkages in the Organization of Eastern Caribbean States (OECS) in Grenada and St. Lucia. The \$26 million Regional Tourism Competitiveness Project lending operation aims to strengthen the competitiveness of the tourism sector in the OECS, and the \$6 million OECS Agriculture and Tourism Linkage Project lending operation seeks to enhance the competitiveness of the agriculture sector by strengthening linkages with the tourism sector.

In fiscal 2016, CIIP OECS Agriculture and Tourism Linkage Project funded the preparation and publication of two reports—“Driving Tourism in the Eastern Caribbean: The Case for a Regional Ferry”¹ and “Linking Farmers and Agro-Processors to the Tourism Industry in the Eastern Caribbean”—leading to two multicountry lending projects in the OECS for a total of \$31 million. The tourism report has also attracted the attention of other investors, such as the IFC. More specifically, the report led to an investment of \$2,520,000 under the OECS Regional Tourism Competitiveness Project to facilitate the movement of people using existing ferry operators in the OECS as a pilot program that would, then, serve as demonstration for a larger investment in a regional ferry.² In order to study in greater depth the potential opportunities to invest in a regional ferry beyond the pilot phase, the IFC is considering allocating \$400,000 to further study the feasibility of a regional ferry in the OECS.

Moreover, the CIIP OECS Agriculture and Tourism Linkage Project complements another component of the OECS Regional Tourism Competitiveness Project, which focuses on communicating with and marketing to independent and adventure tourists.³ In addition, the project focuses on developing and implementing outreach, communication, and marketing strategies to attract tourists to the region. The CIIP funds have been used to identify investment opportunities and to provide support for strengthening the quality of tourism products offered to this market segment of tourists. To identify these opportunities, the WBG has developed and implemented a very successful, bottom-up, collaborative, community-level cluster building methodology to provide support to two clusters in the region. This approach has led to the preparation of concrete action plans for cluster strengthening. The CIIP action plans are progressing well during this first year. The second year will focus on finalizing the action plans and feeding the identified actions into various WBG instruments and private and other investments.

In addition, CIIP supported the Caribbean Growth Forum (CGF) event in June 2015. The forum is a donor-funded multistakeholder platform designed to facilitate and support the implementation and monitoring of a set of reforms aimed to improve growth prospects in the Caribbean while promoting participatory public policy.

The Independent Evaluation Group has recognized CGF as an innovative policy dialogue tool of the WBG Caribbean program that supports the identification and implementation of growth-oriented reforms, blending region-wide and country-specific frameworks to good effect. The CGF is one of five WBG programs that was highlighted during the Small States Forum at the 2016 Spring Meetings and is the first-ever regional public-private dialogue platform of its kind. Because of the CGF, more than 100 reform actions have been implemented in 12 Caribbean countries since its inception in 2013.

In support of the activities mentioned, a knowledge event was held in June 2015 in St. Lucia under the umbrella of the CGF. The event lasted two and a half days and combined plenary and technical sessions with regional and global experts. One of the objectives of the regional CGF workshop was to stimulate the development of regional value chain clusters, focusing on sectors with high growth potential in the region and with impact on local economies, especially in the agrotourism sector. The event helped to raise awareness of strategies and tools necessary for the development of competitive industries.

¹ This report was prepared under the first pillar of the project, which aimed to focus on identifying ways to strengthen the competitiveness of the tourism sector.

² Further information is provided in the project appraisal document of the OECS Regional Tourism Competitiveness Project, which can be made available upon request.

³ Based on the extensive analytical work of the World Bank, this tourism market segment has been identified as one with potential for increasing more tourism spending and ensuring sustainability of the tourism assets of the OECS region.

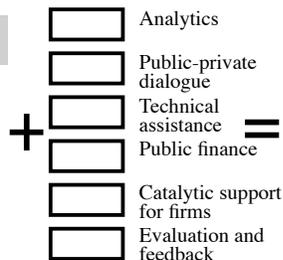
Results Chain

Input

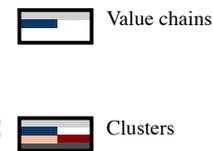
Basic Elements



Instruments



Menu of Integrated Solutions



Industries
 Agribusiness Tourism

Output

Strategy and reform program designed
 \$18.5 million committed for infrastructure investment
 3 PPDs set up
 Institutional capacity-building

Outcome

500 MSMEs participating in cluster programs
 Number of tourist sites with better access and services (target of 4 by FY18)
 2 reforms enacted through public-private dialogue
 Improved effectiveness of institutions
 2,000 people reached through info campaigns

ETHIOPIA Competitiveness and Job Creation Project

Leverage Competitiveness and Job Creation Project (\$270 million)

Partner coordination UK Department for International Development, US Agency for International Development, European Commission

Approved grant \$1,365,000

In fiscal 2016, implementation of the Ethiopia Competitiveness and Job Creation Project continues to progress with the support of the CIIP. Significant improvement has been made toward strengthening the institutional, policy, regulatory, and capacity-building components of the industrial park (IP) agenda in Ethiopia. Key achieved milestones include (a) approval of the organizational structure of the Industrial Parks Development Corporation (IPDC) in late October 2015 through the CIIP–World Bank technical and advisory support; (b) development of comprehensive investors aftercare strategy, investment promotion strategy, and standard operating procedures for IPDC, which now awaits IPDC board approval; (c) development and successful launch of the IPDC website in August 2015 and use of the IPDC brochures for investment promotion since July 2015; (d) approval of the Ethiopian Investment Commission restructuring in December 2015 by the prime minister, followed by the appointment of the commissioner and three deputy commissioners, including one for the IP regulatory function, which was introduced and supported by the WBG; (e) recruitment of a resident advisor to support the establishment of the IP regulatory function and its operation within the Ethiopian Investment Commission during the reporting period, and the appointment of the advisor in April 2016; and (f) the finalization of the regulation implementation that is under way. CIIP established the provision of advisory services for the institutional reorganization, defined management functions and basic competency requirements, and developed high-level job descriptions for all key positions, as well as capacity development plans for both IPDC and the regulatory function under the commission.

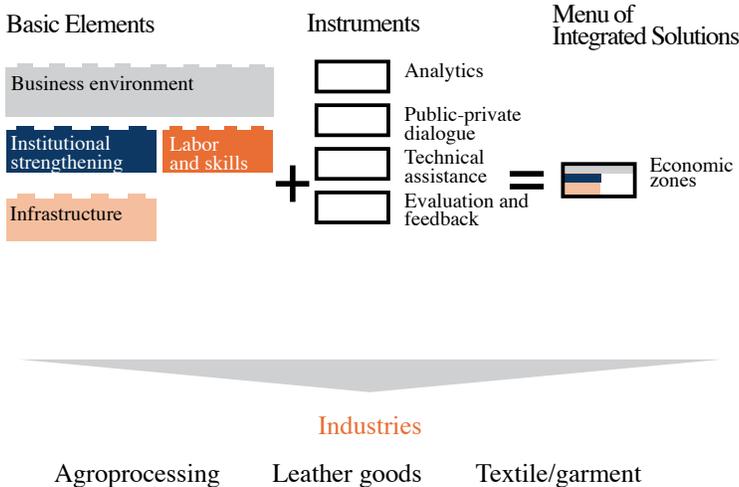
Despite those successes, the industrial infrastructure development and linkage components have faced unanticipated procurement and implementation issues. Evolving institutional arrangements for the project and the departure of the project coordinator in July 2015 further intensified the challenges. Following the recruitment of the new project coordinator in December 2015, two CIIP–World Bank missions took place in February and March 2016 that have helped unblock key challenges leading to improvements in the pace of implementation, especially regarding the design of the two large IPs closest to Addis, which have been delayed because of deficiencies with the client’s design consultant. After extensive negotiations, the client has provided a contract extension to the consulting firm for the detailed design and engineering of two IPs supported by the project, with a specific work plan and deliverables available until June 30, 2016. CIIP guidance and funding enabled the team to recruit the necessary technical and contract management experts, who assisted the client with the negotiation process, finalized the design documentation, and completed the paperwork and project management necessary to complete a request for proposal documentation in time.

The project’s most recent change of course has been the government’s sudden decision to construct Bole Lemi 2 and Kilinto IPs with their own funding, despite their jurisdiction under the Competitiveness and Job Creation Project. This decision entailed restructuring the project and redirecting the funding toward last mile infrastructure. The government will continue to formally inform the World Bank of their final decision, but in any event, such changes will immensely benefit from further technical expertise sourced from CIIP.

