Proposed National Government-Investor Networks and Multi-Donor Funds:

Roadmaps for Increasing the Capacity of National Governments to Create Business-Enabling Environments

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Agenda

- **Promise of the Monterrey Consensus:** *"Creating Business-Enabling Environments"*
- **The First FfD Pilot Country**: Nicaragua Develops the FfD Tool *"National Government-Investor Network" (GIN) with support of Swiss government*
- **The Challenge & the Imperative:** *Why We Adopted the GIN?*
- **The Power of the Nicaraguan Pilot GIN**:
  - Catalytic, Cost-Effective Functionality
  - Reported Benefits & Success Stores
- **Next Steps: National Pilot FfD Follow-Up**

The Promise of the Monterrey Consensus

- **Development of Policy Consultation Frameworks:** *"…public/private initiatives could include the development of policy consultation mechanisms between …national governments with the private sector … as a means to create business-enabling environments."*
- **Greater Government Efficiency & Cohesiveness:** *"Create enabling environments, mobilize domestic resources; make more efficient use of international investment and assistance; consolidate policy and regulatory frameworks…."*
- **Greater Development Impact:** *"Attract investment flows to a much larger number of countries; achieve transparent, stable and predictable investment climates...that allow businesses...to operate efficiently and profitably...with maximum development impact…."*

Rationale for Business-Enabling Environments

- **Enhancing Business-Enabling Environments**:
  - Reduces a Country's Unemployment Rate
  - Moves Country's Informal Economy into Formal Economy
- **Up to 90% of Poverty Reduction** Originates from Broadly Based Growth
- **Employment is Best Way to Reduce Poverty** according to Surveys of People across 50 countries

Sources: *MIGA FDI Toolkit: Aftercare and Management of Expansion projects,* MIGA 2003; *Doing Business in 2006: Job Creation* Report, World Bank 2006; Kray, Aart *What Can Cross-Country Regressions Tell Us About the Determinants of Pro-Poor Growth*, World Bank 2003; Narayan, Deepa et al. *Voices of the Poor: Crying Out for Change*, World Bank 2000

Nicaragua is First FfD Pilot Country

- **In 2003 Nicaragua began to develop the Government-Investor Network** with Global Clearinghouse, supported by Swiss Government
- **In January 2004, Nicaragua Government Launched the Tourism Government-Investor Network**
  - Managed by ProNicaragua, Country's Investment Promotion Agency
  - Recognized at UN WSIS as first ICT Tool used for Government-Private Sector Consultation
  - Recognized by Investors as Critical Function
- **In June 2008, the current Government Re-launched the Network the Tourism and Textile Sectors**
  - Tourism one of the largest growth sector In country
  - Textiles largest employers in country

The Challenge & the Imperative: Why We Adopted the GIN

- **Challenge: Limited Government Resources**
  - Usually Investment Promotion Agencies are Responsible for Investor After Care, but have very limited resources
- **Imperative: Need Investment for Job Creation & Poverty Reduction**
  - **50% or more of New Investment** may Originate from Existing Investors
  - **Opinions of Existing Investors** are one of the Most Important Investment Evaluation Criteria for New Investors
- **In January 2008 ProNicaragua Set up Nicaragua's First Investor After Care Unit Using the GIN as Principal Management Tool**
  - Cost-Effective, Leveraging Limited Resources
  - Strengthens ProNicaragua's Ability to Coordinate with Government Agencies
  - Strengthens Investment Promotion & Improves Country's Credibility

GIN as Catalytic, Cost-Effective Tool: How Does it Work?

- **Intranet Communication Platform:** Designed to increase capacity of governments to create business-enabling environments
- **Focus:** Open consultation with private sector to identify investment impediments & possible remedies
- **Managed by Government**: Controlled by designated government agency responsible for business-enabling environment, such as Investor After Care
- **Membership:** Designated Government Officials Affecting Business Environment in Relevant Agencies; Business Organizations and Existing Investors; Donors Interested in Supporting Government Efforts
- **Benefits:** *"Management System"* enabling cost-effective intragovernmental coordination, private sector collaboration, with resulting improvement in business environment & investment promotion

Cost-Effective Tool Enabling Open Consultation: Government-Investor Networks

Private Sector Identifies Investment Issues, Recommends Solutions

Private Sector Provides Ideas on Improving Business Climate

ISSUES

CONSULTATION

Public Sector Reviews and Responds to Issues

Public Sector Provides Draft Laws, Policies and Regulations for Private Sector Feedback

