World Association of Investment Promotion Agencies

Overview of Investment Promotion:

Report of the findings from the WAIPA Annual Survey of 2018

January, 2019

Overview of Investment Promotion:

Report of the findings from the WAIPA Annual Survey of 2018

January, 2019

Please cite this publication as:

WAIPA. (2019). Overview of Investment Promotion: Report of the findings from the WAIPA Annual Survey of 2018. Geneva.

The information and views set out in this report do not necessarily reflect the official opinion of the WAIPA's members.

Copyright © WAIPA, 2019. The material contained in this publication may be freely quoted or reproduced for educational and non-profit purposes with appropriate source acknowledgment.

About WAIPA

The World Association of Investment Promotion Agencies (WAIPA) was created in 1995. It was established as an Association under Swiss law. It has been registered in Geneva, as a non-governmental organization. From its very inception, WAIPA has represented an ever-growing number of Member agencies. Currently WAIPA has members from 130 countries. Through its wide range of activities, WAIPA provides the opportunity for investment promotion agencies (IPAs) to network and exchange best practices in investment promotion. WAIPA has always dedicated, and continues to dedicate, time and effort towards building the human resources capacity of its Member agencies. Training events have been organized by WAIPA, alone or in coordination with partner organizations. Membership is open to all entities the primary function of which is "to promote any country, political sub-division of a country or other uncontested territory, as a destination for, or source of, investments".

The objectives of WAIPA, as broadly reflected in the Association's Statutes, are to:

- Promote and develop understanding and cooperation amongst IPAs.
- Strengthen information gathering systems, promote the efficient use of information and facilitate access to data sources.
- Share country and regional experiences in attracting foreign investment and enhancing outward investments.
- Assist IPAs in advising their respective governments on the formulation of appropriate investment promotion policies and strategies.
- Facilitate access to technical assistance and promote training of IPAs.

Message from the President

Dear members and colleagues,

This report of our annual survey aims to provide you with valuable insights of the daily work of an investment promotion agency (IPA). While we see that the work of an IPA might have changed in recent years and will be changing in the upcoming future shaped by new technologies, their work remains invaluable regarding the attraction of foreign direct investments (FDI) and its positive effects and impacts e.g. to stimulate economic development, to create jobs and to bring prosperity.

Hence, our aim was and is to actively advocate to further empower IPAs and overall to create even more value to our members. For this it is vital to understand their work and their prospects, and we hope this report will provide you as well with said valuable information.

I would like to extend my utmost gratitude to our members for their continuous cooperation contributing to our common efforts.

Sincerely,
Arda Ermut
President
WAIPA

Message from the Executive Director

Foreign direct investment (FDI) can be catalytic, mobilizing capital and technology to spur growth, expand productive capacity and diversify economies. The benefit of FDI to stimulate and enhance economic development is obvious fact supported by numerous scientific studies.

Investment Promotion Agencies (IPAs) play an important role in attracting these investments. They are often the public face of governments seeking to increase investment, promote economic and social development and generally instrumental in negotiating investment treaties and concluding investment contracts; and manage investment relationships through aftercare services.

In this report of our annual survey of 2018 we tried to gain deeper insight into this work of our member IPAs. We have a look among other things at their mandates, their structure and their targets. As IPAs can be called an intermediary body between public and private sector analyzing their challenges but also future prospects are of particular interest to see what the future of FDI might hold for us.

We wish to express our sincere gratitude to all IPAs that devoted their valuable time for filling the survey. Further acknowledgment goes to our research team that has prepared this paper and our partners for their valuable comments. We hope this publication will be beneficial for the entire investment promotion community and we encourage all readers to make full use of it.

Sincerely,
Bostjan Skalar
Executive Director
WAIPA

Content

List of Figures vii
Abbreviations viii
Survey Overview ix
Executive Summary x
1. Introduction 1
2. What is investment promotion? 3
3. Institutional framework 5
4. Resources 8
    4.1. Budget 8
    4.2. Staff size and qualifications 10
5. Strategy 12
    5.1. SDGs and IPAs 16
6. Performance evaluation 19
7. The future of investment promotion 21
References 24

List of Figures

Figure 1: IPAs and year of establishment 4

Figure 2: Legal and reporting features of IPAs 5

Figure 3: Mandates operated by IPAs 6

Figure 4: Number of mandates and GDP per capita (USD) 7

Figure 5: IPAs' sources of income 8

Figure 6: Budget size and allocation 9

Figure 7: IPAs' staff size (average) 10

Figure 8: IPAs' staff qualifications (average) 11

Figure 9: IPA's strategy and forms of FDI 13

Figure 10: Top 10 target sectors by IPAs 14

Figure 11 : Top 10 target sector by IPAs over different income levels 15

Figure 12: Top 10 target countries by IPAs 16

Figure 13: Key SDGs' sectors 17

Figure 14: Features of investment and their importance for IPAs 18

Figure 15: Performance indicators collected by IPAs 19

Figure 16: Most useful features of an IPA's website 21

Figure 17: Most used social networks by IPAs and businesses 22

Abbreviations

AI	Artificial Intelligence
DCI	Development Counsellors International
FDI	Foreign Direct Investment
FIAS	The Facility for Investment Climate Advisory Services
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IPA	Investment Promotion Agency
KPI	Key Performance Indicator
M&A	Mergers and Acquisitions
MNC	Multinational Corporation
PPC	Pay- Per- Click
PPP	Private Public Partnership
SDGs	Sustainable Development Goals
SEO	Search Engine Optimization
SME	Small and Medium-Sized Enterprises
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNCTAD	United Nation Conference of Trade and Development
USA	United States of America
USD	United States Dollar
WAIPA	World Association of Investment Promotion Agencies
WBG	World Bank Group

Survey Overview

This report is using information obtained from the WAIPA's Annual Survey of 2018. The survey's questions encompass topics regarding IPAs institutional characteristic, resources, strategies, performance evaluation, and future of investment promotion.

The online survey was distributed to WAIPA's members from April until July of 2018. For increasing response and completeness rate of the survey, several email reminders were sent followed up with phone calls. In total we obtained 67 responses. Out of the collected responses, 84% (55) are national IPAs, 10% (7) regional IPAs, and 7% (5) city IPAs.

In terms of geographic classifications[1], 33% (22) agencies are from Europe & Central Asia, 24% (16) are from Latin America & Caribbean, 18% (12) are from Sub-Saharan Africa, 12% (8) are from Middle East & North Africa, 9% (6) are from East Asia & Pacific, and 4% (3) are from South Asia.

In terms of income classifications[2], 33% (22) of IPAs are from high-income countries, 39% (26) are from upper middle-income countries, 19% (13) are from lower middle-income countries, and 9% (6) are from low-income countries.

[1] Based on the WBG's classifications: https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups

[2] Based on the WBG's' classifications: https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups

Executive Summary

WAIPA's survey reveals continues increasing trend of governments' commitment towards the promotion of their countries with the aim of attracting FDI. This came as a result of increased importance of overseas investment for the overall economic development and substantial competition between locations, i.e. approximately there are over 10,000 established IPAs worldwide.

IPAs may have different organization structures, reporting status, and more than one mandate. In general, they are governmental organizations that directly report either to the ministry, respectively prime ministry or presidential office, or a board of directors. Literature on investment promotion emphasizes the importance of a flexible organizational structure and support by government's top levels for the effective IPA performance.

Furthermore, their main sources of financing are public funds and 58% have less than 5 million USD at their disposal. The main proportion of budget is spent on investment generation and image building activities. In terms of staff size, an average IPA has 87 employees with 26 professionals working on the investment promotion only. More than half of professional staff (57%) has experience in the private sector, while only 26% and 24% of IPAs' professional staff possess knowledge of foreign language in the low middle-income and low-income countries respectively.

Having written multi-year strategy is an essential part of every organization, however 31% of IPAs do not have such. When it comes to form of investments, the most desirable are greenfield and expansion FDI. Furthermore, targeting specific sectors is common practice employed by 94% of IPAs. The most common target sectors are ICT, tourism, agriculture, renewable energy, and food & beverage manufacturing. In addition to the sectors, they target investments from specific countries. The most desirable source countries are China, USA, UK, Germany and France.

Thus, the international development community addresses the importance of IPAs for reaching SDGs due to their intermediate role between governments and investors. The majority of agencies are aware of this role and they tend to pay more attention to the qualitative indicators of investments during the investment screening process, e.g. technology spillovers, effect of investment on environment, quality of labor condition, etc.

One of the main challenges of an IPA is to find appropriate system for evaluation of its performance. Investment decisions are affected by large number of factors and determining to which degree an IPA contributed to FDI inflows is immensely difficult. The most common collected performance indicators are number of new foreign companies, investments facilitated, and jobs created.

The emergence of modern technologies has brought changes in the way investment promotion is conducted. If properly utilized, they can significantly improve IPA's performance. Many businesses are conducting their activities online leaving important traces regarding their needs and future moves. With digital marketing methods and AI technology, IPAs can access their target groups in a very time and cost-effective way.

1. Introduction

Growth and development are the main aims of countries' policies all over the world. There is wide consensus among the academic community that flows of FDI are an important element in countries' efforts to stimulate and enhance economic development. Both developed and developing countries are encouraging flows of FDI due to their positive externalities, i.e. job creation, export increasement, capital accumulation, knowledge and technology spillovers, economic diversification, etc., contributing directly to their welfare and prosperity (Nistor, 2014).

Particularly, FDI inflow is important for developing and transition economies due to their need of capital to accelerate economic development (Bevan and Estrin, 2000). In the last two decades FDI inflows increased considerably. The total world's FDI inflow has grown from around $240 million in 1990 to a $1,9 trillion peak in 2007. These statistics support the argument that this ever more globalizing world's economy is driven by international production undertaken by MNEs. According to the most recent UNCTAD's Global Investment Trends Monitor issued in January of 2019, estimated global FDI flows were $1.2 trillion in 2018, which is 19% decrease compared to the previous year. However, despite this decline, number of announced greenfield projects increased by 29%, which evokes optimism regarding future FDI trends.