Moving forward, CIIP support will be critical to sustain and accelerate the implementation of the project, to further develop the IP ecosystem in Ethiopia, and ultimately to achieve its proposed development objectives.

Results Chain

Input



Output	Outcome	Impact
SEZ law adopted IZ regulatory function	70 pipeline investors	Private investment by firms in IZs (target of \$28 million beyond FY18, of which FDI [\$20 million])
Master plans License issued for IZ management	Serviced land in zones (target: 105 ha beyond FY18) Leased land in zones (target of 32 ha beyond FY18)	\$20.5 million sale value of goods and services (target of \$280 million beyond FY18)
People trained (target of 7,000 beyond FY18)	Improved access to skills	6,331 jobs, of which 5,198 are for women (target of 32,000 beyond FY18)
Staff trained in IPDC and regulator One-stop shop in environmental impact assessment and zones	Improved effectiveness of institutions	
# of visitors to business-to-business linkages platform # of firms supported linkages fund	# of local suppliers working with firms in zones (target of 25 beyond FY18) \$ contract value	

HAITI Strengthening Competitiveness Implementation Capacities

Leverage Business Development and Investment Project (\$20 million)

Partner coordination US Agency for International Development, Inter-American Development Bank, European Commission - European Union Support Programme to the Ministry of Commerce and Industry in Haiti

Approved grant \$1,875,000

CIIP aims to support a more inclusive governance approach to industrial development in Haiti to accelerate sustainable job growth over the next three to five years. This support will be done by motivating local entrepreneurs in emerging clusters to identify and use new opportunities, by building public sector capacity to support competitive strategies, and by expanding fiscal and financial instruments to mobilize public and private investment. This project signals a focused effort to build on and to broaden numerous enclave initiatives (for example, integrated economic zones, industrial parks, and microparks) that predominate Haiti’s economic development landscape. In addition, this project is expected to enhance prospects for achieving the goals of job creation, decentralization, and investment promotion.

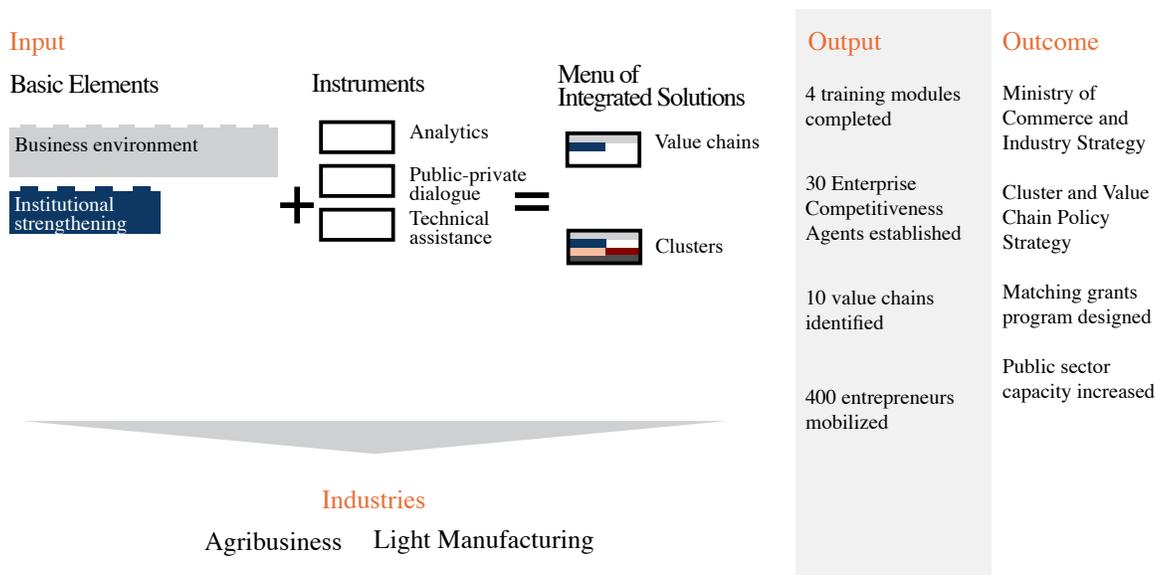
In fiscal 2016, the Haiti CIIP grant supported the restructuring of the Haiti Business Development and Investment Project. This change of focus was one of the development objectives of the CIIP project and allowed for a shift toward the development of value chains.

The value chains approach has allowed CIIP to achieve its core objectives, which include (a) the mobilization of local entrepreneurs; (b) the construction of public sector capacity; and (c) the expansion of financing instruments. With regard to the mobilization of local entrepreneurs, the use of the value chain diagnostic methodology has motivated local entrepreneurs and subnational authorities in all 10 regional departments of the country. Through the 10 value chain diagnostics (that is, mango, avocado, honey [2 regions], vetiver, coffee [3 regions], cacao, and apparel), more than 400 entrepreneurs have been mobilized by the 10 Enterprise Support Service teams of the Ministry of Commerce and Industry.

During this reporting period, two training workshops, three one-on-one coaching meetings in Port-au-Prince with all 10 teams present, and field visits to the 10 teams in their regions were financed by the CIIP project to train and coach the teams through the final steps of the value chain diagnostic methodology. In addition to the training of the teams, the CIIP grant provided for the training of other government entities, including Ministry of Economy and Finance, Investment Promotion Agency, and Ministry of Planning and External Cooperation. As a result, the public sector capacity has continued to be built and consolidated, and these governmental entities now have the capacity to carry out value chain diagnostics.

Furthermore, efforts were made on several fronts to expand financial instruments, including (a) the completion of the matching grants manual, which provides guidelines and key definitions for financing value chain upgrading; (b) exploring the use of a payment platform that would enable the direct transfer of funds from profits made by entrepreneurs for various purposes, including paying taxes and financing the program; (c) trying to access supply-chain financing for the entrepreneurs in the value chains from the local banking sector; and (d) working with other donors and other World Bank–financed projects in Haiti to leverage other public funds to attain objectives.

Results Chain



JAMAICA Support of Competitive Industries

Leverage International Bank for Reconstruction and Development’s Foundation for Competitiveness and Growth Project (\$50 million), World Bank’s First and Second Development Policy Loans (\$205 million), European Union–funded IFC Food SME Project (€3 million)

Partner coordination EU, others

Approved grant \$525,000

CIIP continues to assist the government of Jamaica and the WBG to better understand how to generate employment and to attract investment in Jamaica. Improving competitiveness and creating jobs are key parts of Jamaica’s Vision 2030 national development plan. In accord, the primary objective of CIIP’s grant is to create jobs in Jamaica by attracting investment and by increasing productivity in high-potential sectors, which include logistics, agribusiness, manufacturing, and tourism. CIIP aims to achieve this objective by accelerating the implementation of the Foundation for Competitiveness and Growth Project and by leveraging the complementary policy support and industry investments under the Development Policy Loans and the IFC Food SME project.

In the first nine months of grant implementation, CIIP-funded activities have exceeded targets in foreign direct investment (FDI) and have laid the foundations to meet future targets in job creation. Jamaica’s investment promotion agency, JAMPRO, has stated that the \$600 million in FDI received was due in part to the CIIP funding. This \$600 million far outstripped the CIIP target for fiscal 2015/2016 of \$35 million. Investments were made in all four targeted sectors: logistics, agribusiness, manufacturing, and tourism. CIIP support has also helped guide the government to develop sector plans.

The results have been achieved not only by CIIP’s grant leveraging numerous World Bank and other donor instruments in Jamaica, but also through the project and its emphasis on investment climate reforms, support for strategic investments, and SMEs (matching grant scheme and lines of credit). A number of programs have also been strengthened by CIIP-funded technical advisory, which include the Logistics Hub Initiative Master Plan and Market/Industry Analysis, developing SEZ policy, law, and regulations.

Furthermore, significant progress has been made in keeping jobs and competitiveness high on the political agenda. The team recently learned that that government wants to double down on the growth and jobs agenda. In this regard the CIIP project is well-positioned to support the government moving forward.