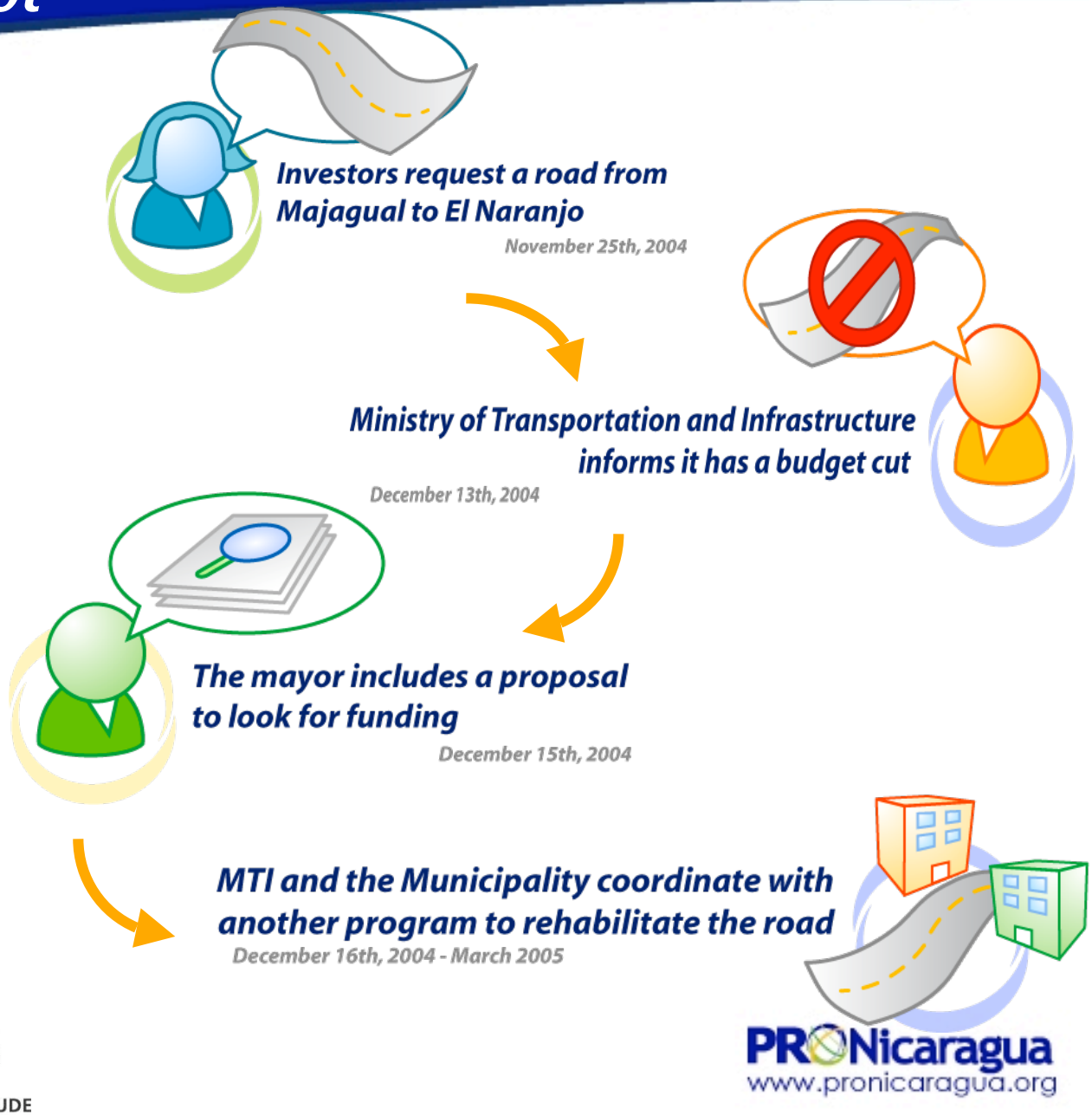
RESULT: Improved Business-Enabling Environment to Mobilize Investment, Create Jobs, Reduce Poverty

Donors: Learn First-Hand about Issues Affecting Business-Enabling Environment; Ability to Increase Aid Effectiveness

Over 50 Reported Success Stories from Nicaragua Pilot

BENEFITS

1. *Enhanced government coordination*
2. *Enhanced business cohesiveness*
3. *Government ability for Open consultations*
4. *Government actions to improve*
5. *Donor Effectiveness*



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Next Steps: National Pilot FfD Follow-Up

- **Improving Nicaragua's Business-Enabling Environment for Development**
  - Improving Tool based on Experience
  - Enhancing Quality of Intergovernmental Response to Issues; Adopting "Ticket System" to Track Issues & Issue Performance Reports
  - Including More Investors in Existing Sectors and Adding other Sectors
- **Invite Development Agencies & Donors to Join ProNicaragua "Investor After Care Mesa"**
  - Serves as Aid Effective Framework to Implement the *Accra Agenda for Action*: Advancing Regional Cooperation & Ownership, Building Inclusive Partnerships, Achieving Development Results
- **Invite other Governments to Establish their own Government-Investor Networks**

Available for Doha Bilateral Meetings

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