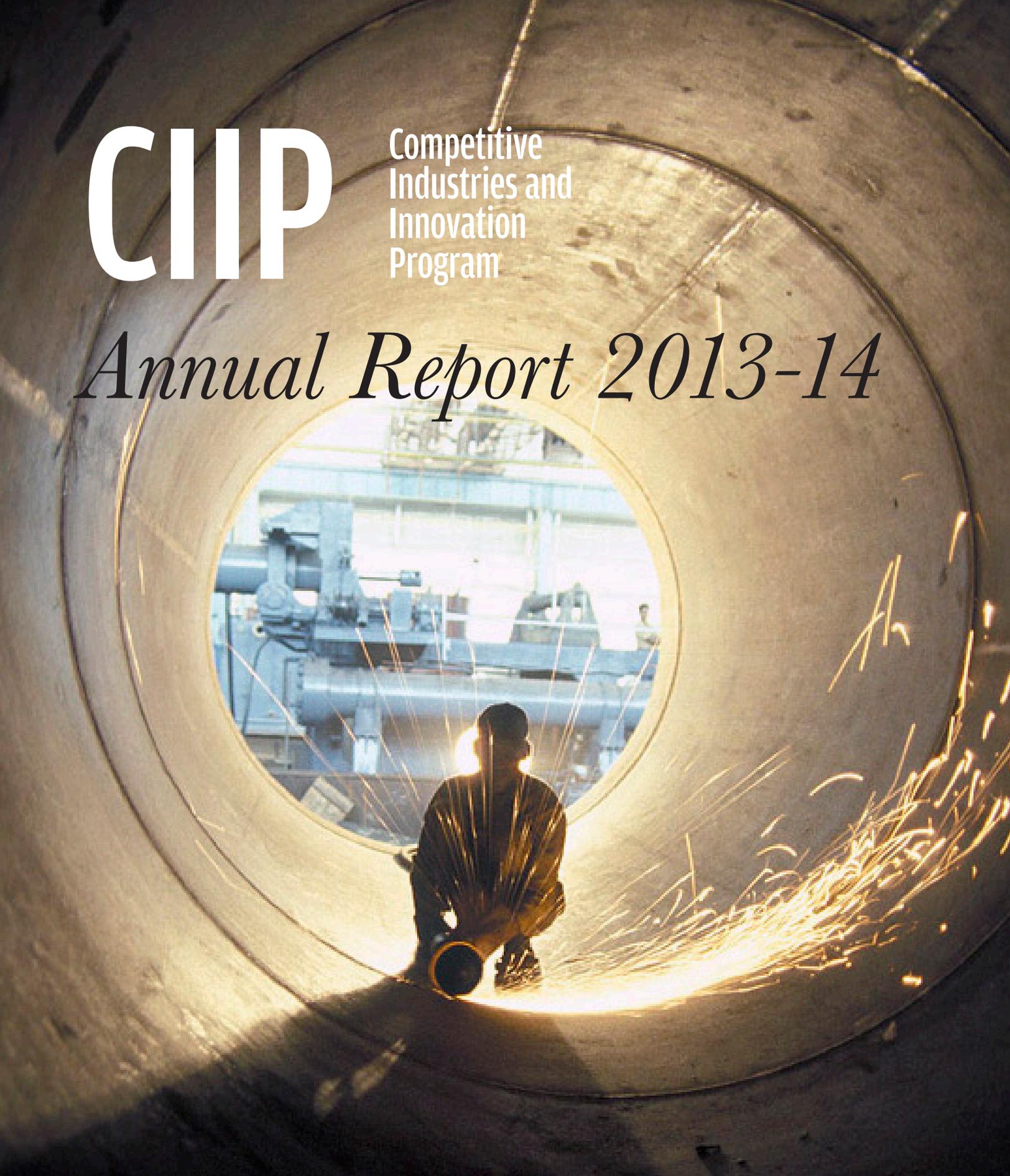


CIIP

Competitive
Industries and
Innovation
Program

Annual Report 2013-14



Financed by



in partnership with



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Cover page picture: Man working in a steel pipe at an industrial plant in India.

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. The partnership's resources are focused on supporting governments' efforts to develop transformational economic development projects and to aggregate cutting-edge knowledge that can be implemented as part of targeted pro-growth initiatives. As the Trustee and Administrator for CIIP, the World Bank Group is responsible for program development, implementation, and monitoring and evaluation. For more information, visit www.theciip.org

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ABBREVIATIONS

ACP	The African, Caribbean and Pacific Group of States Secretariat	IPF	Investment Project Financing
AfDB	African Development Bank	IPP	Innovation Policy Platform
BDI	Business Development and Investment Project	ISR	Implementation Status Report
BES	Partnership Secretariat & TF Administration	ITTPA	Tourism Investment Promotion Agency
CAF	SME Competitiveness and Access to Finance	IZ	Industrial Zones
CCKB	Competitive Cities Knowledge Base	KP	Knowledge Product
CEDP	Competitiveness and Export Development Project	KIDI	Kazakhstan Industry Development Institute
CI	Competitive Industries	LNG	Liquefied Natural Gas
CIIP	Competitive Industries and Innovation Program	MDTF	Multi-Donor Trust Fund
CJC	Competitiveness and Job Creation Project	MENA	Middle East and Northern Africa Region
CoP	Community of Practice	MIGA	Multilateral Investment Guarantee Agency
DFID	Department for International Development	MINT	Ministry of Industry and New Technology (government of Kazakhstan)
DMO	Destination Management Organizations	MRD	Ministry of Rural Development
DPL	Development Policy Loan	NL-TA	Non-Lending Technical Assistance
EDF	EU European Development Fund	NSSEZ	Nghi Son Special Economic Zone
EIDZC	Ethiopian Industrial Development Zone Corporation	OECD	Organisation for Economic Co-operation and Development
EIP	Eastern Industrial Zone	PAMCI	Program of the Ministry of Commerce and Industry (Haiti)
ESIF	European Union Structural and Investment Funds	PEMANDU	Performance Management & Delivery Unit
ESW	Economic and Sector Work	PPD	Public-Private Dialogue
EU	European Union	PPP	Public Private Partnerships
FCS	Fragile and Conflict States	QER	Quality Enhancement Review
FDI	Foreign Direct Investment	R&D	Research and Development
FIAS	Facility for Investment Climate Advisory Services	RAS	Reimbursable Advisory Services
FITD	Fund for Innovations and Technological Development	RICP	Vietnam Industry Competitiveness Project
FY	Fiscal Year	RTDI	Research, Technological Development and Innovation
FYROM	Former Yugoslav Republic of Macedonia	S3	Smart Specialization Strategy
GCI	Global Competitiveness Index	SAE	Entrepreneurship Support Services
GEDA	Georgia Enterprise Development Agency	SDTF	Single-Donor Trust Fund
GITA	Georgia's Innovation and Technology Agency	SECO	State Secretariat for Economic Affairs
GIZ	Gesellschaft für Internationale Zusammenarbeit	SEZ	Special Economic Zones
GoK	government of Kazakhstan	SIDS	Small Island Developing States
GRM	Grant Reporting and Monitoring	SME	Small and Medium-sized Enterprises
GVC	Global Value Chain	TA	Technical Assistance
IADB	Inter-American Development Bank	TE	External Training
ICI2014	Invest in Côte d'Ivoire 2014	TH	Thanh Hoa
ICT	Information and Communication Technology	TIDZ	Technological Industrial Development Zone Program
IDA	International Development Association	TVET	Technical Vocational Education and Training
IEZs	Integrated Economic Zones	UGTT	Tunisian General Labour Union
IFC	International Finance Corporation	USAID	US Agency for International Development
IO	Internal Order	UTICA	Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat
		WBG	World Bank Group

Message from the Senior Director

It is my pleasure as head of the World Bank Group's new Trade and Competitiveness (T&C) Global Practice to present to you the first Annual Report of the Competitive Industries and Innovation Program (CIIP), a multi-donor partnership among the World Bank Group, the European Union, the African Caribbean and Pacific Group of States Secretariat, and the governments of Austria and Switzerland, that is housed within the T&C Global Practice.

Since its inception in late 2012, CIIP has experienced strong demand for its policy support and knowledge services. In CIIP's first year of operation, the program began implementing 12 high-potential country operations alongside an ambitious global knowledge agenda. The client work and knowledge-building activities are already helping shape an emerging growth paradigm that can deliver integrated solutions, tailored to the particular needs of each client country, as they strive to meet the challenge of maximizing growth and job creation. CIIP helps innovate far from the usual traps of industrial policy and brings the best expertise to countries and development policy practitioners.

It is difficult to report on the results of a newly launched program with medium to long term ambitions, such as CIIP. However, through end of FY14, CIIP country operations leveraged \$5 billion in public finance, and supported the creation of over 5000 new jobs. CIIP-funded initiatives supported new national legislation and regulatory reforms to promote competitiveness in Ethiopia, Georgia, and Macedonia. Through its institutional capacity building and infrastructure development, CIIP supported policy reforms that enhanced the governance of a technological industrial development zone in Macedonia, and the establishment of innovation and enterprise development agencies in Georgia, among others.

CIIP plays an instrumental role in the Trade and Competitiveness Global Practice by providing needed integrative solutions in response to requests from client governments for support in design and implementation of industry-focused competitiveness strategies and policy reform initiatives in key sectors such as agribusiness, tourism, extractive industries, and light manufacturing. These targeted solutions leverage financial input, promote institutional know-how and build development knowledge in ways that can create an enabling environment for stronger industry growth. As industries become more innovative and more competitive, they tend to attract more private investment, thus strengthening productivity gains, generating jobs and creating "spillover effects" that reinforce their growth trajectory. CIIP greatly benefited from the advice and support of its donors and partners, in particular in the process of conceptualizing CIIP's strategy and business plan, but also in active collaboration and engagement on the ground in project implementation. We greatly value that partnership with donors as well as collaboration with teams across the World Bank Group, with client countries, and with other global stakeholders.

Looking ahead, the CIIP team is about to select a new set of country operations and knowledge initiatives, which will enable it to expand geographic reach and thematic focus as per the CIIP strategy. As the CIIP brand and quality reputation develops, requests for support far exceed the amount of resources that it currently enjoys. I see 2015 as a critical year to expand CIIP to build on its earlier success in beneficiary countries.

We are proud of what this young partnership has already achieved, and we are looking forward to continuing to work together on the ongoing projects and initiatives and on the future engagements to help countries spur economic growth and propel job creation.



Anabel Gonzalez

Anabel Gonzalez
Senior Director
Trade and Competitiveness Global Practice
World Bank Group

Results at a glance

During the fiscal year 2014, CIIP-funded activities have supported the design and implementation of industry-focused competitiveness strategies and policy reform initiatives in 12 carefully selected project countries. Through its knowledge, learning and publishing activities – including a high-profile conference at the World Bank in October 2013, which assembled some of the world's leading scholars on economic policy– CIIP's ideas have influenced the thinking of thousands of policymakers, private-sector executives and academic scholars.

COUNTRY OPERATIONS

5

billion USD in public finance leveraged globally for competitive industry approaches including \$722 million in active projects.

27

sectoral, local or national PPD mechanisms set up.

22

in-depth sector level analyses completed.

16

strategies or reform programs informed and 5 laws or regulations supported, e.g. Ethiopia – Investment Law Amendment and Tanzania – Local Content Policy.

4

client agencies informed and institutional capacity built, e.g. Macedonia – Technological Industrial Development Zone and Georgia – Innovation and Enterprise Development Agencies.

KNOWLEDGE

The CIIP has produced six Competitive Industry Notes and a dozen blogs, along with a number of knowledge projects that inform client operations.

A global conference featuring Nobel Prize Laureate Joseph Stiglitz

Competitive Cities Project creating a knowledge base on interventions which can enhance city competitiveness

Innovation Policy Platform connecting policy makers to global experts for practical advice

Global value chains using value chain analysis techniques to help clients move into higher value-added activities that extract more from global markets

CLIENT SUPPORT

The CIIP has assisted both country clients and private sector beneficiaries.

Client training

Empowering stakeholders to advance institutional reforms & improve private-sector capacity.

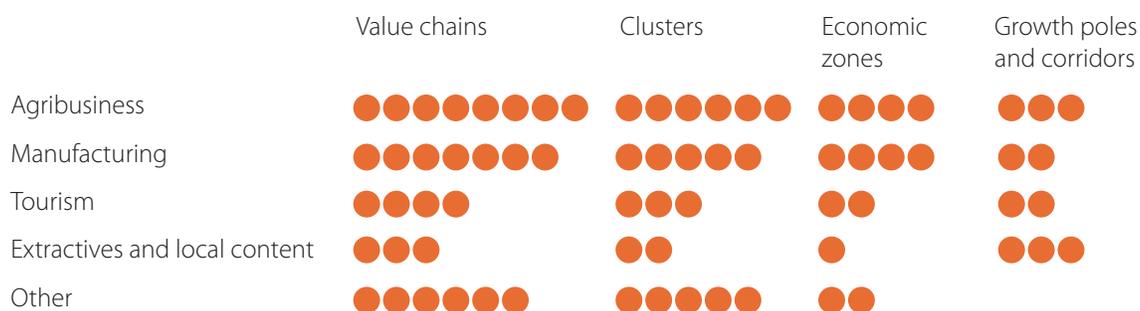
Technical assistance and analytical inputs

Using expert analytical inputs to bridge spatial, industrial and governance solutions



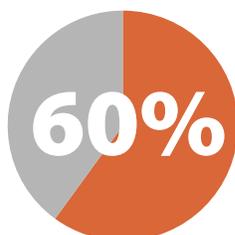
CIIP project solutions by sectors

● Project

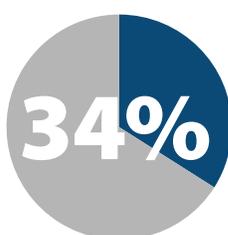


FY12-13 COMMITMENTS AND DISBURSEMENTS

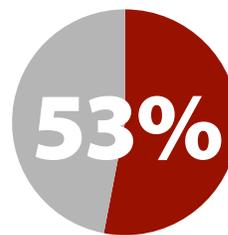
As a share of country window commitments, the CIIP has experienced rapid growth in priority countries, including:



to IDA countries
\$7.142 million



to Fragile and Conflict States
\$4.076 million



to ACP States
\$6.117 million



Enhancing connectivity to global markets in Côte d'Ivoire
(see pages 24 and 44)

Program context

This document is the first Annual Report of the Competitive Industries and Innovation Program (CIIP), a multi-donor partnership among the World Bank Group (WBG); the European Union (EU); the African, Caribbean and Pacific Group of States Secretariat (ACP); and the governments of Austria and Switzerland. This report outlines the progress that CIIP has made in implementing the main objectives set out in the *CIIP Strategy and Interim Business Plan*, and it summarizes the partnership's key milestones and achievements through June 30, 2014 – including its approach to delivering integrated solutions to catalyze economic growth; its focus on synthesizing and asserting the best global knowledge about job creation and policy reforms; its emphasis on maximizing the leverage of public-sector and private-sector investments; its management of the trust funds' resources; its program implementation; and its operational results.

As the Trustee and Administrator for CIIP, the WBG is responsible for program development, implementation, and monitoring and evaluation. The WBG also hosts the Secretariat that oversees CIIP. The partnership's resources are focused on supporting governments' efforts to develop transformational economic development projects and to aggregate cutting-edge knowledge that can be implemented as part of targeted pro-growth initiatives.

CIIP aims to enhance economic growth, propel the creation of jobs, and maximize client countries' capacity to design and implement pro-growth investments by helping shape public policies and by helping design investment programs that promote competitiveness and innovation within and across industries. In its first year of operations, CIIP-funded investment and knowledge initiatives have begun to fulfill the ambitions of its founding partners, helping client governments develop and implement coordinated programs that include rigorous analysis, significant policy reforms and innovative investment strategies. Since its inception in late 2012, CIIP has experienced strong demand for its policy support and knowledge services.

Launched through multi-donor and single-donor trust funds over the period from November 2012 to July 2013, CIIP within its first year began implementing 12 high-potential country operations and an ambitious global knowledge agenda (for details see Annex 1 of the *Strategy and Interim Business Plan*), seeking to analyze and actively build upon the world's most reliable scholarship about the factors that drive economic competitiveness, inspire innovative industries, and propel inclusive growth.

By the time of its first Steering Committee meeting in September 2013, CIIP had designed an implementation framework – the engine that helps it achieve its operational strategy. At the second Steering Committee meeting in February 2014, the partnership endorsed its interim Business Plan for FY 2014, agreeing on CIIP's delivery model, its program commitments, and its early deliverables. Those priorities have guided CIIP's efforts throughout Fiscal Year 2014.

Through its combination of hands-on project work with client countries and pioneering knowledge-building on economic development policy, CIIP has sought to create an identity as a leader in conceiving and implementing development strategies. With this first Annual Report as a summary of its progress so far, CIIP continues to pursue approaches that deliver value to its client countries and development partners in their quest for stronger job creation and shared prosperity.

CHAPTER 1

CIIP Achievements through FY 2014

Providing targeted strategies and hands-on implementation support to potentially high-achieving development initiatives, CIIP has completed its first year of delivering direct operational assistance and advisory services to its low-income and middle-income client countries. Beyond its direct work with clients, CIIP has also sought to expand the global knowledge frontier on the “how to” of development, designing and implementing competitiveness-building strategies – pursuing the market-attuned, strategy-driven Competitive Industries approach. CIIP’s client work and knowledge-building activities are helping shape an emerging growth paradigm that can deliver integrated solutions, tailored to the particular needs of each client country, that help meet the challenge of maximizing growth and job creation.



Women working in George Shoes in the Bole Lemi Industrial Zone in Ethiopia
(see pages 25 and 48)

Box 1.1 A Pragmatic Approach to Competitive Industries

The Competitive Industries approach harnesses the ability of firms and industries to attract new investments and to increase their market share in goods and services through improved productivity. Modern competitiveness strategies, having analyzed the shortcomings of past attempts to implement pro-growth plans, have gained traction by focusing on the industry level of the economy. They prioritize economic reform policies; channel public investments; catalyze private investments; and foster innovation systems with the goal of expanding targeted industries and thus spurring job creation.

CIIP's approach emphasizes that the bundling and delivery of support for basic elements of Private Sector Development, within an industry context, can help accelerate growth and can help intensify development impact – especially when such interventions are centered on spatial solutions (including Special Economic Zones, innovation clusters, growth poles, Competitive Cities and even geographically dispersed value chains). These integrative solutions leverage financial input, promote institutional know-how and build development knowledge in ways that can create an enabling environment for stronger industry growth. As industries become more innovative and more competitive, they tend to attract increasing amounts of private investment, thus strengthening productivity gains, generating jobs and creating “spillover effects” that reinforce their growth trajectory.

By helping propel a virtuous cycle of growth, CIIP operations support the twin goals of the WBG: contributing to the elimination of extreme poverty and promoting shared prosperity. CIIP provides vitally needed support in response to requests from client governments, allowing for the incorporation of a wide array of operational instruments across its activities. In this respect, CIIP finances the following types of inputs:

- **Analysis.** CIIP provides the resources to conduct analyses that identify market failures and constraints that limit firms' growth within and across industries. Throughout its portfolio, CIIP funds have been used to ensure that expert and diverse technical inputs are informing market analytics, institutional capacity assessments, and policy and regulatory reviews that have the ability to influence the policy dialogue and design of government programs.
- **Technical Assistance:** CIIP provides structured Technical Assistance (TA) programs for a variety of country clients' ministries and beneficiary enterprises. The most successful TA engagements have been providing inputs into the design and implementation of comprehensive reform programs. Such TA also contributes to the establishment of new institutional frameworks and regulatory regimes that help drive global integration, enable investment, enhance technology transfer and release financing constraints. Technical assistance is also commonly taking the form of client/beneficiary training, which is aimed at empowering external stakeholders to advance institutional reforms and improve private-sector capacity by facilitating knowledge transfer from world-class experts.

- **Public-Private Dialogue Mechanisms:** CIIP provides the catalytic resources that enable collaborative governance arrangements with public and private stakeholders, helping them engage in effective, transparent and consultative decision-making at the country and sub-national levels. Each CIIP engagement necessarily involves collaborative governance with key decision-makers, private-sector representatives, labor representatives, investors and citizen groups in the design of large-scale reform programs and project preparation.
- **Support for Public Finance and Firm Innovation Financing.** As the necessary analytics and consultations have taken place, CIIP also finances the project-design phases to ensure that government expenditures are informed by global “best practice.” As clients move toward implementing their programs, CIIP further provides support to ensure that the implementing authorities are properly incentivized, that the work is meticulously monitored, and that outputs are measured. Ensuring that projects are properly financed throughout their preparation and implementation greatly enhances the chance of success, particularly for investment opportunities that have higher-than-average risk ratios.
- **Evaluation and Feedback.** To gain an understanding of the causal link between the change in outcomes and specific policy actions, CIIP is helping clients and the broader development community by measuring cause-and-effect relationships. Financing such work helps CIIP understand the economic pathways that lead from integrated solutions to job creation by supporting systematic feedback loops and real-time learning.
- **Global Knowledge Platforms:** CIIP has established a number of global knowledge platforms that engage the development community, policymakers and practitioners in an open exchange of knowledge. Specific activities include supporting the design and maintenance of web-based tools for the creation of specialized databases; conducting targeted research; developing best-practice materials and analytical tools; conducting knowledge-exchange activities; and convening training sessions, workshops, seminars, conferences and web-based dialogues.

CIIP provides funding for these instruments at various stages of engagement with clients including, project identification, preparation and implementation. Such instruments are integrated through a number of government-owned development operations, including through public finance and governance arrangements. Public financing instruments not only serve as a necessary catalyst for enabling the private sector, but also serve as a vehicle for sustained, global knowledge transfer and technical assistance. Countries that are not yet ready to implement public programs are supported with CIIP's Knowledge and Advisory Services to ensure that their institutions are ready for governance of such competitiveness programs.

During the fiscal year 2014, the program’s first full year of operation, CIIP-funded activities have supported the design and implementation of industry-focused competitiveness strategies and policy reform initiatives in 12 carefully selected projects in 12 countries. Through its knowledge, learning and publishing activities – including a high-profile conference at the World Bank in October 2013, which assembled some of the world’s leading scholars on economic policy – CIIP’s ideas have sought to influence the thinking of thousands of policymakers, private-sector executives and academic scholars. In FY 14, CIIP has focused on five related activities:

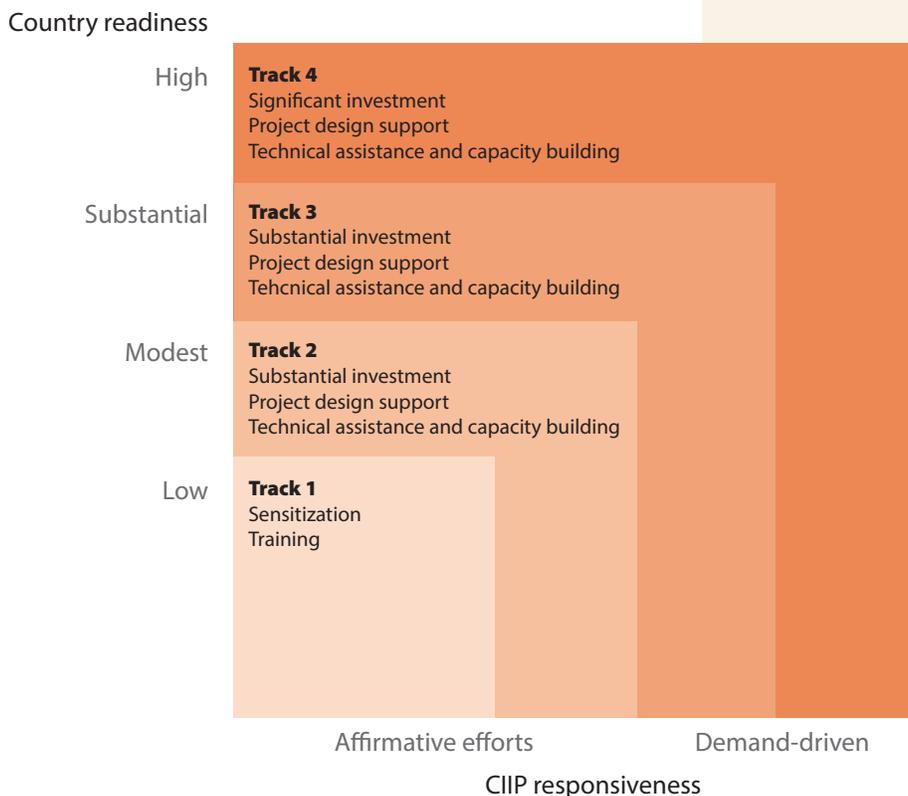
- **CIIP Has Conducted Project Selection and Made Project Commitments** — CIIP’s initial call for proposals drew applications for 44 potential projects. Through a rigorous selection process, CIIP chose 12 projects to receive strategic support, crafting a multi-track approach to country engagement.
- **CIIP Has Worked to Establish Thematic Reach** — CIIP has assembled a portfolio of activities with extensive thematic reach by product and sector. CIIP’s over-arching goal has been to help its clients accomplish tangible results in growth and job creation by strengthening their economic competitiveness, and to expand the global knowledge frontier on the “how to” of effectively designing and implementing competitiveness strategies.

Box 1.2 Deepening Internal Partnerships

Multi-sectoral interventions that bundle and sequence a variety of instruments are at the core of the CIIP approach. As such, working partnerships with other World Bank Global Practices (GPs) and Cross-Cutting Solution Areas (CCSAs) are essential to achieving CIIP’s operational and knowledge goals. In its strategy, CIIP has committed to working in a number of joint areas, including agribusiness (with the Agriculture GP), tourism and competitive cities (with the Social, Urban, Rural and Resilience GP), trade facilitation and logistics, as well as resource corridors (with the Transport and ICT & Extractives GPs), SME Finance (with the Finance and Markets GP), and skills and productivity (with the Education and Social Protection GPs). CIIP’s operational and knowledge agenda also cross-pollinates to a significant extent with the work of a number of Cross-Cutting Solutions Areas, such as climate change, public-private partnerships (PPPs), fragility, conflict and violence, gender, and particularly jobs. The Jobs CCSA provides a global platform to address the jobs challenge based on data, results and evidence, and its goal is to develop methodologies and advance global knowledge on the most effective policies and actions for sustainable job creation. Given CIIP’s mandate, all synergies with the Jobs CCSA will be maximized on an ongoing basis (e.g. a member of the core team of the Jobs CCSA has just joined the CIIP Tanzania growth poles team).

In addition, as an integral part of the Trade and Competitiveness Global Practice (T&C), CIIP is uniquely positioned to utilize T&C’s strong partnership with the IFC. This relationship allows CIIP to bring together the traditional public policy focus of the World Bank with the private sector investment focus of the IFC, and to strengthen efforts to help client countries coordinate interventions across economy-wide, sectoral, and firm-level engagements. CIIP will deepen this partnership by leveraging IFC’s knowledge of industry and country constraints, and engaging IFC investees in its dialogue with representatives of local private sectors.

Figure 1.1 Multitrack resources allocation



- CIIP Has Sought to Develop a Distinctive Approach to Market-Sensitive, Policy-Supported Growth Strategies — With guidance from leading policy analysts and academic scholars, CIIP has developed an approach that promotes Public-Private Dialogue (PPD) to maximize the pro-growth combination of private-sector-led investment, public-sector consensus-building efforts, targeted policy reforms and industry-focused interventions. The Competitive Industries approach seeks to overcome the limitations of earlier techniques that often disappointed policymakers’ and industry leaders’ pro-growth ambitions. Aiming to turn expert knowledge into action on the ground, CIIP has leveraged the expertise of its network of development practitioners, the WBG’s staff, and the resources of its partner organizations to pioneer new approaches to crafting successful interventions at the industry level, thus pushing the knowledge frontier of the economic-policy discipline.
- CIIP Has Established Its Identity and Raised Its Global Profile — CIIP has worked with its international development partners to establish a global identity as a leading resource for expertise on economic development through industry-focused strategies. It has created and nurtured a growing network of policy analysts, practitioners and scholars whose insights can inform the decisions of policymakers and private-sector executives across a wide range of industries.[1] CIIP’s staff and affiliates have sought opportunities to build a dialogue

with policy research institutions, and to publish articles and policy notes in selected media, to help raise CIIP’s profile as an emerging thought leader in economic-development strategy.

- CIIP Has Organized a Secretariat and Deployed a Team of Global Experts—The program has formed a Secretariat to manage CIIP operations and to oversee the cost-effective management of its twin trust funds, and it has deployed teams to support day-to-day operations with CIIP’s clients.

First-Year Commitment of CIIP Resources

CIIP’s “multitrack” approach to client countries (Figure 1.1) allows for a great degree of flexibility and customization of the engagement based on the countries’ varying degrees of readiness to apply competitiveness-building strategies (Figure 1.2). For example, one vital element of each country’s capacity to adopt and execute a successful competitiveness strategy is its ability to pursue sustained PPDs through institutionalized mechanisms that promote cooperation and coordination between the public and the private sector.

- CIIP engaged with Track 1 countries through a series of knowledge initiatives, notably in small and fragile states (Box 1.2) through “Targeted Sensitization.”

Figure 1.2 CIIP Countries by Track



- In FY14, three CIIP-financed operations (Haiti, Tanzania, and Vietnam) were categorized as Track 2. CIIP engages such countries through the approach of “Early CI Dialogue.” For instance, CIIP’s operation in Haiti has focused on reforming an outdated approach to Special Economic Zones. Haiti’s past approaches to zones have largely failed. While the government of Haiti has put private sector development at the center of its longer-term development strategy, weak public sector capacity, especially in the area of investment management and PPD place Haiti as a track 2 country.
- Half of CIIP operations are in Track 3 countries (Cote d’Ivoire, Ethiopia, Georgia, Kazakhstan, Sierra Leone, and Tunisia). CIIP works with Track 3 countries through the approach of “Capacity-Building and Sustained CI Dialogue.” Kazakhstan highlights an example of a track 3 country. CIIP team is helping strengthen the competitiveness of higher-added-value production and private-sector activities in non-extractive industries in and around priority areas (agglomerations, cities and towns) with a secondary focus on SME development in these industries.
- CIIP supports three operations in Track 4 countries: Croatia, the Former Yugoslav Republic of Macedonia (FYROM) and Russia. Designated as “Track 4,” some countries have a strong state of readiness, having made a deep leadership commitment to enacting competitiveness strategies. CIIP works with Track 4 countries through “Implementation Support for Industry-Level Efforts.” FYROM is an illustrative case of a Track 4 country. The government has developed a track record of executing a successful competitiveness program through a Development Policy Loan (DPL) series with the WBG. CIIP has significantly enhanced the design of the DPL series, which simultaneously deploys cross-cutting and sector-specific reforms to maximize the potential to improve growth and job creation.