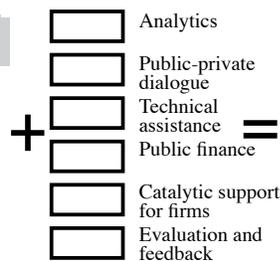
Results Chain

Input

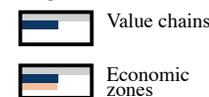
Basic Elements



Instruments



Menu of Integrated Solutions



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Industries

Agribusiness Manufacturing Logistics Tourism

Output	Outcome	Impact
Regulations and policy reforms SEZ regime		\$35 million in private investments (target of \$50 million by FY19)
PPDs established (target of 5)	PPD impact on reform process	
Institutional capacity-building	Effectiveness of institutions	Gross number of jobs (target of 8,000 by FY19)
SME support programs	SMEs trained or supported	

MAURITANIA Nouadhibou Eco-Seafood Competitive Cluster

Leverage Trade and Competitiveness Global Practice at the World Bank Project (IDA Credit, IBRD Enclave Loan, and Guarantees)

Partner coordination French Development Agency, European Investment Bank, Islamic Corporation for the Development of the Private Sector of Islamic Development Bank, and the European Union delegation

Approved grant \$420,000

In an effort to attract investments and to create jobs in Nouadhibou, the government of Mauritania has decided to create the Eco Seafood Cluster with CIIP support. The fisheries sector, which is almost exclusively export-oriented (90 percent of production), plays an important socioeconomic role: it accounts for 16 percent of GDP, 25 percent of government revenue, and 40 percent of revenue in foreign currencies, as well as provides jobs to approximately 40,000 people. Nouadhibou is faced with the opportunity to transform the fish industry and to uplift its value chains by leveraging opportunities in this sector.

Without CIIP, however, the central government, Nouadhibou Free Zone Authority, and the industry stakeholders lack the information, policy support, dialogue platforms, and supply chain networks necessary to lower their costs.

CIIP successfully helped to prepare the project (\$9.25 million from IDA), which was approved by the World Bank’s board of directors on March 24, 2016, and signed by the Ministry of Economy of Finance and the World Bank country director on April 13, 2016.

CIIP supported interventions promoting policy tools and technical assistance to identify and overcome supply chains and bottlenecks that have generated a significant cascading value to the fisheries sector and local supply chain. These interventions will ultimately improve the competitive positioning of Mauritania fish exports, particularly in the fresh fish and seafood value chains.

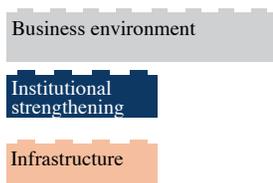
In addition, the funds will enable the mobilization of a competent public-private partnership (PPP) specialist to prepare the scope of the reform study supported by the project and to buttress the government in its supervision and quality enhancement. CIIP will also support the Port HR Diagnostic, port management, and the retrenchment and deployment of staff members.

Furthermore, the CIIP grant will enable the concept design of a refrigerated warehouse with the provision of key equipment (standardized pallets) and administrative facilities, including a one-stop shop to facilitate export procedures (to include the Central Bank of Mauritania, customs, tax, and airport administration representations), as well as an ONIPSA (Office National d’Inspection Sanitaire des Produits de la Peche et de l’Aquaculture) laboratory for quality control (see Feature Story).

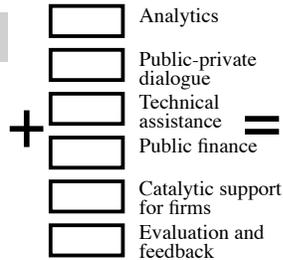
Results Chain

Input

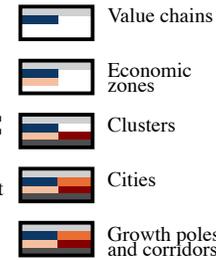
Basic Elements



Instruments



Menu of Integrated Solutions



Industries

Fisheries Mining Logistics

Output	Outcome	Impact
Strategy and reform programs designed	Improved access to markets	\$28 million of private investments (target of \$60 million beyond FY18, total domestic and foreign)
180 people trained or certified		150 new firms (target of 2,000 beyond FY18)
PPD created	3 reforms enacted through PPD (target of 19 beyond FY18)	Gross number of jobs (target of 12,000 beyond FY18)
Institutional capacity-building	Effectiveness of institutions	
SME support program designed	75 SMEs trained or supported	

TANZANIA Developing Local Industries Connected to Natural Gas Discoveries

Leverage Forthcoming IDA Growth Poles operation (\$100 million)

Partner coordination UK Department for International Development, government of Norway, European Commission, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Approved grant \$676,250*

The focus of this CIIP-funded team is on understanding and utilizing local content opportunities connected to natural gas discoveries. During fiscal 2016, the team successfully completed Phase I of the grant activities on diagnostics. This completion resulted in a solid baseline estimate of the local content opportunities in Tanzania and the policy dialogue about local content that has contributed to shaping the policy agenda and creating awareness of the topic.

The analysis identified the key opportunities for local content in 15 “priority industries” (mostly related to construction and civil works, metal and steel manufacturing, food and business support services), most of which are not directly related to gas. The focus in fact is on developing transferable skills and business competencies that the local labor force and enterprises can then remarket in other more sustainable sectors (such as real estate and infrastructure construction projects, donor-funded projects, catering for the mining sector, and tourism).

The analytical work estimated that the construction phase of the liquefied natural gas facility, which is worth a total investment of \$15–20 billion, could generate up to 5,000–7,000 local jobs at its peak, local subcontracting for 10 to 15 percent of the investment, and about \$750–1,000 million in local supply of goods. However, a combination of the unpredictable policy framework that led to a delay and the subsequent drop in oil prices led to a temporary postponement of private sector investment.

During the course of fiscal 2016, the team organized a series of presentations to government representatives (including the head of the new Local Content Unit) and to other development partners of the preliminary findings of the analytical work. The presentations contributed to the establishment of reasonable expectations pertaining to the possible local content outcome and its timing.

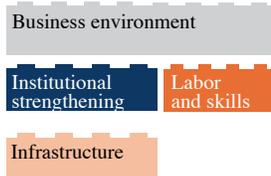
On the policy side, the team published a brochure in March 2016 that summarizes the key messages and lessons learned from the series of local content PPD workshops conducted during fiscal 2014 and fiscal 2015. The workshops have helped to create an open platform for multistakeholder discussions around local content and, more broadly, oil and gas in Tanzania. The brochure’s aim is to keep such dialogue alive and to inform policy formulation. In addition, the team has provided, in coordination with other global practices of the WBG, comments to the Tanzania “Petroleum Act 2015,” which contains provisions on local content. The team has also provided detailed feedback to the new Local Content Unit, upon its request, regarding all local content initiatives supported by the WBG so as to inform the government’s policy formulation process.

A new lending operation is now under consideration by the new country director and will depend on the new Country Partnership Framework, whose preparation is ongoing. The operation under consideration will also focus on the new administration’s job agenda and industrialization program. A new CIIP proposal is under consideration by the development partners.

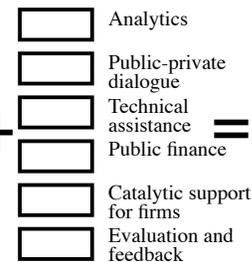
Results Chain

Input

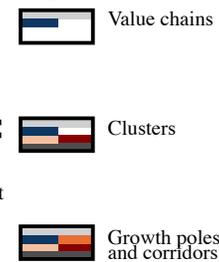
Basic Elements



Instruments



Menu of Integrated Solutions



Output

Local content assessment related to the liquefied natural gas plant construction

Outcome

Local content discussion

Industries

Extractives

* CIIP secretariat has suggested that the remaining amount of \$340,000 be reallocated to the design of the new operation. A new CIIP proposal was presented to the steering committee, and it was recently approved in the amount of \$507,150.

TIMOR-LESTE Competitiveness, Jobs, and Investments Project

Leverage Request from the government; Fragile and Conflict State; complementing ongoing WBG projects: (1) infrastructure development and PPP; (2) PPP Transaction Advisory to select a private sector port partner to assist in the financing, construction, and operation of the upcoming Tibar Bay Port; (3) trade facilitation improvements

Partner coordination Foreign Advisory Investment Service, Department of Foreign Affairs and Trade (possibly)

Approved grant \$250,000

Timor Leste has struggled with severe capacity limitations and poorly developed regulatory systems. Government efforts to rebuild the country following the 24-year period of Indonesian occupation have resulted in massive demand for efficient trade and imported goods. The government anticipates that the development of a new port at Tibar Bay will create the opportunity for the adjacent land to be effectively used to promote and expand economic development. The government seeks to diversify its economy beyond oil and gas, as well as deepen opportunities in agriculture, trade, transport, and tourism. In effect, CIIP's project development objective is to support the country's economic growth through the development of an integrated investment master plan of the Tibar Bay Economic Development Area and to provide the government with the required support, training, and capacity-building that will lead to successful and sustainable plan implementation.

