Investment Promotion and Facilitation in the African, Caribbean and Pacific (ACP) Region

State-of-play, Challenges and Opportunities

Findings from the UNIDO-WAIPA Survey of ACP Investment Promotion Agencies

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World Association of Investment Promotion Agencies

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ACEA	African Circular Economy Alliance
ACP	African, Caribbean and Pacific
ACP BF	ACP Business Friendly Program
AEC	African Economic Community
AfCFTA	African Continental Free Trade Agreement
AfrIPANet	Africa Investment Promotion Agency Network
AUM	Assets under Management
BRI	Belt and Road Initiative
CE	Circular Economy
CRM	Customer Relationship Management
COMFAR	Computer Model for Feasibility Study and Reporting
CSR	Corporate Social Responsibility
CTO	Caribbean Tourism Organization
DFI	Development Finance Institutions
ECOWAS	Economic Community of West African States
EPA	European Partnership Agreement
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTE	Full Time Equivalent
GHG	Greenhouse Gas
GIIN	Global Impact Investing Network
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GMN	Global Manufacturing Networks
GPEDC	Global Partnership for Effective Development Co-operation
GVC	Global Value Chain
HQ	Headquarters
IDB	Inter-American Development Bank
IEA	International Energy Agency
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFD	Investment Facilitation for Development
IISG	International Institute for Sustainable Development
ILO	International Labour Organization
ILV	Investor Life-Time Value
IMF	International Monetary Fund
IPA	Investment Promotion Agency
IPI	Investment Promotion Institution
IPPA	Investment Project Preparation and Appraisal
IRENA	International Renewable Energy Agency

IsDB	Islamic Development Bank
ISID	Inclusive and Sustainable Industrial Development
IT	Information Technology
JV	Joint Venture
KPI	Key Performance Indicators
LAC	Latin American and the Caribbean
M&A	Mergers and Acquisition
M&E	Monitoring and Evaluation
MDA	Ministries, Departments & Agencies
MOU	Memorandum of Understanding
NGO	Nongovernmental Organization
NIPA	National Investment Promotion Agency
Non-SIDS	Non Small Island Developing States
OACPS	Organization of African, Caribbean and Pacific States
OECD	Organization for Economic Cooperation and Development
OEM	Original Equipment Manufacturing
PAWES	The Pacific Adoption of Waste-to-Energy Solutions
R&D	Research and Development
SDG	Sustainable Development Goal
SEZ	Special Economic Zone
SIDS	Small Island Developing States
SIPA	Sub-national Investment Promotion Agency
STI	Science, Technology and Innovation
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
UNOPS	United Nations Office for Project Services
UNWTO	United Nations World Tourism Organization
VUCA	Volatility, Uncertainty, Complexity und Ambiguity
WAIPA	World Association of Investment Promotion Agencies
WBG	World Bank Group
WEF	World Economic Forum
WFZO	World Free Zone Organization
WtE	Waste-to-Energy
WTO	World Trade Organization
WTTC	World Travel & Tourism Council

"We can collectively activate powerful drivers for knowledge-exchange actions and partnerships, thus serving to augment investments and harness its economic, social and environmental benefits for ACP countries."

GERD MÜLLER
UNIDO Director General

Foreword

Robust and equitable investment flows are crucial to fostering sustainable development and inclusive economic growth, especially in regions confronted with unique challenges. In the African, Caribbean and Pacific (ACP) region, home to almost 80 per cent of Least Developed Countries, promoting investment is central to creating jobs, increasing access to sustainable energy, and creating shared prosperity. However, to fully unleash these positive effects, there needs to be an enabling investment environment backed by transparent policies and effective investor support. This was highlighted in the recently concluded negotiations on the Investment Facilitation for Development Agreement at the World Trade Organization.