Past international experience has shown that the most important factors driving investors to invest in certain location are market size, low-cost unskilled labor, raw materials, investment climate, and strategic assets and technology (Lim, 2008). However, economic determinants are not the only factors affecting inflow of FDI (UNCTAD, 1998). A significant role plays business facilitation instruments, i.e. investment incentives and investment promotion activities. The first instrument can be defined as "set of policies and actions aimed at making it easier for investors to establish and expand their investments, as well as to conduct their day-to-day business in host countries (UNCTAD, 2017a)." Mainly they refer to the various set of regulations and laws that govern provision of incentives to the investors that satisfy certain conditions.

The purpose of the second instrument, embodied in Investment Promotion Agencies (IPAs), is provision of necessary information and support to investors throughout various phases of an investment process and promotion of country's investment opportunities and incentives (Dressler, 2018a). The second instrument is more practical and requires more operational activities. Nowadays, IPAs are indispensable part of most countries' development strategies with the mandate to promote and facilitate inflow of FDI. Substantial number of researchers (Wells and Wint, 1990; Morisset and Andrews-Johnson, 2004; Moore and Schmitz, 2008; Javorcik and Harding, 2011) addressed the importance of a governments' involvement in the promotion of investment opportunities in their countries. Even though literature of the effectiveness of IPAs and their activities exists, still knowledge gaps are present regarding their effectiveness and main operations.

This report, using descriptive statistics obtained from the WAIPA Annual Survey of 2018, closely presents the main features of Investment Promotion Agencies (IPAs). Survey questions are designed to reveal the main aspects of IPAs' legal status, promotion activities, resources, promotion strategies, performance evaluation practices, and prospects of investment promotion. Findings may help heads of IPAs to get valuable insights in setting effective investment promotion strategies. The report is structured as follows. The first section presents the concept of investment promotion. IPAs' main characteristics are presented in the second section. The third section discusses main features of IPAs' resources and their allocation. Investment promotion strategy's features and importance of performance evaluation are presented in the section five and six. Section seven discusses the IPAs' views on the future of investment promotion

2. What is investment promotion?

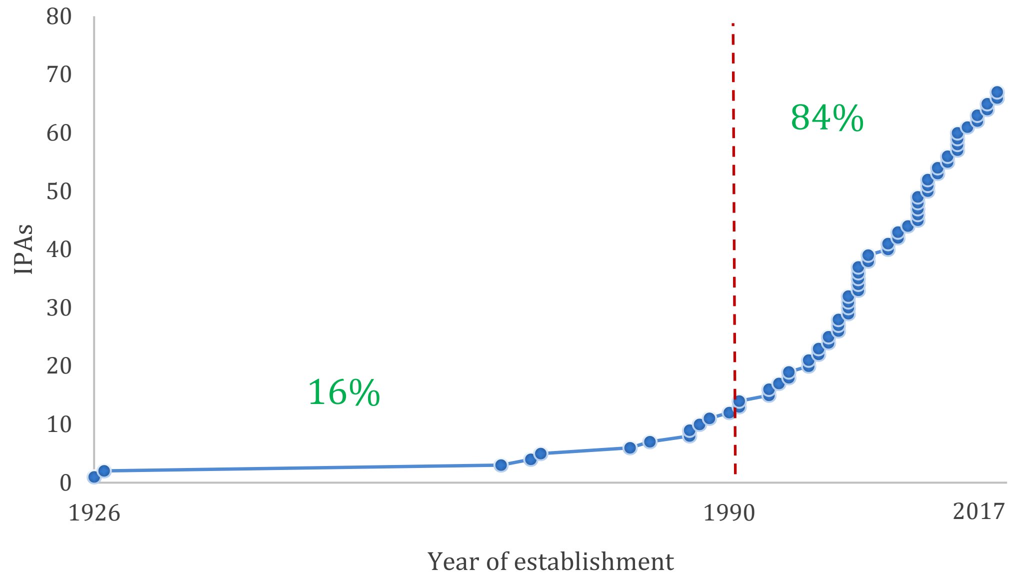
The concept of investment promotion is first studied by Wells and Wint (1990; 2000), where they defined it as "activities that disseminate information about or attempt to create an image of the investment site and provide investment services for the prospective investors." It is largely affected by the concept of marketing. This means, that governments should employ marketing activities, such as direct marketing, advertising, investment seminars and missions, to increase inflows of FDI, in the same manner as companies are marketing products to stimulate sales. Investment promotion is useful as it overcomes information asymmetries and leads to location differentiation (Wells and Wint, 2000). Currently investment promotion, institutionalized in the Investment Promotion Agencies (IPAs), covers vast range of activities. These activities can be grouped into following four broad categories or major functions of IPAs:

1. **Investment generation –** Identifying potential investors and development of strategies to induce their commitment to an investment project.
2. **Image building –** Creating positive image of a country as desirable location for FDI.
3. **Aftercare –** Post-investment services offered to existing investors with aim of ensuring project implementation and future re-investments.
4. **Policy Advocacy –** Molding the investment climate and promotion of policies that will ensure greater benefits from FDI inflows

All roles encompass various types of activities. Investment generation usually entails conducting of various sector or industry specific seminars and conferences, investment information provision, investment missions, and investment market research, while image building includes diverse public relation activities, and advertising campaigns. Aftercare includes provision of consulting services and facilitation of various bureaucracy obstacles that investors often encounter. Aftercare's objective is creation of "happy investors" who will reinvest in a near future and serve as reference for other investors. The fourth and last category, policy advocacy, covers development of lobbying activities, conducting surveys, focus on global rankings, meetings with policy makers, and policy recommendations.

Nowadays, IPAs are indispensable part of most countries' development strategies with the mandate to promote and facilitate flows of FDI. Number of IPAs worldwide increased substantially from 1990. According to the WAIPA' survey, 84% of IPAs are established in the last 27 years (Figure 1), while the average age of agency is 18 years. The substantial growth of IPAs after 1990 came, mainly, as a result of opening the world economy and liberalization of FDI regimes (UNCTAD, 2001). With liberalization of world's economy, FDI has become important factor for economic development and competition among locations for attracting it increased.

Figure 1: IPAs and year of establishment



Source: WAIPA Survey, 2018

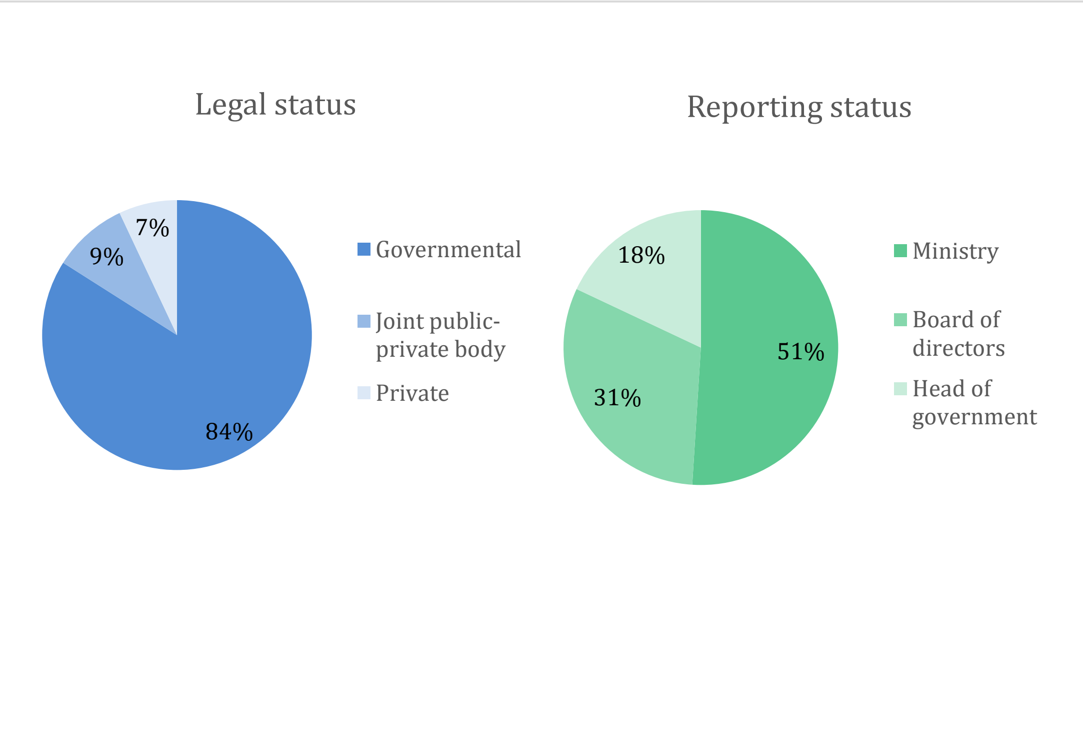
Presently all countries, with very few exceptions, have their own national IPA. In addition to the national IPAs, there is increasing trend in establishing regional and city IPAs. Approximately, there are more than 10,000 established IPAs worldwide (Dressler, 2018b). They are often the face of governments and first body contacted by the potential investors, making them the key partner during the actual investment process. Absence of such an institution could potentially reduce likelihood of country to be considered to host FDI (Harding and Javorcik, 2012).

3. Institutional framework

IPAs often have different organization structures, reporting status, and more than one mandate. The question is which of these structures and characteristics are the most effective for investment promotion?

When it comes to the organizational structure, there is no perfect model of how an IPA should be set up. Several factors, e.g. budget, market conditions, and government priorities, affect its establishment model. However, it is very important that agency maintain a degree of flexibility to adjust its internal structure and resources to accomplish desired results and requirements (Morisset and Andrews-Johnson, 2004). Furthermore, its legal status should provide stability and operational independency. This will increase its capacity to effectivity respond to changeable investors needs and wants. WAIPA's survey reveals (Figure 2) that majority of IPAs are government bodies (84%), which directly report either to ministry (51%), board of directors (31%) or head of government (18%).