Thematic Reach of CIIP

CIIP has assembled a portfolio of activities with extensive thematic reach by product and by sector (Figure 1.3). CIIP’s overarching goal has been to help its clients accomplish tangible results by strengthening their economic competitiveness, and to expand the global knowledge frontier on the “how to” of effectively designing and implementing competitiveness strategies.

The CIIP team strives to provide integrated solutions to country programs to meet client’s specified development outcomes. Figure 1.3 highlights CIIP inputs and solutions that are used to support client needs, with an illustrative example by sector.

CIIP has developed a range of potential project solutions to help improve competitiveness. Each of those solutions has been successfully used in country operations that are now under way:

- **Growth Poles**— concomitant, coordinated investments in many sectors to support self-sustaining industrialization in a country—often form naturally around population centers or the natural endowments of a particular geographic location. CIIP offers Growth Pole Diagnostic tools to help identify and establish country growth poles.
- **Clusters** have the potential to be powerful tools for innovation as the shared resources for industrial upgrading (often through public R&D or Export/Investment Promotion) can facilitate increased firm access to foreign markets,.
- **Special Economic Zones** are known to be high-risk/high-reward operations that require significant public management capacity. With CIIP’s support 5 projects are working to establish greenfield SEZs or to reinvigorate brownfield SEZs.

Box 1.3 Track 1 Country Engagement: Affirmative Efforts for Small States and Fragile States The Competitiveness Summer School and Training Program

Through its affirmative efforts in small and fragile states, CIIP has made in-roads in the Eastern Caribbean and the Pacific. A key pillar of CIIP’s knowledge and training activities is the roll-out of the annual Competitiveness Summer School training program, jointly administered in CIIP’s first year, with the Inter-American Development Bank. As it has evolved into a full-fledged CIIP program, the course syllabus has been progressively elaborated to focus squarely on the challenges facing developing countries. Its case-based methods are used to introduce the key concepts (industry strategic segmentation, industry analysis and value chain). Participants are in turn asked to apply

these concepts to real-world examples from CIIP project portfolio, for example, the agribusiness value chain in Haiti and pharmaceuticals in Tunisia. Available globally, the course has attracted participants from a broad range of lower and middle income countries including Brazil, Nigeria, Sierra Leone, and Trinidad and Tobago. CIIP is tailoring these training offerings for public and private sector officials in fragile states such as Haiti as well as for staff in partner agencies such as the EC and SECO. It is anticipated that e-learning platforms may also be deployed in the near future.

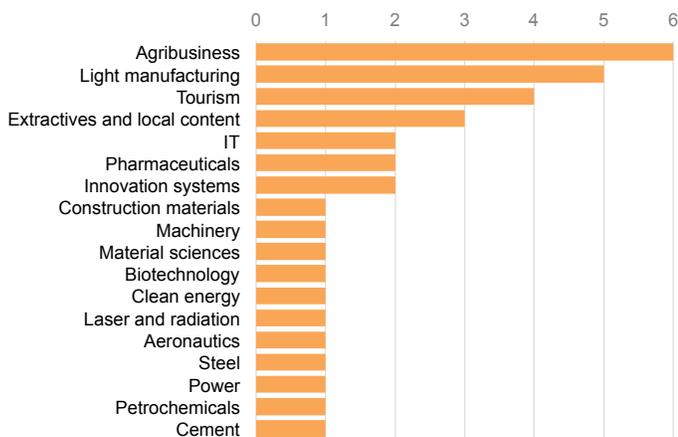
- Value Chains across geographically dispersed areas create logistical challenges for businesses, particularly when infrastructure is lacking. CIIP is working in seven of its projects on value-chain analysis and is supplying tools to help countries overcome logistical supply-side challenges.

These spatial solutions, while conceptually defined, are not mutually exclusive. Rather a combination of these solutions can be fitted and tailored within a given project to allow cohesive industry-level support through the specific institutions that govern the economic geography. Engaging these project solutions in FY14, nine out of the 12 CIIP project teams helped establish Public Private Dialogues (PPD) in client countries; 11 out of the 12 CIIP project teams helped facilitate regulatory changes and policy reforms to promote client countries' competitiveness.

As an integral part of its approach to competitiveness strategies, almost all country engagements are financing rigorous diagnostics to identify and select sectors. Methodical sector selection is essential to CIIP's approach, and project teams are utilizing a variety of frameworks and diagnostic approaches for sector prioritization. In the case of Georgia, CIIP implemented a three stage analytical approach to identify and prioritize sectors. The process involves an initial assessment of sectors across economic, social, environmental, and feasibility dimensions with emphasis on measurable criteria such as growth, equity, costs etc. This is followed by an in-depth sector analysis and specific time-oriented action plans and implementation and support. This structured analytical framework for sector selection is instrumental for the success of a competitive industries approach as it is nuanced with rich contextual intelligence related to political economy, macro and micro indicators of economic performance/ growth, and financial considerations highlighting an investment orientation. The process is re-iterative supported by analytics and project staff involvement.

Five specific industry sectors have dominated CIIP's Portfolio during the program's first year. Below is an assessment of sector level engagements:

Figure 1.3 CIIP Projects by Sector



Agribusiness. CIIP support to agribusiness is intended to optimize sector productivity, leveraging the agricultural endowment in the articulation of interventions that will make the most of each location's comparative advantages to facilitate a transition to higher-value-added activities. About half of the countries in the current CIIP portfolio feature support to the agribusiness sector. In Sierra Leone and Cote d'Ivoire, for example, the sector is integral to the development of growth poles. In terms of design and implementation, the various country-level engagements differ widely, depending on the sector context and development goals. In FYROM, CIIP's engagement has centered on improving agricultural land administration and on strengthening incentives for producers. In Georgia, the work has been at a strategy level with a secondary focus on capacity-building and innovation; an in-depth value-chain analysis will focus on agro-processing. In Kazakhstan, the approach is to conduct sector-level, in-depth analysis to explore the potential for cluster development, for improving the business environment, and for promoting consultations between public-sector officials and private-sector stakeholders. In Croatia, where the engagement's focus is on meat production, case studies are evaluating potential areas of specialization and comparative economic advantage.

Tourism. The tourism sector figures prominently in CIIP's current engagements, with five (Cote d'Ivoire, Sierra Leone, FYROM, Georgia and Tunisia) of the 12 portfolio engagements targeting different types of tourism to drive growth and job creation. The nature of each engagement varies from country to country, taking account of the sector's degree of development in each country and the available array of CIIP instruments. Preliminary analytical and diagnostic work, in support of sector identification and selection through the tourism sector, has been an especially important feature of CIIP projects in the tourism sector. This has resulted in specific sector-selection studies, the mapping of constraints and potential opportunities for economic gains, and initial spatial and related diagnostic work around growth poles with a tourism focus (such as the project in Sierra Leone). Sector selection, in projects related to tourism, and often in other sectors as well, is itself an intermediate outcome indicating the growing reliance and role of market analytics and pre-intervention assessments in growth and competitiveness projects.

In the area of capacity-building for design and implementation, CIIP has offered support through spatial analysis, infrastructure-related PPDs, the identification of growth poles, the facilitation of PPD and the training of hotel-industry professionals and tourism consultants. CIIP's engagement in FYROM's tourism sector is aimed at enhancing local and regional competitiveness through increased private-sector investments. CIIP's Tunisia engagement, meanwhile, has targeted competitiveness and employment generation through the expansion of "medical tourism."

Extractive Industries and Local Content. Three of the 12 current CIIP engagements are focused on the extractives sector. The initiative in Cote d’Ivoire focuses on establishing growth pole, while the Tanzania engagement, which is at a more mature stage, focuses on local-content analysis and building downstream linkages. The Tanzania initiative, building on natural-gas reserves in the Mtwra and Lindi regions, is also aimed at stimulating local economic and enterprise development along the resource corridor. In both Cote d’Ivoire and Sierra Leone, initial diagnostic work dealt with the identification of growth-pole and Special Economic Zone opportunities, with an eye toward attracting private-sector investment.

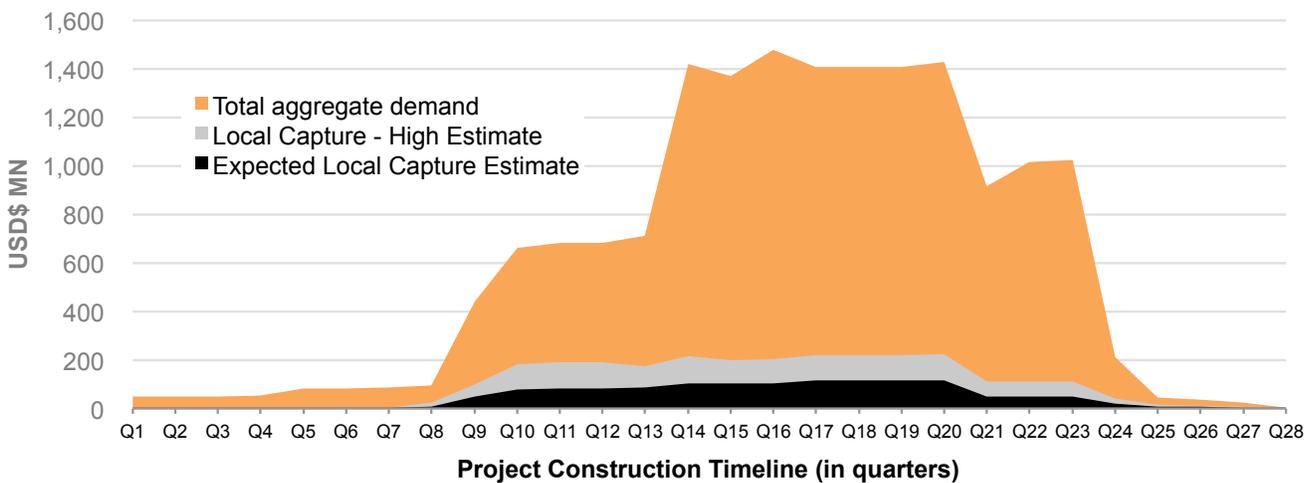
Early results in the extractives-sector engagements have included promoting a dialogue between the public and private sectors: In Cote d’Ivoire, consultation about local-content development have also paved the way for the development of an institutional strengthening roadmap designed to improve execution capabilities around the growth poles, by providing technical support to the zones development agency, key ministries involved in growth poles, and PPD mechanisms with a diverse group of stakeholders across various agencies.

Light manufacturing. About one-third of CIIP’s current portfolio targets the light-manufacturing sector. Sector selection in Cote d’Ivoire’s Abidjan-to-Ouagadougou regional corridor (the Bouake pole) seeks to build on the area’s experi-

ence in textile manufacturing by emphasizing the potential revival of light-manufacturing industries. In Tunisia, analytical work has identified the potential of manufacturing garments and textiles; there is the potential for PPD on such issues as productivity growth, wages and job creation. In FYROM, the emphasis is on strengthening the Technological Industrial Development Zone (TIDZ) Program and PPP arrangements in the manufacturing sector. In Georgia, an analysis of the manufacturing value chain is currently being conducted.

Innovation systems. Promoting innovation systems is a focus in three of CIIP’s 12 current country engagements. In the FYROM engagement, for example, the project’s focus has been to develop financial instruments in support of entrepreneurship, commercialization and business innovation: The stage is now set for technical assistance and capacity-building to boost innovation. Moreover, such PPD mechanisms as the Fund for Innovation and Technological Development have promoted continuing collaboration among Macedonian officials and industry leaders. The Georgia engagement is now finalizing the “Georgia 2020 Innovation Strategy.” CIIP is supporting innovation in the country by promoting a PPD, and by convening innovation forums. These efforts are informing the design of the innovation agency and the enactment of the first-ever budget allocation for innovation and technology absorption.

Figure 1.4 Tanzania LNG Plant: Total Project Cost vs. Likely Market Capture



Source: DAI Database

Figure 1.6: Based on estimated market demand and measurements of competitiveness of local firms, likely local capture could range around 8-16% of total project cost. The graph depicts the total estimated cost of the LNG project over 7 years with bulk spending occurring between Q8 and Q24.

Cross-cutting themes

Four cross-cutting themes have emerged across the current engagements in CIIP's portfolio:

- Collaborative Governance
- Public Sector Management for Private Sector Development
- Innovative Funding Mechanisms
- Clusters and Sub-National Institutions

Collaborative Governance. CIIP projects aim to promote collaborative governance and operational learning through active knowledge-sharing among project teams, partners and country stakeholders. Embedded in most CIIP operations are PPD mechanisms and harmonized donor processes, all of which promote a spirit of partnership and an atmosphere of open dialogue. PPD has been one of the key platforms and vehicles driving CIIP process of change. Nine of the current 12 CIIP-funded projects have PPD mechanisms, which have helped create pathways for immediate information-sharing and long-term learning across CIIP's portfolio. In addition, these mechanisms have served as platforms helping government prioritize sectors for policy intervention and growth in at least five of the 12 projects. Almost every CIIP project team has worked with client countries' governments to craft customized PPD mechanisms that respond to the local political-economy context. In Tanzania, for example, the PPD is focused on developing local-content policy, while in Haiti PPD has focused on institutional strengthening and sector prioritization.

PPD mechanisms supported by CIIP project teams are custom-designed to each country context. Across these engagements, some commonalities have emerged, including: (1) Working across multiple public-sector institutions, as well as private-sector organizations, to achieve inclusive and collaborative design processes; (2) Bringing together public-sector and private-sector actors to propel SME growth; and (3) PPDs on sector prioritization.

1. CIIP projects have worked across institutions and bridge multiple public-sector agencies, as well as private-sector actors, to achieve inclusive and collaborative design processes. This, in turn, has numerous benefits. Coordination across different actors increases efficiency and improves capacity to plan and govern. Input from the private sector means better and more relevant design. Coordination can also increase transparency and accountability in the process of selection to avoid capture by one group.
2. Some projects have brought both the private and public sectors in interventions designed to propel SME growth. In Sierra Leone, anchor investors are poised to make financial contributions to SME-support programs (TVET, Suppliers, etc.), and early steps have been taken to secure these investments, notably through technical assistance. A PPD on SME development has

Box 1.4 Collaborative Governance and PPDs

Collaborative governance is defined as the ability of the government to “leverage private expertise, energy, and money by strategically sharing control — over the precise goals to be pursued and the means for pursuing them — between government and private players” (Donahue and Zeckhauser 2012, 4).

PPDs are the primary vehicle fueling collaborative governance in CIIP operations. Nine of the current 12 CIIP-funded projects have PPD mechanisms, which have helped create pathways for immediate information-sharing and long-term learning across CIIP's portfolio.

For example, in Tunisia PPDs are organized on two levels: (1) a high-level task force comprised of ministry staff, the private sector and some development partners, which is responsible for cluster selection and major decision making, which meets weekly; and (2) a sectoral-level PPD addressing sector-specific work that will soon have sub-PPDs for each of the ten sectors with completed analytics. The main stakeholders of the PPD are the public sector led by the Ministry of Economy, the signatories of the National Pact (government, the trade union and the major private sector association UGTT, and UTICA), the private sector, in addition to a specially created Independent Council of National Expertise. The PPD process is allowing participants to voice priorities and challenges within the specific industries and regions where there may be particular measures that can increase productivity, wage growth, or jobs. In addition, the involvement of permanent civil society organizations such as UGTT and UTICA is a critical element of the reform process as they have served as deal brokers between the various parties of the political dialogue since the revolution. The use of a committee of local experts in the PPD has provided a dilution of political preferences in the process and reform and allowed the CIIP team to focus on growth and job creation.

Source: Source: Donahue, John D. & Richard J. Zeckhauser. 2012. Collaborative Governance: Private Roles for Public Goals in Turbulent Times. Princeton, NJ: Princeton University Press.

been successfully established and, in May 2014, the team launched an SMEs survey to support economic diversification efforts. In Vietnam, CIIP's team has helped promote PPD between the government and SMEs to improve SMEs' access to finance. A planned Business Development Facility will support SME development and increase participation of local SMEs in regional value chains and clusters.

3. CIIP has worked with country governments to prioritize and sequence sectors to fit into each country's platform for industrial policy. In some instances (such as Croatia,

Box 1.5 Public Sector Management for Private Sector Development: Macedonia and Cote d'Ivoire Highlights

Macedonia. In Macedonia PPD mechanisms have included regular participation by senior advisors and Ministers of agriculture and finance; the heads of departments in ministries and the office of the Deputy Prime Minister for Economic Affairs; the heads and management boards of agencies (e.g., the Directorate for Technological Industrial Development Zones, the Agency for Foreign Investment and Export Promotion, the Food and Veterinary Agency, the State Sanitary and Health Inspectorate, the Agency for Promotion and Support of Tourism, and the Fund for Innovation and Technological Development); and university faculty members, foreign investors and business chambers in the country. All partners have become carriers for the message of reform, which benefits the growth and competitiveness of Macedonia's economy as a whole. Roundtable discussions have brought public- and private-sector representatives together to discuss the challenges and opportunities for investment and job creation in the automotive and agribusiness sectors.

Cote d'Ivoire. A key feature of Côte d'Ivoire's growth-poles effort has been the involvement of multiple institutions across the public sector (the Presidency; the Prime Minister's Office; the Ministries of Planning, Industry and Mines, and Tourism; and the agencies overseeing SEZ development and investment promotion) as well as the private sector. Inclusive and collaborative design processes around two SEZ initiatives (in Bouake and San Pedro) are part of the process that is building Côte d'Ivoire's capacity to plan, execute and govern growth poles. These efforts bode well for such sectors as agribusiness, where the lack of coordination among public- and private-sector actors has, in the past, been the source of failure.

Haiti and Tunisia), CIIP has helped develop strategies that will focus on sector prioritization. In Tunisia, for example, the government is currently developing a "Vision and Sector" development strategy, for which sector analytics conducted by CIIP have provided the foundation, while in Croatia, CIIP informed the country's Smart Specialization Strategy which is predicated on competitive advantage and innovation.

In other cases, CIIP has helped identify sectors with comparative advantages that then support other interventions (in such engagements as Russia and Cote d'Ivoire) or support sectors through direct analytical work. In Russia, four clusters were selected by region, based on areas that had sectoral comparative advantages. The CIIP team in Georgia has also been working on financing innovation and technology absorption in key sectors (such as ICT and high-value-added

manufacturing) and has been establishing financial and non-financial instruments to support entrepreneurship in those sectors, including leveraging government financing.

Public Sector Management for Private Sector Development. Two themes have emerged through CIIP's efforts: (1) CIIP's efforts have contributed to advancing new strategies for policy-focused interventions at the industrial level and engagement through private sector development, and (2) CIIP has helped create new national institutions support private sector development.

In terms of new strategies: CIIP has helped promote new strategies in such countries as Croatia, where the engagement has helped improve the government's capacity for absorbing EU structural funds by proposing a simplified typology relating availability of information on the economic specialization.

CIIP's initiative in Kazakhstan also proposes an innovative approach to competitive industries, which examines transactions and dynamics between firms and produces actionable plans and implementation mechanisms building the government's capacity for a more market-oriented approach.

In terms of new structures: CIIP has also helped create new structures and institutions through which private sector development can be steadily pursued. In Georgia, for example, CIIP has contributed to the creation of two agencies, GEDA (entrepreneurship and export development) and GITA (innovation), and in the drafting of their structure, strategies, mandate and implementation arrangements. Allocations were made in the state budget of Georgia for both of those agencies. Knowledge-building events and technical-consultation meetings were also held with participation of experts from Chile, Poland, Croatia and Israel to help transfer knowledge to GITA and GEDA on such matters as types of products, distinct features, organization of selection process and the creation of an independent Selection Committee.

In FYROM, CIIP's engagement has helped develop new models for the TIDZ (a special economic zone) including PPP arrangements that can attract private management and investment, and the transfer of the management of industrial zones to municipal governments. CIIP's engagement is also supporting measures to strengthen the accountability framework for state aid, to ensure a predictable environment for investors and more effective monitoring of associated fiscal costs.

In Cote d'Ivoire, CIIP-financed efforts are helping the government develop an institutional strengthening roadmap designed to improve execution capabilities around the growth poles, including a number of organizational development activities, for instance, of the zones development agency, and key ministries involved in growth poles. Knowledge-sharing around sectoral and spatial solutions, as well as lessons learned from other countries with pilot agencies or delivery units, is an important feature of CIIP-financed institutional-development activities

In Ethiopia, the CIIP project is informing a law on Special Economic Zones, which provides support and regula-

tion for all zones across the country. In addition, with CIIP support, the government established the Ethiopian Industrial Development Zone Corporation (EIDZC) and a regulatory body within the Ministry of Industry to oversee zone development and operations with performance and selection criteria for zone developers, managers, service providers, and investors.

Innovative Funding Mechanisms. CIIP is engaged in a series of innovative funding mechanisms to spur innovation and competitiveness across its portfolio. For instance, In Haiti, CIIP is promoting innovative cluster funding mechanisms. The proposed Competitiveness Facility will provide an incentive for the local PPD efforts and eventually, for cluster development. Specifically, it will provide access to finance for enabling infrastructure and capacity building to local clusters with a view to leveraging private investment and promoting firm level competitiveness.

The Ethiopia country engagement is also promoting innovative fiscal design. Over the course of project preparation, the government developed and adopted an innovative, rules-based approach for developing industrial infrastructure in a sustainable manner. A federally managed "IZ financing window" offers access to hard IDA financing for those industrial zones that meet such eligibility criteria as implementation of IZ policies and procedures, completion of feasibility studies, and compliance with safeguards. The IZ window has the potential to serve as a policy lever to ensure the efficiency and effectiveness of public and private invest-

ments in Ethiopia's greenfield (and possibly, in the future brownfield) zones.

Clusters and subnational institutions. CIIP's engagements are developing a greater awareness of the development potential of sector-specific clusters, helping debunk misperceptions and dogmas about market-oriented growth. In its engagement in Russia, for example, CIIP has made a significant contribution to the policy dialogue of select Russian regions where the project had engagements. The project has helped position the development of dynamic and sustainable clusters as a key pillar of regional economic-development strategies, and it has provided tangible advice on how to strengthen cluster development. Similarly, in Haiti, CIIP has been working with subnational institutions on cluster development. The team has identified industries in agriculture and light manufacturing where there are regional comparative advantages.

Within the CIIP portfolio, nine projects are working with clusters and a third of them are using government institutions to develop innovation systems in support of those clusters (Figure 1.4). The institutions which govern cluster development are particularly suited to managing innovation systems in support of industry level efforts. For example, in Croatia CIIP is making use of industry-specific analytics to inform the country's Smart Specialization Strategy, which will in turn see the improvement of production processes in at least three agribusiness clusters.

CHAPTER 2

CIIP Project Results: Operational Highlights

In FY14 CIIP support to country operations focused on developing a process of change around competitive industries. This process is a complex one which has involved creating awareness and understanding about the benefits of competitive industries and potential gains of undertaking a variety of competitiveness strategies. As highlighted throughout this chapter CIIP's portfolio has a broad global reach with multiple methods and tools for promoting competitiveness. Several early indicators highlight the success of CIIP in creating awareness of competitive industries across its portfolio—from the adoption of new private sector development strategies and sector prioritization activities in country operations to the learning and research activities generating new knowledge around competitive industries. Through its operational activities, CIIP has not only generated new support for competitive industries, it has generated substantial leverage. The operational and analytical work of CIIP is setting a precedent for the trust fund's activities in the years to come, and it is creating a new and unparalleled global agenda on Competitive Industries and Innovation.

This chapter highlights the achievements of the 12 CIIP-financed projects, as well as of CIIP-financed knowledge and learning activities in FY14. It has been informed by the CIIP Secretariat's regular monitoring of active grants as well as the Bank's annual Grant Reporting and Monitoring (GRM) exercise. The chapter's first section highlights achievements of each project on the ground. The second section provides a review of knowledge products financed by CIIP. In addition, Annex 2 provides detailed reports on the country context, achievement of objectives, implementation progress and early results of each project through June 30, 2014. Additional information on the projects' financials is included in Chapter 3.



Harvesting Rubber in Côte d'Ivoire
(see pages 24 and 44)

CIIP-financed Operations: Project Summaries and FY14 Achievements

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

Leverage FY15 IDA Growth Pole operation (\$50 million)

Partner Coordination African Development Bank, European Commission

Instruments

Sector analyses
Spatial analyses
PPD
Institutions
TA

Integrated Solutions

Value chains
Zones
Growth poles

Industries

Agribusiness
Manufacturing
Extractives
Tourism

Emerging from a decade of economic and sociopolitical crisis, Cote d'Ivoire has endorsed an ambitious program of accelerated and sustained private-sector-led growth, focused on a number of high-potential sectors (e.g. cashews, rubber, palm, textiles and manufacturing) through a "growth poles" approach that aims to exploit agglomeration economies and foster spatial development. Through a range of analytical and consultative activities, the CIIP grant has helped the government identify two growth poles in Bouake and San Pedro. The sectoral and spatial analyses conducted by CIIP have shaped the design of the growth poles approach and are leveraging tangible early investments. At the government's request, IDA is preparing an FY15 operation to design the two growth poles, to which other donors, such as the EU and ADB, are expected to contribute. Given the relevance of Special Economic Zones (SEZs) to growth poles in Cote d'Ivoire, CIIP has also provided technical assistance on setting up a zones agency and on implementing a step-by-step approach to zone development at the request of the government.

CIIP helped build investor confidence through a high-level Investor Forum held in Abidjan in January 2014 which, together with the strong support signaled by the Ministry of Industry, is expected to build a strong investor pipeline. One of the most significant early achievements of CIIP is the involvement of multiple institutions across the public and private sectors: The inclusive and collaborative design processes around the two growth poles are expected to significantly increase the country's capacity to plan, execute and govern enclave approaches. CIIP has also financed a series of institutional development activities, including the zones agency, ministries, and a PPD mechanism with diverse stakeholders. The grant has substantially leveraged ongoing and planned investments from across the World Bank Group in relevant engagements such as agriculture, transport and ICT, energy and extractive industries, and education.

CROATIA Smart Specialization Project

Leverage Absorption of EU structural funds (\$2.5 billion), Science and Technology Project II (\$31.6 mil)

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

Instruments

Trade outcome analysis
Competitiveness assessment
PPD
Strategy formulation
TA

Integrated solutions

Value chains
Clusters

Industries

Clean Energy
Agribusiness
Biotechnology
Material sciences

CIIP has supported Croatia's efforts to expand exports, enhance firm-level competitiveness and create sustainable jobs through the preparation of a Smart Specialization Strategy (S3), which aims to focus national and regional resources on areas of competitive advantage. The CIIP grant has substantially informed Croatia's S3 and will leverage approximately \$ 2.5 billion from the EU's Structural and Investment Funds, for which the S3 is an ex-ante condition for access. The CIIP analysis is also informing an existing World Bank loan of \$31.6 million ("Science and Technology Project II"), which aims to support Croatia in the absorption of EU funds in the research and innovation sector.

The CIIP engagement has significantly influenced the policy dialogue through a number of analytical and consensus-building activities with a broad range of public and private stakeholders. The CIIP team prepared a number of analytical reports on trade, productivity and innovation, examining the main constraints and opportunities for growth. Those reports contributed to an informed decision-making process with a number of major implications: (i) ex-post allocation of resources based on results and flexibility for policy and program experimentation; (ii) gradualism in the expansion of programs; and (iii) full integration of monitoring and evaluation mechanisms in design and implementation. The consensus-building and analytical work have also significantly enhanced the government's capacity to design and implement growth strategies, and they have shifted the policy dialogue in the country. The typology proposed by the CIIP analysis encourages the process of self-discovery and iterative learning through experimentation and adaptation. In addition, the national and regional workshops organized by the team mobilized and informed public debate and built consensus around the proposed strategy.

ETHIOPIA Competitiveness and Job Creation Project

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

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

Instruments

Feasibility studies
Regulatory framework
Institutions and PPD
Financing Window
Industrial infrastructure

Integrated solutions

Value chains
Zones

Industries

Agro-processing
Leather goods
Textiles/garments

The government of Ethiopia aims to attract investments in light manufacturing in order to boost exports, spur job creation and promote SME development. The government's strategy employs Special Economic Zones (SEZs) as the instrument of choice. That approach would be supported by a sound legal and institutional framework, a clear industry focus, an ecosystem approach, and a focus on social and economic spillovers. CIIP has the opportunity to support Ethiopia's structural transformation through accelerating the implementation of the \$270 million IDA Competitiveness and Job Creation Project. CIIP, jointly with DFID, USAID and the EU, has supported early implementation efforts, such as putting in place a legal framework for zones, creating the new Ethiopia Industrial Development Zone Corporation (EIDZC) and rolling out the IZ strategy. The grant has supported a detailed review of feasibility and design studies, related to zones, drafted policies and government manuals, and has informed the country's light-manufacturing strategy with policy notes on skills, access to finance and investment climate.

CIIP's efforts have had a direct impact on policy and institutional reforms. The proclamation on SEZs, as well as the newly established EIDZC, forms the overall governance framework for all zones in the country, and the IDA project provides technical support to the regulatory function governing all zones. In addition, CIIP and IDA have been instrumental in incorporating lessons learned from existing zones in Africa into IZ design which is likely to boost impact and sustainability and to enhance linkages to the broader economy. Those design elements include a skills-development center, a day-care facility, a Business-to-Business Linkages Fund, an initiative to strengthen linkages between the firms in the zones and the local private sector enterprises, and a program that provides matching grants to enhance local firms' capacity. CIIP also contributed to the government's innovative rules-based approach to developing industrial infrastructure through a federally managed IZ financing window with a set of eligibility criteria, which has the potential to serve as a policy lever to ensure the effectiveness and efficiency of public and private investments in zones.

