



World Association of
Investment Promotion
Agencies

RESEARCH STRATEGY (WORKING PAPER)

FOR MEMBERS AND PARTNERS OF WAIPA

www.waipa.org

Dear members and partners of WAIPA,

The World Association of Investment Promotion Agencies (WAIPA) is strongly committed to advance in research and to delivering impact to all of its members and stakeholders.

Our main goal is to highlight the importance of Investment Promotion Agencies (IPAs) in attracting Foreign Direct Investment (FDI) and achieving Sustainable Development Goals (SDGs) worldwide. In pursuing this difficult but important mission, no tool could be more powerful than science. Therefore, we at WAIPA are now setting the stage for a better understanding of what is the cutting edge for sustainable development goals – the role of IPAs and foreign direct investments.

The last several decades have proven unambiguously that FDI is a major determinant for growth and development. Meanwhile, as some of the FDI related long-standing puzzles have been solved, plenty of new questions arise. Throughout the beginning of the new century IPAs and the overall quality of institutions have emerged as one of the major factors to support foreign investment decisions. However, even speaking from the current state of science, questions regarding what determines IPAs capacity, empowerment and efficiency and their impact on sustainable FDI remain vaguely touched. Accordingly, by pursuing its research strategy, WAIPA adds value to its members and stakeholders by committing to explore these (and other) major areas of potential knowledge.

As crucial reference point for global FDI, WAIPA's research endeavors are aimed at three separate, but in the same time tightly linked and complementary fields of research activities:



- 1) Maintaining an up to date comprehensive online library on the topics of investment promotion best practices, globalization and sustainable development for our member IPAs
- 2) Measuring IPAs capacity, empowerment and output efficiency
- 3) Clarifying the role of IPAs in achievement of SDGs.

None of the three could be overemphasized in terms of their importance for WAIPA's research vision to promote the importance of IPAs for adopting SDGs. At first there is a need for better understanding of how and why particular IPAs operate in one manner and succeed accordingly, but others appear to be achieving better results. What makes the difference is of WAIPA's great interest and future research efforts. Nevertheless, FDI attraction can lead to significant structural changes in the host countries. Therefore, IPAs can be crucial cornerstone not only for FDI inflows, but also for more inclusive growth, decent job creation, less poverty and inequalities, sustainable environment and development.

Our five major research themes in association with achieving SDGs and the role IPAs:

1. No poverty
2. Quality education and human capital accumulation
3. Affordable, clean energy and sustainable environment
4. Decent work, economic growth and reduced inequalities
5. Industry, innovation and infrastructure

1. No poverty

As FDI trends more towards developing than developed countries the role of foreign capital for poverty alleviation is becoming more relevant for academia, but also for policies aimed at SDGs. WAIPA's efforts within this research area are mostly to:

- Investigate linkages between FDI flows and poverty reduction
- Identify potential transmission mechanisms of how FDI can help societies escape poverty
- Differentiate FDI by mode and type of investment and explore separate effects on poverty rates and channels of transmission
- Address the possibility and the channels through which IPAs can contribute in poverty alleviation through FDI targeting and facilitation



2. Quality education and human capital accumulation

Human capital acquisition is now widely accepted both as a prerequisite to inward FDI attraction and a necessary condition for extending technological transfer and positive spillovers for host countries. Within this important area of research WAIPA aims at:

- Explore the relationships between human capital and different types and modes of FDI inflows.
- Identify IPAs' role in reducing information asymmetries between the domestic market conditions and the foreign investors' perceptions.



3. Affordable, clean energy and sustainable environment

As pointed out in the OECD's Policy Guidance for Investment in Clean Energy Infrastructure, investments in clean energy infrastructure will need to be scaled up significantly in the coming years to support the broader development,



economic and climate agenda. However, WAIPA's strategic research efforts are towards the role of IPAs in the process of attracting and facilitating private capital:

- Investigate how governments can pursue the green economy agenda throughout IPAs empowerment?
- Explore the ways in which FDI flows can contribute to a greener economy worldwide and on regional level (Pollution Halo vs. Pollution Haven Hypothesis).
- Study what incentives could motivate TNCs to invest in green energy and cleaner environment

4. Decent work, economic growth and reduced inequalities

Different types and modes of FDI can have dispersed effects on local labor markets, growth and income distribution. Nevertheless, it should be stressed that empowered IPAs can have a leading and major role in reducing labor market



frictions and enhancing inclusive growth. Within its research endeavors WAIPA wants to:

- Identify linkages between IPAs efficiency and decent jobs creation (as defined by the ILO's Decent Work Agenda)
- Explore the impact on different types and modes of FDI to growth, structural changes and employment opportunities at regional and country level.
- Study the effects of inward FDI to host countries' labor markets.
- Hypothesize and empirically test potential transmission channels between different types and modes of FDI flows and employment, wages, income inequality and growth.

5. Industry, innovation and infrastructure

IPAs are in the forefront to deliver inclusive foreign capital which adds to country's export capacity, integrate local companies into international supply chains, strengthen competition and set the stage for more innovation. As



advocated by UNIDO, “...inclusive and sustainable industrial development (ISID) is the key driver for the successful integration of the economic, social and environmental dimensions, required to fully realize sustainable development for the benefit of our future generations”. WAIPA adds value to its member IPAs by conducting research and promoting best practices in the following subjects:

- Exploring the impact of different types and modes of FDI to local competition, supply chains and market power.
- Emphasizing on clear examples of technology spillovers and innovation impact of FDI inflows at global, regional and country level.
- Identifying the role of land, air and water infrastructure for attracting different types and modes of FDI inflows.

WAIPA's research endeavours are not just randomly attached to FDI, IPAs and sustainable development. Instead, each of the research fields of interest is associated with a particular service/product to our member IPAs, as follows:

- Conducting independent research for particular IPA or groups of IPAs using WAIPA's own survey results, calculations and empirical models
- Acquisition and dissemination of data from official sources
- Acquisition and dissemination of original WAIPA data in regards to IPAs capacity, empowerment, efficiency and best practices
- Using data both from official sources and WAIPA surveys to test for various hypothesis in regards to our five main research fields of interest. Detailed results are shared with all WAIPA members.
- Co-authoring with IPAs, academia and private sector professionals
- Presenting outcomes in official events for the case of more efficient and empowered IPAs.

In order to deliver value added to our members in terms of research services and products, WAIPA's research team will harness all theoretical, analytical and empirical tools available. This would involve referring to all relevant theoretical concepts as well as using both qualitative (in-depth interviews, observations etc.) and quantitative (regressions and econometric modelling of cross-sectional, panel and time series data) to test various hypothesis in different research areas.