Competitive Industries and Innovation Program

Annual Report 2016–17

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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.
TABLE OF CONTENTS

Abbreviations and Acronyms 5
Foreword: Message from CIIP Partners 6
Introduction: Implementing the Strategy 9
Timeline 11
Results at a Glance 12
ACP Feature Story: Ethiopia 14
Non-ACP Feature Story: Albania 16
The CIIP Theory of Change 17

Chapter 1: Global Knowledge, Analysis, and Assessments 21
Chapter 2: Country Operations 25
  ACP Project Results: Main Highlights 27
  Non-ACP Country Operations 47
Chapter 3: Financial Portfolio and Resource Use through June 2017 67
# Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>ACP</td>
<td>African, Caribbean, and Pacific Group of States</td>
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<td>BDI</td>
<td>Business Development Investment</td>
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<td>CGF</td>
<td>Caribbean Growth Forum</td>
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<td>CIIP</td>
<td>Competitive Industries and Innovation Program</td>
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<td>CRI</td>
<td>Competitive Reinforcement Initiative</td>
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<td>DPL</td>
<td>Development Policy Loan</td>
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<td>EGC</td>
<td>Economic Growth Council (Jamaica)</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>foreign direct investment</td>
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<td>FITD</td>
<td>Fund for Innovation and Technological Development (FYR Macedonia)</td>
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<td>FY</td>
<td>fiscal year</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>ICSCS</td>
<td>Investment Climate and Sector Competitiveness Support (Suriname)</td>
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<td>ICT</td>
<td>information and communications technology</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IP</td>
<td>industrial park</td>
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<td>IPDC</td>
<td>Industrial Parks Development Corporation</td>
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<td>IZ</td>
<td>industrial zone</td>
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<td>MCI</td>
<td>Ministry of Commerce and Industry (Haiti)</td>
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<td>MDTF</td>
<td>Multi-Donor Trust Fund</td>
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<td>MSME</td>
<td>micro, small, and medium enterprise</td>
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<td>NGO</td>
<td>nongovernmental organization</td>
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<td>OECS</td>
<td>Organisation of Eastern Caribbean States</td>
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<td>PIUTD</td>
<td>Project for Integrated Urban and Tourism Development</td>
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<td>PPD</td>
<td>public-private dialogue</td>
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<td>PPP</td>
<td>public-private partnership</td>
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<td>PVH</td>
<td>Phillips-Van Heusen Corporation</td>
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<td>R&amp;D</td>
<td>research and development</td>
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<td>SAE</td>
<td>Enterprise Support Service</td>
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<td>SDTF</td>
<td>Single-Donor Trust Fund</td>
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<td>SEZ</td>
<td>special economic zone</td>
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<td>SME</td>
<td>small and medium enterprise</td>
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<td>UELDP</td>
<td>Upper Egypt Local Development Program</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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<td>WBG</td>
<td>World Bank Group</td>
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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 present the Competitive Industries and Innovation Program Annual Report 2016–17. Economic transformation is a priority for most of our clients, along with the need to reduce inequality by creating more sustainable private sector jobs. Within this context, CIIP is highly relevant to our client countries.

In its fourth year, CIIP helped prepare five lending projects, with a value of $1.354 billion, that promote industry development, innovation, and competitiveness. CIIP's global reach now extends to 23 countries with a work program that has generated $518.5 million in private investment. In addition, CIIP continues to influence policy thinking through a variety of avenues. CIIP developed a database on special economic zones, which is now in use by several client country governments. It has also organized high-level policy events that garnered international interest, such as the September 2017 Symposium on New Technologies, Jobs, Development, and Growth in partnership with the Center for Global Economic Governance and the Growth Dialogue.

Demand for CIIP-supported policy advice continues to increase steadily as the roster of client countries grows. Most of our clients find it challenging to respond to new trends concerning private investment, location of firms, and production processes. Support from CIIP can help clients increase their understanding of those trends and develop policy solutions tailored to their particular advantages and country contexts.

As we look toward the March 2019 completion of the pilot phase of our CIIP partnership, we hope that the solid results achieved to date and during the 2017 fiscal year covered by this report will form the basis of a stronger partnership. In doing so, we will contribute to the World Bank Group’s core mission of alleviating extreme poverty and boosting shared prosperity. I would like to thank our donor partners for their continued, essential support.

Elisabeth Gruber
Director, Department for International Financial Institutions
Federal Ministry of Finance, Austria

Through its participation in and collaboration with international financial institutions, Austria provides multilateral development assistance to developing countries worldwide. The Ministry of Finance is responsible for representing Austria at multilateral development banks and for supporting Austria’s efforts in attaining the Sustainable Development Goals of the 2030 Agenda for Sustainable Development. The overall goal of this cooperation is to achieve positive development effects in developing and transition countries. One priority is to promote sustainable private- and financial-sector development in recipient countries with the objectives of fostering broad-based economic growth, generating employment, raising incomes, and improving livelihoods on the ground.

Industrial development can be a powerful engine of structural change and economic growth. The private sector is widely recognized as a key driving force and source of entrepreneurial spirit, business acumen, and innovative ideas. At the same time, despite remaining quite
controversial, new “smart” industrial policies have retaken center stage in economic development strategies. Whereas Austria has seen most developing countries engaging on that path, it decided to join the CIIP to take a practical and evidence-based approach to support local efforts to spur innovation, productivity, and competitiveness. Encouraging public-private dialogue and supporting firms that want to innovate, to enter new markets, to grow, and to create jobs needs to be done through programs that work and are well implemented. The World Bank team leading CIIP brings Austria those types of programs. CIIP helps us explore, select, test, and evaluate solutions in difficult countries. The effect of this approach goes well beyond specific outcomes, such as the financial leverage achieved or the number of jobs created through specific country projects. It helps influence overall development strategies around private sector development in a novel but measured way, which promises to make the strategies more effective in alleviating poverty through sustainable economic growth and the generation of employment and income opportunities.

Liliana de Sà 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 in which we focus on the growth of firms in specific industries or sectors. The combination of those two types of interventions is powerful. After only 3 years since CIIP’s founding, we are pleased to see the results that CIIP has obtained.

Marianne Damhaug  
Senior Adviser, Section for Multilateral Development Banks  
Ministry of Foreign Affairs

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 increase the effect. CIIP has been using such criteria to select its country operations and is the reason we support this trust fund.

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

The European Commission is keen on engaging 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 African, Caribbean, and Pacific 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.
INTRODUCTION

Implementing the Strategy

This is the fourth 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 program’s objectives during its fiscal year from June 30, 2016, to June 30, 2017 (FY17).

CIIP continues to support client countries in transforming their economies. This aid has become increasingly urgent in recent years because developing economies have experienced a steep decline in commodity prices, which leads to slower than expected growth. CIIP provides support to country-level interventions and makes global policy experience in industry competitiveness and innovation more accessible to policy makers. Using a catalytic approach, CIIP seeks to leverage financing, government, private sector, and WBG investments that address the core constraints that are preventing private sector engagement.

During this reporting period, CIIP has contributed to a wide range of interventions, including the development of special economic zone (SEZ) policy and the design and implementation of SEZs in Ethiopia and Jamaica. It has also helped to design activities that enhance the competitiveness at the subnational levels in the Arab Republic of Egypt and Nigeria, to create an investor survey that was implemented to support Jordan’s policy initiative of creating jobs for Syrian refugees, and to provide and complete location analyses for SEZs in Timor-Leste.

The global policy experience for this year focused on innovation and SEZs. CIIP undertook a diagnostic of innovation activities in developing countries and documented a range of policy solutions that could build innovation capabilities in developing countries. CIIP also assembled a database of 585 SEZs in 53 countries. CIIP used the database to conduct an operational review of SEZ policies across several countries.

CIIP’s global reach now totals 23 countries. The 16 country projects active in FY17 are profiled in this report. FY17 CIIP operations leveraged $1.354 billion in public investment. The CIIP grants in Ethiopia and Mauritania contributed to the creation of 6,717 jobs, of which 5,448 were for women in Ethiopia. CIIP operations in Jamaica, the former Yugoslav Republic of Macedonia, Mauritania, Nigeria, and Tunisia contributed to $565.5 million in private sector investments. With CIIP’s support, $18 million of additional sales were facilitated in firms linked to the supported industrial zones in Ethiopia. In Mauritania and Ethiopia, 166 new firms were created with CIIP support. CIIP also helped identify and promote 170 investment opportunities in Jordan.

CIIP has been extended until March 31, 2019, and an independent review was completed in October 2017. The review found that the target of 9 out of 13 standard output indicators have already been met and/or exceeded. In summary, CIIP was rated highly satisfactory overall. The most recent call for project proposals was made on March 23, 2017, and CIIP received 26 applications, which are currently under review.
TIMELINE

Partnership

Austria and Switzerland create Multi-Donor Trust Funds (MDTF)

European Union joins MDTF

European Union/ACP create Single-Donor Trust Fund

Norway joins MDTF

Original end of disbursement date

Original closing date

New closing date

New end of disbursement date

Planning and operations

Call for proposals

Selection process completed

1st annual report

Selection process completed

2nd annual report

3rd annual report

2nd call for proposals

Strategy and Interim Business Plan

3rd call for proposals

4th call for proposals

5th annual report

6th annual report

Innovation Policy Platform

Macedonia, FyR

Lessons Learned

Tunisia

Implementing Industrial Policy

Russian Federation

Sierra Leone

Côte d’Ivoire

Vietnam

Kazakhstan I

Croatia

Ethiopia

Georgia

Tanzania I

Competitive Cities

Haiti

Industry-Specific Global Value Chains

Evidence and Impact

Special Economic Zones

Tonga

Organization of Eastern Caribbean States

Jamaica

Serbia

Mauritania

Tunisia Competitiveness Enhancement Unit

Timor-Leste

Local Competitiveness Strategies

Mobilizing Local Knowledge

Matching Grants

Country Innovation Diagnostics

Kazakhstan II

Albania

Tanzania II

Jordan

Egypt, Arab Rep.

Nigeria

Suriname
Results at a glance

FY17 COUNTRY RESULTS

6,717 jobs created
5,580 in Ethiopia, of which 5,448 were for women; 937 in Mauritania; and 200 in Jamaica

18 million USD additional sales value linked to supported industrial zones (IZs)
Ethiopia

166 investment opportunities identified and promoted
10 in Ethiopia and 156 in Mauritania

93 small and medium enterprises (SMEs) trained or supported
89 in Jamaica and 4 in Macedonia, FYR

1.354 billion USD public investment leveraged
$71 million in Albania, $500 million in Egypt; $249 million in Jordan, $500 million in Nigeria, and $34 million in Organisation for Eastern Caribbean States

518.5 million USD private investment leveraged
$159 million in Macedonia, FYR; $9 million in Mauritania; $350 million in Nigeria; and $0.5 million in Tunisia

166 new firms
10 in Ethiopia and 156 in Mauritania

11 laws and regulations approved and enacted or policy reforms implemented
10 in Nigeria and 1 in Suriname

During its fifth meeting, CIIP’s steering committee 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 results that 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.
KNOWLEDGE

In many developing countries, the promise of industrialization has remained elusive. Indeed, manufacturing employment appears to be peaking at income levels that are lower than in the past, thus raising concerns that industry will no longer be an effective means to lift living standards in lower-income countries in Africa and other regions of the world. The rapid spread of new technological advances—additive manufacturing, artificial intelligence, and automation—creates further concerns about the ability of manufacturing to create jobs. CIIP organized a deep dive discussion, “Economic Transformation, Diversification, and Industrial Competitiveness,” to discuss those issues. The event covered the following: (1) the importance of industry-specific interventions, (2) the elements needed to successfully implement productive development policies, (3) the key players needed to design and implement industrial competitiveness policies, (4) the role of diversification in growth and development, (5) the interventions necessary to promote industrial competitiveness, and (6) the country perspectives on structural transformation and economic diversification.

The discussion about the Pacific focused on the competitiveness of the tourism sector. Tourism is the mainstay of the private sector economy in many Pacific Island countries. Many of the countries offer a pristine environment, a variety of recreational opportunities, and a cultural diversity that differentiates the region from other destinations. The key to success is to optimize airport infrastructure, destination management, marketing, and capacity of firms in the private sector. There is also potential to expand the market for domestic products, such as fresh produce and local artwork and handicrafts.

CIIP has assembled a database that covers 585 zones in 53 countries across Sub-Saharan Africa, East Asia and Pacific, Europe and Central Asia, Middle East and North Africa, South Asia, and Latin America and the Caribbean.

A sample of 346 SEZs during 2007–12 was assembled to identify the drivers of success. As a proxy for SEZ performance, two variations of the nightlights indicator, based on satellite images, were the following: (1) the growth rate of the nightlights emitted from the SEZ in the period of analysis and (2) the ratio of the change of the nightlight emissions within the zone compared to the change in nightlights in the entire country.