FYR MACEDONIA Competitive Industries and Innovation Support Program

Leverage Two DPLs (\$100 million), a third one under preparation (\$68 million), Skills Development and Innovation Support Project (\$24 million), Western Balkans Regional Trade Logistics Project (IFC), Local and Regional Competitiveness in Tourism (EU, EUR 18 million)

Partner coordination US Agency for International Development, European Commission

Instruments

Institution building
Export promotion
Zone governance
SME support services
PPD

Integrated solutions

Value chains
Clusters
Zones

Industries

Agribusiness
Manufacturing
Tourism

In order to address unemployment and promote shared prosperity, Macedonia is pursuing a growth agenda aimed at transitioning the country to a higher growth economy based on advanced manufacturing capabilities and more competitive export-oriented enterprises. The CIIP grant has been supporting the government's agenda by leveraging reforms supported by two World Bank DPLs in the amount of \$100 million, with a third one under preparation. The CIIP engagement has contributed significantly to the process of change through attracting greenfield investments and scaling up export-promotion activities in high value-added manufacturing, and enhancing the governance of the Technological Industrial Development Zone (TIDZ) Program by including the private sector in the governance of the zones and improving the targeting of investment resources. The reforms supported by CIIP have also strengthened the government's capacity to manage state-owned agricultural land and allocate financial support to agricultural producers. CIIP also helped improve the efficiency of trade logistics services by facilitating transport of goods at border crossings and increasing the export readiness of the transport industry. CIIP provided critical assistance to the design and establishment of the Fund for Innovations and Technological Development and helped develop the pilot financing instruments in support of entrepreneurship, innovation commercialization and in-house business innovation. In tourism, CIIP helped identify the binding constraints and development opportunities for increased competitiveness of the sector.

The CIIP engagement has significantly strengthened the capacity of government institutions, and created sustainable PPD mechanism that have been the conduits of reform. The successful implementation of the policy reforms leveraged under the first two DPLs has contributed to the increase of net export of manufacturing firms located in the SEZs or located outside but receiving tax breaks under the law from EUR 87 billion in 2013 to EUR 190 billion in 2014, and employment from 5,000 workers in 2013 to 9,000 workers in 2014. The share of medium and high-tech exports in total exports has also increased from 40.7 percent to 45 percent over the period.

GEORGIA Competitiveness and Innovation Program

Leverage A series of three DPLs (amount TBD), Innovation Operation (\$40 million), State budget allocation for new agencies (\$24 million)

Partner coordination European Commission, US Agency for International Development, United Nations Development Program, European Bank for Reconstruction and Development, GlZ

Instruments

Trade diagnostic
Strategy formulation
Institution building
PPD
SME support

Integrated solutions

Clusters
Value Chains

Industries

Agro-processing
Manufacturing
Electronics
Pharmaceuticals
IT/ICT

The government of Georgia has requested World Bank support in pursuing its competitiveness agenda, and developing the institutional framework for innovation and export promotion, entrepreneurship and SME development and internationalization. With the support of CIIP, the policy and implementation focus in the country has been transformed. Following its initial sector and trade diagnostic, CIIP is substantively informing the innovation and competitiveness architecture of the country and establishing public-private dialogue mechanisms that will be instrumental to the successful sequencing of reforms and public investments. The CIIP engagement will leverage a series of three DPLs for 2015-2017 and a new investment lending operation for ICT and Innovation in 2015.

The CIIP team has provided extensive policy advice, knowledge transfer and capacity building support through capacity building seminars, Innovation Forums, detailed input to the creation and operationalization of two agencies, GITA (innovation) and GEDA (SME and export development), as well as contributions to the draft Economic Development Strategy and the Innovation Strategy. For the first time in the country's history, allocations were made in the State Budget for innovation and technology absorption for GITA (\$7 million) and for SME and export development for GEDA (\$17 million). CIIP has been working on financing innovation and technology absorption in key sectors and establishing financial and non-financial instruments to support entrepreneurship in those sectors. In addition, CIIP has been working to facilitate a PPD (through the Competitiveness Council and the ICT and Innovation Council) and to ensure that businesses (particularly domestic firms) are well represented in the decision making process. A number of task forces and working groups have also been established for consultations and policy formulation in selected areas. In early 2014 the Economic Reform Advisory Council was established as a permanent mechanism for public-private dialogue.

HAITI Strengthening Competitiveness Implementation Capacities

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

Partner coordination US Agency for International Development, Inter-American Development Bank, European Commission - PAMCI initiative

Instruments

Sector prioritization
Regional development
Competitiveness Fund
Local PPD
Competitiveness training

Integrated Solutions

Zones
Clusters
Growth Poles
Value Chains

Industries

Agribusiness
Manufacturing

The government of Haiti has put private sector development at the center of its post-disaster recovery and long term development strategy. Enclave initiatives have played a central role in the government's efforts to promote investment and decentralize growth outside of Port au Prince promoting regional development. CIIP has taken the opportunity to help the government thoroughly rethink its approach to the design and implementation of competitiveness strategies and move towards a more inclusive "governance approach" to industrial development that draws on country capacities and local institutions across the public and private sectors, and relies on implementation mechanisms that empower, test, and reward the domestic private sector and subnational authorities. CIIP's engagement has leveraged IDA's \$20 million Business Development and Investment Project that was restructured to reflect the government's evolving approach.

The CIIP grant has influenced the strategy of the Ministry of Commerce and Industry, which in recognition of the limitations of IEZs is implementing a cluster approach based on continual identification of new global opportunities and support for emerging local clusters. With CIIP's help, the government is developing collaborative institutions with the private sector. Inclusive PPDs have supported sector prioritization and the design of competitive strategies in ten different provinces. The PPD process will be further formalized and enhanced through the Entrepreneurship Support Services (SAE) Program through which Enterprise Competitiveness Agents from the Ministry will work with local entrepreneurs to carry out competitiveness initiatives. In addition, CIIP has launched the first module of an innovative competitiveness training program which will create a cadre of local enterprise agents and private sector actors trained in contemporary value chain and cluster development methodologies and approaches. The innovative Competitiveness Facility, designed by CIIP, will provide access to finance for enabling infrastructure and capacity building to local clusters with a view to leveraging private investment.

KAZAKHSTAN Competitiveness and Economic Diversification Project

Leverage Component in SME Competitiveness and Access to Finance Project (\$20 million), inform approximately \$2.1 billion of the Partnership Framework Agreement for Sustainable Development and Inclusive Growth

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

Instruments

Sector prioritization
Trade diagnostic
Strategy formulation
Regional development
PPD

Integrated Solutions

Value chains
Clusters

Industries

Agriculture
Machinery
Food processing
Construction materials

The government of Kazakhstan has expressed a commitment to economic growth, competitiveness and diversification into non-extractive industries and has developed an industrial policy focused on the growth of manufacturing and the development of a knowledge-based economy. The CIIP grant aims to pilot an approach to support the competitiveness of higher value-added production in non-extractive sectors in and around priority areas, with a particular focus on SME development in those sectors. CIIP's engagement has shaped and informed the policy dialogue in Kazakhstan and helped the government to develop a sound understanding of policy priorities, characteristics and weaknesses of past and current approaches. The grant has supported technical assistance, an analysis of the economic conditions in each of the 14 regions of the country, just-in-time high level trade competitiveness diagnostic and analyzed data on SMEs in Kazakhstan.

The team has developed an innovative approach to competitive industries in Kazakhstan that reflects the context in the country and draws on international good practices. CIIP will examine the clusters proposed for development by the government and inform the selection of industries in which to pilot the recommended approach. A wide variety of public and private stakeholders will participate in the pilots. Through its analytical work and technical assistance to date, the CIIP grant helped inform approximately \$2.1 billion of the total \$5 billion Partnership Framework Agreement between the government and the World Bank. CIIP specifically informed spending priorities around the role of the private sector, SMEs and business climate; innovation; and addressing the skills gap. In addition, CIIP has directly contributed to the design and inclusion of a \$20 million component on Regional Competitive Industries in the \$100 million SME Competitiveness and Access to Finance Project.

RUSSIA Stimulating Investment and Jobs through Innovative Clusters

Leverage Forthcoming SEZ Lending operation (\$200 million), Two RAS

Partner coordination European Commission, The government of Switzerland, The government of Austria

Instruments

Cluster selection
Cluster management
Regional development
SME linkages
PPD

Integrated Solutions

Clusters

Industries

Pharmaceuticals
IT
Laser and Radiation
Aeronautics

Current public efforts at fostering innovation in Russia through instruments such as technology parks, incubators, venture parks etc. have not yielded results, partly because these instruments are not always tailored to the local needs of regions, and are funded through federal channels. Cluster initiatives in Russia hold the promise of bringing more relevant regional policy responses and support mechanisms to firms, and the CIIP grant aimed at improving the effectiveness of cluster governance and management and helping firms create high quality jobs through better products and services exported to global markets. CIIP identified four clusters – the Novosibirsk information technology cluster, the Tomsk IT and pharmaceuticals cluster, the Troitsk new materials, laser and radiation technology cluster, and the Ulyanovsk aeronautics cluster – and helped them strengthen their management and governance through a number of activities.

CIIP's engagement made a significant contribution to the policy dialogue in the four regions. It helped position the development of dynamic and sustainable clusters as a key pillar of regional economic development and provided tangible advice and implementation know-how on how to strengthen cluster development. Public-private dialogues were held in each region involving firms, cluster leadership, regional government officials from various ministries, regional cluster development centers, research institutions and innovation support infrastructure. The project used a mix of technical assistance including knowledge transfer and learning by doing, small pilots implementing collaborative activities with the selected clusters and the development of concrete action plans and recommendations for public and private stakeholders. The project raised awareness about the benefits of collaboration through clustering and has thus catalyzed a demonstration effect. Two separate Reimbursable Advisory Services (RAS) projects for two of the regions are currently under preparation between the World Bank and the government of Russia. In addition, the team has been able to use the PPDs in the clusters to help set up a forthcoming \$200 million SEZ lending operation, which will include two of the clusters.

SIERRA LEONE Growth Poles Program

Leverage Forthcoming IDA Growth Poles operation (\$15 million)

Partner coordination UK Department for International Development, GIZ, African Development Bank, European Commission

Instruments

Spatial analyses
Strategy formulation
Local content and SME support
Institution building and
knowledge transfer
PPD

Integrated Solutions

Value chains
Clusters
Growth poles

Industries

Agriculture
Fisheries
Extractives
Tourism

The industrial mining boom has significantly improved Sierra Leone's short-term prospects, but to reach middle income status the country needs to diversify the economy away from extractives in part by leveraging scale and agglomeration economies. The government's growth strategy is focused on enhancing industrial competitiveness in key sectors such as agriculture, manufacturing, fisheries and tourism through extractive-driven growth poles and corridors. CIIP has been supporting the government's growth pole program through identification of the growth poles and designing investments through public-private dialogue. The team produced an analytical report, a "slideument," identifying three different growth poles with different groupings of growth sectors, which has had a significant impact on strategy formulation and decision-making in the country, and will leverage a forthcoming IDA operation on Growth Poles.

CIIP's multi-sectoral analysis has helped design a long-term growth poles strategy, select interventions and signal commitment along the grant's four work streams: (1) a proposed delivery system will address the current lack of effective inter-ministerial collaboration and capacity to support the approach; (2) the deals orientation of the proposed growth poles approach focuses on developing shared infrastructure to encourage spillovers; (3) catalytic interventions directed at the private sector will be informed through sector analyses, local content compact and an SME support program; (4) social capital development in the growth poles has been informed by CIIP analysis defining the environmental and risk framework that will govern the IDA and other donor growth pole projects. Through the range of interventions so far, the CIIP grant has promoted an inclusive public-private dialogue around the design and implementation of growth poles and built the government's cross-sectoral coordination capacity. In addition, CIIP's study on the commercial viability of Sierra Leone's deep sea port has informed the government's intention to expand its 'deals horizon' on shared transport infrastructure which has the potential to be a game-change for Sierra Leone and neighboring countries.

TANZANIA Developing Local Industries Connected to Natural Gas Discoveries

Leverage Forthcoming IDA Growth Poles operation (\$20 million)

Partner coordination UK Department for International Development, The government of Norway, European Commission

Instruments

Scoping and diagnostics
Strategy formulation
Local content
Institution building and
knowledge transfer
PPD

Integrated Solutions

Value chains
Clusters
Growth poles

Industry

Extractives

In 2012 Tanzania tripled its appraisal of natural gas reserves, the majority of which are off-shore and require exploration below sea level. To develop these reserves international gas companies plan to invest between \$20 and \$25 billion in Tanzania over the coming decade, including the construction of a large liquefied natural gas (LNG) plant. The CIIP grant aims to help Tanzania capitalize on the local economic and enterprise development opportunities linked to the natural gas discoveries through the development of a natural gas strategy, as well as through leveraging a private sector gas value chain project in close collaboration with the main investors (British Gas, ExxonMobil, and StatOil), which is currently under discussion.

Over the past year, CIIP's team has conducted an in-depth analysis of local content opportunities and identified local industries that can benefit the most from natural gas-related investments. The analytical work includes a demand forecast, gap analysis, supplier development strategy, and a series of case studies and seminars. This thorough analysis has helped inform the government's draft Local Content Policy which could potentially leverage private investment of around \$1.6 billion. In addition, CIIP's team has catalyzed a series of public-private dialogue discussions with the private sector, civil society organizations, academia, and donor organizations, sharing experiences from other resource-rich countries and proactively helping the country navigate the political economy risks typically associated with natural gas investments. CIIP will conduct analysis of downstream opportunities arising from the gas discoveries, which will additionally enrich the policy dialogue and allow lead time for the development of cross-sectoral interventions and prudent measures to avoid the resource curse.

TUNISIA Sector Competitiveness Diagnostic and Public-Private Dialogue

Leverage Third Export Development Project (\$100 million)

Partner coordination African Development Bank, European Commission

Instruments

Sector analyses
Strategy formulation
Sector
PPD
Competitiveness Fund
TA

Integrated Solutions

Value chains
Clusters

Industries

Pharmaceuticals
IT
Garments/Textiles
Medical Tourism

Tunisia's per capita growth continues to be lower than a sample of regional and global comparators and youth unemployment continues to be a major challenge. The CIIP grant aims to contribute to the development of a comprehensive package of reforms to promote exports and foster private investment. The team aims to identify and help strengthen promising clusters in Tunisia based on cross-sectoral diagnostics and extensive public-private dialogue. The grant has helped transform the government's strategy towards the development of sector-specific industrial policies and the PPDs supported by CIIP have underpinned all sectoral analytical work. The output of these analyses is informing the World Bank's newly approved Competitiveness and Export Development Project, of \$100 million.

Over the first year of implementation, CIIP's team conducted an extensive consultative process and selected a long list of 10-12 sectors on which to focus. CIIP conducted the initial analyses for four sectors – pharmaceuticals, IT, garments and textiles, and medical tourism – focusing on employment, competitiveness (using Porter's diamond analysis) and exports. The government has hired external consultants to complete the remaining sector analyses which will be a substantive input to a sector development strategy, which is currently under preparation. One of the most significant accomplishments of the CIIP grant to date is the creation of a long-term sustainable PPD process in Tunisia. PPDs in the country are organized on two levels: high level task force responsible for sector selection and decision-making and sectoral PPDs for each of the sectors being analyzed. The involvement of civil society organizations has been particularly critical to the reform process as they have served as deal brokers between the various political parties since the revolution. In addition, a committee of local experts in the high-level PPD is helping build collaborative governance and to promote industry-led growth through regular weekly meetings.

VIETNAM Regional Competitiveness and Job Creation Project

Leverage Forthcoming Regional Competitiveness and Job Creation Project (\$100 million)

Partner coordination The government of Switzerland, The government of Japan, The government of Korea, European Commission

Instruments

Sector analyses
Investor promotion
Regional development
SME linkages
PPD

Integrated Solutions

Value chains
Economic zones

Industries

Cement
Petrochemicals
Power
Steel

Despite Vietnam's recent strong economic performance, there are significant regional disparities in the country, with lagging and poor regions such as Thanh Hoa (TH) showing more pronounced development needs. Thanh Hoa province has an opportunity to enhance private sector and SME growth around the \$21 billion of planned investment in the Nghi Son Special Economic Zone (NSSEZ), allowing for regional growth and job creation in the province and potentially having a demonstration effect for the rest of the country. The CIIP grant is leveraging the proposed IDA Vietnam Industry Competitiveness Project of \$100 million and aims to enhance competitiveness around the value chain of anchor investments in the zone and create linkages to SMEs through targeted interventions. CIIP funds also support the building of the private investment pipeline for anchor and supporting/supplier industries in the zone.

Since its inception, the CIIP grant has been instrumental in shaping the policy dialogue and significantly contributing to the effective utilization of public funds. The team has completed the identification of high impact, high feasibility sectors in the province and has conducted detailed sector analyses of four sectors: cement, petrochemicals, power and steel. The grant has also supported the detailed case studies of international benchmarks, an assessment of existing SME linkages programs, an initial assessment of the zone master plan, an assessment of FDI trends, design of a PPD mechanism and creation of an expert advisory group, as well as a number of forums and workshops. CIIP interventions have enhanced the government's understanding of investor services, and in particular the relevance of safeguards and environmental issues, as well as the role of SMEs in industrial policy. A planned Business Development Facility will support SME development and linkages between the local economy and anchor investors through the provision of business development opportunities, an accelerator program and a cluster development program.

Knowledge Management and Learning Activities

In FY14, CIIP financed two types of knowledge and learning activities: (1) Activities undertaken as part of CIIP-Financed Operations; and (2) Global knowledge activities. CIIP country operations employ a series of analytical tools that aim to push the knowledge frontier on “what works” in competitiveness and innovation by sharing lessons in real time through active country engagements. In addition, the global knowledge activities, financed by CIIP, aim to assert cutting-edge operational research across CIIP’s global network. CIIP’s knowledge agenda fully leverages expertise across the program’s network of experts and practitioners, the WBG and the other partners’ staff. Joint approaches are intended to reduce duplication and redundancy, and also to enhance the quality of knowledge and operations.

Operational Analytics and Support

CIIP project teams provided technical assistance and analytical work customized to fit the demands of country governments within each CIIP-financed country operation. Analytical and advisory work inform the design and sequencing of CIIP operations. Just-in-time analytics are a necessary part of all project preparation; all of the types of analyses conducted by CIIP for evidence-based project design increase chances of success and adds value for the operational work - one of the innovative aspects of CIIP’s approach to the “new growth strategies.” CIIP utilizes different types of knowledge and analytical work across countries to meet country demand (e.g. sector analytics, value chain analysis and spatial analysis). Details of the types of analytical work financed for each project are highlighted in the project summaries provided in Annex 2.

Global Knowledge Activities

CIIP seeks to provide valuable support to expand the global knowledge frontier on “how to” effectively design and imple-

ment competitiveness strategies. It pushes the knowledge frontier on “what works” in competitiveness and innovation by sharing real lessons in real time from its active country engagements with its clients and partners, and by motivating cutting edge operational research across its global network of academic, policy, and industry actors.

All CIIP global knowledge activities aim to promote operational learning through active knowledge sharing among project teams, partners and country stakeholders. The ultimate goal is to inform the design and improve the overall effectiveness of country programs. In FY14 CIIP allocated resources for knowledge activities that aim to help identify lessons about the “nuts and bolts” of implementation issues, as well as resources to applied research that advances the state of theory and empirical research on competitiveness.

CIIP also organized a number of high profile knowledge and training events – including an annual global conference – at which it actively disseminated knowledge products to its expanding network of contacts. CIIP’s new website features all its knowledge products. CIIP has also frequently used the WBG’s Private Sector Development blog and its Twitter account to promote the knowledge activities to an even wider global audience.

Global Knowledge Activities in FY14 showcase how CIIP’s work contributes to expanding the reach and existing knowledge on competitive industries globally. In FY14, CIIP financed six global knowledge activities. These are summarized below.

Implementing Industrial Policy — Lessons Learned.

This project seeks to influence the dialogue among global thought leaders and regional actors through high-profile learning events, knowledge exchange, training, and knowledge generation. CIIP has helped to distill and widely disseminate the latest body of knowledge on how to find and implement the right instrument for each unique political economy. Based on extensive research, the team has identi-

Box 2.1 “Making Growth Happen” Conference

The flagship CIIP conference, “Making Growth Happen: Implementing Policies for Competitive Industries,” was held on October 16 and 17, 2013, at WBG headquarters in Washington. The conference focused on the nuts and bolts of implementing industrial policy, providing an important opportunity for practitioners in the development community and academics to take stock of current thinking on industrial policy and competitiveness. With job creation at center stage, as policymakers seek new solutions to increase productivity and create jobs, the conference provided a venue for inspiring discussions about the latest in the “how” of growth and competitiveness, with an emphasis on local context and “learning by doing.” Nobel Prize-laureate Joseph Stiglitz was the keynote speaker, and a number of senior EU, WBG and other donor officials participated in the event, along with many internationally recognized academics and practitioners.



Janamitra Devan, World Bank Group Vice President for Private Sector Development (former) with Professor Joseph Stiglitz

fied the main area of focus, which is to compile a set of comprehensive case studies and structured comparisons of the implementation of the most widely used instruments in private-sector-development-focused projects. In particular, the grant: (1) provided a series of papers on flexible delivery and implementation as well as hosted a competition for best papers; (2) started work on a comprehensive case study on delivery units using Malaysia PEMANDU as an example; and (3) organized an international conference on “Making Growth Happen” to address the “how” of industrial policy implementation. These activities have helped develop a global network of practitioners and thinkers around industry-focused strategies for fostering growth. The dissemination of these activities and the active involvement of CIIP experts in WBG country teams is ensuring that lessons learned are incorporated into project design in real-time.

Industry-Specific Global Value Chain (GVC) Analyses. Through this project, CIIP and the IFC aim to develop a joint approach to GVC analysis across high-priority industries that are relevant and applicable to developing-country contexts. The ultimate goal has been to enhance the relevance and quality of public and private investments in priority industries with a view to enhancing productivity and competitiveness. The team reviewed WBG portfolio data to determine demand, and sought to ensure that the selected industries were relevant to a wide range of countries and regions and could benefit from GVC investment and sourcing plans. It is envisaged that these GVC analyses will deepen WBG and donor dialogue at the country level, and significantly expand countries’ understanding of evolving market opportunities. A potential benefit of increased knowledge of GVC investment plans is the expansion of pipeline projects and evolution of industry structure through integration of domestic firms into GVCs.

Knowledge Exchange Initiative. CIIP, in partnership with the OECD, decided to fill the existing knowledge and data gaps on the “how-to” of innovation policy, through the development of an Innovation Policy Platform (IPP) that is accessible to policymakers and researchers in developing countries. The IPP was formally launched by the World Bank President and the Director General of the OECD in the spring of 2014. As a fully functioning platform, the IPP has been actively used to develop a body of innovation policy knowledge on its website; and to form a broad Community of Practice (CoP) with open membership for interested practitioners. It serves as an important example of how the WBG can realize its vision of “a solutions bank” that distills, captures, and deploys actionable knowledge on a global scale.

The IPP’s existing clients and potential clients are global policy makers located in different levels of government, or in institutions providing advice and support to governments. The look, feel and operational structure of IPP platform has gone through detailed user testing. WBG and OECD clients and staff have used the site to inform their policy development activities, although it is challenging to link specific knowledge gathering to specific WBG/client strategies. It

is anticipated that the Community of Practice will be able to contribute to the development of innovation policy thinking, test new ideas and potentially can be used to co-create policy approaches.

Competitiveness Summer School training program.

In October 2013, CIIP jointly administered its Competitiveness Summer School training program with the Inter-American Development Bank. As it has evolved into a full-fledged program, the course syllabus has been continuously improved to meet the real-life challenges facing developing countries. Its case-based methods were used to introduce the key concepts (industry strategic segmentation, industry analysis and value chain). Participants were asked to apply these concepts to specific examples from CIIP project portfolio, for example, the agribusiness value chain in Haiti, pharmaceuticals in Tunisia, as well as other real-world examples, for example automotive industry in Myanmar. The course has attracted individual participants from a broad range of lower and middle income countries including Brazil, Nigeria, Sierra Leone, and Trinidad and Tobago. CIIP is also in the process of tailoring its training offerings for public and private sector officials in fragile states such as Haiti as well as for staff in partner agencies such as the EC and SECO. It is anticipated that e-learning platforms may also be deployed in the near future.

Affirmative Efforts for Small States and Fragile States.

At the prompting of the ACP, CIIP set up a dedicated grant which aims to support flagship knowledge events, preliminary scoping missions, and just-in time technical assistance in countries that can progressively “move up the ladder” of readiness. Given that 2014 is the year of the Small Island Developing States (SIDS), CIIP has committed to two major knowledge events in the Caribbean and the Pacific respectively in the calendar year. Through a number of affirmative efforts in small and fragile states undertaken so far, CIIP has made inroads in the Eastern Caribbean and the Pacific. As part of larger SIDS agenda, CIIP knowledge activities and early operational engagements have helped progressively shift the focus of WBG and donor dialogue away from high public indebtedness and vulnerability to competitive advantage and growth.

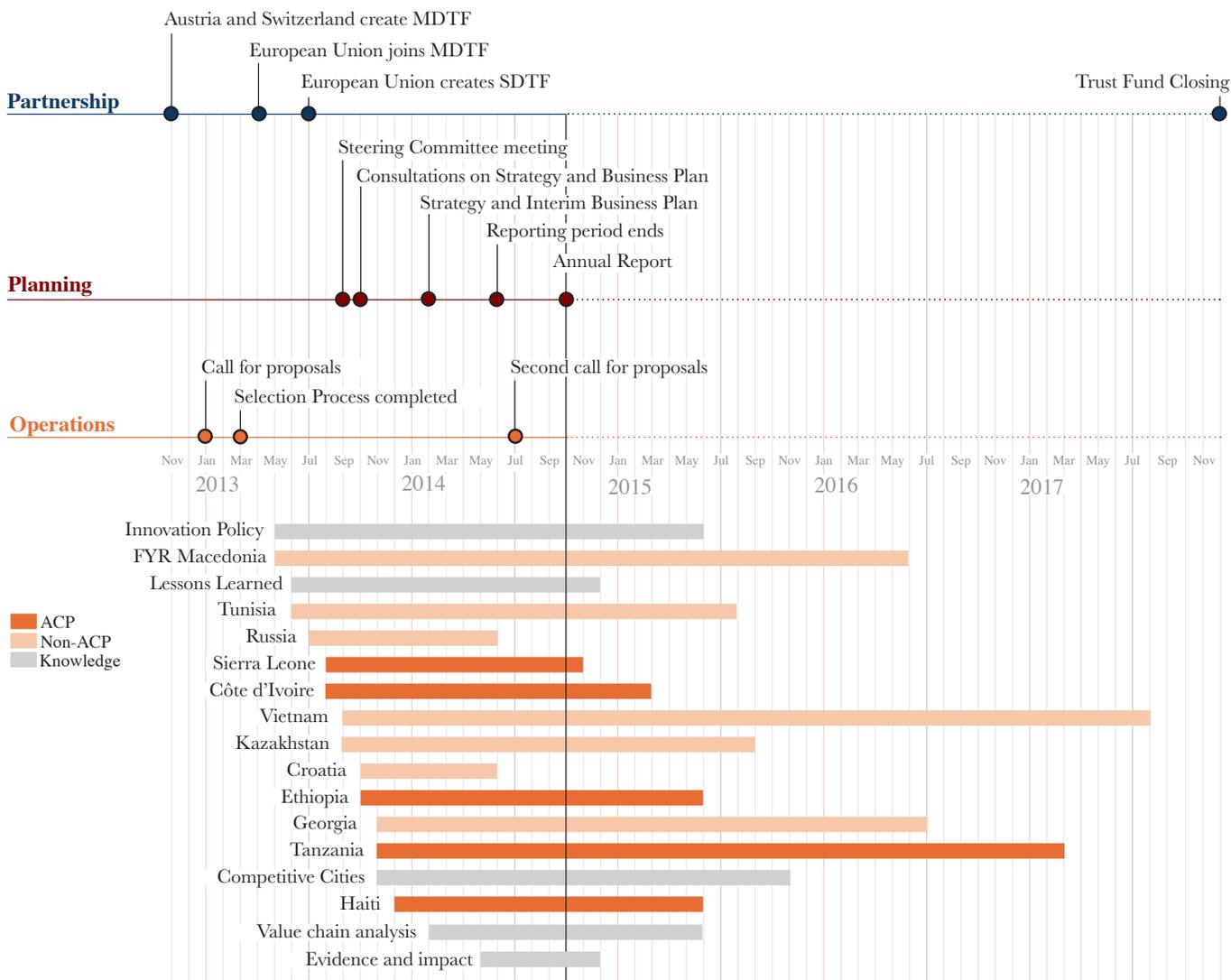
The Small Island Developing States (SIDS) conference held in Apia, Samoa, from September 1-4, 2014 brought together Heads of State from the Caribbean and Pacific Islands, the UN Secretary General, and the President of the European Union. UNIDO and CIIP partnered for a side event titled “Enhancing Competitiveness in SIDS – Challenges and Opportunities” on September 1. In addition, CIIP participated in a Private Sector Forum on August 31. As a follow up engagement to the SIDS conference, CIIP is preparing to host a knowledge event for the Organization of Eastern Caribbean States and a regional operation that will focus on tourism and agribusiness. It is envisaged that the knowledge shared through this engagement will facilitate demand and help generate momentum towards a regional project.

In addition, affirmative efforts have included just-in-time technical assistance to WBG operational teams on innovative approaches to project design, and for preparation of a strong CIIP pipeline going forward. These funds have been instrumental in putting forth the rationale for investment and in onboarding various clients and stakeholders to this agenda, including in countries that eventually emerged as major clients of CIIP such as Ethiopia and Haiti.

Competitive Cities Initiative. CIIP's Competitive Cities Knowledge Base (CCKB) program aims to provide guidance to practitioners about how to respond to client demand by city governments and municipal authorities, and how to stimulate economic growth and job creation, by developing diagnostic tools and by compiling a set of case studies and structured comparisons of different typology of cities. A key priority of the program has been to strengthen knowledge of good-practice approaches to implementing city-level competitiveness strategies. The grant is organized around three work streams that focus on the determinants of job creation, priority-setting, and implementation methods and modalities.

