WORLD BANK GROUP

WAIPA World Association of Investment Promotion Agencies

STATE OF INVESTMENT PROMOTION AGENCIES

Evidence from WAIPA-WBG's Joint Global Survey

Table of Contents

List of Boxes

List of Dashboards

List of Figures

List of Tables

Acknowledgments

The research and writing of this report were done by Alex Sanchiz, Investment Policy and Promotion Consultant, World Bank Group (WBG), and Ahmed Omic, Research Analyst, World Association of Investment Promotion Agencies (WAIPA). The research and report were led by Armando Heilbron, WBG Senior Private Specialist and Investment Promotion Workstream Leader, and Andreas Hora, WAIPA Coordinator.

The team would like to thank Ivan Anton Nimac, WBG Investment Policy and Promotion Global Lead, and Bostjan Skalar, WAIPA Executive Director, for their substantive support to this work. The team is grateful to Abhishek Saurav, WBG Senior Economist for his technical contributions, and to internal and external reviewers who provided thoughtful insights and guidance, including Ivan Nimac, Peter Kusek, WBG Senior Economist, Abhishek Saurav, Paul Lewis, former Scottish Development International (SDI) Managing Director, and Adrian Blanco, Senior Economist and Head of Department at the Spanish Institute for Foreign Trade and Investment (ICEX).

The team is also grateful to external reviewers to the survey instrument used to conduct this research, including Anna Novik, Sarah Bauerle, Geoff Gertz, and Ben Kett.

A special thank you goes to Sara Proehl and Marcy Gessel, Publications Professionals LLP, for editing, and to Aichin Jones and FPS for providing design, layout, and production services.

The team acknowledges the many formal and informal contributions of individuals, groups, and organizations that responded to the survey or provided meaningful comments and inputs to enable the successful publication of this report. Keeping in mind these contributions, the team apologizes if it has inadvertently omitted formally acknowledging any such valuable contributions.

To advance the field of investment promotion, the WBG and WAIPA formalized their collaboration and engaged in joint Investment Promotion Agency (IPA) research and related initiatives. This report is a product of such collaboration. Any use, copy, display, distribution or publication of all or part of it shall give the express reference to it[1] and the previous authorisations of WBG and WAIPA shall be granted.

The World Association of Investment Promotion Agencies (WAIPA) is an international non-governmental organization established in 1995 under the auspices of the United Nations Conference on Trade and Development (UNCTAD) that acts as a forum to promote and develop understanding amongst investment promotion agencies (IPAs), providing them with technical assistance and capacity building, and encouraging networking and exchange of best practices in investment promotion.

The World Bank Group (WBG) comprises five complementary institutions managed by their member countries. The group provides financial resources, knowledge and innovative solutions to support development, end extreme poverty, and promote shared prosperity in developing countries around the world. To solve today's development challenges, the WBG works with both public and private sectors. IPAs are key institutions that connect both and can contribute to development.

[1] Sanchiz, Alex, and Ahmed Omic. 2020. State of Investment Promotion Agencies: Evidence from WAIPA-WBG's Joint Global Survey. Washington, DC: World Bank. Geneva: WAIPA (World Association of Investment Promotion Agencies).

Abbreviations and Acronyms

AI	artificial intelligence
CISF	comprehensive investor services framework
CRM	customer relationship management
FDI	foreign direct investment
IIS	investor information system
IPAs	investment promotion agencies
IRMS	investor-relationship management system
IT	information technology
KPIs	key performance indicators
NDPs	National Development Plans
NEMs	non-equity modes
SDGs	Sustainable Development Goals
SOPs	standard operating procedures
US$	United States dollar
WAIPA	World Association of Investment Promotion Agencies
WBG	World Bank Group

Executive Summary

Realizing the importance of overseas investments, governments around the world have established investment promotion agencies (IPAs) to attract and facilitate investment in their countries.[2] Today, IPAs are an indispensable part of most countries' development strategies and frequently, they are the first entity contacted by foreign investors, giving them a main role in the overall site selection process. Several researchers have addressed the importance and effectiveness of IPAs (Charlton and Davis 2007; Harding and Javorcik 2011; Harding and Javorcik 2013; Lim 2008, 2018; Morisset and Andrews-Johnson 2004; Wells and Wint 1990; World Bank 2020c).

This report describes the results of the 2020 Global Investment Promotion Agencies Survey, which was jointly carried out by the World Bank Group (WBG) and the World Association of Investment Promotion Agencies (WAIPA). It provides the investment promotion community with an extensive overview of IPAs' main characteristics, investor service offerings, challenges, and upcoming opportunities in the investment promotion field. The report is descriptive in nature (other, more analytical pieces are expected in the near future) and it is structured around the novel WBG framework for investment promotion (Heilbron, forthcoming; World Bank 2020c), which includes the following core pillars:

- Corporate strategic planning and sector prioritization
- Institutional framework
- Investor services[3]

Ninety-one IPAs from various regions and income groups participated in the survey between July and December 2019. Key findings are summarized below.

Corporate Strategic Planning and Sector Prioritization

To build an effective IPA, an entity must develop a strategy that outlines the main shared objectives for foreign direct investment (FDI) attraction and retention and that outlines how to achieve those objectives. The strategy, which sharpens an entity's strategic alignment and its focus on investment promotion mandates and strategic segments, ideally should be developed before the establishment of the agency; however, the reality is that the majority of IPAs develop it after establishment. Either way, a multiyear strategy is an IPA's road map for attaining its goals and objectives. According to the survey, 70 percent of IPAs have a multiyear strategy while 24 percent of them do not. Furthermore, there are encouraging indications that IPAs' strategies are influenced by the Sustainable Development Goals (SDGs), mostly when identifying priority sectors and activities.

Given the fierce competition for FDI, it is also key to strategically target the sectors that are most beneficial to the host economy and that are attractive to foreign investors. Sector targeting is one part of successful investment promotion. Existing research shows that sector targeting results in higher FDI inflows (Harding and Javorcik 2011). However, IPAs tend to have a large number of priority sectors: according to the survey findings, an IPA has 11 priority sectors on average. The most popular sectors targeted by IPAs are renewable energy (68 percent of IPAs) and information technology (IT) services (62 percent of IPAs). Target sectors are mainly selected on the basis of a national development plan or a similar high-level policy document (81 percent) or on the basis of comprehensive research on global demand and FDI emerging trends (49 percent).

[2] This report refers to IPAs as institutions that include an investment promotion function or mandate (covering both dedicated agencies as well as units that do so within larger institutions, such as economic development boards).
[3] For more details, see Heilbron (forthcoming), Heilbron and Whyte (2019), and Heilbron and Aranda-Larrey (2020).

Institutional Framework

The institutional framework of an IPA should ensure institutional and financial autonomy; operational independence; coordination with key regulatory agencies at the national and local levels, as well as with private sector organizations; and it should provide a degree of flexibility to adjust its internal structure and resources (Heilbron, forthcoming; Heilbron and Whyte 2019; Morisset and Andrews-Johnson 2004; World Bank 2020c). The survey reveals that IPAs have different organizational structures, reporting lines, and mandates. For the most part, IPAs are either semiautonomous public bodies (37 percent), subunits of ministry (26 percent), or autonomous public agencies (18 percent) that report directly to the ministry of industry or commerce (32 percent). Furthermore, they often have several mandates that go beyond investment promotion. An average IPA has eight mandates, but about half of all agencies (53 percent) have between six and 10 mandates.

IPAs vary significantly regarding their financial and human resources. Financial flexibility greatly influences many aspects of IPAs including the quantity and quality of staff, the range of performed activities, and the existence of overseas and regional offices. Survey results show that almost all IPAs are financed through governments' public funds, and that 34 percent have a budget below US$2 million. Regarding the budget for promotion mandate, the biggest portion of this budget is allocated to investment generation, and the smallest portion is allocated to policy advocacy, despite its importance in shaping a better investment climate. When it comes to IPAs' staff, on average an IPA has 161 full-time employees, including 129 technical staff—of which 61 (or 47 percent) are women—but only a few of those technical staff are dedicated to investment or FDI promotion. On average, 38 staff work solely on investment promotion, while 13 work exclusively on FDI. Of the total number of technical staff working only on investment promotion and FDI, on average 19 (50 percent) and seven (53 percent) are women, respectively.

Investor Services

IPAs are service providers that play an important role in meeting government objectives for attracting, establishing, retaining, expanding, and linking productive private investment. Therefore, it is necessary that they offer high-quality and relevant services to foreign investors in different stages of their investment cycle (Heilbron and Aranda-Larrey 2020).

The first two stages of the investment life cycle are the attraction stage and the entry and establishment stage. Survey results show that IPAs are focused more on the provision of services at the attraction stage versus the entry and establishment stage. The most common services that IPAs provide to investors are business events and conferences abroad (or within the country) to promote priority sectors (93 percent) during the attraction stage; guidance on government structure and regulatory and nonregulatory aspects for business start-up (77 percent) at the entry and establishment stage; communication with investors to gather information about grievances related to government conduct, and the provision of tailored responses to questions asked by investors (65 percent) during the third stage, retention and expansion; and the facilitation and coordination of initiatives and events that provide networking opportunities in the local ecosystem (64 percent) at the linkages and spillovers, the last stage of the investment life cycle.

In addition, IPAs evaluate investors prior to providing any services or grants. The evaluation is mainly based on the investor's potential positive influence on the economy (job creation, exports, training, linkages, provision of basic services or infrastructure, etc.) and on the investor's negative environmental and/or social impacts.

With the right information, an IPA can provide quality services and manage relationships with investors. Therefore, IPAs need to have a well-developed information management system (Ortega and Griffin 2011). IPA needs the following three internal systems to manage information and service investors: an investor information system (IIS), an investor-relationship management system (IRMS) that is built on customer relationship management (CRM) software, and standard operating procedures (SOPs). The survey reveals that 62 percent of IPAs have a CRM, 68 percent have SOPs, and 43 percent have a shared information system in place. In addition, IPAs use social media to promote their services and establish communication with their target audiences. Survey results reveal that IPAs allocate financial and human resources for that purpose: 83 percent of IPAs dedicate up to two full-time employees to manage their social media activities, and annual expenditures on social media vary. For example, 44 percent of IPAs dedicate up to US$10,000 annually on social media, while 23 percent spend more than US$100,000 annually.

Challenges and Changes in Investment Promotion

The FDI landscape is changing. In 2019, global FDI inflows rose modestly to US$1.54 trillion, which was a 3 percent increase from the previous year (UNCTAD 2020); however, several forecasts indicate that FDI flows will plummet in 2020 because of COVID-19. Also, competition among countries to attract and retain FDI is increasing, and the emergence of new technologies and digitalization is changing the way international business is conducted. For example, today, to reach global markets requires less of an investment in heavy assets. International production tends to be based more on intangibles, that is, royalties and licensing fees, and light forms of assets (UNCTAD 2019). In addition, recent unilateral trade policies and more restrictive rules on FDI have increased the uncertainty in global markets. It is likely that all of these factors will negatively affect global FDI flows. The negative FDI trend is an important concern for IPAs because overseas investments are an essential element in countries' efforts to stimulate and enhance economic development.

In addition, these factors are bringing new changes and challenges that IPAs will need to address. The study reveals that the most common changes anticipated by IPAs are the impact of digitalization and technology disruptions (56 percent), changes in the markets (30 percent), new investment promotion methods (23 percent), policy and regulatory changes (18 percent), and global and trade uncertainty (11 percent).[4] The main challenges that IPAs face are related to budgetary issues and financial limitations, the capacity of their staff, and bureaucratic and procedural issues. In the survey, IPAs were asked to identify the main reforms that they would like to see in the near term to improve the attraction and retention of investments in their countries—the reforms identified included better institutional coordination (59 percent), followed by better strategic alignment (44 percent), and more streamlined regulations (43 percent).

[4] COVID-19 was not an issue at the time of the survey, which ran from July to December 2019.

Survey Overview

Investment promotion agencies (IPAs) interact directly with investors and they serve as an intermediaries between foreign investors and the government. In many developing countries, foreign direct investment (FDI) provides the principal link to highly skilled jobs, innovation, access to major markets, and other important positive spillovers.

The World Bank Group (WBG) and the World Association of Investment Promotion Agencies (WAIPA) conducted a survey from July to December 2019 to capture the innovative approaches of investment promotion; to gauge where improvements can be made; and to understand the trends, challenges, and opportunities that IPAs face today.

The report uses the survey results to present an overview of IPAs' main characteristics and the investor services that they provide. It is structured around the novel WBG framework for investment promotion, which includes the following core pillars (Heilbron, forthcoming; World Bank 2020c):

- **Corporate planning and sector prioritization:** Improving strategic focus via corporate and strategic plan development and improving sector prioritization for investment promotion.
- **Institutional framework for FDI:** Strengthening the IPA's institutional framework by improving governance, resources, tools, capacities, and institutional coordination among key stakeholders.
- **Investor services:** Improving investor-focused services on the basis of the comprehensive investor services framework (CISF).

The CISF framework helps governments and their IPAs understand the importance of providing services to investors at every stage of the investment life cycle,[4] beyond the first stage of attracting them to invest in the country (the attraction stage), by providing a more comprehensive, service-oriented, and investor-centric approach that would benefit all IPAs, regardless of their level of development (Heilbron and Aranda-Larrey 2020). For the purpose of the survey, the model defines four service categories within investment promotion:

- **Marketing** services, to build a positive image for investment destination (in general or in certain sectors), which could include relevant advertising, participation in business events, public/media relations and network development, and one-on-one investor outreach;
- **Information** delivery for investor decision-making (attraction), entry and establishment, operations and linkages with domestic suppliers;
- **Assistance** to investors to contribute to success during decision-making (attraction), entry, establishment, and operations, including investment retention, grievance management, expansion support and introductions to suppliers; and
- **Advocacy** to improve the investment climate and ecosystem by engaging with investors, identifying obstacles to competitiveness, and supporting relevant decision-makers and stakeholders with the formulation and implementation of solutions.

By providing these services across the four stages of the investment life cycle,[5] IPAs can ensure that they satisfy the needs of investors and establish a long-term relationship with them, to the benefit of the country and the investor.

[5] The four stages of an investment life cycle are attraction, entry and establishment, retention and expansion, and linkages and spillovers.

Survey Methodology

The following sections describe the methodology and the sample used in the survey.

Survey Design

The survey questionnaire was based on the combination of several previous WBG and WAIPA surveys.[6] It consisted of 10 sections and 69 questions and was designed to capture each IPA's corporate strategic planning, key institutional aspects, and service offering to investors, as well as the main changes and challenges that IPAs are experiencing. Specifically, information was collected on IPA strategic planning, organizational structure, reporting lines, mandates, board of directors, financial and human resources, overseas representation, investor service offerings along the investment life cycle, key changes and challenges for IPAs, the importance of and the effect of the global economic landscape and megatrends on these agencies.

The survey was conducted from July to December 2019 using an online survey platform. The link to the questionnaire was sent to C-level executives (CEOs, CFOs or managing directors) working in IPAs from around the world.

Sample Representation

On the basis of the analysis of WBG's and WAIPAs' census of IPAs, 162 national IPAs were contacted, with the goal of 100 IPA responses, or a 62 percent response rate. After two additional months of follow up, a total of 91 IPAs responded to the survey, out of which 97 percent are national IPAs and 3 percent are subnational IPAs. The selected subnational IPAs are included in the analysis because they operate in regions that have autonomous government and economic independence. To assess changes in IPAs' characteristics, service offerings, and challenges over time, a second round of the survey is planned for 2021–22. To the extent possible, the second round will target respondents from the first round. A wider survey exercise including subnational IPAs will be pursued for the next edition of this report.

In terms of geographic classifications, the sample for the survey is relatively well distributed globally, as shown in figure 0.1. According to the latest WBG regional classification, the highest representation of IPAs comes from Europe and Central Asia (37 percent of agencies), followed by Sub-Saharan Africa (22 percent), Latin America and the Caribbean (13 percent), East Asia and Pacific (11 percent), Middle East and North Africa (10 percent), South Asia (4 percent), and North America (2 percent). The lowest response rate (40 percent) was from IPAs in East Asia and Pacific and the Caribbean, which is still considered a good response in surveys.

In terms of income classifications,[7] 41 percent of IPAs are from high-income countries, 29 percent are from upper-middle-income countries, 22 percent are from lower-middle-income countries, and 9 percent are from low-income countries.

Table 0.1 shows the regional distribution, per the latest WBG regional classification, of the 162 national IPAs contacted and the response rate, the latter varying significantly among regions: while North America and Europe and Central Asia had high conversion from contacted to respondent, some other regions had low levels of response, such as East Asia and Pacific (40 percent). Of the 91 respondents, 34 agencies are from Europe and

[6] See annex 1 for the analysis of IPA characteristics surveys.

[7] WBG income classification: low-income economies are defined as those with a Gross National Income per capita of $1,025 or less in 2018; lower-middle-income economies are those with a GNI per capita between $1,026 and $3,995; upper-middle-income economies are those with a GNI per capita between $3,996 and $12,375; and high-income economies are those with a GNI per capita of $12,376 or more.

Central Asia, 20 are from Sub-Saharan Africa, 12 are from Latin America and the Caribbean, 10 are from East Asia and Pacific, 9 are from Middle East and North Africa, 4 are from South Asia, and 2 are from North America.

Table 0.2 shows the income distribution of the 162 contacted IPAs and the response rate. IPAs from high-income countries (69 percent) and upper-middle-income countries (58 percent) have the highest response rates, followed by lower-middle-income countries (51 percent) and low-income countries (33 percent). Of the 91 IPAs that responded to the survey, 37 are from high-income countries, 26 are from upper-middle-income countries, 20 are from lower-middle-income countries, and 8 are from low-income countries.

Figure 0.1: Most IPAs Come from High-Income Countries In Europe and Central Asia, n=91

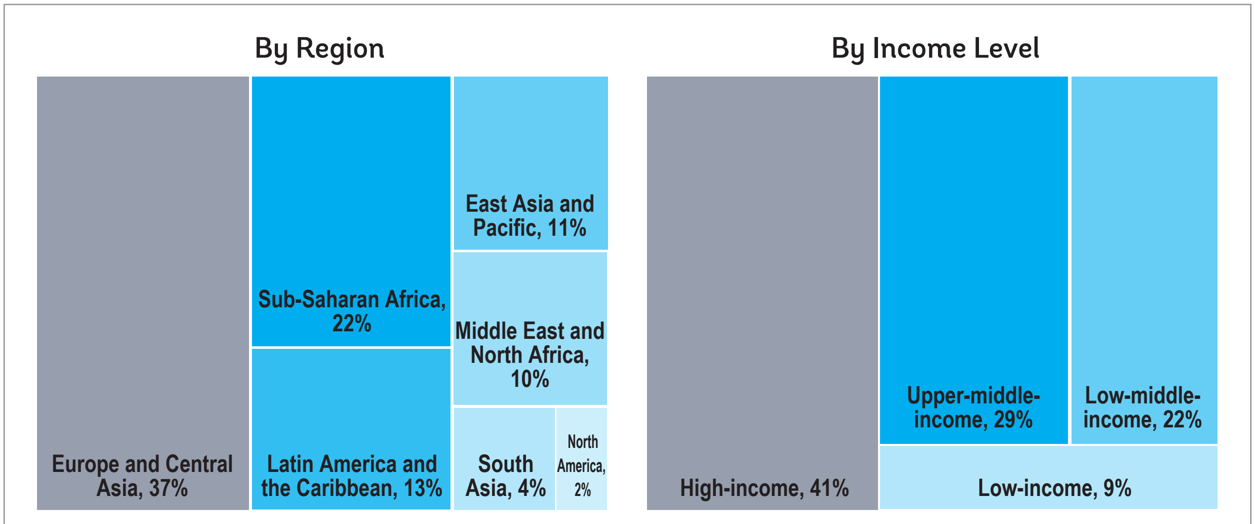


Table 0.1: Geographical Distribution of Respondents, n=91

World Bank Group Region	IPAs Contacted, Number	IPAs Contacted, Percent	Responses, Number	Response Rate, Percent[8]
East Asia and Pacific	25	15%	10	40%
Europe and Central Asia	43	27%	34	79%
Latin America and the Caribbean	27	17%	12	44%
Middle East and North Africa	17	11%	9	53%
North America	2	1%	2	100%
South Asia	7	4%	4	57%
Sub-Saharan Africa	41	25%	20	49%

[8] Based on the total number of IPAs contacted per region.

Table 0.2: Income Distribution of Respondents, n=91

Income Group	IPAs Contacted, Number	IPAs Contacted, Percent	Responses, Number	Response Rate, Percent[9]
High-income	54	33%	37	69%
Upper-middle-income	45	28%	26	58%
Lower-middle-income	39	24%	20	51%
Low-income	24	15%	8	33%

[9] Based on the total number of IPAs contacted per income group.