The following initial subsequent milestones have been accomplished:

1. Preparation of new operation informed: concept note prepared by 3/30/2015
2. Mobilization of nonbank resources informed: government agreement to proceed and cooperation agreement by 12/31/2015
3. Government policy and strategy informed: government endorsement of the master plan concept design by 4/15/2015
4. Facilitated exchange of best practice with clients: apply best practice and results of impact evaluations to develop the master plan by 12/31/2015

The achievement of all indicators is behind schedule. After two initial identification missions in June and September 2015, the government and the WBG only agreed to the selected spatial solution (industrial park) in February 2016. Thereafter, progress has been made in preparing a prefeasibility study for the industrial park, which will be ready in mid-2016. In April, the WBG assisted the government in assessing five sites, two of which were short-listed after extensive assessments for the industrial park. After presenting the site identification and assessment, the government recommended that the team continue the preparation of the prefeasibility study using the two new sites identified.

The team conducted a market and demand assessment in May 2016, which confirmed the potential sectors that can be hosted by the industrial park. Using preliminary cost calculations, an economic and financial analysis has been prepared to compare the viability of the two short-listed sites. The team presented the findings of the prefeasibility study in July 2016.

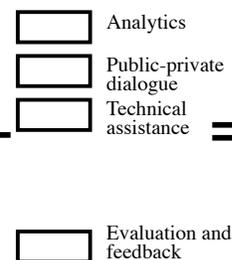
Results Chain

Input

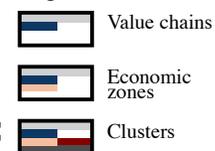
Basic Elements



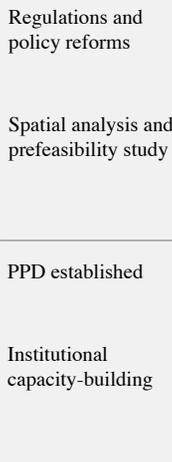
Instruments



Menu of Integrated Solutions



Output



Outcome



TONGA Development of a Core Tourism Dataset for Tonga

Leverage Pacific Tourism Project, Dateline Hotel Project, Investment Climate Rapid Response Project (IFC projects)
Partner coordination ACP, others possibly
Approved grant \$250,000

The CIIP project aims to build the capacity of the government of Tonga to develop a core tourism dataset. Policy and governance reforms, technical assistance, and capacity-building needs were initially identified. Thereafter, the government designed a program to support Tonga’s Ministry of Commerce, Tourism, and Labor to collect, store, analyze, and disseminate key data on the country’s tourism sector. The team began the identification process, but the project was suspended because of a government reshuffle. With the recent identification of new counterparts, the project will be back on track to provide tangible metrics for the government to monitor growth and investments in the tourism sector, which is in line with the goals set out in the Tourism Sector Roadmap.

The CIIP project was stalled very much from the beginning. The team began the identification process, but it was suspended due to the government reshuffle. The task team managing the process was not able to reengage afterward. As a result, only a small amount of the grant was used. CIIP has decided to withdraw the allocation until a more committed team can be found for this operation.

Results Chain

Input

Basic Elements

Business environment

Institutional strengthening

Instruments



Analytics



Public-private dialogue



Technical assistance



Evaluation and feedback

Menu of Integrated Solutions



Value chains

Output

Regulations and policy reforms

Cross-institutional coordination mechanisms

Institutional capacity-building

Outcome

Provision of data on tourism

PPD impact on reform process

Effectiveness of institutions

Industries

Tourism

TUNISIA Tunisia Competitiveness Enhancement Unit

Leverage Third Export Development Project (\$50 million)
Partner coordination African Development Bank, European Commission
Approved grant \$305,030

The project development objective aims to establish an efficient Competitiveness Enhancement Unit within the Prime Minister’s Office. The unit supports the government of Tunisia in delivering concrete and measurable initiatives that improve public services and enhance the competitiveness of the country.

Technical assistance began with a consultation process (February–March 2015) to identify key obstacles that hinder the implementation of reforms and projects affecting public service provision and competitiveness. A significant sample of stakeholders was consulted, including current and previous ministers (during and before the transition), current and previous cabinet members, and high-level civil servants, all of whom were involved in the implementation of reforms and projects in Tunisia within the past five years.

In May 2015, a high-level workshop was organized to discuss the diagnostics that resulted from the consultations with the prime minister, minister of finance, minister of development and investment, minister of information and communications technology (ICT), and key prime minister advisors. Global “delivery unit” practices and experiences were also presented and discussed.

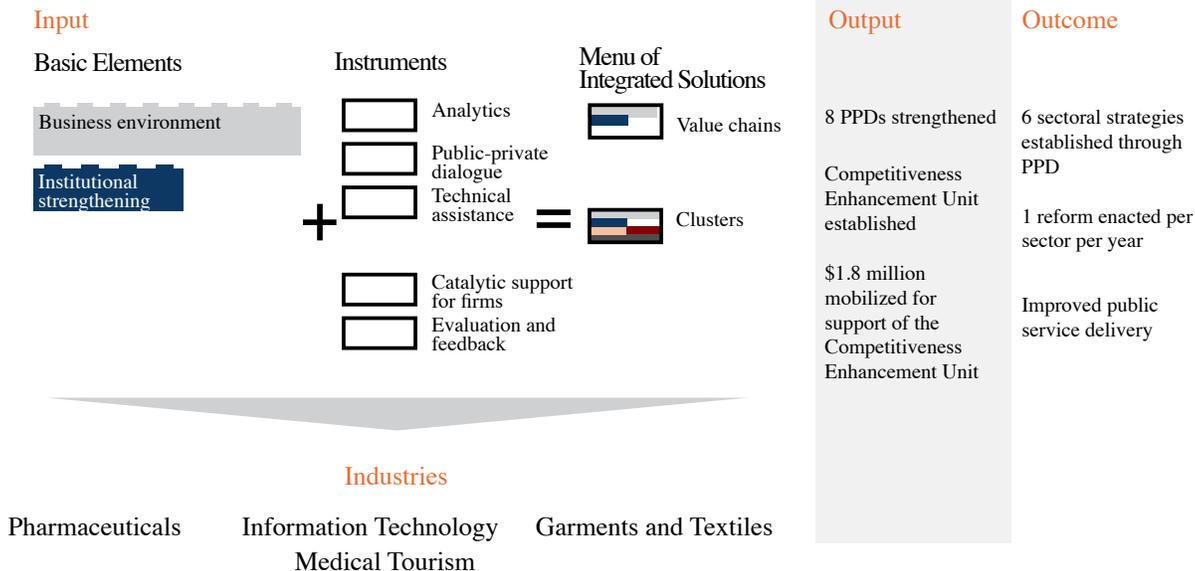
Key conclusions of the project’s first phase included the following:

1. In the context of Tunisia (echoed in a large number of global experiences), the unit will be more effective if it chooses between two complementary but different scopes: the organization of competitiveness-focused PPDs and the facilitation of the implementation of public reforms or projects. The government’s priority was to focus first on the latter.
2. Delivery units are effective only when they are driven by the prime minister’s own sense of priority.
3. A distinction must be made between policy, strategy, and delivery units, while underlining the importance of each and their complementarity. Communication is also crucial for delivery.

Based on the key conclusions, the government proposed to limit the mission of the planned Competitiveness Enhancement Unit to coordinating and facilitating the delivery of top-priority public actions aimed at improving the provision of public services and at enhancing the competitiveness of Tunisia. The sectorial PPD was removed from the scope of the unit itself, although support to such PPDs through the training component (to existing agencies) will remain.

Because of the government’s decision, the team assisted the government in securing more substantial funding to support the establishment and operation of the delivery unit over two years. An application to the Middle East and North Africa Transition Fund for a \$1.8 million budget was submitted in November 2015 and approved in December 2015. The technical assistance funded by the fund builds on the current project proposals and efforts, and it aims to (a) assist in establishing a sustainable and effective institutional framework for the delivery unit; (b) provide the unit with just-in-time expertise and consultancies needed throughout its first two years of work; and (c) provide it with the needed internal and external communication resources and expertise (for the same period), including an open platform that will support the government’s communication on progress, will showcase success, and will involve stakeholders focused on targets and results.