Among the SEZ characteristics driving the economic dynamism of specific SEZs were two factors that stand out: zone size and technological components. Larger zones have performed better than smaller zones. Moreover, and contrary to expectations of policy makers and zone designers, lower-tech but labor-intensive zones have been more economically dynamic than the more high-tech counterparts.
Ethiopia’s industrial policy places a strong emphasis on the role of the state in promoting and facilitating the country’s industrial development, which intends to improve the living standards of the Ethiopian people by 2025. The domestic private sector is promoted as the primary engine of industrial development. However, the government plays an active role through capacity building in select industries, providing tax incentives, and more. A prime example of the policy approach in action is the country’s industrial park program, which has established seven industrial zones throughout the country to date and promotes a select number of export-oriented and labor-intensive industries: textiles and garments, leather products, chemicals and pharmaceuticals, metals and engineering, electronic products, petrochemicals, biotechnology, packaging, and agro-processing.

The project did not deliver on its objectives. While the Chinese developer was able to recruit several anchor tenants—Hujian Shoes and Lifan Motors—the occupancy rate of the zone was still under 50 percent after 4 years, which fell short of the developer’s commitment to the government. Further, the tenant firms that did enter the zone were predominantly Chinese, which was not in line with the government’s objective to promote and develop the domestic private sector. The Ethiopian government decided to experiment with a different model of industrial park development that would be led by the public sector.

The Bole Lemi industrial park, which occupies 156 hectares of land on the outskirts of Addis Ababa, is wholly owned and operated by the government. Since the industrial park started operations in 2014, all of the 20 factory sheds have been leased to 12 garment and leather companies. The industrial park employs about 12,000 people, 60 percent of whom are women. The success of the Bole Lemi industrial park model has vindicated the government’s belief in the important role of the state in implementing its broader industrial development strategy.

CIIP’s Participation in Ethiopia’s Industrial Park Development

Because of its experience with both private and public models of industrial park development, the Ethiopian government was interested in developing a more comprehensive industrial park strategy that would guide the establishment of additional parks throughout the country. The prime minister’s office engaged the World Bank Group in 2013, and CIIP financing was used to provide the technical expertise.
When the WBG was first engaged, the government objective was to expand the number of operational industrial parks from two (Eastern and Bole Lemi) to six. CIIP funding provided the technical expertise to conduct a review of the Bole Lemi industrial park. Several critical shortcomings were identified: (1) the site selection process did not properly evaluate the geotechnical aspects of the land; (2) the design of leasable plot space was not set to investor requirements; (3) critical infrastructure needs, such as a wastewater treatment plant and a reliable supply of electricity, were lacking; and (4) one-stop-shop services and other streamlined management services were not available to tenant firms. The review helped to identify areas for improvement in the government’s industrial park strategy.

The Impact
The Ethiopian government, with the help of WBG expertise and CIIP financing, has put in place an industrial park program that is attractive to investors. Phillips-Van Heusen (PVH) Corporation, which is a global textiles manufacturer with brands that include Van Heusen, Calvin Klein, Tommy Hilfiger, and Arrow, was considering several investment locations in the region and chose Lake Hawassa to develop an industrial park focused on textiles and garments. Ethiopia’s industrial park program has continued to receive strong interest from other multinational manufacturers, including Vanity Fair, H&M, and Dressed by Lauren. The government intends to create 2 million manufacturing jobs and turn Ethiopia into the “light manufacturing hub” of Africa by 2025.
Albania: Tourism Development as an Engine for Reviving Stagnant Rural Economies

Just outside Berat, which is a United Nations Educational, Scientific, and Cultural Organization (UNESCO) World Heritage town in central Albania and one of the oldest continuously inhabited towns in the world, grow some of the best olives in the world. Or so they say. Arben, now 72, still harvests the olives from the groves that have been in his family for more generations than he can remember. He tends 100 or so trees and produces about 15 kilograms of olives annually from each tree. Some are table olives that he sells or barters with friends in the town, and some he presses for oil that he sells from his small farm house in recycled plastic water bottles. He gets by, as he always has.

Through a tourism stakeholder gathering that is part of a small grant from CIIP that helped to prepare the €70 million World Bank–funded Project for Integrated Urban and Tourism Development (PIUTD), Arben and his olives are now going to be part of an innovative new product offer for tourists visiting Albania. Some 20 or more olive varieties grow around Berat, and many of the trees are still tended in traditional ways by Arben and his friends. Arben’s city-dwelling granddaughter, Ina, will be designing a tourist package that allows visitors to see the olive trees, explains the history of olive cultivation, and enables visitors to press their own olives and to take away their own custom bottle of cold-pressed, organically certified extra virgin olive oil. For Arben, this reconnection with Ina and their common and deeply rooted heritage is something he never thought possible. For Ina, whose tourist company specializes in showcasing traditional Albanian customs and cuisine, the opportunity to weave her family history into a product offer is a source of immense pride.

In 2016, Albania earned a record €1.5 billion from tourism, which is 13 percent higher than recorded in 2015. For Albania, where annual tourist numbers have been growing at more than 12 percent for the past 5 years, increased tourism activity is inevitable given its proximity to markets and other well-developed tourist destinations, as well as its natural and cultural asset endowments. Although the numbers seem impressive, Albania’s tourists are mainly regional and highly seasonal—70 percent of tourists visit between June and August and most head to the Albanian Riviera. CIIP funds supported a baseline survey to capture, among other data, the average daily spending per tourist, which is about €54. The PIUTD, through investing in potential activities identified through tourist product audits conducted with CIIP funds, aims to raise this daily spending by 50 percent during the life of the project. The baseline survey also measured the length of time tourists stay in each of the PIUTD’s four destination towns (Berat, Gjirokastra, Saranda, and Permet). The length of stay varied between 1.2 to 2.1 days across the destinations, and the project aims to double this time in each destination.

Arben and Ina’s olive experience is one of 16 potential new tourism products identified through CIIP funds. An average of four jobs per tourist product is expected to be created and sustained. The PIUTD has targeted a total of 20 new products that will be defined and developed. CIIP activities also defined the opportunity to develop partnership agreements with Airbnb and TripAdvisor that will support micro, small, and medium enterprises (MSME) training and to raise the destination profiles through online marketing.

Last, but not least, CIIP funds were used to explore the possibility of creating destination management organizations in the four targeted municipalities. Arben and Ina are among 17 other stakeholders, led by the mayor of Berat, who sit on the advisory secretariat group of the Berat destination management organization, and they will have a voice in reviving and planning tourism growth.
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 include 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 because of 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. Also, 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 fifth meeting of CIIP’s steering committee 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 a project financed by the International Development Association (IDA) or a project financed by any of the donor partners 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 there will be a net crowding of employment by competitive firms.

**Impact:** Improvements in firm performance result in job growth, net income growth, and poverty reduction, which CIIP-enabled operations contribute to.

**Outcome:** Improved firm-level performance lead to growth in firm-level productivity and to growth in value addition and employment (and eventually to crowding in of suppliers and competitors).

**Outputs:** Sustainable changes result in the way the market system operates, such as through improved policies and growth in public and private investment.

**Activities:** Program interventions target the underlying systemic constraints within selected markets and industries in a sustainable way.
CHAPTER 1
Global Knowledge, Analysis, and Assessments
Dissemination
CIIP organizes round tables as a way of disseminating CIIP operational knowledge. In 2017, the country-led dialogues were conducted in the Pacific Islands and Uganda. Another round table will be organized in the Caribbean in December 2017. The objective of the round tables is to share experience and to provide clients with a better understanding of industry competitiveness.

In the Pacific, the discussion focused on the competitiveness of the tourism sector and start-up financing. Tourism is the mainstay of the private sector economy in many of the Pacific Island countries. Many of the countries offer a pristine environment, a variety of recreational opportunities, and a cultural diversity that differentiates the region from other destinations. The discussion included private investors and officials from the ministries of tourism and industry associations. They discussed the key constraints facing the industry, airport infrastructure, destination management, marketing, and the capacity of firms in the sector. Tourism stimulates the demand for the domestic supply of fresh produce and local artwork and handicrafts. In this context, CIIP provided lessons learned from a random control trial of a competitive business plan from Nigeria.

In Uganda, the work on SEZs and innovation in developing countries funded by CIIP was presented to stakeholders (Ministry of Finance officials, government agencies, and other development partners). The presentation on SEZs led to a discussion of tax incentives intended to stimulate the success of SEZs. The CIIP operational review did not identify tax incentives as a driver of SEZ success. The presentation on innovation highlighted the policy makers’ interest in building innovation support policies. How to connect research institutions to private sector firms, to enhance collaboration, and to make public spending more relevant for firm-level innovation was the main issue discussed. There was general agreement that innovation policy in Uganda should have a strong private sector link if it is to be successful.

Economic Transformation, Diversification, and Industrial Competitiveness
Over the past two centuries, industrialization has been a major driver of economic development. Manufacturing industries have been a source of innovation and technological diffusion by helping to create more and better jobs and, in the process, by absorbing labor displaced because of productivity gains in agriculture. More recently, the emergence of production networks and global value chains have allowed some countries to tap manufacturing activities as a ladder for development. In many developing countries, however, the promise of industrialization has remained elusive. Indeed, manufacturing employment appears to be peaking at income levels that are lower than in the past, thus raising concerns that industry will no longer be an effective means to lift living standards in lower-income countries in Africa and other regions of the world. The rapid spread of new technological advances—additive manufacturing, artificial intelligence, and automation—create further concerns about the ability of manufacturing to be an engine for job creation.

CIIP organized a deep dive discussion, “Economic Transformation, Diversification, and Industrial Competitiveness,” to discuss the latest thinking around economic transformation and diversification as the basis for raising industrial competitiveness and to consider how to translate ideas into effective policy advice to client countries. The event covered the following: (1) the importance of industry-specific interventions, (2) the elements need to successfully implement productive development policies, (3) the key players needed to design and implement industrial competitiveness policies, (4) the role of diversification in growth and development, (5) the key interventions necessary to promote industrial competitiveness, and (6) the country perspectives on structural transformation and economic diversification.

How to Make Grants a Better Match for Private Sector Development
Since the last annual report, CIIP has been active at several dissemination activities. In May 2017, the team presented at the annual conference of the Results Measurements and Evidence Stream, the network of monitoring and evaluation professionals at WBG. The conference addressed the challenges and opportunities of results measurement and impact evaluation of matching grant schemes. In June 2017, the team presented examples from an Africa event, which sought to engage WBG colleagues working on programs that support the acceleration of small and medium enterprise (SME) growth and entrepreneurial innovation in Sub-Saharan Africa.

The CIIP report has become the go-to resource in understanding this widely used intervention and an important input into the design and implementation of WBG matching grant projects. Further evidence of the report’s success includes being featured in this year’s Knowledge in Action: Trade & Competitiveness
The research is not without limitations. The findings, while expanding the existing research considerably, rely on what remains a relatively small sample and are highly dependent on data availability in some countries in some specific geographical areas of the world (for example, East Asia versus Africa). The use of the nightlights data to determine the success of a zone prevents the use of both small and very large zones. Zones that did not take off are excluded from the sample, as well as zones that became operational after 2007, thereby limiting our interpretation of the results.
ties are accumulated. The findings help ACP countries avoid two key gaps in innovation policy design: (1) the bias toward R&D instruments when capabilities to do R&D are absent and (2) the lack of consideration to state capacity to implement innovation policy.

To provide a closer link to the operational work, CIIP is completing two companion reports. The first report, which is the second output, will be launched by the end of 2017 and is a guide on innovation policy instruments for policy makers in ACP countries. The guide covers more than 12 instruments to support business innovation. It describes the nature of the instruments, the market failure to be addressed, the evidence of impact, and the conditions that are necessary for effective implementation. The guide will give policy makers recommendations on specific instruments that can be used to support business innovation.

The last output focuses on the design of innovation agencies. It contains case studies of existing innovation policy agencies in middle-income countries and provides guidelines on how to design and improve the mission and services they provide.