Part 1

First Pillar for Effective Investment Promotion: Corporate Strategic Planning and Sector Prioritization

Strategic Integration and Effective Feedback Loops

The first pillar of the World Bank's new framework on investment promotion establishes the importance of having investment promotion strategies and IPA corporate plans aligned with a country's FDI strategy and national development plans (NDPs), including a systematic approach to identify key sectors in which to focus efforts, explicit and quantifiable objectives, a roadmap toward providing relevant services to investors, and a proper mechanism to measure success (Heilbron, forthcoming; World Bank 2020c).

These plans also set out the strategic pillars and tactics through which those objectives are to be met and relate them through a "logical framework" including inputs, activities, outputs, outcomes, impacts, and the type of FDI to be targeted, based on an objective assessment of the location's competitiveness, and typically addressing relevant opportunities at all stages of the investment life cycle.

Investment Promotion Strategy

An IPA's performance benefits from having a written, multiyear strategy that links day-to-day activities, outputs, and investor services to outcomes and impact. Stemming from the location's development plans, an investment promotion strategy should enable the attraction, entry, establishment, retention, and expansion of productive investment, as well as its linkages with the domestic productive sector, thereby maximizing the benefits from the investment. Figure 1.1 shows that 70 percent of the IPAs (63 of the 90) that responded have a multiyear strategy while 24 percent of them (22) still lack this key document to guide their operations. Moreover, box 1.1 shows how Sustainable Development Goals are gaining importance in IPAs' strategy development and sector targeting.

Sector Prioritization

Sector targeting and prioritization is a good investment promotion practice (Loewendahl 2001; Proksch 2004). Investment promotion practitioners and WBG operational experience also have shown that the most effective way to attract FDI is to focus on a select number of priority sectors rather than attending to all types of investors Harding and Javorcik 2011; World Bank 2020c).

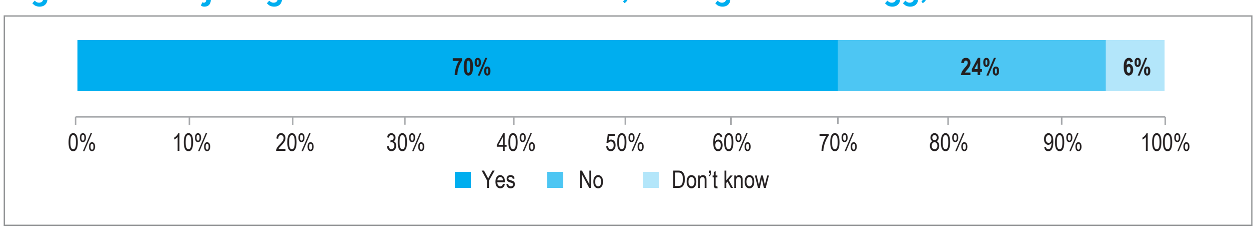
Number of Sectors

The survey reveals that IPAs have a very large number of "priority" sectors—on average, an IPA has 11. When looking at the distribution of priority sectors over different ranges, 44 percent of the survey respondents indicated more than 10 priority sectors and 26 percent indicated 8 to 10 priority sectors (figure 1.2).

Top Priority Sectors

As discussed in box 1.1, IPAs are realizing the important role they have in attracting sustainable investment and reaching SDGs. Table 1.1 presents the top 15 priority sectors for promotion, as reported by IPAs. A staggering 68 percent of IPAs indicate renewable energy as a high-priority sector, which aligns well with SDGs 7 and 11. Other popular

Figure 1.1: Majority of IPAs have a Written, Multiyear Strategy, n=90



sectors are IT services (targeted by 62 percent of IPAs); pharmaceuticals, biotechnology, and medical devices; agriculture, fishing, and forestry; food products and beverages; and computer and software services.

Dashboard 1.1 indicates the distribution of the top five priority sectors by IPAs per income group. Renewable energy is among the top three priority sectors across all income groups. Furthermore, IPAs from high-income countries tend to focus

Box 1.1: SDGs Influence IPAs' Sector Targeting

Since 2015, many agencies and think tanks have assessed the need for specific Sustainable Development Goals (SDGs) targets and have renewed their estimates for required SDGs financing. A recent International Monetary Fund study on SDGs financing found a gap of $2.6 trillion for developing economies. Investment promotion agencies (IPAs) and firms have found sustainability increasingly important in the investment decision process. Survey results reveal that IPAs' strategies also are influenced by SDGs. On a 0 to 5 scale, IPAs rated the influence of SDGs on several key areas of their strategies: SDGs have the most influence on the identification of priority sectors and activities (3.78), followed by the establishment of strategic partnerships (3.62), and the evaluation of an IPA's performance (3.42).

Figure B.1.1: How SDGs Influence IPAs' Strategies, n=90

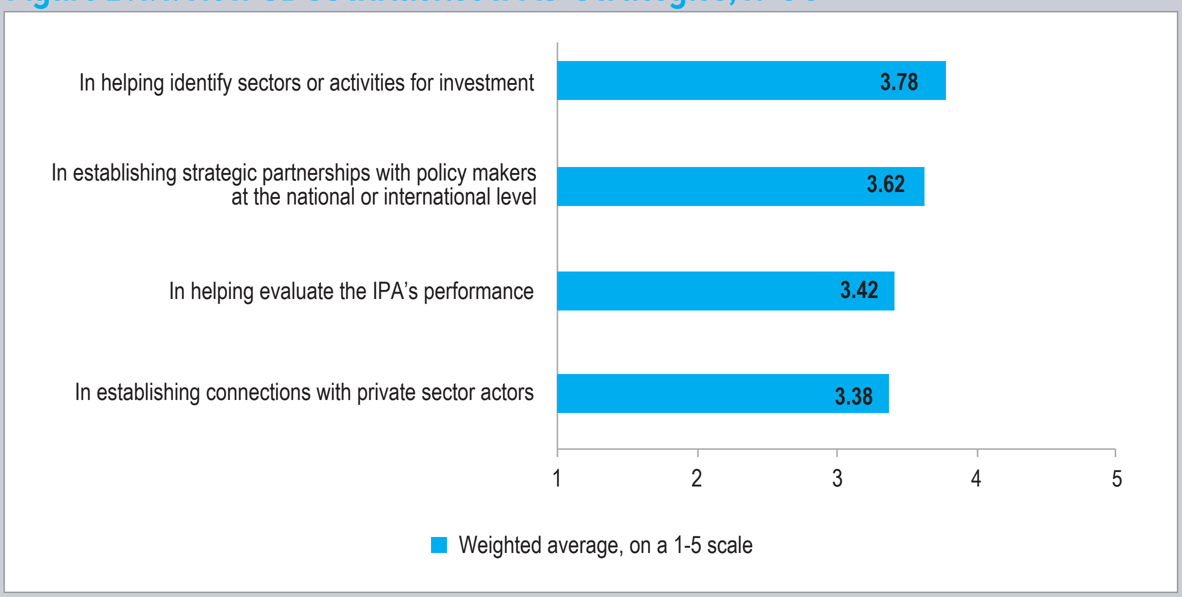


Figure 1.2: IPAs have Too Many Priority Sectors, n=73

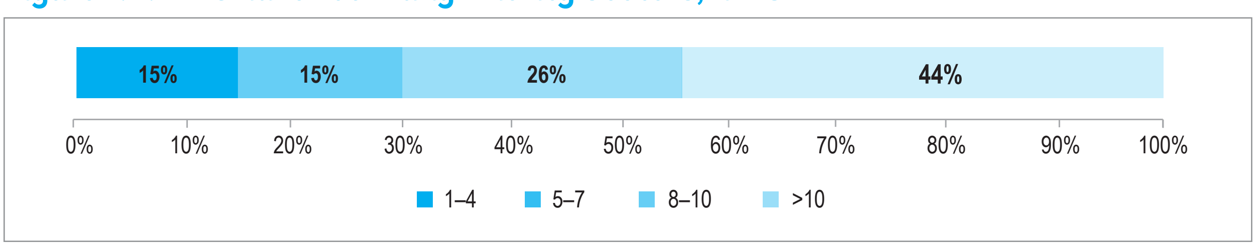


Table 1.1: Top 15 Priority Sectors as Designated by IPAs, n=73

Sector	IPAs, Percent
Renewable energy	68%
IT services	62%
Pharmaceuticals, biotechnology, and medical devices	62%
Agriculture, fishing, and forestry	62%
Food products and beverages	58%
Computer and software services	53%
Transport and telecommunications	49%
Hotels and restaurants	47%
Health services	44%
ITC equipment and electronics	44%
Construction	40%
Computers and electronic equipment	40%
Machinery, equipment, and metal products	38%
R&D-intensive sectors in general	38%
Other travel and tourism-related services	37%

Notes: ITC = Information, technology and communications; IT= information technology. R&D = Research and Development.

more on high-value-added sectors. Regarding the other income groups, the results include a mixture of high-value-added sectors and primary sectors. In general, IPAs in the other income groups focus more on primary sectors such as agriculture, fishing, and forestry. This sector is the top priority sector of the upper-middle-income group (81 percent), the lower-middle-income group (87 percent), and the low-income group (100 percent).

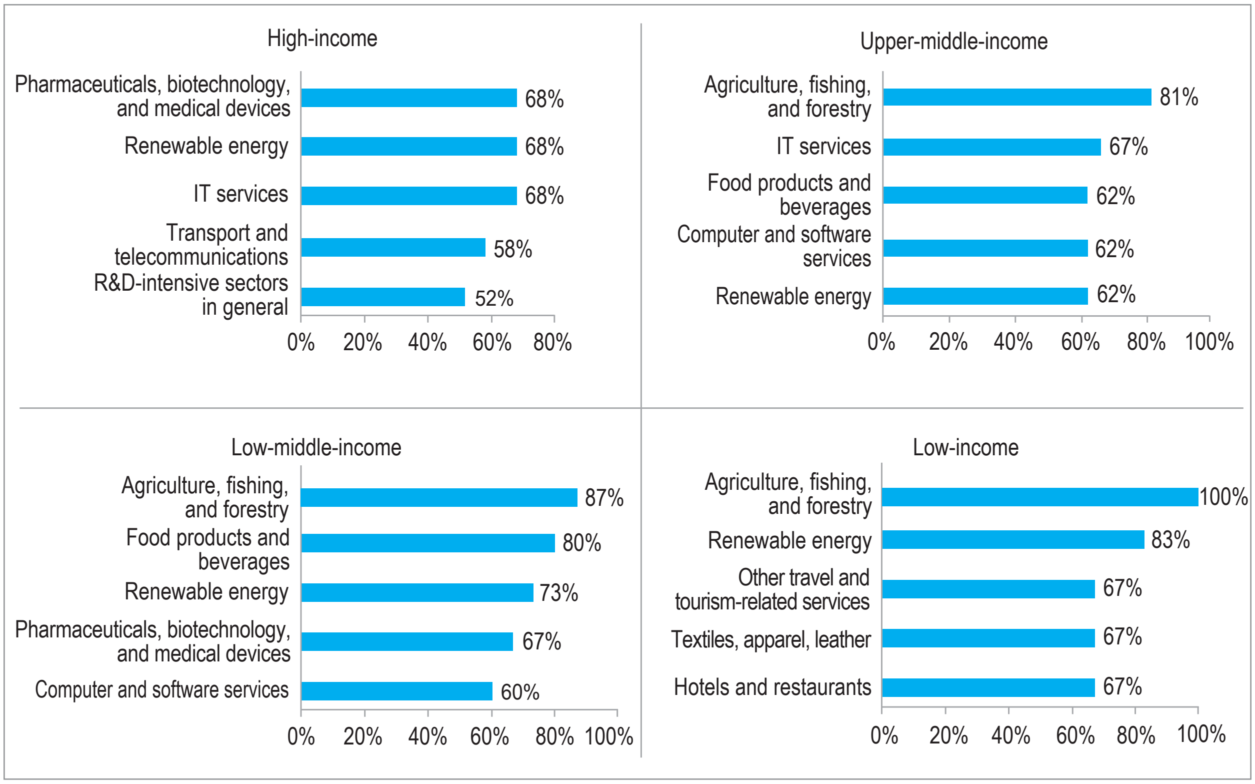
Emerging Priority Sectors

IPAs are constantly trying to adapt their targeting strategies to market trends and demands—an extremely relevant trait in a post–COVID-19 world. The survey asked IPAs to identify the sectors that they had prioritized in the past three years. Twenty-one percent of IPAs identified renewable energy as an emerging sector (figure 1.3), which is not surprising given the need for more sustainable

Figure 1.3: Emerging Priority Sectors are Based On High-Value-Added Activities, n=73

Note: R&D = research and development.

Dashboard 1.1: Top 5 Priority Sectors by IPAs Per Income Group, n=73



Note: R&D = research and development.

sources of energy. The other emerging sectors identified are food and beverages production (14 percent), agriculture (14 percent), R&D–intensive sectors in general (12 percent), and transport and telecommunications (12 percent).

Declining Sectors

In the past five years, IPAs have stopped promoting the real estate sector (15 percent of the IPAs surveyed). Other common sectors that IPAs have discarded are media and entertainment (9 percent), construction (strongly related to real estate, 8 percent), wholesale and retail trade (8 percent), and financial services (8 percent) (figure 1.4).

Sources for Sector Targeting

Survey results show that IPAs select their priority sectors mainly on the basis of a national development plan or a similar high-level policy document (81 percent). In addition, they select priority sectors on the basis of comprehensive research on global demand and FDI emerging trends (49 percent).

Figure 1.4: Sectors Discarded by IPAs, n=75

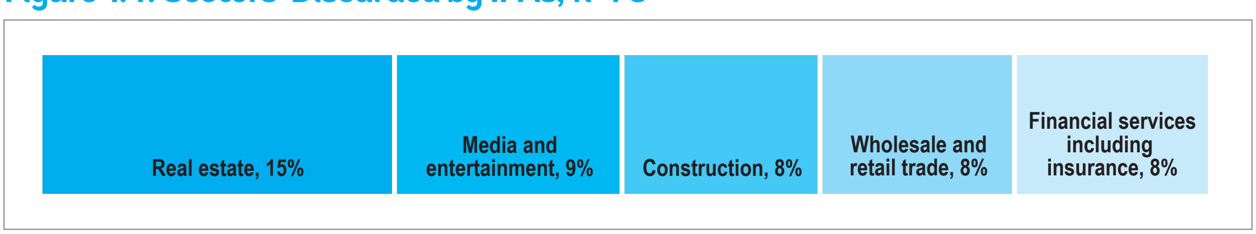
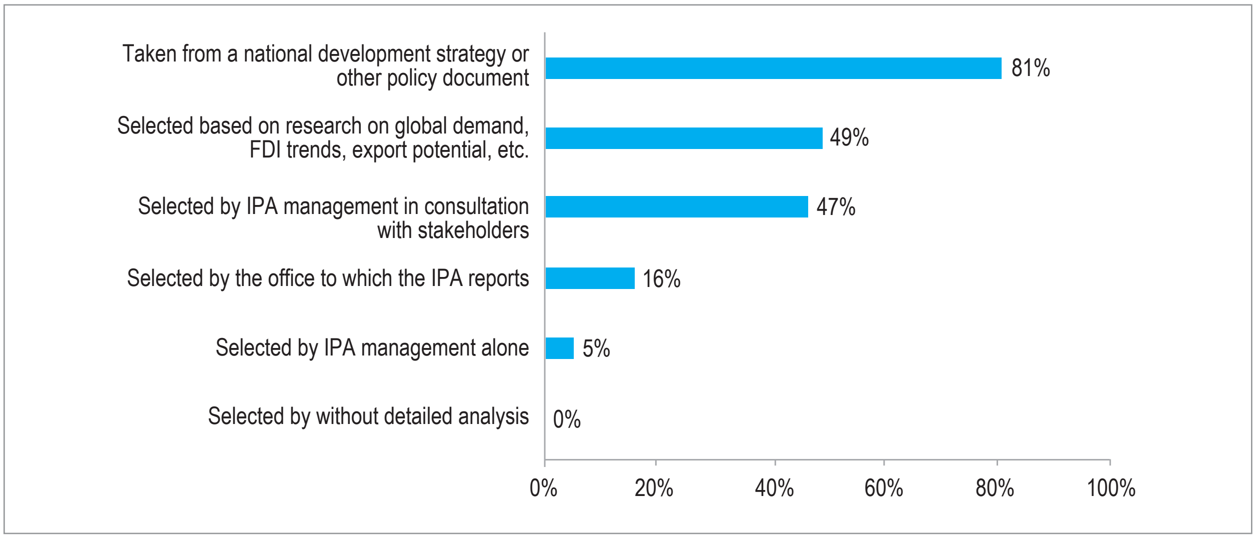


Figure 1.5: Sources that Inform the IPA Strategy, n=75

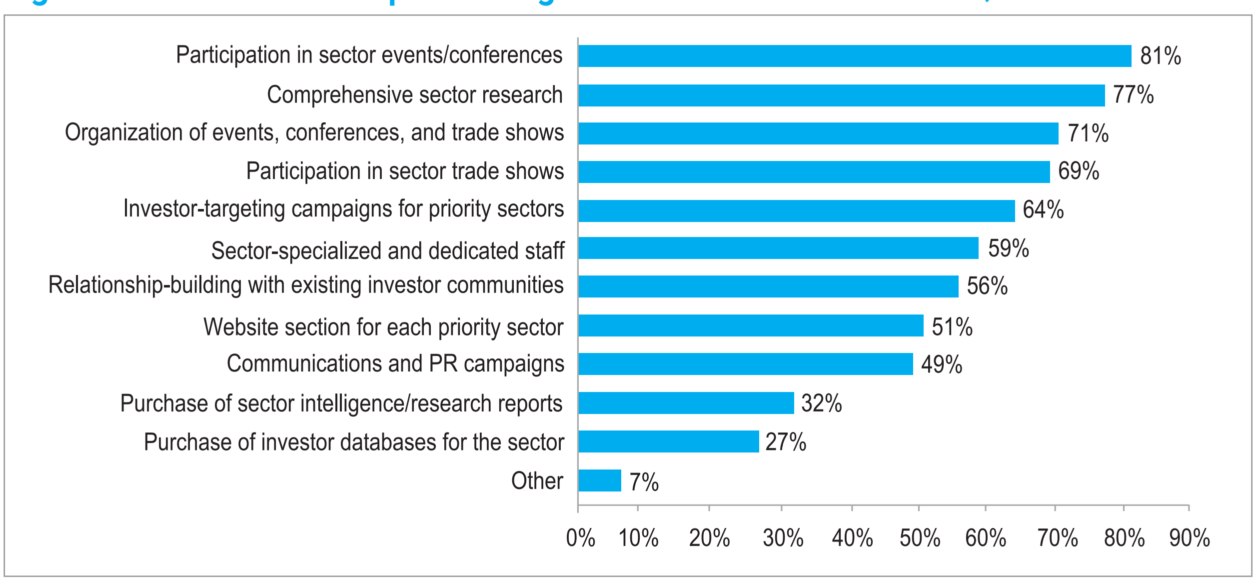


Note: FDI = foreign direct investment; IPA: investment promotion agency.

Only a handful of agencies make this decision independently. All IPAs select their priority sectors after a detailed analysis (figure 1.5).

After identifying sectors, IPAs begin implementing investment promotion plans for these priority sectors through various means including participating in sector events and conferences (81 percent), performing comprehensive sector research (77 percent), organizing sector events (71 percent), participating in sector trade shows (69 percent), and launching investor targeting campaigns for selected sectors (64 percent). Interestingly, in a contact-driven function of investment promotion, only 27 percent of IPAs purchase investor databases (figure 1.6).

Figure 1.6: Methods for Implementing Investment Promotion Plans, n=75



Note: PR = Public relations.

Resource Allocation for Priority Sectors

IPAs allocate significant financial and human resources to the activities related to priority sectors. According to survey results, 28 percent of IPAs dedicate more than 75 percent of resources to this purpose—4 percent of agencies dedicate all of their resources to activities related to priority sectors (figure 1.7).

Client Selection

IPAs mostly offer their services to foreign companies, but domestic businesses also are on their list of clients. According to the survey, nearly all IPAs provide services to foreign firms, including small- and medium-size foreign firms (97 percent of IPAs) and large foreign firms (96 percent of IPAs) (figure 1.8). A large proportion of them also provide services to joint ventures between foreign and domestic firms (83 percent of IPAs), to large domestic firms (80 percent), and to small- and medium-size domestic firms (79 percent). Sixty two percent of IPAs are also working on mega deals.