In FY14 the team has engaged in a number of parallel activities. Several work streams of the project are on track to create the expected foundational body of evidence that will assist city leaders in formulating and implementing their economic development strategies. Preliminary analytic findings have been drawn both at a global and a country-specific level. Country-specific analytical reports have been produced for Ethiopia and China, and will shortly also include a detailed report on Turkey. Technical reports were drafted and will be available by the end of 2014. Three comprehensive case studies will be completed in FY15 from cities in Colombia, India, and Rwanda (with four more to come from Indonesia, China, Morocco, and Turkey). A draft diagnostic tool has been produced and will undergo consultations with operational staff and experts inside and outside the Bank in FY15. Implementation guidance is under preparation. A conceptual framework has been developed for developing a research base on city leadership, and mayors in particular. Case reviews will be conducted in FY15 on day-to-day management, economic development agencies, and turnaround initiatives of city leaders.

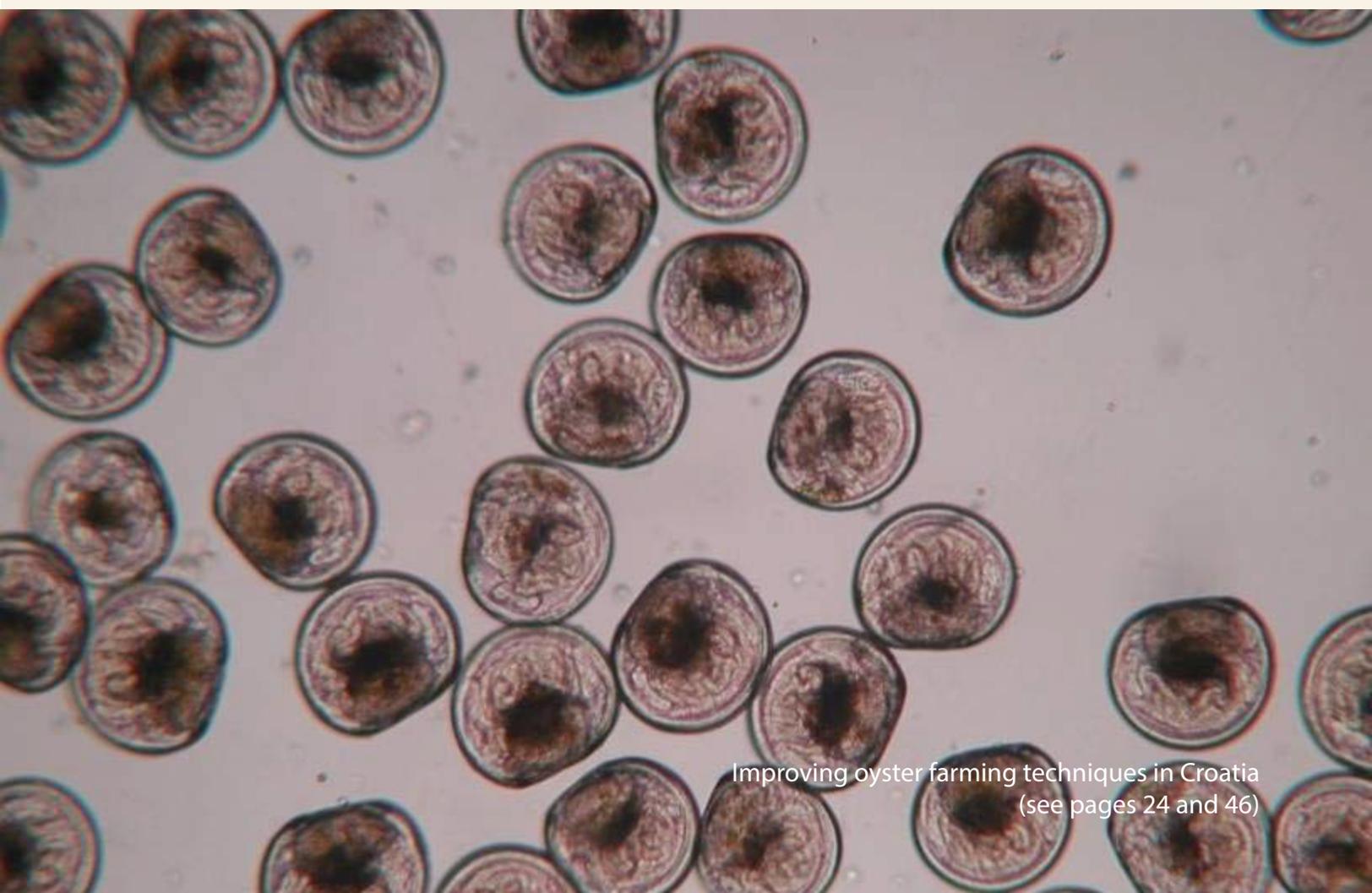
Timeline: Launch and Operational Roll-Out



CHAPTER 3

CIIP Financial Portfolio and Resource Use – November 2012 through June 2014

CIIP's growing portfolio of country and knowledge-centric projects is funded by approximately \$35 million in donor commitments. The emphasis in FY13 and FY14 has been on establishing an implementation framework with financial controls to ensure the cost-effective use of donor resources. CIIP's targeted resource envelope is split between country operations (75 percent) and global knowledge initiatives (25 percent). This chapter details CIIP's funding status in terms of donor contributions and project commitments, project-level expenditures across pre-defined eligible cost categories, and current and projected rates of disbursement.



Improving oyster farming techniques in Croatia
(see pages 24 and 46)

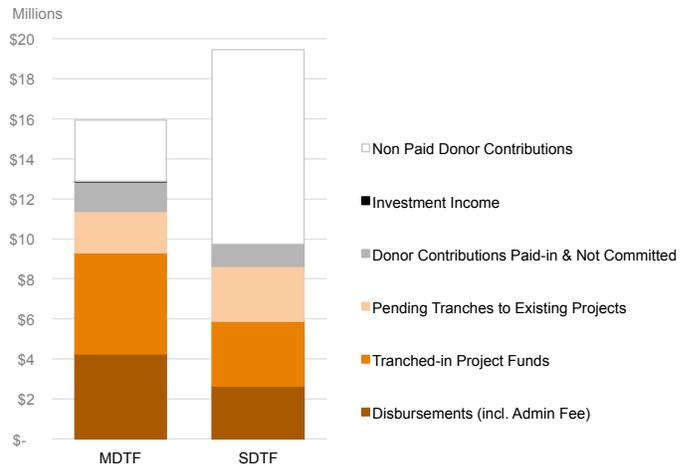
CIIP Program Funding

CIIP funding is structured around two World Bank trust funds with donor commitments totaling approximately \$35 million. The Multi-Donor Trust Fund (MDTF: TF071975), supported by the governments of Austria and Switzerland as well as the EU, was established on November 15, 2012. The Single-Donor Trust Fund (SDTF: TF072037), financed through the EU European Development Fund (EDF) with the specific geographic focus on the African, Caribbean, and Pacific states, was established on July 18, 2013. As of end FY14, \$22.9 million had been paid into the CIIP trustee funds or about 65 percent of total committed funds. This comprises 80 percent of MDTF donor commitments (totaling \$12.9 million) and 50 percent of SDTF donor commitments (totaling \$10 million). While this trustee-level fund structure is discrete for accounting purposes, CIIP resources are managed seamlessly across the two trust funds in order to ensure predictable, transparent and coordinated financing.

Disbursements Rates and Projections

As of end FY14 the MDTF had disbursed \$3,659,196 while the SDTF had disbursed \$2,207,080. In the last quarter of FY14, monthly average disbursement figures increased to \$274,300 for the MDTF and \$309,200 for the SDTF (See Annex 6: “CIIP Disbursement Rate by Month”). These increasing monthly figures show the maturing level of implementation. Cumulatively, the expectation has been that the rate would fit an S-shaped curve, with low initial spending rates followed by a period of rapid implementation and spending, before it would fall again toward the program’s closure. The current trend is in line with that projection. The highest disbursement rates are expected in FY15, and they are likely to keep pace in FY16 pending additional project allocations.

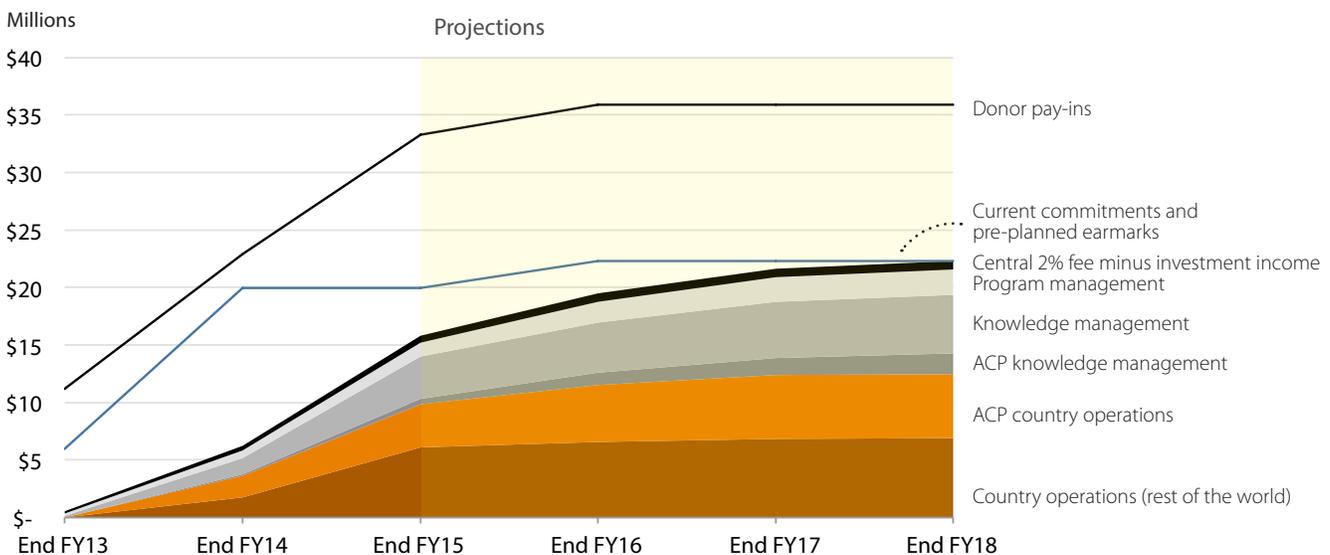
Figure 3.1: CIIP Trustee Level Financials



The bulk of current expenditures come through the country operations window, where \$12.5 million was committed and almost \$4 million was disbursed. Another \$8 million have been committed or earmarked through the knowledge management window, of which projects have disbursed almost \$1.7 million, which has largely kept pace with projections. At the outset of project approval, CIIP’s Secretariat sets project-specific disbursement targets to ensure steady implementation and results-based financing. Allocation reviews are held annually in conjunction with the GRM review to confirm financing and/or to discuss the possibility of corrections by the re-pooling of previously allocated funds.

Growth in project expenditures is dependent on additional project commitments being made in the FY15 Business Planning Cycle.

Figure 3.2: CIIP Commitment and Disbursement Projections



CHAPTER 4

Managing CIIP's Partnership

Governance of CIIP is led by a close collaboration of the joint MDTF and SDTF Steering Committees. In February 2014 the committee met to approve the CIIP Strategy and Interim Business Plan and the CIIP Secretariat has been tasked with implementing the program strategy through the multi-track engagement framework and through its strategic support functions. This chapter provides an overview of actions related to the management of CIIP, including the approach to risk management, its partner coordination, and its communications and visibility efforts.



SMEs in Haiti
(See page 25 and 26.)

CIIP Secretariat

CIIP’s rapid launch and its ongoing success depend on a robust support structure of six experienced staff supporting 12 country operations, five knowledge initiatives and the affirmative efforts of Track 1 and Track 2 countries. The Secretariat ensures coherence across the portfolio and is responsible for program strategy and management, financial management, and risk management. The Steering Committee has allocated \$2.2 million (6.2 percent) to the Secretariat to perform these functions over the course of the five year program of which a third has been disbursed. In June 2014, CIIP issued a Call for Proposals, which is currently under review and is expected to yield up to 15 additional projects in the coming FY. Furthermore, the CIIP Secretariat ensures the cohesiveness of the program through functions for knowledge and learning, monitoring and evaluation, and strategic communications. These service functions allow real-time learning, sufficient donor visibility, and enhanced accountability.

Portfolio & Risk management

The Secretariat monitors project-level progress through the Grant Reporting and Monitoring (GRM) system. Projects are evaluated yearly based on milestones established in the approved proposals, progress reporting for that year, and the rigorous World Bank quality review processes through which it passes. Risk and grant objective ratings are self-reported by CIIP TTLs but are reviewed by management. To date over 80 percent of CIIP projects have been rated as “Satisfactory” and/or “Highly Satisfactory” on their progress towards Achievement of Grant Objectives. As a part of this annual reporting exercise, CIIP ensures a thorough review of each project’s results chain along the pre-specified CIIP results framework (see Annex 1).

The portfolio also has varying degrees of risk, which reflect the nature of competitiveness type operations. Ethiopia, Tunisia and Kazakhstan have “Substantial Risk” ratings,

Figure 4.1 CIIP project objectives ratings

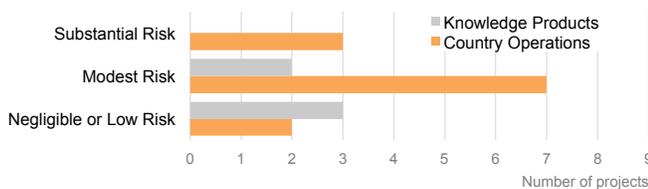


Figure 4.2 CIIP project risks ratings

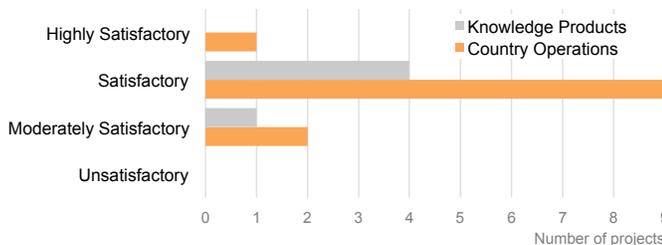


Figure 4.3: World Bank Quality Check Steps



which reflect the countries’ political economy and capacity constraints. CIIP manages risk at the portfolio level through the Multi-Track Allocation Framework in order to direct funds to support an appropriate mix of high-risk/high-reward and to projects with a higher likelihood of success. Project financing tranches are released in September/October of each year, following the GRM reporting process, in order to ensure results-based disbursement.

At the project level CIIP manages risk through the rigorous quality checks of the World Bank’s project approval process. CIIP’s Secretariat particularly makes use of the Bank’s Quality Enhancement Review (QER), Project Appraisal, and Implementation Status Report (ISR) processes to enhance design and performance throughout the engagements. Additionally, the quality enhancement measures – made possible by the use of funds for background analytics, Public Private Dialogue, project preparation, and implementation support – provide effective risk mitigation throughout the country engagement. Furthermore, CIIP’s Secretariat works closely with project teams and consults regularly with development partners at the country level to monitor each project’s progress, ensuring that resources are being used in the most cost-effective manner possible.

Partner coordination

In accordance with the Paris Declaration on Aid Effectiveness and international best practice, CIIP is committed to working with and aligning its efforts with other development partners. At the country level, CIIP projects are being prepared in cooperation with, and with the support of, a variety of development partners, including other multilateral development banks, and donors. Throughout implementation of every CIIP project, WBG task teams are engaging closely with the relevant development partners on the ground in a determined effort to improve development outcomes of

CIIP-funded operations and to increase the overall development coordination.

CIIP also collaborates with the Facility for Investment Climate Advisory Services (FIAS). Systems are in place to ensure that there is complementarity across both programs. Regional portfolio reviews are undertaken periodically and parallel country engagements are managed effectively to ensure mutual leverage and avoid any duplication. In many cases, team members are providing cross-support to projects in both programs based on expertise and experience. At the sector level, FIAS industry work is tightly focused on 3 primary sectors, agribusiness, manufacturing and tourism (other sector work in FCS and is executed primarily through donor and client funded technical assistance). These projects are typically smaller in scale and timeframe than those executed by CIIP, which has a stronger emphasis on scaling up policy, institutional, and investment support through World Bank lending and harmonized donor projects.

Communications and Visibility

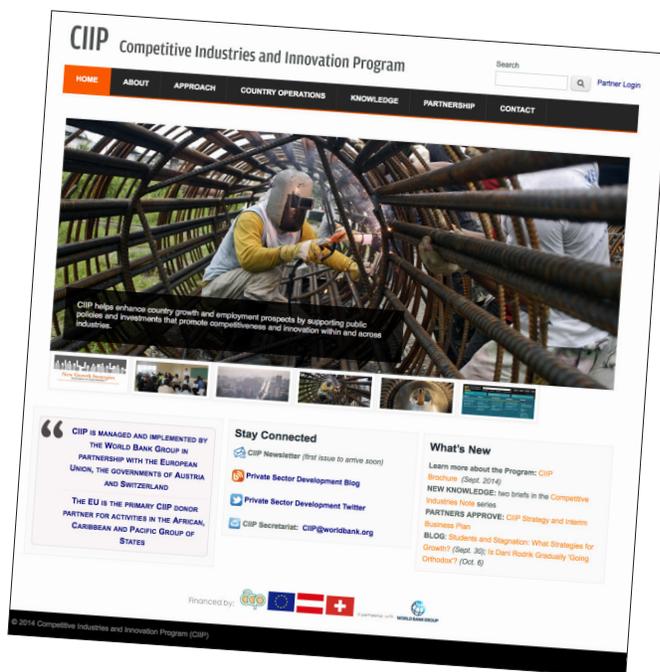
Effective communication among CIIP's partners and its broad range of public- and private-sector stakeholders is a critical element in achieving the program's success. Using a wide range of corporate tools and channels, and operating in coordination with the WBG's extensive external and corporate relations structure, CIIP ensures the visibility of both individual contributing partners and the partnership as a whole. It has also fostered the creation and growth of a global network of practitioners and experts while promoting operational learning. CIIP has maintained a vigorous media-relations initiative by reaching out to selected journalists and scholars at policy research organizations; by publishing high-profile magazine articles; and by frequently publishing blog posts on the WBG's Private Sector Development blog.

As part of its visibility efforts, by the end of FY14 CIIP has finalized its new set of official logos that clearly identify the contributing partners to the MDTF and SDTF and recognize the partnership. Appropriate versions of CIIP's logo have been gradually incorporated into official print and online products as well as CIIP's marketing and press information, its knowledge products and formal publications, and its visual, online and multimedia materials.

CIIP's Competitive Industries Notes



CIIP Website - theciip.org



Throughout FY14, the common visibility rules, branding and communications standards developed for CIIP have been continuously employed in local outreach and communications efforts in client countries. Templates for promotional, knowledge and outreach materials were shared with WBG operational teams and are posted on CIIP's website for easy access. Active participation of partner representatives was promoted through global knowledge and country project events. Strategic communications across the WBG, in the development community and to networks of competitiveness experts have aimed to further raise CIIP's global profile.

CIIP's partnership website (www.theciip.org), softly launched in the spring of 2014, provides information about CIIP country operations and knowledge initiatives. In coming years, it will become a comprehensive and interactive online resource on industry-focused efforts in Private Sector Development. One of its key functions is to provide authoritative materials that are relevant to the smooth functioning of the Steering Committee. Contributing partners have

been given access to confidential information on operations and knowledge products, in real time, through a password-protected space. That space will allow partners to deliberate and comment on new CIIP projects or knowledge products. The ambition for the website is that it should support knowledge exchange across networks of practitioners and thought leaders on leading-edge research, good practice or innovative approaches, and that it should provide results from competitiveness strategies around the world.

CIIP's communications and outreach efforts in FY14 promoted operational learning through active knowledge-sharing among project teams, partners and country stakeholders. Emerging lessons and good-practice notes were disseminated by CIIP to teams working on competitive industries projects in a wide array of countries. Seminars, presentations, and "clinics" provided opportunities for project teams to share innovations and seek feedback on project design and implementation approaches (for instance, on economic zones, growth poles and matching-grant initiatives). In addition, embedded in most CIIP operations were PPD mechanisms and harmonized donor processes, all of which enable partnerships and open dialogue on competitiveness-related issues. Such in-country processes were enriched by timely disclosure and publication of evaluation results on industry level efforts. These efforts encouraged feedback loops and virtuous cycles.

To be effective in its communications efforts, CIIP strategically focused its outreach efforts on three key audiences: CIIP's "brain trust," country-based policymakers and industry leaders. Members of the "brain trust" have helped keep competitiveness and jobs at the forefront of the global development agenda while energizing global communities of practice. Their efforts have been complemented by awareness-raising efforts during high-profile events (like the October 2013 "Making Growth Happen" conference at the World Bank in Washington); the use of CIIP's new web platform; and the leveraging of the WBG's extensive network of country offices around the world. Given the importance of raising CIIP's profile and establishing its identity as a thought leader on competitiveness-related issues, CIIP has also coordinated closely with counterparts in donor agencies.

Box 4.1 Climate Change and the CIIP Approach

CIIP recognizes that its country operations cannot achieve their goals without tackling new issues that have become central to development - like climate change. To properly assess the impacts of its operations on climate change, CIIP projects follow international good practice safeguards policies and procedures, including those governing World Bank Group operations. The new WBG safeguards currently under review will help reinforce a comprehensive approach to climate change in all World Bank funded operations and by extension in CIIP funded operations.

Ethiopia Example. The Ethiopia Competitiveness and Job Creation (CJC) Project has a strong focus on environmental and social sustainability. Many zone initiatives have been criticized for their lack of focus on environmental and social standards. To address this issue, the CJC Project focuses on effective management of environmental and social impacts, including climate change issues to minimize adverse effects and to explore pilots that can be replicated in the future IZs, and the relevant sectors. As part of the social and environment due diligence, regular stakeholder consultations will be undertaken to ensure that relevant issues for the success of the project are identified and dealt with on an ongoing basis.

CIIP Results Chain

Input – Tier 4		Output – Tier 3	Outcome – Tier 2	Impact – Tier 1
Basic Elements	Instruments & Solutions	Direct project deliverables	Changes in conditions/behavior resulting from outputs	Long term changes for end beneficiaries
Business environment	Technical Assistance	Value Chains	<ul style="list-style-type: none"> # of strategy/reform program designed (esp. with input from PPD) # of laws/regulations approved and enacted or policy reforms implemented (including SEZs) 	Business regulation <ul style="list-style-type: none"> # of days, procedures, and cost to comply with business regulation (incl. entry/exit)
			Import/export <ul style="list-style-type: none"> # of days and cost to export/import 	
Infrastructure Including hard infrastructure, land, industrial utilities	Public Finance	Growth Poles and Corridors	Roads <ul style="list-style-type: none"> \$ committed and approved for infrastructure investment Km of all-weather roads constructed Km of bridges constructed 	Access to markets <ul style="list-style-type: none"> # of hours to get to market \$ cost to get to market (estimate new entrants)
			Electricity <ul style="list-style-type: none"> \$ approved and committed for electricity generation or grid upgrading/expansion MWh of electricity generation capacity 	
Labor and skills	Public Private Dialogue	Cities	Skills <ul style="list-style-type: none"> # of strategy/ reform program designed (esp. curricula with input from PPD) # of teachers/specialists trained/certified # of people trained/certified (by skills type) 	Access to skills (reduced skills mismatch) <ul style="list-style-type: none"> # of students/trainees with a job or self-employed in supported industry one year after completion of education/training program
			Access <ul style="list-style-type: none"> # of new connections to targeted industry 	
Institutional Strengthening	Evaluation and Feedback	Clusters	<ul style="list-style-type: none"> # and \$ funding for cross institutional coordination mechanisms (PPD, PIU, inter-governmental working group) created and operational \$ approved and committed for capacity building of specific institutions (gov't agency, regulator, industry body, stats agency) - IT upgrade, people trained, governance etc. 	PPD impact on reform process <ul style="list-style-type: none"> # of reforms enacted through the PPD mechanism (evaluation wheel to measure impact on reform)
			Public sector management and state capacity <ul style="list-style-type: none"> Agency effectiveness – e.g. process times, response rate etc. 	
Access to Finance	Catalytic Support for Firms	Economic Zones	<ul style="list-style-type: none"> # of catalytic/innovative finance instruments (matching grants etc.) designed and \$ volume committed # of SME support programs developed and \$ committed (e.g. training for SMEs on financial literacy, management practices etc.) 	<ul style="list-style-type: none"> \$ of finance (from a wide range of instruments) approved and disbursed # of firms in focus industries accessing additional finance #SMEs trained or supported
Innovation			<ul style="list-style-type: none"> \$ value of budget spent on innovation and research and development (R&D) 	
	Analytics		<ul style="list-style-type: none"> # of firms with approved patents on process or product innovation \$ of financing for innovative activities (VC, angel financing) 	PRIVATE INVESTMENT <ul style="list-style-type: none"> US\$ value of private investment leveraged \$ of total private investment in supported industries (of which domestic) (financial efficiency – private investment leverage of public funds)
			GROWTH IN SUPPORT-ED SECTOR <ul style="list-style-type: none"> Net Number of new firms (of which headed by women) % increase in total factor productivity % share of exports of supported sector/ industry % share in GDP of sector/industry % share in GDP of linked sectors/industries 	
				SOCIAL SPILLOVERS <ul style="list-style-type: none"> Number of people with access to improved services
				JOBS & BENEFICIARIES <ul style="list-style-type: none"> Gross Number of Jobs (direct - of which women) # of direct beneficiaries of the project (of which women) \$ net increase in output of beneficiary enterprises % increase in labor productivity

ANNEX 2

CIIP Progress by Project

Project-level narratives and updates



Enabling competitive cities by supporting municipal government

Grant ID	TF015440
Grant Duration	Aug 20, 2013-Mar 31, 2015
Grant Amount	\$1,206,523
Cumulative Disbursements	\$493,896
Outstanding Commitments	\$60,440
Design Elements	Green-field zones, Growth poles, Regional dimension, Sector and Spatial Analyses, Potential infrastructure support
Expected Leverage	FY15 IDA Growth Poles Operation (\$50 million)

Strategic Context

Côte d'Ivoire is emerging from over a decade of economic and socio-political crisis and outright post-electoral conflict in 2011. The crisis has taken a heavy toll on the once exemplary economy—with rising poverty and unemployment levels, declining quality of infrastructure stock, weakening of the financial sector, along with sharp deterioration in institutional capacity and labor. Nevertheless, the country still possesses a diversified industrial base and significant potential in agribusiness (cocoa, cashew, and rubber), mining (gold, iron, nickel) or tourism, as well as non-agricultural value chains such as metallurgy and chemical products. It boasts an enviable infrastructure endowment by regional standards, and a dynamic private sector. Additionally, since the end of the political crisis, it has made significant progress in improving its investment climate (top 10 global reformer in Doing Business 2014) and has seen some resurgence in foreign direct investment.

While short-term prospects have improved significantly, the government's National Development Plan calls for an ambitious program of accelerated and sustained private sector led growth, thereby enabling Côte d'Ivoire to become an emerging economy by 2020. Central to the government's vision is a focus on a number of high potential sectors (e.g. cashew, rubber, palm, textile, and manufacturing) through a growth poles approach—one that aims to exploit agglomeration economies and foster spatial development.

CIIP's Côte d'Ivoire Flagship Transformational Growth, Competitiveness, & Jobs Program aims to support a growth poles development strategy as a mechanism to foster transformational investments and promote inclusive growth and job creation, through a well-coordinated program of targeted reforms and public investments to catalyze private investment in priority sectors in a spatially delimited area. The grant is designed around the following phased components: (1) Identification and Diagnostics of sectoral and spatial constraints to industry growth, (2) Program Design through PPD and preparation of an action plan, and (3) Implementation Support for growth poles and economic zones.

Achievement of Objectives

CIIP is furthering Côte d'Ivoire's efforts to promote investor confidence, identify priority sectors for targeted efforts, and design enclave approaches inter alia through the identification of growth poles and structuring of economic zones. In addition to help the country's outreach to international investors, CIIP has helped identify two growth poles in Bouake and S. Pedro to support subnational competitiveness and political stability. First, building on the city's location on a key regional corridor (Abidjan - Ouagadougou) and history as a manufacturing center (textiles), Bouake was identified as a key pole emerging from agribusiness investments, the revival of light manufacturing industries, and the development of a sub-regional logistics hub. Second, capitalizing on the government's West-

ern Integrated Mining Project (incl. port and rail infrastructure), the San Pedro pole would utilize future investments in infrastructure to promote integrated urban development, emergence of a local mining ecosystem, tourism and agribusiness activities, and overall local private sector growth. It is also helping develop the framework for Special Economic Zones (SEZs) linked to growth poles.

Implementation Progress

CIIP has launched and implemented a range of analytical and consultative activities with government, donors, and private sectors, particularly on missions between December 2013 and June 2014. Key highlights include: (i) sector and spatial analyses presented at the ICI2014 Investor Conference; (ii) identification of two integrated growth pole approaches; (iii) technical assistance on the development of SEZs around growth poles. These are described below:

ICI2014. The High Level Investor Forum, held in Abidjan end January (ICI2014), gathered over 3,000 stakeholders from the public and private sectors. CIIP produced analytic work on mapping of constraints, and opportunities in agribusiness and tourism, as well as prospects for spatial development (with a focus on PPPs in infrastructure such as railroads). CIIP also provided lessons learned from growth poles approaches in other countries.

Growth Poles Identification. The grant has helped finance sectoral and spatial analyses as part of the identification and design of the Bouake and S. Pedro growth poles. Based on this early work, a more detailed plan of diagnostics and technical assistance was launched in June 2014 to help formulate growth poles building blocks. Equally important are the extensive public-private consultations that underpin the design of these enclave growth approaches—an example of Côte d'Ivoire's governance approach to growth pole development.

Institutional Development. CIIP-financed efforts are helping the government develop an institutional strengthening roadmap designed to improve execution capabilities around the growth poles. Also important are a number of organizational development activities, for instance, of the zones development agency, key ministries involved in growth poles, and PPD mechanisms with a diverse group of stakeholders across various agencies. Knowledge sharing around sectoral and spatial solutions, as well as lessons learned from other countries with pilot agencies or delivery units, is an important feature of CIIP-financed institutional development activities.

Technical Assistance on SEZs. With CIIP's support, the Bank team has been providing technical assistance about how to set up a dedicated zones agency. An experienced international expert was recruited to follow up on the ground with the design and implementation of a stepwise approach zones development. A capacity building workshop on SEZ reform and development was held in June 2014 to share international experience and lessons. Given the relevance of SEZs to growth poles, CIIP support in this area is expected to continue through implementation.