These guides aim to enhance the efficiency of innovation policies in ACP countries by providing more guidance and clarity on how to design and implement those policies.
CHAPTER 2

Country Operations
ACP Project Results: Main Highlights

FY17 COUNTRY RESULTS

6,717 jobs created
5,580 in Ethiopia, of which 5,448 were for women; 937 in Mauritania; and 200 in Jamaica

18 million USD additional sales value linked to supported IZs
Ethiopia

16 investment opportunities identified and promoted
Ethiopia

89 SMEs trained or supported
Jamaica

534 million USD public investment leveraged
$500 million in Nigeria and $34 million in Organisation for Eastern Caribbean States

406 million USD private investment leveraged
$9 million in Mauritania, $47 million in Jamaica, and $350 million in Nigeria

166 new firms
10 in Ethiopia and 156 in Mauritania

11 laws and regulations approved and enacted or policy reforms implemented
10 in Nigeria and 1 in Suriname

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

Leverage 2017 Regional Tourism Competitiveness ($26 million) and Agriculture Competitiveness ($8 million)
Partner coordination European Union Delegation, possibly others eventually
Grant amount $500,000

Background
The CIIP is supporting the local and regional tourism links in the Organization of Eastern Caribbean States (OECS) in Grenada and St. Lucia. This support complements a $26 million Regional Tourism Competitiveness lending operation that aims to strengthen the competitiveness of the tourism sector in the OECS region and a $6 million OECS Agriculture Competitiveness lending operation that focuses on enhancing the competitiveness of the agriculture sector through links with the tourism sector.

The CIIP funds have been used to identify investment opportunities and to provide support for improving the quality of tourism products. To identify these opportunities, the WBG has developed and implemented a very successful, bottom-up, collaborative, and community-level building methodology to support both the tourism and agriculture cluster in the region.

The first year of the project focused on mobilizing stakeholder and conducting market research to prepare action plans. The action plans set out to increase investment; to build capacity; to improve access to finance; to enhance environmental sustainability; and to boost product development, packaging, promotion, and distribution.

Key Activities
For the Grenada tourism industry, CIIP helped by testing the demand for tours through conducting surveys of local tour operator and by developing the first pilot tour. The “Beach and Basket” pilot tour engaged a variety of stakeholders, including 100 fishermen from the fish market, a small beekeeping farm, 10 cooking assistants, a small restaurant, 100 young farmers from the Mirabeau Experimental Farming School, a small group of drummers, a small agroprocessing business, at least 5 transportation providers, and various guides and artisans. The CIIP team helped the agriculture cluster prepare a plan to develop the pilot tour and provided hands-on training on developing farm-based tourism products, including how to package, price, develop, and market tours that are attractive to independent
adventure travelers. The team also supported the cluster by preparing a detailed assessment of investment needs to develop the remaining six tours (see box). Finally, the team supported a grassroots awareness campaign in the region, reaching out to more than 5,000 people and mapping tourism assets with GPS data.

CIIP also helped establish a destination management organization by supporting the preparation of draft bylaws and articles of association to register the North-East cluster as a nongovernmental organization (NGO). The team also helped formalize the public-private dialogue (PPD) framework, including the election of the initial board of directors.

The Caribbean Growth Forum, supported by CIIP in the first year, has launched a second phase funded under other projects. The launch took place in St. Lucia in January 2017 and in Grenada in April 2017. The CIIP helped ensure that cluster members participated in the discussions and that community-based tourism remained a government priority. The CIIP project made certain that the community action plans of the clusters and the forum reform dashboards vetted by governments complement each other.

### Several Tour Packages Were Formulated and Tested

The **Chocolate Tour** will provide visitors with a hands-on “tree to bar” chocolate experience, which involve several firms (that is, Grenada Chocolate Factory, L’Esterre Estate, Women Group from Hermitage, and others). The **Adventure Cook-Up Tour** is designed to provide visitors with a combination of adventure and culture. The **Historic Estate and Amerindian Tour** will introduce visitors to the rich culture of Grenada’s aboriginal peoples, including the Caribs, Amerindians, and Kalinago Indians. The **Hiking Tour of Mount St. Catherine** will guide visitors to the summit, the highest peak in Grenada, where they will be able to enjoy panoramic views of the northern, western, and eastern mountains, as well as Grenada’s coastlines. The **Sky to Sea Snorkeling Tour** will take visitors from the towering summits of the Grand Etang National Park Forest Reserve to an ocean that teems with fish and other sea life. Visitors will hike through Grand Etang’s rainforest where they will learn about various medicinal and edible plants. The **Sulphur Springs Tour** will allow visitors to bathe in the natural beauty and therapeutic benefits of Grenada’s sulphur springs, which were formed millions of years ago from the volcanic activity that gave birth to the island.
ETHIOPIA Competitiveness and Job Creation

Leverage Competitiveness and Job Creation Project ($270 million)
Partner coordination UK Department for International Development, US Agency for International Development, European Commission
Grant amount $1,365,000

Background
CIIP engagement in Ethiopia started in 2013 in response to the government’s request to the WBG to support its efforts to attract domestic and foreign direct investment through industrial parks or economic zones. The project development objective is to contribute to job creation by attracting investments and by improving enterprise competitiveness in targeted industrial parks. This objective will be achieved (1) by strengthening the institutional and regulatory framework for industrial zone development and capacity building in related institutions, (2) by supporting industrial infrastructure development of two industrial parks, and (3) by enhancing industrial park links to SMEs through targeted interventions.

Toward the end of the last CIIP reporting period (June 2016), the industrial infrastructure development and link components faced unanticipated procurement and implementation issues. The design of the two large industrial parks (Bole Lemi II and Kilinto) closest to Addis Ababa faced delays because of capacity constraints within the client’s design consultant, which also led to delays with the start of construction.

Project Results
With the support of CIIP, the team conducted an extensive design review and helped develop the bidding documents for the construction of the Bole Lemi II and Kilinto industrial parks. Both have now been successfully completed, and the contracts for the development of the two parks were signed in February 2017. Construction is due to be completed by June 2018.

In addition, a branding strategy and a value proposition was developed to attract potential investors. The sectors targeted are garments and textiles for Bole Lemi II and pharmaceutical manufacturing for Kilinto. When the two industrial parks become fully operational, they are expected to create at least 32,000 jobs, to generate $280 million in export value, and to make the IPDC $10 million in total revenue.

CIIP has also supported analytical work on the potential of the electronics and information and communications technology (ICT) sectors. The study included analysis of the global electronics industry structure, trends and opportunities to assess Ethiopia’s potential participation in production and distribution networks, and challenges and risks that need to be addressed to foster growth in those segments. The analysis was highly endorsed by the government.

The analysis showed that the electronics and ICT industry play only a modest role in the Ethiopian economy, with a relatively limited number of companies and commercial activity. The current elec-
tronics industry is focused on the domestic market and assembly activities, with a limited presence of component manufacturing. Similarly, the ICT services industry in Ethiopia is in its infancy and is primarily focused on information technology services for the domestic market. However, the analysis suggests that it is possible to prioritize different segments of the ICT and electronics sectors in a future sector development strategy. The opportunities are linked to the sector’s high overall supply-chain modularity, cost-driven nature of investment, job-generating capacity, and potential for productivity spillover effects to other sectors. The analysis has provided the government with a solid evidence base for guiding the development of the sector and specifically for drafting a detailed action plan to implement the sectoral strategy.

In March 2017, the CIIP supported a seminar on green industrialization to provide the government guidance in developing a socially and environmentally sustainable approach to its industrialization plans. As the industrial park program expands, the government is concerned with maintaining a balance between growth and sustainability. The workshop was designed to help the government create capacity and understanding for the next generation of industrial parks on sustainability issues, such as green industrialization, efficient and effective resource use, renewable and alternative energy sources, and effective waste management and treatment strategies. During the workshop, the first of its kind in Ethiopia, the WBG shared learning from global initiatives on green industrialization with a focus on the constraints and issues in the textile and footwear industries. Ethiopia has an opportunity to preempt negative effects as it starts its growth in those sectors by designing smart policies.

The work to date has enabled the government to reassure investors that the industrial park plan has the highest level of government ownership and commitment. For example, one key investment group that was convinced of this commitment and made the decision to invest in Ethiopia is the PVH Corporation, which owns the brands Calvin Klein and Tommy Hilfiger. The PVH Corporation has set up production facilities, along with its suppliers, in the Hawassa Industrial Park. CIIP supported the early stage assessments and planning of the park. The lease area of Hawassa has been fully committed to 25 investors.

### Results Chain

<table>
<thead>
<tr>
<th>Input</th>
<th>Instruments</th>
<th>Menu of Integrated Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Elements</td>
<td></td>
<td>Economic zones</td>
</tr>
<tr>
<td>Business environment</td>
<td>Analytics</td>
<td></td>
</tr>
<tr>
<td>Institutional strengthening</td>
<td>Public-private dialogue</td>
<td></td>
</tr>
<tr>
<td>Labor and skills</td>
<td>Technical assistance</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Evaluation and feedback</td>
<td></td>
</tr>
</tbody>
</table>

#### Output

- SEZ law adopted
- IZ regulatory function
- Master plans
- License issued for IZ management

#### Outcome

- 86 pipeline investors (target: 200 beyond FY18)
- Serviced land in zones (target: 150 hectares beyond FY18)
- Leased land in zones (target: 32 hectares beyond FY18)

#### Impact

- Private investment by firms in IZs (target: $28 million beyond FY18)
- $38.5 million sale value of goods and services (target: $280 million beyond FY18)
- 11,911 jobs, of which 10,646 are for women (target: 32,000 beyond FY18)
Background
The December 2013 CIIP grant provided direct support to the $20 million IDA-financed Business Development and Investment (BDI) project to improve the conditions for private sector investment and inclusive growth. The CIIP grant helped the project team to redesign the BDI project at the request of the Haitian Ministry of Commerce and Industry (MCI) and to shift the focus of the project from the development of economic zones to the development of value chains (that is, agribusiness, manufacturing, and tourism) and public capacity to support and stimulate local competitiveness. Furthermore, over the years, CIIP has instilled the capability to implement this value-chain approach in several markets, including the coffee market.

Project Results
One of the 90 coffee producers identified and participating in the Competitive Reinforcement Initiative (CRI) of the MCI in the southeast produces 130 pounds of coffee annually, which she sells for $1.66 per pound to her local cooperative. Her annual income was $635 in 2016, which places her below the average gross national income per capita ($810 in 2015). On the basis of the analysis and awareness activities conducted by the Enterprise Support Service (SAE) team in the southeast on the coffee value chain, she now understands that while she currently sells in the commercial coffee segment (nonexport or for local consumption), she could make more money selling her coffee in the specialty coffee segment (for export to the United States). By moving to the specialty coffee strategic segment, she could make an average of $4.10 per pound instead. To help her add more value to her coffee, she needs access to coffee cupping (to grade her coffee according to the Specialty Coffee Association of America’s Q Grading Standards), proper post-harvest conditioning of her coffee to ensure its quality, and a reliable traceability system, which will be provided by the IDA-financed BDI project.

The BDI project will procure the common services currently missing in the selected value chains, such as the training of coffee cuppers and provisioning services through a coffee center that would ensure quality control, washing, fermenting, drying, hulling, tasting, packing, storing, transporting to the United States, and selling. The BDI project will use matching grants to subsidize the entrepreneurs on the basis of eligibility criteria.

That entrepreneur is only one of 650 identified by the SAE teams during the first round of their CRIs. However, once the services are in place, they will be open to any entrepreneur. In April 2017, the MCI
began its second cycle of CRIs. By July 2017, the SAE agents had identified and gathered data for 403 entrepreneurs in the new value chains and will continue to add to their database over the next months.

In FY17, CIIP supported efforts to attract investors to provide critical services to the value chain (as in the coffee case). With the support of CIIP, the team supports roadshows in US cities with a critical mass of potential suppliers. The first roadshow took place in Los Angeles in April 2017, and as a result, six apparel finishing firms indicated interest in bidding for the upcoming proposal for the “fast-fashion” logistics hub. The client will continue to undertake roadshows in the coming months.

Furthermore, the CIIP grant has contributed to the design of a more innovative approach for the use of BDI’s matching grants. The matching grants will lessen the risk for service providers by guaranteeing a minimum purchase price for the provision of services.

As the Haiti CIIP project moved into its final implementation phase in FY17, the focus ensured that the client could continue to implement the activities independent of CIIP support. However, this fiscal year saw delays in implementation mainly because of Hurricane Matthew, which considerably slowed down the project progress.

The project implementation unit is currently tendering four lots of services for apparel, cold chain, nonperishable products, and a payment and traceability system. The various service providers are expected to be in place starting in 2018. The United States was identified as the most attractive export market for all of the value chains in the first round of CRIs.