Figure 2: Legal and reporting features of IPAs

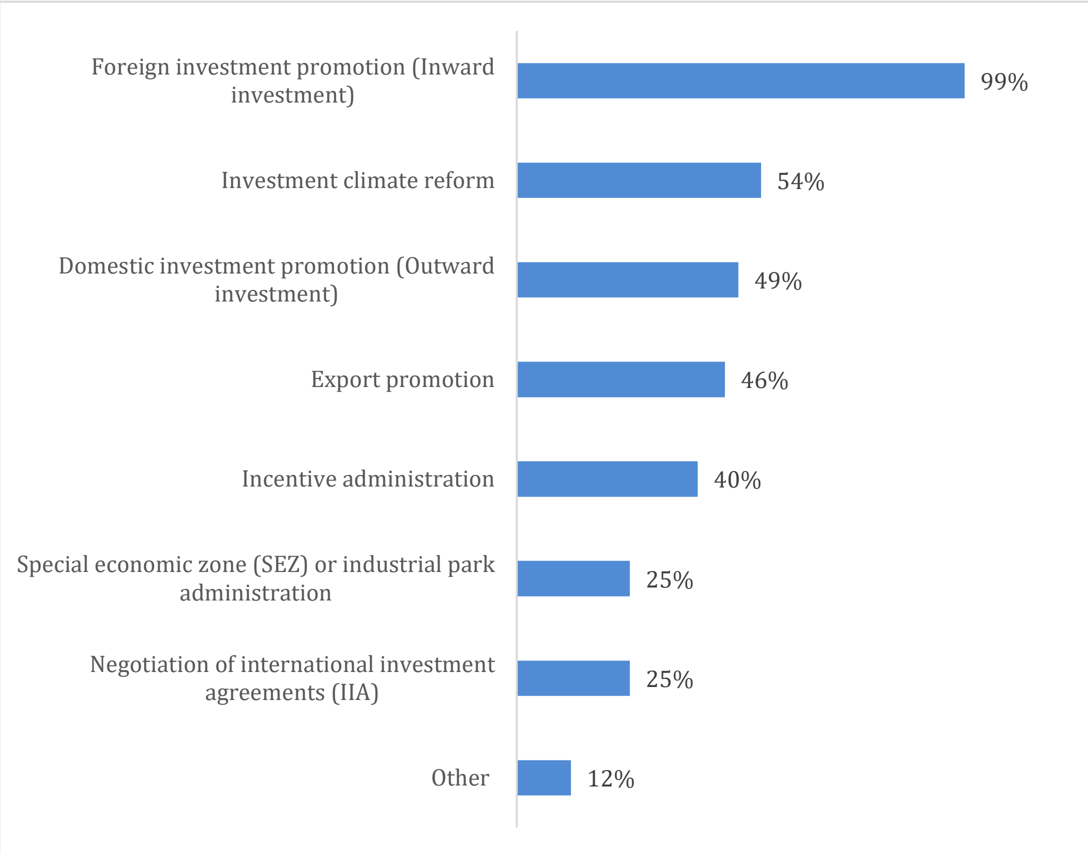


Source: WAIPA Survey, 2018

An agency's relationship status with their respective government can be crucial factor determining its effectiveness in attracting FDI (Morisset and Andrews-Johnson, 2004). Strong links with the highest government official, i.e. the president or the prime minister, can allow IPA to coordinate with several ministries, often needed for successful FDI attraction.

Many agencies have different responsibilities that go beyond of mere investment promotion. Figure 3 presents the variety of mandates operated by IPAs worldwide. An average IPA has 4 different mandates, while 67% of IPAs have more than two mandates. Only 7% of IPAs deal solely with investment promotion. Almost all respondents (99%) promote inward investments, followed by investment climate reform (54%), outward investment (49%), and export promotion (46%). Several IPAs conduct startup promotion, Private-Public Partnership (PPP) establishment, and one-stop shop administration (12%). Performing additional functions can be effective if they are compatible with the investment promotion, i.e. exports promotion, outward investments, and SME linkages to FDI (Heilbron, 2017a).

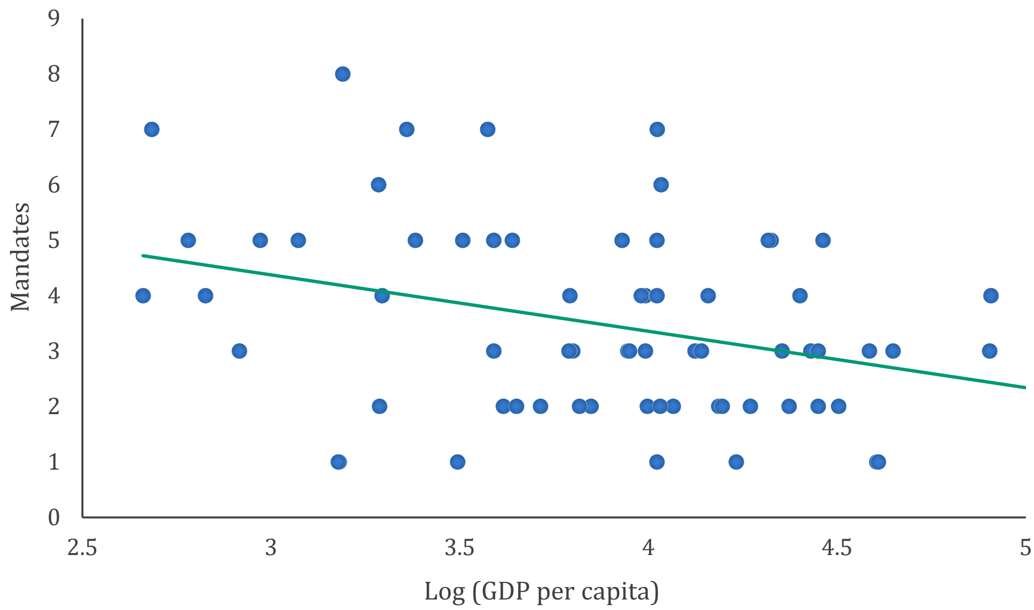
Figure 3: Mandates operated by IPAs



Source: WAIPA Survey, 2018

Following Figure 4 presents correlation between number of mandates and GDP per capita of countries where IPAs are operating. It appears that IPAs from more developed countries have more specialized IPAs with clearer mandate of investment promotion. Less developed countries are forced to combine several mandates, often unrelated to the investment promotion, due to the budget and human resource constraints.

Figure 4: Number of mandates and GDP per capita (USD)



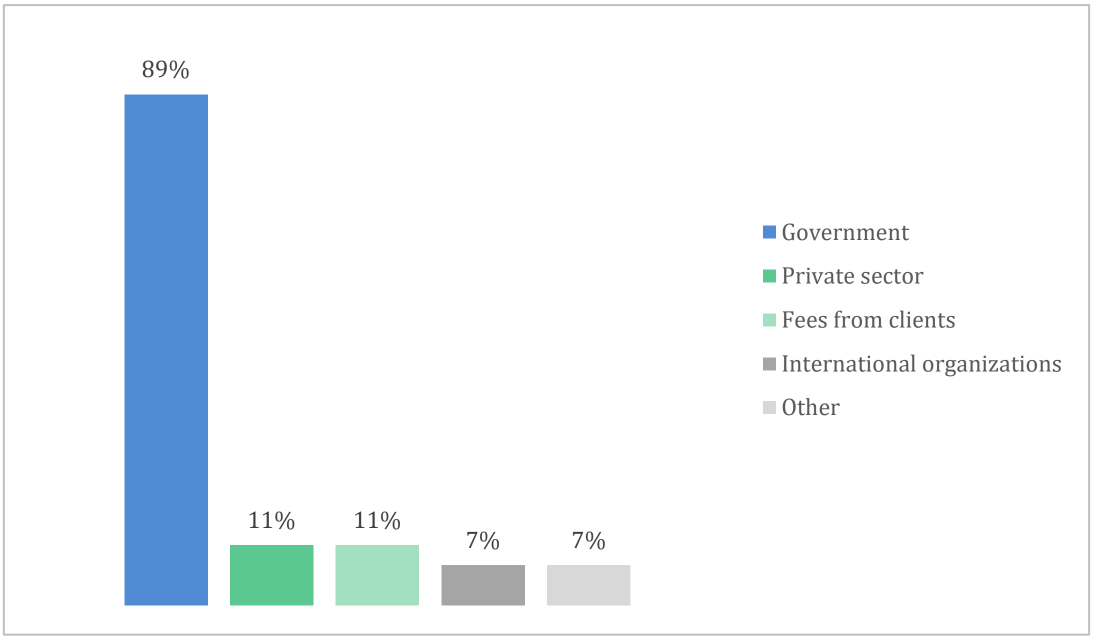
Source: WAIPA Survey, 2018

4. Resources

4.1. Budget

Undeniably, lavish budgets, combined with effective allocation, helps IPAs to effectively perform its main functions. Survey findings in Figure 5 demonstrate that most IPAs are financed through governments' public funds (89%). Several agencies managed to supplement their budgets by providing various services to clients (11%), contribution from private sector (11%), and financial aid from international organizations (7%). Greater promotion, measured by budget size, is positively correlated with FDI inflows (Morisset and Andrews-Johnson, 2004). However, only a handful of IPAs (27%) have budget higher than 10 million USD, while majority (58%) have less than 5 million USD at their disposal (Figure 6).