UNIDO, with its global reach and vast network of government, institutional and private sector partners, helps countries to facilitate the process of identifying and mobilizing capital, knowledge and technological resources for a more targeted investment development impact. As part of the ACP Business-Friendly: Supporting Value Chains Through Inclusive Policies, Investment Promotion, and Alliances Programme funded by the European Union and the Organization of African, Caribbean, and Pacific States, UNIDO works directly with investment promotion agencies (IPAs) in the ACP region to strengthen their capacities in effective investment promotion and facilitation. However, a thorough assessment of their existing capabilities and needs is essential in order to provide the best possible tailored support to these institutions.

Against this backdrop, UNIDO has collaborated with its partner, the World Association of Investment Promotion Agencies (WAIPA), to conduct a first-of-its-kind survey amongst IPAs in the ACP region. This report presents the empirical insights of this survey. It sheds light on the specific characteristics and challenges of IPAs in the ACP region and offers practical recommendations for enhancing the effectiveness of their work. Moreover, it provides important insights on day-to-day realities in the IPAs, thus allowing international organizations such as UNIDO to design better and more targeted technical assistance interventions.

I commend the dedicated efforts of all involved in conducting this survey and collating its insightful findings. By fostering a deeper understanding of investment promotion in the ACP region, we can collectively drive knowledge exchange and fruitful partnerships, thus augmenting investments and harnessing the resultant economic, social and environmental benefits for ACP countries.

Gerd Müller
Director General
United Nations Industrial Development Organization (UNIDO)

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Foreign Direct Investment (FDI) plays a significant role in the economic development and transformation of African, Caribbean, and Pacific (ACP) countries. FDI generally brings in capital, technology, expertise, and market access, which can contribute to job creation, infrastructure development, industrialization, and enhanced trade opportunities. While FDI has the potential to drive growth and prosperity, ACP countries however often face specific challenges and opportunities in attracting and managing FDI.

In order to examine these challenges, WAIPA collaborated with its Consultative Committee member UNIDO on an IPA survey across ACP countries. This survey and report, which are part of the overall ACP Business-Friendly Programme: Supporting Value Chains through Inclusive Policies, Investment Promotion, and Alliances funded by the European Union (EU) and the Organization of African, Caribbean, and Pacific States (OACPS), offer not only an assessment of the current situation, but also recommendations for a more efficient and effective work of IPAs in this region and proposes concrete short to medium term actions to accelerate FDI in the ACP region.

Demonstrating this longstanding and strong partnership between WAIPA and UNIDO, this survey and report, this attempt to better understand the ACP IPAs, will therefore also help to further support them to unleash their full potential in achieving the sustainable development goals. WAIPA thus strongly underlines its continued commitment in fostering this year-long close cooperation for the benefit of IPAs globally and via these strong efforts in this project for ACP countries specifically.

In conclusion, therefore, FDI has the potential to significantly contribute to sustainable economic growth and transformation of ACP countries keeping in mind the ambitious 2030 sustainable development goals. By addressing challenges, leveraging opportunities, and implementing effective strategies, ACP countries can create an environment conducive to attracting and maximizing the benefits of FDI as well as unlock further FDI potential and I hope that this report illustrates this and the important role of IPAs in the region clearly.

Ismail Erşahin
Executive Director
World Association of Investment Promotion Agencies (WAIPA)

WAIPA
World Association of Investment Promotion Agencies

"FDI has the potential to significantly contribute to sustainable economic growth and transformation of ACP countries keeping in mind the ambitious 2030 sustainable development goals."

Ismail Erşahin
WAIPA Executive Director

“This UNIDO-WAIPA report provides new insights into the challenges IPAs face in ACP countries, and offers recommendations for them to operate more effectively.”

Ms. Cécile Billaux
Head of Unit for Private Sector, Trade, Investment Climate and Employment

Investment promotion and facilitation matter. Countries' ability to develop depends in large part on their ability to attract foreign direct investment (FDI). This in turn depends on the investment climate and related policies. Investment promotion agencies (IPAs) in many countries in Africa, the Caribbean and the Pacific (ACP) are helping to improve the investment climate and thereby attract and facilitate more investment.