**Results Chain**

<table>
<thead>
<tr>
<th>Input</th>
<th>Basic Elements</th>
<th>Instruments</th>
<th>Menu of Integrated Solutions</th>
<th>Output</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business environment</td>
<td>Institutional strengthening</td>
<td>Analytics</td>
<td>Value chains</td>
<td>4 training modules completed</td>
<td>MCI strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public-private dialogue</td>
<td>Clusters</td>
<td>30 enterprise competitiveness agents established</td>
<td>Cluster and value chain policy strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Technical assistance</td>
<td></td>
<td>20 cluster initiatives supported</td>
<td>Matching grants program designed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,050 entrepreneurs mobilized</td>
<td>Public sector capacity increased</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Roadshows</td>
<td>Investor queries</td>
</tr>
</tbody>
</table>

**Industries**

- Tourism
- Agribusiness
- Light Manufacturing
JAMAICA Support of Competitive Industries in Jamaica

**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 International Finance Corporation’s Food SME Project (£3 million)

**Partner coordination** European Union and others

**Grant amount** $525,000

**Background**
Jamaica has seen decades-long declines in production, trade, and competitiveness. Key goals of Jamaica’s Vision 2030 National Development Plan are improving competitiveness and creating jobs. The government has used the World Bank CIIP grant as part of its efforts to catalyze sustainable economic growth. The specific objective of the CIIP grant, which was established in November 2014, is to contribute to job creation by attracting investment. The CIIP-funded program has two overarching components: (1) supporting industry planning and sector support to SMEs and (2) improving the environment for competitive industries. CIIP funding has enabled WBG expertise in competitive industries to support the government’s implementation of the Foundations for Competitiveness and Growth Project. CIIP Jamaica continues to leverage significant WBG resources in key areas, such as business regulations, industrial development, and value chains identification.

**Project Results**
The CIIP fund and its provision of technical assistance continue to be an important part of ongoing work programs. For example, the Logistics Hub Initiative Master Plan seeks to increase competitiveness in the agriculture, manufacturing, and tourism industries by attracting large investors. The team has helped develop the 1,500-acre Caymanas SEZ, which is expected to begin construction in early- to mid-2018. It will provide a junction for industrial development and logistics services while increasing SME participation in exports.

The new CIIP-supported Jamaica SEZ law was enacted in October 2016, and private firms in the light manufacturing and agribusiness industries have benefited from it. In addition, CIIP funding has supported the new Jamaica SEZ Authority through a range of assistance including advice on procedures, organization development, and how to work effectively with the private sector. The CIIP team is currently working to link the tourism and agribusiness sectors to build their growth potential. In this regard, six value chains have been identified: sauces and spices, coffee, ackees (a tropical fruit), cassava (a tuberous root), seafood, and dairy. These value chains were selected according to criteria that focused on potential economic impact and ease of enacting change. The total export value of the six value chains is more than $181 million annually. The value chains sell to offshore markets, thereby reducing Jamaica’s current trade deficit.

The CIIP project has helped fill numerous gaps in the Economic Growth Council (EGC) Secretariat. The government asked the EGC Secretariat to be the driving force behind the jobs and growth agenda; it is chaired by Michael Lee-Chin, comprises 10 leaders in Jamaica’s public and private sectors, and is supported by an executive director. The CIIP supported three specific areas of the EGC: (1) the hiring of a three-month lead consultant in September 2016 to help draft the EGC’s Call to Action, which is a master plan that outlines the context of Jamaica’s economic growth and how to implement growth stimulation programs; (2) the initial design and function of the EGC; and (3) the identification of the first round of growth initiatives of the EGC. The initiatives are eight recommendations to the Cabinet of Jamaican on how economic growth can be achieved, including improving citizen security and public safety, pursuing bureaucratic reform to improve the business environment, harnessing the power of the diaspora, and others. The EGC continues to receive technical support using CIIP funding.

Finally, with CIIP support, the EGC is driving an ambitious but attainable gross domestic product (GDP) growth of 5 percent in 4 years. Although Jamaica has experienced the lowest GDP growth in the past 30 years in the Western
Hemisphere, the economy achieved 2 percent GDP growth just last year, surpassing expectations and outstripping the flat-line 0 percent average.

CIIP-funded activities have laid the foundations to meet yearly job creation targets and have exceeded foreign direct investment (FDI) targets. Jamaica’s Investment Promotion Agency has stated that the FY16/17 FDI estimates of $50 million were exceeded, bringing $700 million FDI into the country (up from $100 million in FY15/16). The CIIP Trust Fund and the Jamaica Foundations for Competitiveness and Growth Project are estimated to have directly accounted for $82 million of annual FDI.

**Results Chain**

- **Input**
  - Basic Elements
    - Institutional strengthening
  - Business environment

- **Instruments**
  - Analytics
  - Public-private dialogue
  - Technical assistance
  - Public finance
  - Catalytic support for firms
  - Evaluation and feedback

- **Menu of Integrated Solutions**
  - Value chains
  - Economic zones

- **Output**
  - Regulations and policy reforms
  - SEZ law

- **Outcome**
  - Reduction in time to obtain construction permits
  - 4 PPDs established
  - SEZ authority created

- **Impact**
  - $82 million in private investments
  - 4 subsectors informed for SME support programs
  - 115 SMEs trained or supported
MAURITANIA Nouadhibou Eco-Seafood Cluster

Leverage Spanish Agency for International Development (€10 million), Deutsche Gesellschaft für Internationale Zusammenarbeit—International Labour Organization (€14 million), and World Bank Group (additional financing of $8 million)

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

Grant amount $420,000

Background

The objective of this CIIP project is to attract private investments and to create jobs by establishing a competitive Nouadhibou Eco-Seafood Cluster and by supporting the MSMEs servicing it. This goal will be achieved by providing technical assistance for creating a privately operated eco-seafood competitive cluster in Nouadhibou bay with the required amount of public-private partnerships (PPPs); by offering support to firms and particularly to youth- and women-led local MSMEs with targeted business development services, technical trainings, and assistance to an MSMEs program design; and by helping establish strong and sustained competitive industries PPDs in Mauritania at the local and industry levels.

The fisheries sector plays an important socioeconomic role in Mauritania, accounting for 16 percent of GDP, 25 percent of government revenue, and 40 percent of foreign revenue, as well as providing jobs to approximately 40,000 people. The sector is particularly important in Nouadhibou where almost the entire population relies on this activity. However, this natural resource is underused in that little value added is currently being created. This particular opportunity for Nouadhibou will help transform the fish industry and uplift its value chains by leveraging opportunities in the fresh segments.

Project Results

In 2015, the government of Mauritania decided to create the Nouadhibou Eco-Seafood Cluster and the CIIP successfully helped prepare the project, which was signed April 13, 2016. CIIP was showcased and presented during Europe Day on May 9, 2017, in Nouakchott by the project coordinator, Mohamed Lemine Hamady.

Seafood is one of the country’s top priorities, and implementation of the grant has progressed well and has helped to catalyze additional financial resources for the fishery sector. In addition, the key stakeholders are supportive and the context is favorable. There have been 12 Doing Business reforms achieved in the past 3 years, and the first PPP law was approved in January 2017. Technical assistance has helped Nouadhibou Free Zone define cluster parameters through the approval of the Seafood Cluster Strategy in July 2017 and inform public financing for infrastructure undertakings (including a wastewater treatment plant, deep sea port, desalination plant, and cold storage zone). The team also contributed to the first PPD platform in Mauritania in more than 10 years—the Seafood Task Force.

Furthermore, women entrepreneurship has become an important focus for both the private sector and the government. CIIP has contributed to 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 economic activities. Those initiatives include improving women’s organizations and supporting their acquisition of market-relevant skills, and they were based on successful impact evaluations on entrepreneurship training in Togo (personal initiative training) led by Trade & Competitiveness Global Practice, Gender Innovation Lab, and Development Economics Group.

As of June 2017, the project has generated $37 million in private investments in Nouadhibou, with those investments linked to creating 937 stable jobs predominately on the processing side of the industry. In total, 314 new firms were created through the Nouadhibou Free Zone one-stop shop. CIIP has helped supervise or provide 300 days of training and technical assistance workshops that have benefited 416 people and has delivered several strategic documents to guide Nouadhibou Free Zone Authority decisions particularly on the inclusion agenda.
Results Chain

**Input**

Basic Elements
- Business environment
- Institutional strengthening
- Infrastructure

**Instruments**
- Analytics
- Public-private dialogue
- Technical assistance
- Public finance
- Catalytic support for firms
- Evaluation and feedback

**Menu of Integrated Solutions**
- Value chains
- Economic zones
- Clusters
- Cities
- Growth poles and corridors

**Output**
- Strategy and reform programs designed
- Institutions capacity building

**Outcome**
- Improved access to markets
- 3 reforms enacted through PPD (target: 19 beyond FY18)
- Effectiveness of institutions

**Impact**
- $37 million of private investments (target: $60 million beyond FY18)
- 156 new firms (target: 2,000 beyond FY18)
- 937 jobs created (target: 10,000 beyond FY18)

**Industries**
- Fisheries
- Mining
- Logistics
NIGERIA Competitiveness Support

Leverage 2017 Nigeria Mineral Sector Support for Economic Diversification Project ($150 million), Kaduna State Economic Transformation Program-for-Result ($350 million)
Partner coordination UK Department for International Development
Grant amount $1,400,000

Background

Nigeria has experienced a dramatic slowdown in economic growth since the country’s oil boom in the mid-2000s and the subsequent fall of oil prices. Oil accounts for only 8.4 percent of annual GDP, but it has major implications on government revenues, scarcity of foreign exchange, domestic demand, and overall growth. Compounding this slow growth is Nigeria’s high birth rate and shortage of productive jobs. These issues have led to a saturated labor market and high youth unemployment. Underlying many of the economic problems is that Nigeria’s economy needs to accelerate its diversification efforts and to address its lack of competitiveness in agriculture and manufacturing sectors. Thus, the CIIP team has supported the government of Nigeria to improve four primary areas of its economy: sectoral competitiveness of minerals and agribusiness in northern Nigeria, overall business environment, access to finance, and evidence base for developing policy to support MSME competitiveness.

Project Results

Since grant implementation began in September 2016, CIIP has been integral in supporting the design of projects approved or soon-to-be approved in Nigeria. The team has supported the $150 million Nigeria Mineral Sector Support for Economic Diversification Project (approved in April 2017), which provides technical assistance at the federal and state levels to increase private investments in the mining sector. During project preparation, CIIP provided inputs on high-potential mineral value chains and on avenues to maximize benefits shared through opportunities for SMEs and workers along the value chain. Moving forward, CIIP funds will support the development of one particularly high-potential value chain: limestone.

CIIP has also facilitated the preparation of the $350 million Kaduna State Economic Transformation Program-for-Result (approved in June 2017), which focuses on sustainable land management. Kaduna is a key northern state that lies in an economic corridor between Nigeria’s two most populous cities: Lagos and Kano. It has the potential to be the growth engine of northern Nigeria and to serve as an example to its northern neighbors.

Under the ongoing World Bank–funded Growth and Employment Project, some 60,000 SMEs have registered on the project’s business platform, and the program is disbursing grants to some 1,800 SMEs. The grants provide important business development support to smaller SMEs and start-ups. Regarding the project, CIIP is supporting the development of a public-private engagement platform called P3 that will help identify reforms to increase the competitiveness of high-priority sectors in Nigeria. Initiated in May 2017, P3 has three objectives: to use innovative data collection on formal and informal firms; to provide a better analysis of the sectors than industrial cluster groups (representative sample of the sector) or enterprise surveys (usually sampled from a list of formal firms); and to use social media and new communication methods to create a space for discussion where firms can interact, vote for their priority recommendations, and contribute to the proposed activities for their sector. The number of registrations and respondents’ trust are key to P3’s viability.

This past year, CIIP has supported building blocks to improve access to financing for firms. First, it supported an assessment of banking sector vulnerabilities. This assessment included an analysis of a forward-looking scenario based on publicly available information to identify vulnerability risks in the banking sector and possible mitigation measures. In April 2017, CIIP facilitated the development of a concept note for an SME investment fund that seeks to stimulate sustainable growth in the SME sector through CIIP and Growth and Employment Project financing. It is expected that $30 million to $50 million from the project will be allocated to the SME investment fund.
Building Entrepreneurship Knowledge

CIIP funding is building knowledge on entrepreneurship. First, it supports the impact evaluation for the Growth and Employment Project that compares different firm-level interventions, namely consulting, training, and in-sourcing of workers, as well as outsourcing of consulting services firms and grants. Second, it identifies high-growth firms and high-potential entrepreneurs. This task started with a literature review that compiled evidence on variables to be considered for entrepreneurship, high-growth entrepreneurs, and high-impact entrepreneurs. The literature review identified four categories of variables: firm characteristics, business practices, entrepreneur’s background, and entrepreneur’s cognitive and noncognitive variables. The review is in the process of being completed and will be sent to peer review as part of the “High-Growth Firms” report (Innovation and Entrepreneurship unit flagship report). Although firm characteristics, business practices, and entrepreneur’s background are easily captured through a questionnaire, cognitive and noncognitive variables are more difficult to measure. For this reason, CIIP is supporting the development of a computer-based game that will collect information on personality traits, preferences, and strategic behavior of the project participants. The ultimate objective is to compute an algorithm using the four categories of variables to better predict chances of success of entrepreneurs or existing firms.

