



SIGMABLEYZER



*Bringing Prosperity to The Developing World - The Role of Private Capital in  
Replicating Wealth Creation Capacity and Poverty Reduction*

Michael Bleyzer

*Where Opportunities Emerge*

## **“Business Has Vital Role”**

**As we all know very well, the rapid globalization of international markets has brought prosperity and wealth to many. But a huge proportion of the world’s population has not yet reaped its benefits. We have a shared duty to do all we can to shape globalization, so that it spreads prosperity far more broadly among the populations of less developed countries. The business community has a direct stake in helping countries reach these goals and achieve broad-based, sustainable development. Reducing poverty helps create stable and inclusive markets, as well as the purchasing power that allows markets to grow. Supporting such progress makes good business sense, and it makes good development sense.**

**Kofi A. Annan, UN Secretary General, June 2006**

# World Economic Performance – Recent Developments

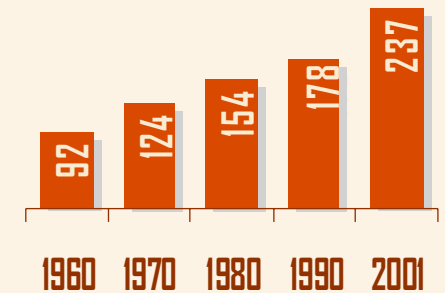
Disparities in the world economic performance are striking. Furthermore, despite faster average GDP growth in low income countries, the gap between the richest and poorest countries has been widening.

## Recent Economic Performance, 2005

	Gross National Income per capita (2005)	GDP average annual growth rate 00-05
Ten richest countries*	43 788	2.5%
Ten poorest countries*	176	3.6%
High Income	35 131	2.3%
Middle Income	2 640	5.1%
Low Income	580	5.7%
World	6 987	2.8%

\* By the level of Gross National Income per capita

Source: World Development Indicators database, World Development Report 2007



Ratio of GDP per capita (constant 1995 dollars) of 10 richest countries to income per capita of 10 poorest countries

The income per capita in the richest countries is more than 240 times higher than the income per capita in the poorest countries

# Quality of Life and the Level of Income

Uneven economic achievements are reflected in unbalanced progress in the improvement in the quality of life. While higher income countries have notably decreased infant mortality and illiteracy rates and have high life expectancy, lower income countries have made more modest progress in these areas. The disparity in performance is dramatic. For example, infant mortality rates in low income countries are 15 times higher than in OECD countries.

## Infant Mortality Rate (per 1000 live births)

	1960	1980	1990	2000	2004	Improved by
High Income (OECD)	35	12	8	5.4	5.2	85%
Middle Income	118	54	40	35.4	30.9	74%
Low Income	148	110	91	83.9	79.5	46%
Heavily indebted poor countries	165	113	105	102.9	99.1	40%
World	119	78	63	57.6	54.1	55%

Since 1960 infant mortality rate in low income countries has been declining three times slower than in OECD states

*Source: World Bank, World Development Indicators (2006)*

# Illiteracy and Life Expectancy by the Level of Income

## Adult Illiteracy Rates (% of population aged 15 and above)

	1970	1980	1990	2001	2004	Improved by
High Income (OECD)	13.4	8.7	5.7	3.4	< 1	93%
Middle Income	34.5	25.6	18.5	13.1	10.2	70%
Low Income	64	55.6	47	38.1	38.5	40%
World	44.1	36.1	28.9	22.9	20	59%

About 770 million adults in the world are illiterate; 75% of these people live in low income countries

## Life Expectancy at Birth, total (years)

	1960	1980	1990	2000	2004	Improved by
High Income (OECD)	69	74	76	78.2	79	14%
Middle Income	46	66	68	69.1	70	52%
Low Income	43	53	57	58.1	58.8	37%
Heavily indebted poor countries	41	49	52	48.4	49.1	20%
World	50	63	65	66.6	67.3	35%

Life expectancy in low income countries is below 60 years and is less than 2/3 of the life expectancy in high income countries

Source: World Development Indicators (2006), World Development Report 2007



# Global Inequalities Are Now More Exposed

For over two decades, income inequality and poverty have been among the most debated and controversial issues in the international arena.

**Greater awareness as a result of the global revolution in communications:**

- improved exchange of information,
- poor nations are now better able to recognize their growing income disparity,
- many groups of poor have become more dissatisfied – resentment, frustration and desire to change the current world order have intensified.

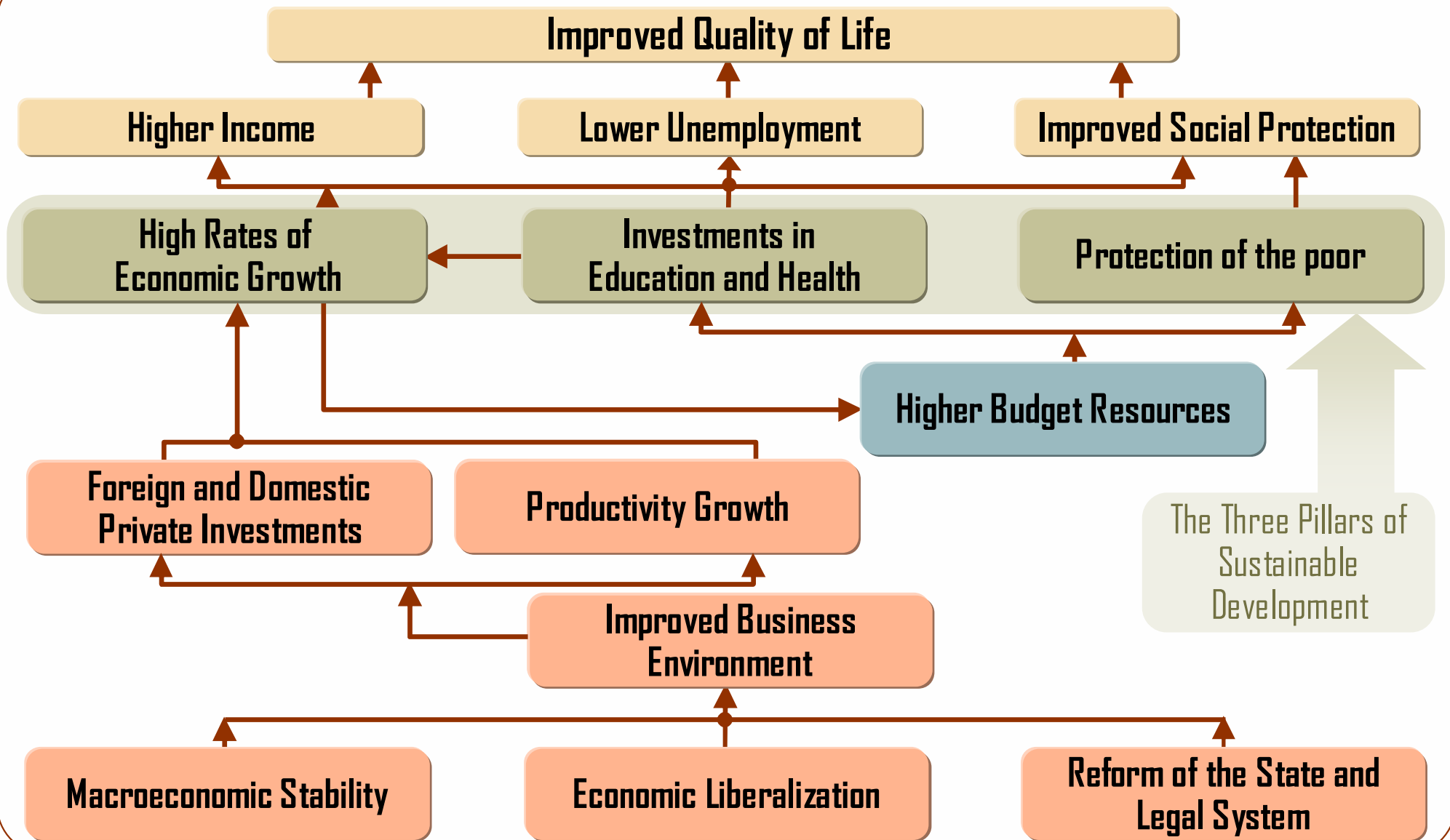
**Developed countries cannot isolate themselves from these inequalities:**

- rising waves of terrorism indicate that developed countries are not immune to tensions and resentment driven by escalating inequalities in the world.

**There is a an urgent need to replicate Wealth Creation Capacity in developing economies.**

# Replicating Wealth Creation Capacity

Wealth Creation Chart



- **Wealth Creation Capacity can be accomplished through active engagement and carefully targeted assistance.**
- **Macro-level economic development and micro-level business development.**

The international responsibility to assist in building Wealth Creation Capacity in developing countries had been placed almost exclusively on the shoulders of the International Financial Institutions (IFIs), which were expected to:

- Help reduce poverty by making loans that support developmental projects to governments (World Bank and Regional Development Banks).
- Provide loans to countries experiencing balance-of-payments problems so that they can restore conditions for sustainable economic growth (IMF).
- Provide project financing for private banks, industries and businesses, both new ventures and investments in existing companies to help build market economy (EBRD, IFC).
- Provide technical assistance.
- Conduct extensive research on development topics.