Figure 5: IPAs' sources of income

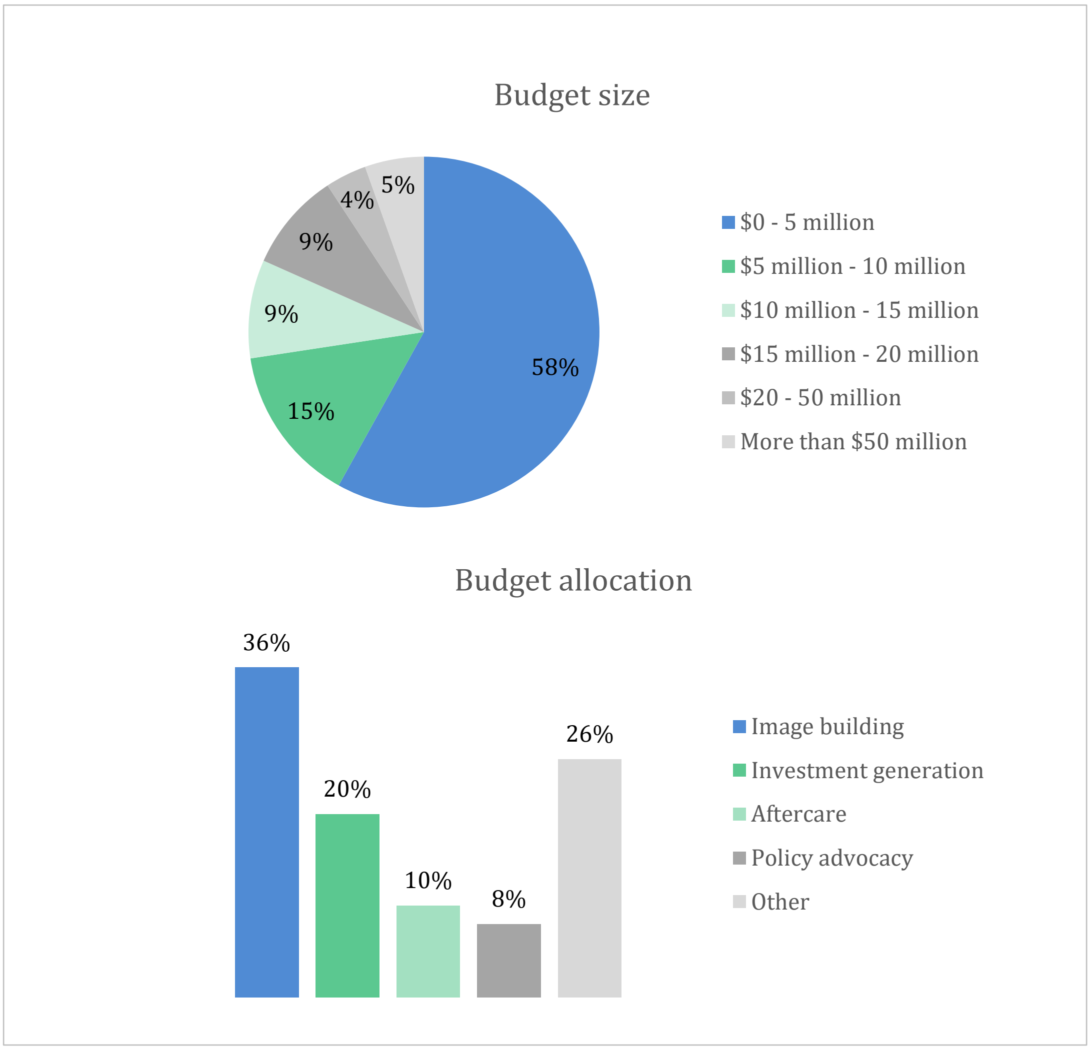


Source: WAIPA Survey, 2018

Budget size does not necessarily improve an IPA's performance without its proper allocation. According to the Morisset and Andrews-Johnson (2004), policy advocacy appears to be crucial for more FDI attraction. Allocating more resources, i.e. budget and staff, to policy advocacy activities, improves general investment environment of a country, which should result in higher FDI inflows as investment climate is one of the main factors affecting investment location selection (Lim, 2008).

Budget allocation per IPA's core functions are presented in the Figure 6. The main proportion of IPAs' budgets is spent on image building activities (36%), followed by investment generation (20%), aftercare (10%), and policy advocacy (8%). On the one hand, the divergence of budget spending can be explained by the fact that some agencies have different objectives and focus more on certain activities. For example, agency's objective may be to keep existing investor satisfied in hope of inducing their reinvestments, consequently, more resources will be allocated to the aftercare activities.

Figure 6: Budget size and allocation



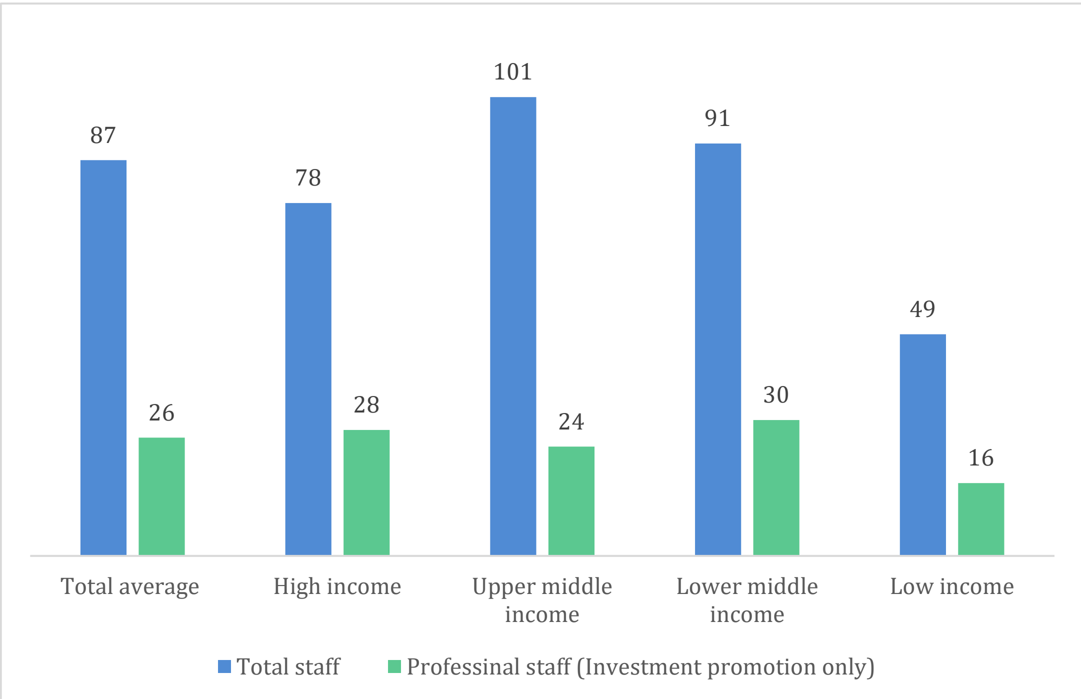
Source: WAIPA Survey, 2018

On the other hand, performing certain roles, i.e. image building and investment generation, is simply more resource intensive. Conducting activities related to these roles, such as marketing campaigns or organization of sector specific conferences, require substantial amount of financial resources. However, there seems to be a noticeable neglection of aftercare and policy advocacy by IPAs, despite their importance and effectiveness (Morisset and Andrews-Johnson, 2004; Heilbron, 2017b). Although this disregard can be justified by the fact that these activities are less resource intensive, they still require more financial backing.

4.2. Staff size and qualifications

The most valuable asset of every service-oriented organization, such as an IPA, is its staff. A well-defined investment promotion strategy, flexible organizational structure, and financial independence will not ensure IPAs' effectiveness, without qualified employees knowledgeable to implement defined aims. Following Figure 7 presents variations in IPAs' total and professional staff size over different income levels. An average IPA has in total 87 employees with 26 professionals working on the investment promotion only.

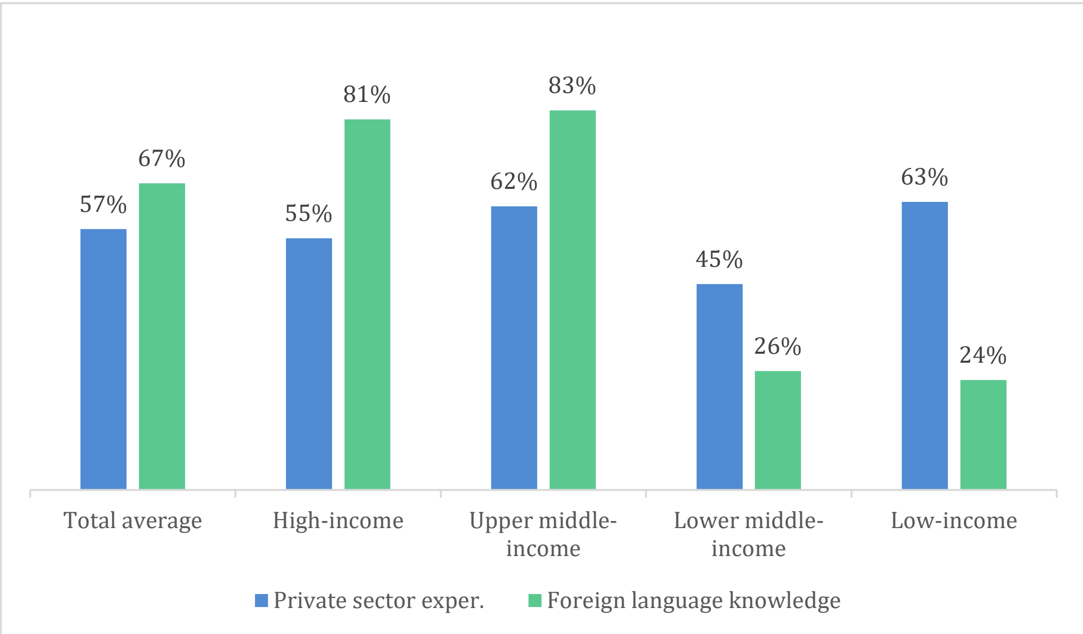
Figure 7: IPAs' staff size (average)



Source: WAIPA Survey, 2018

Several researchers (Morisset and Andrews-Johnson, 2004; Harding and Javorcik, 2012) addressed importance of IPAs' staff qualifications. Findings emphasize having more educated staff with private sector experience results in better IPAs capable of attracting more FDI. Private sector experience is enabling IPA's employees to better understand and assess investors' needs. Figure 8 presents IPAs' professional staff qualifications, i.e. private sector experience and knowledge of foreign language, over different income levels. When it comes to private sector experience, more than half of IPAs' professional staff (57%) obtained private sector skills. Furthermore, there is no significant percentage variations of professional staff with private sector skills over income levels, i.e. 55% high-income, 62% upper middle-income, 45% lower middle-income, and 63% for low-income countries.