Results Chain

<table>
<thead>
<tr>
<th>Input</th>
<th>Instruments</th>
<th>Menu of Integrated Solutions</th>
<th>Output</th>
<th>Outcome</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Elements</td>
<td></td>
<td>Value chains</td>
<td>Reform designed</td>
<td>3 reforms implemented</td>
<td>$350 million private investment by firms in IZs</td>
</tr>
<tr>
<td>Business environment</td>
<td></td>
<td></td>
<td>Cost to get to market (target: 10% reduction)</td>
<td>Growth poles and corridors</td>
<td></td>
</tr>
<tr>
<td>Institutional strengthening</td>
<td></td>
<td></td>
<td>Improved implementation capacity</td>
<td>Institutional mechanism design</td>
<td></td>
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<tr>
<td>Infrastructure Access to finance</td>
<td></td>
<td></td>
<td>Agrifinance study and assessment of banking sector</td>
<td>New agriculture loans financed by institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td>Gross number of jobs (target: +20% from baseline beyond FY18)</td>
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</table>
SURINAME Investment Climate and Sector Competitiveness Support

Leverage: 0
Partner Coordination: Inter-American Development Bank and the European Union
Grant amount $695,000

Background
The Suriname Investment Climate and Sector Competitiveness Support (ICSCS) project was established in October 2016 with a CIIP grant to facilitate new investments especially in the agribusiness sector. The project informs the policy dialogue and reform program planned under the WBG’s Fiscal Management and Economic Competitiveness Development Policy Loan (DPL). Specific project activities under way include sector competitiveness analysis of agribusiness and extractives, agroindustry prioritization and value chain work, and business licensing reform support.

Project Results
To strengthen the analytical base for industry competitiveness work, CIIP supported a sector competitiveness analysis of the agribusiness and extractives sectors to identify investment opportunities and constraints and to inform policies to diversify the economy.\(^1\) The agribusiness analysis consisted of a sector scan to identify subsectors with a high potential for investment attraction. Considering the potential commercial value to new investors (such as export potential to the Caribbean Community, EU, and US markets) and the development impact on Suriname (such as improving balance of trade and the potential for outgrower links), the analysis identified fruits, vegetables, cereals and animal feed, pork, and aquaculture as high-potential subsectors. In the extractives sector, key reforms to improve the enabling environment for new private investment include reforming mining law, separating government regulatory and operational functions in the oil sector, advancing the Extractive Industries Transparency Initiative; and establishing a geological data program. The recommendation to apply for initiative membership was included as a DPL prior action, which the government completed in March 2017.

In the agribusiness sector, the analysis identified a lack of government systems to coordinate industry competitiveness work across ministries, and it recommended establishing a multiministerial agribusiness investment task force to lead subsector reform and promotion work. With CIIP-funded support, this task force was established and chaired by the Ministry of Trade, Industry, and Tourism.

The ICSCS project then supported the task force in conducting deep dives into the five high-potential subsectors identified by the analysis. Based on the potential export opportunities, attractive opportunities for local farmers, and lack of short-term constraints, this deep dive recommended focusing on investing in the fruit and vegetable

subsectors first, including high-value tropical horticulture products and superfood fruits and berries (both fresh and processed). The task force endorsed this recommended focus and began developing subsector reform and promotion plans. With CIIP funding, the ICSCS project has helped the task force coordinate with government and private sector stakeholders to identify value chain constraints in the subsectors. Preliminary findings include airport handling and cold storage inefficiencies, logistics of phytosanitary certificate issuance, and improper value-added tax treatment of exports. In the coming year, it is expected that follow-up value chain competitiveness support will achieve reforms in several of those areas. ICSCS has also helped the task force build the value proposition for new investment in the subsectors to facilitate investor leads.

Another significant reform was achieved when the government completed a DPL prior action by passing a new business and professions licensing law. The previous licensing regime relied heavily on unnecessary licensing requirements that did not match policy goals and was identified as a constraint by 47 percent of private firms. The new law simplifies the regime by establishing that all business activity may be conducted freely unless a license is specifically required and by decreasing discretion by establishing standardized appeal procedures. ICSCS analytical support has informed the reform process with an initial analysis of the legality, necessity, and band business–friendliness of approximately 40 licenses currently required by the Ministry of Trade, Industry, and Tourism. Follow-up analytical support from ICSCS is helping to implement regulations under the law, including focusing on specific licensing needs related to fruit and fish processing, thereby improving a horizontal constraint affecting new agribusiness investment.

**Results Chain**

**Input**
- Basic Elements
  - Business environment
  - Institutional strengthening

**Output**
- 2 sector competitiveness analyses
- 1 licensing law adopted
- Agribusiness multiministerial task force established

**Outcome**
- # of firms benefiting from licensing reform (target: 100 in FY18)
- PPD impact on reform process
- Effectiveness of institutions

**Impact**
- Private investments leveraged (target: $15 million by FY19)
- # of private land leases (target: 7 by FY19)

**Industries**
- Agribusiness
- Extractives
TANZANIA Competitive Industries and Innovation Project

Leverage: Forthcoming International Development Association Growth Poles operation ($100 million)
Partner Coordination: UK Department for International Development, Government of Norway, European Commission, Deutsche Gesellschaft für Internationale Zusammenarbeit
Grant Amount: $483,000

Background

Tanzania is aiming to accelerate its industrial transformation and is, therefore, seeking to develop a series of policy actions to enable that process. The formulation of policy actions from the Tanzania Business Environment and Competitiveness for Jobs Development Policy Operation project included policies aimed specifically on improving Tanzania’s business environment and on establishing an enabling environment for competitive, job-creating industries. Because of the policy actions, a new investment operation is planned to help advance Tanzania’s industrial development, with an emphasis on labor-intensive, resource-based manufacturing and services sectors. CIIP support for this work includes reviewing recent policies in support of private sector development and exploring the productivity growth of firms, particularly small manufacturing firms in Tanzania.

Project Results

An evaluation of the lessons from past and current enterprise support programs in Tanzania has been completed. The programs reviewed include a diverse mix of firm-level support programs, including those funded by the WBG, other development partners, and the government. The study was carried out over the course of 2–3 months and involved desk research and several field visits to Tanzania. The study examined various dimensions of the programs, including objectives, legal and management structure, target sector and firm size, type of support instrument, and results achieved. The main findings illustrate that financing programs benefit from accompanying technical assistance, and that such assistance is particularly important for SMEs, where a tiered-approach (access to technology and finance and building on training and mentoring) is needed. For implementation, working through existing organizational structures and alongside multiple partners leads to successful outcomes.

CIIP is also conducting a firm-level surveys. Tanzania’s private sector faces myriad challenges, and there are few midsized and large private firms, especially in the manufacturing sector. In addition, many firms suffer from low productivity and export capacity. To better understand firm-level dynamics, two surveys have been initiated. The management survey, which is focused on surveying 300 firms in the cities of Dar es Salaam, Arusha, and Mwanza and in the region of Kagera, is expected to lead to a better understanding of the role of internal firm capabilities and entrepreneurial and innovative activities. The findings will help design extension and support services to midsized and large manufacturing firms. In addition, a survey on entrepreneurial systems for SMEs has been undertaken. The preliminary findings are helping to design networking assets and collision points (that is, factors that increase the opportunities for knowledge spillover and innovation-driven entrepreneurship), including incubators and accelerators, aimed at increasing innovative and entrepreneurial activities. For instance, initial data analysis indicates that although start-ups may have access to bank accounts, lines of credit take much longer to establish (in fact, twice as long as in the case of West Bank and Gaza).

In summary, the findings and assessments from the CIIP-funded activities will provide specific recommendations for the design modalities and implementation approaches for future programs currently being developed to support industrial transformation.

1. See https://worldmanagementsurvey.org.
## Results Chain

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<thead>
<tr>
<th>Input</th>
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<th>Menu of Integrated Solutions</th>
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<th>Outcome</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Elements</td>
<td></td>
<td></td>
<td>Strategy and reform programs designed</td>
<td>Reduction in procedures to acquire permits</td>
<td>5% increase in # of jobs after FY19</td>
</tr>
<tr>
<td>Business environment</td>
<td>Analytics</td>
<td>Value chains</td>
<td>PPD created</td>
<td>Reforms enacted through PPD (target: 4 beyond FY18)</td>
<td>5% increase in private investment leveraged</td>
</tr>
<tr>
<td>Institutional strengthening</td>
<td>Public-private dialogue</td>
<td>Clusters</td>
<td>Institutional capacity building</td>
<td>Effectiveness of institutions</td>
<td>2% increase in labor productivity</td>
</tr>
<tr>
<td></td>
<td>Technical assistance</td>
<td></td>
<td>2 firms-level surveys conducted</td>
<td>Design of incubators</td>
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<tr>
<td></td>
<td>Catalytic support for firms</td>
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<td></td>
<td>Evaluation and feedback</td>
<td></td>
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</tr>
<tr>
<td>Industries</td>
<td>Agribusiness</td>
<td></td>
<td>Analysis and design of enterprise support programs</td>
<td>SMEs trained or supported</td>
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<tr>
<td></td>
<td>Livestock</td>
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TIMOR-LESTE Tibar Bay Master Plan

Leverage World Bank Group’s Public-Private Partnership for Infrastructure Development and Technical Assistance; International Finance Corporation’s Public-Private Partnership Transaction Advisory Services
Partner coordination Foreign Advisory Investment Service, Timor-Leste Ministry of Planning and Strategic Investment, Timor-Leste Ministry of Economy’s Public-Private Partnership unit
Grant amount $250,000

Background
The CIIP grant supported economic growth in Timor-Leste through the development of an integrated investment master plan of the Tibar Bay Economic Development Area and provided the government with the required support, training, and capacity building that will lead to the plan’s successful and sustainable implementation.

Project Results
In FY16–FY17, the CIIP grant completed a prefeasibility study of establishing an industrial park in Tibar Bay. The prefeasibility study focused on (1) assessing market interest and potential value-chain development opportunities; (2) evaluating short-, medium-, and long-term demand; and (3) identifying a potential site location. By assessing the market interest, Tibar Bay industrial park could serve four different business areas: logistics, local markets, local materials and local export markets, and low-cost export-oriented production.

The market assessment also highlights how different industrial sectors may find the industrial park attractive. The sectors have several characteristics that (1) are complementary to the new Tibar Bay Port, (2) are complementary to the construction industry and expand purchasing power in Timor-Leste, (3) use domestic natural resources, and (4) offer local options for market consumption that can compete with imports. Recent investments into Timor-Leste are tapping into domestic consumption opportunities. This is the case of Heineken, which is investing $40 million to produce beers, water, and soft drinks. There are further opportunities to address domestic consumption needs, which are currently sourced from abroad.

The proposed industrial park can provide the necessary infrastructure complement to the new Tibar Bay Port, including uninterrupted access to power, water, wastewater treatment, and telecommunications. However, based on benchmark comparisons, Timor-Leste is a relatively higher-cost production platform. Supported by well-designed urban and industrial policies and by a continued push for bureaucratic and educational reforms, an industrial park has the potential to attract investment in excess of historical trends. Short of the initiatives by the government, however, investment into the industrial park will stagnate. To capture this variance, the report considers three demand forecast scenarios: conservative, base case, and aggressive.
In the conservative scenario, 27 tenants would lease 15 hectares of industrial land and generate more than 700 direct jobs. Most of the tenants would be small ventures demanding 5,000 square meters of land or prebuilt warehouses or processing facilities. In this scenario, no large processing ventures locate in the industrial park during the life of the project. This reflects that many medium to large firms receive free or reduced-price land from the government for periods of 10 or more years. Thus, when enterprises can avoid land payments outside the industrial park, there is little or no incentive to pay market lease rates inside the park.

In comparison, in the aggressive scenario, 81 tenants would lease 55 hectares of industrial land and generate more than 4,400 direct jobs. The industrial park would attract 6 large processing factories, 15 factories occupying prebuilt spaces, and 12 small processing factories. This scenario assumes a very active industrial policy from the government, which supports attracting and creating processing factories in Timor-Leste.

