

The Improving Business Environment for Prosperity (IBEP) Program implemented by the World Bank Group aims to strengthen the design and implementation of business environment reforms in middle-income countries. IBEP is supported by the UK Prosperity Fund, whose mission is to support the inclusive economic growth needed to reduce poverty in partner countries, contributing to the UN Sustainable Development Goals.

PROGRAM STORY

JANUARY 2021

IBEP PIVOTS TO SUPPORT COVID-19 RESPONSE AND RECOVERY

The COVID-19 pandemic and government measures to contain it, coupled with shocks in international production networks, have been disrupting business activities through four distinct channels: falling demand, reduced supply, tightening of credit conditions and liquidity crunch, and rising policy uncertainty. Lockdown and quarantine measures resulted in an increasing shortage of labor across many sectors. Temporary closure of production facilities has led to a sharp slowdown in production, disruptions in global value chains, increased lay-offs and manufacturing plants closing around the world. Global foreign direct investment (FDI) flows were forecast to decrease by up to 40 percent in 2020 from their 2019 value of \$1.54 trillion. Such shocks may also increase the risk of anti-competitive behavior in securing essential inputs and supplies.

As the COVID-19 pandemic spread and its economic impact deepened, it became quickly apparent that supporting businesses and investors requires not only fiscal and financial stimulus but also complementary investment climate policies and programs to promote the flow of productive investment. The IBEP Program, with its adaptive approach, pivoted swiftly to assist governments in tackling new and rapidly evolving challenges during the response phase and exploring transformative opportunities in the economic recovery phase, through both its Global Influence Window and its Country Engagement Window, which mutually reinforce each other through [feedback loops](#).

IBEP'S GLOBAL INFLUENCE WINDOW

The Window has developed a variety of analytical tools to assess the implications of COVID-19 on businesses and investors and [to guide governments' policy responses](#). The program conducted three rounds of the quarterly foreign investor "pulse" survey of multinational corporations' affiliates in developing countries. The [latest results](#) show that the COVID-19 pandemic is adversely affecting nearly all surveyed investors, with four in five businesses seeing declines in revenues and profits, two-thirds decreasing investment, and over half reducing employment. The IBEP Program has also developed a [tracker of subsidies and state aid](#) which compiles more than 480 initiatives in 120 countries. It provides details in each country's support programs and shows that a majority of the subsidies have been available to firms across all sectors and sizes. Lastly, another [new global tracker of policy changes affecting FDI entry](#) shows that new restrictions on FDI introduced since the beginning of 2020 have been concentrated in the Organization for Economic Co-operation and Development (OECD) countries and driven by new screening mechanisms concerning national security. Blogs targeting a wide range of audiences were developed on key topics including [global value chains](#), [state-owned enterprises](#) and [informality](#).

IBEP'S COUNTRY ENGAGEMENT WINDOW

The IBEP Program was also instrumental in supporting the nine countries' government counterparts in responding to and designing policies and initiatives needed to mitigate the COVID-19 crisis. Related efforts in 2020 focused on fostering economic resilience as well as on areas where there was potential to build back better as countries emerge from the global crisis. As of December 2020, the program provided support around the following four themes:



Emphasizing digital solutions

The program is leveraging digital tools needed to limit the disruption of key government-to-business services. In **South Africa**, BizPortal whose establishment was supported by IBEP, was assigned the responsibility of facilitating registration of all essential service providers and businesses, thereby keeping critical parts of the economy to continue functioning. In the **Philippines**, the program supported the Anti-Red Tape Authority (ARTA) in establishing an inter-agency One-Stop-Shop to facilitate the import of COVID-19 critical commodities for commercial distribution, such as personal protective equipment, and other emergency medical devices.



Retaining strategic investment

IBEP is supporting investment promotion agencies in enhancing investment retention strategies and services to include crisis response measures for strategic and/or high-risk investors. In **Nigeria**, the program is providing advice to the Nigerian Investment Promotion Commission (NIPC) to stimulate FDI expansion and linkages through a long-term aftercare program. In **Pakistan**, the program supported the Board of Investment (BOI) to update and finalize the 2020-2023 Investment Promotion Strategy to include short-term measures needed to address the pandemic, including targeted investment retention.



Enhancing GVC resilience and sustainability

The program has been focusing on strengthening FDI linkages to ensure countries' continued access to regional and global value chains. With the Program's support focusing on connecting local firms with foreign investors, the **Vietnam** Industry Agency (VIA) successfully launched Vietnam's first-ever National Database of Manufacturing and Supporting Industries to facilitate information sharing between international buyers and local suppliers. With the pandemic reshaping markets and value chains, this represents a critical resource for Vietnam. In **Indonesia**, the program supported the review of the Ship Waste Management fee, potentially leading to a significant increase in private investment in the sector, including opportunities to bolster investments in recycling facilities for oily waste. By working closely with the authorities to help the enforcement of the compulsory waste notification by ships, this initiative contributes to managing the consequences of the COVID-19 crisis and to improve Indonesia's resilience to future natural hazards, climate change, and other external shocks.



Mitigating risks from growing market concentration

The program has also been supporting government counterparts in identifying and addressing risks to competition stemming from growing market concentration in COVID-19 affected sectors. In **Brazil**, the project team is supporting an aviation regulatory review aiming to enhance competition in the domestic market. The COVID-19 outbreak will likely lead to additional market concentration in the air transport sector, and this review is expected to play a fundamental role in ensuring market contestability during the crisis response and the recovery period. In the **Philippines**, the project team provided inputs on merger reviews during the COVID-19 pandemic, leveraging thought leadership and compiling approaches from several competition agencies in dealing with the ongoing global health crisis.

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