Results Chain



Non-ACP Country Operation

2,650 jobs

2,000 in Macedonia, FYR and 650 in Georgia

55 million USD of finance approved and disbursed
Georgia

121 million USD private investment leveraged
Macedonia, FYR

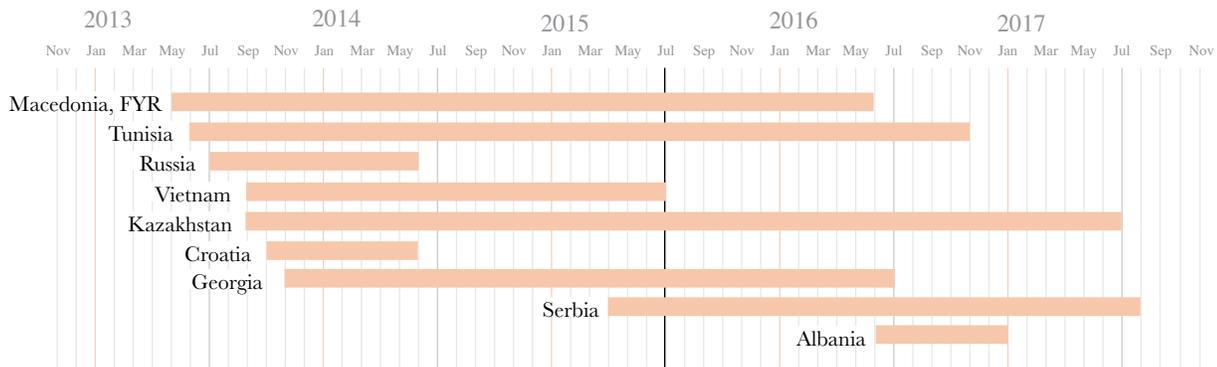
4.6 million USD approved and committed for institutional capacity-building
Georgia

273 SMEs trained or supported

195 in Georgia and 78 in Macedonia, FYR

60 new firms created
Georgia

3 million USD of financing for innovative activities
Georgia



GEORGIA Competitiveness and Innovation Program

Leverage A series of three Development Policy Financings (\$180 million); a new Investment Project Financing for ICT and Innovation (\$40 million); and state budget allocation for newly formed agencies (\$36 million)

Partner coordination European Commission; US Agency for International Development; European Bank for Reconstruction and Development; GIZ

Approved grant \$525,000

During fiscal 2016, the CIIP team supported Georgia’s efforts in pursuing its competitiveness agenda, specifically by developing SMEs, by creating the institutional framework for innovation and export promotion, and by introducing more participatory processes in policy making such as PPD. The team’s support through intensive policy dialogue, technical assistance, and detailed inputs in critical policy areas played an important role in the implementation of supporting policies and decisions.

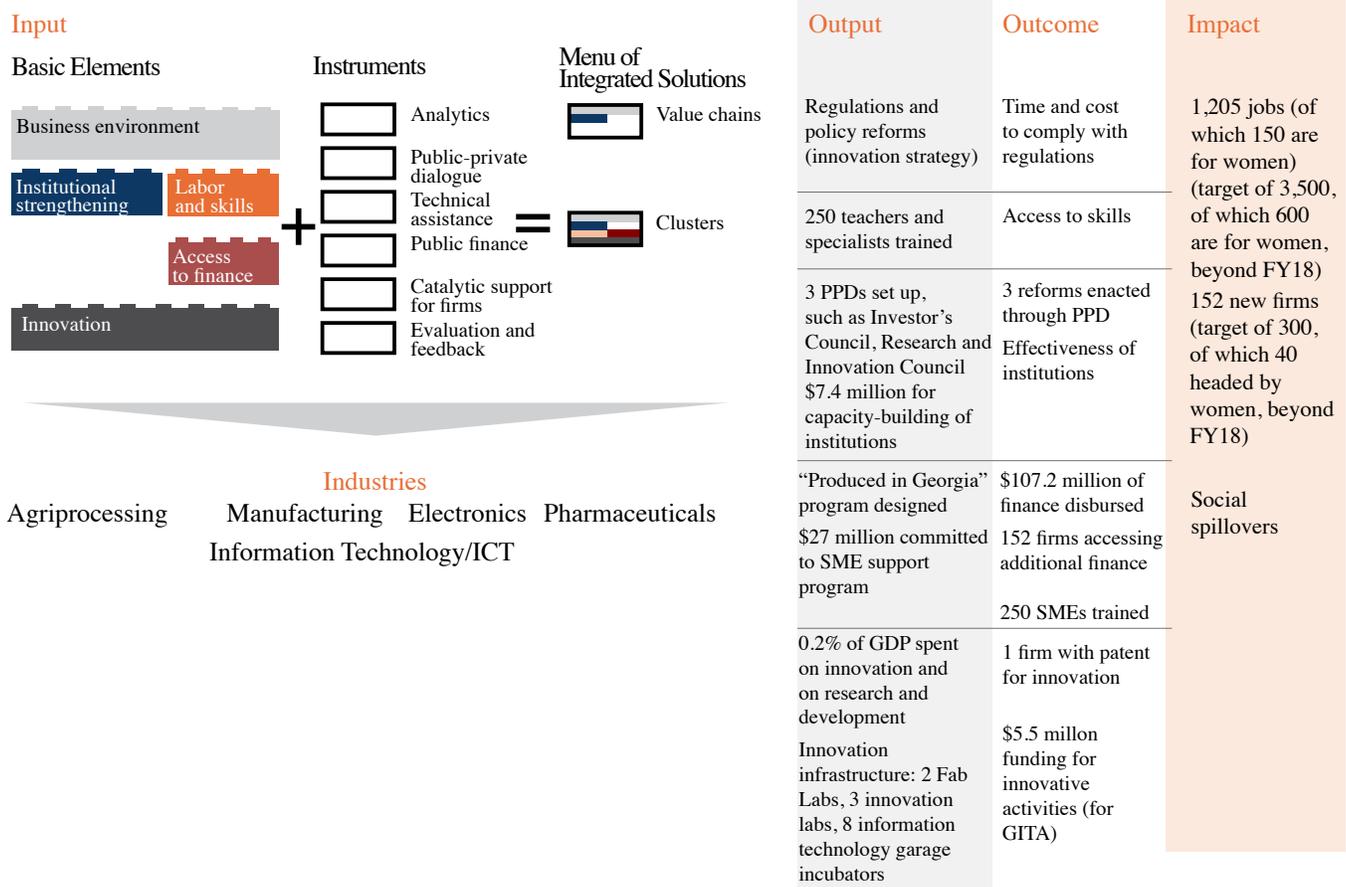
The Investors Council and the Research and Innovation Council, both of which were established with CIIP support in fiscal 2015, are now platforms for constructive PPD. CIIP-funded work has also helped to develop and support the adoption of the SME Development Strategy (2016–2020) in February 2016, which will strengthen the SME sector and increase its competitiveness in domestic and international markets. In addition, the CIIP team has advised the Georgia Enterprise Development Agency to develop products to facilitate access to finance for SMEs and exporters, while not providing direct financial services, such as lending, guarantees, and subsidies, to enterprises to reduce fiscal costs and market distortion.

Furthermore, in January 2016, the government officially opened the first technology park. The park, which is operated by Georgia’s Innovation and Technology Agency (GITA), unites space for small incubators, training centers, and a fabrication laboratory (Fab Lab) equipped with modern machines and showrooms for technology companies. The CIIP team provided technical assistance to establish and operate the Fab Lab.

In addition, the CIIP team provided extensive support to GITA and policy makers to develop the new law on innovation. In March 2016, the draft of the innovation law was approved by the government and has been submitted to parliament for approval. The adoption of a new law will facilitate private sector involvement in innovation and will sharpen the incentives for researchers to cooperate with enterprises.

With the support of the CIIP team, GITA launched an international competition for innovative start-ups together with business accelerators in Dubai. Out of 53 applicants, three Georgian tech start-up firms were selected to receive funding from venture investors and to go through a five-month acceleration program. The team has also supported GITA’s visit to Technology Transfer Offices in the United States to obtain information about financing, training, and technology transfer opportunities.