### Results Chain

**Input**

- Basic Elements
  - Business environment
  - Institutional strengthening
  - Infrastructure

**Instruments**

- Analytics
- Public-private dialogue
- Technical assistance

**Menu of Integrated Solutions**

- Value chains
- Economic zones
- Clusters

**Output**

- Regulations and policy reforms
- Spatial analysis and prefeasibility study

**Outcome**

- Design of Tibar Bay master plan
- Design of industrial park
- PPD impact on reform process
- Improved effectiveness of institutions

**Industries**

- Agribusiness
- Manufacturing
Non-ACP Country Operation

**FY17 COUNTRY RESULTS**

170 investment opportunities identified and promoted

820 million USD public investment leveraged
$71 million in Albania, $249 million in Jordan, $500 million in Egypt

4 SMEs trained or supported

159.5 million USD private investment leveraged
$159 million in Macedonia, FYR, $0.5 million in Tunisia

**Timeline**

- 2013: Macedonia, FYR, Tunisia
- 2014: Russian Federation
- 2015: Vietnam, Kazakhstan I, Croatia, Georgia, Serbia
- 2016: Tunisia Competitiveness Enhancement Unit
- 2017: Kazakhstan II, Albania, Jordan
Project Activities

The government of Albania has identified the south of the country as a pillar for regional development based on its endowment of rich and varied natural resources and cultural heritage assets and their significant potential to drive local and regional economic growth through tourism. The WBG is contributing to this agenda through the PIUTD, a €70 million lending program that targets tourism-related infrastructure improvements in four destination towns (Berat, Gjirokastra, Permet, and Saranda) and selected nearby tourism sites.

Despite the land’s rich tourism resources, this region of Albania has challenges. First, basic urban infrastructure is inadequate to meet residents’ needs and a growing tourism demand, existing assets are deteriorating because of a lack of maintenance, and newly created municipalities lack the capacity to deliver supporting services in a sustainable way. Second, tourism is concentrated over a short time in the summer, is not sufficiently diversified, and is dominated by high-volume and low-value local and regional markets. Third, tourism activities, both at the national and local level, are not supported or managed in a coordinated way.

To address those challenges, the CIIP grant helped to define PIUTD interventions that can leverage the destination infrastructure and site-level improvements to create vibrant and viable destinations. CIIP funds were used to conduct a product (and potential product) inventory of the PIUTD project area to define a menu of support under PIUTD that could enhance the value of the products to different tourism market segments. For instance, 14 potential tourism activities were identified around Permet, such as hot springs, six different walking and biking trails, two paragliding sites, bungee jumping, and whitewater rafting. These activities have all been included as PPP opportunities. CIIP funds were also used to conduct a baseline survey that covers all tourism-related enterprises, surveys for tourists’ expenditure and motivation, and household surveys in each of the targeted municipalities. The project seeks to increase tourists’ length of stay and daily expenditure in the target destinations, and the tourist and business survey established the following baselines:

The landscape around Permet is ideal for hiking, whitewater rafting, and horseback riding, as well as a base for a range of nature tourism activities.

Berat, a 13th century UNESCO World Heritage site, is known as the “town of a 1,000 windows.” It is currently only a half-day visit on tourists’ itineraries. The PIUTD aims to make Berat at least an overnight option by investing in themed walking trails that connect the old town (above) to the Ottoman castle that overlooks it, by promoting bed and breakfast stays in traditional homes, and by featuring a weekly organic farmers market, monthly arts and crafts exhibitions, and more.

ALBANIA Pathways to Jobs from Tourism

Leverage 2017 Project for Integrated Urban and Tourism Development ($71 million)
Partner coordination European Union, State Secretariat for Economic Affairs
Grant amount $115,000
• Saranda: Accommodation occupancy rates of 68 percent over 2015, average length of stay at 5 nights, and average spending per night of €50 for Albanians and foreigners

• Berat: Occupancy rates of 71 percent over 2015, low length of stay at 1.1 night, lowest spending per night at €10 for Albanians and €20 for foreigners

• Permet: Average occupancy rates of 78 percent over 2015, length of stay at 1.2 nights, spending per night at €30 for Albanians and €40 for foreigners

• Gjirokastra: Low average occupancy of 45 percent in 2015, average length of stay 0.8 nights

CIIP funds are being leveraged in a partnership with the US National Parks Service to develop site management plans and models for PPPs and investments for two key sites in the project area: Blue Eye and Porto Palermo. Those sites should leverage public and private investments of more than €20 million, some of which is already earmarked under PIUTD.

Blue Eye is a 50-hectare protected area around a unique freshwater spring. The site is poorly managed with no interpretation or activities beyond viewing the clear pool. CIIP funding will unlock the potential of this site to be a flagship destination in southern Albania.

Porto Palermo is an abandoned Ottoman castle and a former naval base where CIIP funds are being used to define a development concept for a PPP. The site has huge potential as an integrated tourism resort, combining elements of marine and military history and interpretation.

Much of the CIIP work has centered on identifying potential products and how they can be woven into a tourism offer. Among the potentials identified were several agrotourism opportunities. Albania olive oil is a prized commodity in the region and especially from the olive presses in the south.

Olive oil production in southern Albania is mostly organic and pressed in 200-year-old machinery. The CIIP funded product inventory uncovered numerous olive oil producers with potential to add value to their products and to better connect them to markets. Most olive oil produced in the south is sold by word of mouth and packaged in recycled and unlabeled plastic water bottles. The situation is similar for local cheeses, raki, jams and preserves, and wine. There is obvious potential to link these producers to tourist markets and eventually export markets.
Project Results
As described, the CIIP grant has funded a baseline data collection of the full inventory of tourism-related goods and service providers and existing products in the area of the PIUTD. With this baseline, the team developed a results framework and monitoring and evaluation plan for the PIUTD project so as to monitor job creation (PIUTD expects to create 500 new jobs in tourism-related businesses across the project area); tourists’ length of stay and expenditure (growth by 15 percent); and investments and new business creation (target of 60 new businesses created during the project period). This work also served to identify a rich pipeline of investment opportunities (€40 million or more), some of which will be seeded directly through the PIUTD project.

Results Chain

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Basic Elements</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Business environment</td>
<td>Analytics</td>
<td>Value chains</td>
<td>Menu of activities defined and strategy formulated</td>
<td>Improved access to markets</td>
<td>Gross number of jobs</td>
</tr>
<tr>
<td>Institutional strengthening</td>
<td>Public-private dialogue</td>
<td></td>
<td>Funding approved for infrastructure</td>
<td>Improved tourism infrastructure</td>
<td>Share of tourism in GDP</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Technical assistance</td>
<td>Clusters</td>
<td>PPD platform created</td>
<td>Reforms enacted through PPD</td>
<td>Private sector investment leveraged</td>
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<tr>
<td></td>
<td></td>
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<td>PPP structure for destination management</td>
<td>Effectiveness of institutions</td>
<td>Increase in length of tourist stay</td>
</tr>
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<td></td>
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<td>Institutional capacity building</td>
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<td></td>
<td>SME support program designed</td>
<td>SMEs trained or supported</td>
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</table>
Country Operations

CIIP Annual Report 2016–17
Background
The CIIP project development objective is to enhance national and subnational government capacity to design and implement economic competitiveness programs in the lagging upper region of the Arab Republic of Egypt that will catalyze private investment and job creation. The CIIP supported the design and development of the WBG-financed program, Upper Egypt Local Development Program (UELDP), for $500 million. The project was approved by the World Bank Board in September 2016 and became effective in early October 2016.

The UELDP aims to improve the enabling environment for private sector–led growth and to strengthen local government capacity for service delivery in select Upper Egypt governorates. The program targets 2 of the 10 governorates: Sohag and Qena. The two governorates were selected on the basis of population size, poverty rates, economic potential, geographic contiguity, access to basic services, and governorate readiness. The program has two subcomponents: subcomponent 1 focuses on improving the environment and competitiveness and subcomponent 2 focuses on improving access to quality services.

Project Results

The rapid analysis assessed the subsectors’ market potential. For example, the overall exports in furniture increased by 9 percent in 2014; however, there are no exporting furniture firms in Sohag. For the tomato paste supply chain industry, both governorates have a comparative advantage in weather, access to land, and farm gate price competitiveness. Furthermore, the assessment included a detailed list of recommendations for the analyzed industries. Those recommendations included areas of opportunity for on-the-job skills training, promotion of good practices, investment promotion, and microfinance solutions.

In November 2016, a demand assessment of industrial zones in the region was conducted. The purpose was to determine if upgrading services, infrastructure, and management or expansion of the industrial zones in Qena and Sohag could contribute to improving competitiveness and to supporting the growth of existing tenants and potential clients. The study involved the zones of Ahaywa, Gerga, Hew, Kawthar, Qeft, and Tahta, which range from 105 hectares to 456 hectares and from 6 percent to 90 percent occupancy. Some of the main findings include the following:

- Almost 80 percent of the respondents face problems in recruiting skilled nonmanagerial staff. This difficulty is generally because of a lack of qualified labor.
- Electricity and water are the two priority areas for respondents. Those who were unsatisfied with services expressed concern about insufficient electricity and frequent power outages almost daily. Water issues included insufficient supply, poor quality, and outages.
- The highest satisfaction in infrastructure services was reported for internal roads.
- Respondents complained about burdensome licensing and registration procedures.
From those findings, the report recommended improving maintenance services for the infrastructure networks to enhance business operation efficiency, exploring options for a new governance structure for industrial zones, mitigating regulatory impediments, and establishing business support centers’ innovation and technology-based services.

In November 2016, the CIIP supported the development of a Competitiveness Implementation Manual to improve the business environment and competitiveness in the region. The draft manual was presented at a workshop in Qena on April 2, 2017. The workshop included the local implementation units from Qena and Sohag; the director from the Program Coordination Office; and representatives from the Ministry of Investment and International Cooperation, Ministry of Trade and Industry, Industrial Development Authority, and Ministry of Planning.

**Results Chain**

**Input**

**Basic Elements**
- Business environment
- Institutional strengthening
- Infrastructure

**Menu of Integrated Solutions**
- Value chains
- Economic zones
- Clusters

**Output**
- Sector and opportunity assessment
- Industrial zone demand assessment
- PPD created
- Governance framework for zone management designed
- Firm-level assistance program designed

**Outcome**
- Competitiveness initiatives implemented with private sector
- Zones with updated infrastructure
- Reforms enacted through PPD
- SMEs trained or supported

**Impact**
- Private sector investment leveraged

**Industries**
- Manufacturing
- Livestock
- Agribusiness
- Marble and Granite

...
Background
This CIIP grant has played an important role in the Jordan Program for Results: Economic Opportunities for Jordanians and Syrian Refugees. This $300 million project supports the Jordan Compact between the international community and the government of Jordan. The compact, which was signed on February 4, 2016, in London provides economic opportunities for Syrian refugees in return for improved market access to the European Union, grants, and concessional finance.

Project Results
The key results in the project include labor market reforms to ease the work permit process, investment climate reforms to improve the weak business environment, and strengthened investment promotion capabilities. The impact indicators include creating more than 50,000 jobs (using the proxy of number of work permits issued), facilitating more than 30 investments, leveraging more than $40 million in private investment, and creating the Syrian International Business Association.

During the earliest stages of this WBG operation, a critical factor for success involves attracting investors who will employ Syrians. As a result, a comprehensive technical assistance program was designed to support the government’s investment promotion efforts. This technical assistance program consists of three broad themes of support:

- Strengthening the relationship with the diaspora
- Strengthening the key value chains where refugees can work—manufacturing, agriculture, and construction
- Capacity building of the Jordan Investment Commission

The diaspora work, which CIIP is the prime funder along with the UK Department for International Development and Deutsche Gesellschaft für Internationale Zusammenarbeit, is based on the premise that there is a large pool of Syrian diaspora investors already in Jordan. Moreover, there is evidence that Syrian investors are very enthusiastic employers of their fellow Syrians.

From the start, Syrian investors had no collective voice to advocate for a resolution of regulatory barriers or to facilitate investment or trade. This meant that (1) the business diaspora had to be located, (2) their issues and concerns had to be identified, and (3) they needed to be organized. Those tasks required extensive consultation, analysis, and substantive meetings.

The CIIP grant financed 19 consultation meetings and focus groups conducted globally to locate the business diaspora and to identify the main issues or concerns. On February 27–28 2017, a Syrian Diaspora Business Forum took place in Germany. To organize the event, the CIIP collaborated with the WBG, Deutsche Gesellschaft für Internationale Zusammenarbeit, UK Department for International Development, International Organization for Migration, and Center for Mediterranean Integration. More than 100 stakeholders participated, including representatives from the Syrian diaspora community, academics, private sector, policy makers, NGOs, and think tanks.

The initial findings exceeded expectations. The team found a thriving but remarkably disconnected diaspora community located in a wide range of places, from Buenos Aires to Dubai, with interest in supporting investments that would help refugees from virtually everywhere. ESCOA has estimated that this diaspora has potentially $100 billion of investible capital at its disposal. That capital significantly differentiates it from many other diaspora communities.
The initial engagement with the Syrian diaspora quickly revealed two broad areas of interest: investing in host countries and in Syria. No strong preference was indicated toward any one host country. That said, countries that made an effort to welcome investment were highly appreciated. One-third of the diaspora already had operating investments in Syria, and with the possibility of return, an additional third would go back. For the diaspora, investing in host countries was not seen as a barrier to investing in Syria as well.

