FIAS advises developing-country governments on how to attract and retain foreign direct investment (FDI) and maximize its impact on poverty reduction. Since our founding in 1985, FIAS has advised more than 130 countries in more than 600 projects that focus on the following core areas:

- **investment climate diagnostics**;
- **policies for attracting investors**, including
  - laws and regulations,
  - tax incentives,
  - competition policy,
  - access to land, and
  - contract enforcement and secured lending;
- **administrative barriers reform**;
- **investment promotion**;
- **sector-focused solutions**; and
- **corporate social responsibility**.
FIAS develops long-term strategies that are customized to fit each client country’s needs, objectives, and capacity. Our specialists identify practices that impede productive FDI, design financially and politically practical plans of action, and support clients through all phases of transition and implementation. FIAS collaborates with other international financial institutions and bilateral partners to ensure that clients are provided the appropriate technical and financial support throughout the reform process. Progress is continually monitored and evaluated for effectiveness.

FIAS creates successful government partnerships that derive from:

- worldwide best practices expertise;
- comprehensive region and subject-related research;
- extensive communication with government officials;
- expedient responses to critical issues; and
- committed FIAS staff and governments.

At the time of its establishment, FIAS was one of the first joint IFC/World Bank services. We are located in the IFC/World Bank Private Sector Development Vice Presidency. FIAS leverages related Bank programs and IFC’s developing-country investment experience and technical assistance programs to ensure downstream implementation and support to governments.

Our services are financed by IFC, the World Bank, contributions from a number of bilateral donors, and client government fees.
Why is FDI so Important for Developing Countries?

Private firms are critical to economic growth within any country. They provide not only goods and services but also the vast majority of jobs, and they are the primary source of taxes that contribute to public health, education, infrastructure, and other services.

In particular, foreign firms in developing countries can increase productivity in their host countries by diffusing technology and best practices in management and increasing competitive intensity. These firms can also increase national income by generating sales and developing business for local companies within their respective supply chain.

The key benefits of foreign direct investment to developing countries include:

**Increased productivity**
Foreign firms can diffuse best practices into the local economy. Foreign firms tend to have greater operating efficiency. They also tend to be large and demanding customers that hire local suppliers and provide technical assistance, training, and other information to improve the quality of their products. Local suppliers can therefore benefit not only from increased revenue but also from increased production efficiencies. Foreign firms can also increase the level of competition and therefore stimulate domestic firms to adopt international good practices.

**Improved technology**
Foreign firms bring with them innovative technology and budgets for further research and development. This technology is transferred to sectors of the local economy through employee and supplier training and technical assistance, thereby decreasing the technology gap between developed and developing nations. Technology is also diffused by foreign firms licensing it to local firms.

**Human capital development**
Employees of multinational firms are trained in new technology and management. Once they leave the foreign firm for a local company or create their own company, they bring their new expertise to their new positions.
High FDI flows are also typically associated with relative employment gains for women: FDI normally expands women’s employment opportunities and increases women’s wages in the developing world. The gender wage gap tends to be lower in countries with higher net levels of FDI.

**Promotion of foreign trade**
Increased efficiencies, economies of scale, and product quality lead to increased ability to export goods for countries that at one point did not have the resources to do so. Foreign firms tend to export, and many local companies expand their market capabilities to do the same.

**Increased income**
More than just the foreign firms’ initial investment in the country, their sales and growing local supplier sales can lead to increased economic growth of the entire country. Additionally, foreign firms tend to pay their locally employed staff higher incomes than do many local companies.

**Spillover benefits for domestic investors**
A good investment climate is advantageous for all investors in the country. As regulatory reforms streamline processes that benefit foreign investors, domestic enterprises likewise gain from these improved procedures as this often provides an incentive to move out of the informal economy.
Services

FIAS offers a comprehensive range of services tailored to governments’ needs to help them attract and retain FDI and maximize its impact on poverty reduction.

Investment Climate Diagnostics

FIAS performs diagnostic studies to identify a country’s main policy impediments to productive foreign direct investment. The following issues are typically identified:

- prohibitions on foreign investment in many sectors or locations;
- restrictions on foreign ownership share of equity in domestic companies;
- difficult administrative approval processes (i.e., licensing, trade regulation, product certification);
- restrictions on repatriating dividends and capital;
- burdensome taxes without investment incentives;
- poor organization and functionality of legal systems;
- inability to gain access to land;
- lack of investment promotion;
- problems employing technical and managerial staff; and/or
- sector-specific policies restricting or distorting competition.

The studies therefore provide a framework for the government’s own strategy and priorities for improving the country’s investment and FDI performance. The studies also serve as a basis for more detailed FIAS assistance in specific areas.