CIIP work program over the next six months, endorsed by the government, will focus on institutional capacity building and analytical work to accelerate the development of both growth poles.

Early Results

CIIP is moving quickly to boost government’s efforts to put Côte d’Ivoire back on the radar screen of international investors, while also helping to chart a path for structural reform. Early results on the ground center on fostering institutions for collaboration and coordination, boosting investor demand through sector prioritization, and designing enclave growth initiatives, described below:

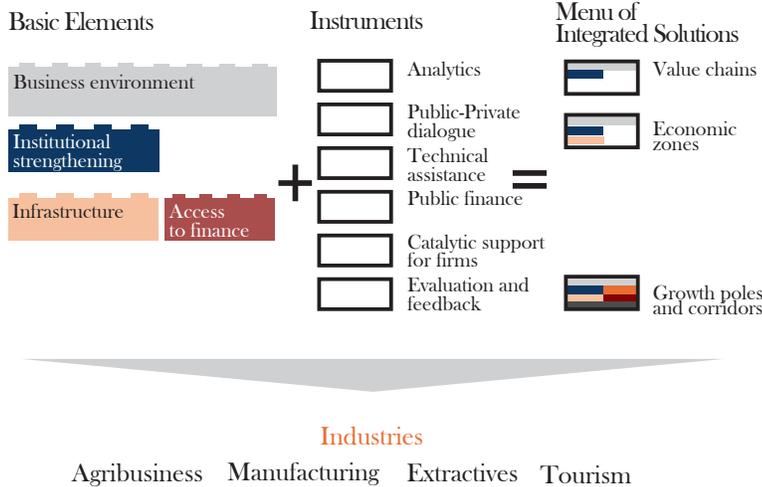
Fostering Strategic Coordination and Collaboration. A key feature of Côte d’Ivoire’s growth poles efforts has been the involvement of multiple institutions across the public sector (Presidency, Prime Minister’s Office; the Ministries of Planning, Industry and Mines, and Tourism; as well as the SEZ development and the investment promotion agencies) as well as the private sector. Inclusive and collaborative design processes around the Bouake and S. Pedro initiatives are part of the process building Côte d’Ivoire’s capacity to plan, execute, and govern growth poles. These efforts, in particular, bode well for sectors such as agribusiness where the lack of coordination among public and private sector actors has been the source of failures in the past.

Building Investor Confidence through Sector Prioritization. Starting with the high level investor forum early this year, reactions from investors have continued to be positive. The Ministry of Industry’s efforts to signal support for an agri-business transformation and for expansion of light manufacturing is expected to produce a robust investment pipeline. A key element is the design and launch of targeted policies and public investments around the Bouake and S. Pedro growth poles.

Mobilizing Enclave or Growth Pole Investments. Even though it is still early days, design of the growth poles initiatives—along with linked SEZs—is leveraging tangible investments. In addition to zones development efforts, the government has sought IDA’s assistance in designing the dual growth poles with an FY15 operation. It is envisaged that other donors such as the EU and African Development Bank would support this approach. The resulting financing has a high probability of leveraging considerable private investments across priority sectors.

Results chain

Input



Output	Outcome	Impact
Strategy/reform program designed (t: 3)	Time and cost to comply with regulations	Private investments (t: \$300 million)
Spatial development strategy defined	Access to upgraded industrial land	Gross number of jobs (t: 10,000, of which 3,500 female)
Cross-institutional coordination mechanisms (t: 1)	Reforms enacted through PPD mechanism (t: 2)	percent growth in exports
Capacity building	Improved effectiveness	percent growth in cashew processing (t: 20 percent)
SME support programs	SMEs trained or supported (t: 200) Large firms supported (t: 20)	

Grant ID:	TF015836
Grant Duration:	October 10, 2013-October 31, 2014
Grant Amount:	\$ 262,500
Cumulative Disbursements:	\$ 241,396.57
Outstanding Commitments:	\$0
Design Features:	Trade outcome analysis, Competitiveness assessment, Gap analysis, RTDI assessment)
Expected Leverage	Absorption of EU structural funds (USD 2.5 billion), Science and Technology Project II (\$31.6 million)

Strategic Context

Croatia's strong economic performance over the 2003-2008 period was fueled by a growth pattern based on domestic consumption, growing current account deficit and increasing dependence on international finance. High and sustained rates of economic growth, at a time when the size of the population was in decline, resulted in consistent growth in per capita income, which quickly converged to the level of the richest economies. Since the beginning of the recession in 2008, however, the Croatian economy has been contracting steadily and the prolonged recession has revealed certain structural weaknesses. In order to accelerate growth in the coming decades, Croatia needs to shift towards a more productivity-based and export-led growth pattern. Deepening trade integration will require the country to further develop its comparative advantage in more skill and knowledge-intensive sectors.

CIIP has been supporting Croatia's efforts to expand exports, enhance firm-level competitiveness, and create sustainable jobs through the preparation of a Smart Specialization Strategy (S3), which aims to focus national and regional resources on areas of competitive advantage. The S3 is an ex-ante conditionality to access European Union Structural and Investment Funds (ESIF) for the period 2014-2020, for which Croatia is now eligible as a new member. The funds comprise up to 3-4 percent of GDP, or the equivalent of USD 2.5 billion. The development of the Smart Specialization Strategy has been supported by a series of advisory activities and consensus building.

Achievement of Objectives

Smart specialization strategies, as defined in the Europe 2020 agenda, are fundamentally knowledge-driven growth strategies, where targeted policies are formulated based on detailed analysis of existing specializations and binding constraints through an intensive consultative process. Extensive analytical research, supported by CIIP, points to poor trade integration which discourages firm level productivity gains and innovation in Croatia. The implementation of S3 provides an opportunity for the country to push itself out of this low-level equilibrium by promoting the conditions necessary for continued structural transformation and a renewal of the country's productive sector.

One of the main findings of CIIP's analytical engagement is that Croatia has only a limited set of clear existing or emerging comparative advantages. This implies that its future areas of specialization will be revealed through a flexible strategy which encompasses enabling policies for entrepreneurship and market selection, rather than ex ante targeting. Against this backdrop two main priorities emerge: (i) improving productivity gains by enabling efficient entry and exit conditions and (ii) enhancing innovation by promoting R&D investments by medium sized firms and/or by young companies.

CIIP's engagement has significantly influenced the policy dialogue with the Croatian government and the European Commission on Smart Specialization through a number of consensus building activities including a broad range of public and private stakeholders. The analytical work has contributed to an informed decision making process for the preparation of the Smart Specialization Strategy in Croatia, with a number of major implications: (i) replacing the emphasis on ex-ante definition of sectors and full commitment of resources up-front with a results-based approach in which some flexibility for policy or program experimentation and ex-post allocation of resources based on results is granted; (ii) adopting gradualism in the expansion of programs; (iii) fully integrating monitoring and evaluation mechanisms in the design and implementation of the research and innovation strategy, allowing for structured learning and systematic adjustment of programs and policies towards the pre-defined objectives. The consensus building and the analytical work have significantly enhanced the government's capacity to design and implement a strategy that will create a more diversified export structure, enhance productivity growth, and promote job creation.

Implementation

The analytical contribution of CIIP is based on three interrelated issues particularly relevant for the development of smart specialization strategies: trade, productivity and innovation. Those issues were separately addressed in three Analytical Technical Reports, which examine the main constraints and opportunities for growth, and the role a smart specialization strategy can play in fostering economic progress: (i) Croatia's Trade: competitiveness, performance, and potential; (ii) Stylized facts on productivity growth: evidence from firm-level data in Croatia; and (iii) Export performance and economic geography in Croatia.

In addition, the potential for future development of five industries was explicitly examined: (i) clean energy; (ii) flat oyster in the Mali Ston bay; (iii) Slavonski kulen in Slavonia (traditional meat product); (iv) biotechnology and pharmaceutical industry; and (v) material sciences. The particular sectors serve as illustrations of the S3 process in situations with different degrees of available market information, where different degrees of information about economic specialization imply different chances of success with sector targeting. The example case studies listed above include regions with apparent comparative advantage, regions with latent comparative advantage, and regions with unclear specialization.

The report also presents a framework for the design (as well as for monitoring and evaluation) of S3 in Croatia. It suggests some intermediate outcomes (goals) that should be pursued in order to enhance productivity and improve innovation (key outcomes), which would lead to a larger and more diversified export base (high development objectives), and, as a consequence, to GDP and employment growth (final outcomes). In addition, an Action Plan encompassing the main policy actions and strategic investments is also outlined.

Results

The most substantial impact of CIIP's project has been the in-depth analysis informing the S3 document which will leverage USD 2.5 billion of EU Structural Funds towards increased competitiveness and job creation. In addition CIIP contributed to the following:

government's Design and Implementation Capacity. The analysis performed by CIIP's team used a simplified typology relating availability of information on the economic specialization of a region to the degree of convenience of adopting targeted policies. The absence of reliable information about supply and demand is one of the reasons why governments often avoid targeting sectors and products. In contrast, the approach outlined in the analysis encourages the process of self-discovery, by continually reviewing the policy framework through integrated impact evaluation and iterative learning through experimentation and adaptation. The technical assistance and analytical work provided by the team have led to a major shift in the policy dialogue in the country and have significantly enhanced government's capacity to design and implement growth strategies.

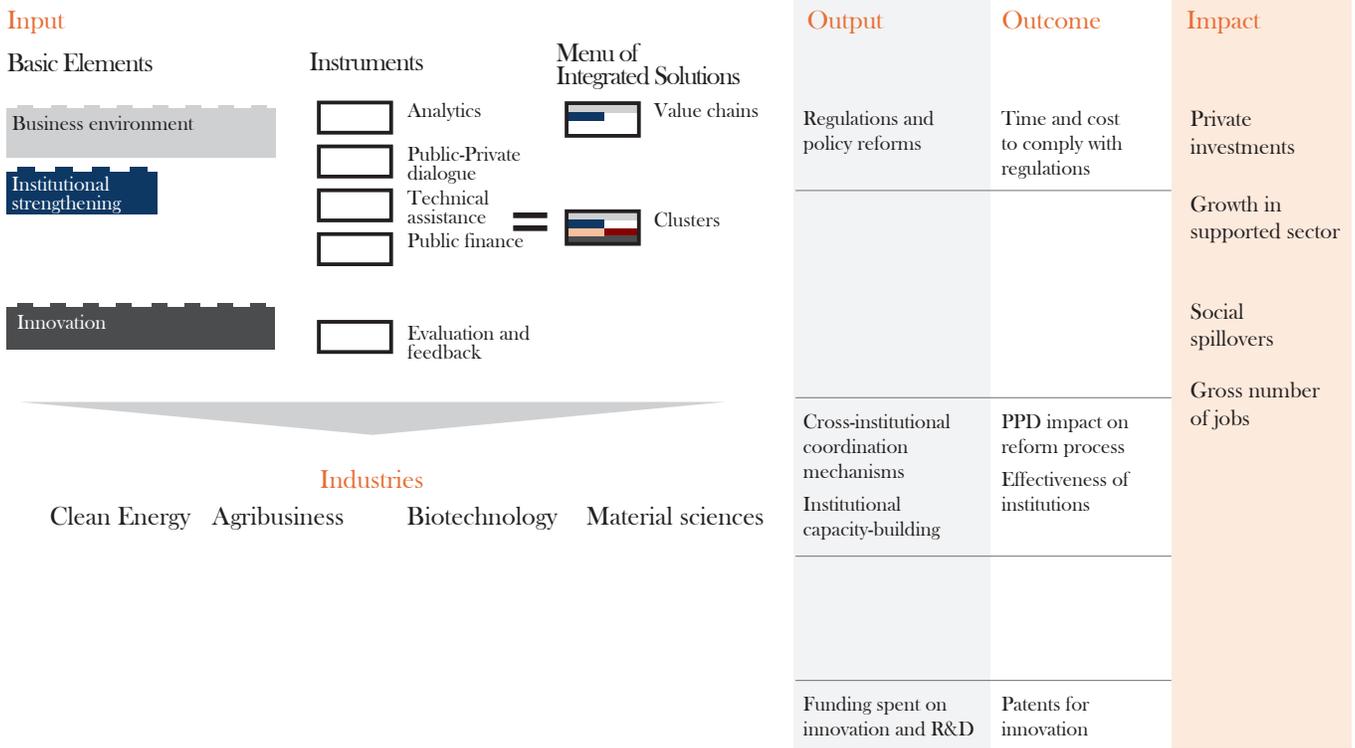
Consensus building and collaborative governance. On January 25, 2014, a national workshop was organized to discuss the findings of the Technical Note of Croatia's Trade competitiveness and performance and the proposed recommendations to help the country take advantage of global trends. Another national workshop attended by a wide range of stakeholders was organized on March 26, 2014, to discuss the results obtained as part of the: (i) firm competitiveness diagnostics; (ii) economic geography assessment, exploring the relation between trade performance and location within the country; and (iii) research and innovation

performance and policies, particularly the composition of public expenditure on R&D, the policy governance structure, and options for achieving Croatia's national target for R&D spending under the Europe 2020 agenda. Regional workshops were also organized in Mali Ston, Dubrovnik, and Slavenia on April 24-25, 2014, and April 29, 2014, where the Oysters and Kulen case studies were discussed with relevant stakeholders from government and the private sector. These workshops mobilized and informed public debate and built consensus around the proposed strategy. In addition, they also contributed to an ongoing dialogue with the government, multiple stakeholders and other development partners.

Leverage

The Final Report will be used by the government to revise the S3 Strategy and submit a new version for EC's approval by autumn 2014. The recommendations put forth by the team have informed to a significant extent Croatia's Smart Specialization Strategy and as such will leverage approximately USD 2.5 billion from the EU's Structural and Investment Funds. CIIP's analytical work is also informing the active World Bank Investment loan, Science and Technology Project II (\$31.6 million), which aims to support Croatia in the absorption of EU funds in the research and innovation sector by increasing the capacity of selected public sector organizations and stimulating the demand for those funds from the business and scientific communities.

Results chain



Grant ID	TF015998
Grant Duration	October 30, 2013 – Jun 30, 2015
Grant Amount	\$1,365,000
Cumulative Disbursements	\$157,285
Outstanding Commitments	\$13,637
Design Elements	Feasibility Studies, Zones regulatory framework, Zones Corporation, Innovative financing window; Industrial Infrastructure, SME Linkages Program, Skills centers
Expected Leverage	\$270 million (Active IDA CJC Project + government Contributions)

Strategic Context

Ethiopia has experienced strong and broad-based growth of around 10.6 percent a year on average from 2004-11, with significant increase in GDP per capita. Economic diversification has come from a mix of government-led investments, strong global commodity demand, and the development of new export sectors. Yet, Ethiopia remains highly dependent on imports, especially primary products.

The country's 2009-14 Growth and Transformation Plan lays out a vision for reaching middle-income status by 2020-23 with the industrial sector playing a leading role. Realizing this vision requires a doubling of industrial growth and an acceleration of exports—a target that cannot be achieved by a growth model based primarily on government-led investments. Rather, the government's intention is to attract foreign investment in light manufacturing to boost exports, spur job creation, and promote SME development. To implement this approach, the government plans to employ industrial zones (IZs) as the instrument of choice, and aims to adopt a sound legal and institutional framework, a clear industry focus, an ecosystem approach, and a focus on social and economic spillovers. It has sought to mobilize considerable domestic public, donor, and private resources, including IDA's Competitiveness and Job Creation (CJC) Project.

Given the opportunity to support Ethiopia's structural transformation, CIIP aims to accelerate the preparation and implementation of the IDA project, which will in turn strengthen institutional and regulatory framework for IZ development, support industrial infrastructure development of two IZs; and enhance IZ linkages to small and medium enterprises (SMEs). CIIP's grant is organized around three phased components: (1) diagnostics and advisory services to support CJC preparation and implementation, (2) capacity building and implementation support, and (3) investment generation.

Achievement of Objectives

In response to the government's ambitious timetable for SEZ development, CIIP enabled fast-track preparation and approval of IDA's \$270 million of CJC project—one of the largest and high profile economic zone-related operations in the WBG portfolio. In addition, with CIIP support, the Bank team—jointly with DFID, USAID, and the EU—has supported early implementation efforts through knowledge and advisory activities. These include support for government efforts to put in place key elements of its IZ strategy such as legal framework for zones and the newly created Ethiopian Industrial Development Zone Corporation (EIDZC), tasked with development and management of Industrial Zones, lease of developed land and buildings, and outsourcing of IZ management. The roll-out of the IZ strategy has involved extensive consultations with diverse stakeholder groups including through the IFC-sponsored

National PPD Forum on FDI-related issues. These milestones bode well for the CJC project and other donor projects, as well as for Ethiopia's overall manufacturing push.

Implementation Progress

CIIP's grant has quickly delivered just-in-time advice to the government on a range of issues related to the development of its IZ program, and in particular, IDA's investment in the Bole Lemi and Kilinto Zones. CIIP has supported:

- the detailed review of feasibility and design studies related to zones (including on infrastructure development, site selection, and investor demand), draft policies, and government manuals;
- intensive knowledge sharing on topics relevant to Ethiopia's light manufacturing strategy including the Bank team's preparation of three policy notes on skills, access to finance, and investment climate;
- an expanded field-based presence to reach out to key decision makers and stakeholders during the design and start-up phases of the IZ program and the Bank's CJC project (for instance, from the Ministry of Finance and Economic Development, the Ministry of Investment, and the Prime Minister's Office, the private sector, and various research institutes).

The main focus of CIIP going forward will be to ensure accelerated implementation of the government's program inter alia through the preparation of operating guidelines for the IZ framework (including the one-stop shop), a communications strategy, timely and transparent procurement of works and TA under the CJC project, and continued capacity building and training of newly established IZ-related institutions.

Early Results

The approval of the CJC project constitutes an important signal of CIIP's ability to leverage large, potentially transformational industrialization efforts in Africa. The IDA operation also demonstrates Ethiopia's willingness to partner with traditional and emerging financiers to make its IZ strategy a success. IDA resources for the project are reflected in the government's federal budget. The government also announced plans to develop three other industrial zones in different parts of the country. It has already completed the first phase of one of the industrial zones and plans to complete the second and final phase by August 2014. In addition, preparations are underway with other development partners to develop the other sites.

As a basis for developing these specific IZs, CIIP efforts directly impact important policy and institutional reforms. Described below, these include the establishment of a legal and institutional framework for IZs, launch of an ecosystem approach to IZ development, innovative design of fiscal support, and development of rigorous M&E systems are worthy of note:

Legal and governance framework for IZs. A proclamation on Special Economic Zones was developed and is being reviewed the Council of Ministers. It is expected that the law will be tabled and passed by Parliament in the end of October, 2014. The law provides for the support and regulation for five IZs across the country—two of which are supported by IDA's CJC project. In addition, the government established the Ethiopian Industrial Development Zone Corporation (EIDZC) as part of the overall governance framework for supporting zones in the country. It also established a regulatory

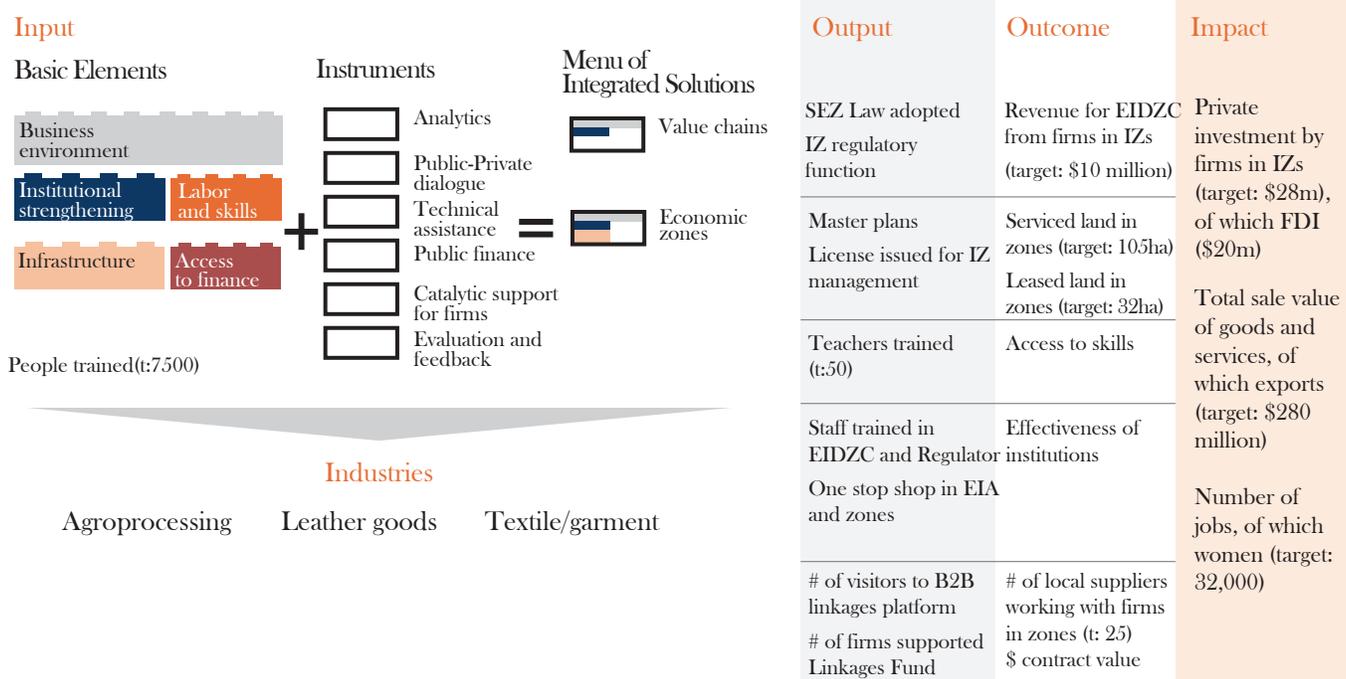
body within the Ministry of Industry to oversee IZ development and operations with performance and selection criteria for IZ developers, managers, service providers, and investors. Currently, the regulatory function is handled by the Ministry of Industry. While the government considers whether to make the regulatory body autonomous or independent, IDA's CJC project will continue to provide technical support to the regulatory function governing all zones. Technical assistance is being frontloaded to address challenges in the one existing IZ—the Eastern Industrial Zone (EIP) in Dukem, established with a Chinese consortium investment.

Ecosystem approach to IZ development. Based on lessons learned from existing industrial zones in Africa, the government – with the help of CIIP and the IDA operation – is putting in place a number of complementary initiatives design to boost the likely impact and sustainability of the IZ program, as well as its linkages to the broader domestic economy. For instance, a skills development center is being built serve the needs for the Bole Lemi and Kilinto zones by jointly developing curricula and training programs with existing training institutions in the area of leather processing and textiles. Similarly, a Business-to-Business Linkages Fund will be created to strengthen the business linkages between firms within the zones and the local private sector enterprises outside the zones by removing the binding constraints for these domestic enterprises to be qualified suppliers or subcontractors for bigger firms within the zones. Through the provision of matching grants to the domestic enterprises linked to the IZs, the objective of this intervention is to enhance the local firms' capacities, quality, productivity and market access.

Innovative Fiscal Design. Over the course of project preparation, the government developed and adopted an innovative, rules-based approach for developing industrial infrastructure in a sustainable manner. A federally managed 'IZ financing window' offers access to hard IDA financing for those IZs that meet eligibility criteria such as implementation of IZ policies and procedures, completion of feasibility studies, compliance with safeguards, etc. The IZ window has the potential to serve as a policy lever to ensure the efficiency and efficacy of public and private investments in Ethiopia's green field – and possibly, in the future – brownfield zones.

Development of rigorous M&E systems. To the extent possible, the Ministry of Industry's own M&E systems and structures are being modernized to track the progress of IZ development in Ethiopia. Yet, selective additions and adoptions are being made to data collection and methods, for instance, the capture of enterprise and zone level as well as overall revenue data to assess IZ operational performance as well as linkages. With the help of CIIP, the government also intends to use experimental or quasi-experimental methods to assess the impact of IZ-linked jobs to household incomes, the effectiveness of training on workers' welfare and job performance, the impact of childcare provision on the productivity and welfare of female workers.

Results Chain



FYR MACEDONIA Competitive Industries and Innovation Support Program

Grant ID	TF014914
Grant Duration	May 19, 2013-October 30, 2016
Grant Amount	\$1,602,000
Cumulative Disbursements	\$454,953.94
Outstanding Commitments	\$120,471.33
Design Features	Regulatory framework, Institution building, Zone governance, PPP arrangements for developing zones; , Export promotion, Innovation financing instruments, SME support services, PPD
Expected Leverage	WB DPLs (\$100 million), +DPL3; Skills Development and Innovation Support Project(WB); Western Balkans Regional Trade Logistics Project (IFC); Local and Regional Competitiveness in Tourism (EU, EUR 18 million); Invest Macedonia's budget increased by 35 percent on the previous year (to a total of EUR 9.2 billion); FDI (EUR 190 million in 2014); Exports (EUR 1.2 billion); Jobs (9,000 in 2014)

Strategic Context

FYR Macedonia has a consistent track record with regard to macroeconomic stability and improving the business climate. Macroeconomic and financial stability were preserved in the face of significant negative shocks, and public sector debt has remained at manageable levels. Reforms to registration and permitting processes, property registration procedures, investor protection, and tax collection have further improved the business climate. In 2013, FYR Macedonia was ranked the fifth most improved country among the top 50 economies in the world, according to the Doing Business report, jumping from the 92nd position in 2006 to 25th in 2013 and outstripping its peers in the region.

Despite these improvements, poverty and unemployment have not declined significantly, due to slow GDP growth relative to other Western Balkan and European Union (EU) member states. Further, the country has faced challenges in promoting shared prosperity. To address these challenges, Macedonia is in the process of transitioning to a higher growth economy based on advanced manufacturing capabilities and more competitive, export-oriented enterprises. Under the government's growth agenda, exports have grown rapidly, and in 2012 accounted for 53.4 percent of GDP. Further improvement, however, depends on structural changes given that: (a) exports are still too concentrated in commodities (metals and minerals), where value added is low and prices are volatile; (b) medium and large firms do not invest sufficiently in quality or innovation; and (c) most exporting firms are small (fewer than 10 employees) and have difficulty competing in export markets because of inefficiencies and high costs related to customs, logistics, and trade infrastructure. Further, (d) the agribusiness sector, which employs 20 percent of the workforce in 2012, is constrained by several factors including the large share of state-owned land, which needs to be better managed to unleash its productive and export potential.

CIIP's grant addresses these challenges by supporting reforms that incentivize investment and technology upgrading in major sectors where the country has a latent competitive advantage (manufacturing and agribusiness) as well as tourism, and tackle cross-cutting and enabling factors such as trade logistics, skills and innovation. These are being addressed through two WB Development Policy Loans. The Macedonia CIIP grant provides the complementary resources

needed to strengthen the capacity to implement these new policies and programs and deepen regulatory reforms.

Achievement of Objectives

The CIIP grant has contributed significantly to the process of change for increased competitiveness of Macedonia's economy by leveraging the reforms supported by the Programmatic Competitiveness Development Policy Loan (DPL) series (in high value added manufacturing and agribusiness), and in the cross cutting areas of skills and innovation. The implementation of the first series of reforms is already under way and the government has requested a third DPL. The grant has successfully strengthened several sector-specific reforms supported under the DPL series as well as advanced cross-cutting reform areas, which have the potential to raise medium-term economic growth and address poverty, unemployment and shared prosperity. The main development goals to which CIIP has contributed include the following: (i) developing high value-added manufacturing by attracting greenfield investment and scaling up export-promotion initiatives; (ii) facilitating the restructuring and growth of the agriculture sector by improving agricultural land administration and better targeting of incentives for agriculture producers; (iii) improving the efficiency of trade logistics services by facilitating transport of goods at border crossings and increasing export-readiness of the transport industry; (iv) deepening innovation capacity in the enterprise sector by developing early stage financing instruments and support services for entrepreneurs and SMEs; (v) identifying the binding constraints and development opportunities for increasing the competitiveness of tourism and advancing the policy dialogue on private sector engagement and investment in tourism.

Implementation Progress

The project implementation is on track to deliver the expected results as envisioned in the approved proposal. The objectives of this project will be sustainable with continued support of the reforms by the government of Macedonia and by the WBG, particularly in linkages between local supplies and foreign investors in the country, agricultural land privatization and investment in agribusiness and tourism development. Key highlights from each of the project pillars include the following:

High-value added manufacturing: The reforms supported by the grant and the DPL series have enhanced the governance of the Technological Industrial Development Zone (TIDZ) Program. Key actions include representation of the private sector in the governance of the zones and better targeting of investment resources for the TIDZs, assessing and aligning investments with market demand and regional development priorities. Furthermore, new models are being developed for the TIDZ including Public-Private Partnership (PPP) arrangements that can attract private management and investment, and the transfer of industrial zones to municipal governments. The engagement is also supporting measures to strengthen the accountability framework for state aid, to ensure a predictable environment for investors and more effective monitoring of associated fiscal costs. In export promotion, the grant has supported the adoption of the Strategy for Export Promotion and the establishment of an export promotion unit in InvestMacedonia, and is currently supporting the implementation of first generation exporter support programs, helping build the capacity of those exporters aiming to increase the quality of their products or reach

new markets. InvestMacedonia's total budget for 2014 was increased by 35.5 percent compared to 2013 to a total of EUR 9.2 million (equivalent).

Agribusiness: The reforms supported by CIIP strengthened the government capacity to manage state-owned agricultural land and allocate financial support to agricultural producers. Specifically, the reforms facilitated restructuring of the agribusiness sector through measures that: (a) improve agricultural land administration, focusing on the gradual sale of state-owned land to the private sector; and (b) aims at improving the agricultural support administration and prevent leakage of public resources. It is estimated that the government could obtain up to EUR 500 million in revenue from selling the state owned (vacant and leased) land, for a total of 210,000 hectares. These policy initiatives will reinvigorate the land market and could have a major impact on agricultural productivity, as they address the sectors major structural deficiency, the excessive division of privately owned land, which constrains production, economies of scale, and sector competitiveness. In this context, the CIIP grant supported the implementation of a Survey on agricultural land market value which informed the policymakers in the government about the strategic directions for the implementation of the Program for Sale of State-Owned Agricultural Land supported under the Second Competitiveness DPL (DPL2). The Land Value Survey is the first systematic survey of agricultural land prices to be carried out in Macedonia which provides valuable information about the market of agricultural land and the use of valuation methods for the sale of state owned agricultural land.