At the business meeting, the government of Jordan made a strong pitch to the Syrian diaspora that generated a lot of interest, and some initial investment transactions were identified in the garments and water sectors. The Jordan International Compact is currently following up on those specific transactions and connecting directly with all the investors that attended the business forum.

Other outcomes of the forum included committing to specific transactions and working directly with all the investors that attended the forum, establishing the Syrian International Business Association, and articulating measures to resolve financing and investment climate constraints. The association launched in July 2017.

The team also conducted an online survey that gathered 185 responses from diverse groups within the Syrian diaspora. The survey respondents were either investors, business owners, or senior management, with more than 95 percent having an undergraduate degree or higher and most of them engaged in the service sector. For investment potential, the survey found that more than 50 percent of the respondents currently invest or support refugee activities in neighboring host communities, that there is high interest in direct investments whether in refugee host countries or in Syria, and that there is strong interest to invest in funds that lend money to MSMEs in host countries. Although contributing to the development impact for refugees is important, the Syrian diaspora, broadly speaking, expects a private equity–level return of 20–25 percent. Finally, the survey found that there is high interest in a Syrian business association like the Syrian International Business Association.

Although it is still early in the process, indications show that this activity is valuable for Jordan’s investment promotion efforts, for potentially other host countries, and for the eventual reconstruction of Syria. A similar exercise for the Iraqi, Libyan, and Yemeni diaspora is recommended.

**Results Chain**

**Input**

- Basic Elements
  - Business environment
  - Institutional strengthening
  - Labor and skills

**Menu of Integrated Solutions**

- Value chains
- Analytics
- Public-private dialogue
- Technical assistance
- Evaluation and feedback

**Output**

- Joint Syrian diaspora action plan
- Regulatory barriers identified
- Diaspora business forum and conference
- 6 strategic partnerships created
- Labor market reforms
- Less burdensome work permit process

**Outcome**

- 170 investors identified
- 40,000 work permits issued

**Impact**

- $10 million in private investment leveraged (target: $200 million in FY19)

**Industries**

- Manufacturing
- Agriculture
- Construction

PPD created
Syrian International Business Association created
Capacity building of Jordanian Investment Commission
Improved effectiveness of institutions
Active participation of diaspora
KAZAKHSTAN Leveraging Transport Connectivity to Develop Competitive and Innovative Industries and to Promote Job Creation along the Center–South Road Corridor in Kazakhstan

**Leverage** Center–South Transport Corridor Project  
**Partner coordination** Organisation for Economic Co-operation and Development, European Commission  
**Grant amount** $419,435

**Background**
This CIIP project helped prepare the Center–South Transport Corridor, a planned lending of $2.1 billion. The Center–South Road Corridor Project complements the construction of a large road infrastructure investment with the development of competitive, job-creating SMEs and industries. However, because of the collapse in oil prices, the government decided to put the project on hold.

**Project Results**
The CIIP completed a spatial analysis of firms along the center–south road corridor to prepare for the project. The objective was to identify established and latent clusters of firms that stood to benefit most from the market access gains resulting from the road corridor. To carry out the assessment, the national business registry database was geocoded to identify firms. In addition, the national road network was mapped, and road types and conditions were assigned values corresponding to their most appropriate travel speeds. This coding allowed for each firm and location to be analyzed for their overall market access by measuring the travel time to Kazakhstan’s 15 largest cities using the existing road network.

The analysis confirmed the hypothesis that transport costs are a significant factor in deciding a firm’s location in Kazakhstan. Firms that benefit from strong agglomeration economies will continue to cluster both with firms in other industries and in places where travel times to major markets are lowest. Firms dependent on immobile resources, such as land and water, are less likely to cluster on the basis of market access to major urban areas. They would benefit from more road investment in rural areas near their production input resources that would connect them to customers in major markets.

The city of Arkalyk, which is within the proposed Astana Corridor, was identified as the most likely to benefit from Astana Corridor road enhancements. It has an existing base of firms, connective infrastructure, and is close to immobile resources. Arkalyk is expected to see the largest relative improvements in travel time to market because of the investment (more than three fewer hours travel time to Astana). In the Karaganda Corridor, firms along the corridor where it continues parallel to the northwest shore of Lake Balkhash would reap the most gains, with approximately two to three hours less travel time to the nearest markets given the provided road data.

The map shows a rough estimate of gains to major cities by upgrading corridor roads, with the largest gains shaded in blue.
Although the Center–South Road Corridor Project was suspended, the analytics provide valuable insights and can be reconsidered if the project is resumed in 2018.

The team conducted a review of the logistics sector of Kazakhstan to identify challenges and to make recommendations. Among the challenges are that (1) the sector faces increased costs because of inadequate logistics infrastructure, poor operation, and underdeveloped logistics services; (2) there is uncertainty regarding delivery times because of inefficiencies at the border crossing points, where there are wait times, inefficient customs procedures, and the need for unofficial payments to expedite processing; (3) there is limited access by private operators to the railway market and intermodal transportation; and (4) there is a lack of knowledge of modern logistics and supply chain management as well as a need for adoption of supply chain management practices. The review recommends (1) developing a national transport and logistics strategy and action plan; (2) ensuring integrated planning of intermodal facilities and logistics centers; (3) encouraging market entry of international third party logistics; (4) developing value-added logistics services; (5) improving cross-border procedures and increasing reliability; (6) ensuring market access for private intermodal operators, which involves the use of more than one form of transport for a journey; (7) improving education and training in logistics and supply chain management; (8) establishing a PPD on transport and logistics; and (9) introducing performance measurement metrics and certification standards for self-regulation.

### Results Chain

**Input**

**Basic Elements**

- Business environment
- Institutional strengthening
- Infrastructure

**Instruments**

- Analytics
- Public-private dialogue
- Technical assistance
- Evaluation and feedback

**Menu of Integrated Solutions**

- Growth poles and corridors

**Output**

- Spatial analysis of firms along road corridor
- Jobs and competitiveness diagnostic
- Database and mapping of firms
- Institutional capacity building

**Outcome**

- Time and cost to import and export
- Market accessibility index
- $ value committed to infrastructure investment
- Effectiveness of institutions

**Impact**

- Jobs created (target: 8,000, of which 4,000 are for women, beyond FY18)
- Net number of new firms in targeted sector (target: 1,000 beyond FY18)
FYR MACEDONIA Competitive Industries and Innovation Support Program

Leverage 2 WBG Development Policy Loans on Competitiveness ($100 million); 2 investment operations—WBG Skills Development and Innovation Support Project ($24 million), EU Local and Regional Competitiveness in Tourism (€18 million)
Partner coordination European Commission, US Agency for International Development
Grant amount $1,523,455

Background
This CIIP grant, initiated in May 2013 and closed in March 2017, was created to enable the former Yugoslav Republic of Macedonia’s economy to transition to a higher growth trajectory through reforms that incentivize productivity growth in major sectors in which the country has a latent competitive advantage, such as manufacturing, agriculture, and tourism and that tackle enabling factors, such as skills and innovation. These were addressed through two WBG DPLs on competitiveness (in 2012 and 2014) and two investment operations, WBG Skills Development and Innovation Support Project (lending) and EU Local and Regional Competitiveness Project (nonlending), with focus on tourism.

Project Results
The first DPL of $50 million was approved by the board of directors of the World Bank on November 2012 to strengthen the competitiveness of FYR Macedonia’s economy by incentivizing productive investment and technological upgrading in the manufacturing, agribusiness, and trade logistics sectors and by establishing conditions to progressively increase labor market flexibility and skills development. The second DPL of $100 million became effective on July 2014 to build on the reforms supported by the first DPL. In addition, it put more emphasis on reforms that can incentivize greenfield investment and technology upgrading in manufacturing, promote agribusiness development through improved management of state-owned agricultural land, introduce a risk-based approach for inspections in international trade, and initiate legal amendments that foster labor market flexibility and innovation capacity.

An investment operation in tourism from the EU Local and Competitiveness Project with funding of €18 million was identified, developed, and approved with CIIP support. This project, which was approved in January 2016 and became effective in July 2016, will be implemented through December 2019. It will enhance the contribution of tourism to local economic development and will improve the capacity of the government and public entities to foster tourism growth and to facilitate destination management. The project invests in policy reforms to create an enabling environment, technical assistance in destination management, and tourism-related infrastructure and noninfrastructure.

The successful implementation of the FDI attraction reforms in FYR Macedonia has led to a large increase in total and net exports. FDI inflows were 3.6 percent of GDP in 2016, which is up from 2.3 percent in 2014 and 2015. Goods exports increased to 34.1 percent of GDP in 2016, which is up from 32.4 percent in 2014 and 33.5 percent in 2015. Employment grew 2.1 percent year-over-year in 2016, with a large share of jobs linked to public stimulus programs. The average unemployment rate was 23.7 percent at the end of 2016, which is down from 26.1 percent at the end of 2015.

In the agribusiness sector, the most important reform was the approval of a law that provides for gradual sale of state-owned land to agricultural producers using market principles. The preparatory work for piloting agricultural land sales has been completed. The CIIP also helped to improve the efficiency of trade logistics services by introducing a risk-based approach for sanitary and health inspections that is facilitating the transportation of manufacturing and agricultural goods at border crossings. This improvement has reduced transport delays and administrative costs.

In the manufacturing sector, the WBG team built on the DPLs supported by CIIP and worked with an interinstitutional working group coordinated by the Ministry of Finance. The WBG team and the working group implemented a pilot supplier development program to connect local SMEs from light manufacturing industries with large foreign companies, with a special focus on the automotive value chain. A readiness diagnostic of domestic firms to supply foreign companies was undertaken (particularly to assess the firms’ ability to meet quality
standards), and five qualified suppliers were chosen through a transparent multistage process. The companies will benefit from training, technology extension, and facilitated access to credit. The DPL team produced a technical note and organized several workshops for the government counterparts on international best practices in design and implementation of supplier development programs.

In November 2016, a tourism development plan was created with CIIP funds for 10 strategic destinations in priority market segments across the country. The report includes targets, actions, and expected effects, as well as recommendations. The purpose of the development plan is to ensure that the market segments can grow to their fullest potential.

Results of the project so far include establishing and staffing a project implementation unit led by the cabinet of the deputy prime minister for economic affairs. The unit has received training by the World Bank team on PPD, market assessment and segmentation, destination management, and monitoring and evaluation. The team has also worked with the unit on environmental, social, and fiduciary (financial management and procurement) aspects of project implementation. Furthermore, the project has completed the tourism market assessment.

In the area of innovation, the Fund for Innovation and Technological Development (FITD), with support from the World Bank–funded Skills Development and Innovation Support Project (2014–19), launched the third call for proposals for mini grants for innovative start-up and spin-off firms and for matching grants from established firms for commercialization of innovation. A total of 52 applications were received. Four were approved for €119,521 of funding from the government’s program for rural development and from the World Bank’s investment operation. In February 2017, the fund launched the fourth call for minigrants for start-up and spin-off firms and for matching grants for commercialization of innovation. A total of 59 applications were received, of which 31 applications were for the mini grants and 28 applications were for the matching grants. An administrative check is currently under way, and the awards were made in September 2017.

FITD, with technical assistance from WBG, is improving the rulebooks for the instruments for technology extension and for accelerating the fifth call expected this autumn.

Tourism assets in Skip, Radovis, and the surrounding area (seen above) is one of 10 destinations in a state of neglect and in need of renovation. CIIP funds were used to define investment gaps such as (a) the type of accommodation offered versus the markets being targeted, (b) weak tourism offerings for priority markets, (c) poor maintenance of tourist sites, and (d) weak service and tourism promotion around the circuit.
Results Chain

**Input**

**Basic Elements**
- Business environment
- Institutional strengthening
- Innovation

**Instruments**
- Analytics
- Public-private dialogue
- Technical assistance
- Public finance
- Evaluation and feedback

**Menu of Integrated Solutions**
- Value chains
- Economic zones
- Clusters
- Growth poles and corridors

**Industries**
- Agribusiness
- Information Technology
- Tourism
- Manufacturing

**Output**
- 2 regulations and policy reforms
- PPD created
- Institutional capacity building
- Financial instruments and volume committed
- SME support programs
- FITD accelerator programs
- Fabrication Labs

**Outcome**
- Time and cost to comply with regulations
- # of FITD instruments enacted through PPD
- FTID strengthened
- 40.2% of private funding mobilized in FITD
- 78 SMEs trained or supported
- Patents for innovation

**Impact**
- 8,000 jobs created
- $387 million in private investments
- 5% growth in tourist arrivals
- 57% share in medium high-tech exports
Background

The CIIP grant supported the design and implementation of the Competitiveness and Jobs Results-Based Loan ($100 million), which became effective on March 31, 2016. The overall engagement experienced several delays and challenges because of the national election on April 24, 2016. A cabinet shuffle in key ministries for the project (Ministry of Economy; Ministry of Education, Science, and Technological Development; and Ministry of Public Administration and Local Self-Government) caused further delays.