**But the results so far have been disappointing**

**Aid flows have failed to ensure sustainable economic growth, significantly alleviate poverty and improve standards of living in recipient countries. Why aid programs did not succeed in developing reliable Wealth Creation Capacity?**

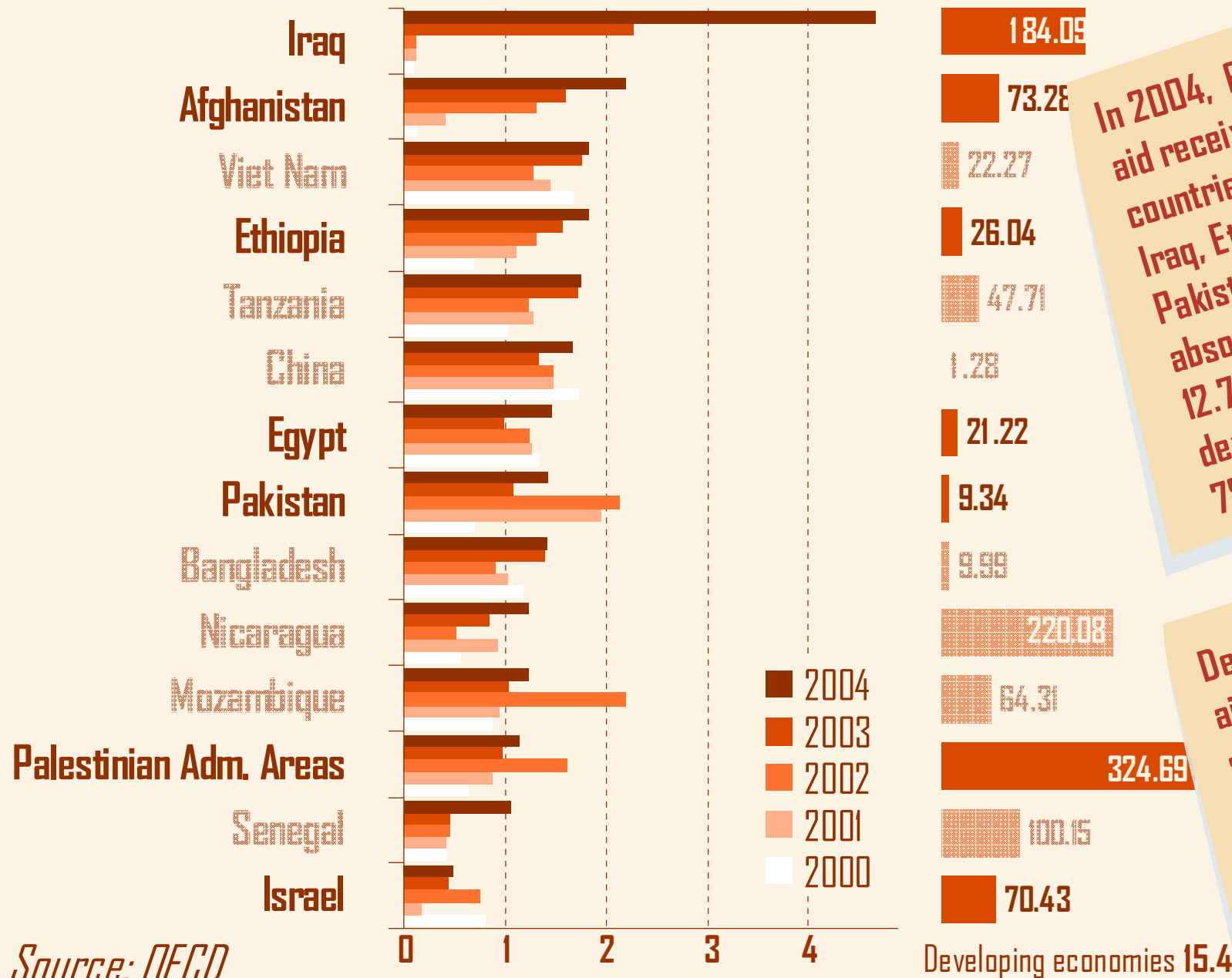
- Strong political motives dominate aid allocation, preventing the efficient distribution of funds to developmental projects.
- Recipients lack ownership of assistance programs and projects – most of the efforts are channeled into the fulfillment of the targets set by donors.
- Inefficient coordination among donors in their aid activities.
- The practice of aid tying by donors – imposes excessive bureaucratic restriction on aid projects.
- Weak administrative capacity to absorb large aid flows in developing countries – costs of technical support and monitoring of aid programs are frequently too high.
- Inefficient utilization of aid funds – limited aid resources are channeled into developmental projects that advance wealth creation capacity in recipient countries.
- Aid fungibility – increased dependency of recipient governments on aid flows in the provision of public goods and services.
- Developed countries are still slow and reluctant to ease trade barriers for developing countries.

# Principal Destinations of Aid

Net ODA:

total receipts, USD billion

per capita in 2004, USD



In 2004, 6 out of over 160 aid receiving developing countries (Afghanistan, Iraq, Ethiopia, Egypt, Pakistan and Palestine) absorbed over 16% or USD 12.7 billion of total aid to developing countries (USD 78.3 billion)

Destinations of large aid inflows are selected based on political rather than developmental criteria

Source: OECD

# IFIs Are Extremely Slow to Change

**IFIs are at heart political, "official" institutions, owned by Governments and operating under political rather than economic incentives.**

- IFIs' developmental targets are based on general concepts of poverty reduction which may frequently contain populist, unclear, diffused, or even conflicting goals.
- The implicit objective of any IFI is to promote the interests of share-holding countries.
- As a political institution, an IFI must insure fairness and nondiscrimination of funds distribution among countries under the strict internal budget limitations.
- The decision to grant or withdraw aid is mostly considered as a political action grounded on the loyalty of the recipient countries to donor governments.
- For the same reason, restricting aid flows to a particular country is a very sensitive issue as it is perceived as a political sanction against the recipient country.
- IFIs are reluctant to admit the inefficiency of their aid projects due to the necessity to report sound performance to share-holding governments. Furthermore, aid efficiency is unlikely to have the highest priority in evaluating IFIs' activities.
- Being public institutions, IFIs are less exposed to default risks and may continue extending non-performing loans or issue new loans to guarantee the repayment of previously lent funds.
- Lack of accountability for public funds leads to inadequate supervision and control, misuse of funds and corruption.
- Aid granting procedures are overburdened with rigid and excessive bureaucratic regulations.

**The principal objective of IFIs is to develop the economies of recipient countries through various assistance programs to the governments of these countries. However, inefficient implementation of aid projects has yielded results that fell short of expectations.**

- Unsatisfactory progress was made in developing the key pillar of strong Wealth Creation Capacity – a business-friendly environment:
  - Most of the aid funds are channeled into social development projects to compensate for the shortage of funds available to the local governments. While these projects significantly contribute to the enhanced provision of vital public services they considerably increase the dependence of governments' budgets on unstable aid flows.**
- Too much focus on debt capital – loans that often cannot be repaid while they are absorbed by programs that do not generate their own self-financing:
  - **Aid is frequently biased toward government budget deficit financing, poverty alleviation, environmental programs, infrastructure building, democracy building.**
  - **Increased loan repayment burden on governments' budgets.**
  - **Distorted allocation of budget revenues due to reliance on aid funds.**

## IFIs Had Limited Impact on Wealth Creation Capacity

**The pressure to allocate aid into the projects with an immediate impact on poverty led to the sizable investments into in the social sectors such as education, health, infrastructure and environment, while financing of the programs that develop efficiently functioning private sector was insufficient.**

- Aid was an effective measure to address short-term shortages of the supply of basic public goods, however it failed to create a sustainable basis for the stable provision of these goods in the long-run.
- Aid had a small impact on building a solid and expanding base for budget fiscal revenues. In contrast, it increased the dependence of governments of recipient countries on aid flows and made them bid for more funds.
- Private sector development was inadequately covered by aid programs which significantly constrained the speed of business liberalization in developing countries.

**A shift toward accelerated liberalization of business regulations and effective development of countries' investment climate is a necessary condition to ensure prosperity of developing nations.**

**More active engagement of private sector in shaping the agenda of economic reforms in developing countries is a must.**

# Why Private Sector Involvement is Scarce?

Improving business environment is a kind of “public good”. Its advocacy has the cost incurred by the “champion”, but the benefits will accrue to all investors. Once it is achieved, everybody will reap the benefits.

An individual investor will rarely engage in this activity as the cost is high and the improvements will also benefit its competitors, which would just be “free-riders”, without bearing any of the costs.

International Institutions are less exposed to default and country risks and have effective political levers to influence local governments. The costs to manage these risks for an individual investor are too high.

As a result, the role of assisting developing countries was almost exclusively delegated to IFIs.