Results Chain



KAZAKHSTAN Competitiveness and Economic Diversification

Leverage \$20 million SME linkages in competitive sectors

Partner coordination Organisation for Economic Co-operation and Development, European Commission

Approved grant \$750,000

In fiscal 2016, CIIP continued to support the government of Kazakhstan in its efforts toward sustained and shared economic growth by tapping into the potential of competitive industries within the country. The goal of the Competitiveness and Economic Diversification Project is to support the development of higher value-added production and the enhancement of competitiveness of private sector activities in nonextractive industries by strengthening the business environment and by addressing gaps in the value chains. A CIIP-funded assessment identified agricultural machinery in Kostanay, vocational training at technical colleges in Karaganda, and fruit and vegetable processing in South Kazakhstan as areas with high potential for development. In addition, the assessment short-listed five industries of focus, which included agriculture (crop and livestock), food processing, construction materials, machinery, and education.

The CIIP team has made substantial, tangible progress in the proposed clusters and industries of focus. The grant has directly informed the design of the \$20 million SME linkages in the competitive sectors component of the \$46 million Kazakhstan SME Competitiveness Project, approved by the WBG in March 2015 and implemented in September 2015. During the time between board approval and implementation, the World Bank provided support to the SME Competitiveness Project to ensure that the beneficiary, Kazakhstan Industry Development Institute, and the implementing agency, Project Management Unit under the Ministry of National Economy, coordinated seamlessly and understood how assistance to the institute under the project would be delivered in practice.

The CIIP has successfully leveraged global expertise to inform policy recommendations and prompted substantive policy dialogue with the government regarding industry competitiveness and industrial policy. Following the commencement of the CIIP project, the World Bank team has forged a stronger, more robust relationship with the Ministry of Investment and Development. Increased dialogue, the SME Competitiveness Investment loan, and policy advice are helping the government apply an approach that better incorporates market trends and feedback. The dialogue and implementation support provided by CIIP helped the Ministry of Investment and Development to create amendments to the State Program for Industrial and Innovative Development 2015–2019, which brought the government’s cluster program in line with international best practices.

Moreover, throughout the grant reporting period, CIIP has leveraged an additional \$5.88 billion of actual and planned World Bank lending for fiscal 2016:

- CIIP-led policy dialogue and technical assistance on a prior action for the \$2 billion development policy loan series under preparation. The board dates occurred in October 2015 and June 2016.
- CIIP-shared analytical work done on regions, sectors, SMEs, and government programs to inform the market connectivity aspects of two road projects under preparation (Center South Road Corridor project, \$2.56 billion; Center West Regional Development Corridor project, \$1.22 billion), with board dates that occurred in January–February 2016.

Results Chain

Input

Basic Elements

Business environment

Institutional strengthening

Instruments

Analytics

Public-private dialogue

Technical assistance

Catalytic support for firms

Evaluation and feedback

Menu of Integrated Solutions

Value chains

Clusters

Output

Market connectivity analysis

19 industry assessments

Institutional strengthening

PPD established

Outcome

Sector funding informed and prioritized

Cluster program in the state program of forced industrial-innovative development 2015–2019

Cluster program in the SME Competitiveness Project

Industries

Agriculture Machinery Food Processing Construction Materials

KAZAKHSTAN Leveraging Transport Connectivity to Develop Competitive and Innovative Industries and to Promote Job Creation along the Center-South Road Corridor in Kazakhstan

Leverage Inform approximately \$2.1 billion of the Partnership Framework Agreement for Sustainable Development and Inclusive Growth
Partner coordination Organisation for Economic Co-operation and Development, European Commission
Approved grant \$619,435

This project is in response to the government of Kazakhstan’s request for help to facilitate economic growth, to alleviate poverty, and to develop economically competitive and innovative industries along the Center-South Road Corridor following the global crisis. Economic recovery will occur only if Kazakhstan leverages its position as a trade corridor and innovator, and if it becomes more productive.

This CIIP project focuses on the Center-South Road Corridor Project, and its fundamental objective is to complement the construction of a large linear road infrastructure investment with the development of competitive SMEs and industries that will create sustainable jobs and provide for inclusive growth. The trust fund will finance data collection and analytical work, will define optimized interventions, and will prepare implementation plans to achieve those goals.

The results of an initial diagnostic analysis suggest that Kazakhstan has potential to leverage its geographic position to become an important trade corridor. A large investment to improve infrastructure will bring the country closer to realizing this potential, as long as other constraints to trade and competitiveness are also addressed. In addition, the CIIP trust fund will support important new World Bank programs and the government at large to enhance the country’s competitiveness and to support the development of SMEs. The combined CIIP-financed activities will support the SME development project (\$200 million, effective since December 2015) and the Center-South Transport corridor (\$2.1 billion, board in mid-2016) and will provide analytical services and technical assistance.

In addition, once the market accessibility and value chains for each of the selected industries and companies are assessed and the bottlenecks identified, the range of potential interventions that can be implemented under the Center-South Road Corridor Project can be determined. Interventions will be those that improve competitiveness and innovation, create cost advantages and economies of scale, and improve opportunities for expansion and job creation. The team identified incipient clusters of private sector activity along the corridor, notably agriculture, logistics, and tourism.

The new Center-South Road Corridor is expected to generate important economic opportunities. The main benefit is a substantial reduction in opportunity cost for operators and faster delivery times for increasingly high-value goods. With better connectivity, the proposed corridor appears to level the playing field for currently underserved communities far afield from current market centers.

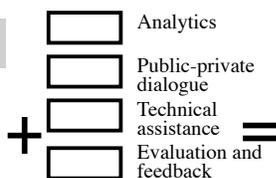
Results Chain

Input

Basic Elements



Instruments



Menu of Integrated Solutions



Industries

Agribusiness Logistics Tourism

Output	Outcome	Impact
Market accessibility index	Time and cost to import and export	Jobs created (target of 8,000, of which 4,000 are for women, beyond FY18)
Jobs and competitiveness diagnostic	Interventions designed	Net number of new firms in targeted sector (target of 1,000 beyond FY18)
Database and mapping of firms	\$ value committed to infrastructure investment	
Institutional capacity-building	Effectiveness of institutions	

FYR MACEDONIA Competitive Industries and Innovation Support Program

Leverage Two development policy loans (\$100 million), a third loan under preparation (\$50 million), Skills Development and Innovation Support Project (\$24 million), Western Balkans Regional Trade Logistics Project (IFC), Local and Regional Competitiveness in Tourism (European Union, €18 million)

Partner coordination European Commission, US Agency for International Development

Approved grant \$1,602,000

In fiscal 2016, the FYR Macedonia Competitive Industries and Innovation Support Program (MCIISP) achieved substantial results, including meeting most of its planned targets. In manufacturing, the pilot Supplier Development Program was launched in February 2015 upon request from the government, with the goal of stimulating linkages between local SMEs and large foreign companies operating in the country. The program activities were focused on (a) collecting and disseminating supplier information, (b) identifying domestic SMEs that are current or potential suppliers to foreign companies in the automotive manufacturing sector, (c) collecting information on the requirements of large buyers, (d) conducting site visits and interviews of SMEs exhibiting strong fundamentals to understand opportunities and challenges at the firm level, and (e) performing diagnostics and recommendations for a set of SMEs on how to improve their production to comply with the requirements.

For indicators that the MCIISP aims to impact, in 2015, exports grew faster than imports, which narrowed the trade deficit by 19 percent (year over year) to about 17 percent of GDP. Most of the growth (4.6 percent year of year) was driven by FDI-related exports, which accounts for almost 40 percent of all exports. Reforms related to FDI promotion, management of SEZs, and export sophistication were supported by the competitiveness development policy loans (in 2012 and 2014) with targeted technical assistance through CIIP.

In agriculture, the preparatory work for piloting agricultural land sales has been completed. Land auctions, postponed to fiscal 2016, have been further delayed because of government capacity constraints and procedural delays. CIIP supported a regulatory and legal review by German experts that addressed key challenges related to state-owned agricultural land (SOAL) management in FYR Macedonia and provided detailed recommendations on how to improve the current situation. The report is focused on the two most critical interdependent areas, that is (a) the legal framework that determines SOAL policy and the procedures for its implementation and (b) institutional capacity assessment regarding policy implementation and the conduct of the prescribed procedures. The report provides recommendations regarding steps that need to be taken to facilitate effective SOAL management in FYR Macedonia. The framework and recommendations draw on international best practices informed by German reunification efforts, which are tailored to the Macedonian context.

The activities supported by the MCIISP engagement contributed to an increased investment in tourism development through the mobilization of more than €21.17 million in funds, of which €18 million is from the European Union and €3.17 million is from the government of FYR Macedonia. The funds will be invested in policy development, destination management, and tourism-related infrastructure over the next four years.