Figure 8: IPAs' staff qualifications (average)



Source: WAIPA Survey, 2018

However, there are significant variations in terms of foreign language knowledge. Staggering merely 26% and 24% of IPAs' professional staff possess knowledge of foreign language in the lower middle-income and low-income countries respectively, while this percentage is significantly higher for upper middle-income and high-income countries, with 83% and 81% respectively. Not being able to effectively communicate with foreign investors may significantly reduce likelihood of their commitment to an investment project. Furthermore, besides bi-lingual capabilities, it is desirable for IPAs' employees to have bi-cultural skills (Heilbron, 2017a)

5. Strategy

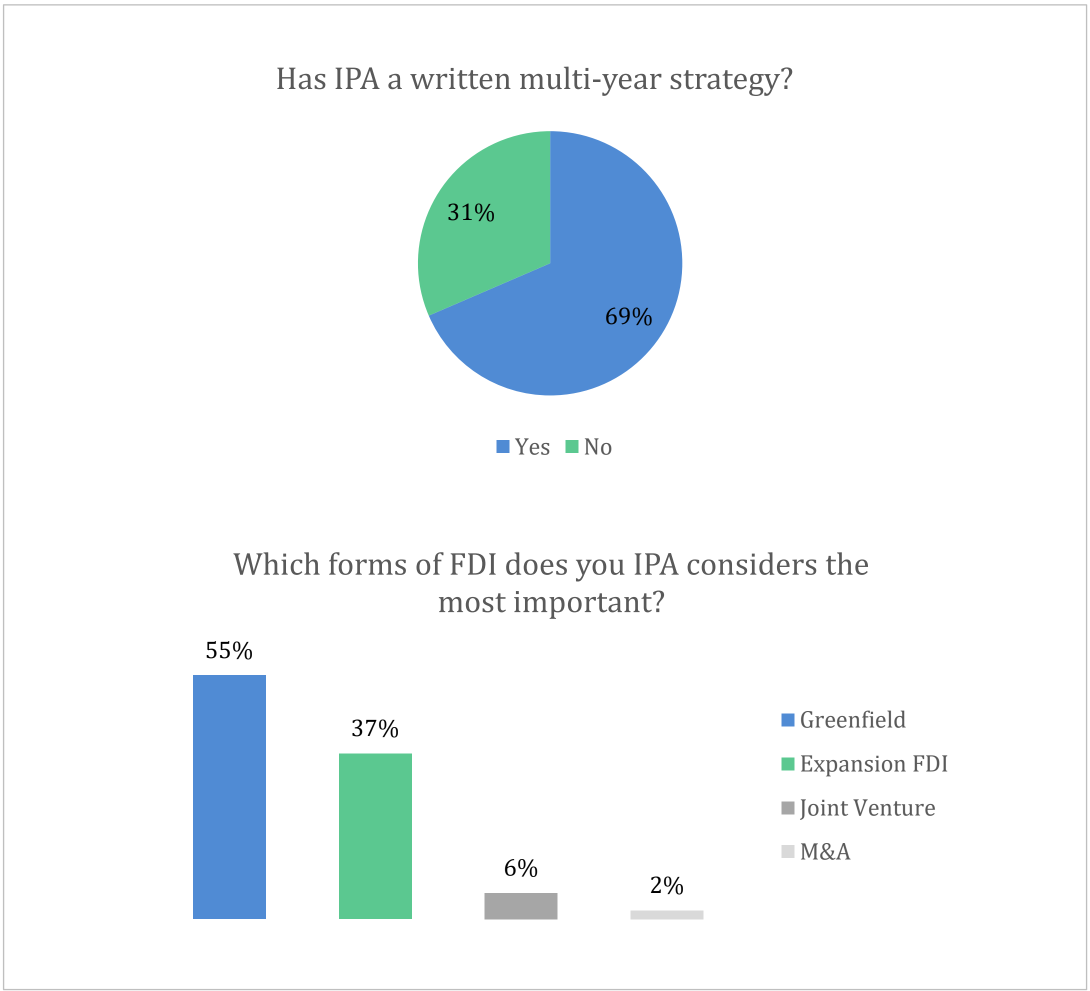
The first step of an IPA's road to success is solid institutional framework giving agency necessary empowerment. Once the framework is sound, the next important step is creation of effective investment promotion strategy. Having written multi-year strategy ideally is an essential part of every organization as it maps the necessary steps needed for reaching its long-term objectives. A well-defined strategy should have several main features, i.e. it is in line with the stated organization's vision and mission and takes in consideration present barriers such as resource constraints.

From the perspective of an IPA, its strategy is mainly shaped by the development plans of its country. It requires inclusion of clear and proactive objectives, which are at the same time reachable and ambitious. Following issues should be considered prior of setting IPA's strategy (Loewendahl, 2001; Heilbron, 2017c):

- **National development objectives** – Countries' objectives may be inequality reduction, job creation, economic diversification, which are molding IPA's priorities.
- **Forms of investment** – Which type of investment, i.e. greenfield, mergers and acquisitions (M&A), joint venture, FDI expansion, etc., is the main priority of IPA?
- **Key sectors** – Which sectors are national priorities?
- **Sustainability –** Is the focus on quantity, i.e. more FDI, or quality, i.e. sustainable FDI?
- **Incentives administration** – What types of incentives should be offered, i.e. fiscal or financial, and which body should have control over their administration, i.e. IPA or other government institutions.
- **Performance evaluation –** What will be the Key Performance Indicators (KPIs)?

Although having an investment promotion strategy is important for overall IPA's performance, not all agencies are fully aware of this. According to WAIPA's survey, 31% of IPAs do not have written multi-year strategy (Figure 9). Furthermore, they do prefer certain forms of investments over another (Figure 9). New greenfield investment is the most desirable (55%), followed by expansion FDI (37%), joint venture (6%), and M&A (2%).

Figure 9: IPA's strategy and forms of FDI

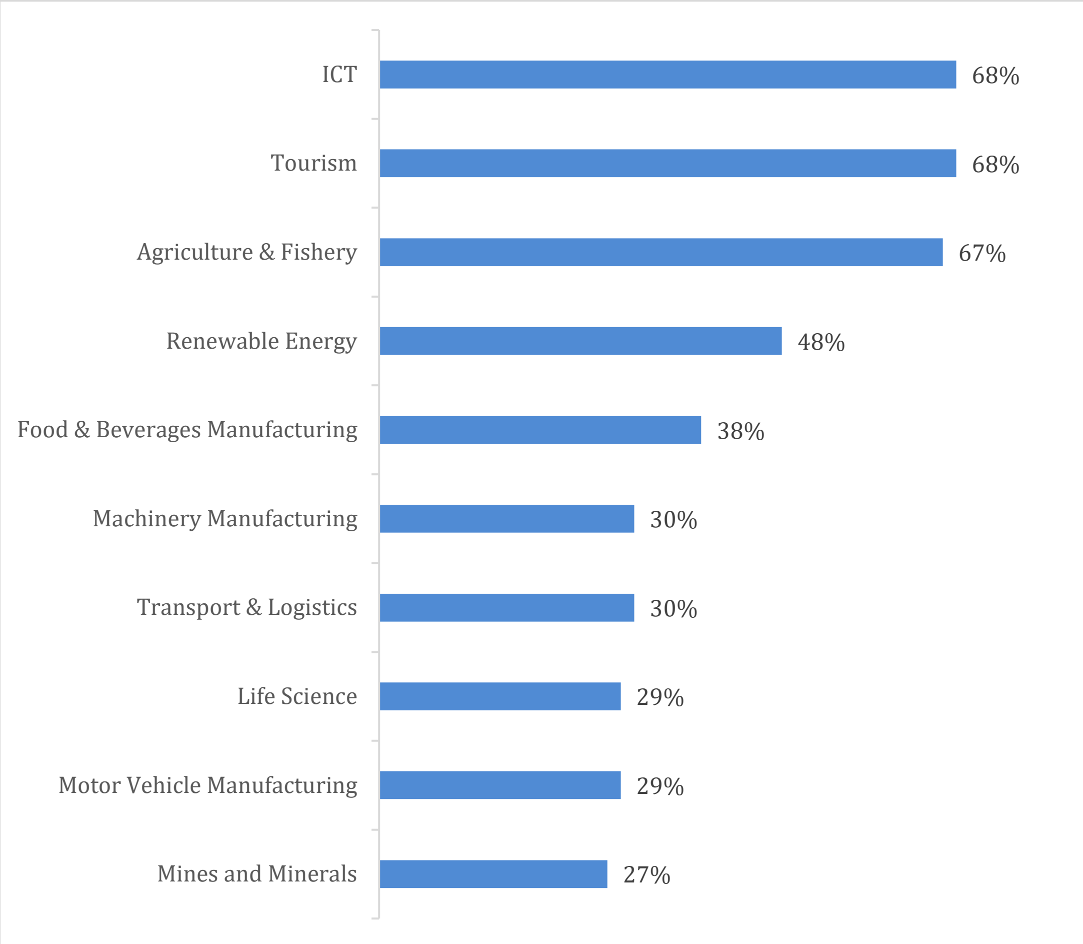


Source: WAIPA Survey, 2018

Sector targeting is the common practice performed by 94 % of IPAs. As a matter of fact, without targeting, an IPA's attraction efforts are likely to be inefficient and unsuccessful. Literature on investment promotion addresses sector targeting as one of the most efficient practices performed by IPAs (Loewendahl, 2001; Harding and Javorcik 2011). Targeting a specific "niche" is a well proven technique applied in various business fields. A more tailored message aimed in a single direction will likely create greater impact than a message aimed at all directions. Identifying suitable target sectors require proper market research. They should be selected based on the sectors' future growing prospects, degree of complementation with the countries' development objectives, and intensity of countries' competitive advantages for selected sectors comparing to other locations (Loewendahl, 2001)

Our survey reveals that an average IPA targets seven different sectors. Top ten most target sectors by IPAs are (Figure 10): Information and Communication Technology (ICT) (68%), Tourism (68%), Agriculture & Fishery (67%), Renewable Energy (48%), Food & Beverage manufacturing (38%), Machinery manufacturing (30%), Transport & Logistics (30%), Life Science (29%), Motor Vehicle manufacturing (29%), and Mines and Minerals (27%).