The EU recognises IPAs' pivotal role, and we support our partner regions in facilitating and attracting investment - often from the EU. The EU was also active in WTO negotiations on the Investment Facilitation for Development (IFD) Agreement, which was successfully concluded in July 2023. The agreement will make it easier for investors from the EU and elsewhere to invest, conduct day-to-day business and expand their existing investments. More than 30 of the 79 members of the Organization of African, Caribbean, and Pacific States (OACPS) have signed up.

The 'ACP Business Friendly Programme', which the EU and OACPS are funding, supports value chains through inclusive policies, investment promotion and alliances. UNIDO is implementing the programme at the meso level. It was designed before the start of the IFD negotiations, but already addresses key parts of the agreement by strengthening IPAs' ability to facilitate investment.

This UNIDO-WAIPA report on investment promotion and facilitation in the African, Caribbean and Pacific (ACP) region is a product of this programme. It provides new insights into the challenges IPAs face in ACP countries, and offers recommendations for them to operate more effectively. It should also enable international organizations and other actors to offer IPAs better targeted technical assistance. In that way IPAs will be well placed to implement many of the provisions of the IFD agreement.

The EU is proud to have contributed to this collaborative effort. We commend UNIDO and WAIPA for the ACP IPA survey and the profound understanding of investment promotion and facilitation in the ACP region which it has yielded. Indeed, this report has, I'm sure, generated insights which will help the region attract more investment and go further towards achieving the 2030 Sustainable Development Goals.

Ms. Cécile Billaux
Head of Unit for Private Sector, Trade, Investment Climate and Employment
Directorate-General International Partnerships (DG INTPA), European Commission

European Union

Technical reports released during the 78th session of the United Nations General Assembly noted that progress towards attaining the Sustainable Development Goals has stalled at the half-way mark. There are many factors that have contributed towards lagging advance towards SDGs – the war in the Ukraine, COVID-19 pandemic, increase foreign indebtedness, and tightened global economic performance. Yet indisputable another factor remains that while the SDG Framework remains most valid, the absence of a dedicated development financing mechanism is glaring.

In that context, the flow of foreign direct investment into poor, small and vulnerable OACPS economies assumes even greater importance. Yet, the UNCTAD World Investment 2023 Report notes that "FDI in developing countries increased marginally, although growth was concentrated in a few large emerging economies. Inflows in many smaller developing countries were stagnant, and FDI to the least developed countries (LDCs) declined." Another UNCTAD publication warns that, to achieve a GDP growth rate of 7%, LDCs would need to invest $462 billion annually, which implies a 55% increase in investments relative to actual investments in 2019 (prior to the COVID-19 pandemic). With 38 of the 46 LDCs being OACPS Members, the Group attaches grave importance to the plight of the world's poorest countries. The financing gap for the SDGs for developing countries now amounts to $4 trillion per year – up from $2.5 trillion in 2015 when the UN Framework was adopted.

