World Development Report 2005 <u>A Better Investment Climate—For Everyone</u>

Part III Beyond the Basics

Chapter 8 Selective interventions

Chapter 9 International rules and standards

This draft has been prepared by a core team led by Warrick Smith and comprising Mary Hallward-Driemeier, Gaiv Tata, George Clarke, Raj Desai, Timothy Irwin, Richard Messick, Stefano Scarpetta and Ekaterina Vostroknutova. Leora Klapper acted as the team's finance expert. The team was assisted by Yanni Chen, Alexandru Cojocaru, Zenaida Hernandez, Tewodaj Mengistu, Claudio Montenegro and David Stewart. Colleagues across the Bank Group helped the team in many ways.

The work was initiated under the direction of Nicholas Stern and carried out under the direction of François Bourguignon. The published version will be available in September 2004.

World Development Report 2005 A Better Investment Climate—For Everyone

Table of Contents

Chapter 8 Selective interventions

The allure—and traps—of selective interventions
Firms in the informal economy
Rural firms
Small- and medium-enterprises (SMEs)
Taking advantage of international openness
Climbing the technology ladder

Chapter 9 International rules and standards

Enhancing credibility
Reducing costs
Addressing international spillovers
The future

List of Figures

- 8.1 Competition has increased with more countries exporting a larger range of goods
- 8.2 Incentives can be costly
- 8.3 Policy advocacy by investment promotion agencies receives a small share of budget
- 8.4 Grants make the lion's share of public funding to R&D in many developed countries
- 9.1 Bilateral investment treaties have proliferated in recent years
- 9.2 NAFTA and government credibility: Mexico's experience
- 9.3 Regional economic cooperation agreements shot up in the 1990s

List of Boxes

- 8.1 Unforeseen successes in Bangladesh and Kenya
- 8.2 Picking "winners" can be an expensive gamble—SOTEXKA in Senegal
- 8.3 Integrating informal traders in Durban
- 8.4 Rural credit in Brazil
- 8.5 Constraining SME growth in India—by design
- 8.6 China's special economic zones
- 8.7 Export processing zones thrive in Mauritius but wither in Mozambique

- 8.8 Backward linkages from EPZs in Dominican Republic—the missing link
- 8.9 The WTO and selective intervention
- 8.10 Rolling the dice in Indianapolis
- 8.11 Competing to attract investment within countries
- 8.12 Fixing the FDI strategy for Mexico's computer industry
- 8.13 Successful "linkage programs" in Singapore and Ireland
- 8.14 Public-private partnerships for R&D
- 9.1 Evaluating international rules, norms, and standards
- 9.2 Bilateral investment treaties—enhancing credibility one bit at a time
- 9.3 NEPAD and its peer review mechanism
- 9.4 The evolving system of investor-state dispute settlement
- 9.5 Harmonizing business law in Africa—OHADA
- 9.6 International cooperation to combat corruption
- 9.7 Privatizing international cooperation
- 9.8 A multilateral agreement on investment?

List of Tables

- 8.1 Export processing zones have proliferated into the thousands
- 8.2 Effective reductions in corporate tax rates due to fiscal incentives
- 8.3 Investment promotion agencies can be expensive
- 8.4 Fiscal incentives for R&D in selected developing countries
- 8.5 Policies to support universities-firms collaboration