However, deficiencies of IFIs aid programs call for more active involvement of private sector in developmental activities.

**Improving business environment as a risky and “public good” project demands collective action among a group of investors.**

## Private Investors

- More focused on private sector.
- Invest into projects that generate high returns and self-financing.
- More demanding and straightforward in measuring results.
- Clear business goals and, therefore, more understandable for recipient governments.
- Not operating in hopeless environments.
- More capable to walk away when promises are not fulfilled.
- Non-debt generating external funds.

## IFIs

- Principal focus on social sector.
- Investment projects frequently rely on long-term aid financing.
- Clear criteria to monitor and control the utilization of funds are absent.
- Lacking concrete and politics-free objectives.
- Tend to extend financing to recipients with high stock of non-performing loans.
- A decision to cease aid is a politically controversial and difficult issue.
- Increasing debt burden on the recipient governments.

# The Benefits to Private Investors

- Experience over the last two decades show that countries that were able to secure larger inflows of foreign private capital achieved above average GDP growth.
- In fact, given low savings in most developing economies, FDIs play a predominant role in accelerating growth.
- FDI is the largest and most stable source of foreign financing for developing countries.
- FDI plays a central role in bringing new technologies and encouraging R&D activities in the recipient countries.
- Multinational corporations and global industrial companies with a strategic interest in the recipient countries gain the largest benefits from improving investment environment.
- The value of assets in developing countries tends to boost as economic reforms and business liberalization advance, therefore, earlier entry guarantees superior capital gains on investments.

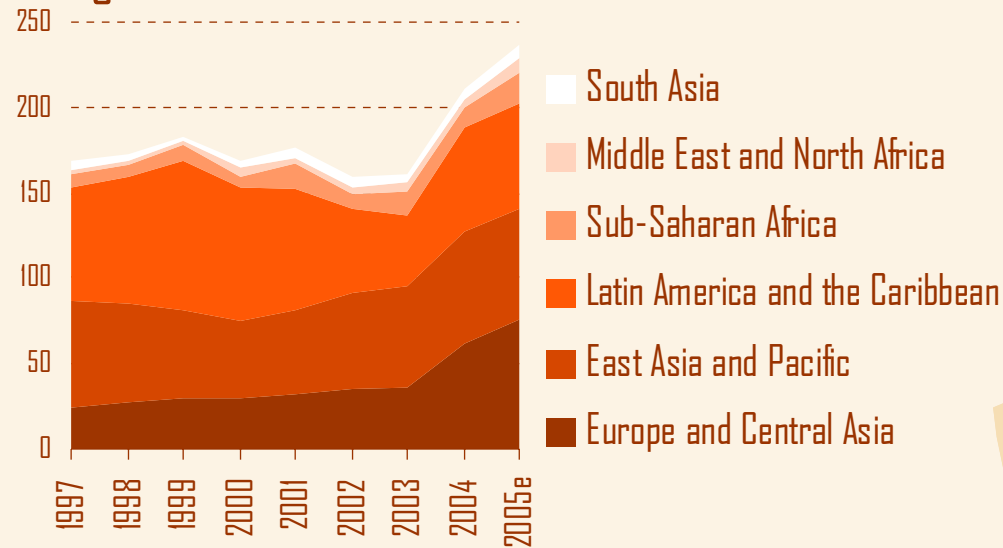
# FDI is a Key Source of Economic Development

- FDI is also a principal driver that significantly advances business management and corporate practices.
- Emerging markets have been attracting over USD 150 billion per year and in 2005 the amount of FDI to these countries approached USD 250 billion.
- But as most of the FDI were absorbed by a narrow set of countries (principally China, Mexico and Brazil), gradual saturation of these destinations for private equity investment in developing regions significantly limits the opportunities to secure above average returns in traditional markets.
- Therefore, other developing countries can attract increasing amounts of FDIs by improving their business environments.

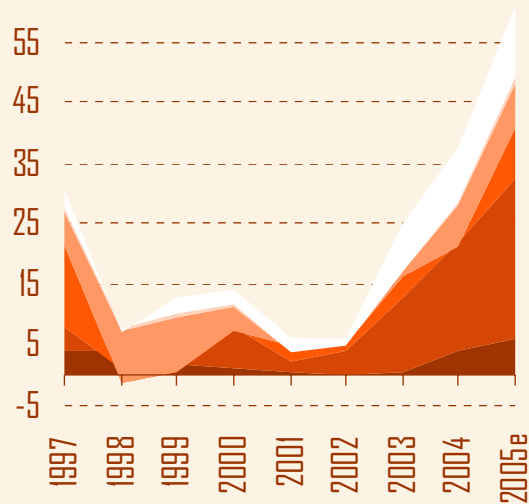
**However, the lion's share of FDI was absorbed by the narrow set of countries.**

# Net Capital Flows into Developing Countries

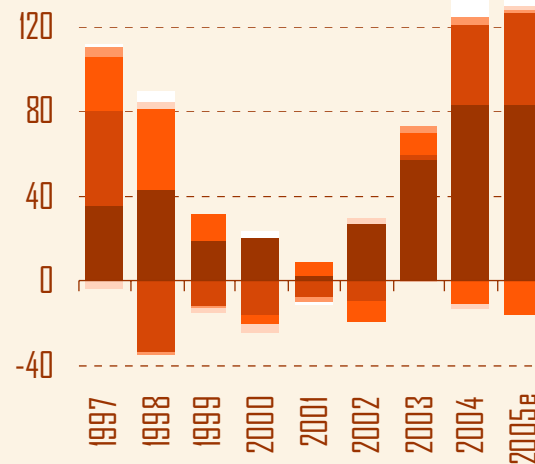
## Net Foreign Direct Investments, USD billion



## Net Portfolio Investments, USD billion



## Net Debt Flows, USD billion



**In 2005 only 10 countries (China, Mexico, Brazil, Russia, Czech Republic, Ukraine, Poland, Chile, Turkey and South Africa) absorbed over 67% of total net FDI or about USD 160 billion**

2005 – World Bank estimates

Source: World Bank, Global Development Finance 2006

# Why Should Governments Support This Initiative?

**The growth of successful private sector in developing countries serves as a barometer of good economic reforms and improves country's advantage in competing for foreign capital at the global financial markets. The benefits to local governments are ample:**

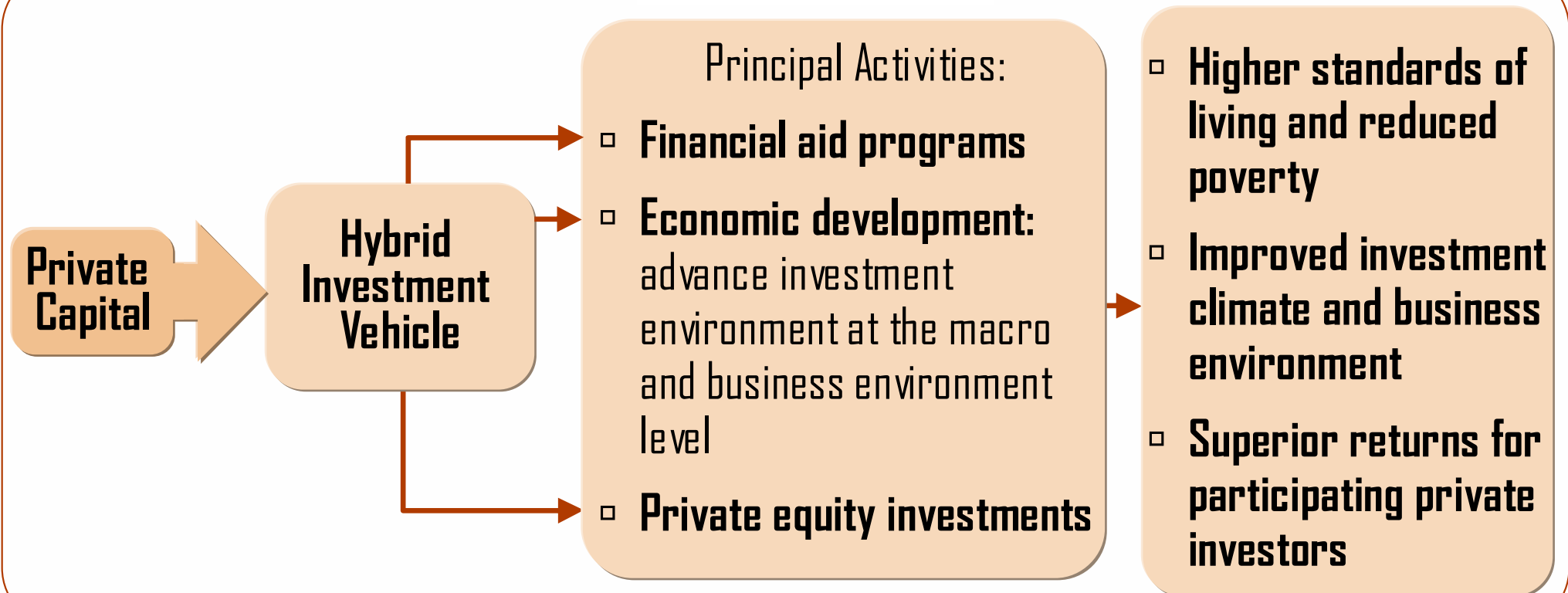
- Inflows of external funds without increasing debt burden on the governments.
- High expertise at engineering investment-friendly environment brought by the international businesses with an extensive experience in developing countries.
- Large private sector investments significantly improve fiscal revenues as well as built a solid foundation for sustainable budget revenues in the long-run creating a stable source of funds to finance social programs and fight poverty.
- Foreign direct investments create new jobs and bring advanced technologies.
- Strong incentives to adhere to sound business regulations and economic policies to support foreign investors.
- The possibility to channel higher budget revenues into the social programs that are priorities of the local governments without restrictions imposed by the aid distribution guidelines set by IFIs.
- Lower dependency of developing countries on, often politically colored, official aid.
- Effective promotion of country's image, economy and investment potential.