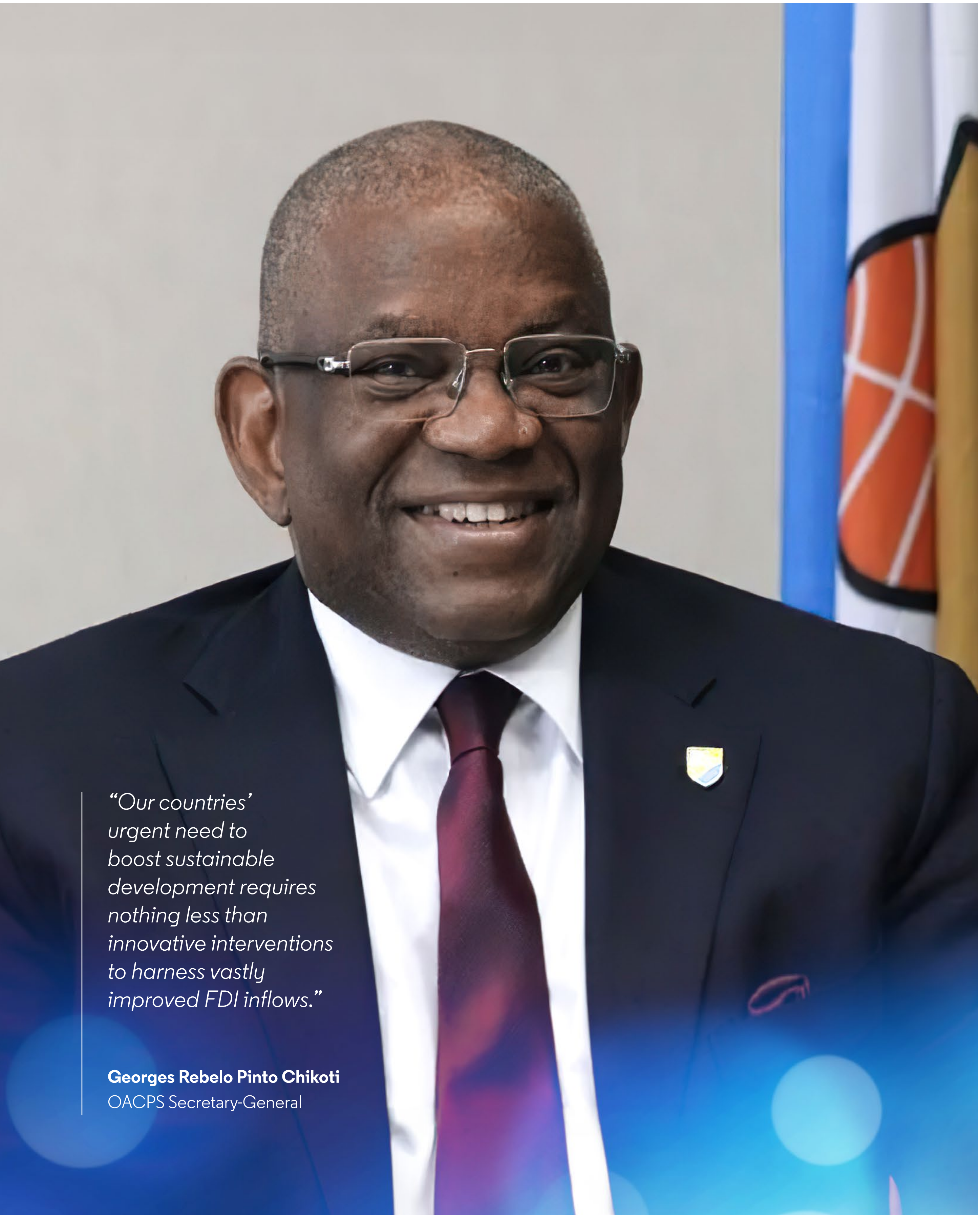
To spur investment in Members of the OACPS, our Organisation recently developed two major policy frameworks. First, the recently signed Samoa Agreement was negotiated with the overarching objective of securing sustainable development among our members. In pursuit of this important goal, the new agreement with our longstanding partner the European Union includes specific provisions "to mobilise investment, support trade and foster private-sector development, with a view to achieving sustainable and inclusive growth and creating decent jobs for all." Article 41 of the Samoa Agreement – titled Mobilisation of Sustainable and Responsible Investment – specifically calls for the creation of a conducive investment climate and the necessary economic and institutional reforms and policies to creating a conducive environment for sustainable investment and facilitating the development of a dynamic, viable and competitive private sector.