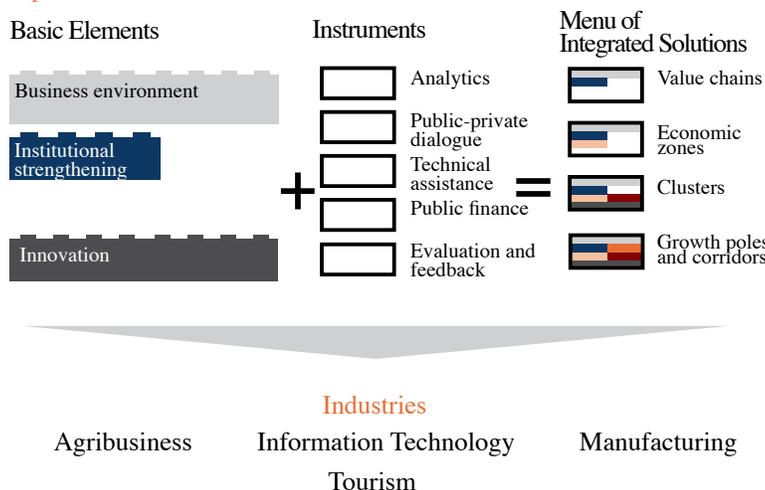
In addition, the World Bank prepared the Local and Regional Competitiveness Project with technical knowledge and analysis facilitated by CIIP. An administration agreement with the Delegation of the European Union was signed on December 28, 2015; it set up a hybrid trust fund (with one World Bank-executed and three recipient-executed components) to implement the project. The Local and Regional Competitiveness Project aims to enhance the contribution of tourism to local economic development and to improve the capacity of the government and public entities to foster growth in the tourism sector. The Grant Agreement between the World Bank and the Government of FYR Macedonia was signed on January 14, 2016.

With respect to the preparation of this project in one of the key focal areas of MCIISP, some of the planned activities have been refocused to better meet the client's needs. As such, MCIISP focused on developing and implementing a methodology for identifying and prioritizing tourism destinations, circuits, and corridors. Two circuits and one corridor comprising 10 destinations were identified as having the most potential for FYR Macedonia. In terms of indicators that MCIISP aims to impact, during the months of January and February 2016, the number of tourist visits compared to the same period in 2015 increased by 12.9 percent and the number of tourist overnight visits in the same period in 2016 increased by 18.2 percent compared to the same period during the previous year.

In the cross-cutting theme of innovation, the Fund for Innovation and Technological Development (FITD) is fully staffed, and its staff members have been taken on a study tour to Bulgaria and Serbia. The fund has piloted innovation-financing instruments. The share of private funding mobilized as a percentage of FITD investments in innovation activities has reached 19.5 percent in fiscal 2016. In addition, MCIISP supports an assessment of the capacity needs of FITD staff members and has updated the capacity development plan to be adopted by FITD and financed by the World Bank-financed Skills Development and Innovation Support Project. Further, MCIISP facilitated an assessment in the areas of telecommunications and broadband innovation, which helped to identify important issues in the area of broadband growth and to make recommendations on how to address them.

Results Chain

Input



Output	Outcome	Impact
2 regulations and policy reforms	Time and cost to comply with regulations	8,000 jobs created (future target to be determined)
PPD created Institutional capacity-building	# of FITD instruments enacted through PPD FITD strengthened	\$121 million in private investments (target of \$572 million by FY18)
Financial instruments and volume committed SME support programs	40.2% of private funding mobilized in FITD 78 SMEs trained or supported	8.9% growth in total industry (year over year) (future target to be determined)
FITD accelerator programs Fab Labs	Patents for innovation	53% share medium high-tech exports (future target to be determined)

SERBIA Competitiveness and Jobs Project

Leverage Competitiveness and Jobs Project (\$100 million)

Partner coordination European Union Delegation, US Agency for International Development, UK Embassy

Approved grant \$750,000

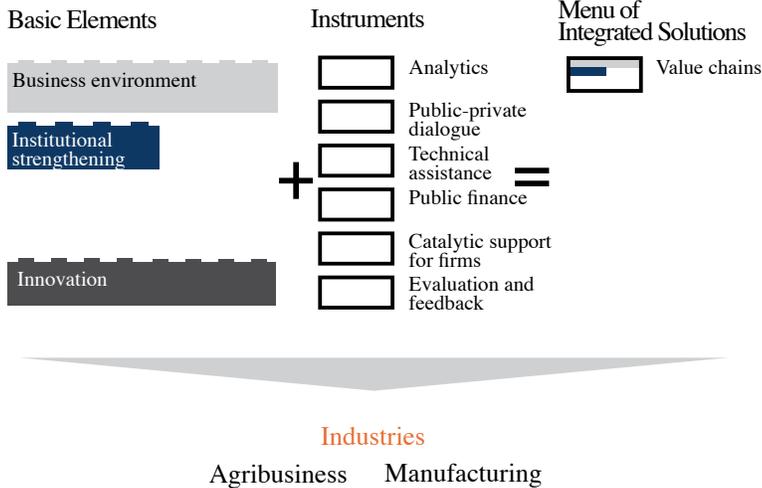
Serbia faces a significant challenge to rebalance its economy away from consumption-driven growth and more toward export-driven growth. To do so, improved competitiveness and productivity, greater capital accumulation, and deeper integration with global markets are required. At the request of the government of Serbia, the WBG is supporting this agenda through a competitiveness and job results-based lending operation (declared effective on March 31, 2016) that is facilitated and complemented by CIIP.

The first component of the CIIP grant is aimed at developing mechanisms for better policy coordination of competitiveness-related issues. With the direct support of CIIP, an Inter-Ministerial Working Group (IMWG) has been established to oversee the implementation of the Competitiveness and Jobs Project and to coordinate key competitiveness-related policies. The IMWG has met twice: one inaugural session and one session dedicated to adopting a project operations manual for the Competitiveness and Jobs Project. The IMWG is chaired by the Public Policy Secretariat and includes representatives from the Prime Minister’s Office and from multiple ministries directly participating in the project: Ministry of Economy; Ministry of Education; Science and Technological Development; Ministry of Labor, Veteran, and Social Affairs; Ministry of Finance; Ministry of Public Administration and Local Self-Government; and National Employment Service. With the support of the CIIP grant, the IMWG is expected to meet periodically and to monitor and improve competitiveness policies and programs.

The second component focuses on reforming the investment and export promotion agencies and programs. The Serbian Parliament adopted a new investment law in late October 2015. CIIP provided detailed feedback during the development of the legislation. In addition, the CIIP project supported an assessment of the new agency’s priorities and developed an outline of the action plan for setting up the agency. A follow-up mission was completed in March 2016 to provide capacity-building and to refine the areas for support going forward. Detailed consultations were held with the Ministry of Economy and the Serbian Development Agency. The presentations featured discussed good practice in developing investment attraction strategies, in developing export and enterprise strengthening programs, and in building successful investment and export promotion agencies. It was agreed that support will continue to be centered on developing a new strategic framework for investment promotion and on providing organizational support to set up the new agency.

Results Chain

Input



VIETNAM Regional Competitiveness and Job Creation Project

Leverage Forthcoming IDA Regional Industry Competitiveness Project (\$96 million)

Partner coordination Governments of Japan, Republic of Korea, and Switzerland; European Commission

Approved grant \$1,025,000

During the course of fiscal 2016, the CIIP project team supported the regional government of Thanh Hoa in conceptualizing the increase in manufacturing jobs and the increase of spillovers from firms based in the Nghi Son SEZ. The dialogue also focused on increasing linkages with smaller firms. The government had earmarked \$100 million for institutional and infrastructure investments in the SEZ.

Following the transition of lending operation ownership from the Ministry of Planning and Investment to the Thanh Hoa People’s Party Committee in April 2015, CIIP supported the preparation of a new project concept, which was anchored in bringing manufacturing investments to generate highly demanded manufacturing jobs. The design focused on bringing an industrial park dedicated to labor-intensive light manufacturing. In December 2015, the country director approved the concept note review. However, in April 2016, changes in government priorities led to the cancellation of the envisioned lending operation.

Keeping the project geared toward creating manufacturing jobs, the team carried out the assessments needed to prepare a new concept note, which included safeguards and an economic and financial analysis. The proposed investments would have contributed to higher economic and social returns of existing public investments made in the SEZ and the related infrastructure investments (such as the deep seaport) at the output level.