IPAs usually distribute their resources between the following clients:

- Large foreign firms
- Small- and medium-size foreign firms
- Joint ventures between foreign and domestic firms
- Small- and medium-size domestic firms
- Large domestic firms

Based on survey findings, IPAs dedicate the largest percent of their resources, both financial and human, to large foreign firms (34 percent). IPAs distribute a smaller portion of their resources to domestic firms (see figure 1.9 for additional resource allocation numbers).

Figure 1.7: Resource Allocation for Priority Sectors, n=75

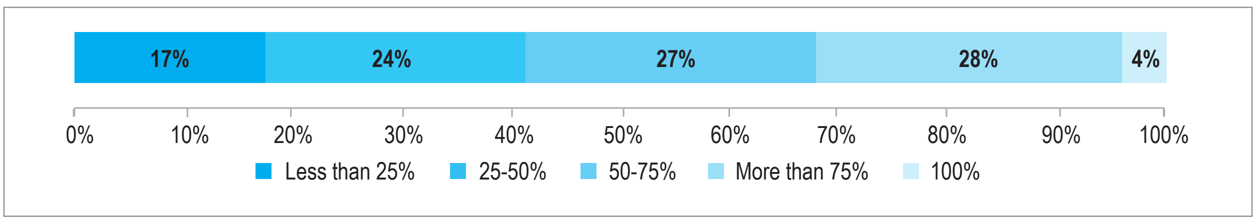


Figure 1.8: IPAs' Client Selection for Services, n=71

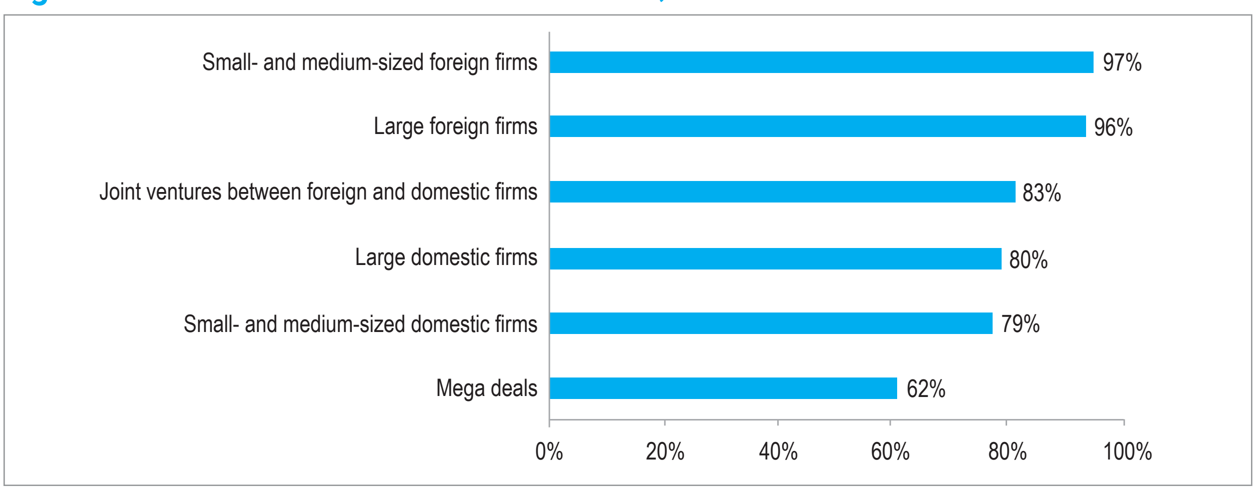
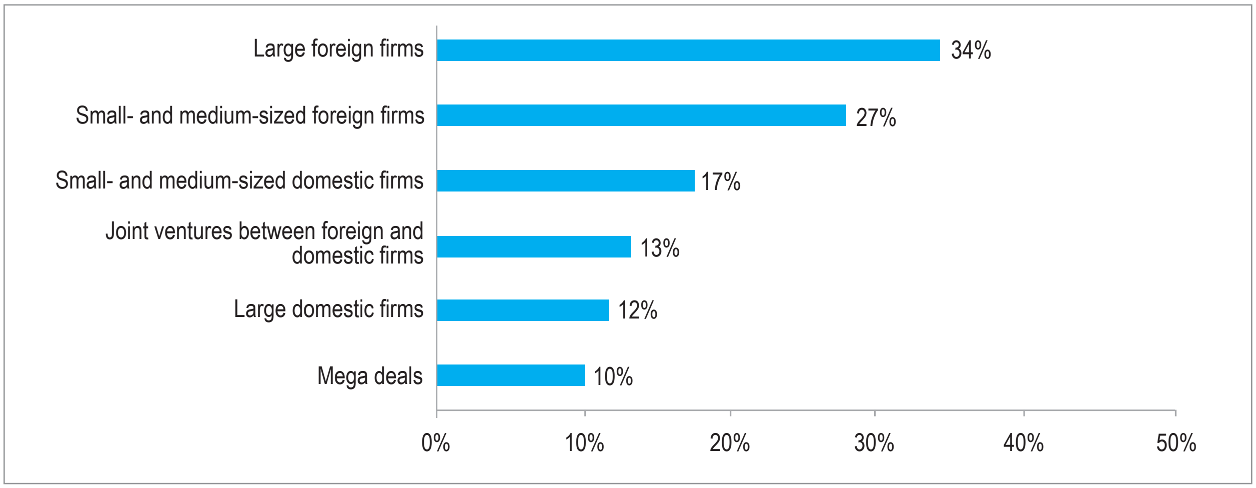


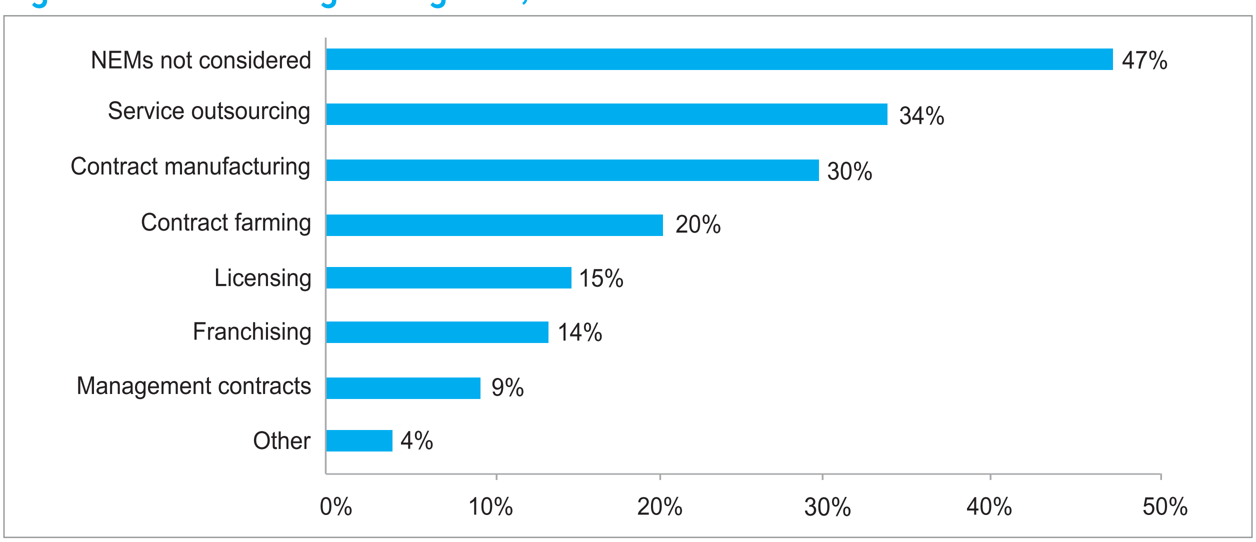
Figure 1.9: Distribution of IPA Resources, n=71



Non-Equity Modes of Investment

Traditionally, the types of investments that IPAs focus their efforts on are greenfield FDI and mergers and acquisitions. However, non-equity modes (NEMs) of investment such as contract manufacturing, service outsourcing, and contact farming have grown in importance because of their flexible nature and their dispersion of knowledge, technology, and skills (UNCTAD 2011). IPAs were asked if they are following NEMs as part of their target strategies—47 percent of IPAs have not considered any NEMs (figure 1.10). However, a notable percentage of IPAs have targeted some NEMs, including service outsourcing (34 percent of IPAs), contract manufacturing (30 percent), contract farming (20 percent), and licensing (15 percent).

Figure 1.10: NEMs Targeted by IPAs, n=74



Note: NEMs = Non-equity modes of investment.

Part 2

Second Pillar for Effective Investment Promotion: Institutional Framework

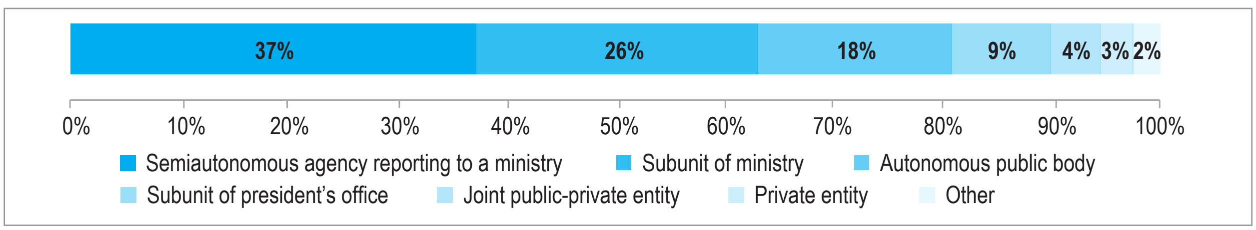
The second pillar of the World Bank's new framework on investment promotion establishes the importance of the institutional framework under which IPAs operate, as evidence has shown a positive correlation between the quality of a country or economy's IPA and the attraction of FDI (Harding and Javorcik 2013; Heilbron and Whyte 2019; Hornberger, Battat and Kusek 2011; Kurul and Yalta 2017; Morisset and Andrews-Johnson 2004; Nelson 2009). The following section inspects IPA characteristics related to this important pillar of investment promotion.

Institutional Structure

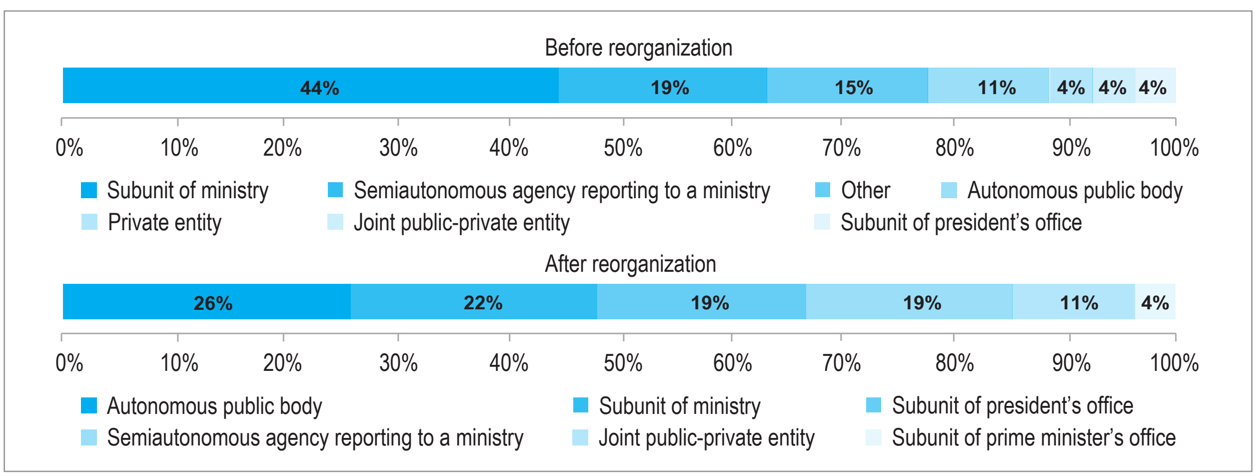
A discussion of institutional structure includes not only the IPA but also its surrounding environment (institutional framework or landscape). IPAs with a business-like structure are more successful in bringing investors to a location, as are those with institutional and financial autonomy, accountability, operational independence, and the flexibility to adjust their internal structure and resources. Regarding the institutional framework beyond the IPA, literature indicates the importance of mandate clarity and strong coordination with key regulatory agencies at the national and local level and with other important stakeholders (for example, skills agencies, innovation agencies, universities, and private sector organizations) (Heilbron, forthcoming; Heilbron and Whyte 2019; Morisset and Andrews-Johnson 2004; Nelson 2009; World Bank 2020c).

The survey reveals that IPAs often have different organizational structures, reporting lines, and mandates. Thirty-seven percent of IPAs are semiautonomous public bodies, 26 percent are sub-units of ministry, and 18 percent are autonomous public agencies. A small percentage of IPAs are a subunit of the president's office, a joint public-private entity, or a private entity (figure 2.1).

Figure 2.1: Organizational Structures of IPAs, n=89



Dashboard 2.1: IPAs' Organizational Structure before and after Reorganization, n=27



A substantial number of IPAs (30 percent) experienced organizational restructuring after their establishment. Most of them were a subunit of ministry (44 percent) or a semiautonomous agency reporting to a ministry (19 percent) prior to their reorganization (see dashboard 2.1). IPAs after reorganizations seem to shift toward more autonomous public bodies (26 percent) and subunits of ministry (22 percent). Interestingly, 15 percent more IPAs were autonomous and semiautonomous post reorganization (the combined share of these two types went from 30 percent to 45 percent).

Reporting Lines

Depending on their legal status, IPAs have different and often multiple reporting lines. Per WBG operational experience, support from the highest levels of government (for example, office to the president or prime minister) or from a strong and respected ministry is critical for IPAs' performance (Heilbron, forthcoming; Heilbron and Whyte 2019; Morisset and Andrews-Johnson 2004; World Bank 2020c). Some countries seek this by having their national IPA report directly to a high-level government official. According to the survey, most agencies (32 percent) report to the ministry of industry or commerce (figure 2.2). Other reporting lines are to an agency board (14 percent of IPAs), the prime minister's office (14 percent), the ministry of foreign affairs (12 percent), the ministry of economy (12 percent), and the president's office (9 percent). Based on WBG experience, reporting to a board including both public and private representatives and chaired by the prime minister's or president's office, or by the Ministry of Finance yields the best results.

Mandates

Although literature suggests that an IPA should have a simple, clear mandate about investment promotion, many agencies have several functions that go beyond. Survey results indicate that IPAs may be diluting their already scarce resources in too many mandates—on average an IPA has eight of them. Figure 2.3 indicates that 32 percent of agencies have up to five mandates, 53 percent of IPAs have between six and 10 mandates, and 15 percent have more than 10 mandates.

Figure 2.2: IPAs' Reporting Lines, n=91

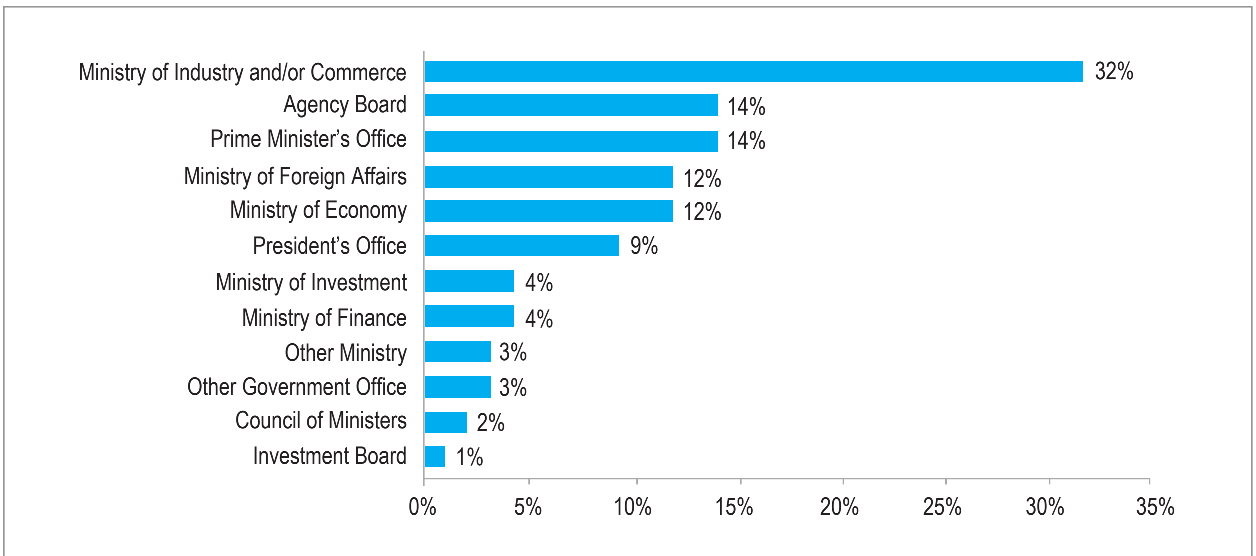
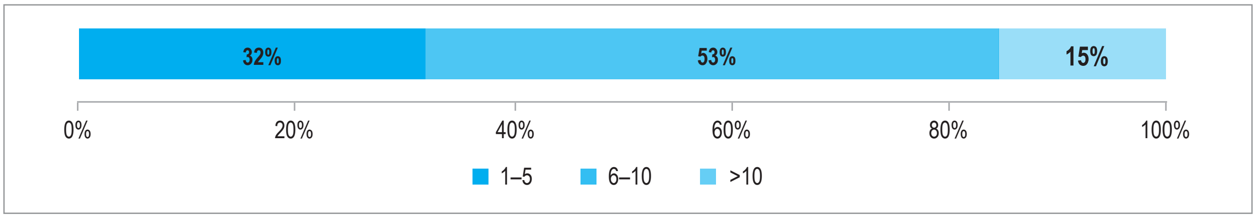


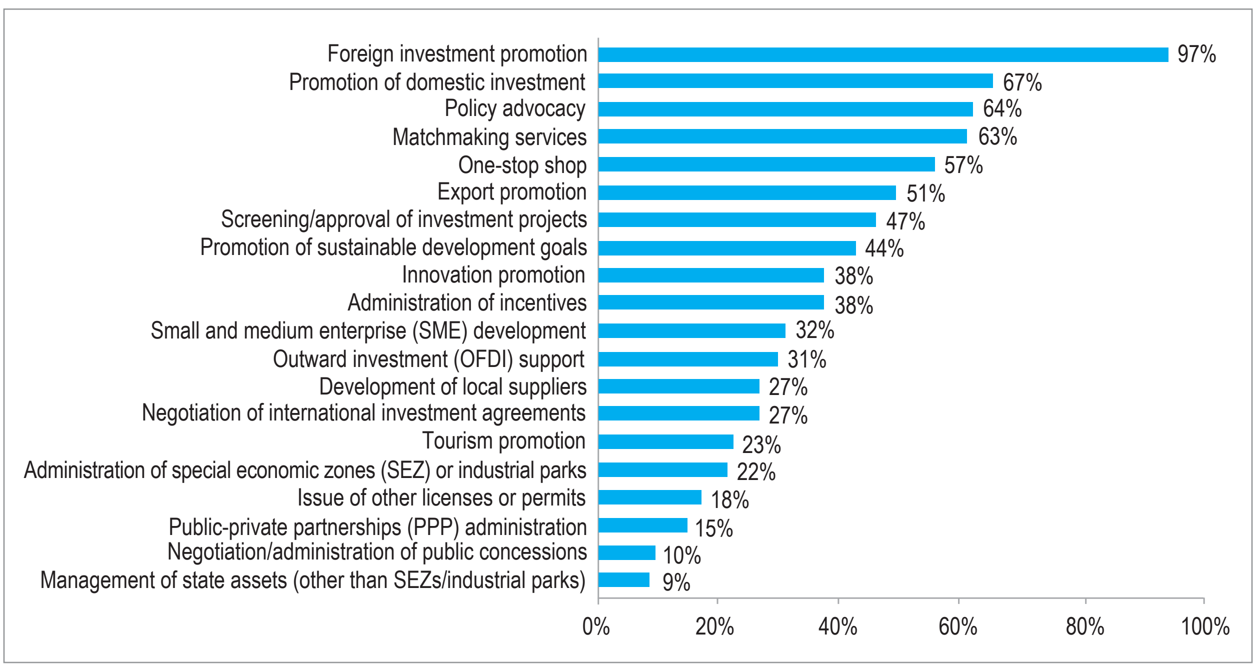
Figure 2.3: IPAs Still have a Myriad of Mandates, n=91



On the basis of the 91 responses in the survey, foreign investment promotion is the most common function performed by 97 percent of IPAs, followed by promotion of domestic investment (67 percent), policy advocacy (64 percent), matchmaking services[10] (63 percent), a one-stop shop (57 percent), export promotion (51 percent), screening/approval of investment projects (47 percent), and the promotion of Sustainable Development Goals (44 percent) (figure 2.4). Recent WBG research shows that IPAs need a strong focus of mandate and sectors, industries or more precise segments to effectively attract and retain FDI. Also, operational experience confirms that IPAs with a clear, uncontested mandate on investment promotion ramp up faster and deliver more impact than those with several mandates in developing economies (Heilbron, forthcoming; World Bank 2020c).