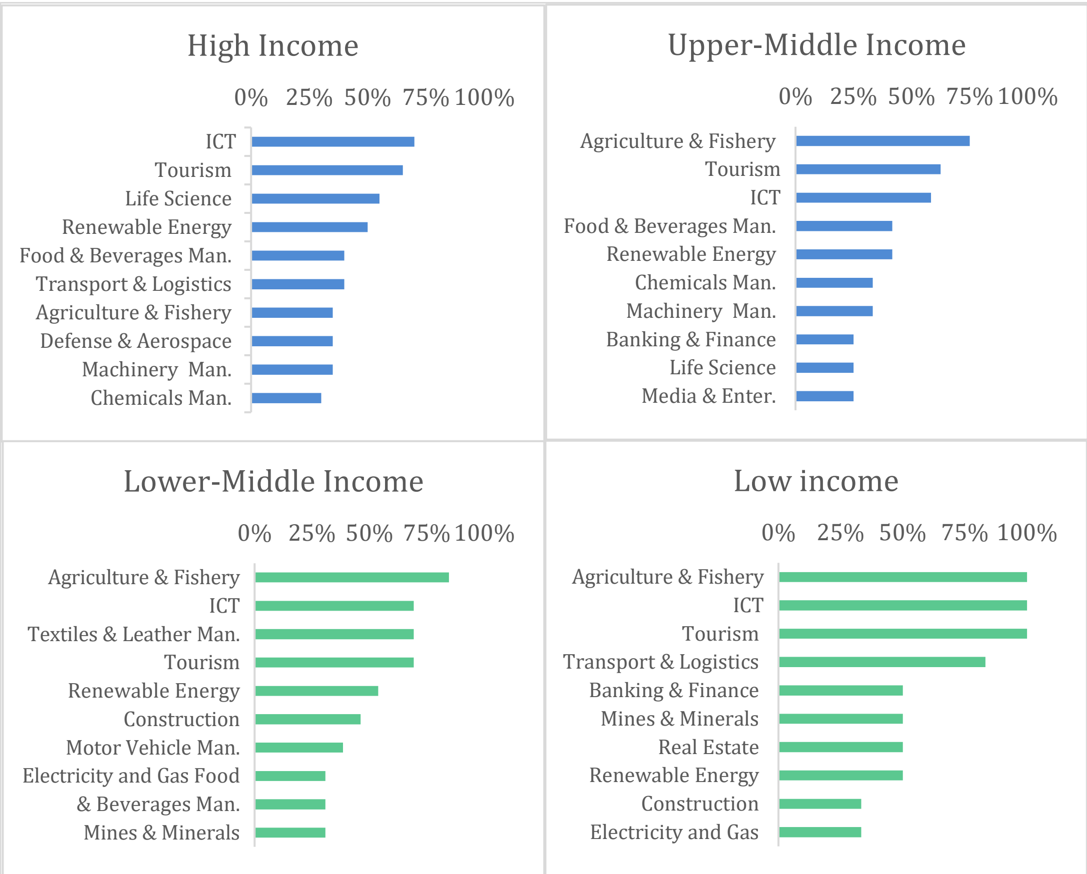
Figure 10: Top 10 target sectors by IPAs



Source: WAIPA Survey, 2018

If we compare top target sectors over different regions results are following. High-income countries focus their attraction efforts mostly on ICT (70%), Tourism (65%), Life Science (55%), Renewable Energy (50%), and Food & Beverages manufacturing (40%). In the case of upper middle-income countries Agriculture & Fishery (75%) holds the first place, followed by Tourism (63%), ICT (58%), Food & Beverages manufacturing (42%), and Renewable Energy (42%). For lower-middle income countries Agriculture & Fishery is targeted by 85 % of IPAs, followed by ICT (69%), Textiles & Leather manufacturing (69%), Tourism (69%), and Renewable energy (54%). Countries with the lowest income focus their attraction efforts on Agriculture & Fishery (100%), ICT (100%), Tourism (100%), Transport & Logistics (83%), and Banking & Finance (50%). More information can be found in the following Figure 11.

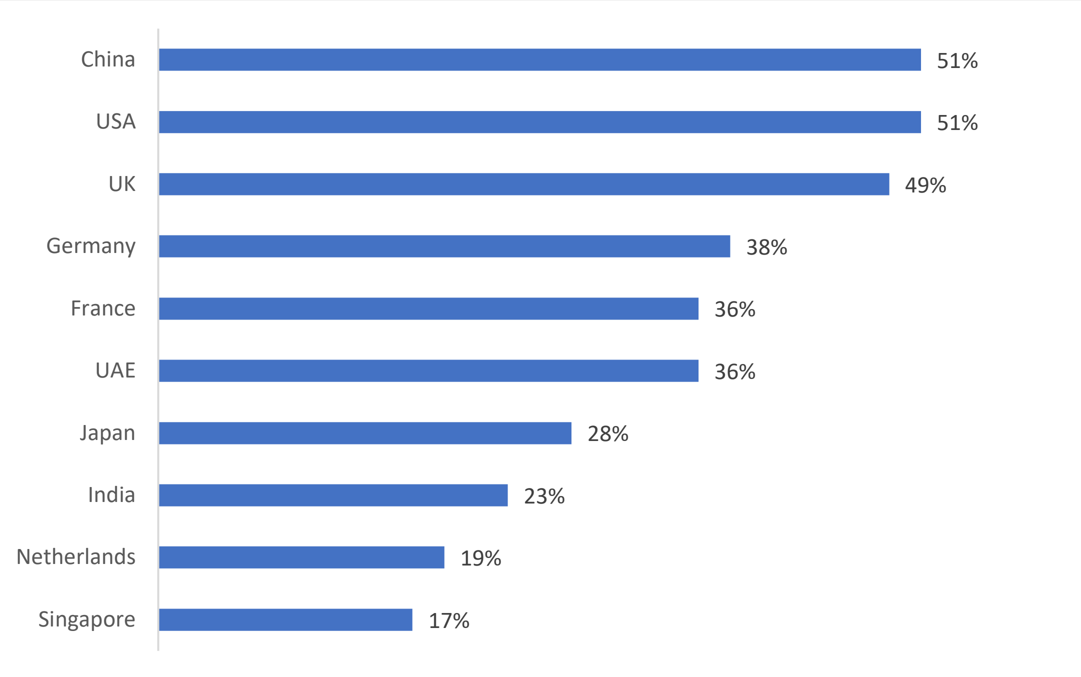
Figure 11 : Top 10 target sector by IPAs over different income levels



Source: WAIPA Survey, 2018

In addition to targeting specific sectors, IPAs also target FDI from specific countries. Figure 12 shows the top ten target countries by agencies, where the most desirable investors are China (51%) and USA (51 %), followed by UK (49%), Germany (38%), France (36%), UAE (36%), Japan (28%), India (23%), Netherlands (19%), and Singapore (17%).

Figure 12: Top 10 target countries by IPAs



Source: WAIPA Survey, 2018

5.1. SDGs and IPAs

The Sustainable Development Goals (SDGs) are addressing the main challenges of humanity. The collections of 17 goals has aim to eradicated poverty, protect the planet and ensure peace and prosperity by 2030 (UN, 2015). According to some experts, reaching SDGs will require $4 trillion investments per year and FDI can play significant contribution in narrowing this financial gap (UNCTAD, 2014). However, the focus is not just on the quantity, but also on the quality of investments, i.e. sustainable investments.

Sustainable investment can be defined as "commercially viable investment that makes a maximum contribution to the economic, social and environmental development of host countries and takes place in the framework of fair governance mechanisms (Sauvant and Mann, 2017). Potentially all investments can be sustainable if supported by proper policy framework (Sauvant and Mann, 2017). Sustainable policy framework includes adjustment of both investment facilitation instruments, i.e. laws and regulations and investment promotion activities. Laws and regulations need to stimulate inflows of investments with qualitative characteristics. This can be accomplished by providing favorable incentives for the key SDGs' sectors (Figure 13), agreements that require purchasing of electricity from renewable sources, subsidies for usage of environmentally friendly technology, tax holiday for projects favorable for nature preservation and companies with proven record of commitment to the social and environment standards.

Figure 13: Key SDGs' sectors

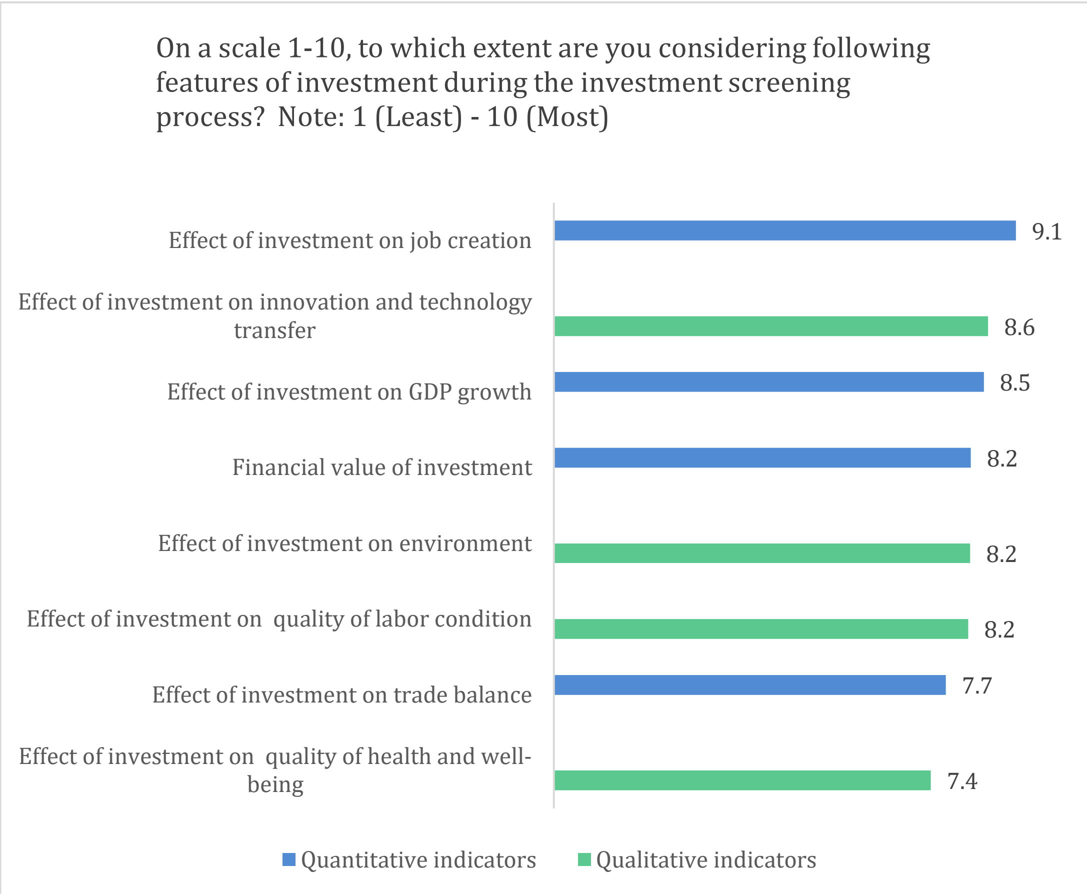
Sector	Description
Power	Investment in generation, transmission and distribution of electricity
Transport	Investment in roads, airports, ports and rail
Telecommunications	Investment in infrastructure (fixed lines, mobile and internet)
Water and sanitation	Provision of water and sanitation to industry and households
Food security and agriculture	Investment in agriculture, research, rural development, safety nets, etc.
Climate change mitigation	Investment in relevant infrastructure, renewable energy generation, research and deployment of climate friendly technologies, etc.
Climate change adaptation	Investment to cope with impact of climate change in agriculture, infrastructure, water management, coastal zones, etc.
Ecosystems	Investment in conservation and safeguarding ecosystems, marine resource management, sustainable forestry, etc.
Health	Infrastructural investment, e.g. new hospitals
Education	Infrastructural investment, e.g. new schools

Source: UNCTAD, 2014

Once the laws and regulations are sound and in line with the SDGs, IPAs can focus their attraction efforts towards the "right" kind of investments. Major international organization in the domain of investments and development, i.e. UNCTAD, UNIDO, WBG, etc., have been addressing importance of IPAs in reaching UN's SDGs. As a result, IPAs started to incorporate SDGs within their investment promotion strategies, which WAIPA's survey confirms.