This Samoa Agreement provision is complemented by the recent revision of the OACPS Private Sector Development Strategy. The updated approach identified four pillars to be systematically pursued, viz.: (a) enhancing OACPS business climate; (b) strengthening OACPS entrepreneurship, competitiveness, innovation, and business development; (c) financing OACPS MSMEs; and (d) advancing effective market access for OACPS MSMEs. Complementing these strategic pillars is the crafting of eight sector-specific strategies, viz.: creative industries; professional services; digital trade; green transition; agricultural value chains; sustainable tourism; and blue economy. Accompanying this policy framework, is a firm endeavour to strengthen the capacity of investment promotion agencies to harness increased foreign direct investment.

This current UNIDO/WAIPA publication recognises a host of challenges facing OACPS investment promotion agencies and enumerates a series of remedial actions. Among them are (a) design for better governance; (b) prioritize digitalization a priority; (c) increase effectiveness of targeting efforts; (d) unlocking FDI potential; and (e) maintain focus on Agenda 2030. We look forward to partnering with UNIDO, WAIPA and other international development partners to address measures to support OACPS investment promotion agencies to leverage greater inflows of FDIs. Our countries' urgent need to boost sustainable development requires nothing less than innovative interventions to harness vastly improved FDI inflows.

H.E. Georges Rebelo Pinto Chikoti
Secretary-General
Organisation of African, Caribbean and Pacific States (OACPS)

Organization of African,
Caribbean, and Pacific States



"Our countries' urgent need to boost sustainable development requires nothing less than innovative interventions to harness vastly improved FDI inflows."

Georges Rebelo Pinto Chikoti
OACPS Secretary-General

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Executive Summary

This report presents the results of a survey jointly undertaken by UNIDO and WAIPA to contribute to a better understanding of investment promotion in African, Caribbean and Pacific (ACP) countries.

The survey is timely.

The world is currently going through a period of significant turmoil, notably recovering from the impact of the COVID-19 pandemic, disruptions in value chains, trade tensions, the war in Ukraine, all of which have led to rising food and energy prices, intensifying the competition for foreign direct investment (FDI). These factors have further marginalized ACP countries in terms of FDI by increasing the pressure on their already limited resources to deliver against growing demands in a context where inflation and rising interest rates pose further challenges.

The survey is relevant.

It is the first survey of its kind that focuses exclusively on Investment Promotion Agencies (IPAs) in African, Caribbean and Pacific countries, offering first-hand perspectives on the conditions under which ACP IPAs operate and their needs in the context of rapid change. The survey is important not only because FDI attraction to these countries affects approximately 1.1 billion people, but also because the results unearth critical challenges and areas of improvement that, if addressed adequately, can significantly enhance ACP IPAs' performance.

The survey confirms the mixed performance of ACP IPAs.

Although IPAs in the ACP region have a good understanding of FDI and its impact on their host economies, their performance is hampered by various factors. These include mandate-overload, suboptimal targeting strategies and low budget allocation for business generating activities. Moreover, IPAs struggle with limited digitalization of their operations, as well as significant skills and capacity gaps, which also hinder the adequate tracking of relevant investors' contributions and investment effects on national sustainable development targets.

This report presents a framework to better understand the factors that adversely affect FDI flows to ACP countries.

The framework has three key takeaways: broadly speaking, ACP IPAs have a longer road to the market than their peer IPAs from other regions, have a harder task than their peers and find that attracting FDI to their countries is more challenging than for other regions. Therefore, the expectation of ACP IPAs that they can accumulate FDI in a similar manner to how it is performed elsewhere in the world is neither realistic nor feasible.

The report offers 5 groups of recommendations.