The analysis of the number of mandates by country income group shows that developed countries tend to have more specialized IPAs with fewer mandates. A greater number of agencies from high-income countries have between one and five mandates, while the largest number of IPAs from low-income countries have more than 5 mandates (table 2.1).

Figure 2.4: Mandates Performed by IPAs, n=91



[10] Connecting foreign investors to potential local suppliers.

Table 2.1: Number of Mandates by Country Income Group,[11] n=91

Country Category	1–5 Mandates	6–10 Mandates	>10 Mandates
High-income	41%	40%	19%
Upper-middle-income	27%	46%	27%
Lower-middle-income	25%	60%	15%
Low-income	25%	37%	38%

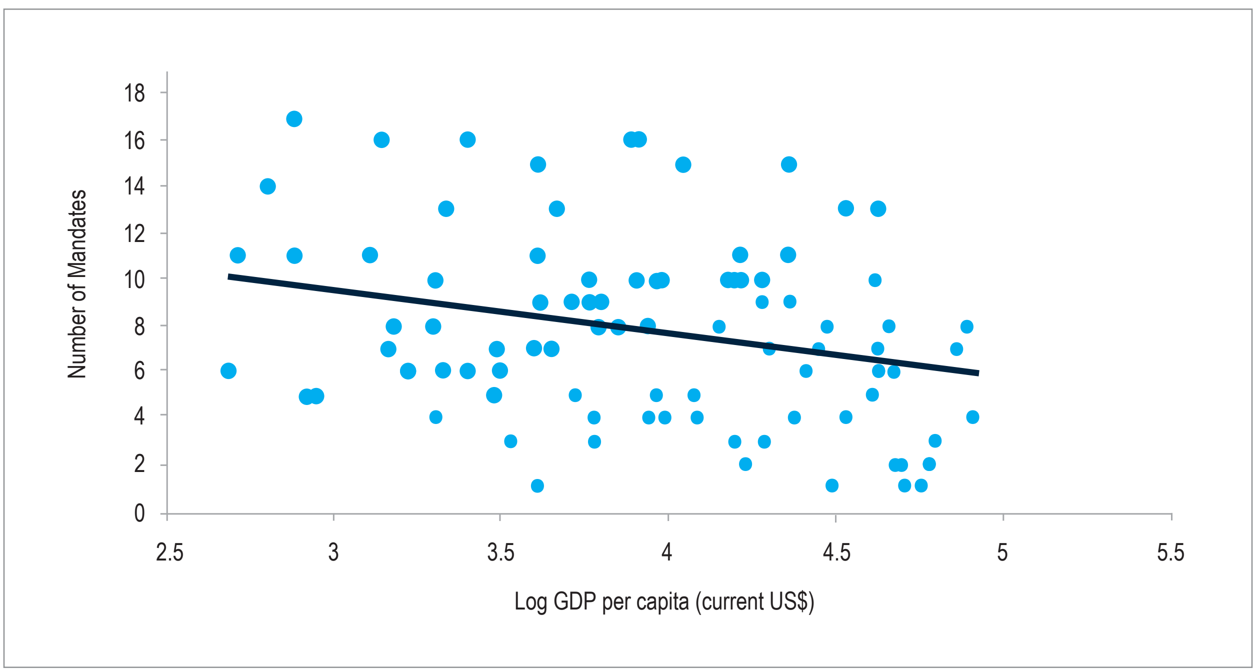
Additional analysis of the correlation between the number of mandates and gross domestic product (GDP) per capita shows that developed countries tend to have more specialized IPAs with clearer mandates of investment promotion (figure 2.5). The correlation is negative and statistically significant with the p-value of 0.009.

According to survey results, the mandates that are performed by more than 50 percent of IPAs from high-income countries are foreign investment promotion (95 percent), policy advocacy (65 percent), promotion of domestic investment (59 percent), and matchmaking services connecting foreign investors to potential local suppliers (57 percent).

Board of Directors

A board of directors is an essential resource for an IPA, providing guidance to the agency and holding it accountable. In a more difficult investment climate, board members can help the IPA advocate for necessary reforms.

Figure 2.5: Correlation of Number of Mandates and GDP per Capita, n=91



[11] Ibid no.6.

Of the 91 IPAs that were surveyed, 71 percent of them have a board of directors (dashboard 2.2). The median IPA has 11 members on its board. More than half of IPAs have boards that are made up of public and private sector representatives and more than a quarter of agencies have boards with representatives from other areas such as academia and civil society. In the latter group, they have, on average, five members from the public sector, four members from the private sector and two from other areas.

Responsibilities of the Board

Among the 65 IPAs that do have boards, the responsibilities of those boards are very similar. According to survey results, the five main areas of responsibility are approval of the IPA's strategy, periodic review of the IPA's performance, advisory on strategic issues, approval of the budget, and periodic review of management's performance (figure 2.6). For about half of the IPAs responding to the survey question, other functions of the board are policy advocacy and approval of management appointments.

Dashboard 2.2: Board of Directors and Its Structure

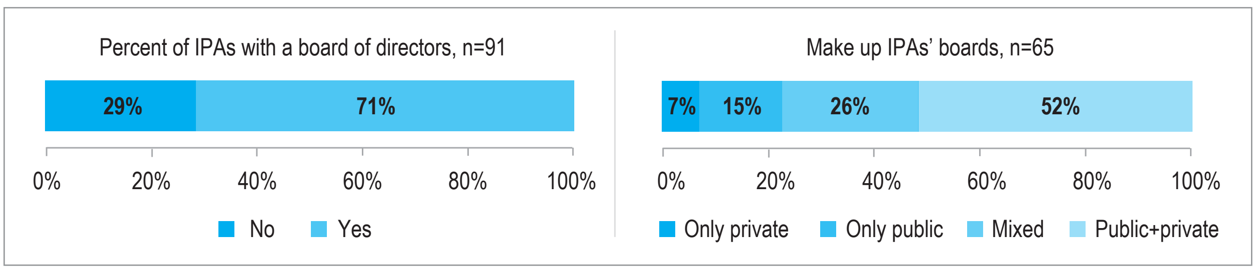
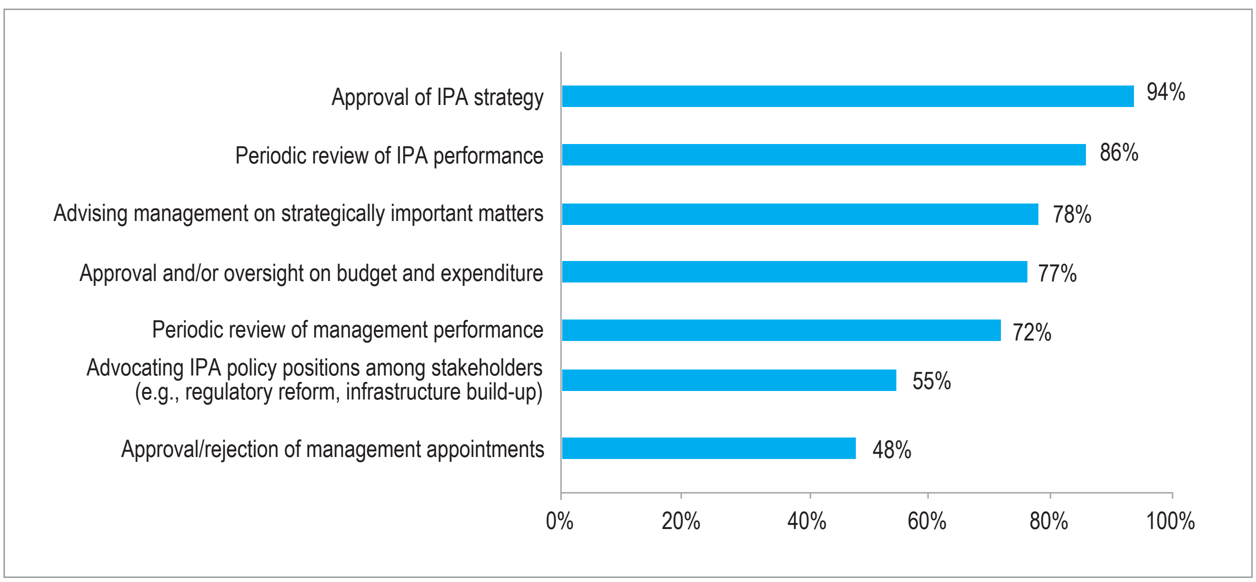


Figure 2.6: Responsibilities of IPA Boards, n=64



Staff

For every service-oriented organization, staff is the most valuable asset. A well-performing IPA builds private sector mindset in delivering services to its clients and recruits people with the relevant education, background, and skills to develop an investor-minded, service-oriented organization (ECORYS 2013; Nelson 2009; UNCTAD 1997; Wells and Wint 2000; World Bank 2020c) with a private sector culture (Ortega and Griffin 2011). In addition to this type of organizational structure, a consultancy-like culture and working methods are key aspects to ensuring the effectiveness of an agency.

Staff Composition

The survey reveals that a typical IPA has 161 full-time employees, 129 of which are technical staff—and of those 129, 47 percent are women (table 2.2). On average, 38 technical staff work only on investment promotion and 13 work only on FDI-related duties. This data may indicate that investment promotion does not require a large workforce.

Regarding the distribution of total full-time staff, including other non-investment promotion mandates, the most common range is that of 16-45 employees (26 percent). Only 7 percent of IPAs have more than 350 total employees. Furthermore, the distribution of IPAs' technical staff, which is for the purpose of this research defined as any employee engaged in work predominantly intellectual or technical, is spread quite evenly across six ranges provided in the figure 2.7. Only a handful of IPAs (12 percent) have more than 150 technical staff. When it comes to representation of women in total number of technical staff, the bulk of agencies (40 percent) have between 0-15 women technical staff.

Staff Qualifications and Salaries

IPAs benefit by employing staff that have relevant private sector experience and that are bilingual and bicultural. These qualifications enable IPA employees to better understand and assess investors' needs, to be trusted by investors, to convince them that a location best meets their requirements, and to overcome possible communication obstacles with potential investors (Nelson 2009).

These facts have made private sector marketing experience and industry knowledge important hiring criteria for investor-facing staff of IPAs (figure 2.8). Based on 84 respondents, 82 percent of IPA's technical staff have a background in one or more priority sectors, 58 percent of them are proficient in a foreign language, 50 percent of them have public sector experience, and 45 percent have private sector experience.

Table 2.2: Average Number of IPAs' Technical Staff[12], n=57

	Total Employees	Total Technical Staff	Technical Staff, Promotion only	Technical Staff FDI only
Full-time equivalent	161	129	38	13
Full-time equivalent, women		61	19	7

[12] Two agencies holding special institutional set-up and additional mandates outside promoting foreign and domestic investment were included in the calculation, which reported having more than 1,000 employees. Without those two IPAs, averages would be the following: Total full-time employees: 103;, 61; 37 (Full-time equivalent, women); Promotion only: 15, 7(Full-time equivalent, women); FDI only: 12, 7(Full-time equivalent, women); respectively.

Figure 2.7: IPAs' Staff Composition, n=57

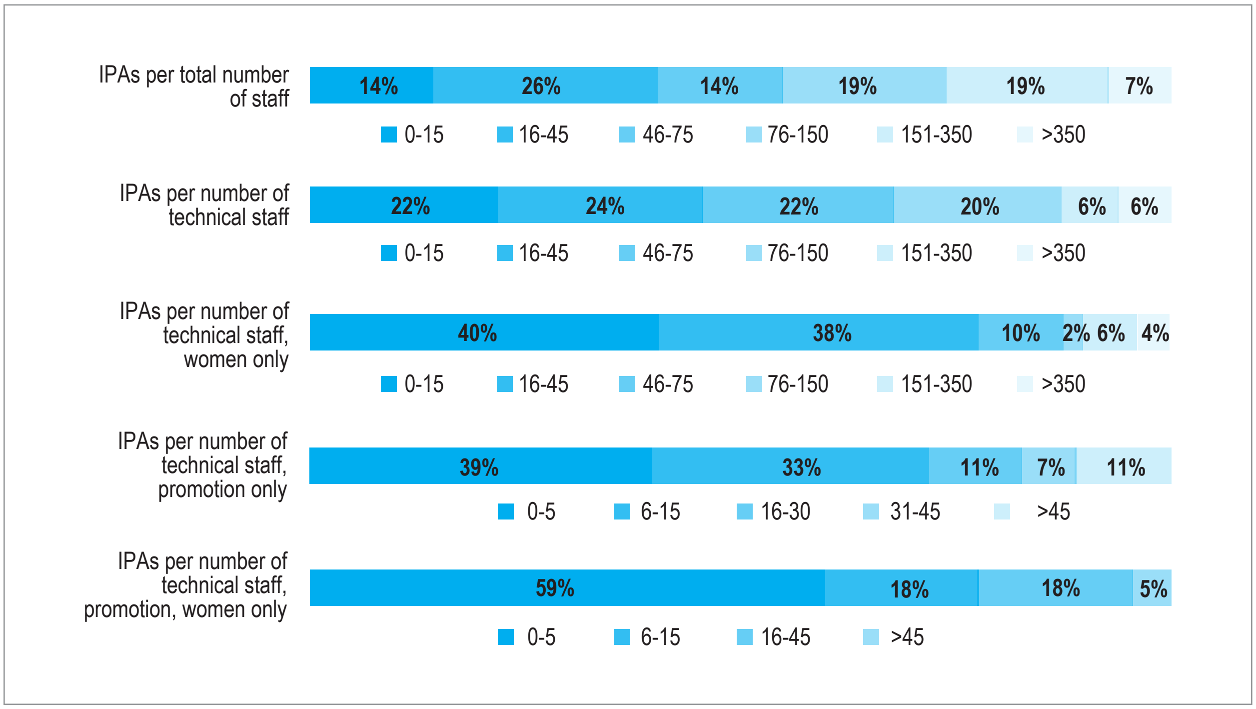
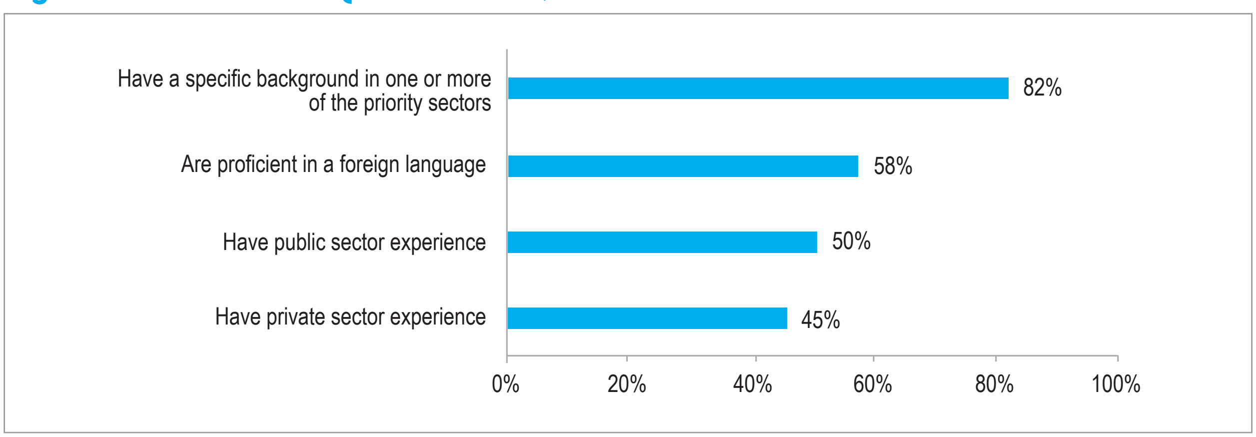


Figure 2.8: IPAs' Staff Qualifications, n=84



An important factor in attracting a qualified workforce is salary. In addition, a performance-based pay system makes a difference. Survey responses indicate that 42 percent of the agencies offer public sector level wages (figure 2.9). A significant proportion of agencies offer either wages that are above public sector wages but below private sector wages or offer wages that are comparable with the private sector. Only 1 percent of IPAs offer wages above private sector wages.

Overseas and Regional IPA Representation and Subnational IPAs

Having overseas and in-country regional representatives is another practice that can influence an IPA's overall performance and its relevance to national development objectives. A larger overseas presence is linked to higher FDI inflows (Anderson and Sutherland 2015; Lim 2018; Volpe-Martincus and Sztajerowska 2019).

For an IPA to have its own regional offices also depends on the host country's overall characteristics. For example, countries with large territories often open subnational IPAs to promote regions, cities, or specific zones within those countries. A national IPA may not be able to effectively promote all regions and provide investor services, which in turn may influence investment decisions (Loewendahl 2001; Dressler 2018).

Overseas Representatives

Regarding overseas offices, 54 percent of IPAs do not have any permanent representation abroad usually because of limited financial and human resources (figure 2.10). Furthermore, 24 percent of IPAs have their staff within respective national embassies. Only 21 percent of IPAs have their own offices abroad, and of those IPAs, they have on average 8 offices abroad with 8 technical employees.

Figure 2.9: IPAs' Staff Wage, n=83

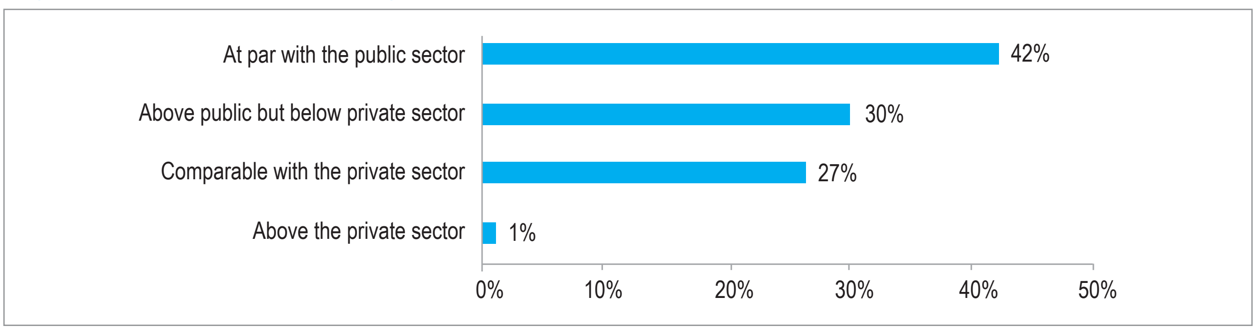
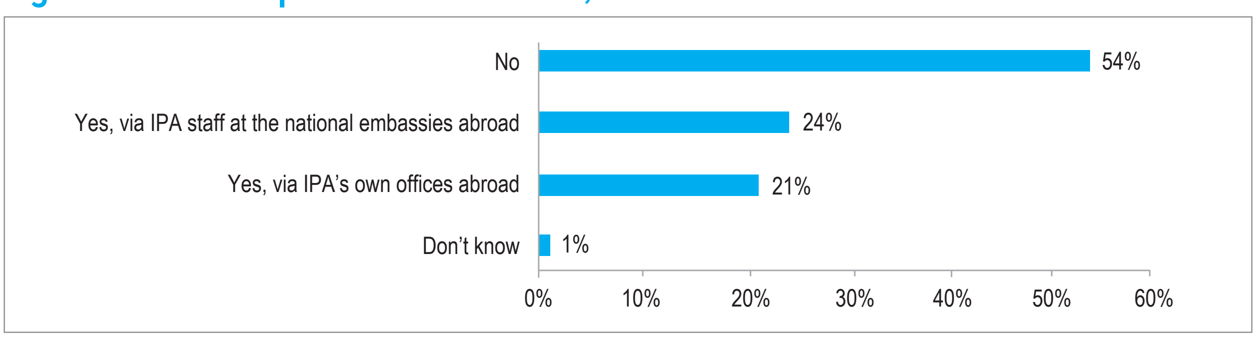


Figure 2.10: IPA Representation Abroad, n=82



Regional IPA Offices

Survey results indicate that 48 percent of IPAs have established their own regional offices within the country to provide services to the established investors—the same percentage do not have any regional representatives (figure 2.11).

