

## CASE STUDIES: INVESTMENT CLIMATE DIAGNOSTICS

# Diagnosing Post-Conflict Countries

FIAS recently developed the mini-diagnostic, a tool for first engagements particularly suited for post-conflict countries

**CASE 1: LESSONS FROM SOUTHERN SUDAN**

At the request of the Sudanese government, FIAS conducted a rapid but strategic assessment of the key constraints to investment in Southern Sudan in 2006 (see project description on page 13). The assessment proposed interventions which could jump-start the Southern Sudanese economy after 22 years of civil war. In view of high public expectations, FIAS' team realized that it was imperative to address some rapid successes in order to demonstrate that the government was serious about providing its citizens reasonable livelihoods. This called for an innovative approach to private sector development in post-conflict areas, based on the following lessons learned by FIAS:

- **Improve the business environment early on.** The Southern Sudanese citizens simply want jobs and incomes as a peace dividend, and they want them as soon as possible. Undoubtedly, the new government sees private investment as a critical driver of growth and job creation, but it is less clear about how to attract former or new investors.
- **Influential constituencies of support should be built to sustain reforms.** The usual model identifies individuals or single agencies or stakeholders to advocate reforms. In the case of Southern Sudan, different layers of the nascent government and private sector were engaged to encourage ownership. Sole champions in a fragile environment are risky.
- **Public awareness of reforms should be developed to encourage political buy-in and public support.** Working with a wide range of constituencies, including foreign investors, foreign workers and the Southern Sudanese Diaspora has led to some public debate on just what reforms were needed.
- **Capacity building should be an integral part of the diagnostics.** A menu of best practice examples that can be tailored to the particular needs of a country is a critical tool. The diagnostic becomes a "training and capacity building" process.
- **Empathy, diplomacy and sensitivity are crucial in post-conflict environments.** Tensions still run high in Southern Sudan despite the so-called peace agreement signed in May of 2006 by most of the rebel groups. It is crucial in demonstrating respect for their struggle while committing to helping the government create their vision of a New Sudan.

**CASE 2: LIBERIA**

Since the end of the civil war in 2003 and successful free elections in 2005, Liberian authorities have sought to reform the policy framework that forms the basis for a market-driven economy to speed up post-conflict reconstruction. At the request of the Minister of Commerce, FIAS visited Monrovia in early 2006 and was the first World Bank Group mission following the establishment of the new government to perform a mini-diagnostic of the Liberian investment climate, incorporating the results into a joint-donor assistance program. Recognizing the previous work done by donors and others, FIAS focused on the legal framework, business startup procedures, operating procedures (tax and customs), sectoral analysis of agro-business, and policy advocacy and public-private dialogue process as an instrument of change. Following the project, FIAS provided recommendations for the government of Liberia for interventions in several key areas. As a result, the government has requested FIAS assistance to:

- Undertake a survey to determine the administrative/procedural sources of informality; concurrent recommendations to simplify business registration, licensing, tax administration, and inspection procedures; and practical support for implementation of these recommendations;
- Create a more dynamic investment promotion mechanism. This includes practical support to strengthen the institutional capacity for investment promotion; and technical input to help update the national investment code; and
- Develop a public-private forum, bringing together existing business associations and bringing greater efficiency to current dialogue mechanisms.

**ABOVE:** The Ministry of Industry and Mining opens for business in Southern Sudan

Photograph courtesy of FIAS staff member Catherine Masinde