Trade logistics: CIIP supported reforms which strengthened the coordination between the Customs Administration and Inspection Agencies, increased the presence of more inspectors at border crossings, and introduced comprehensive improvements in the risk-based approach to customs controls and technical inspections. Better application of the risk-based approach is a critical trade facilitation improvement to address the costs and delays from unnecessary controls and inspections. The decision to publish regularly the waiting times at major border crossings is helping private transport companies to improve their planning, and is helping the government to monitor the impact of recent reforms.

Innovation: CIIP provided critical technical assistance to strengthen the capacity of the newly established Fund for Innovations and Technological Development (FITD) and develop the pilot financing instruments in support of entrepreneurship, innovation commercialization and in-house business innovation at the pre-commercial and growth stages. The FITD was established through legal reforms supported by the Competitiveness DPLs and it is receiving initial funding from the World Bank under the Skills Development and Innovation Support Project.

Tourism: CIIP's grant supported the development of an action plan to address the binding constraints and opportunities for increased competitiveness of the sector. Activities include: training and certification of five hotel managers and tourism consultants according to the program of the American Hotel and Lodging Association Educational Institute, in cooperation with USAID, and

dialogue with the government and the Delegation of the European Union about a potential investment operation with EU funding from the Instrument for Pre-Accession Assistance 2 (IPA2). Two workshops on destination management organizations (DMOs) were held in July 2014, with representatives of the Agency for Promotion and Support of Tourism, municipalities and local businesses. A survey of local capacity to pilot and manage DMOs has been finalized, with inputs from the workshops.

Results

The successful implementation of policy reforms under the first two DPLs has generated a number of development impacts:

- Net export of manufacturing firms located in the SEZs or located outside but receiving tax breaks under the law from have gone from EUR 87 billion in 2013 to EUR 190 billion in 2014. Companies in these industries employed 5,000 workers in 2013, which is expected to increase to 9,000 workers by the end of 2014.
- Share of medium and high-tech exports in total exports has increased from 40.7 percent to 45 percent.

Leverage and Partnerships

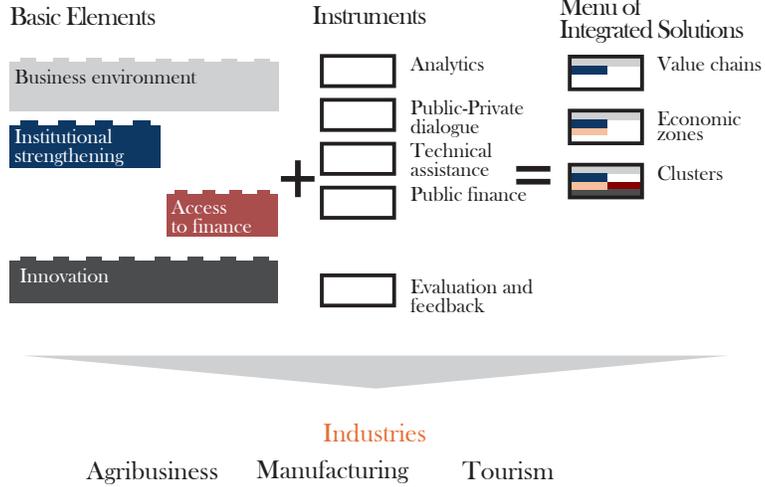
The work under CIIP has significantly strengthened the capacity of the government institutions (ministries and agencies) who are partners in the program and has leveraged the funding of the Competitiveness DPL series, the Skills Development and Innovation Support Project, and the Western Balkans Regional Trade Logistics Project. Private funding is being also leveraged through the sale of state owned agricultural land, with contributions from CIIP in the development of the government's First Program for Sale of Agricultural Land in State Ownership (currently being piloted).

Collaborative Governance

The PPD mechanisms put in place through the grant include regular participation from senior advisors and Ministers of agriculture and finance, heads of departments in ministries and the office of the Deputy Prime Minister for Economic Affairs, heads and management boards of Agencies (Directorate for Technological Industrial Development Zones, Agency for Foreign Investment and Export Promotion, Food and Veterinary Agency, State Sanitary and Health Inspectorate, Agency for Promotion and Support of Tourism, and the Fund for Innovation and Technological Development), as well as faculty, foreign investors and business chambers in the country. All partners have been conduits of the reforms which benefit the growth and competitiveness of Macedonia's economy as a whole. A round table discussion on jobs opportunities in the automotive and agribusiness sectors brought public and private sector representatives to discuss the challenges and opportunities for investment and job creation in the automotive and agribusiness sectors. As a result of the round table, a concept note for a program on support of backward linkages with domestic companies in the automotive sector has been developed. Initial activities of the program will be supported by CIIP in the next FY.

Results Chain

Input



Output	Outcome	Impact
Regulations and policy reforms	Time and cost to comply with regulations	Private investments (t: EUR 190m)
		percent share of GDP growth of sector (t: 3 percent)
		percent growth in sector (t: 2.5 percent)
PPD created Institutional capacity-building	# of FITD instruments enacted through PPD FITD strengthened	percent share MHT exports (t: 50 percent)
Financial instruments and volume committed SME support programs	Firms accessing financing SMEs trained/supported	Gross number of jobs (9,000)
FITD accelerator programs CoEs and FabLabs	Patents for innovation	

Grant ID	TF016020
Grant Duration	11/15/2013 to 11/01/2016
Grant Amount	\$525,000
Cumulative Disbursements	\$159,029
Outstanding Commitments	\$44,038
Design Features	Trade diagnostic, Strategy formulation, Institutional building, PPD, SME support
Expected Leverage	A series of 3 DPLs and a World Bank Innovation operation in the pipeline – (40 mil); USD 24 million allocation for GITA and GEDA in the state budget

Strategic Context

Georgia has undergone extensive business environment reforms over the past several years and has achieved a remarkable turnaround in its investment climate moving from 100th position in the 2006 Doing Business report to 9th position in the 2013 report. Georgia experienced economic growth in excess of 9 percent between 2005 and mid-2008. After the contraction in 2009 due to conflict with Russia combined with the global economic downturn, the country made a quick recovery back to 6.4 percent in 2010, 7 percent in 2011 and estimated 6 percent in 2012. This reduced unemployment from nearly 19 percent in 2009 to less than 13 percent in 2012. A reduction of FDI in the last quarter of 2012 and the slowing down of economic growth recorded in the first half of 2013 combined with lower external demand pose a major challenge for sustaining Georgia's future economic growth at the 6-7 percent annual GDP growth that is necessary to reduce poverty and grow into upper middle-income economy.

An initial Trade Competitiveness Diagnostic report prepared by the CIIP team reveals that Georgia's export basket shows stagnancy and relatively low level of export sophistication for its level of development. Georgia is ranked 77th in the WEF Global Competitiveness Index (GCI), with much lower level of business sophistication, technological absorption and innovation as compared to its peers in the region and ECA on average. For growth to be sustained over the medium to long run, the analysis found that Georgia needs to improve competitiveness, attract foreign investment, enhance firm level productivity, improve access to finance, facilitate innovation and R&D investments, expand and upgrade its exports and significantly advance the growth and internationalization of SMEs.

The government specifically requested the World Bank's support in pursuing its competitiveness agenda, and developing the institutional framework for innovation and export promotion, entrepreneurship and SME development and internationalization. After extensive discussions with the stakeholders (including government, National Bank of Georgia, private sector, international donor and expert community, and academia), CIIP's project was designed along the three main interventions, namely (i) strengthening institutional capacity for reform design and implementation, and establishing quality PPD; (ii) advancing the competitiveness reform agenda through the development of strategic documents, action plans, analysis and knowledge transfer; (iii) facilitating implementation of reforms and respective instruments aimed at innovation growth, higher R&D investments, knowledge and technology transfer, innovative entrepreneurship and SME internationalization, especially in sectors with higher value addition and export growth potential.

Achievement of Objectives

The Georgian government's demonstrated clear commitment to the new competitiveness growth agenda enabled rapid progress towards the Grant's objectives. The policy and implementation focus in the country has been transformed as evidenced by the accelerated preparation of a number of strategies and actions plan, notable strengthening of implementation capacity and the development of institutional mechanisms, such as Councils, working groups, new SME and Innovation Agencies. Following its initial trade and sector diagnostics, CIIP is substantively informing the innovation and competitiveness architecture of the country and establishing public-private dialogue mechanisms that will contribute to successful sequencing of reforms and public investments.

Implementation Progress

Since its inception, CIIP's project team has participated in five technical assistance missions and provided extensive policy advice, knowledge transfer and capacity building support through the following activities: capacity building seminars; extensive analytical and training PPTs; participation in three Innovation Forums (October 2013, March 2014, and April 2014) and in a high-level policy event with the government (including a brainstorming session with the Prime Minister and other Ministers of Georgia February 18, 2014); detailed input to the creation and operationalization of the two new agencies, GITA (innovation) and GEDA (SME and export development), including draft concepts for their operations, charters, detailed recommendations on their proposed financial and non-financial products/activities, and shared relevant international experiences and templates; detailed contributions and revisions to the draft Georgia Economic Development Strategy 2020 (including for agriculture, innovation, education, smart specialization/industrial policy, energy, tourism, SME development and export promotion) and the Georgia draft Innovation Strategy 2020.

In terms of developing a road map for selected competitive industries, a concept paper with the outline of the Manufacturing report was prepared. The team has also been working on financing innovation and technology absorption in key sectors (such as ICT and high value added manufacturing) and establishing financial and non-financial instruments to support entrepreneurship in those sectors, including leveraging government financing. Value chain analysis will be carried out for an additional 3-4 industries; the list of industries for analysis has been discussed and agreed on with government with focus on agro-processing, machinery (transport equipment and other), electronics, pharmaceuticals, and IT/ICT. The results of the analyses will serve as the basis for launching consultations and the preparation of industrial strategy/smart specialization policy for Georgia. The Bank team has also been making progress in upgrading knowledge and technology absorption and modernization of export SMEs, and in strengthening the institutional capacity of the Enterprise & Export Development Agency in improving SME access to information and factor markets and quality standards and certification.

The CIIP team has also been working to facilitate a PPD (through the Competitiveness Council and the ICT and Innovation Council and beyond) and to ensure that businesses (particularly domestic firms) are well represented in the decision making process. Proposals for the creation of Competitiveness and ICT & Innovation Councils were prepared and presented to the Prime Minister for review and approval. An Economic Advisory Council was established. Several task forces/working groups were also established

to facilitate consultations and policy formulation in selected areas (pension reform, innovation policy, competition policy, investment climate, logistics and transit, agricultural development policy). New working groups/task forces are now being discussed with stakeholders.

Early Results

CIIP efforts have already directly informed important policy and institutional reforms. Most significantly the engagement has helped design the innovation and competitiveness architecture in the country and facilitated a number of new PPDs, among others:

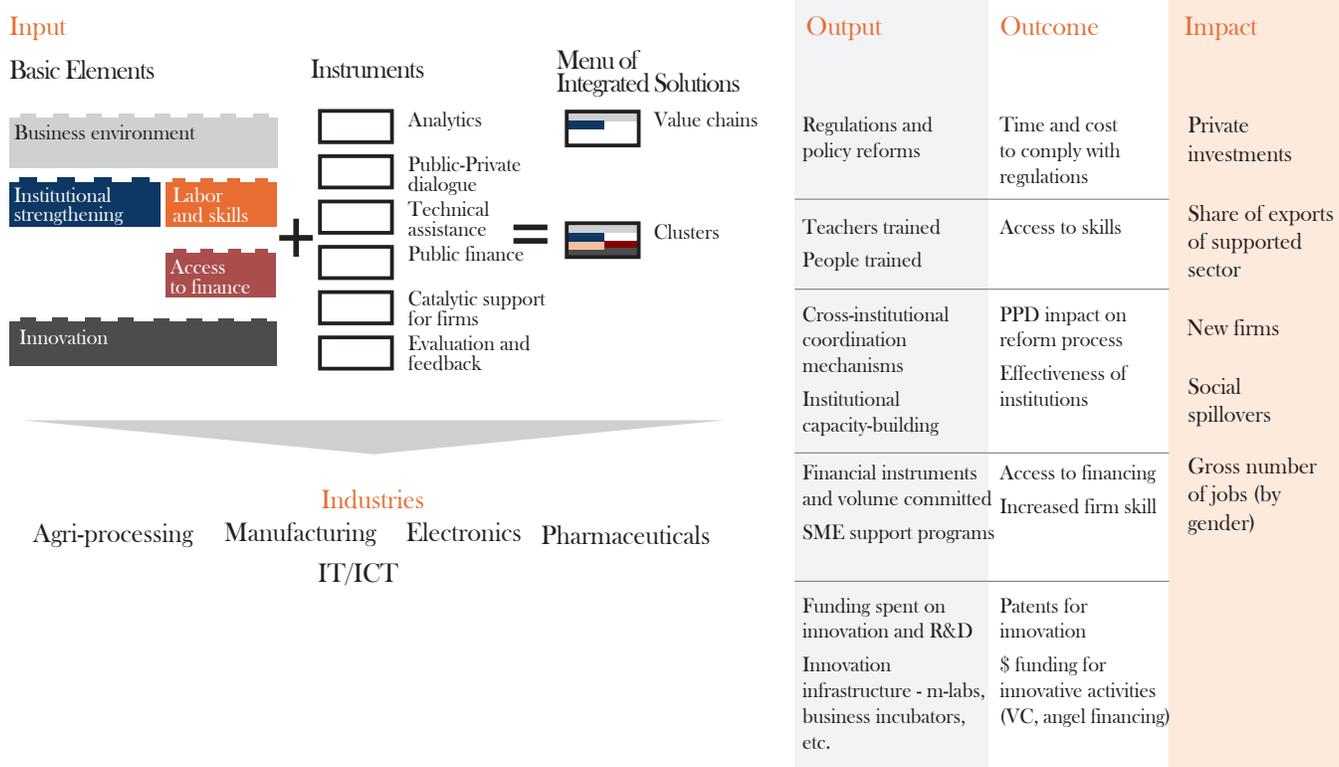
Innovation and Competitiveness Architecture. CIIP's engagement was instrumental in the creation of the two agencies, GEDA and GITA, and in the drafting of their structure, strategies, mandate, and implementation arrangements. For the first time in the country's history, allocations were made in the State Budget of Georgia for innovation and technology absorption for GITA (USD 7 million) via various financial and non-financial products and infrastructure investment and for SME and export development for GEDA (USD 17 million). Knowledge building events and technical consultation meetings were held in February and March, 2014, with participation of experts from Chile, Poland, Croatia, and Israel to transfer knowledge to GITA and GEDA on types of products, distinct features, organization of selection process and the creation of an independent Selection Committee etc. The team has also influenced the innovation and competitiveness agenda through substantive contributions to the Georgia Innovation Strategy and the Georgia 2020 Development Strategy.

Facilitating New PPDs. CIIP's team organized six round table discussions and extensive stakeholder meetings and capacity building events with the Georgian Business Association, SME development Association, Microfinance Association, ICC, AmCham, Export Development Association, Georgia Economic Development Strategy 2020 working group, other task forces, leading Georgian Universities (State Tbilisi University, Georgia Technology University, Iliya University), Think Tanks (ISET, PMCG, Center for Financial Stability and Competitiveness), Transparency International, private sector and financial sector representatives to discuss private sector development challenges, competitiveness and innovation agenda, entrepreneurship and SME development strategy. In recognition of the importance of such dialogue, the Prime Minister of Georgia established a special working group comprised of key government, academia and private sector stakeholders tasked with developing the Georgia Economic Reform Strategy 2020. In addition, in early 2014 the Economic Reform Advisory Council was established for as a permanent mechanism for public-private dialogue in order to facilitate this work and ensure implementation.

Leverage

The grant has capitalized on partnerships within the WBG through their collaboration with the TWICT and ICT teams. CIIP's engagement will leverage a series of three DPLs for 2015-2017 and a new investment lending operation for ICT and Innovation in FY2015. Reform measures identified through CIIP's analytical work will be included in the World Bank's development policy lending matrix.

Results chain



HAITI Strengthening Competitiveness Implementation Capacities

Grant ID	TF016213
Grant Duration	December 9, 2013 – October 30, 2015
Grant Amount	\$1,875,000
Cumulative Disbursements	\$294,516
Outstanding Commitments	\$49,432
Design Elements	Sector selection, Strategy formulation, Regional development, Competitiveness Fund, Local PPD, Competitiveness training
Expected Leverage	IDA Business Development and Investment Project (\$20 million)

Context

Haiti's legacy of deep social and economic inequities and resulting intense concentration of wealth and power were exacerbated even further by the devastating earthquake in 2010. Haiti was both one of the poorest and one of the most unequal economies in the world. Over half of its population of 10 million was estimated to live on less than US\$1 per day, and 78 per cent on less than US\$2 per day in 2001 (last available data).

With the help of the international community Haiti has made progress towards post-disaster recovery and reconstruction. The government has put private sector development at the center of its longer term development strategy. The National Recovery and Development Action Plan prioritizes reforms in the business environment and public financial management. Post-earthquake efforts to create private sector jobs have focused heavily on enclave initiatives such as integrated economic zones (IEZs), industrial parks, and micro-parks. Aside from their investment promotion objectives, Haitian Greenfield zones are intended to further the government's goal of "decentralizing growth" outside of Port au Prince, and promoting regional development.

The Haitian experience-to-date with IEZs points to a number of lessons and challenges that necessitate course corrections, such as (1) the limitation of zones, such as overreliance on foreign investment and less-than-anticipated job growth; (2) weak public sector capacity, especially in the area of investment management and PPD; and (3) poor fit between project design and country context. The CIIP team has taken the opportunity to learn from these lessons and more thoroughly re-think Haiti's approach to design and implementation of competitiveness strategies.

CIIP's project in Haiti aims to support a more inclusive "governance approach" to industrial development that draws on country capacities and local institutions across the public and private sectors, and relies on implementation mechanisms that empower, test, and reward the domestic private sector and subnational authorities. The project's objectives will be achieved by: (i) motivating local entrepreneurs in emerging clusters to identify and exploit new opportunities; (ii) building public sector capacity to support competitiveness strategies; and (iii) expanding fiscal and financial instruments to mobilize public and private investment.

Achievement of Objectives

CIIP engagement in Haiti is helping the government develop a broader menu of approaches, beyond IEZs, to promote long term private sector development across the country. Early progress has been made through knowledge sharing around competitiveness and cluster-based strategies; mobilization by the government of a cadre of cluster agents around the country, and participatory sector selection by emerging entrepreneurs using local PPD mechanisms. Another important achievement of CIIP's project, which also

signals the government's evolving approach, was its decision to restructure IDA's \$20 million Business Development and Investment (BDI) Project to allow for the creation of innovative Competitiveness Facility that provides investment and capacity building support to emerging and existing clusters supported by enterprise agents in all provinces of the country.

Implementation Progress

In the short period of its implementation, the CIIP grant has influenced the thinking and strategy of the Ministry of Commerce and Industry. In recognition of the limitation of IEZs, the Ministry is now implementing a cluster approach based on continual identification of new global opportunities and support for emerging local clusters. Over the course of a number of missions as well as through full-time staff support in-country, CIIP has contributed to the following:

- Identification of ten sectors in ten different provinces through the engagement of local PPDs.
- Launch of CIIP's innovative competitiveness training program, starting with the delivery of the first module in June 2014. Based on similar methods employed in the EU, the program is comprised of a series of modules to be delivered within a period of ten months to address the following themes and concepts: Screening for Competitiveness Initiatives; Industry Analysis and Strategic Segmentation; Locations and competitiveness initiatives; Implementation Agencies and support infrastructure; Implications for National Policies; and Monitoring and Evaluation for Implementation and Impact. The Minister of Commerce and Industry aims to leverage CIIP's Training Program by creating a curriculum for a new Entrepreneurship Institute in Haiti.
- The design and launching of the Entrepreneurship Support Services (SAE) Program, through which Enterprise Competitiveness Agents from the Ministry of Commerce and Industry will work with local entrepreneurs from their province to carry out competitiveness initiatives in emerging clusters and develop strategies to exploit new opportunities. The Agents will also formalize the PPD process in their respective provinces.

Early Results

CIIP has created an important opportunity for Haiti to develop a new approach to private sector development. A number of government decisions around the establishment of institutions and programs provide evidence of an emerging bottom-up, regionally-driven approach to growth:

Knowledge and know-how on competitive industries. In a short time, a cadre of local enterprise agents and private sector actors are being trained in the methodologies and approaches that characterize contemporary value chain and cluster competitiveness strategies. While full implications of encouraging these new approaches will not be seen for some time, the deployment of the new agents across the country represents an important new development which bodes well for cluster development.

Inclusive local PPD mechanisms across the country. With CIIP's help, the government has embarked on developing collabora-

tive institutions with the private sector; in some cases, for the first time. Inclusive PPDs are supporting sector prioritization and the design of competitiveness strategies at the provincial level. The design and implementation of the SAE Program will further enhance the capacity of provincial organizations to drive the process of economic development.

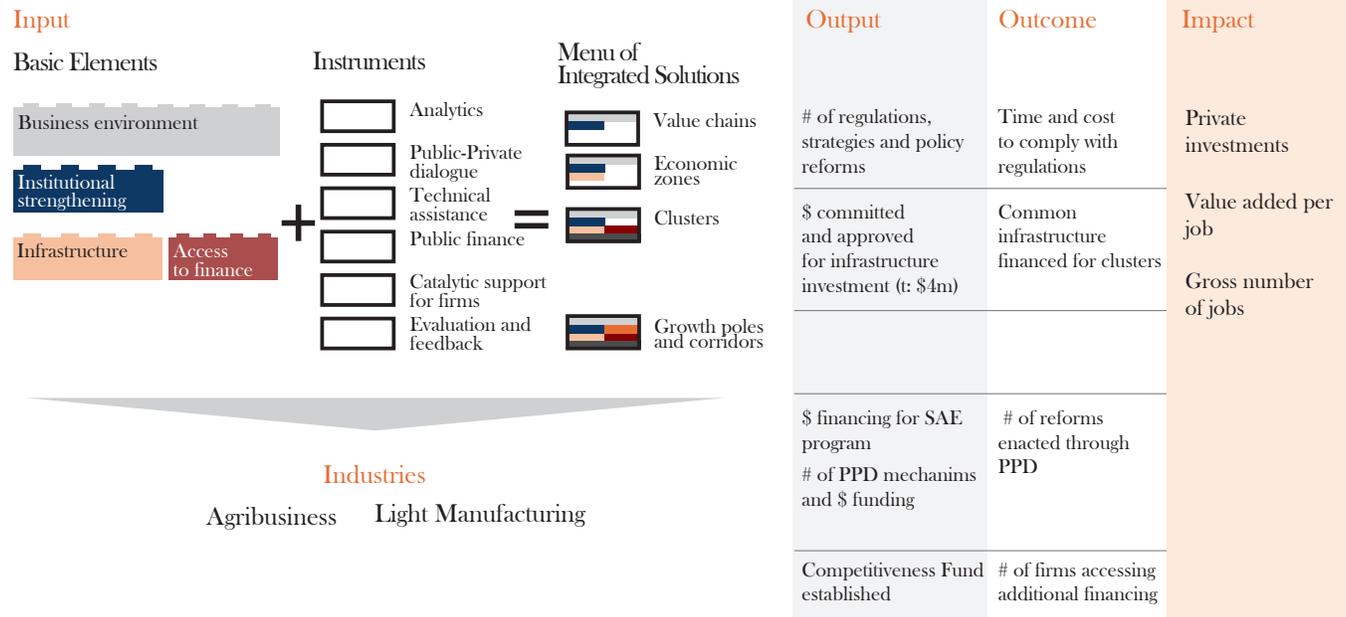
Innovative cluster funding mechanisms. The proposed Competitiveness Facility will provide an incentive for the local PPD efforts and eventually, for cluster development. Specifically, it will provide access to finance for enabling infrastructure and capacity

building to local clusters with a view to leveraging private investment and promoting firm level competitiveness.

Leverage

CIIP has forged strong partnerships with USAID, IADB and the EU. The grant has help with the restructuring of IDA's BDI Project, while also attracting other donors to contribute to the proof of concept that will be substantiated in the initial years of implementation.

Results chain



KAZAKHSTAN Competitiveness and Economic Diversification Project

Grant ID	TF015585
Grant Duration	November 1, 2012-June 30, 2014
Grant Amount	\$750,000
Cumulative Disbursements	\$168,466.39
Outstanding Commitments	\$0
Design Elements	Sector selection and value chain analysis to support a new generation of industry-specific business environment reforms
Expected Leverage	\$20 million component in a forthcoming \$100 Million SME Competitiveness and Access to Finance project; approximately \$2.1 billion in leveraging 3 out of 7 objectives in a \$5 billion partnership agreement with the government

Strategic Context

The government of Kazakhstan has expressed a commitment to economic growth, competitiveness and diversification into non-extractive industries. It is interested in identifying sustainable sources of medium- and long-term economic growth that would spur job creation and support further regional development and shared prosperity. The government also aspires to increase the effectiveness of state support and to continue to improve the business enabling environment. In January, 2014, The President set out an industrial policy for development characterized first through the growth of manufacturing, following the example of South Korea, Singapore and others, and then through the development of a “knowledge-based” economy. These industrial policy goals focus on increasing the share of non-oil products in Kazakhstan’s export basket to 70 percent, and increasing small and medium enterprises’ (SMEs) contribution to GDP from the current 20 percent to 50 percent by 2015.

As part of the Action Plan to implement those priorities, the government is particularly interested in the development of clusters, and has drafted a Prospective National Clusters Development Concept 2020. In addition, the MRD is consolidating its previous Regional Development Program and Single-Industry Towns Development Program, among other instruments, into a more comprehensive Regional Development Program. The primary goals of the new Regional Development Program will be urbanization and the formation of centers of economic growth in the regions, involving clusters.

CIIP’s grant seeks to pilot an approach to support the competitiveness of higher added-value production and private sector activities in non-extractive industries, in and around priority areas (agglomerations, cities, towns). The TA will have a secondary focus on SME development in these industries. The project objective is being pursued through targeted interventions that focus on 2-3 industries with strong potential for increased competitiveness, and which aim to strengthen the business enabling environment and address gaps in the value chains and their supporting infrastructure. As the development of a competitive industry may take a form other than cluster, the pilots will apply the concept of clusters as appropriate, given the findings of the specific industries of focus.

Achievement of Objectives

The CIIP grant has resulted in a series of early achievements. The Bank team, with support of CIIP, has helped the government of Kazakhstan to develop a sound understanding of the policy priorities and factors that are driving its focus on competitive industries and cluster development. The team and the government

have identified characteristics and weaknesses of the government’s past and current approaches to industry-specific development and assessed the array of current government programs that are being used in support of economic diversification and regional economic growth. Along with this work, the CIIP grant has supported technical assistance, including an analysis of economic conditions in each of the fourteen regions of Kazakhstan, plus the cities of Astana and Almaty; performed a just-in-time, and high-level, trade competitiveness diagnostic; and analyzed data on SMEs in Kazakhstan. Given that the focus of the TA has been expanded from Astana and Almaty cities (as agreed on with MRD during the December mission), the team is now hiring a consultant (firm) to examine the list of clusters that MRD has proposed for development and inform the selection of industries in which the TA will support pilots of the recommended approach. The TA has also helped in partnerships with other development partners by creating a shared understanding of the related work of other development partners, including the OECD’s work on competitiveness and the EU’s work on regional development, and developed an inventory of data that will be available to inform the work going forward. The CIIP team also provided comments on the concept note for the Industrialization 2015- 2019 Concept, which informed the State Program of Accelerated Industrial- Innovative Development 2015- 2019 (the government of Kazakhstan’s leading industrial policy document).

Implementation Progress

The activities in the Project Timeline have been slightly delayed. However, this delay is due to developments at the country level, including the US\$5 billion Partnership Framework Agreement and the inclusion of a US\$20 million component on Regional Competitive Industries in the SME Competitiveness and Access to Finance (CAF) project. Therefore, the delays should not be a cause for concern, as they set the stage for better and more sustainable project implementation.

Early Results

CIIP’s team has worked closely with the government of Kazakhstan, and early CIIP activities have been useful not only to prepare for the work that will be done under the grant, but also to inform the design of the SME CAF project and discussions on the WBG-GoK joint program on economic diversification and competitiveness. Specifically, progress on the grant implementation has included the following:

Innovative Approach to competitive industries in Kazakhstan.