Furthermore, the technical assistance–related components were expected to contribute to an improved regulatory and institutional framework, geared toward (a) an improved environmental management (carbon footprint) of firms located within the SEZ and (b) an increase in local content and spillovers by improving the capability of local enterprises to benefit from the spillovers generated by investments in the SEZ. The project would have contributed to new jobs because of the components, made industrial land available, and increased firm-level investment. The Nghi Son SEZ remains interested in implementing the environmental management practices, and the team continues to engage in this agenda. However, the CIIP grant has now been closed, and the remaining funding has been returned to CIIP.

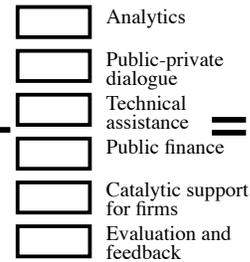
Results Chain

Input

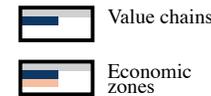
Basic Elements



Instruments



Menu of Integrated Solutions



Output

SME survey report

Outcome

Policy dialogue on SEZ support

Industries

Cement Petrochemicals Power Steel

CHAPTER 3

Financial Portfolio and Resource Use through June 2016



Table 3.1 Donor contribution schedule

	Committed	Paid-In	Outstanding	Actual in USD				Total in USD
				in contribution currency			FY13	FY14
SDTF (ACP)								
EC	15,038,850.00	13,534,965.00	1,503,885.00	-	10,039,184.32	7,750,421.73	-	17,789,606.05
Subtotal				-	10,039,184.32	7,750,421.73	-	17,789,606.05
MDTF								
Switzerland	3,000,000.00	3,000,000.00	-	1,625,652.72	1,690,140.85	-	-	3,315,793.57
Austria	5,000,000.00	5,000,000.00	-	6,454,500.00	-	-	-	6,454,500.00
Norway	11,000,000.00	11,000,000.00	-	-	-	1,494,463.69	-	1,494,463.69
EC	4,708,000.00	4,237,200.00	470,800.00	3,080,915.20	-	2,395,995.35	-	5,476,910.55
Subtotal				11,161,067.92	11,729,325.17	11,640,880.77	-	34,531,273.86
Investment income (a)				14,491.21	36,605.48	36,596.84	34,060.09	121,753.62
Total				11,175,559.13	11,765,930.65	11,677,477.61	34,060.09	34,653,027.48

Figure 3.1 Total Donor Contributions (Including Investment Income), Commitments, and Disbursements

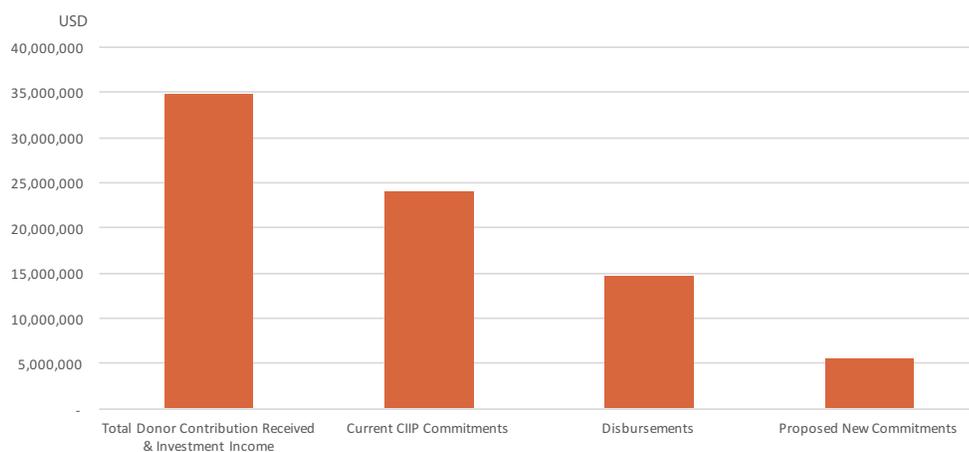


Table 3.2 Summary of Project-Level Commitments and Disbursements

Sources and Uses	\$ FY13-16
Total donor contributions received (MDTF + SDTF)	34,531,273.86
Investment income on MDTF Funds	121,753.62
Total Funds	34,653,027.48
Current CIIP commitments (Operations, Knowledge, and Administration)	29,543,593.06
Remaining Balance	5,109,434.42
Disbursements (disaggregated by Operations, Knowledge, and Administrative Categories)	17,018,048.98
<i>Central 2% Fee</i>	690,625.48
<i>Program Administration MDTF: includes management, collaboration, global knowledge, competitiveness programs, and analysis and assessment</i>	1,278,324.00
<i>Program Administration SDTF: includes management, competitive analysis, competitiveness programs, innovation and entrepreneurship support, and innovation and entrepreneurship programs at industry level</i>	1,466,882.00
Country Operations (World)	4,666,148.52
Country Operations (ACP)	5,705,933.49
Knowledge Initiatives	3,210,135.49

Table 3.3(a–c) Project-Level Disbursement

	Approved		Actual Disbursed			Grant	
	Grants	FY13	FY14	FY15	FY16	Balance	
Table 3.3a: Country Operations (ACP)							
Sierra Leone	\$ 993,819	-	555,599.51	438,219.65	-	-	
Côte d'Ivoire	\$ 1,194,653	-	493,895.79	699,305.69	1,451.50	0.02	
Ethiopia	\$ 1,365,000	-	157,284.78	540,146.26	256,532.30	411,036.66	
Haiti	\$ 1,875,000	-	294,516.24	594,906.52	477,692.82	507,884.42	
Timor-Leste	\$ 250,000	-	-	-	98,008.96	151,991.04	
OECS	\$ 500,000	-	-	62,312.02	232,897.13	204,790.85	
Burundi	\$ 300,000	-	-	-	-	300,000.00	
Guinea	\$ 750,000	-	-	-	-	750,000.00	
Tonga	\$ 250,000	-	-	-	5,318.20	244,681.80	
Jamaica	\$ 525,000	-	-	122,206.20	189,584.99	213,208.81	
Mauritania	\$ 420,000	-	-	47,704.56	138,518.53	233,776.91	
Tanzania	\$ 676,250	-	80,660.81	219,107.39	63.64	-	
Subtotal	9,099,722	-	1,581,957.13	2,723,908.29	1,400,068.07	3,017,370.51	
Table 3.3b: Country Operations (World)							
Macedonia, FYR	\$ 1,602,000	-	454,953.94	420,467.71	513,702.50	212,875.85	
Russia	\$ 417,890	-	417,890.35	-	-	-	
Georgia	\$ 525,000	-	159,029.48	135,488.13	139,219.94	91,262.45	
Tunisia	\$ 788,000	-	253,742.25	295,754.80	179,452.86	59,050.09	
Tunisia II	\$ 305,030	-	-	10,001.50	28,598.92	266,429.58	
Serbia	\$ 750,000	-	-	149.15	185,283.77	564,567.08	
Vietnam	\$ 1,025,000	-	144,072.45	422,243.56	92,703.90	365,980.09	
Kazakhstan	\$ 750,000	-	168,466.39	264,824.59	6,771.11	309,937.91	
Croatia	\$ 242,934	-	241,396.57	1,537.55	-	-	
Kazakhstan II	\$ 619,435	-	-	-	130,397.10	489,037.96	
Albania	\$ 115,000	-	-	-	-	115,000.00	
Subtotal	7,140,289	-	1,839,551.43	1,550,466.99	1,276,130.10	2,474,141.01	
Table 3.3c: Knowledge Initiatives							
Innovation Policy Platform	\$ 935,722	80,828.64	457,801.77	194,722.25	182,942.17	19,427.17	
Industry-Specific Global Value Chains	\$ 664,868	-	5,568.64	346,756.63	312,543.20	(0.47)	
Competitive Cities	\$ 880,000	-	306,177.24	337,032.03	129,786.00	107,004.73	
SEZs	\$ 500,000	-	-	30,792.80	118,521.99	350,685.21	
Matching Grants	\$ 75,000	-	-	-	69,501.80	5,498.20	
Local Competitiveness Strategies	\$ 599,000	-	-	775.36	75,261.33	522,963.31	
Country Innovation Diagnostics	\$ 500,000	-	-	-	-	500,000.00	
Lessons Learned	\$ 379,952	6,660.00	301,122.10	72,170.37	-	-	
Evidence and Impact	\$ 181,171	-	2,585.96	178,585.21	-	-	
Subtotal	4,715,713	87,488.64	1,073,255.71	1,160,834.65	888,556.49	1,505,578.15	

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