# Philosophy of Privatized Financial Aid

**Private Capital should assist and fund improvements in business environments in order to achieve accelerated economic development and superior returns.**

**Implementation of this concept can be performed through an HYBRID INVESTMENT FUND – a combination of traditional NGO, non-profit activities with profit-oriented investments in the same vehicle:**

## Private World Fund



# A Concept of the Hybrid Investment Vehicle

## **A combination of non-profit economic development and research unit with a profit-seeking private equity fund:**

- Select an optimal organizational structure of this hybrid investment vehicle with a priority to cover a wide range of potential investors and insure effective cooperation between non-profit and private equity departments of the fund.
- Develop adequate marketing strategy that targets investors who are willing to invest into economic developments and investors who are interested in private equity investments.
- Outline the concept of economic development initiative that can be tailored to country specific problems. The sets of urgent policy improvements and relevant policy recommendations have to be defined and justified on the basis of a comprehensive economic research.
- Candidate countries and sectors for private equity investment should be selected.
- Employ a functioning management team equipped with competent and skilled personnel with an extensive experience in country and region specific issues.
- Effective mechanisms of cooperation and partnership with the governments of recipient countries have to be established.

## **STEP I. Develop the strategy of the fundraising campaign:**

- **Target: raise fund \$100 M - \$500 M.**
- **Approach potential Investors:**
  - Multinational Corporations and Global Industrial Companies
  - High net-worth individuals
  - Foundations
  - Government backed multilaterals and bilaterals
- **Form an advisory board with key potential Investors.**
- **Ensure effective coverage in global and local Media.**
- **Gain support from International and regional developmental organizations.**
- **Attract attention of the potential recipient governments.**

## **STEP II. Select potential recipient countries (regions) and draft economic development strategy:**

- **Identify candidate countries or regions.**
- **Utilize The Bleyzer Initiative criteria to outline policy areas with the highest impact on business environment and institutional development and propose clear public policy recommendations. Predict potential FDI flows.**
- **Present and explain approach to secure commitments from target countries:**
  - Long-term commitment
  - Definition of benefits and success
  - Philosophy and implementation of economic development approach
  - Establish a functioning cooperation network with the recipient governments
- **Gain commitment and support from recipient governments.**
- **Negotiate terms for investment with the recipient country's government.**
- **Agree upon economic development Action Plan and its implementation schedule with the recipient governments.**
- **Decide what portion of the fund will be allocated to economic development assistance.**

# The Bleyzer Initiative (TBI)

Based on the extensive research of FDI determinants in developing countries nine investment drives with the highest impact on FDI flows were selected.

## TBI key Investment Drives:

- Macroeconomic Performance
- Liberalization and Deregulation of Business Activities
- Stable and Predictable Legal Environment (the Rule of Law)
- Privatization, Public Administration reform and Corporate Governance
- Removal of International Capital & Foreign Trade Restrictions
- Facilitation of Business Financing by the Financial Sector
- Reducing Corruption levels
- Minimization of Political Risks
- Improving Country Promotion and Image

**Objective: engineer a set of policy measures that have a direct positive impact on each of the nine investment drives in recipient countries.**

# Strategic Criteria for Country Selection

- **The existence of a clear authority to execute economic development Action Plan within the recipient government.**
- **The country is willing to accept and support economic development initiative.**
- **The country should have sufficient capacity to implement Action Plan.**
- **The government should be committed to market-oriented reforms and willing to cooperate with the fund.**
- **There is an urgent need to reform.**
- **The country itself is willing to invest.**
- **The pilot should be done in more than one country to test the different scenarios.**
- **Low barriers to institutional changes should exist.**
- **The private sector should show interest in the project.**
- **The capacity to prove the approach should be high:**
  - The fund should be the leading developmental organization in the country.**
  - Clear measurement and monitoring of the impact of the Action Plan on country's performance must be feasible.**

**STEP III. Identify a pipeline of private firms in the selected countries**

**STEP IV. Identify clear procedures to measure countries' performance and report progress.**

**STEP V. Develop infrastructure and tools to ensure successful launch of the pilot:**

▫ **Project Management:**

- **Advisory Board**

- **Executive Team** – negotiate the deal and raise funds

- **Investment Team** – manage profit-oriented portfolio of the fund

- **Development Assistance Team** – closely cooperate with the government, develop and implement Action Plan for the recipient country, manage financial aid projects of the fund

- **Monitoring Team** – monitor and report fund progress, research and update Action Plan models.

**STEP VI. Raise seed capital for the initial organization**

**STEP VII. Raise funds for the Fund**

**STEP VIII. Implement the Investment Program**

# Initial Challenges of the Pilot Fund

- **Identify and approach potential investors:**

Set clear, non-conflicting targets so that the fund will be of interest to investors willing to support economic development as well as to investors willing to participate in the private equity investments.

- **Focus on a group of countries or a region to ensure long-run advantages in country selection and fundraising.**

- **Establishing the legal and tax structure of the organization:**

The structure must guarantee the optimal combination of private equity investment and developmental unit,

Formalize the procedures of allocating a portion of the fund to developmental activities and procedures to utilize these funds,

Ensure effective communication between the two units of the organization.

- **Investigate the potential sources of seed capital for the initial organization.**

- **Secure support of the potential recipient governments and ensure effective cooperation with key officials.**

- **Maintain good relationships with the governments of developed countries and IFIs in order to gain their support.**

# Pilot Implementation Steps - Summary

## I. Conceptualize Fundraising Campaign

## II. Country Selection

## III. Identify Investment Pipeline

## IV. Formalize Methodology to Measure Outcomes

## V. Develop Infrastructure for the Pilot

## VI. Raise Seed Capital

## VII. Raise Funds

## VIII. Implement Investment Program

### PRINCIPLE OBJECTIVES

- **Communicate the idea to potential Investors.**
- **Focus on a region or a group of countries.**
- **Gain commitment from the potential recipient governments.**
- **Secure support from IFIs and their donor governments.**
- **Investigate investment potential of the selected countries.**
- **Form a management team of experts in the selected countries and sectors.**
- **Ensure a strong link between Fund's activities and country's performance.**
- **Performance measurement should be made feasible.**
- **Create Project Management Team**
- **Formalize legal and tax structure of the Fund**
- **Investigate potential sources of seed capital.**
- **Approach potential investors.**
- **Raise seed capital.**
- **Insure effective Media coverage.**
- **Promote the Fund with private investors, IFIs, governments**
- **Perform private equity and development investments.**

## Example: SigmaBleyzer and The Bleyzer Foundation

- **SigmaBleyzer is a private equity firm with over \$500 million under management and over ten years experience of investing in Eastern Europe.**
- **In 2001 The Bleyzer Foundation was founded as an international non-government organization supporting the successful development of transition economies into healthy, democratic market economies. To achieve this goal, the Foundation's activities include:**
  - Engaging governments in dialogue to influence economic policy in areas related to improving the business climate,
  - Monitoring and reporting on the evolution of key economic reforms and policies that affect the investment climate,
  - Promoting associations and alliances of businesses and non-government organizations that share the Foundation's goals,
  - Promoting education and implementation of best practices in government policies,
  - Promoting the necessity of legal, administrative, economic, and other reforms in order to ensure sustainable economic growth,
  - Advocating and promoting campaigns to create positive images of developing countries and strengthen their international reputations
  - Providing informational and advisory support to businesses, governments, public institutions and other NGOs.

# Role of The Bleyzer Foundation (TBF) in Ukraine

## □ **Direct impact on policymaking:**

□ TBF formulates recommendations for various policy areas, regularly discusses them with key governmental officials and circulates its policy papers within profile governmental departments. Policy issues covered by TBF include: **monetary and fiscal policy, exchange rate policy, pension and tax reform, public procurement and budget reforms, trade policy and free economic zones, development of business-friendly environment, public administration reform, judicial reform and fight against corruption.**

## □ **Indirect impact on business environment is conducted through active involvement in the life of the business community:**

□ TBF runs Investment Climate Committee of the European Business Association in Ukraine.  
□ TBF organizes round tables, regular hearings and conferences on urgent policy issues with participation of key business representatives and governmental officials.  
□ TBF promotes of market-oriented reforms within local business circles, general public and Media.