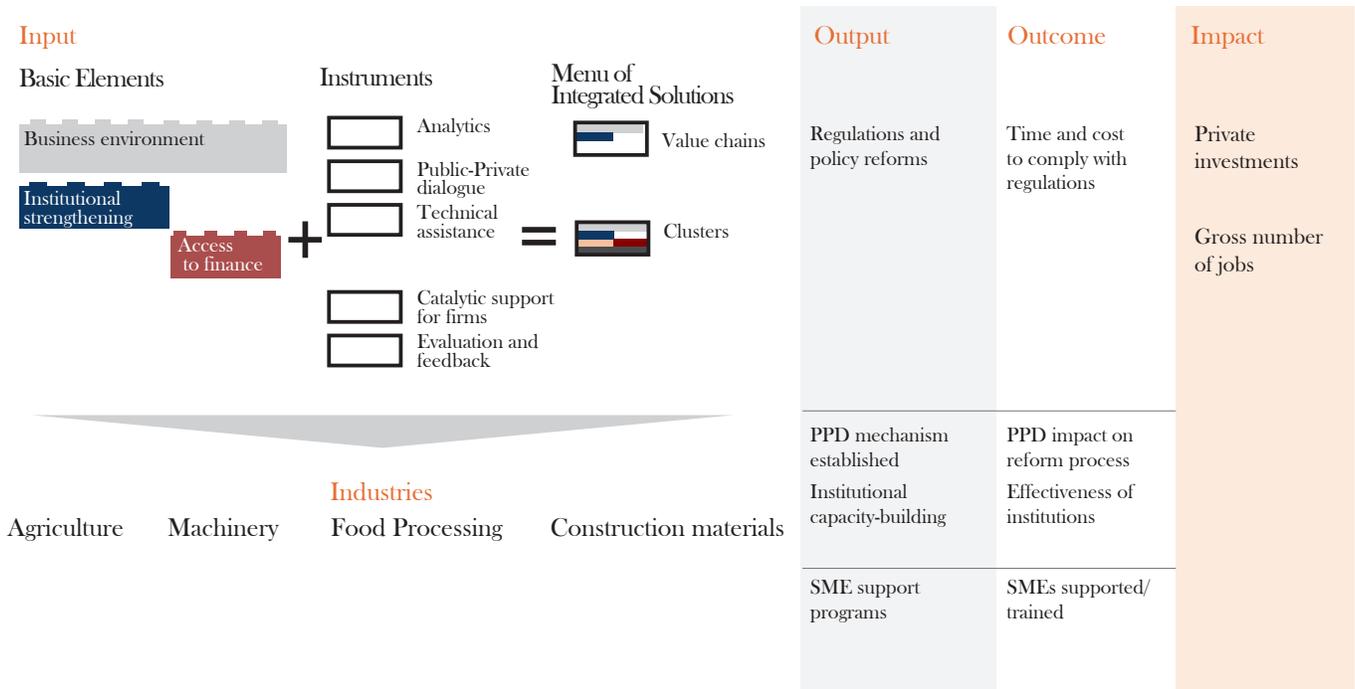
CIIP’s team, together with the government of Kazakhstan, developed an approach and work plan for TA implementation that reflects the context in Kazakhstan and draws on international good practices. MRD, MINT/KIDI, private sector representatives, local and regional government representatives, and other government and private sector stakeholders as appropriate (e.g. Ministry of Economy and Budget Planning, Ministry of Agriculture, National Chamber of Entrepreneurs, etc.) will participate in the pilots. The proposed approach is different from previous efforts in the following ways: (i) it takes a deeper look into specific industries, examining transactions and dynamics between firms, existence or potential to develop clusters, and industry-specific aspects of business-enabling environment; (ii) it will produce and help the government implement actionable reform plans that are owned by the government and not the donors; (iii) it is built around a consultation process that brings together stakeholders from the private sector, different

parts of government and other institutions, which has been lacking in existing initiatives; (iv) it will help the government sustain the consultation platform over time; and (v) through the diagnostic approach and implementation mechanisms used, it will allow the government to sense market trends and feedback (the implementation mechanisms for the pilots will build capacity for this ‘market sensing’ approach.

Policy Leverage and Institutional Strengthening. The CIIP grant helped inform approximately \$2.1 billion of the total \$5 billion in the Partnership Framework Agreement between the government and the World Bank, The Kazakhstan Program for Sustainable Development and Inclusive Growth. CIIP’s work specifically informed the design and public spending priorities of 3 out of the 7 objectives in the Partnerships, namely: (i) increasing the role of the private sector in the economy, development of small and medium-sized businesses, and improvement of business climate; (ii)

fostering innovation, and (iii) addressing skills gap, building skills for the job market. In addition CIIP directly contributed to the design and the inclusion of a US\$20 million component on Regional Competitive Industries in the SME Competitiveness and Access to Finance (CAF) project, USD \$100 Million. The grant has additionally helped to leverage government financing as the government of Kazakhstan has agreed to finance half of the forthcoming operation. The CIIP team developed recommendations on how the SME CAF project component on regional competitive industries could be designed in order to institutionalize the approach that will be piloted through the TA, so that the government of Kazakhstan can then apply this approach across the multiple industries and clusters it wishes to develop. The project will help the government to establish a strong institution to facilitate the development of competitive sub-sectors (industries) and SME growth within them, incorporating international best practices that are tailored to Kazakhstan.

Results chain



RUSSIA Stimulating Investment and Jobs through Innovative Clusters

Grant ID	TF015279
Grant Duration	July 8, 2013-October 31, 2014
Grant Amount	\$420,000
Cumulative Disbursements	\$417,890.35
Outstanding Commitments	\$0
Design Features	Cluster selection, Cluster management, Regional development, SME linkages, PPD
Expected Leverage	Forthcoming SEZ lending operation (\$200 million), Two RAS

Strategic Context

The project aimed to improve the effectiveness of cluster governance and management in Russia and help firms create high quality jobs through better products and services exported to global markets. A cluster initiative is an organized effort to enhance the competitiveness of a cluster involving private business, public bodies or academic institutions within a regional and sectoral system and international experience suggests that cluster initiatives can play an important role in supporting regional competitiveness, but that they also carry a number of risks. Cluster policies, when properly managed can have an economic impact and can foster innovation in regions. However, there is evidence—at least in Europe—that the quality of most cluster initiatives is compromised by management and organizational challenges. Indeed, active cluster development processes are complex and rely on efficient management systems at all levels of decision-making.

In Russia, cluster initiatives hold the promise of bringing more relevant regional policy responses and support mechanisms to firms. Current public efforts at fostering innovation in Russia through instruments such as technology parks, incubators, venture funds and the like, have not yielded many results. One reason is that these instruments are not always tailored to the local needs of regions. Another reason is that many of these instruments are funded through federal channels, and businesses in regions have limited opportunities to provide feedback on their relevance or the quality of their delivery. Clusters can improve the governance and management of the innovation support process by giving all cluster members a voice in the type of reform and support measure required, and by rallying private resources to public resources in collaborative projects.

The approach of the CIIP project was to identify clusters that could most benefit from the Project's support, and to help them strengthen their management and governance through a number of activities. The selection criteria were that: (1) the project support to the clusters would generate reasonably quick results and have a demonstration effect at the national level; (2) support would leverage additional public or private investments to scale the impact of the project; and (3) it was reasonable to believe that cluster governance and management would affect the behavior of firms in the cluster.

As a result of this process, four clusters were selected for support by the project: the Novosibirsk information technology (IT) cluster; the Tomsk IT and pharmaceutical cluster, the Troitsk new materials, laser and radiation cluster; and the Ulyanovsk aeronautics cluster. A preliminary analysis of cluster policy implementation in Russia showed that there are five areas where the project could provide technical assistance to the clusters:

- Stakeholder understanding of the nature and organization of clusters

- Dialogue between clusters and regional authorities, regional centers for cluster development, and inside the clusters
- Qualification and skills in the area of cluster management, strategic planning, and work with cooperative projects
- Management systems and procedures in the cluster management organizations (CMOs) responsible for leading the cluster initiatives
- International links and visibility

Achievement of Objectives

CIIP has made a significant contribution to the policy dialogue of select Russian regions where the project had engagements. The project has helped position the development of dynamic and sustainable clusters as a key pillar of regional economic development strategies, and provided tangible advice on how to strengthen cluster development. Public-private dialogues have been held in each of the four regions: Novosibirsk, Tomsk, Ulyanovsk, and Troitsk involving firms, cluster leadership, regional government officials from various ministries, regional cluster development centers, research institutions, and innovation support infrastructure (e.g. techno-parks and incubators).

The key challenges of cluster policy are related to its implementation, which requires a special set of knowledge and skills, which is particularly lacking at the regional level. The project's main contributions were the enhancement of this set of knowledge and skills in the clusters with which the grant was engaged. CIIP strengthened capacity of relevant regional actors through providing them with hands-on capacity building, good international practices and action plans on how to move forward.

In addition, through support for regional cluster centers and direct work with SMEs in the clusters, CIIP raised awareness and reinforced the message that there are benefits to collaboration through clustering and that good cluster governance and management can lead to positive results, and has thus catalyzed a demonstration effect. A very positive trend uncovered during the course of the project was that once better exposed to the benefits of clustering, regional leaders (businesses, regional administrations, development agencies, R&E organizations) become more favorable inclined toward the implementation of clustering activities in their regions. This positive attitude based on clarity and understanding can be nurtured by policymakers in order to ensure Russia benefits in full from the potential created by clustering work.

Implementation

The initial analysis conducted for the purpose of the grant's cluster identification process highlighted that Russian clusters do not have a strategic vision shared by cluster members. A number of clusters are created through a top-down process, lack the necessary stakeholder buy-in, and have no clear, common, and pragmatic understanding of the concept and value of developing cluster initiatives. The project helped identify a number of recommendations in cluster policy design and implementation that can help mitigate existing risk to cluster development in Russia: (i) focus cluster policy on cross-cutting technologies that are relevant to many sectors in the market; (ii) focus the cluster program on SMEs and put them in the driver's seat; (iii) co-fund the cluster program with multiple federal ministries; (iv) provide sustainable funding for cluster policy at the federal and regional level; (v) improve the quality of cluster management

organizations; (vi) create interest in and motivation for clustering by developing relevant cluster knowledge and skills; (vii) implement an efficient monitoring system agreed upon and understood by regional stakeholders.

In order to address a number of these identified recommendations, the project used a mix of technical assistance including: (i) the identification and diagnosis of cluster initiatives to support; (ii) the strengthening of cluster management and governance systems through knowledge transfer, and learning-by-doing; (iii) small pilots to implement collaborative activities within the selected clusters; (iv) and the development of concrete action plans and recommendations for public and private stakeholders in the selected clusters. The value of the project was mainly delivered through facilitation, training and coaching of cluster stakeholders. The mix of activities used for a particular cluster was based on the timing of the intervention (e.g. whether the cluster developed a strategy, or whether it is ready and willing to do so), the needs of the cluster, as well as the specific demands of cluster stakeholders and the regional administration.

Results

The main outcome of the grant was to improve the effectiveness of cluster governance and management through:

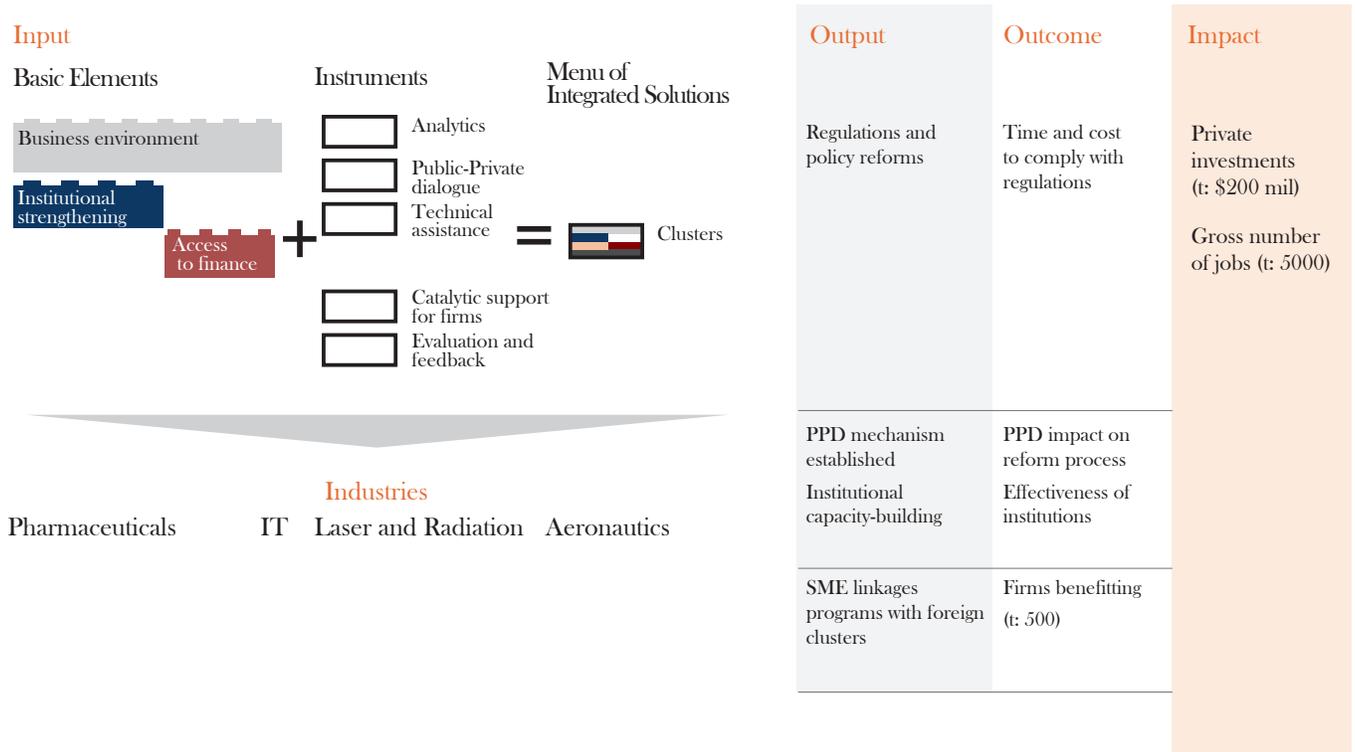
- Expected reforms in one regional cluster center (Novosibirsk)
- A public private dialogue established in one cluster

- 15 business projects from Russian clusters presented to foreign clusters, five Russian companies and nine Russian cluster representatives invited to foreign clusters, two joint projects under preparation

Leverage

Funding provided by CIIP helped to develop a series of new projects currently under preparation between the Bank and the government of Russia. Two separate RAS projects (Reimbursable Advisory Services) are under discussion with the regions of Novosibirsk and Troitsk. In addition, the World Bank team has been able to use PPDs with the clusters identified in this project to help set up a forthcoming USD \$200 Million SEZ lending operation, which will include two of the clusters. For instance, the cluster in Tomsk focuses on the IT sector (and also includes medical and pharmaceutical companies). The grant identified constraints within this cluster that are more sophisticated than traditional constraints in zones projects (e.g. commercialization, internationalization, links with foreign clusters etc.). The clusters initiatives have allowed the Bank and project beneficiaries the ability to identify and address these constraints early. Support has included providing direct services to the firms to help with their business plans, finding local researchers at universities, and providing support on how to deal with issues related to intellectual property rights. The team has started building linkages by engaging firms within clusters.

Results chain



SIERRA LEONE Growth Poles Program

Grant ID	TF015439
Grant Duration	Aug 19, 2013-Nov 30, 2014
Grant Amount	\$994,641
Cumulative Disbursements	\$555,600
Outstanding Commitments	\$292,483
Design features	Spatial analyses, Strategy formulation, Local content, Institution building, PPD, Knowledge transfer, Shared infrastructure, SME support
Expected Leverage	Forthcoming IDA Growth Poles Operation (\$15 million)

Strategic Context

Sierra Leone's post-conflict recovery has been characterized by an industrial mining boom resulting in a 15.2 percent surge in GDP in 2010. While extractives significantly improve its short-term prospects, the country's long term goal of reaching middle income status will require concerted efforts to diversify the economy in part by leveraging scale and agglomeration economies. The government's 2013-17 Poverty Reduction Strategy Program, Agenda for Prosperity, seeks to enhance industrial competitiveness in key sectors such as agriculture, manufacturing, fisheries and tourism through extractives-driven growth pole(s)/corridor(s).

Sierra Leone's growth poles approach is being developed under the leadership of the Office of the President with the support of development partners, including the WBG. The approach involves targeting and coordinating policy, institutional, and investment support for spatial clusters around core industries. Its success depends on rigorous analytics, open consultative processes, capacity development, targeted public investments, and robust linkage efforts. Given its complexity, proactive management of operational and governance risks will be important.

CIIP's growth poles program aims to help the government identify potential growth poles that can leverage private investment in infrastructure and commercial operations and drive local economic development and diversification beyond the existing extractives industries. The grant is designed around the following phased components: (1) Growth Poles Identification and Diagnostics, (2) Program Design through PPD, and (3) Implementation Support.

Achievement of Objectives

The grant has made rapid progress towards identifying growth poles and designing investments. CIIP's innovative Sierra Leone Growth Poles Diagnostic Report was endorsed by the Office of the President in August 2013. It identified three poles – (i) a northern pole from Freetown to Tonkili, (ii) a southern pole from Bonthe to Sulima, and (iii) an eastern pole from Tiwai to Kailahun – each with different groupings of growth sectors such as mining and linkages, agriculture, fisheries, and tourism. This analytical tool—a “slideument”—has had a significant impact on strategy formulation and decision processes in Sierra Leone. As such, it is considered a good practice example of applied industry and spatial analytics to help decision-makers in other countries such as Ghana and Burkina Faso.

CIIP has followed up its initial diagnostic with sustained advisory support on the design of growth poles interventions. Multi-sectoral analytics have helped design a strategy, select interventions, and signal commitments along four work streams—(i) delivery systems, (ii) deals orientation, (iii) catalytic interventions, and (iv) social capital development. CIIP also provided support for the launch of

PPDs and economy-wide consultations in Freetown and upcountry to engage with stakeholders and review institutional arrangements for better operation design and implementation. In addition, CIIP advisory services are helping government to prioritize public investments to pursue quick-wins, kick-start at least one growth pole, and sequence future support in the context of a pipeline IDA growth poles project.

Implementation Progress. Following the completion of the Sierra Leone Growth Pole Diagnostic Report, CIIP launched and is currently wrapping up all planned Phase 1 and 2 activities. These include the governance and institutional options assessment; medium-long term growth poles strategy; growth poles 3-years operational plan; geospatial capacity needs diagnostic, port/rail commercial options assessment; SMEs survey; local content compact; local content scorecard; suppliers development program; workforce & TVET portal; fisheries cluster study; rice value chain study; migrants survey in growth poles, and report on the “Political Economy of Social Capital” in growth poles. Key highlights under each of the main work streams are enumerated below:

Delivery Systems: A delivery system will address the current lack of effective inter-ministerial collaboration and capacity to support and facilitate this approach. The analysis on “Institutional Arrangements for Sierra Leone Growth Poles” (March 2014) and “Sierra Leone Growth Poles Delivery Systems Work Plan 2014-17” (June 2014) are expected to inform the institutional and fiduciary arrangements for key elements of the proposed IDA growth poles project, and for it.

Deals-Oriented: The deals orientation of Sierra Leone's growth poles approach focuses on developing shared infrastructure to encourage spillovers. The ongoing dialogue with government on shared infrastructure development (since May 2013), a PPP Pipeline Report financed by the PPIAF trust fund (June 2014), and a CIIP assessment of options for potential commercialization of the deep sea port (September 2014) are translating into time-bound project activities to be financed by IDA.

Catalytic Interventions: While infrastructure projects are important, associated investments and capacity-building efforts directed at the private sector are required to catalyze economic diversification. Three activities informing project design are underway covering the following areas: (i) Local Content Compact, (ii) Fisheries Sector Analysis, and (iii) Rice Value Chain Study. On Local Content Compact, PPD has been successful with the signing of a MoU (November 2013) and the launching of a SMEs survey (May 2014). A firm will be hired to complete the design of a SMEs Support Program (August 2014). For options to diversify away from mining, two studies—one on fisheries and the other one on the rice value chain—are at an advanced stage.

Social Capital Development: Service delivery by local authorities and shared prosperity with communities are important measures of the success for the government (human development, social protection, gender, environment and local private goods). The report, “Political Economy of Social Capital in Sierra Leone Growth Poles,” (April 2014) has helped define the environmental and risk framework—including the fiduciary, social, and environmental safeguards—that will govern IDA and other donor growth poles projects. The report points to important policy issues such as

the lack of transparency in land lease administration or in awarding of the land to private sector) and the matching of education and skills to employment opportunities. It also identifies the need for stronger coordination across government, and greater awareness of contextual factors such as communities' perceptions of the extractives boom.

An additional measure of progress is the strong demand from the government for proceeding to a third phase of the CIIP grant focused on implementation support for the growth poles program.

Early Results

CIIP grant has already contributed a significant process of learning and institutional change around Sierra Leone's industry level efforts. An ever-broadening swathe of decision makers in Sierra Leone's private and public sectors have come to view growth poles as a means to sustainable growth and shared prosperity. Early results rest on the adoption of legal and regulatory initiatives relevant to growth poles, an increasing deals orientation, collaborative governance arrangements, and partnerships that leverage much-needed investments. Illustrative examples are listed below:

Collaborative Governance. Significantly, CIIP's engagement has involved efforts to promote an inclusive public-private sector dialogue around the design and implementation of growth poles. A key feature of the in-country dialogue was to promote learning through the use of the "slideument" methodology—that is, a living document with analyses and recommendations tailored to specific industries and spatial agglomerations. Equally important are ongoing efforts to build the government's cross-sectoral coordination capacity to support growth poles. The CIIP grant is facilitating south-south learning based on a number of agglomeration initiatives around the world, for instance, the Madagascar growth poles (Ministry of Finance), Burkina Faso Bagre pole (Independent agency), Mtwara Development Corridor (line ministry), as well as the international experience with delivery units in Indonesia, Australia, the UK, Malaysia, and India.

New Legal and Initiatives around Local Content. Efforts to develop Sierra Leone's embryonic legal and institutional framework for local content are bearing fruit. Following a number of CIIP sponsored consultations, the government, mining companies, and the Chamber of Commerce are working to develop a Local Content Score Card. In addition, a public-private MoU on local content has been signed between the Ministry of Trade, the Ministry of Mines, and the Chamber of Commerce representing the largest mining companies, etc.

Catalytic Support for Firms. Efforts to catalyze economic diversification are underway. Notably Anchor investors are to financially contribute to SMEs support programs (TVET, Suppliers, etc.). Early steps have been taken to secure these investments, notably through technical assistance. A PPD has been successfully established and, in May 2014 the team launched an SMEs survey to support economic diversification efforts.

Expanded Prospects for Pipeline Deals. CIIP's study on the commercial viability of Sierra Leone's deep sea port signals the government's intention to expand its "deals horizon" on shared infrastructure. Such a significant investment in shared transport infrastructure has the potential to be a game-change for Sierra Leone and neighboring countries over the medium to long run.

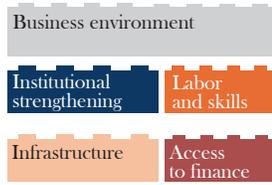
Leverage

The grant has placed a premium on partnerships both within the WBG (comprising the IDA and IFC teams) and among development partners in Sierra Leone. With CIIP support, the Bank team is working closely with DFID, GIZ, AfDB, and the EU during missions and more generally, on analytical and program design activities. It is envisaged that these efforts will leverage IDA and other donor resources to augment Sierra Leone's public investment resources. In March 2014, the government expressed its interest in developing a program of IDA support. The proposed IDA operation is currently in the design phase, and supported by a Project Preparation Facility. As these projects are developed, the Bank team anticipates that private financing (for example, from London Mining and Addax) will be leveraged through PPPs and the Local Content Compact with large FDI and their tier-1 contractors.

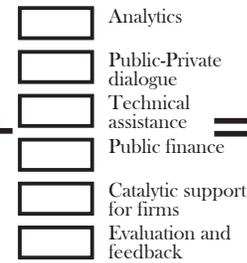
Results chain

Input

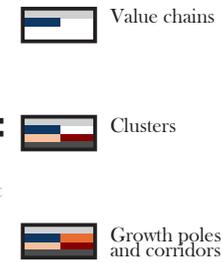
Basic Elements



Instruments



Menu of Integrated Solutions



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Industries

Agriculture Fisheries Extractives Tourism

Output	Outcome	Impact
Regulations and policy reforms approved (t: 3)	Time and cost to comply with regulations	Private investments
\$ approved for infrastructure investment	Access to upgraded land (t: 50 ha) Access to deep sea port (t: >FY18)	Gross number of jobs
# of reform programs designed (t: 2)	# of trainees employed 1 year after training	
Cross-institutional coordination mechanisms (t: 2)	Reforms enacted through PPD mechanism (t: 3)	
SME support programs	SMEs trained or supported (t: 260)	

TANZANIA Developing Local Industries Connected to Natural Gas Discoveries

Grant ID	TF016164
Grant Duration	November 30, 2013-March 31, 2017
Grant Amount	\$676,250
Cumulative Disbursements	\$80,661
Outstanding Commitments	\$180,869
Design Elements	Scoping and diagnostics, Strategy formulation, Local content policy, Institution building and knowledge transfer, PPD
Expected Leverage	\$20 million (Pipeline IDA Growth Poles Project)

Strategic Context

In 2012 Tanzania nearly tripled the appraisal of its natural gas reserves, concentrated in the underdeveloped Mtwara and Lindi regions at the border with Mozambique. The large majority of these gas reserves are off-shore, requiring exploration below sea level. To develop these reserves, international gas companies plan to invest between \$20 and \$25 billion in Tanzania over the coming decade (the country's current GDP is \$28 billion), including the construction of a large liquefied natural gas (LNG) plant which will allow Tanzania to export gas to the lucrative Asian markets. The natural gas sector has the potential to transform Tanzania's economy and lift incomes for many currently living below the poverty line. To do this, the government intends to take an array of proactive measures to avoid the "resource curse" such as prudent macro-fiscal management, institutional development, and integration of other sectors into extractive activities.

As part of this larger effort, CIIP aims to help Tanzania capitalize on the local economic and enterprise development opportunities linked to natural gas discoveries along the Lindi-Mtwara corridor. To achieve this, CIIP is helping the government design and implement a national gas strategy, as well as the private sector gas value chain project in close collaboration with the main investors (British Gas, ExxonMobil, and StatOil). The CIIP grant is designed around three phased components: (1) scoping and diagnostics, (2) program design through PPD, and (3) ongoing implementation support.

Achievement of Objectives

The grant has improved the prospects of developing the natural gas value chain in conjunction with an expansion of local economic development opportunities. CIIP work on upstream local content sourcing has helped inform a draft Local Content Policy. Similarly, the grant's support for PPDs is boosting the government's early efforts to engage a broad-cross section of stakeholders from the public sector, local private sector, and international oil companies involved in Tanzania. Even though it is still early, these initiatives represent Tanzania's emerging approach to managing the risks and rewards of extractives-led growth.

Implementation Progress

Over the last year, the CIIP team has mobilized international expertise and supported institutional capacity building along three phased work streams: (i) local content opportunity, (ii) policy dialogue on local content, and (iii) downstream opportunities:

Analysis of local content opportunity in the LNG Construction: The analysis aims to identify the local industries that can benefit the most from natural gas-related investments (more

specifically the construction of the LNG plant). The final output of this analysis will be a quantitative estimation of the impact that gas-related investments on the identified industries and the design of possible interventions to overcome the existing gaps. The team has received technical input and support from the gas companies and initial findings from this analysis have been shared with public and private stakeholders through workshops and bilateral meetings. This analysis is providing a rational basis for determining the potential scale of local content opportunities (estimated to be in the range of 8-16 percent of the total expected gas-related investments, or \$1.6 billion in leverage over several years).

Public-Private Dialogue and roundtable discussions on local content: CIIP has supported a series of roundtable discussions with stakeholders from the government, the private sector, civil society organizations, academia, and donor organizations on local content policy. These discussions have centered on experience sharing from other resource-rich countries (for instance, Trinidad and Tobago, Ghana, and in the end of September 2014, Malaysia) that are implementing local content policies. This series is organized jointly with the Uongozi Institute (think tank commissioned by the government to provide technical support on local content matters) and the Tanzania Private Sector Foundation. With CIIP's support, the Bank team has joined other donors in providing feedback on Tanzania's draft Local Content Policy. It is envisaged that these PPDs will help inform policies and investments to be supported inter alia by IDA's pipeline Development Policy Loan focused on private sector development, and other investment projects.

Analysis of downstream opportunities: The study on the downstream linkages will be launched in Q1 FY2015. Given that offshore natural gas is not expected to be extracted before 2022, the timetable allows for ample lead time for the development of cross-sector interventions.

Early Results

With CIIP's help, the Bank team has been an early mover in supporting Tanzania's gas sector. A critical success factor will be the ability of CIIP-supported Bank team to contribute to the design and financing of linkage programs:

Upstream Local Content Sourcing. The thorough analysis of upstream local content sourcing in the gas sector funded by CIIP helped inform the government's draft Local Content Policy. Future feasibility studies will identify a number of local industries that can benefit the most from natural gas investment and recommend tailored interventions to overcome the existing gaps in the identified industries, such as quality standards, scale and reliability of supply, which might prevent them from supplying the sector. Given the scale of expected investments, the local content strategy could potential leverage private investment of around \$1.6 billion.

Timely Public Private Dialogue. CIIP is helping Tanzania navigate the political economy risks typically associated with natural gas investments through multi-stakeholder engagements and evidence based analyses. Since the inception of the analytical work the CIIP team has diligently engaged through PPDs with all the relevant stakeholders, including: key ministries, the Tanzanian Petroleum Development Corporation, the Uongozi Institute, a group of the development partners (including the EU, DFID, and

Norway), the local private sector (represented by the TPSF) and the key international oil companies involved in Tanzania (such as BG, Statoil, and Exxon).

Leverage. The CIIP grant has forged strong collaboration efforts among a large number of development partners, the local private sector, and oil companies. A pipeline lending operation focused on private sector competitiveness is currently in early discussions

between the World Bank and the government, and will likely focus on two growth poles – one around tourism and a second around the gas value chain. As CIIP-financed analysis continues to inform more immediate upstream investment policy discussions, the Bank team will launch a study on the downstream linkages in FY15. It is envisaged that additional private financing will be leveraged through PPPs.

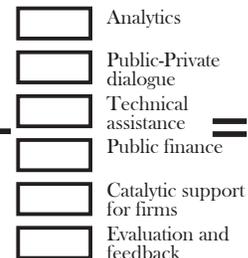
Results chain

Input

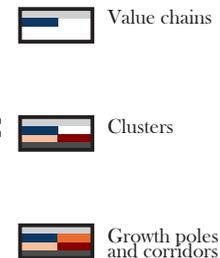
Basic Elements



Instruments



Menu of Integrated Solutions



Industries

Extractives

Output

Regulations and policy reforms
\$ committed for infrastructure investment
Teachers trained
People trained
Cross-institutional coordination mechanisms
Institutional capacity-building
Financial instruments and volume committed
SME support programs supported (t:100)

Outcome

Time and cost to comply with regulations
Access to markets
Access to and reliability of electricity
of students employed 1 year after training
Reforms through PPD (t: 60 percent)
Effectiveness of institutions
Access to financing
SMEs trained/
supported (t:100)

Impact

percent of natural gas investments locally captured (t:16 percent)
Private investments (t: \$20-30 bil, of which \$1.5-2 bil domestic)
Share of sector in GDP (t: 10 percent increase)
Gross number of jobs (t:10 percent increase)

TUNISIA Sector Competitiveness Diagnostics and PPD

Grant ID	TF015016
Grant Duration	October 10, 2013-October 31, 2014
Grant Amount	\$788,000
Cumulative Disbursements	\$253,742.25
Outstanding Commitments	\$61,828.31
Design Features	Sector analyses, Strategy formulation, Sector PPDs; Competitiveness Support and Export Development Fund, Technical assistance.
Expected Leverage	USD 100 Million, Third Export Development Project, DPL

Strategic Context

Tunisia's economy has grown at a respectable pace in the past two decades when compared to other MENA countries. The country had a 4.8 percent average annual growth in GDP over most of the 2000s, placing it among the leading performers in the MENA region. While this is one of the highest GDPs in the MENA region, it is significantly lower than in the high growth emerging economies in other world regions. Tunisia's per capita growth for the least 10 years remained below average when compared to a large sample of 22 developing nations and emerging economies, including many of its regional and global competitors.