Encouraging, 87% of IPAs think that SDGs are of some importance for their roles, where 67% indicated SDGs as of great importance scoring them with 8 or higher on the 1-10 scale (10 being most important). Furthermore, besides traditional focus on the quantitative indicators of the investments, e.g. total value of an investment, number of new jobs created, etc., more and more IPAs give importance to the qualitative features of projects, e.g. technology spillovers, effect of investment on environment, quality of labor conditions, etc., during the investment screening process. (Figure 14)

Figure 14: Features of investment and their importance for IPAs



Source: WAIPA Survey, 2018

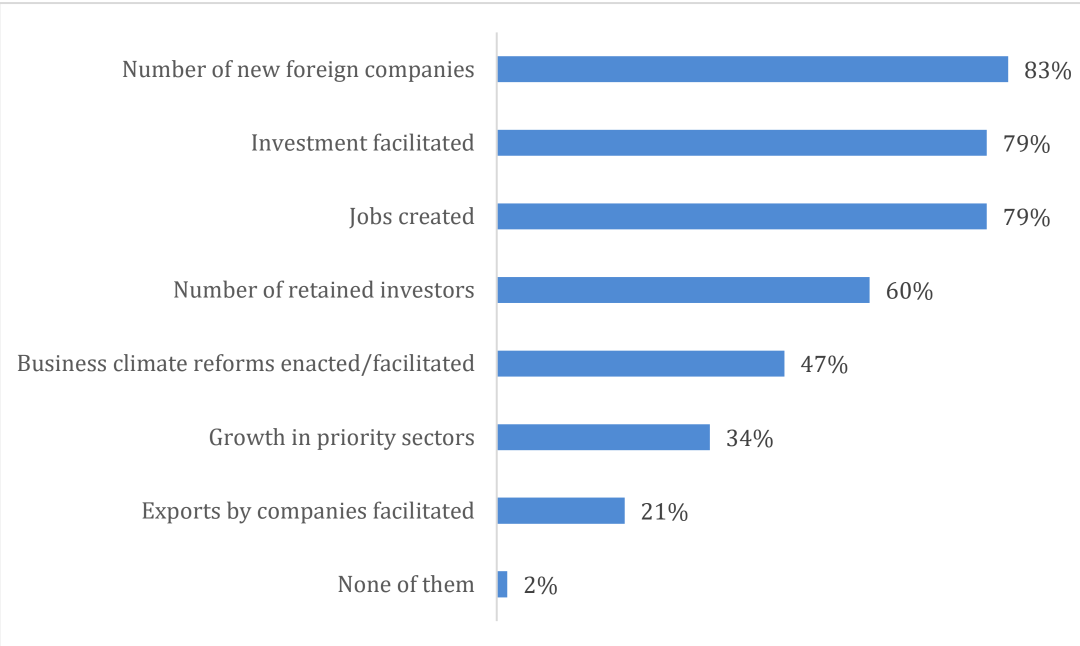
Indeed, these results are encouraging and show noticeable commitment of IPAs towards the SDGs. However, still tremendous work needs to be done in the domain of IPAs' empowerment as, unfortunately, they are often underused considering their potential. While in fact they can be a key player in shaping alluring sustainable policy framework due to their close linkages with governments and investors.

6. Performance evaluation

Performance evaluation is integral part of every organization and IPAs are no exception. It is necessary for determining whether all planned activities are carried accordingly and to which extent stated objectives are reached. Evaluation can be defined as "an assessment, as systematic and impartial as possible, of an activity, project, program, strategy, policy, topic, theme, sector, operational area, institutional performance, etc. It focuses on expected and achieved accomplishments, examining the results chain, processes, contextual factors and causality, in order to understand achievements or the lack thereof (UNCTAD, 2008)." An evaluation helps an organization to justify its existence and, more importantly, to learn from past experiences resulting in improved future performance.

Literature implies that strict evaluation, performed by external body, is correlated with agency's effectiveness (Harding and Javorcik, 2012). According to the survey results, 71% of IPAs regularly publish annual report or similar document where the annual performance and activities are presented. In addition, they collect data for various performance indicators (Figure 15).

Figure 15: Performance indicators collected by IPAs



Source: WAIPA Survey, 2018

IPAs collect data for number of new foreign companies (83%), investment facilitated (79%), jobs created (79%), number of retained investors (60%), business climate reforms enacted/facilitated (47%), growth in priority sectors (34%) and export by companies facilitated (21%).

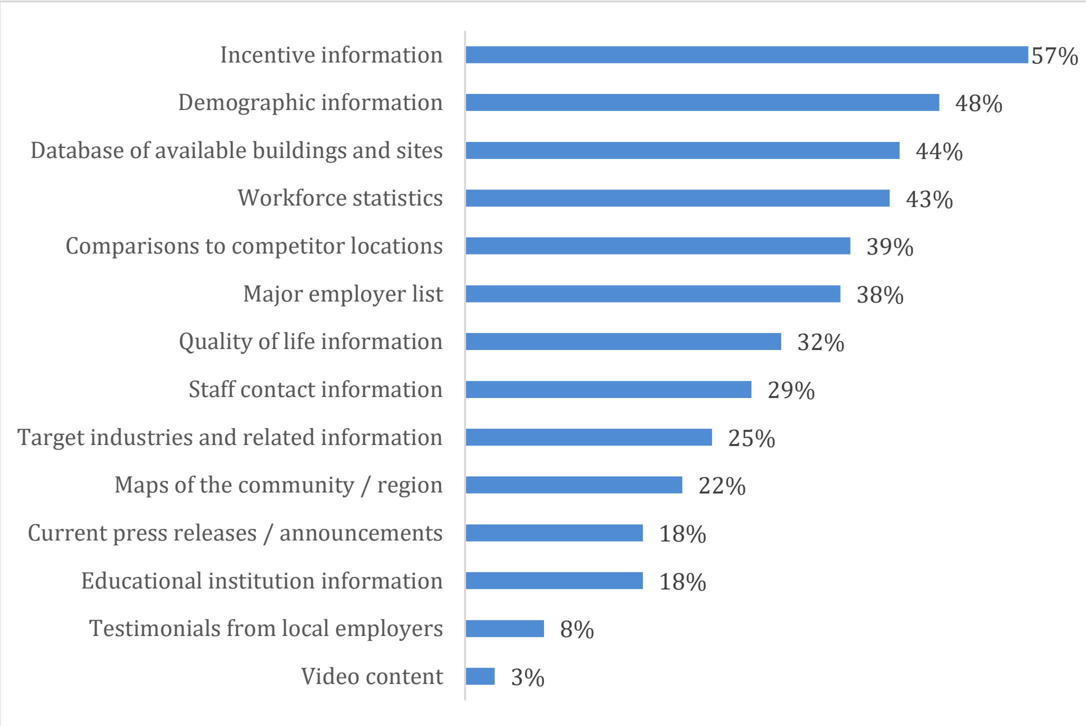
Report of attracted FDI and generated related economic benefits are expected to be provided by IPAs. However, evaluation of IPA is a very complex process as investor's location decision is affected by multiple factors, sometimes, not related to IPAs' efforts. We already mentioned importance of sound investment environment for IPAs' effectiveness. Also, investment promotion has "lead-lag" characteristics (UNIDO, 2003). This implies that IPA's promotion efforts do not have instantaneous effect on outcomes, e.g. FDI inflows, but there is a time gap between activities and outcomes. Unavailability of timely information regarding outcomes makes data collection, which is essential part of every evaluation, time consuming and difficult.

7. The future of investment promotion

The future of investment promotion is digital! This was the most common answer of respondents when we asked them how they see prospects of investment promotion field. Indeed, we are living in the digital world that shapes the way business and service organizations perform their main operations. According to the most recent statistics, more than half of the world's population is online and more than three billion people use social media each month (Kemp, 2018).

IPAs are not exception! Establishing websites for promoting their services is a well-established practice of IPAs all around the world. As a matter of fact, quality of website is one of the main factors determining the overall quality of an IPA (WBG, 2012), which leads to greater FDI inflows (Harding and Javorcik, 2012). Figure 16 presents the most-useful features of an IPA's website from the point of view of corporate executives and location advisors. Data is obtained from the Development Counsellors International (DCI) survey based on the 331 responses.