Key Activities

In January 2017, the Strategic Framework for the Serbian Development Agency was adopted by the Ministry of Economy. The project supported the development of the framework as part of the reforms. The Ministry of Economy is currently preparing sectoral policies for four sectors: wood and furniture, plastics and rubber, food processing, and machinery and equipment. Some of the main characteristics of these sectors are the following:

- The wood and furniture sector includes 1,984 companies that employ 22,196 workers. Sector revenues are €754 million and exports are €279 million (almost doubled from €169 million in 2008). Also, improving complexity of the value chain by strengthening service activities, such as design and marketing, could add significantly more value.
- The plastics and rubber sector consists of approximately 1,100 companies that employ 19,832 workers. Sector revenues are €1.3 billion and exports are approximately €800 million (more than doubled from €400 million in 2009). The sector is now undergoing rapid growth and breaking through to foreign markets thanks to less expensive labor and electricity prices. To build on this expansion, investments are needed in technology and innovation that make the products more competitive. Linking local companies from the rubber and plastics sector in clusters or similar forms of association represents a significant opportunity for an intensive transfer of knowledge and experience by reducing input costs and by increasing joint research, development, and adoption of dominant trends.
- Food processing is the largest manufacturing sector in Serbia and accounts for 26 percent of overall manufacturing. It consists of approximately 3,900 companies that employ 71,273 workers (total employment in Serbia is about 1.8 million people). One segment where Serbia could significantly improve its performance is in the export of fruits and vegetables, particularly berries.
- Machinery and equipment consists of 1,338 companies with 23,061 workers. It is one of the largest exporting sectors in Serbia, with exports of around €2 billion in 2015. Serbia is well positioned to benefit from the current wave of nearshoring. However, the potential growth of the sector may be significantly affected by the limited availability of a qualified work force and the limited capacities of family enterprises to adjust their businesses to the requirements of high quality and reliability.

CIIP supported the development of a comprehensive registry of administrative procedures faced by businesses. In total, about 2,500 procedures were identified and listed. The next stage will include a detailed description of all the steps for each procedure and training for approximately 450 civil servants to facilitate the process.
Some Result to Date

After a setback in 2016, there is now good progress on the matching grants program. The technology transfer facility has been met, it has been established, and funding (approximately $1 million) has been allocated in the 2017 budget. The technology transfer facility pipeline currently contains 19 applications. The mini and matching grants were piloted by the Innovation Fund between 2011 and 2016 and were funded with €6 million from the EU Instrument for Pre-Accession Assistance funds. In this period, the Innovation Fund managed four financing calls during which 326 Serbian firms submitted applications for either the mini or matching grants programs. Of those, 91 firms applied to the matching grants program and 247 firms applied to the mini grants program. Overall, 469 projects were submitted by the 326 firms. Of those, 55 projects were approved for Innovation Fund support, with a 12 percent approval rate.

The call for proposals was announced on June 1, 2017, and was open until September. The call includes both mini and matching grants applications. The financing offered by the mini grants program covers a maximum of 85 percent of the total approved project budget and up to €80,000 for a one-year project. The financing offered by the matching grants program covers a maximum of 70 percent of the total approved project budget and up to €300,000 for a two-year project. Financing decisions are competitive and use a robust international peer review system and the independent investment committee that includes international and diaspora professionals experienced in managing technology firms, scientific research, commercialization, and investor communities.

Results Chain

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**TUNISIA** Competitiveness Enhancement Unit and Competitiveness Diagnostic and Public Private Dialogue

**Leverage** Third Export Development Project ($50 million)  
**Partner Coordination** African Development Bank, European Commission  
**Grant** $305,030

**Background**
CIIP started its engagement with the sector diagnostics and competitiveness through PPD (2013–16) work, which pioneered a sector-specific PPD approach through a pilot on pharmaceuticals, electronics, garments, and information technology services. The project was recently completed featuring a successful experience, especially in pharmaceuticals, and had a clear effect on both country policy and World Bank operations.

In October 2014, a decree modernizing the regulatory framework of clinical trials in Tunisia was issued. It was accompanied by an action plan to develop clinical trials in Tunisia, followed by a participation in the World Economic Forum in January 2016 by the minister of health to promote investments in clinical trials. Another key reform on pricing is currently under preparation. This work led to the reduction of the average time for medical appraisal reviews, which is a necessary step to place a product on the market, by more than 70 percent—from 2.5 to 3 years in 2013 to 6 to 9 months in 2017.

**Project Results**
The project successfully supported backbone institutions that promote investment and increase competitiveness. The best example was in the information technology sector where technical support to Smart Tunisia, the newly created Tunisian investment promotion agency in information technology and offshore services, has delivered unexpectedly positive returns. Smart Tunisia signed 17 conventions with information technology services and offshoring firms in 2015, which have committed to employing 3,929 people over 4 years, 1,000 of which (25 percent) were already employed by May 2016. Smart Tunisia is now negotiating with a pipeline of 30 foreign investors for a potential of 10,000 jobs in information technology and offshoring in the coming 4 years.

The second CIIP diagnostic and PPD support aimed at supporting the government in establishing a competitiveness enhancement unit that can replicate the PPDs in any sector consisting of the following:

- A delivery unit reporting to the prime minister and focused on implement policy priorities (for example, facilitating access to housing for first-time homeowners, enabling access to microcredit in lagging regions, and placing 25,000 young unemployed people in existing job vacancies)
- A dedicated interministerial value chain and cluster development (through PPD) unit dedicated to a bottoms-up approach to strengthen the competitiveness of high-value-added Tunisian products oriented toward growing markets (ranging from high-end olive oil to fast-fashion garments to medical tourism)

CIIP supported the preparation of the concept note for the delivery unit and secured $1.8 million through the Middle East and North Africa Transition Fund to finance the rollout of the delivery unit in its first 2 years of operations. The unit is now on track and is currently working on three main priorities: (1) monitoring and supporting implementation of the prime minister’s three priority programs on microfinance, housing, and unemployment; (2) supporting the implementation of eight priority public investments identified during the Tunisia 2020 investment forum; and (3) conducting deep-dive analyses with recommendations on purchasing power and industrial licensing.

The team then turned to supporting the creation of an interministerial platform to conduct cluster and value chain specific PPD facilitation. Specifically, the platform ensures coordination among the value-chain development components of each of the four projects based on an approach such as the one piloted by the sector diagnostics and competitiveness through PPD. The identification and implementation of actions through the platform and related projects aim to catalyze links between firms in targeted value chains, to increase local value addition, and to lead to
more exports and jobs. The four investment projects from the International Bank for Reconstruction and Development will finance the operational costs of the platform (through lending proceeds), while also reserving significant investment budgets (estimated at $50 million across the four operations) for implementing its recommendations.

**Expected Impact**

The activities financed through the related projects are expected to impact 12–16 value chains, including agroforestry (exports of fresh tomatoes, high-end olive oil, rosemary, and other products based on aromatic and medicinal plants); labor-intensive activities (modernized artisanal products and fast-fashion garments); and services (offshoring of information technology services and medical tourism). From those products, 6,000 firms and farmers are expected to benefit, with the aim of increasing export growth rates by 50 percent compared to the national average and creating more and better jobs, especially for young women and men in Tunisia’s lagging regions.

The combined effect of the two CIIP-funded technical assistance activities have enabled sustainable local capacity to conduct sector-specific PPDs in all regions and sectors to (1) inform policy reforms, (2) orient public investments, and (3) directly support private sector firms in strengthening their competitiveness on higher-value-added market segments, with all related effects on exports, job creation, and regional development.

**Results Chain**

<table>
<thead>
<tr>
<th>Input</th>
<th>Basic Elements</th>
<th>Instruments</th>
<th>Menu of Integrated Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business environment</td>
<td>8 PPDs strengthened</td>
<td>Value chains</td>
<td></td>
</tr>
<tr>
<td>Institutional strengthening</td>
<td>Competitiveness enhancement unit established</td>
<td>Clusters</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Launch of a cluster development unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1.8 million mobilized for support of the competitiveness enhancement unit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 sectoral strategies established through PPD</td>
<td>1 reform enacted per sector per year</td>
</tr>
<tr>
<td>Improved public service delivery</td>
<td>Export growth in targeted sectors (target: 50%)</td>
</tr>
</tbody>
</table>

**Industries**

- Pharmaceuticals
- Information Technology
- Medical Tourism
- Garments and Textiles
CHAPTER 3

Financial Portfolio and Resource Use through June 2017
Table 3.1 Donor contribution schedule

<table>
<thead>
<tr>
<th>Committed</th>
<th>Paid-in</th>
<th>Outstanding</th>
<th>Actual in USD</th>
<th>Total in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>in contribution currency</td>
<td>FY13</td>
<td>FY14</td>
<td>FY15</td>
<td>FY16</td>
</tr>
<tr>
<td><strong>SDTF (ACP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC</td>
<td>15,038,850.00</td>
<td>13,534,965.00</td>
<td>1,503,885.00</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>10,039,184.32</td>
<td>7,750,421.73</td>
<td>-</td>
</tr>
<tr>
<td><strong>MDTF</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>3,000,000.00</td>
<td>3,000,000.00</td>
<td>-</td>
<td>1,625,652.72</td>
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<tr>
<td>Austria</td>
<td>5,000,000.00</td>
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<td>6,454,500.00</td>
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<tr>
<td>Norway</td>
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<td>-</td>
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<td>EC</td>
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<td>4,237,200.00</td>
<td>470,800.00</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<td></td>
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<tr>
<td></td>
<td>11,161,067.92</td>
<td>1,690,140.85</td>
<td>3,890,459.04</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,161,067.92</td>
<td>11,729,325.17</td>
<td>11,640,880.77</td>
<td>34,531,273.86</td>
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<tr>
<td>Investment income (a)</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>14,491.21</td>
<td>36,605.48</td>
<td>36,596.84</td>
<td>34,060.09</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>11,175,559.13</td>
<td>11,765,930.65</td>
<td>11,677,477.61</td>
<td>34,060.09</td>
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</table>

Sources and Uses

<table>
<thead>
<tr>
<th>$ Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total donor contributions received (MDTF + SDTF)</td>
</tr>
<tr>
<td>Investment income on MDTF Funds</td>
</tr>
<tr>
<td><strong>Total Funds</strong></td>
</tr>
<tr>
<td>Current CIIP commitments (Operations, Knowledge, and Administration)</td>
</tr>
<tr>
<td>Central 2% fee</td>
</tr>
<tr>
<td><strong>Remaining Balance</strong></td>
</tr>
<tr>
<td>Disbursements (disaggregated by Operations, Knowledge, and Administrative Categories)</td>
</tr>
<tr>
<td>Central 2% Fee</td>
</tr>
<tr>
<td><strong>Program Administration MDTF</strong>: includes management, collaboration, global knowledge, competitiveness programs, and analysis and assessment</td>
</tr>
<tr>
<td><strong>Program Administration SDTF</strong>: includes management, competitive analysis, competitiveness programs, innovation and entrepreneurship support, and innovation and entrepreneurship programs at industry level</td>
</tr>
<tr>
<td><strong>MDTF — Country Operations and Knowledge</strong></td>
</tr>
<tr>
<td><strong>SDTF — Country Operations</strong></td>
</tr>
</tbody>
</table>
### Table 3.3(a–c) Project-Level Disbursement

<table>
<thead>
<tr>
<th>Table 3.3a: Ongoing Country Operations (ACP)</th>
<th>Approved Grants</th>
<th>Actual Disbursed FY14</th>
<th>Actual Disbursed FY15</th>
<th>Actual Disbursed FY16</th>
<th>Actual Disbursed FY17</th>
<th>Grant Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>$1,365,000</td>
<td>157,284.78</td>
<td>540,146.26</td>
<td>305,840.71</td>
<td>195,260.63</td>
<td>166,467.62</td>
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<tr>
<td>Haiti</td>
<td>$1,875,000</td>
<td>294,516.24</td>
<td>594,906.52</td>
<td>511,884.43</td>
<td>241,505.24</td>
<td>232,187.57</td>
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<th>Table 3.3b: Ongoing Country Operations (World)</th>
<th>Approved Grants</th>
<th>Actual Disbursed FY14</th>
<th>Actual Disbursed FY15</th>
<th>Actual Disbursed FY16</th>
<th>Actual Disbursed FY17</th>
<th>Grant Balance</th>
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<th>Table 3.3c: Ongoing Knowledge Initiatives</th>
<th>Approved Grants</th>
<th>Actual Disbursed FY14</th>
<th>Actual Disbursed FY15</th>
<th>Actual Disbursed FY16</th>
<th>Actual Disbursed FY17</th>
<th>Grant Balance</th>
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