Youth unemployment is a major challenge, with 72 percent of the unemployed under the age of 30 in 2012. Unemployment rates are also much higher for women (22.5 percent at end September 2013) and particularly for educated women (44 percent of female graduates) and in remote regions, ranging between 24 and 30 percent in the Governorates of the South West and South East. In absolute terms, the majority of the unemployed are low-skilled workers.

Through technical assistance, CIIP's project has contributed to the development of a comprehensive package of reforms to promote exports and foster private investment that will help Tunisia meet the favorable medium-term economic growth potential. The project's development objective is to identify and help strengthen promising clusters in Tunisia based on cross-sectoral diagnostics and extensive PPD. The output of this project has served as an integral analytical component for the World Bank Competitiveness and Export Development project (CEDP). This newly developed lending operation seeks to help increase and diversify exports by supported enterprises. The Project will achieve its objective through support to: (i) improving the investment climate, trade logistics and supporting innovation; and (ii) improving enterprise access to export markets and finance.

Achievement of Objectives

PPDs supported by CIIP funds underpin all of the sector analytical work and sector studies have been completed in close collaboration with the government and all relevant stakeholders. The largest achievement during the last fiscal year was the creation and approval of the Third Export Development Project, which supports the improvement of business climate for export competitiveness and the diffusion of technology and innovation. The Competitiveness Support and Export Development Fund, which provides matching grants to beneficiary enterprises, is on track to launch in FY15.

Implementation Progress

The project is on track, and the intermediary targets have been achieved. The CIIP team has worked jointly with a number of key

Ministries, including the Ministry of Investment and International Cooperation, the Ministry of Industry and the Ministry of Commerce and Handicraft, to conduct analytical work, and to support a series of PPDs in ten sectors. This has included at least seven workshops hosted with counterparts as well as analytical work.

Early Results

The CIIP grant in Tunisia has provided an opportunity to help transform government mentality toward development of industrial policy strengthening institutions and fostering analytical work across strategically-selected sectors to help generate employment and productivity. Prior to this work Tunisia did not have a single sector-specific industrial policy.

Sector Selection and Analytical Work. The CIIP team, in coordination with the government of Tunisia, completed sector selection and sequencing for a series of analytical notes and supplied technical support to the government. Through an extensive consultative process, the team selected a long list of 10-12 sectors on which to focus. In this initial phase, CIIP has focused on four sectors—pharmaceuticals, IT, garments and textiles, and medical tourism. An analytical note was drafted for each of these sectors, which focused on employment, competitiveness (qualitative study using Porter's diamond analysis) and exports. The team has currently expanded the sector analysis to look at 10-12 sectors and hired experts to conduct them. CIIP has also leveraged public funds as the government has hired an external consultant to complete the remaining sector analyses. The government is currently developing a Vision/sector development strategy—Sector analytics funded by CIIP have provided the foundation for this strategy.

Collaborative Governance and the participation of civil society. PPDs supported by CIIP funds underpin all of the sector work, and the activities have helped establish a long term and sustainable PPD process in Tunisia. Public Private Dialogues in the country are organized on two levels: (1) the high-level task force comprised of ministry staff, the private sector and some development partners, which is responsible for cluster selection and major decision making; and (2) a sectoral-level PPD addressing sector-specific work that will soon have sub-PPDs for each of the ten sectors with completed analytics. The main stakeholders of the PPD are the public sector led by the Ministry of Economy, the signatories of the National Pact (government, the trade union and the major private sector association UGTT, and UTICA), the private sector, in addition to a specially created Independent Council of National Expertise. The PPD process is allowing participants to voice priorities and challenges within the specific industries and regions where there may be particular measures that can increase productivity, wage growth, or jobs. In addition, the involvement of permanent civil society organizations such as UGTT and UTICA is a critical element of the reform process as they have served as deal brokers between the various parties of the political dialogue since the revolution. The use of a committee of local experts in the PPD has provided a dilution of political preferences in the process and reform and allowed the CIIP team to focus on growth and job creation.

High level implementation capacity building. At the country-level the government has established a committee to help engage PPDs. The government strongly endorsed the analytical work supported by CIIP and established a high-level task force com-

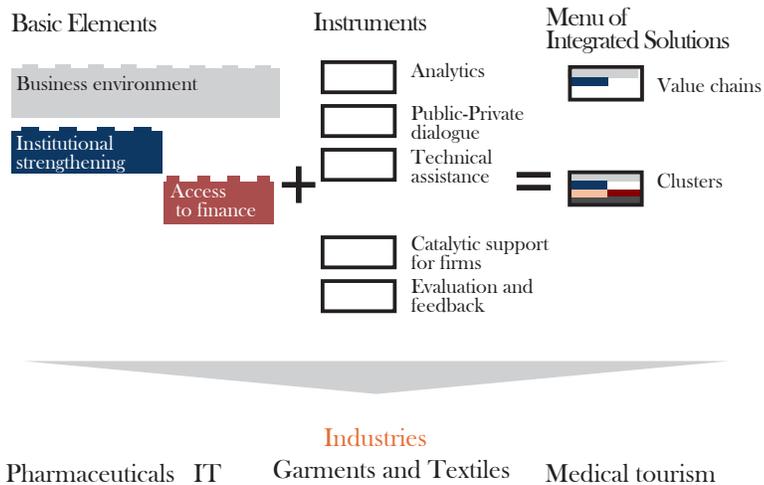
prised of ministry staff, the private sector and some development partners. This task force is responsible for overseeing the adoption and implementation of recommendations that come out of the analytical work funded by CIIP.

Leverage

The Third Export Development Project (USD \$100 Million), which utilized CIIP analyses in the project design, was approved on June 16, 2014.

Results chain

Input



Output	Outcome	Impact
Regulations and policy reforms (t:3)	Time and cost to comply with regulations	Private investments (t: \$15 mil)
PPD mechanism established	PPD impact on reform process	Growth of exports in supported industry (t: 10 percent)
Institutional capacity-building	Effectiveness of institutions	
SME support programs; Export Fund	SMEs supported (t: 2000)	

VIETNAM Regional Competitiveness and Job Creation Project

Grant ID	TF015384
Grant Duration	September 1, 2013-December 15, 2017
Grant Amount	\$1,025,000
Cumulative Disbursements	\$144,072.45
Outstanding Commitments	\$37,124.68
Design Elements:	Sector analyses, Investor promotion, Regional development, Business Development Facility, providing SME linkages services, and Accelerator program and a Cluster Development Program.
Expected Leverage	Forthcoming Regional Competitiveness and Job Creation Project (100 Million)

Strategic Context

Vietnam is an IDA country with a stable political system that has made significant inroad in the transition to a market-based economy. Since 1986, the country has implemented a series of policies to liberalize and integrate the economy into the international market, culminating in its accession to the World Trade Organization in January 2007, which has provided additional impetus for an increased pace of liberalization of the economy. In recent years, the Vietnamese government has been providing strong support for the development of the private sector, and the country has undergone strong economic growth with a gross domestic product (GDP) compound annual growth rate of over 7 percent between 2000 and 2010. This broad based growth has also resulted in a decline in poverty to below 10 percent in 2010 from 29 percent in 2002 and 58 percent in 1993. Despite its strong economic performance, Vietnam's GDP-per-capita remains low at US\$1,596 in 2012 and, which is below the Asia Pacific developing countries' average of US\$5,178. Moreover, growth has slowed down - the real GDP growth in recent years (2008-12) of 5.8 percent is lower than 7.2 percent during 2000-2008 - to a large extent due to rising commodity prices and the global financial crisis.

There are significant regional disparities in Vietnam with lagging and poor regions, such as Thanh Hoa (TH), showing even more pronounced development needs. Continued relative poverty of some regions undermines Vietnam's otherwise impressive development achievements. Thanh Hoa province is the 3rd largest province by area and the 5th largest by population, and despite the fast economic growth of the past 5 years (averaging over 10 percent a year), it remains one of the poorest regions in Vietnam with US\$1,065 GDP per capita. Thanh Hoa province has an opportunity to demonstrate enhanced private sector/SME growth around the US\$21 billion of planned investment in its Nghi Son Special Economic Zone (NSSEZ), allowing not only for regional growth and job creation in the province, but also potentially serving as a model to replicate to the rest of the country. In addition, the emphasis on SME development is highlighted in the government's SME development plan that identified the need for integrated SME development in the socio-economic objectives of every region and locality and prioritizes SMEs in competitive sectors.

The development objective of the proposed Vietnam Industry Competitiveness Project (RICP) Project is to contribute to job creation by attracting investments and enhancing competitiveness around the value chain of the anchor investments in the Nghi Son SEZ (NSSEZ). This would be undertaken through the development of an eco-system centered on enhancing the NSSEZ, attracting investments, and strengthening anchor investments, and linkages to small and medium-enterprises through targeted interventions. CIIP

funding aims to catalyze a programmatic WBG operation (credit and TA program) by supporting the necessary analytics and program design. In addition, CIIP funds support building of the private investment pipeline for anchor and supporting/supplier industries in the NSSEZ, which is an immediate action priority for the client.

Achievement of Objectives

CIIP funds have been instrumental in shaping the policy dialogue in line with the competitiveness agenda of the country strategy. The main interlocutors have been the Ministries of Planning and Investment, Finance, and Industry as well as Peoples Party Committee at the Central and Thanh Hoa levels. It is specifically helping to shape policy directions for investment promotion including economic zone planning and phasing, SME finance through private financial institutions, facilitation the development of value chains through establishing a linkage support center, and development of economic zones in Thanh Hoa province, which is expected to be replicated to other parts of the country. CIIP has delivered a number of important background reports and stakeholder workshops in view of achieving the project's development objectives. CIIP engagement is significantly contributing to the government's effective utilization of public funds.

Implementation Progress

The first phase of the grant implementation is completed and the following outputs are delivered:

- the identification of high impact, high feasibility sectors in Thanh Hoa Province taking into consideration demand arising from large investments in Nghi Son Special Economic Zone (NSSEZ);
- detailed sector analyses of four sectors: Cement, Petrochemicals, Power, and Steel;
- detailed case studies of international benchmarks on petrochemicals hubs and SME linkages programs in Singapore, India, Thailand and South Korea;
- assessment of existing SME linkages programs, lessons learned a proposal for a Business Development Facility;
- an assessment of current SME finance and the financing needs of MSME;
- an initial assessment of NSSEZ Masterplan (to be fully assessed during appraisal of the underlying project);
- an Assessment of FDI trends in Vietnam and Japanese investors / firms' constraints analysis
- design of a PPD mechanism and creation of an expert advisory group;
- support for investor road show by Thanh Hoa delegation in Singapore;
- initial assessment on investment promotion approaches and strategies by NSSEZ and by Industry and Tourism Investment Promotion Agency (ITTPA);
- forum on Investment Promotion in NSSEZ and neighboring areas held in Thanh Hoa for potential and current investors (October 2013); workshop for investors in Singapore; and workshop with MPI in Vietnam (Aug 2013) and with other stakeholders (April 2014).
- benchmark analysis of existing key infrastructure needs.

Early Results

The CIIP project in Vietnam is helping build private up- and down-stream investment and business opportunities in one of Vietnam's poorest provinces by building capacity of SMEs and Banks and through the development of the new NSSEZ driven by regional development. Some early results include:

Shaping the Policy Environment: The project has helped shape the policy environment by significantly enhancing the government's understanding of investor services. Through TA financed by CIIP, the government of Vietnam engaged in a dialogue with the World Bank and other development partners (notably the Swiss, Japanese and Koreans) about the relevance of safeguards and environmental issues when it comes to providing investor services. The same TA was used to develop a new dialogue around SMEs and to help the government better understand the role of SMEs within its industrial policy. In addition, the CIIP team supported the NSSEZ in investment generation on the ground and through investor workshops held in both Singapore and with MPI in Vietnam. The team, along with the government, sought to engage both private and public investors, and has generated a great deal of interest in the project. There is interest in having another workshop in Korea in FY15.

Collaborative Governance. The CIIP team has helped create a PPD between government and SMEs to improve SME's access to financing in the Banking sector.

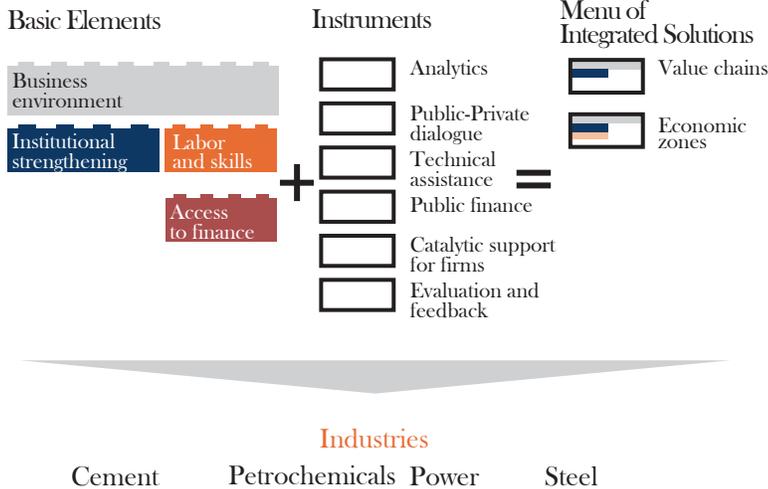
Business Development Facility. A planned Business Development Facility will support SME development and linkages between the local economy and anchor investor and will be both a platform for PPDs and training. The ultimate goal of the Facility is to increase participation of local SMEs in regional value chains and clusters and increase capacities, competencies and growth of regional SMEs for long-term regional economic resilience, prosperity and quality job creation. The Facility will provide: (i) business development opportunities for SMEs; (ii) and Accelerator program to provide high-growth SMEs and local entrepreneurs to set up businesses in Thanh Hoa; and (iii) cluster development program. The Facility is currently being established by the government with technical support and input from the CIIP team.

Leverage

The grant has provided the CIIP team with an opportunity to interact with the government of Vietnam in the preparation of a USD \$100 Million lending operation, the Vietnam Industry Competitiveness Project (RICP), that will go to the World Bank Board for approval during FY15. In addition CIIP has helped the Bank better engage with both the government and other development partners. There are six SEZs in the country and the Bank is currently working in one of them, with significant potential for demonstration effects. The TA and forthcoming operation has had spillover effects and helped the Bank interact with other development partners, including the Japanese and Koreans whose work may complement this work.

Results chain

Input



Output	Outcome	Impact
Regulations and policy reforms (t: 2 reforms)	Time and cost to comply with regulations	Private investments (t: \$ 200 mil) Number of new firms (t: 1000)
Teachers trained (t:10) People trained	Access to skills	Increase in output of beneficiary firms (t:100 percent)
Cross-institutional coordination mechanisms (t: \$400,000 in funding for them)	PPD impact on reform process (t: 2 reforms)	Gross number of jobs (t: 200,000) of which 25 percent women
Financial instruments and volume committed SME support programs	Access to financing (t: 350 mil, 500 SMEs) Increased firm skill	

ANNEX 3

Multitrack Approach to Country Engagement

COUNTRY-LEVEL READINESS		CIIP ENGAGEMENT TRACKS 1-4	
Affirmative Efforts	LOW	TRACK 1: TARGETED SENSITIZATION	Knowledge Window
	<p>Country Readiness:</p> <ul style="list-style-type: none"> - No sign of leadership interest or a champion - No formal strategy or policy on CI issues - Little or no track-record of CI efforts - Weak policy and institutional framework (e.g., CPIA) - Fragmented, unorganized private sector <p>Bank Readiness:</p> <ul style="list-style-type: none"> - Lack of awareness of CI issues - Lack of appropriate CI competencies in team 	<p>Track 1 aims to familiarize country leaders and sector counterparts with the basics of industrial policy and competitiveness strategies. CIIP proactively signs up ACP countries to Track 1, with a special focus on IDA countries & Fragile and Conflict Affected States. Provisions for regional initiatives among small states will be made.</p> <p>Examples. Training delivered centrally; global knowledge events and conferences on competitiveness strategies, industrial policies, and industry-specific initiatives.</p>	
Demand-driven Support	MODEST	TRACK 2: EARLY CI DIALOGUE	Country Operations Window
	<p>Country Readiness:</p> <ul style="list-style-type: none"> - Expressed leadership interest and identified champion - Elements of formal strategy or policy - Little or no track-record of CI efforts - Modest policy and institutional framework (e.g., CPIA) - Elements of an organized private sector <p>Bank Readiness:</p> <ul style="list-style-type: none"> - Early interest in CI issues - Willingness to tap Global Practice for CI competencies 	<p>Track 2 involves proactive efforts to initiate dialogue with country counterparts on CI issues. The objective is to assess the potential of CI efforts.</p> <p>Examples. High-level scoping mission to engage with key stakeholders, undertake rapid sector screening, take stock of past industry level efforts, and make recommendations for ongoing dialogue and a possible path to Track 3 (below).</p>	
Demand-driven Support	SUBSTANTIAL	TRACK 3: SUSTAINED COMPETITIVE INDUSTRIES DIALOGUE	Country Operations Window
	<p>Country Readiness:</p> <ul style="list-style-type: none"> - Leadership commitment, established champion(s) - Formal industrial policy/strategy with supporting institutions - Modest track-record of CI efforts with PPD experience - Modest-to-substantial policy and institutional framework (e.g., CPIA) - Organized pvt sectors within and across industries <p>Bank Readiness:</p> <ul style="list-style-type: none"> - Commitment of key country team stakeholders to industry-focus - Potential for CI-related pipeline of lending and analytical work - Commitment to tap into Global Practice for CI competencies 	<p>Track 3 involves a substantial stakeholder engagement and knowledge development. It also builds the funding platform for designing policy reforms and scalable public and private investments. Track 3 “stress-tests” institutions through pilots and M&E of existing CI efforts.</p> <p>Examples. Launch of sector specific Public-Private Dialogues or bottom-up competitiveness initiatives that help identify reforms and investments. The outputs of these efforts could include <i>inter alia</i> self-standing CI assessments, inputs to formal Bank ESW, and/or key design elements of donor-financed operations.</p>	
Demand-driven Support	HIGH	TRACK 4: IMPLEMENTATION SUPPORT FOR INDUSTRY LEVEL EFFORTS	Country Operations Window
	<p>Country Readiness:</p> <ul style="list-style-type: none"> - Deep leadership commitment, multiple champions, broadening base of support - Formal industrial policy/strategy with supporting institutions - Strong track-record of CI efforts with well-developed PPDs at national and industry levels - Substantial policy and institutional framework (e.g., CPIA) - Functioning public investment and public procurement systems, and high potential to leverage private flows <p>Bank Readiness:</p> <ul style="list-style-type: none"> - Commitment of key country team stakeholders to industry-focus - Established CI portfolio and pipeline of lending and analytical work - Substantially leveraging Global Practice for CI competencies 	<p>Track 4 is designed for countries with a mature (or rapidly maturing) domestic dialogue on competitiveness and industry level issues. It ramps up CIIP support to scale with a full menu of AAA, and implementation support activities. Track 4 is for countries poised to leverage substantial public and private flows to CI efforts.</p> <p>Examples. Design and implementation of policy-based and/or investment lending operations that support various CI entry points (for instance, economic zones, growth poles, value chain and/or cluster development). Emphasis is on institutional strengthening, execution of public investments, leveraging of private investments, and M&E. Support for existing PPDs is amplified to promote learning by doing.</p>	

ANNEX 4

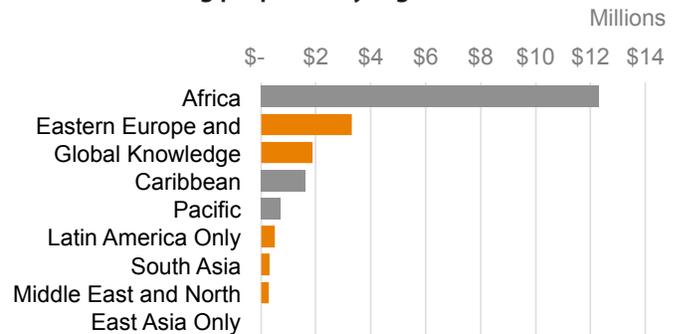
CIIP's 2014 Call for Proposals

CIIP's 2014 Call for Proposals has yielded 27 funding proposals worth over \$21 million in costed programming needs. The CIIP will only be able to respond to about \$12 million of this demand and therefore a competitive selection process is currently underway to identify an appropriate mix of high-impact operations and engagements which will support the affirmative efforts of Track 1 and Track 2 countries. The current submissions include:

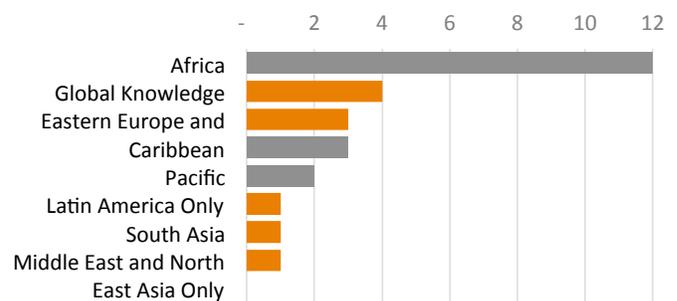
- 22 country operations and 5 knowledge proposals from all six WBG regions;
- 17 proposals from countries eligible for SDTF Financing;
- 15 country operations that will be supporting IDA countries;

Several of these applications are accompanied by letters of request from the government asking specifically for CIIP support. An initial analysis of the proposals reflects an increased understanding of the competitive industries approach and utilization of methodologies that support sector identification to target industry-led growth. Over half of the proposals include mention of three or more identified industries, including: agriculture (17), mining (9), tourism (7), and 10 of the proposals cover a range of other industries. Value chain development (20) remains the most common theme across the set of proposed interventions, while cluster support (11) is emerging as a solution increasingly demanded by clients, followed by growth poles (8) and SEZs (8). Given the high-risk/reward nature of SEZs there has been an increasing demand to understand the underlying dynamics behind the critical factors which determine success. As such two funding proposals have separately identified the need for a deep-dive into zones and the CIIP is working to reconcile them into a single proposal that will address this analytical need. The CIIP is working with the proposal teams to understand the financing needs and to refine the proposals for submission to the CIIP Steering Committee in Q2 of FY15.

Value of funding proposals by region



Number of funding proposals by region



ANNEX 5

CIIP Financial Details & Performance by Window

(Figures quoted in USD\$ Thousands)

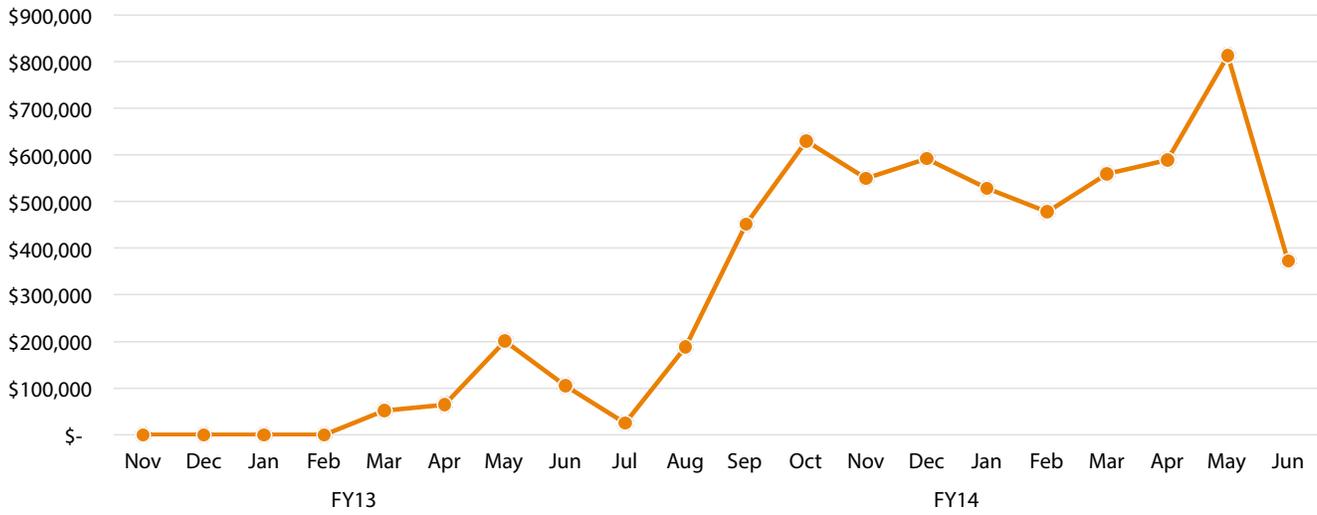
CIIP Country Operations Window													
Country	Project Information				GRM Risk Rating	Commitments		Actual Disbursed		Projected Disbursements			
	TF Number	Associ-ated Project Number	Objectives Rating	Grant Amount		Paid-In	End FY13	End FY14	End FY15	End FY16	End FY17	End FY18	
Single-Donor Trust Fund													
Sierra Leone	TF015439	P132874	Satisfactory	Modest Risk	\$995	\$995	\$0	\$556	\$439	\$0	\$0	\$0	
Côte d'Ivoire	TF015440	P151324 / P115398	Satisfactory	Negligible or Low Risk	\$1,206	\$900	\$0	\$494	\$712	\$0	\$0	\$0	
Ethiopia	TF015998	P143302	Satisfactory	Substantial Risk	\$1,365	\$250	\$0	\$157	\$1,208	\$0	\$0	\$0	
Tanzania	TF016164	P143623	Satisfactory	Modest Risk	\$676	\$366	\$0	\$80	\$211	\$193	\$192	\$0	
Haiti	TF016213	P147205 / P123974	Satisfactory	Modest Risk	\$1,875	\$875	\$0	\$294	\$1,523	\$58	\$0	\$0	
Project Development for ACP	TF015754	TF072037	Satisfactory	Negligible or Low Risk	\$800	\$200	\$0	\$156	\$275	\$185	\$92	\$92	
Multi-Donor Trust Fund													
Vietnam	TF015384	P144825	Satisfactory	Modest Risk	\$1,025	\$1,025	\$0	\$144	\$214	\$347	\$320	\$0	
Georgia	TF016020	P146270	Highly Satisfactory	Negligible or Low Risk	\$525	\$325	\$0	\$159	\$180	\$186	\$0	\$0	
Macedonia	TF014914	P130847	Satisfactory	Modest Risk	\$1,602	\$1,602	\$0	\$455	\$509	\$445	\$193	\$0	
Tunisia	TF015016	P145957 / P132381 / P132709	Satisfactory	Substantial Risk	\$788	\$788	\$0	\$254	\$431	\$103	\$0	\$0	
Russia	TF015279	P147989 / P145769	Moderately Satisfactory	Modest Risk	\$420	\$420	\$0	\$418	\$2	\$0	\$0	\$0	
Kazakhstan	TF015585	P147704	Moderately Satisfactory	Substantial Risk	\$750	\$350	\$0	\$168	\$459	\$123	\$0	\$0	
Croatia	TF015836	P127308	Satisfactory	Modest Risk	\$262	\$262	\$0	\$241	\$21	\$0	\$0	\$0	
MDTF Project Development	TF014843	TF071975	Satisfactory	Negligible or Low Risk	\$200	\$200	\$0	\$31	\$69	\$50	\$50	\$0	

Knowledge Management and Program Management Window

Project	Project Information				Commitments		Actual Disbursed		Projected Disbursements			
	TF Number	Associated Project Number	Objectives Rating	GRM Risk Rating	Grant Amount	Paid-In	End FY13	End FY14	End FY15	End FY16	End FY17	End FY18
Multi-Donor Trust Fund												
Implementing Industrial Policy - Lessons Learned	TF014950	P146254	Satisfactory	Negligible or Low Risk	\$472	\$350	\$7	\$301	\$65	\$0	\$0	\$0
Competitive Cities	TF016040	P148372	Satisfactory	Negligible or Low Risk	\$880	\$550	\$0	\$306	\$521	\$53	\$0	\$0
Industry-Specific Global Value Chain Analyses	TF017351	P149454	Moderately Satisfactory	Modest Risk	\$750	\$300	\$0	\$6	\$682	\$62	\$0	\$0
Implementing Industrial Policy - Evidence and Impact	TF017259	P150790	Satisfactory	Negligible or Low Risk	\$200	\$200	\$0	\$3	\$197	\$0	\$0	\$0
Innovation Policy Platform	TF014858	P131764	Satisfactory	Modest Risk	\$1,428	\$886	\$81	\$458	\$297	\$296	\$296	\$0
MDTF Training and Learning	TF014477	TF071975	Satisfactory	Negligible or Low Risk	\$200	\$200	\$52	\$57	\$31	\$30	\$30	\$0
MDTF Communications	TF014376	TF071975	Satisfactory	Negligible or Low Risk	\$612	\$612	\$0	\$78	\$200	\$150	\$100	\$84
MDTF Monitoring and Evaluation	TF015664	TF071975	Satisfactory	Negligible or Low Risk	\$610	\$610	\$0	\$77	\$230	\$130	\$100	\$73
MDTF Program Management	TF014443	TF071975	Satisfactory	Negligible or Low Risk	\$792	\$640	\$209	\$154	\$129	\$100	\$100	\$100
Single-Donor Trust Fund												
Strategic Communications for ACP	TF015764	TF072037	Satisfactory	Negligible or Low Risk	\$800	\$400	\$0	\$75	\$100	\$242	\$242	\$141
Monitoring and Evaluation for ACP	TF015753	TF072037	Satisfactory	Negligible or Low Risk	\$800	\$400	\$0	\$58	\$142	\$200	\$200	\$200
Training and Events for ACP	TF015763	TF072037	Moderately Satisfactory	Negligible or Low Risk	\$800	\$200	\$0	\$0	\$100	\$100	\$0	\$0
Program Management for ACP	TF016084	TF072037	Satisfactory	Negligible or Low Risk	\$1,424	\$1,300	\$0	\$335	\$400	\$400	\$200	\$89

ANNEX 6

CIIP Disbursement by Month



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