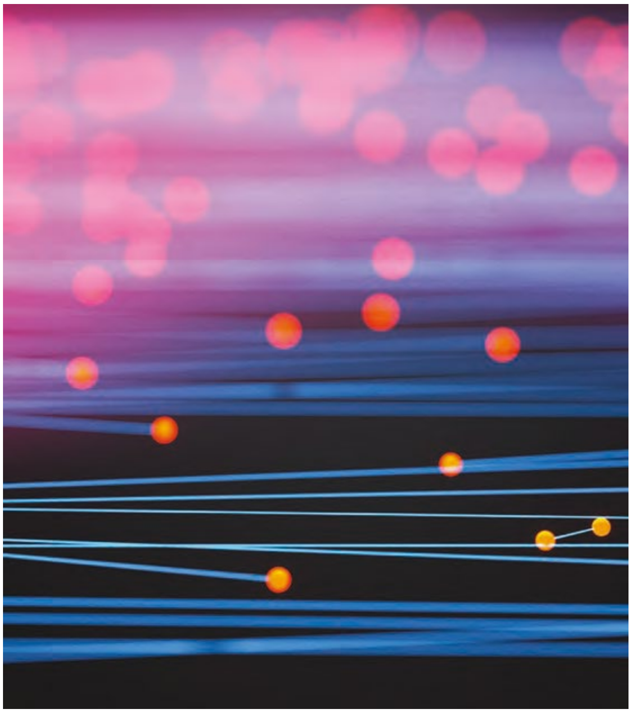
They suggest that ACP IPAs should design strategies for better governance, make digitalization a priority, increase the effectiveness of their targeting efforts, unlock further FDI potential, and keep focusing on the 2030 Sustainable Development Goals (SDGs) of their respective countries.

The report goes on to offer three guidelines for implementation.

These are to drive digitalization, partnerships and new value creation, which should guide ACP IPAs in their strategic decisions. The guidelines provide a practical framework to enhance ownership during the implementation of recommendations, empowering IPAs to take charge of determining the most suitable form of technical support for their specific circumstances.

The findings have wide implications.

Together, the survey results, framework, recommendations, and implementation guidelines present a holistic model that provides ACP IPAs with a roadmap for how to increase FDI flows into their countries. The findings also have implications for policymaking and suggest rethinking how the international community conceptualizes, designs and delivers technical assistance to ACP countries.

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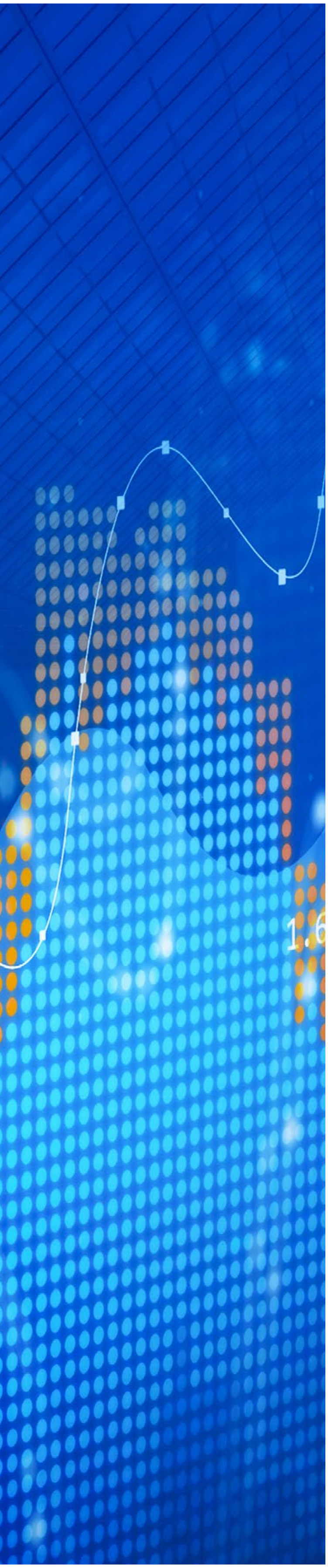


Introduction

Only 5% of global FDI inflows went to ACP countries in 2021

OACPS member states face unique economic, environmental, political and social challenges