## □ **Economic Research:**

□ TBF publishes various periodical publication and special reports on economic developments and reforms in Ukraine and other transition countries.  
□ TBF supports high-quality research on economic topics, including a comprehensive study of FDI determinants in developing economies.

## □ **Periodic Publications:**

- Macroeconomic monthly reports on Ukraine, Romania and Bulgaria with a focus on economic and policy developments affecting investment climate.
- Annual country reports on Ukraine, Romania and Bulgaria. These reports include two parts: the first part is an inclusive overview of the country's economic performance and the second part reviews significant developments in TBI investment drives.
- Annual TBI rankings.
- Memorandums on short-term economic developments in Ukraine,

## □ **Special reports on urgent policy issues:**

- FDI and Private Sector impacts on economic growth.
- Energy safety of Ukraine – the impact of higher gas prices on Ukrainian economy.
- Papers on economic reforms in Ukraine: Privatization, Public Administration Reform, Pension Reform, Improving Fiscal Effectiveness, Investment Promotion.
- The effectiveness of International Official Aid.
- Reports on Ireland, Argentina and Poland.

**A complete list of publications can be accessed at:**

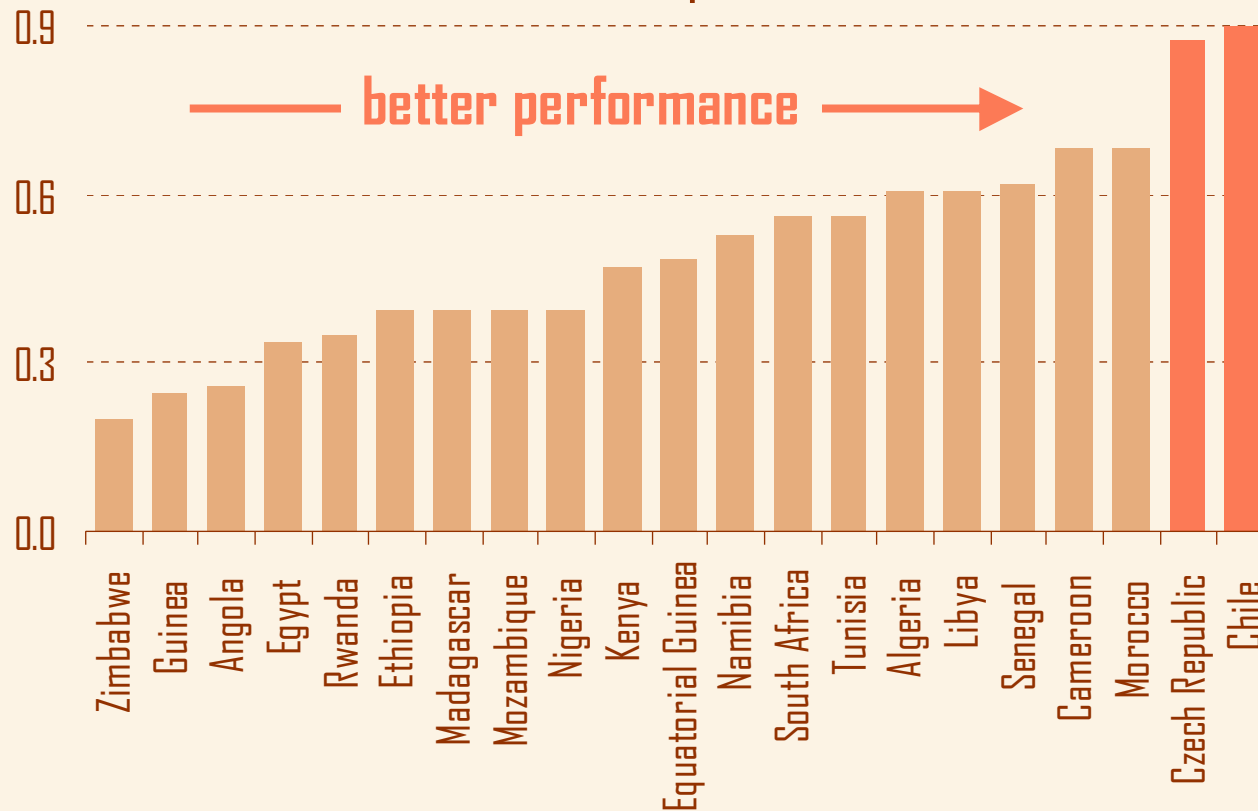
**<http://www.sigmableyzer.com/en/publications/>**

- **Apply TBI methodology on FDI determinants to determine the positive impact of market-oriented policy transformations on economic development.**
- **Based on TBI Investment drives identify urgent policy areas for the potential recipient countries.**
- **Develop policy agenda – Action Plan – to be implemented with recipient governments.**

**The next slides present an overall rating of the selected African countries and compare them to two benchmark countries - Chile and Czech Republic - in other developing regions.**

# The Bleyzer Initiative in Africa

## Macroeconomic performance



*Source: Index of Economic Freedom 2006*

### Key policy recommendations:

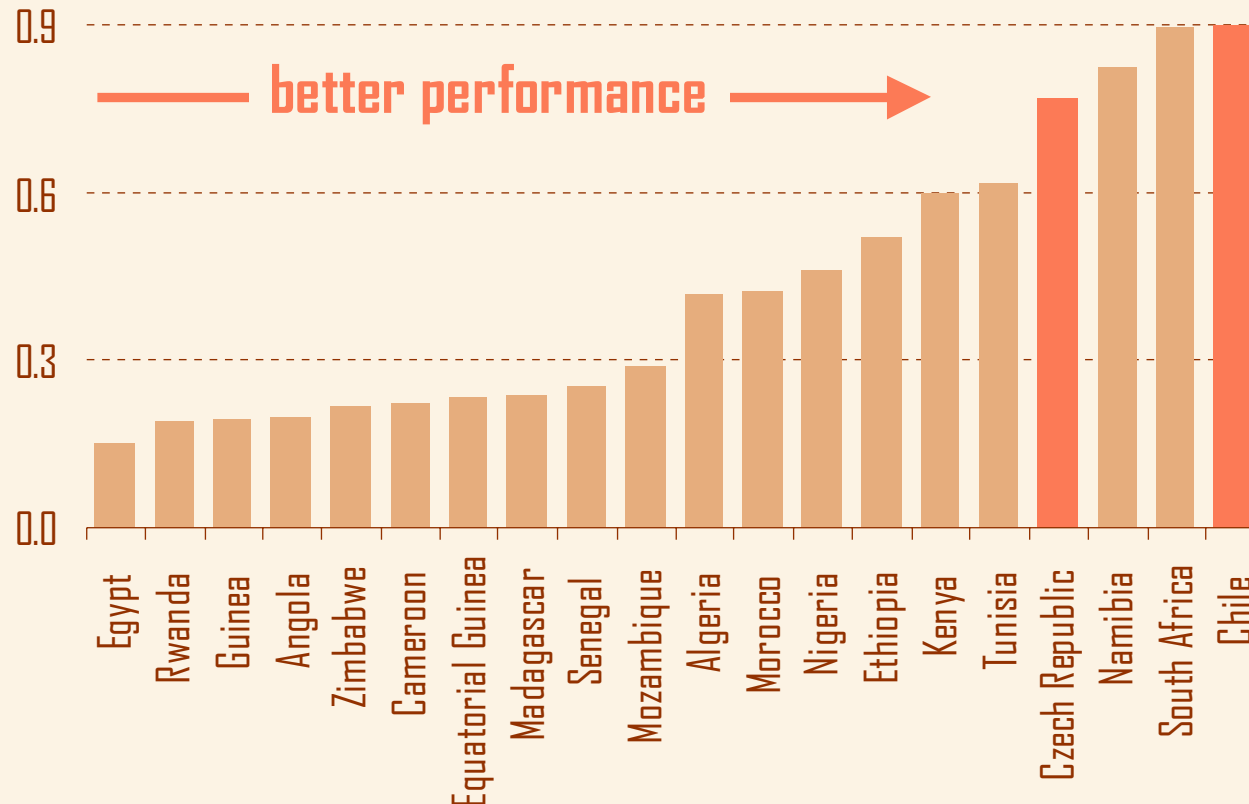
- Strengthen fiscal discipline and control over budget expenditures
- Improve revenue side of the budget and built strong tax administration capacity
- Enhance monetary policy through better management of inflation and exchange rate regime

This Index is based on the average of monetary policy and fiscal burden scores. The higher the index - the better is the country's performance

The countries of North Africa have better macroeconomic performance than the countries of Sub-Saharan region