Subnational IPAs

There seems to be a rise in the establishment of subnational IPAs. However, according to the survey results, only 27 percent of countries have other IPAs in addition to the leading national one, while 67 percent of countries have only one IPA responsible for investment promotion at a national level (figure 2.12).

Furthermore, countries that have subnational IPAs must maintain proper, systematic, and productive relationships between them and the national IPA. Survey results indicate that 55 percent of national IPAs have systematic working relationships with their respective subnational IPAs, while 27 percent of national IPAs have regular but more "ad hoc" cooperation (figure 2.13). A small portion of IPAs have occasional or no contact with their respective subnational IPAs.

Figure 2.11: Regional IPAs' Offices, n=84

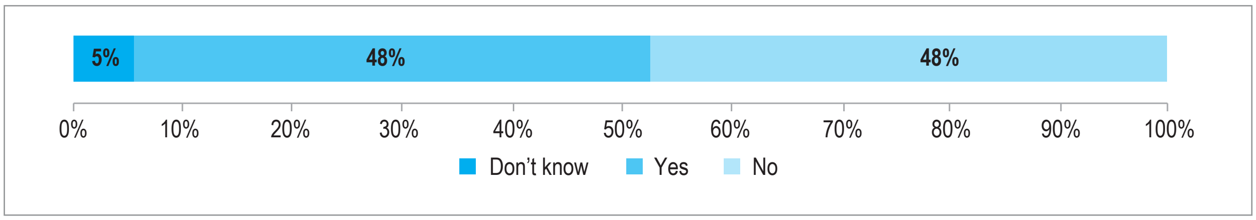


Figure 2.12: Do Countries Have Subnational IPAs?, n=83

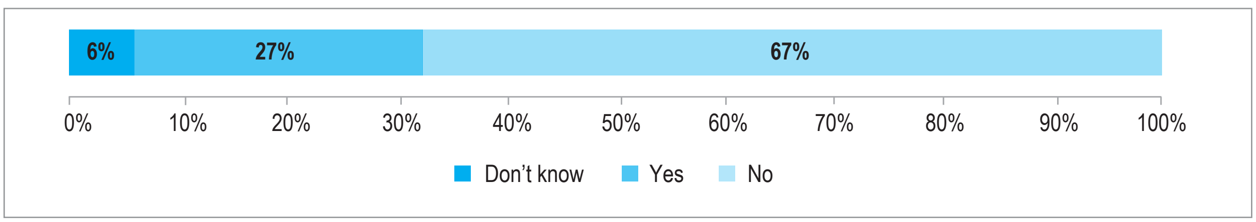
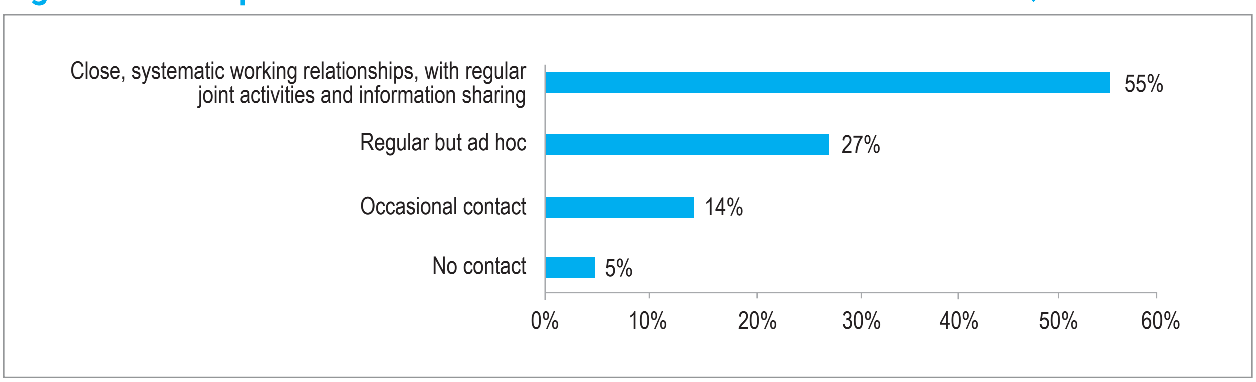


Figure 2.13: Cooperation between National IPAs and Subnational IPAs, n=22



Financial Resources

Sufficient and steady financial resources are key to the overall investment promotion concept (Heilbron, forthcoming; Heilbron and Whyte 2019; Morisset and Andrews-Johnson 2004; Volpe-Martincus and Sztajerowska 2019; World Bank 2020c). A sustained and commensurate budget for at least three years—given the long cycle of investment promotion—has an immense influence on the quantity and quality of staff, the range of performed activities, the existence of overseas and regional offices, and many other aspects of an IPA's work (Heilbron, forthcoming). Another important element of an IPA's budget is its allocation. Well-performing IPAs allocate adequate and sustained funds to their core functions.

Budget Sources and Size

Survey results indicate that most IPAs are financed through governments' public funds (figure 2.14). These results are not surprising given that most of the surveyed agencies report to their respective governments. Several agencies are supplementing their budgets with contributions from international organizations and donors, the private sector, service fees paid by investors and other rents and fees obtained from their clients.

When it comes to total budget size of IPAs, for all mandates, amounts vary significantly. According to survey findings, 25 percent of IPAs have a total budget of more than US$10 million and 24 percent of IPAs have a total budget of US$2million to US$5 million (see figure 2.15 for more information regarding the total budget of IPAs).

Figure 2.15: Distribution of IPAs' Total Budget Size, n=51

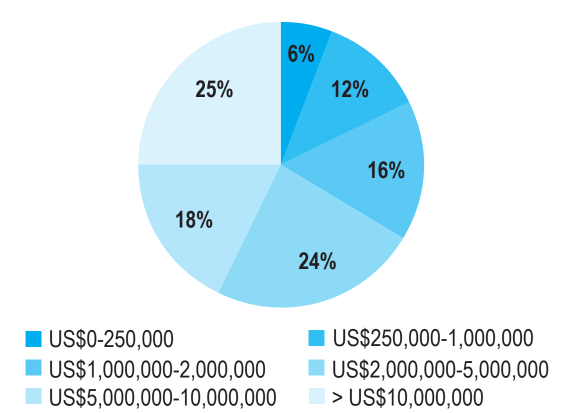
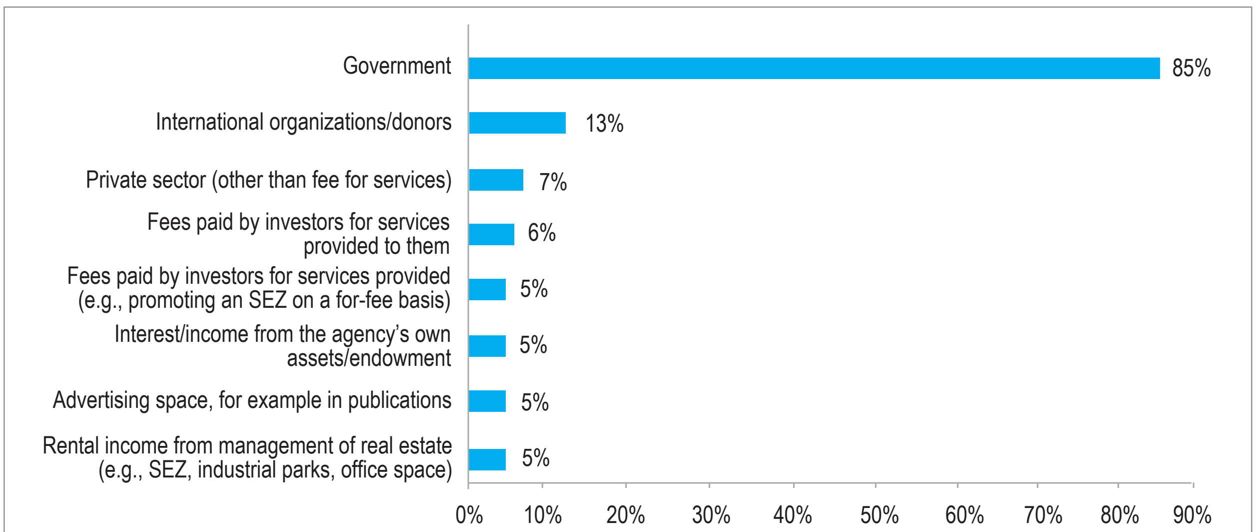


Figure 2.14: Percentage of IPAs Per IPAs' Budget Source, n=73



Note: SEZ = Special economic zone.

However, when comparing total budget size by different income groups, the results clearly show that IPAs from more developed countries have more financial resources. The average total budget of agencies from high-income and upper-middle-income countries is US$30.6 million and US$21.4 million, respectively (table 2.3). Subsequently, the average total budget of IPAs from lower-middle-income and low-income countries is considerably lower: US$4.7 million and US$2.4 million, respectively.

Table 2.3: IPAs' Total Budget Size by Income Groups, n=51[13]

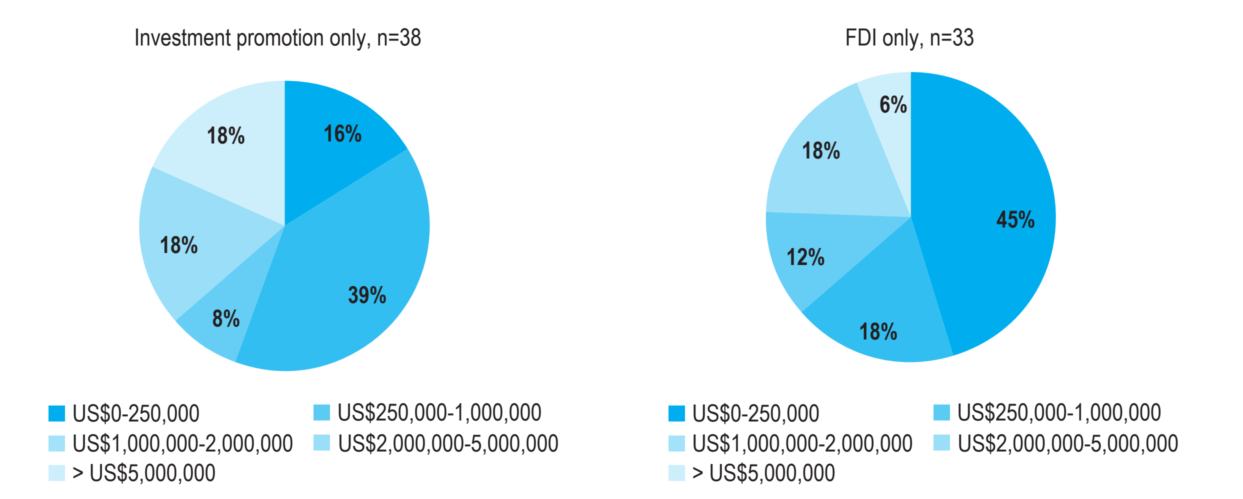
Country Category	Total Budget
High-income	US$30.6 million
Upper-middle-income	US$21.4 million
Lower-middle-income	US$4.7 million
Low-income	US$2.4 million

Budget Allocation

When it comes to investment promotion activities, 16 percent of IPAs allocate up to US$250,000 of their budget, 39 percent of agencies allocate between US$250,000 and US$1 million, 8 percent of IPAs allocate US$1 to US$2 million, 18 percent allocate US$2 to US$5 million, and 18 percent allocate more than US$5 million. In terms of budget dedicated to FDI-only related activities, 45 percent of agencies allocate up to US$250,000 (see dashboard 2.3 for additional allocations).

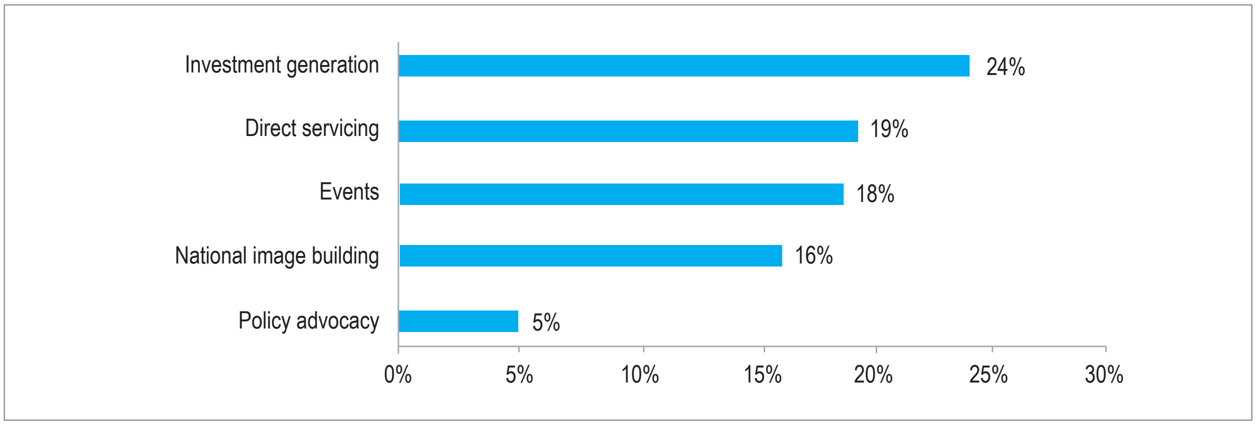
In terms of budget distribution to IPAs' different investment promotion activities, agencies spend the largest amount on investment generation (24 percent), followed by investor services (19 percent), events (18 percent), national image building (16 percent), and advocacy (5 percent) (figure 2.16). Policy advocacy is often neglected by IPAs despite its importance in shaping the investment climate.

Dashboard 2.3: Budget Dedicated Only to Investment Promotion and FDI



[13] Ibid no.6.

Figure 2.16: Distribution of IPAs' Promotion Budget, n=53



Institutional Coordination Mechanisms

In the survey, 53 IPAs responded when asked about institutional coordination mechanisms. According to those respondents, the best coordination mechanisms between agencies and other entities are regular interagency meetings (3.61 weighted rating) and specific interagency working groups (3.56) (figure 2.17). The mechanism with the lowest rating is the memorandum of understanding/association (3.06), which interestingly is used by most IPAs.

Next in the survey, 74 IPAs responded when asked about the specific obstacles that can hinder the coordination among all the entities involved in investment promotion. Forty-eight of the IPAs (65 percent) that responded alluded to the unresponsiveness of partner entities, 42 (57 percent) complained about the lack of capacity or knowledge within partner entities, 39 (53 percent) remarked about the lack of mandate or power to ensure effective cooperation, and 35 (47 percent) pointed out the lack of designated focal points in the agencies (see figure 2.18). A high 39 percent reported having no communication or cooperation channels among the relevant agencies.

Figure 2.17: Use and Rating of Coordination Mechanisms Among Investment Entities in the Location, Weighted Average, n=53

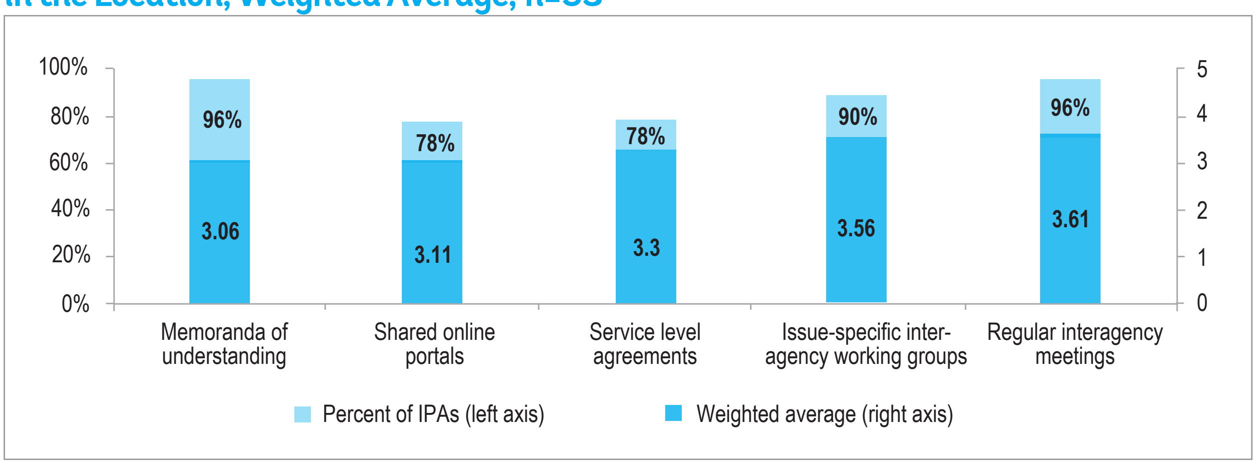
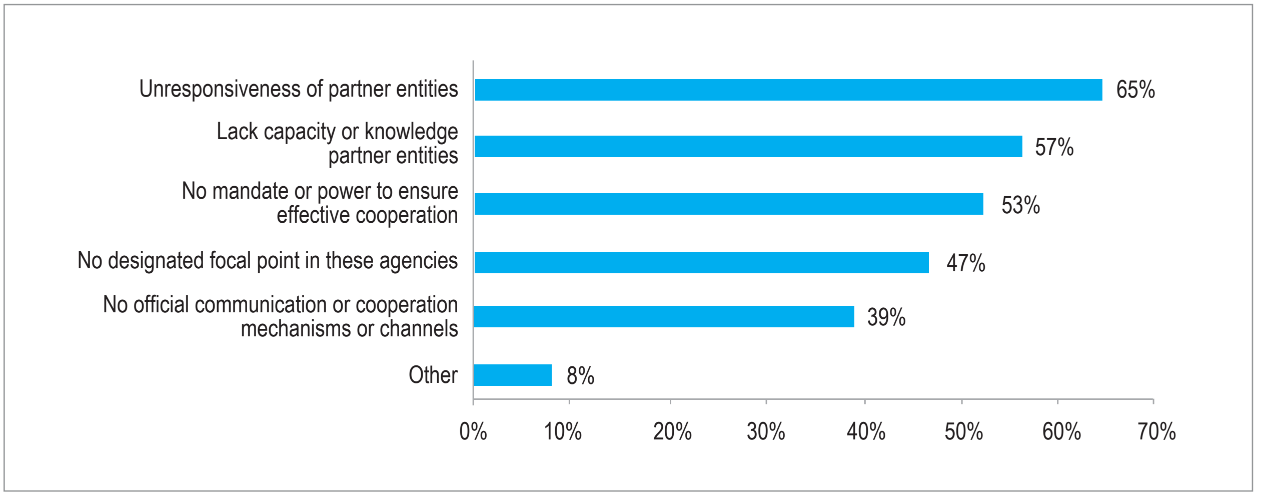


Figure 2.18: Main Obstacles Hindering the Quality of Investment Entities' Coordination, n=74



Part 3

Third Pillar for Effective Investment Promotion: Investor Services

Servicing Investors Across the Investment Life Cycle

The third pillar for effective investment promotion is related to IPAs' service provisions. A recent investor survey reveals that around 90 percent of multinational enterprises surveyed consider at least one IPA service to be important or critically important. When asked about services across several categories and stages of the investment life cycle, investors valued advocacy and assistance with operational issues the most (World Bank 2020c).

As mentioned previously, WBG operational experience and research show that IPAs can be the public institutions best positioned to meet government objectives for attracting, establishing, retaining, expanding, and linking productive private investment. For this to happen, IPAs need to provide relevant and high-quality services to investors in different stages of their investment life cycle (Heilbron, forthcoming; Heilbron and Aranda-Larrey 2020; World Bank 2020c).

An investor-centric and service-oriented approach helps governments and their IPAs understand the importance of accompanying the investor at every stage of the investment life cycle (attraction, entry and establishment, retention and expansion, and linkages and spillovers) with relevant services that go beyond the attraction stage (Heilbron and Aranda-Larrey 2020).

WBG Comprehensive Investor Services Framework

The WBG proposes an innovative comprehensive investor services framework (CISF) for an IPA in a developing economy guide to assess, design, package, and offer critical services for investors according to its capacity, financial resources, and sectoral and economic priorities. At the same time, it allows IPAs to measure and evaluate the success of their activities at different stages of the investment cycle—to tackle a greater number of investors' needs and issues, ranging from exploration, to startup, to expansion and linkages with domestic suppliers—thus increasing the probability that the location will successfully harness the investment it wants (Heilbron and Aranda-Larrey 2020).

In the survey, 74 IPAs answered several questions about their current investor services offering. Table 3.1 provides the aggregated results about the types of services IPAs reported to provide across the investment life cycle. For table 3.1, darker green indicates that more IPAs reported providing the service, while lighter green and grey indicate that fewer agencies reported offering the service. These IPAs are focused more on the provision of services at attraction, than at entry and establishment. Their services tend to decay at the retention and expansion stage and especially at the linkages and spillovers stage (table 3.1).