THE GLOBAL CONTRIBUTIONS OF FDI TO GROWTH AND DEVELOPMENT

A global consensus is well-established regarding the importance of FDI. It has long been recognized as a key driver of economic growth, prosperity, and competitiveness across countries, occupying an important place in research, policy and the design of technical cooperation interventions. Particularly in developing countries, FDI has been viewed as a critical element in promoting sustainable development, given its many direct and indirect benefits. Despite this, FDI inflows have been unevenly distributed, with ACP countries still struggling to attract investments and leverage FDI to transform their economies. In fact, only 5 per cent of global FDI inflows went to ACP countries in 2021, according to the United Nations Conference on Trade and Development (UNCTAD).[1]

ACP ECONOMIES ARE A UNIQUE GROUP OF COUNTRIES UNITED BY THE CHALLENGES THEY FACE

The 79 Member States[2] of the Organization of African, Caribbean and Pacific States (OACPS) are mainly lower-middle-income, least-developed, landlocked and small island countries located in Africa, the Caribbean and the Pacific region (for a full list, see Annex 1). This group of countries faces unique economic, environmental, political and social challenges, which impede swift progress towards meeting the targets of the 2030 SDGs. A lack of diversification of their economies, a dependence on a limited number of raw material exports and their remoteness from high value markets are some of the principal reasons for their relatively slow progression.

A unique characteristic of ACP countries is that they are more active in trade than the world average. →

1. UNCTAD Statistics (n.d.) Foreign direct investment: Inward and outward flows and stock, annual Table summary. See: https://bit.ly/47axvpM
2. Hereinafter "ACP countries" for the sake of simplicity.

Collectively, the largest trading partner of the ACP group is the EU. The vast majority of ACP countries' trade with the EU was governed by the Cotonou Agreement signed in 2000 between the EU, its Member States, and ACP countries. This comprehensive political, economic and development partnership established a framework for bilateral economic relations between the two regional groups of countries. Twenty years after the Cotonou Agreement was adopted, it underwent a major review. The negotiations resulted in a new agreement, the Post-Cotonou Agreement, which will provide a new comprehensive legal framework governing political, economic, and development cooperation between the OACPS and the EU for the next 20 years. This new agreement aims to transform the relationship between the OACPS and the EU to a more advanced partnership.[3]

Further geopolitical influences in ACP countries reflect current USA-China trade tensions, with signs of increased political influence by both countries throughout the whole ACP region. Future FDI flows are likely to reflect these changes, although it is unclear what these will look like. Nonetheless, in light of the prevailing global economic environment, ACP countries are right to strive towards leveraging FDI to enhance their political and economic influence, effectively advocate for their interests, and attain economic resilience within a multipolar world. Achieving this is critical for the 2030 SDGs as well as an increasingly intertwined North-South international system, where major attention is being placed on addressing joint challenges such as the climate crisis, food security and inequality. FDI will play a key role in this transition.

FACILITATING FDI ATTRACTION IN THE ACP REGION

To support ACP countries in their efforts to increase inward FDI flows, UNIDO in cooperation with the World Bank and the International Trade Centre (ITC) set up the *"ACP Business-Friendly: Supporting Value Chains Through Inclusive Policies, Investment Promotion, and Alliances* Programme (ACP BF).[4] This intra-ACP initiative, funded by the EU and OACPS, follows a tiered approach (regional, macro, meso- and micro-level) to leverage value chains, in an effort to improve the ability of firms to compete, grow and prosper domestically, regionally and internationally. UNIDO is implementing the meso-level component of the programme to leverage intermediary organizations and business membership networks and to strengthen investment promotion capabilities, business support programmes, marketing, monitoring and partnerships. UNIDO's investment promotion interventions aim to facilitate the process of identifying, mobilizing capital, knowledge and technological resources for a more targeted investment development impact. The meso-level action covers the following countries: Cameroon, the Dominican Republic, Ethiopia, Ghana, Kenya, Papua New Guinea, Senegal and Zambia. The programme also makes regional level interventions working closely with Regional Economic Communities (RECs) as well as regional public and private sector organizations.