FDI Policies for Attracting Investors

Countries must ensure basic rights and guarantees to investors. FIAS reviews a country’s policy, legal, and regulatory environment and recommends and helps implement changes in areas such as:

- project screening;
- market competition;
- capital restrictions and repatriation;
Sound legal frameworks reduce investor risk and enhance the developmental impact of FDI.

Administrative Barriers Reform

**Bureaucratic barriers** slow and often deter the establishment and subsequent operation of businesses. FIAS assists governments in identifying and eliminating counterproductive activities, such as:

- inconsistent implementation of laws and regulations;
- procedural delays;
- numerous required steps and burdensome fees necessary to establish and run a business;
- lack of institutional capacity; and
- overlapping and/or conflicting government roles.

Investment Promotion

Investment promotion is a mechanism to **influence investor perception** and affect the amount and nature of investments that a country receives. FIAS helps countries create promotion institutions to:

- identify competitive advantages;
- manage investment policy; and
- target specific opportunities.

Promotional activities include conducting public image campaigns, marketing investment opportunities, and helping potential and existing investors to set up and operate in the country.
FIAS helps foster investment, productivity, competition, corporate social responsibility, and positive spillovers between foreign-owned and domestic companies in industries with high growth potential. The development of clusters with a strong local supplier base helps attract foreign investors, maximize its benefits to the local economy, and enhance national competitiveness. FIAS programs create efficient public-private partnerships by:

- conducting detailed value-chain analysis along cost, time, value-added, and productivity metrics;
- benchmarking performance of companies along key performance indicators such as productivity and input costs;
- identifying policy and institutional issues that lead to performance gaps; and,
- developing specific recommendations to address government policy and institutional failures.

Industries covered include agro-processing (including forestry), fisheries, textile and apparel, electronics, light manufacturing, retail, and tourism.

Corporate Social Responsibility (CSR)

Many countries are specialized in industry sectors (e.g., apparel, footwear, electronics, oil, gas, and mining) where consumers and investors increasingly consider poor labor, environmental, human rights and gender standards as key risk issues. FIAS works with governments to design approaches that maximize synergies between public-sector inspectorates and the supply chains’ CSR-based monitoring, inspection, and reporting systems. Firms in emerging markets are realizing significant improvements in revenue, market access, productivity, and risk management as a result of corporate social responsibility initiatives.

Working with FIAS

FIAS establishes relationships of trust by providing services at the request of governments, and objectively assessing a country’s strengths and weaknesses for attracting FDI. While our client governments are under no obligation to accept our advice, FIAS recommendations have a strong record of contributing toward the success that our client countries have achieved in attracting and maximizing FDI.
The Reform Process

Once a government requests our services, we agree to the scope of FIAS work and the client’s contribution toward the cost of the project. The reform process involves a number of phases which progresses from a diagnosis to solution design to eventual implementation. As a result, FIAS projects increasingly involve a multi-year and multi-service programmatic approach in which diagnostic studies are followed by the implementation of priority recommendations that trigger subsequent phases of a project. FIAS delivers timely, practical, and customized assistance to its clients. We maintain close contact with our clients and communicate our research and recommendations through written reports, frequent meetings, and stakeholder workshops. We continually measure our clients’ success in order to ensure long-term sustainability.

Diagnosis

FIAS first identifies key constraints facing investors and key areas that governments should improve in order to increase the country’s attractiveness to both domestic and foreign investors. The analyses, based on public and private sector input, provide a framework for the development and implementation of practical solutions. FIAS draws on the World Bank Group’s Doing Business report, Investment Climate Assessments, and sector-focused studies as analytic starting points in order to focus our resources on the latter two stages of reform.

Solution Design

Leveraging relevant international best practices, we then design solutions that enable FIAS to address a large number of short and long-term issues in the country’s investment climate in a progressive manner: sequencing the reform effort and enabling subsequent phases to build on each other as the country adds capacity to implement the larger scale recommendations. We systematically focus our advice and cohesive action plans on:
— broad stakeholder engagement;
— sequencing of implementation of different recommendations;
— choice of institutions and institutional design; and,
— evaluation of the skills and incentives of the authorities charged with implementing the reforms.

Implementation

FIAS solutions are implemented at different stages, depending on the client's capacity to complete the previous stages and our evaluation of the client's capacity to implement future stages. We assist our clients with the implementation of these sequenced recommendations by advising on the most cost- and operationally effective specific steps to take, how to maximize capacity, how to obtain co-funding, and how to engage all stakeholders. We help our clients adopt change management techniques in the institutions responsible for implementation and monitor progress so as to take corrective actions if necessary.

Our IFC and World Bank colleagues collaborate—upstream and downstream—with the implementation of our advice. We continually evaluate progress of the reform process and communicate our findings and additional recommendations to our clients in order to ensure the long-term sustainability of our clients’ accomplishments.
Please contact us for detailed information regarding our services and the regions we serve:

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