Table 3.1: IPA Services Provided as per WBG CISF, n=74[14]

Type of Service/ Stage	Attraction	Entry and Establishment*	Retention and Expansion	Linkages and Spillovers
Marketing	69%	—	52%	52%
Information	61%	68%	52%	50%
Assistance	65%	62%	57%	54%
Advocacy	59%	57%	55%	47%

Note: CISF = Comprehensive Investor Services Framework.

* The CISF represents only three categories of services at the entry and establishment stage because no marketing services are needed by those investors that have made the investment decision already and/or are in the process of establishing operations.

The top services provided to investors that IPAs reported are shown in table 3.2.

Table 3.2: Top Investor Services Provided by IPAs in 2018, n=74

Attraction	
Business events/conferences abroad (or within the country) promoting priority sectors	93%
Investment-related shows promoting priority sectors	73%
Comprehensive briefing on the location and accompanying companies' representatives during first-time site visit	70%
Accompanying companies' representatives on follow-up site visits	70%
Location's investment guide: printed, PDF, or downloadable from the website	70%
Entry and Establishment	
Guidance on government structure, regulatory, and nonregulatory aspects for business start-up, including entry and establishment procedures, through advice and introductions	77%
Support during the first-time site visit with itinerary/agenda suggestions, planning, and meeting confirmation	76%
Location's investment guide: printed, PDF, or downloadable from the website	70%
Information updates concerning priority sectors/activities	70%
Accompanying companies' representatives on follow-up site visits	70%

[14] Tables 3.1 and 3.2 show averages on the percent of IPAs providing the combination of all services per category. Table 3.2 only represents the percent of IPAs providing the top five services per stage, thus the higher rates.

Retention and Expansion	
Reach out to investors to gather information on potential/actual grievances related to government conduct	65%
Tailored response to specific questions asked by specific investors	65%
Facilitation/coordination of participation in initiatives and events that provide networking opportunities in the local ecosystem	63%
Periodic visits to and meetings to monitor the status of the investment projects and explore new investment opportunities	61%
Comprehensive support through intervention on project management for business expansion/reinvestment	60%
Linkages and Spillovers	
Facilitation/coordination of participation in initiatives and events that provide networking opportunities in the local ecosystem	64%
Invitation to relevant activities and/or events to promote linkages/ matchmaking opportunities between investors and suppliers	60%
Tailored response to specific questions asked by specific investors	60%
Periodic visits to and meetings to monitor the status of the investment projects and explore new investment opportunities	57%
Introduction to other foreign companies, domestic companies, potential suppliers, and institutions	57%

Evaluation of Investors

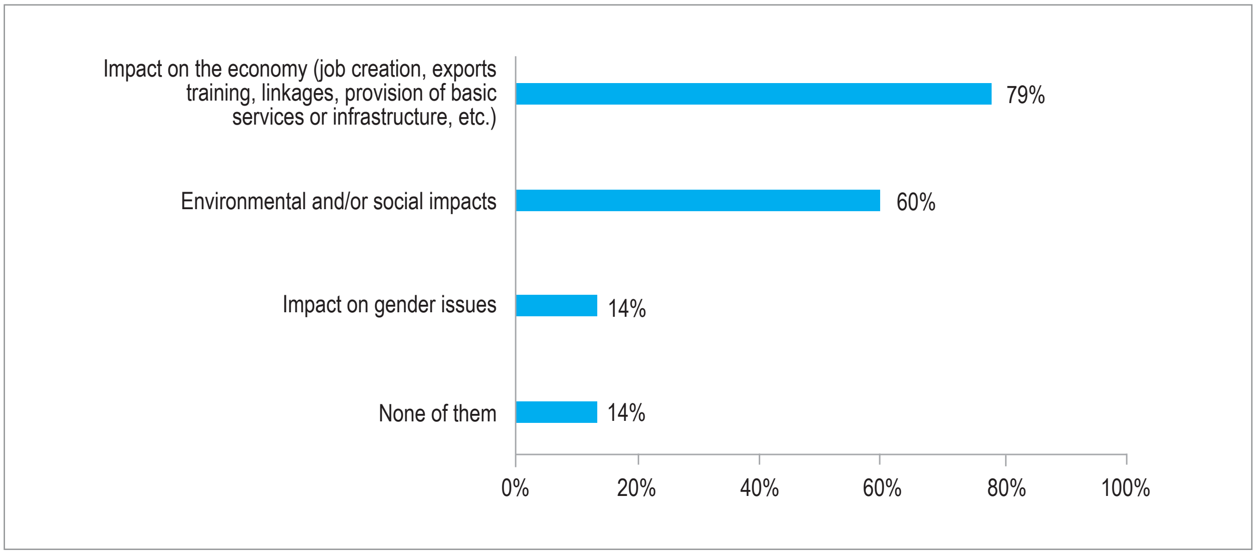
As part of the survey, 74 IPAs answered the question about what their investment project evaluation entails before deciding to provide any services to investors (or recommend/grant approvals when that is part of the IPA's mandate). The agencies chose from the following options: negative environmental and/or social impacts, impact on gender issues, or positive impact on the economy (for example, job creation, exports, training, linkages, provision of basic services or infrastructure) and on the environment.

Results indicate that 79 percent of them evaluate investors for potential positive impacts on the economy before deciding whether to provide any services (or recommend/grant approvals), and 60 percent (44 agencies) evaluate investors for negative environmental and/or social impacts. At the other end of the spectrum, only 14 percent (10 IPAs) evaluate investors for impact on gender issues. The other 14 percent of agencies reported not performing any kind of evaluation (figure 3.1).

Managing the Relationship with the Investor

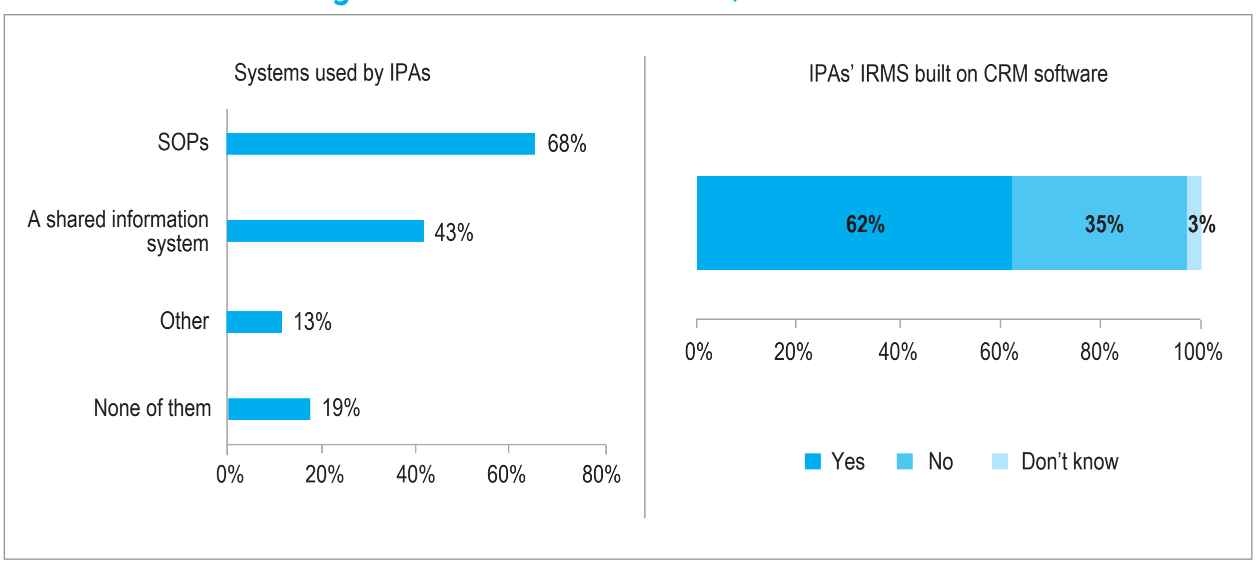
An IPA needs at least the following three internal systems to provide good service to investors and to manage relationships with them: (a) standard operating procedures (SOPs); (b) the investor information system (IIS), and (c) an investor-relationship management system (IRMS) built on customer relationship management (CRM) software. When used by well-trained IPA account managers, these systems allow them to professionally manage the relationship with the investor (Heilbron, forthcoming).

Figure 3.1: Criteria IPAs Use to Evaluate Investors, n=74



Seventy-four IPAs responded to the questions about their use of these internal systems (dashboard 3.1): even today, 19 percent of IPAs do not use a single system to facilitate their operations, and 35 percent do not have CRM software. In contrast, 68 percent of IPAs have SOPs, 62 percent have CRM software, and 43 percent have a shared information system in place. From those IPAs having a CRM, 91 percent of them indicated that it is fully or mostly used.

Dashboard 3.1: IPAs' Systems and CRM Software, n=74



Note: SOPs = standard operating procedures; IRMS = investor-relationship management system; CRM = customer relationship management software.

Forty-eight percent of the IPAs have custom-made software and 43 percent have off-the-shelf software. Use of cloud-based services for these platforms is also rising—35 percent host the CRM on the cloud, and 30 percent have their own or third-party server. As for mobility, only 26 percent of the CRMs used by IPAs are available via mobile devices.

Communications and Social Media

Digitalization is having a profound impact on the way business and service organizations perform their main operations. More IPAs are using digitalization and emerging technologies including using social media to reach target investors more efficiently (DCI 2017; WAIPA 2019). Several are actively using various social networks to promote their services and to establish communication with their target groups.

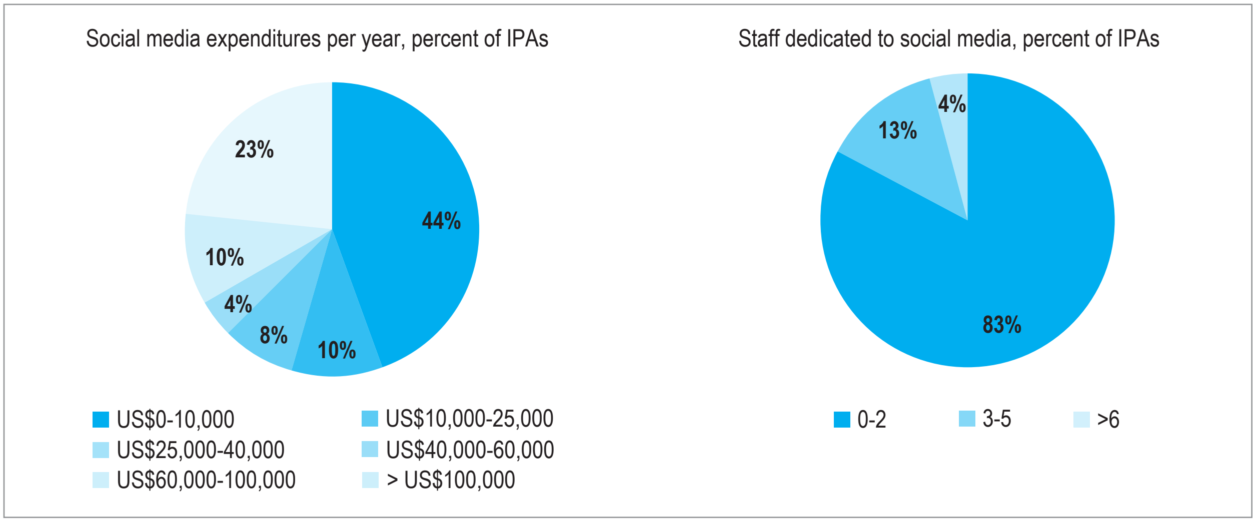
For the survey, 74 IPAs shared the most effective social media for their particular investment promotion tasks. LinkedIn was the most effective platform for most tasks, especially for identifying and recruiting staff (76 percent of respondents), identifying investors (71 percent), and gathering investor intelligence (58 percent). Facebook was identified by 45 percent of respondents as the most effective social media to inform the general public about the value of the IPA's activities. Aggregated results are shown in table 3.3.

The resources IPAs dedicate to social media vary (dashboard 3.2). Forty-four percent of IPAs dedicate up to US$10,000 annually for social media expenditures, while 23 percent of agencies spend more than US$100,000, annually. Regarding staff dedicated to social media management, 83 percent of respondents have up to the equivalent of two full-time employees dedicated to social media. Only a handful of IPAs (4 percent) dedicate more than six full-time employees to work on social media-related tasks.

Table 3.3: Most Effective Social Media for IPAs' Core Activities, n=74

Activity	LinkedIn	YouTube	Twitter	Facebook	WhatsApp	Google+	Blogs
Identifying and recruiting staff	76%	2%	2%	14%	2%	2%	3%
Identifying investors	71%	3%	3%	2%	0%	14%	7%
Gathering investor intelligence	58%	2%	5%	7%	0%	16%	12%
Engaging/following investment promotion consultants	58%	4%	13%	10%	2%	4%	10%
Getting meetings	50%	2%	7%	11%	13%	7%	9%
Advertising or sharing investment opportunities with investors	37%	10%	12%	25%	2%	8%	5%
Engaging/following other IPAs	34%	3%	19%	17%	7%	7%	12%
Tracking what competing locations and IPAs are doing	31%	7%	19%	26%	0%	9%	7%
Enhancing the image of the IPA's location	26%	19%	22%	28%	0%	3%	2%
Informing the general public about the value of the IPA's activities	19%	9%	17%	45%	2%	5%	3%

Dashboard 3.2: Resources Dedicated to Social Media in 2018, n=48

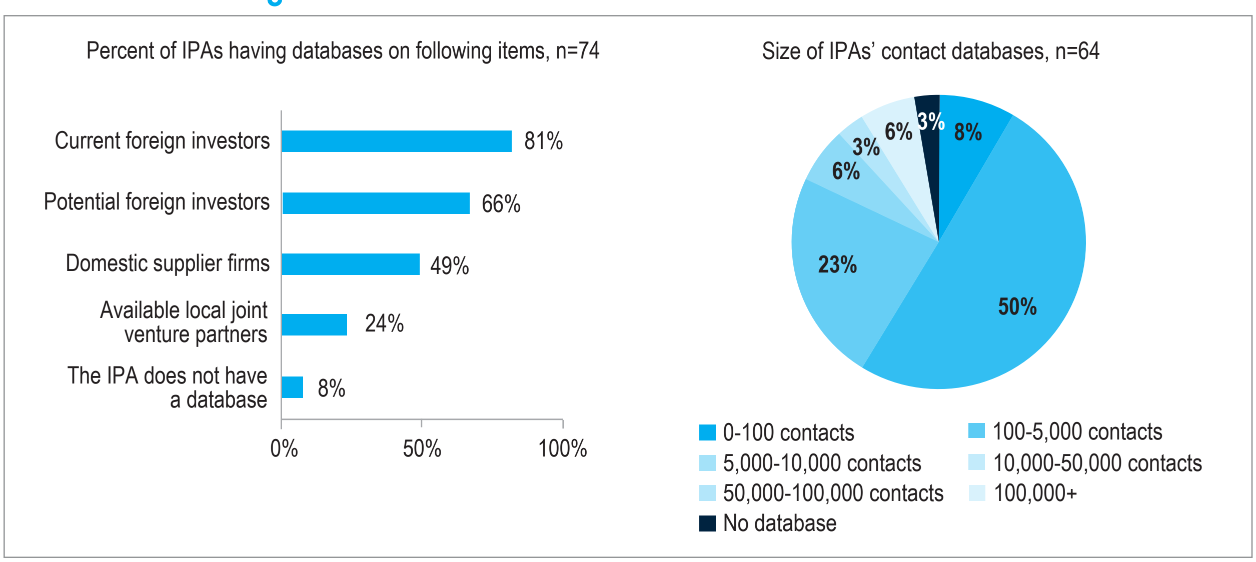


Databases

Databases are critically important for IPA effectiveness because they typically provide key information about, among other areas, potential/established investors, available land, industrial space, corporate sites and special economic zones, professional service providers, suppliers, worker training institutions, and other stakeholders. The databases should be available to relevant staff within the IPA.

IPAs were asked if they have updated databases with the different companies' contact information (see dashboard 3.3). Of the 74 respondents, 81 percent have a database of foreign investors, 66 percent keep information about leads of potential investors, and only 49 percent have databases on domestic supplier firms. The typical database of half of the IPAs surveyed has between 100 and 5,000 contacts; almost a quarter of the IPAs have larger databases, with 5,000 to 10,000 contacts.

Dashboard 3.3: Size and Content of IPAs' Databases

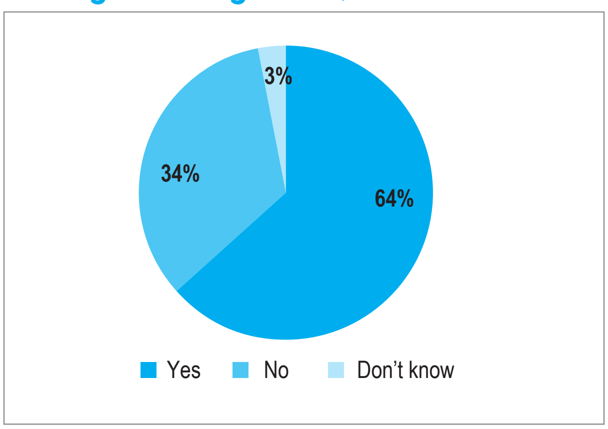


Grievance Management

Grievance management helps avoid investor-state disputes by identifying and managing grievances between investors and public agencies proactively, especially those that are derived from government actions (sudden arbitrary and adverse regulatory changes, abuse of authority, breach of contract, expropriation, etc.) (Kher and Chun 2019). The process is different from one agency to another: it may support aftercare efforts and resolve issues on a case-by-case basis; it may lead to later in-depth analyses to prepare advocacy proposals for reforms; it may initiate business climate reforms or changes in legislation; and it may be shared with relevant bodies to inform policy formulation and encourage change in the hindrance areas highlighted by the private sector.

Countries can implement an "investor grievance management" mechanism to detect investor grievances at an early stage and resolve them proactively by empowering the IPA within the government. As shown in figure 3.2, 64 percent of responding IPAs have systems in place for the collection of complaints from investors and 34 percent of them do not. Proactive follow-up and ad hoc contact during events are the methods used the most by the responding agencies to gather information regarding grievances (figure 3.3).

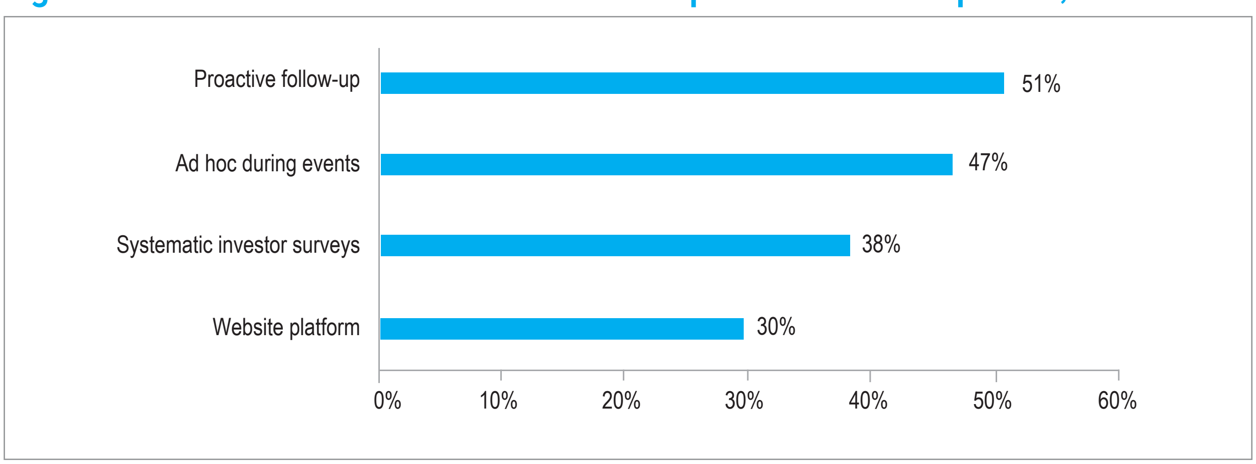
Figure 3.2: IPAs Using Grievance Management Systems, n=74



Monitoring Investment Promotion Function

International good practice highlights the importance of having a logic model approach that includes inputs, activities, outputs, outcomes, and impacts for managing organizational performance. However, in practice, IPAs too often focus on the number of activities completed (for example, events organized or attended) or budget spent, instead of focusing on the impacts their activities have on the national economy (such as investment generation and retention, exports derived from FDI firms, or

Figure 3.3: Methods IPAs Use to Gather and Report Investor Complaints, n=47



job creation), which are of much more interest and importance to stakeholders. An IPA's monitoring and evaluation (M&E) system is the system and process by which an IPA's investment promotion function is analyzed for its efficiency, effectiveness, and impact to determine in a systematic, transparent, and objective way the extent to which its corporate strategic objectives are being attained, and the return on investment of mostly public funds.