# The Bleyzer Initiative in Africa

## Liberalization and Deregulation of Business Activities



Source: World Bank, *Doing Business 2007*

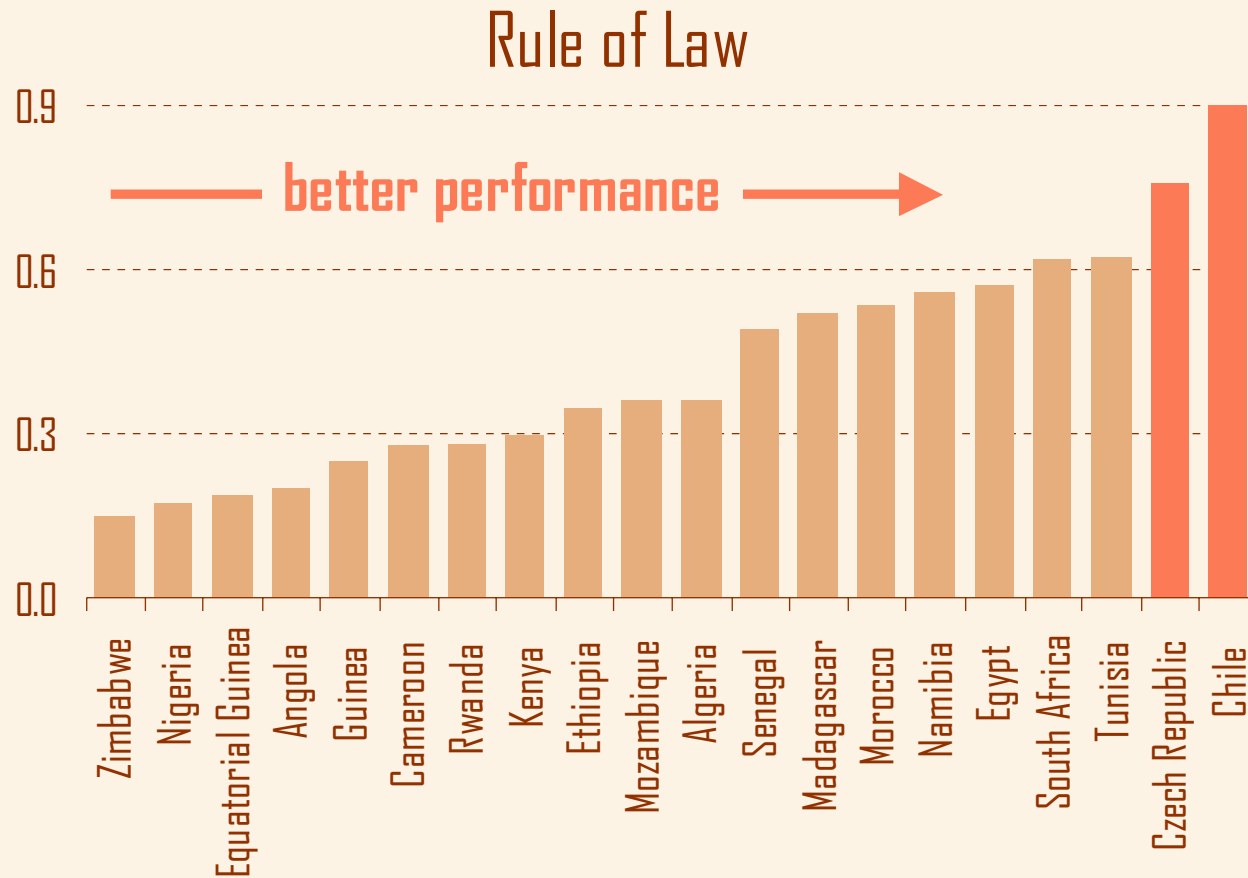
### Key policy recommendations:

- Simplify business registration and taxation procedures
- Advance exit procedures and modernize bankruptcy codes
- Enforce competition laws and sanction anticompetitive behavior
- Liberalize labor markets

“Ease of doing business”  
countries’ ranks – the  
higher the score – the  
easier is to do business  
in the country

In North Africa it takes  
on average 21 days and  
10 procedures to start a  
business, while in Sub-  
Saharan Africa – 62  
days and 11 procedures

# The Bleyzer Initiative in Africa



Rescaled "Rule of Law" index (measured on a scale from -2.5 to 2.5, with higher value representing better performance)

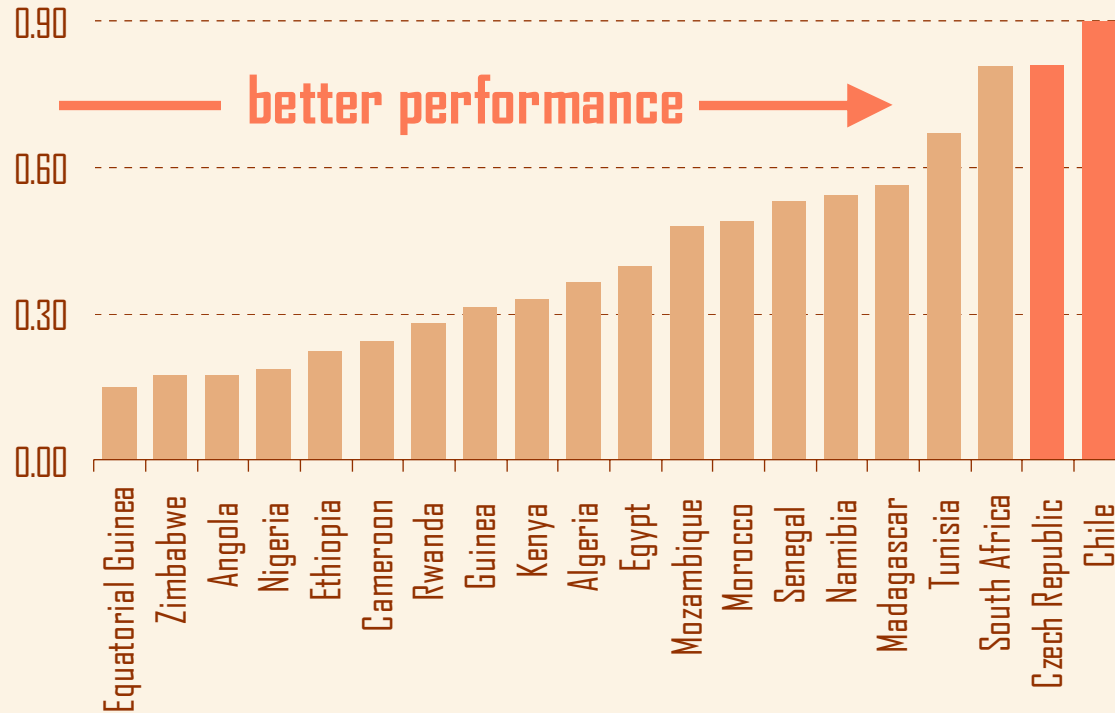
*Source: World Bank, Governance Indicators (2006)*

## Key policy recommendations:

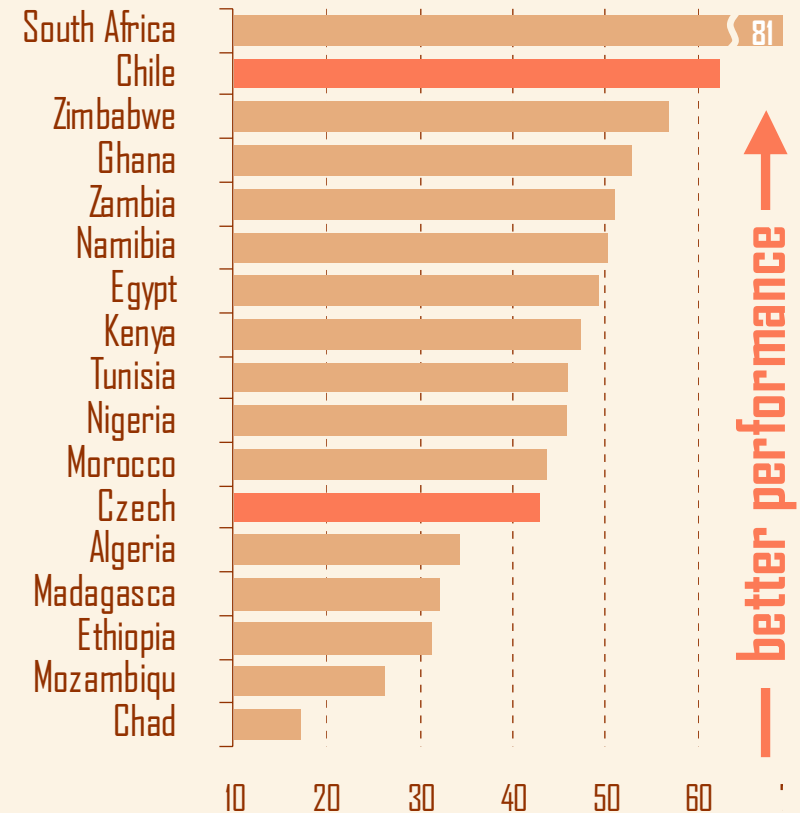
- Define the "rules of the game" for all business, without discrimination or preferential treatments
- Create an independent Judiciary, with its independent budget
- Enhance effective enforcement of legislation