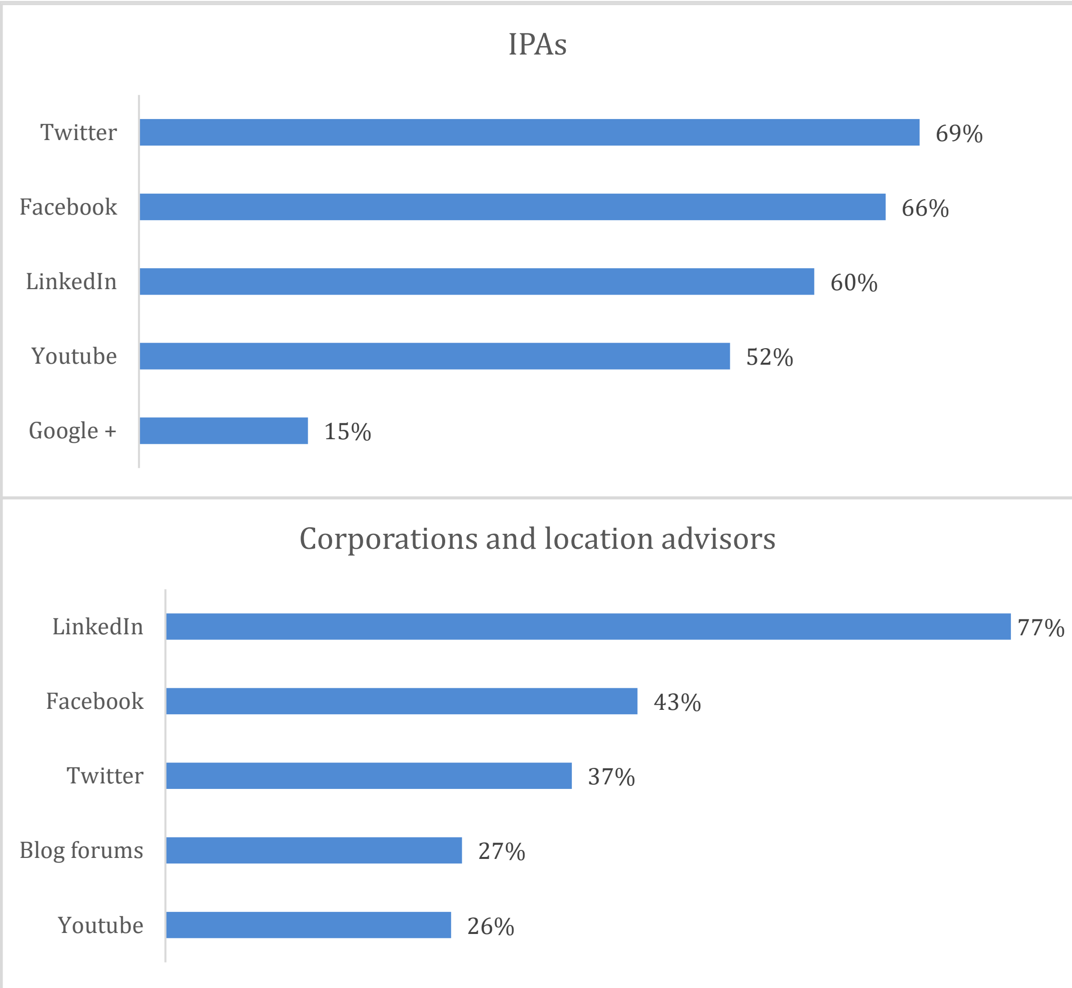
Figure 16: Most useful features of an IPA's website



Source: DCI, Winning Strategies. 2017

In addition to website establishment, IPAs are active on various social networks, where they promote their services and establish communication with their target groups. WAIPA's survey reveals that an average IPA is active user of at least two types of social networks. The most common used social network is Twitter (69%), followed by Facebook (66%), LinkedIn (60%), YouTube (52%) and Google + (15%). Social media is also important source of information for corporations and location advisors during the site-selection process (DCI, 2017). In addition to IPAs, Figure 17 presents the most used social media channels by their "customers".

Figure 17: Most used social networks by IPAs and businesses



Source: DCI, Winning Strategies. 2017; WAIPA Survey. 2018

In the case of corporations and location advisors, the most common used social network is LinkedIn (77%), followed by Facebook (43%), Twitter (37%), Blog forums (27%), and YouTube (26%). It is important to mention that this is the third time in a row that LinkedIn is the first used social media by businesses (DCI, 2017).

Furthermore, only 11% of respondents do not use social media for business purposes (DCI, 2017).

The fact that half of the world's population is online enables IPAs to reach their target groups in a very time and cost-effective way by digital marketing. Traditional marketing strategies include advertising on television, magazines, etc. However, with the rise of internet and various social media platforms, digital marketing strategies are more convenient and efficient. According to the experts, digital advertising sales grew by 18% in 2017 reaching an estimated $85 billion, which is 46% of market share (MAGNA, 2018). Common digital marketing methods include:

- **Search Engine Optimization (SEO)** – The process that generates organic traffic to the websites by optimizing website to rank higher in the search engine results pages.
- **Content marketing** – The creation and promotion of various online material, i.e. eBooks, infographic, online brochures, videos, etc. Purpose of this method is brand awareness, traffic and lead generations.
- **Pay-Per-Click (PPC)** – Generation of traffic to website or social media profiles by paying the publisher every time the ad is clicked. The most common type of PPC are: Google AdWords, Facebook paid ads, tweets promotion on Twitter, sponsored messages on LinkedIn.
- **Email marketing –** Promotion of events and various content via emails.

The ever-growing presence of people and business on internet generates massive amount of information known as “big data”. Every time we search something on the internet, we reveal important information regarding our needs and future action. Big data offers new opportunities to our society as “these vast new repositories of information can provide researchers, managers, and policymakers with the data-driven evidence needed to make decisions on the basis of numbers and analysis rather than anecdotes, guesswork, intuition, or past experience (Song and Liu, 2017)”. With emergence of big data and Artificial Intelligence (AI), i.e. idea that systems can learn from data and make decisions with minimal human intervention (SAS, 2018), IPAs may determine potential projects and predict which companies are more likely to commit to an investment project in the near future (Knight, 2018).

References

Bevan, A. A., & Estrin, S. (2000). The determinants of foreign direct investment in transition economies.

Development Counsellors International (DCI). (2017). *A view from corporate America: Winning strategies in economic development marketing.* New York.

Dressler, A. (2018a). *Investment Facilitation: A Practical Perspective.* E15Initiative. Geneva: International Centre for Trade and Sustainable Development (ICTSD) and World Economic Forum.

Dressler, A. (2018b, January). Presentation: Competition for investment. WAIPA "FDI Essentials" training, Istanbul.

Harding, T., & Javorcik, B. S. (2011). Roll out the red carpet and they will come: Investment promotion and FDI inflows. *The Economic Journal*, *121*(557), 1445-1476.

Harding, T., & Javorcik, B. S. (2012). Investment promotion and FDI inflows: Quality matters. *CESifo Economic Studies*, *59*(2), 337-359.

Heilbron, A. E. (2017a, July). Presentation: Strengthening Investment Promotion Agencies. WAIPA & World Bank training, Istanbul.

Heilbron, A. E. (2017b, July). Presentation: Providing Investor Aftercare. WAIPA & World Bank training, Istanbul.

Heilbron, A. E. (2017c, July). Presentation: Defining an Investment Promotion Strategy. WAIPA & World Bank training, Istanbul.

Kemp, S. (2018, Jan. 30). Digital in 2018: World's internet users pass the 4 billion mark. Retrieved Oct. 29, 2018, from https://wearesocial.com/blog/2018/01/global-digital-report-2018 .

Knight, C. (2018, April). Presentation: Emerging technologies and how IPAs can use them. WAIPA workshop at Annual Investment Meeting (AIM), Dubai.

Lim, S. H. (2008). How investment promotion affects attracting foreign direct investment: Analytical argument and empirical analyses. *International Business Review*, *17* (1), 39-53.

Loewendahl, H. (2001). A framework for FDI promotion. *Transnational Corporations*, *10* (1), 1-42.

MAGNA. (2018, Jun. 18). Magna Advertising Forecasts Spring Update. Retrieved Oct. 30, 2018, from https://magnaglobal.com/video-global-ad-forecast-june-2018/ .

Moore, M., & Schmitz, H. (2008). Idealism, realism and the investment climate in developing countries.

Morisset, J., & Andrews-Johnson, K. (2004). *The effectiveness of promotion agencies at attracting foreign direct investment*. The World Bank.

Nistor, P. (2014). FDI and economic growth, the case of Romania. Procedia Economics and Finance, 15, 577-582.

SAS. (2018). AI: What it is and why it matters. Retrieved Oct. 30, 2018, from https://www.sas.com/en_us/insights/analytics/what-is-artificial intelligence.html.

Sauvant, K. P., & Mann, H. (2017). Towards an Indicative List of FDI Sustainability Characteristics.

Song, H., & Liu, H. (2017). Predicting tourist demand using big data. *Analytics in smart tourism design* (pp. 13-29). Springer, Cham.

UN. (2015). Transforming our world: The 2030 agenda for sustainable development. *Resolution adopted by the General Assembly*.

UNCTAD. (1998). *World investment report 1998: Trends and determinants.* New York and Geneva: United Nations Publication (Sales no. E.98.II.D.5).

UNCTAD. (2001). *The World of Investment Promotion at A Glance: A Survey of Investment Promotion Practices*. United Nations Advisory Study 17, UNCTAD/ITE/IPC/3.

UNCTAD. (2008). *Evaluating Investment Promotion Agencies.* United Nations Investment Advisory Series/Series A/3. New York and Geneva.

UNCTAD. (2014). *World investment report 2014: Investing in the SDGs: An Action Plan for promoting private sector contributions.* New York and Geneva.

UNCTAD. (2017a). *Investment Facilitation: A Review of Policy Practices.* Geneva. Link: http://investmentpolicyhub.unctad.org/Publications/Details/1184.

UNIDO. (2003). *Guidelines for Investment Promotion Agencies.* UNIDO' Industrial promotion and technology branch. Vienna.

Wells, L. T. J., & Wint, A. G. (1990). *Marketing a country: promotion as a tool for attracting foreign investment*. The World Bank.

Wells, L. T. J., & Wint, A. G. (2000). *Marketing a country: promotion as a tool for attracting foreign investment, Revised edition.* Occasional Paper 13, Foreign Investment Advisory Service (FIAS).

World Bank Group (WBG). (2012). *Global Investment Promotion Benchmarking (GIPB).* Washington.

ISTANBUL
World Trade Center
Building A1, 8th Floor 296-298
Yesilkoy, Istanbul, Turkey
Phone: +90 212 4650025
info@waipa.org

GENEVA
Maison Internationale
de l'Environnement 2 (MIE2) 9,
Chemin de Balexert 1219 Chatelaine,
Geneva - Switzerland
info@waipa.org

waipa.org