Measuring Impact

As shown in dashboard 3.4, 58 percent of IPAs (of the 71 agencies that responded) have external entities conduct an impact analysis of their activity, with 76 percent of those agencies' conducting this evaluation every year (25 out of 33 IPAs). In addition, only 53 percent of this group publish the analysis.

With regard to key performance indicators (KPIs), many IPAs lack clear targets and a baseline against which progress can be measured. Such indicators can be quantitative (for example, number of investment projects, attracted capital, created jobs, tax revenues) or qualitative (for example, priority or strategic types of industries and companies attracted, quality of created jobs), depending on what is being measured.

Figure 3.4 shows that for the 71 respondents, the most common impact indicators used as part of IPAs' M&E systems are the number of new investments facilitated and the amount of capital invested (in US$).

Dashboard 3.4: Analysis and Evaluations of IPAs' Activities (part 1)

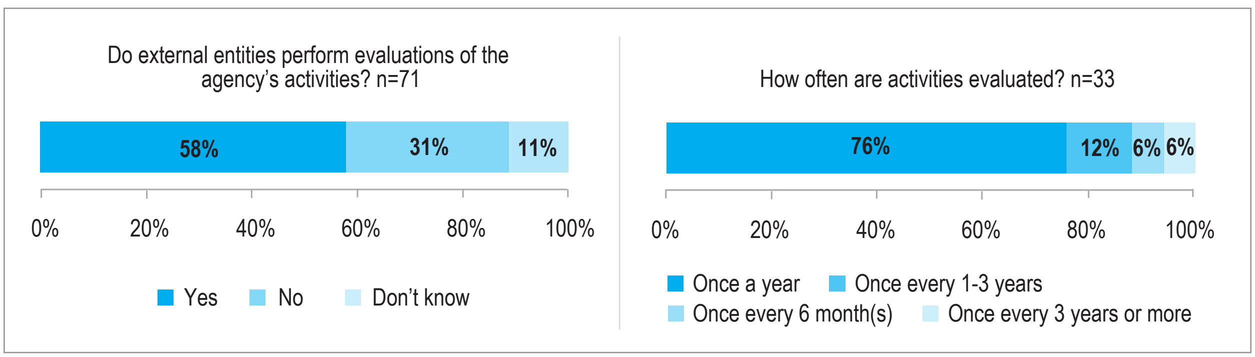
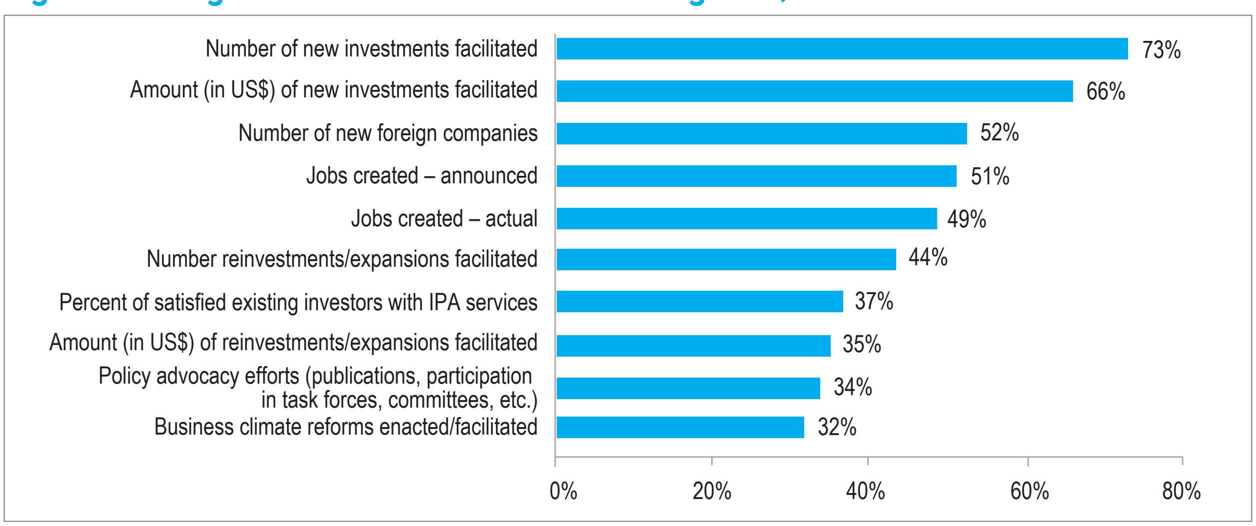


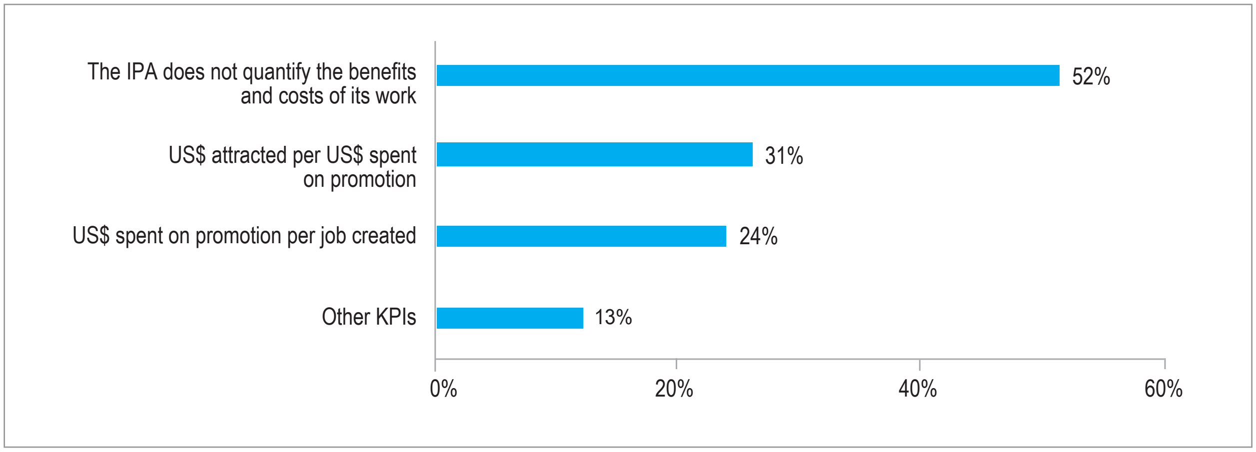
Figure 3.4: Key Performance Indicators Used by IPAs, n=71



Surprisingly, figure 3.5 shows that up to 52 percent of IPAs do not quantify the benefits and costs of the agency's work to the national economy, perhaps because of the lack of measurement of benefits related to investment, such as wages, exports, innovation, supply chain integration, etc. Only 31 percent of agencies estimate cost-benefit, using the amount of investment over promotion spending; 24 percent quantify promotion cost per job created .

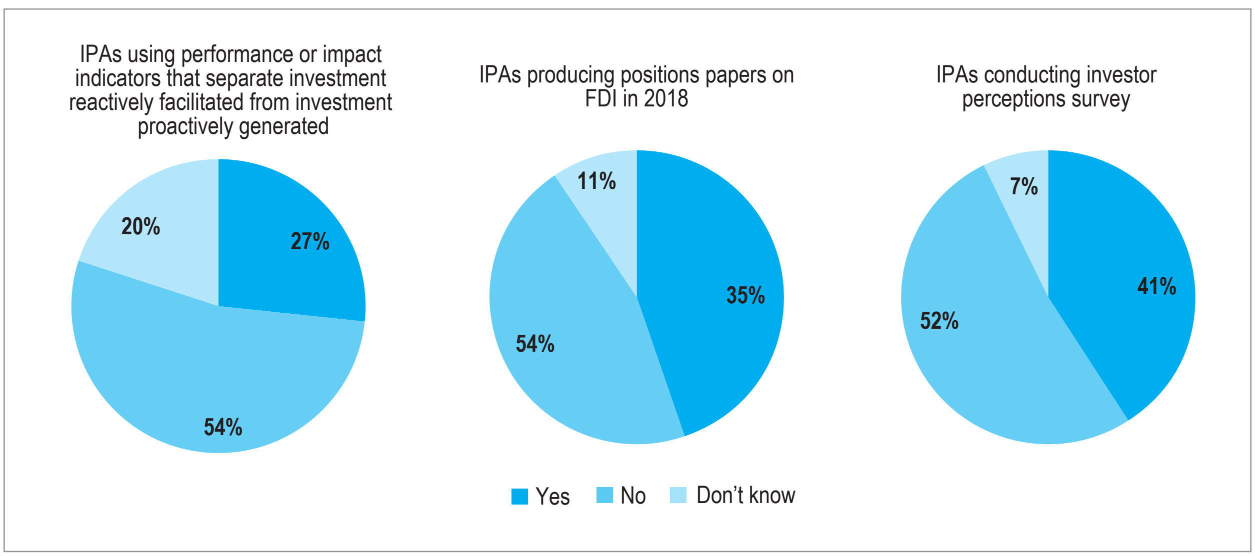
Dashboard 3.5 provides additional information about the different aspects of IPAs' self-evaluation: the use of KPIs that separate investment reactively facilitated from investment proactively generated (only 27 percent), the development of position papers (35 percent), and the use of investor perception surveys (41 percent).

Figure 3.5: Quantifying Benefits and Costs of IPAs' Work, n=67



Note: KPIs = key performance indicators.

Dashboard 3.5: Analysis and Evaluations of IPAs' activities (part 2)



Note: FDI = foreign direct investment.

Part 4

Challenges and Changes

Current Picture of FDI and How Traditional Patterns are Changing

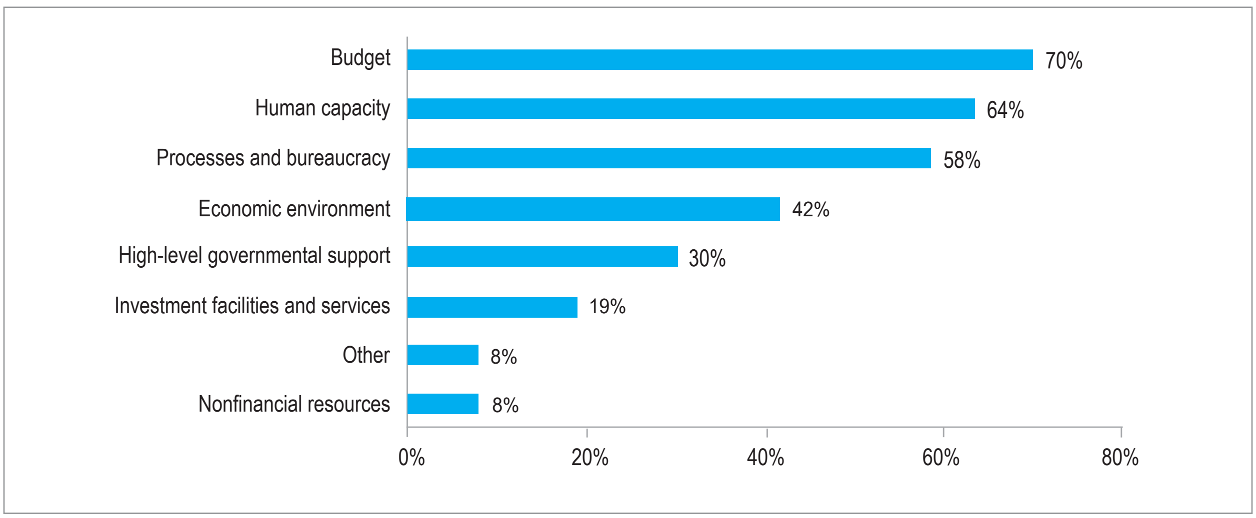
Global FDI is constantly changing. Although FDI is one of the largest sources of development financing, total levels have declined in the past three years and now services account for almost two-thirds of global FDI stock in developed and developing economies. In addition, the growth in nationalistic views has gradually translated into more restrictive rules on FDI. The implications of negative FDI trends are a concern for IPAs because FDI is an essential element in countries' efforts to stimulate and enhance economic development. And the huge uncertainty around COVID-19 is expected to seriously affect the global economy in the short term.[15]

At the time of the survey, investor confidence had eroded because of policy uncertainty around international trade relations and the decline in rates of return on FDI, in combination with the emergence of new technologies (AI, Blockchain, 3D printing, and Internet of Things) and their integration into traditional manufacturing and services, which changed global production and affected investment flows. These factors compel investors to look for investment locations that offer the best conditions to deliver new, high-quality products rapidly and that are close to the customer, making low-cost labor not as important as it traditionally has been.

Challenges and Changes in Investment Promotion

For the survey, 89 IPAs provided up to three challenges and changes they are currently experiencing and that have affected their effectiveness and performance. Responses confirmed the trends shown in previous WBG surveys: internal issues are the greatest challenges for the agencies. Budgetary issues and financial limitations received the largest number of mentions (70 percent) (figure 4.1). Other challenges for agencies are issues related to the

Figure 4.1: Issues Affecting IPA's Effective Performance, n=89



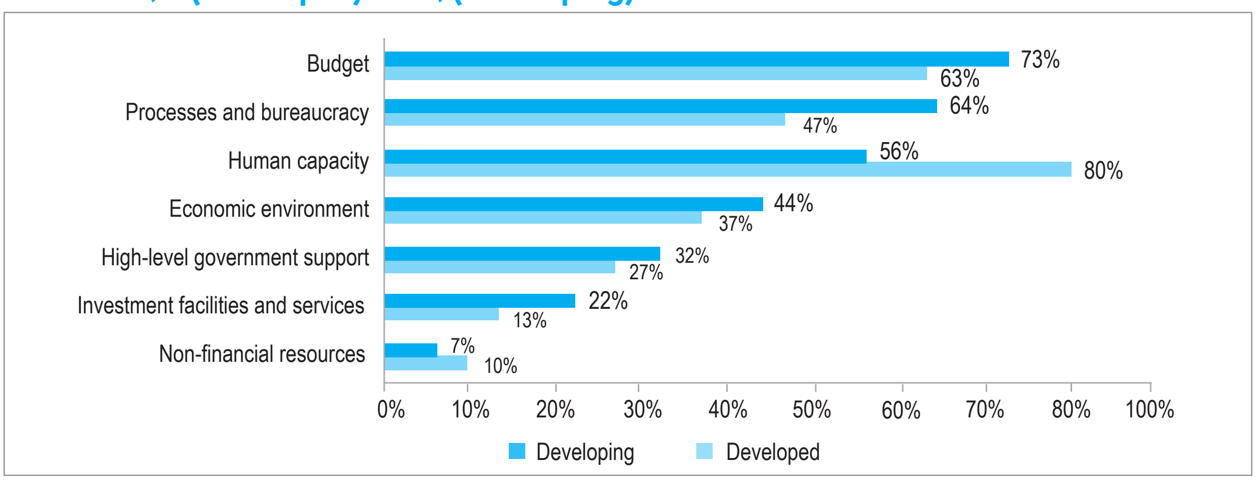
[15] This report includes an addendum on the early effects of the COVID-19 pandemic and the initial responses provided by IPAs, based on WBG and WAIPA rapid surveys.

capacity of their staff, bureaucratic and procedural issues (mostly reported by the smaller agencies), the economic environment, and the lack of high-level governmental support. This last issue, as well as adequate and sustained financial and human resources, were found to be critical success factors for IPAs in recent reports (Heilbron, forthcoming; World Bank 2020c).

When comparing responses from the 59 responding IPAs in developing countries with the 30 responding IPAs from more developed nations, responses show that developed countries' IPAs perceive a markedly greater constraint in terms of human capacity (+24 percent), while developing countries' IPAs observe greater financial limitations (+10 percent) and bureaucratic and procedural issues (+17 percent) (figure 4.2). Other significant issues are the economic environment and lack of high-level governmental support (+7 and +5 percent, respectively, in developing countries).

When IPAs were asked about the main changes taking place in investment promotion (currently and in the near term, during the survey period between July and December 2019), changes in the impact of technology and digitalization received the largest number of mentions (56 percent). Changes in the markets also were a concern (30 percent), as were the new investment promotion methods (selected by 23 percent of the agencies) followed by policy and regulatory changes (18 percent), and global and trade uncertainty (11 percent). See below box 4.1 for more information.

Figure 4.2: Performance Challenges Facing IPAs in Developed and Developing Countries, n (Developed) = 30; (Developing) = 59



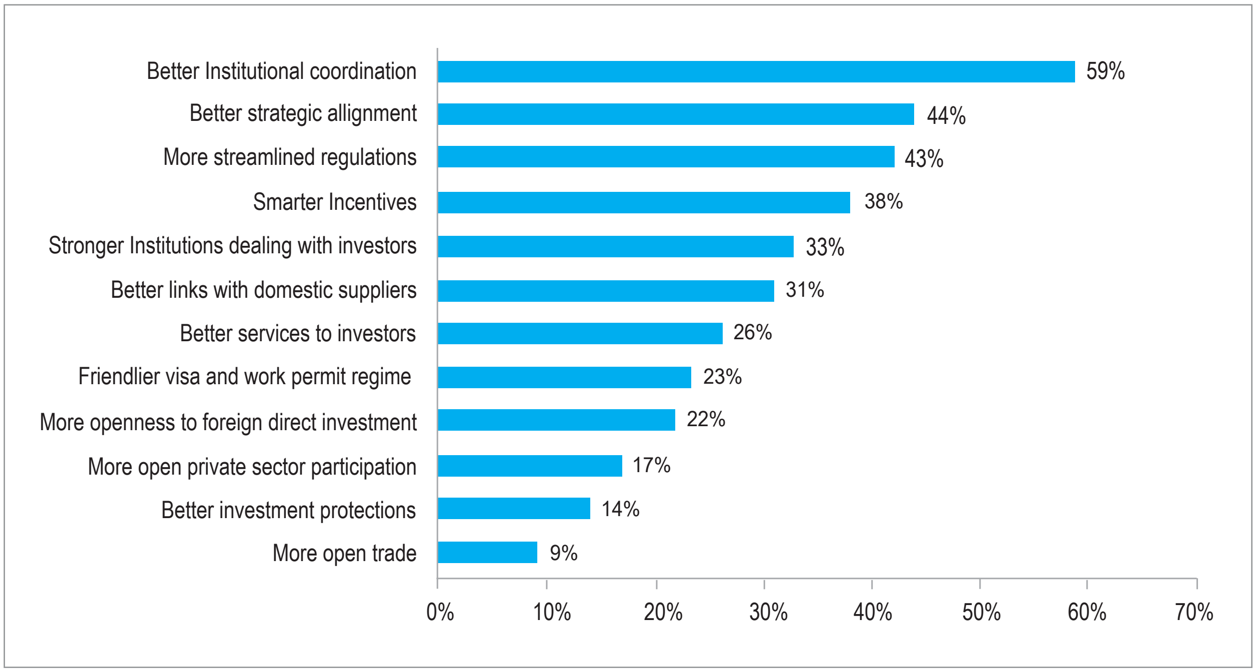
Box 4.1: Changes in Investment Promotion as Perceived by IPAs, by Ranking of Mentions

1. Changes in the impact of technology, digitalization
2. Changes in the markets
3. New investment promotion methods
4. Policy and regulatory changes
5. Global uncertainty, trade tensions
6. Other
7. Green transition
8. Rise of protectionism

Potential Reforms

IPAs were asked what regulatory reforms are needed in the near term to improve the attraction and retention of investments in their country. Figure 4.3 shows that 59 percent of the agencies (51 of the 86 respondents) chose better institutional coordination, followed by 44 percent (38 IPAs) that chose better strategic alignment and 43 percent (37 IPAs) that recognized a need for more streamlined regulations.

Figure 4.3: Reforms Indicated by IPAs to Improve the Attraction and Retention of Investments in Their Countries, n= 86



Conclusions

There is no doubt of the value of IPAs: they promote economic growth by attracting and retaining FDI, being at the forefront of the relation with investors and providing a wide range of services to them. Despite their importance and the international evidence that clearly shows that investment promotion, when professionally executed and adequately funded, pays for itself over the medium to long term (Harding and Javorcik 2011; Heilbron, forthcoming), IPAs still struggle to have a solid strategic alignment and an appropriate institutional set-up. The issues, highlighted by this survey for some IPAs, are lack of high-level support, top-down strategies, no private sector board representatives, too many mandates and sectors, insufficient autonomy, unqualified staff for the task, insufficient financial resources, poor institutional coordination, and poor M&E systems (Heilbron, forthcoming; World Bank 2020c).