# The Bleyzer Initiative in Africa

## Public Governance



## World Bank's Corporate Governance Indicator



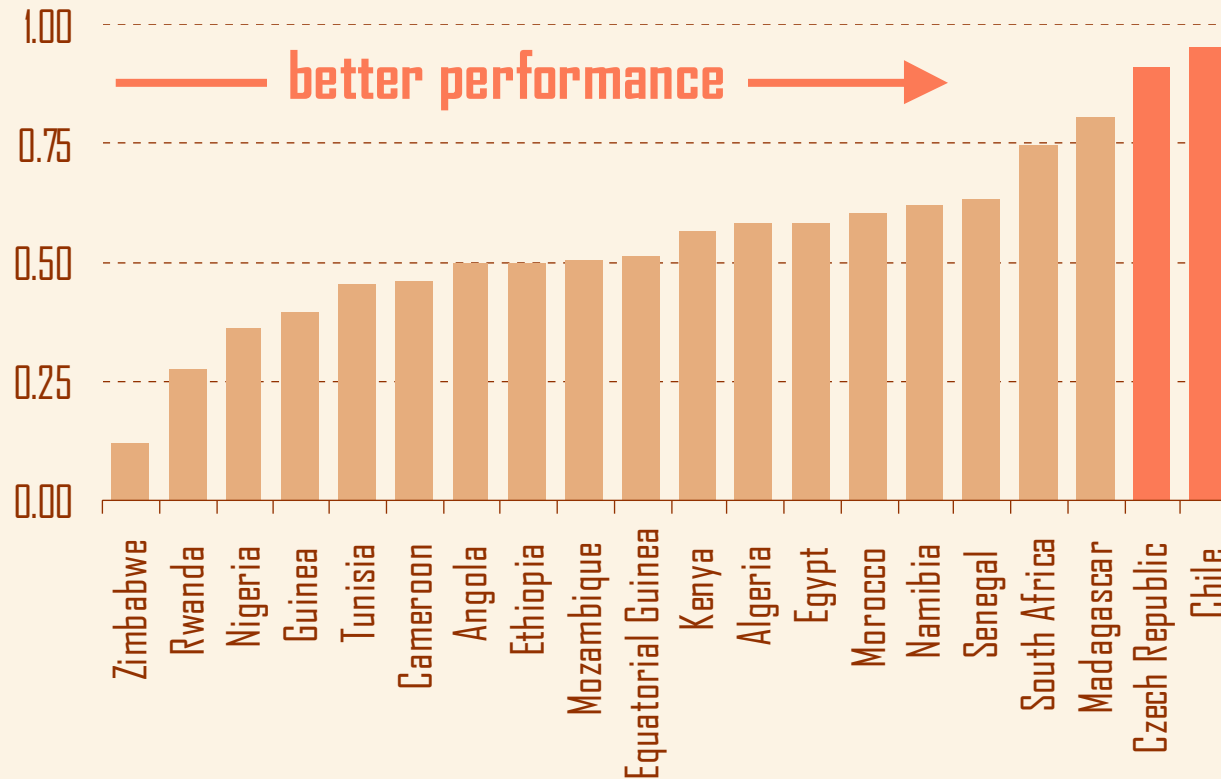
*Source: World Bank, Governance Indicators (2006),  
Index of Economic Freedom 2006*

### Key policy recommendations:

- Accelerate public administration reform
- Reduce and restructure the participation of the state in the economy
- Enact appropriate corporate governance legislation and enforce compliance

# The Bleyzer Initiative in Africa

## Foreign Trade and Capital Flows



*Source: World Bank, Doing Business 2007, Index of Economic Freedom 2006*

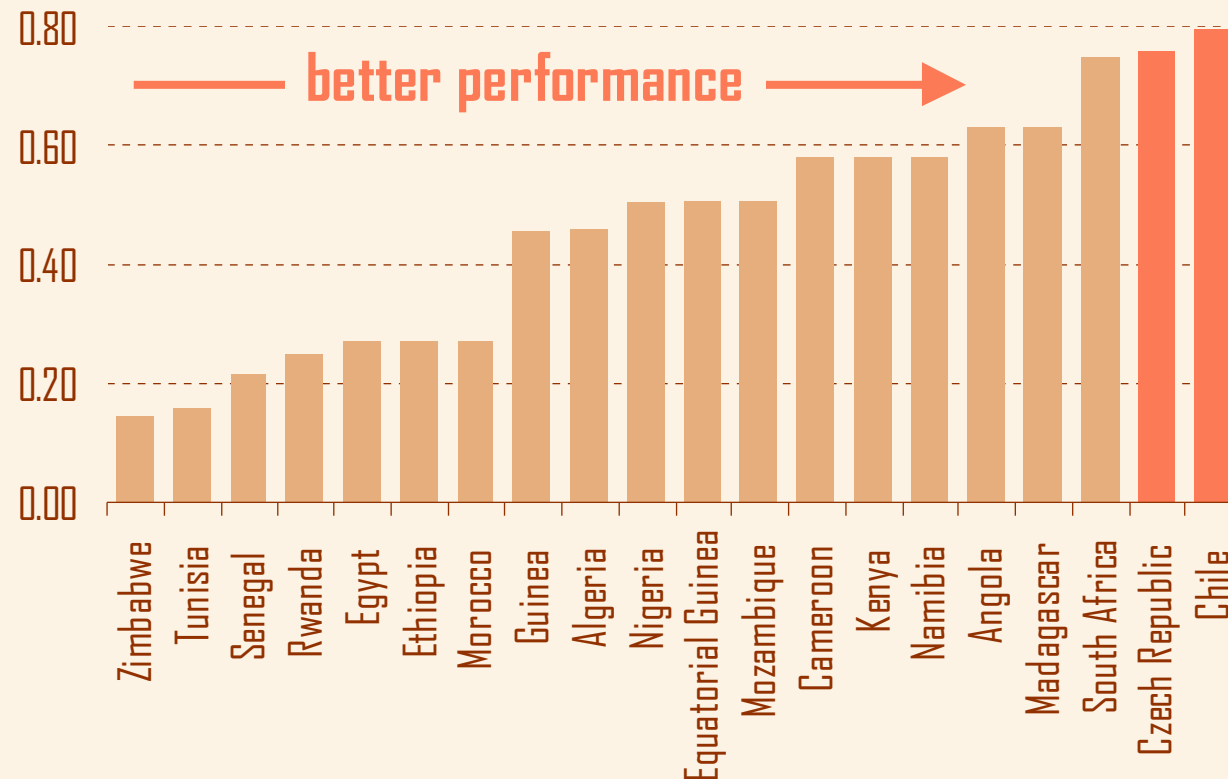
  
Weighted average of  
trade policy index,  
capital flows  
restrictions index  
and "ease of trading  
across borders"  
indicators

### Key policy recommendations:

- Remove restrictions to exports and imports
- Simplify custom procedures and improve certification requirements and standards of products
- Liberalize foreign exchange markets cross-border capital flows regulations

# The Bleyzer Initiative in Africa

## Financial Sector



*Source: World Bank, Doing Business 2007, Index of Economic Freedom 2006*

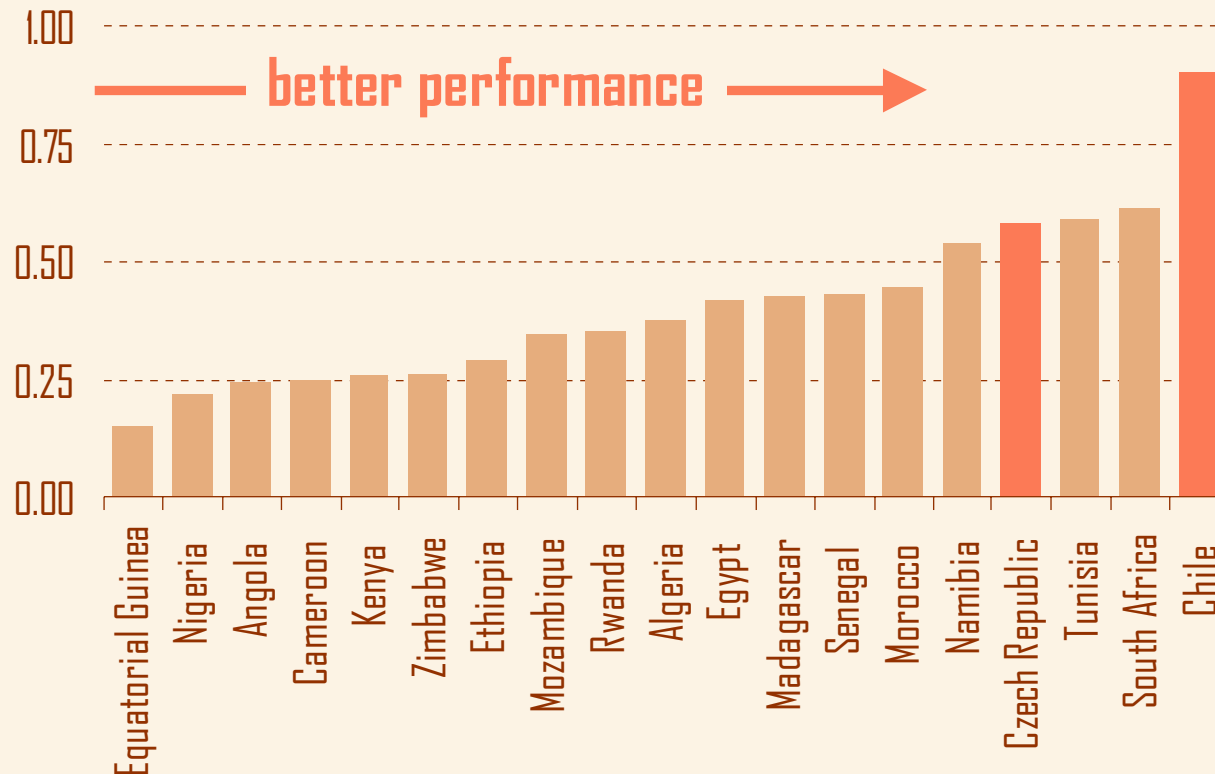
### Key policy recommendations:

- Increase the independence and autonomy of the Central Bank
- Improve bank supervision and enforce prudential regulations
- Encourage competition and efficiency in the financial sector by facilitating the expansion of foreign banks and non-bank financial institutions

Weighted average of banking and finance index and "ease of getting credit" rank

# The Bleyzer Initiative in Africa

## Corruption Levels



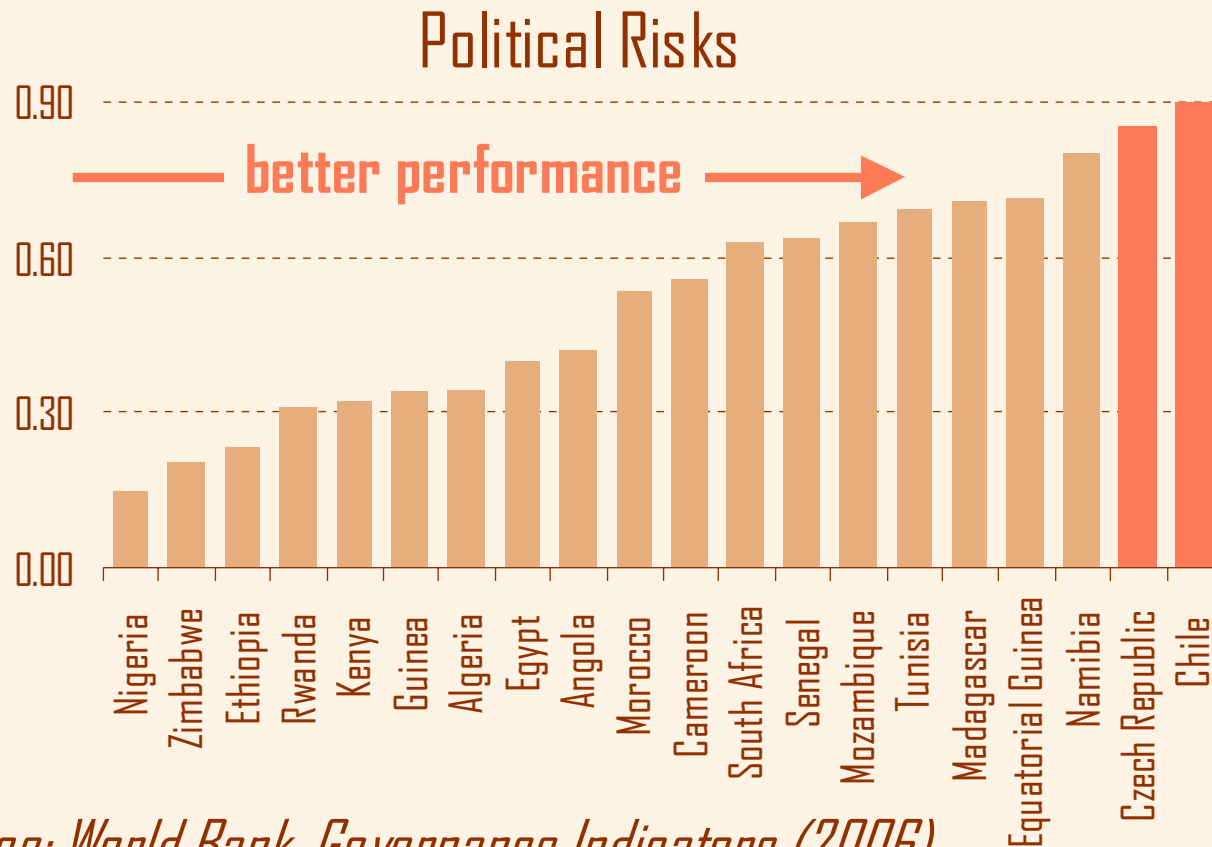
Weighted average of  
corruption  
perception index and  
control over  
corruption index

*Source: World Bank, Governance Indicators (2006), Transparency International – Corruption Perception Index 2006*

### Key policy recommendations:

- Undertake measures to “prevent” corruption
- Develop the legal framework to ensure better enforcement of anticorruption measures
- Gain public support for anti-corruption programs

# The Bleyzer Initiative in Africa



World Bank:  
Political Stability  
Index

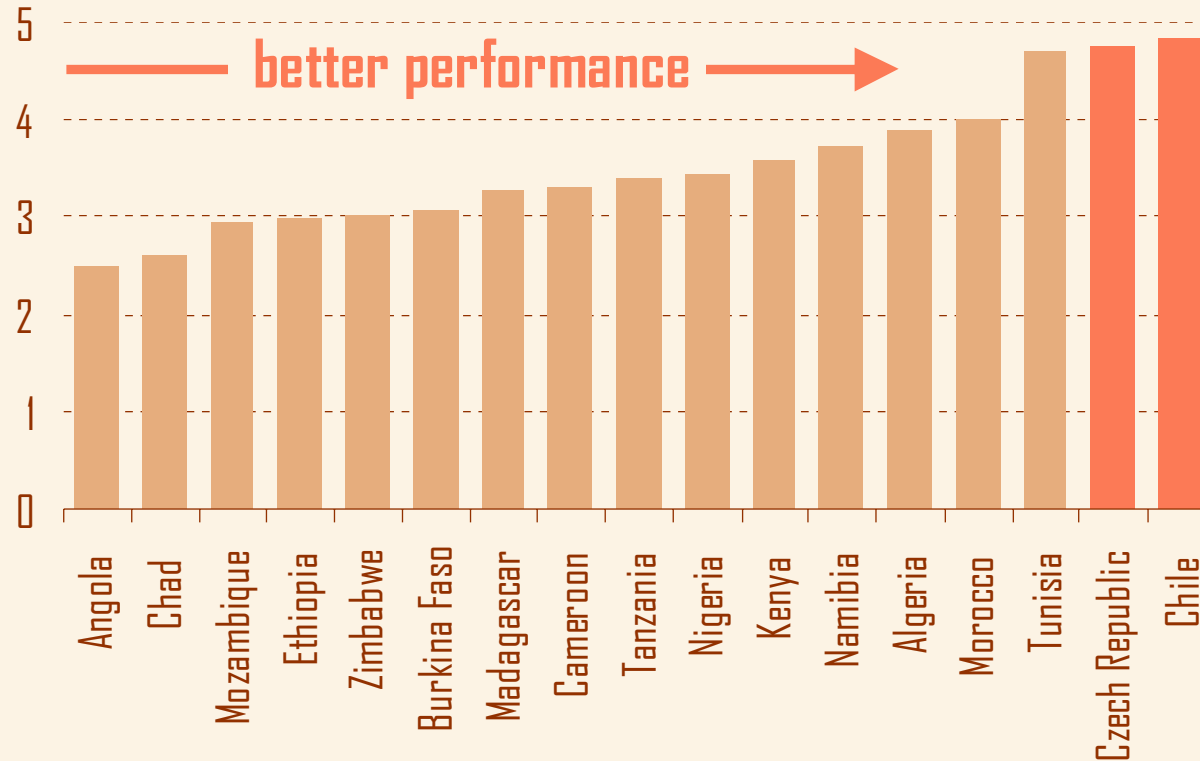
*Source: World Bank, Governance Indicators (2006)*

## Key policy recommendations:

- Pass appropriate legislation to reassure investors that arbitrary expropriation of private property, including "creeping expropriation", will not be permitted in the country
- Provide Governmental stability
- Introduce strong measures to eliminate power abuses by the Government authorities
- Minimize the risks of civil and external disturbances that may affect businesses

# The Bleyzer Initiative in Africa

## Country Promotion and Image



**Global  
Competitiveness  
Score**

### Key policy recommendations:

- Develop a comprehensive country promotion strategy
- Announce and disseminate widely the Government's policy and commitment to implement strong market oriented policies and show implementation progress
- Support foreign investment by changing the attitude of officialdom at central and local levels
- Assist in the establishment of a private investment promotion agency