Furthermore, their service offering is still too focused on the attraction stage; instead, they should take a more balanced approach across the investment life cycle. With the investor-centric and service-oriented approach that the comprehensive investor services framework (CISF) brings, IPAs will be able to better understand investors' needs and deliver the required services at every stage of the investment lifecycle (attraction, entry and establishment, retention and expansion, and linkages and spillovers).

In practice, the different institutional characteristics of IPAs do matter because they determine an IPA's ability to perform and accomplish its objectives—and thus contribute to the national development objectives—and mandates in an efficient manner. Properly built, IPAs can exert significant influence on investment decisions through the provision of services in a professional, proactive, and persistent manner, as appropriate, at every stage of the investor's project cycle. The survey reveals that there is room for improvement regarding the investor service offering of IPAs across the investment life cycle, in particular about retention and expansion as well as linking with the host economy, which can pave the way for resolving regional disparity and inclusiveness of FDI.

In the global context, any further shocks to the global economy (e.g. COVID-19), or disruptive market shifts such as accelerating the low carbon transition, the digital economy, and social factors, will press governments and IPAs to adopt strategies that support more inclusive and sustainable economic growth.

To overcome current global developmental challenges and the current scenario of global uncertainty, IPAs should leverage their position connecting investors and governments, increase focus on investment that supports Sustainable Development Goals (SDGs) and strengthen their efforts to increase investor retention, expansion, and advocacy by supporting conducive policies for investment. In responding to a rapidly changing external environment, IPAs can ensure strategic alignment and coordination, and help their governments take the necessary steps to support the private sector and foster a rapid recovery, by providing prompt aftercare and advocacy services.

Therefore, governments need to continue supporting and strengthening their IPAs to more effectively fulfil their mandates. WBG and WAIPA can play a key role in supporting governments and IPAs in their efforts.

Addendum

Investment Promotion Agencies’ Response to the COVID-19 Pandemic: Evidence From WBG And Waipa Rapid Surveys

Rationale

As the team prepared to publish the 2020 Global IPA Survey report, COVID-19 ramped up and impacted all facets of life on earth. The joint survey team thought it essential to include this addendum to address these unprecedented times. The survey team leveraged the World Bank Group’s (WBG) and World Association of Investment Promotion Agencies’ (WAIPA) regular contact with investment promotion agencies (IPAs) to elicit a rapid response about this crucial topic.

To maintain private sector vitality and investor confidence during the COVID-19 outbreak, governments must act quickly.[16] IPAs will have a key role in mitigating the negative effects of the COVID-19 outbreak on their economies and supporting a quick recovery.

Given the urgency, both WAIPA and WBG undertook rapid surveys of IPAs to better understand the impacts of COVID-19.[17] The findings of both surveys are summarized in this addendum.

Methodologies

The WBG’s survey sought to better understand the impact of COVID-19 on business at large and on specific sectors and segments. It was also used to obtain information on the main measures IPAs are taking to increase their own resilience and that of investors. It was held online April 1–10, 2020, with the link sent to 162 leading national IPAs in the WBG’s database. Forty-one national agencies from all income levels responded.[18] The response rate was nearly 28 percent.[19] The survey consisted of 7 questions—two of them optional—and estimated time of completion was 5 to 10 minutes. Survey findings and the related note on IPAs’ initial response to the pandemic[20] has been sent to all participating agencies as a token of appreciation.

WAIPA’s survey also extracted valuable insights about the impact of COVID-19 and the initial challenges IPAs are faced with because of the crisis,[21] including actions taken by IPAs to alleviate those shocks. WAIPA’s online survey was distributed to 174 IPAs from March 31 to April 8, 2020. In total, 53 agencies responded to the survey, of which 83 percent are national IPAs and 17 percent are regional IPAs.

Findings

Perceptions of the COVID-19 Pandemic’s Impact on Foreign Investors

Existing foreign investors are experiencing difficulties, and these difficulties are expected to worsen over the next three months. About 25 percent of IPAs said that during the three months prior to the survey, which includes the early outbreak phase of the pandemic, investors had been experiencing negative impacts on production, revenues/sales, employment, supply chain flows, and investment volumes.

[16] See World Bank Group (2020a).
[17] Due to the sense of emergency, WBG and WAIPA could not launch the survey jointly as they did for the main survey on this report.
[18] Respondents corresponded to high-income (17 percent), upper-middle-income (44 percent), and lower-middle and low-income (20 percent).
[19] Based on the sample frame of 162 IPAs used for this survey.
[20] See World Bank Group (2020b).
[21] See WAIPA (2020).

IPAs' sanguine assessment of the initial situation suggests that they had not received the latest evidence from investors by the time they responded to the survey and/or that they were still in the process of collecting information. That figure increases to about 66 percent for the anticipated negative impacts expected over the next three months for revenues or sales; it is expected that supply chain flow will be the most negatively impacted (see table A.1). This reflects the sharp exacerbation of the pre-existing trend of stagnating and, in some cases, retreating FDI flows during 2020. Encouragingly, no IPAs reported foreign investors leaving their countries.

The important differences in the current and the expected impact may be explained by several causes such as the different timing and exposure of the countries to the impact of the virus; the lack of awareness by many IPAs about the current impact, as some may not have been able to call all investors (or at least key investors) or they may have taken a more reactive approach to tracking the status of the projects; and the curtail of operations, a product of more people working from home and more generally, of the restrictions placed on movement in many countries.

Perceptions of Covid-19 Impact on Sectors and Segments

IPAs responding to the survey indicated that the pandemic has most affected services such as hotels and restaurants (88 percent), other travel and tourism services (56 percent), and wholesale and retail trade (41 percent), supported by the reduction of international travel and of consumption worldwide (see table A.2). Within the primary sector, agriculture, hunting, forestry, and fishing (24 percent) are the most affected segments. Automobiles, other motor vehicles, and transport equipment (34 percent), followed by textiles (29 percent), are the most affected manufacturing segments.

Table A.1: COVID-19 Impact on Investors, as Reported by IPAs

Question: What has been/is expected to be the impact of COVID-19 on the foreign investors your IPA supports? Share of respondents (percent) n=41						
	Over the Past 3 Months			Over the Next 3 Months		
	Positive	Negative	No Impact	Positive	Negative	No Impact
Investment volumes	3%	28%	69%	0%	64%	36%
Output/ production	0%	25%	75%	0%	64%	36%
Revenues/sales Net income/profits	0%	25%	75%	0%	67%	33%
Employment (both full time and part time)	0%	25%	75%	0%	58%	42%
Supply chain flow (delays/ disruptions)	0%	22%	78%	0%	67%	33%
Availability of finance/ liquidity	0%	22%	78%	0%	56%	44%

Source: WBG April 2020 Rapid IPA survey on COVID-19 impacts and their response.

Similar results were obtained in the WAIPA survey: the top five most vulnerable sectors as reported by IPAs are hotels and restaurants (84 percent), other travel and tourism-related services (65 percent), vehicles and other transport equipment (38 percent), construction (38 percent), and real estate and business services (38 percent).

Table A.2: COVID-19 Negative Impact on Sectors, as Reported by IPAs

Question: What are the top five sectors of activity of foreign investors negatively affected by COVID-19 in your country? Share of respondents (percent) n=41	
Top sectors impacted by COVID-19, per IPAs' perception	**Share of respondents, percent**
Primary	
Agriculture, hunting, forestry, and fishing	24%
Mining, quarrying, and petroleum	12%
Secondary: Manufacturing	
Automobiles, other motor vehicles, and transport equipment	34%
Textiles, apparel, and leather	29%
Agro-processing, food products, and beverages	20%
Machinery and electrical and electronic equipment and components	17%
Metals and metal products	10%
Refined petroleum products, coke and nuclear fuel	7%
Wood and wood products (other than furniture)	7%
Chemicals and chemical products	5%
Pharmaceuticals, biotechnology, and medical devices	5%
Rubber	2%
Non-metal mineral products	2%
Furniture	2%
Plastic products	0%
Paper and paper products	0%
Printing and publishing	0%
Information technology and telecommunications equipment	0%
Other manufacturing	0%
Tertiary: Services	
Hotels and restaurants	88%
Other travel and tourism-related services	56%
Wholesale and retail trade	41%

Top sectors impacted by COVID-19, per IPAs' perception	Share of respondents, percent
Tertiary: Services	
Logistics, transport, and storage	34%
Real estate	32%
Construction	29%
Business services	17%
Financial services including insurance	10%
Electricity, gas, and water	10%
Alternative energy	7%
Media and entertainment	5%
Telecommunications	2%
Health services	2%
Other services	2%
Computer and software services	0%
Professional, scientific, and technical services (engineering, architecture, etc.)	0%

Source: WBG April 2020 Rapid IPA survey on COVID-19 impacts and their response.

However, IPAs anticipate a markedly lower effect on the following segments: professional services, telecommunications, computer and software services, paper and plastic products, information technology and telecommunications equipment, media and entertainment, pharmaceuticals, medical devices, and health services.

IPAs' Role and Investor Service Offering

WBG survey also identified differences in the way IPAs are supporting investors, especially related to the timing for the implementation of these measures. The differences may be due to the degree of and the stage of impact that the crisis is having, which vary dramatically by country.

Of the 16 IPA measures surveyed, nine have been implemented by more than 50 percent of agencies, with an emphasis on specific information, assistance, and advocacy services. About two-thirds of the IPAs are providing information on COVID-19-related impacts and measures (63 and 66 percent), systematically gathering information on issues (63 percent), and solving individual investor issues (59 percent) (see table A.3).

IPAs seem to be planning different actions for a subsequent stage after defeating the pandemic, oriented toward the reconstruction of the damaged sectors and businesses (for example, assistance to investors on restructuring their projects and returning operations back to scale, supporting diversification of activities and even repurposing capacities (51, 49, and 46 percent, respectively). Solving individual investor issues and advocating for reform will remain important (41 and 39 percent, respectively) according to the respondents.

Table A.3: Top Measures Implemented by IPAs to Counter COVID-19 Impact on Investors

Question: What are the top five sectors of activity of foreign investors negatively affected by COVID-19 in your country? Share of respondents (percent) n=41			
	Currently Applied	Planned in Next 2 Weeks	Planned Post Outbreak
1. Working remotely by			
Working from home using digital platforms	80%	24%	12%
Increasing number of laptops to provide to key staff for a continuous provision of services to investors	51%	15%	5%
Providing subsidy to staff to establish internet or increase bandwidth to their homes	34%	12%	7%
2. Strengthening transparency and communication on COVID-19 by			
Updating investors on impact	63%	29%	12%
Updating investors on country measures or response	66%	20%	7%
3. Bolstering direct assistance by			
Tracking impact on investors in portfolio and pipeline	46%	27%	32%
Contacting highest risk firms	46%	27%	29%
Contacting all established firms	49%	20%	24%
Solving individual investor issues	59%	20%	41%
4. Boosting advocacy services by			
Submitting or mediating on requests for investors to access public financial support, debt assistance, trade finance, or tax relief	49%	15%	22%
Systematically gathering information about issues investors are facing	63%	32%	29%
Advocating before government for emergency policy responses or reforms	54%	20%	39%
Following up until reforms/solutions are provided	61%	24%	34%
5. Supporting companies to repurpose lines by			
Assisting investors on restructuring their projects to return the operations back to scale	24%	10%	51%
Promoting repurposing, which could even lead to expansions/diversification in segments that benefit from the crisis	15%	34%	46%
Supporting diversification of investor's activities	17%	10%	49%

Source: WBG April 2020 Rapid IPA survey on COVID-19 impacts and their response.

Responding IPAs volunteered other measures that they have adopted, such as the creation of crisis groups or taskforces across different areas of the government, partnerships with research centers, self-employed assistance schemes, and proposals of new import-substituting investment projects.

Similarly, WAIPA's survey found that the most common performed activities were provision of information regarding the new COVID-19 related measures for businesses (74 percent), organizing webinars and e-meetings to learn their main needs and concerns (64 percent), and helping businesses to maintain supply chains (42 percent).

WAIPA's survey also reveals that a significant number of IPAs are helping their respective governments tackle COVID-19 (89 percent) by assisting them to bring measures to cope with the virus outbreak and its impact on the economy (87 percent), and by providing assistance to the producers and suppliers of equipment essential for coping with COVID-19 (25 percent).

Impact on IPAs' Operations

As for COVID-19's impact on the way IPAs operate and on how they are coping with the disruptions of the lockdowns and limitation of movement, the results show the vast majority of IPAs (80 percent) are working remotely, having put in place systems and leveraging tools to continue providing services remotely, or will be doing so in the coming weeks (94 percent) (see table A.3).

Similarly, WAIPA's survey found that 87 percent of IPAs are providing support to their clients during the virus outbreak. It adds that the bulk of agencies have been forced to postpone events (89 percent), to cancel all overseas business travels (83 percent), and to assign their employees to work from home (68 percent) because of the virus outbreak.

Conclusion

COVID-19 has significantly disrupted investment and IPAs (as well as many other aspects of life). The crisis demonstrates the importance of building IPAs resilience by implementing systems and tools that allow for the continuous provision of services. Both investors and IPAs are facing difficulties now and will face a very different investment environment post outbreak.

IPAs need to rapidly respond to such shocks by revising their strategies, target segments, and markets, always keeping the investor in mind and adjusting institutional characteristics and reshaping their service offering, to stay relevant while safeguarding investments and jobs.

References

Anderson, J., and D. Sutherland. 2015. "Developed Economy Investment Promotion Agencies and Emerging Market Foreign Direct Investment: The Case of Chinese FDI in Canada." *Journal of World Business* 50 (4): 815–825.

Charlton, A., and N. Davis. 2007. "Does Investment Promotion Work?" B*E Journal of Economic Analysis & Policy* 7 (1).

DCI (Development Counsellors International). 2017. "A View from Corporate America: Winning Strategies in Economic Development Marketing." Survey report, DCI, New York.

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

ECORYS. 2013. "Exchange of Good Practice in Foreign Direct Investment: A study carried out under the Framework Contract ENTR/2009/033." Final report, 2nd rev., ECORYS, Rotterdam, the Netherlands.

Harding, T., and B. S. Javorcik. 2011. "Roll Out the Red Carpet and They Will Come: Investment Promotion and FDI Inflows." *Economic Journal* 121 (557): 1445–76.

Harding, T., and B. S. Javorcik. 2013. "Investment Promotion and FDI Inflows: Quality Matters." *CESifo Economic Studies* 59 (2): 337–59.

Heilbron, A., Forthcoming. "Investment Promotion Agencies for Impact" Investment Promotion for Impact Series. Finance, Competitiveness, and Innovation In Focus, World Bank, Washington, DC.

Heilbron, A., and Aranda-Larrey Y. 2020. "Strengthening Service Delivery of Investment Promotion Agencies: The Comprehensive Investor Services Framework." Investment Promotion for Impact Series. Finance, Competitiveness, and Innovation In Focus, World Bank, Washington, DC.

Heilbron, A., and Whyte. R. 2019. "Institutions for Investment: Establishing a High-Performing Institutional Framework for Foreign Direct Investment (FDI)." Finance, Competitiveness, and Innovation In Focus, World Bank, Washington, DC.

Hornberger, K., J. Battat, and P. Kusek. 2011. "Attracting FDI: How Much Does Investment Climate Matter?" Viewpoint: Public Policy for the Private Sector, Note 327, World Bank, Washington, DC.

Kher, P. and D. Chun. 2019. *Retention and Expansion of Foreign Direct Investment: Political Risk and Policy Responses*. Washington, DC: World Bank.

Kurul, Z., and A. Y. Yalta. 2017. "Relationship between Institutional Factors and FDI Flows in Developing Countries: New Evidence from Dynamic Panel Estimation." *Economies* 5 (2): 1–10.

Lim, S. H. 2008. "How Investment Promotion Affects Attracting Foreign Direct Investment: Analytical Argument and Empirical Analyses." *International Business Review* 17 (1): 39–53.

Lim, S. H. 2018. "Determinants of the Performance of Investment Promotion Agencies: Evidence from a Mix of Emerging Economies." *Emerging Markets Finance and Trade*: 54 (8): 1907–23.

Loewendahl, H. 2001. "A Framework for FDI Promotion." *Transnational Corporations* 10 (1): 1–42.

Morisset, J., and K. Andrews-Johnson. 2004. "The Effectiveness of Promotion Agencies at Attracting Foreign Direct Investment." FIAS Occasional Paper 16, World Bank, Washington, DC.

Nelson, Roy. C. 2009. *Harnessing Globalization: The Promotion of Nontraditional Foreign Direct Investment in Latin America*. University Park: Penn State University Press.

Ortega, C., and C. Griffin. 2011. "Investment Promotion Essentials: What Sets the World's Best Investment Facilitators apart from the Rest." Investment Climate in Practice note, World Bank, Washington, DC.

Proksch, M. 2004. "Selected Issues on Promotion and Attraction of Foreign Direct Investment in Least Developed Countries and Economies in Transition." *Investment Promotion and Enterprise Development Bulletin for Asia and the Pacific* 2: 1–17.

UNCTAD (United Nations Conference on Trade and Development). 1997. *World Investment Report: Transnational Corporations, Market Structure and Competition Policy*. New York and Geneva: United Nations.

UNCTAD (United Nations Conference on Trade and Development). 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 (United Nations Conference on Trade and Development). 2011. *World Investment Report 2011: Non-equity Modes of International Production and Development*. New York and Geneva: UNCTAD.

UNCTAD (United Nations Conference on Trade and Development). 2019. *World Investment Report 2019: Special Economic Zones*. New York and Geneva: UNCTAD.

UNCTAD (United Nations Conference on Trade and Development). 2020. W*orld Investment Report 2020: International Production Beyond the Pandemic*, UNCTAD, New York and Geneva.

Volpe Martincus, C., and M. Sztajerowska. 2019. *How to Solve the Investment Promotion Puzzle: A Mapping of Investment Promotion Agencies in Latin America and the Caribbean and OECD Countries*. Washington, DC: Inter-American Development Bank.

WAIPA (World Association of Investment Promotion Agencies). 2019. "Overview of Investment Promotion: Report of the Findings from the WAIPA Annual Survey of 2018." WAIPA, Geneva.

WAIPA (World Association of Investment Promotion Agencies). 2020. "Impact of COVID-19 from the Perspective of IPAs." WAIPA, Geneva.

Wells, L. T. J., and A. G. Wint. 1990. "Marketing a Country: Promotion as a Tool for Attracting Foreign Investment." Foreign Investment Advisory Service Occasional Paper FIAS 13, World Bank, Washington, DC.

World Bank Group. 2020a. "Supporting Businesses and Investors: Investment Climate Policy Responses to COVID-19." Guidance note, World Bank, Washington, DC.

World Bank Group. 2020b. "The Initial Response of Investment Promotion Agencies to COVID-19 and Some Observed Effects on Foreign Direct Investment." Guidance note, World Bank, Washington, DC.

World Bank Group. 2020c. Global Investment Competitiveness Report 2019/2020: Rebuilding Investor Confidence in Time of Uncertainty. Washington, DC: World Bank Group.

Annex

Analysis of IPA Characteristics Surveys

From June 2019 to December 2019 WBG and WAIPA contacted 162 IPAs. Ninety-one national IPAs responded (a response rate of 56 percent). To develop the questionnaire for the 2020 Global IPA Survey, and as a way to compare IPAs' characteristics over time, questions from six different surveys have been leveraged:

- 2005 World Bank Group IPA Census
- 2009 World Bank Group IPA Census
- 2017 World Bank Group Global IPA Survey
- 2017 World Association of Investment Promotion Agencies (WAIPA) Annual Survey
- 2018 WAIPA Annual Survey
- 2018 OECD Report, "Mapping of Investment Promotion Agencies in OECD Countries"

Furthermore, the 2005 IPA Census covers the widest range of IPAs (106 in total) and provides a baseline for comparison over time. WAIPA has been conducting annual surveys of its network of members since 2016.

While the WAIPA surveys are focused on various IPA organizational aspects and cover a smaller number of economies, WBG surveys cover a wider number of economies and are more focused on investment promotion measures.

To maximize the sample size, both WBG and WAIPA developed a joint database with contact information from national and subnational IPAs. Because country and question coverage of the different surveys varies dramatically, further comparison analysis across time may pose challenges, as it will be restricted to the subset of IPAs observed in the specific time periods.

A few caveats are in order: sample size varies by question (based on the response rate of the agencies). More broadly, the sample is nonrandom, therefore generalizability of results is limited, and changes may be associated with other unobserved characteristics.

WORLD BANK GROUP

WAIPA World Association of Investment Promotion Agencies