As part of this programme, UNIDO launched a cloud-based, digital Invest-in-ACP Platform[5] at WAIPA's World Investment Conference 2022 (WIC22) in Geneva. The Platform provides dynamic information on investment project opportunities and relevant institutional partners from ACP countries. Furthermore, it offers insights related to relevant value chains, industrial park sites, and pertinent publications, thereby serving as a one-stop-shop for potential investors.

WAIPA on their side have also engaged with ACP countries, particularly in numerous capacity building programmes in recent years. Specifically, but not exclusively, WAIPA's strong focus on dedicated programs for least developed countries led to a further close cooperation with numerous ACP countries. Moreover, as WAIPA`s Steering Committee, which is formed of fourteen IPAs, also covers Sub-Saharan Africa, Central America and Caribbean as well as Oceania with is directorships held in the current term by the Ghana Investment Promotion Centre, the Costa Rican Investment Promotion Agency CINDE as well as the Ministry of Commerce and Industry and Labour of Samoa respectively, WAIPA continuously interacts closely with IPAs from the region also through these platforms.

MORE AND BETTER FDI IS REQUIRED

"From ending hunger to enhancing sustainable energy, from decarbonizing industry to upscaling the circular economy - none of this can be achieved without robust

3. Morgan, E. (2021) OACPS/EU Post-Cotonou Negotiations: Landmark successor agreement concluded. Caricom. https://bit.ly/3QSiRO6
4. More information about the Programme can be found here: https://bit.ly/46bDcCB
5. See: https://bit.ly/3Re904d

and equitable investment flows." was UNIDO's Director General Gerd Müller's message at the 5th United Nations Conference on the Least Developed Countries in March 2023.[6]

The call for not only more but also better FDI, one that requires a significant transformation of IPAs[7], was also a message that resonated clearly at WAIPA's WIC22. However, this transformation does not come without its difficulties. At WIC22 the (former) President of WAIPA, Mr. Deepak Bagla, stated that "the core and crux of this change has to do with doing a lot more, but it has to be done with a lot less."[8] Indeed, with the upcoming World Trade Organization (WTO) Investment Facilitation for Development (IFD) Agreement, IPAs in developing countries will be increasingly expected to deliver effective and streamlined (digital) investor services in the ambit of fostering higher flows of quality FDI, despite the comparatively few resources at their disposal.

These appeals set the scene for the work that lies ahead and capture the unique challenges and opportunities of bringing, growing and maximizing the impact of FDI in ACP countries. The combined ramifications of an uneven post-COVID recovery, the war in Ukraine, a growing global economic divide and the urgent challenge that is climate change, means that FDI will be an increasingly important aspect in helping to address these challenges. Hence, IPAs have a significant role to play in this shift. "Earlier, IPAs were seen as the voice of investors. Now they must become the voice of government too, of the policy maker, and the voice of every individual across the country and the voice of all of us [the FDI industry] collectively."[9]

UNIDO–WAIPA'S CONTRIBUTION TO COLLECTING EMPIRICAL DATA AND INSIGHTS ON ACP IPAS

Supporting IPAs in fulfilling the above objectives and highlighting their role as agents of change is crucial and is the focus of several technical cooperation interventions. However, to date, there have been very few studies of investment promotion trends in ACP countries, with research on how ACP IPAs approach targeting and attracting FDI being almost non-existent. To fill this gap, UNIDO and WAIPA seek not only to engage directly with ACP IPAs through a variety of actions aimed at enabling them to operate more efficiently and effectively but also to increase insights into ACP IPAs and their unique challenges. In pursuit of this goal, UNIDO and WAIPA together conducted a survey of IPAs across the ACP region, in order to gather valuable empirical data on their unique profiles, challenges, and strategies and to shed light on their technical assistance needs.

THIS REPORT GOES A STEP FURTHER PROVIDING KEY RECOMMENDATIONS AND A ROADMAP FOR ACP IPAS

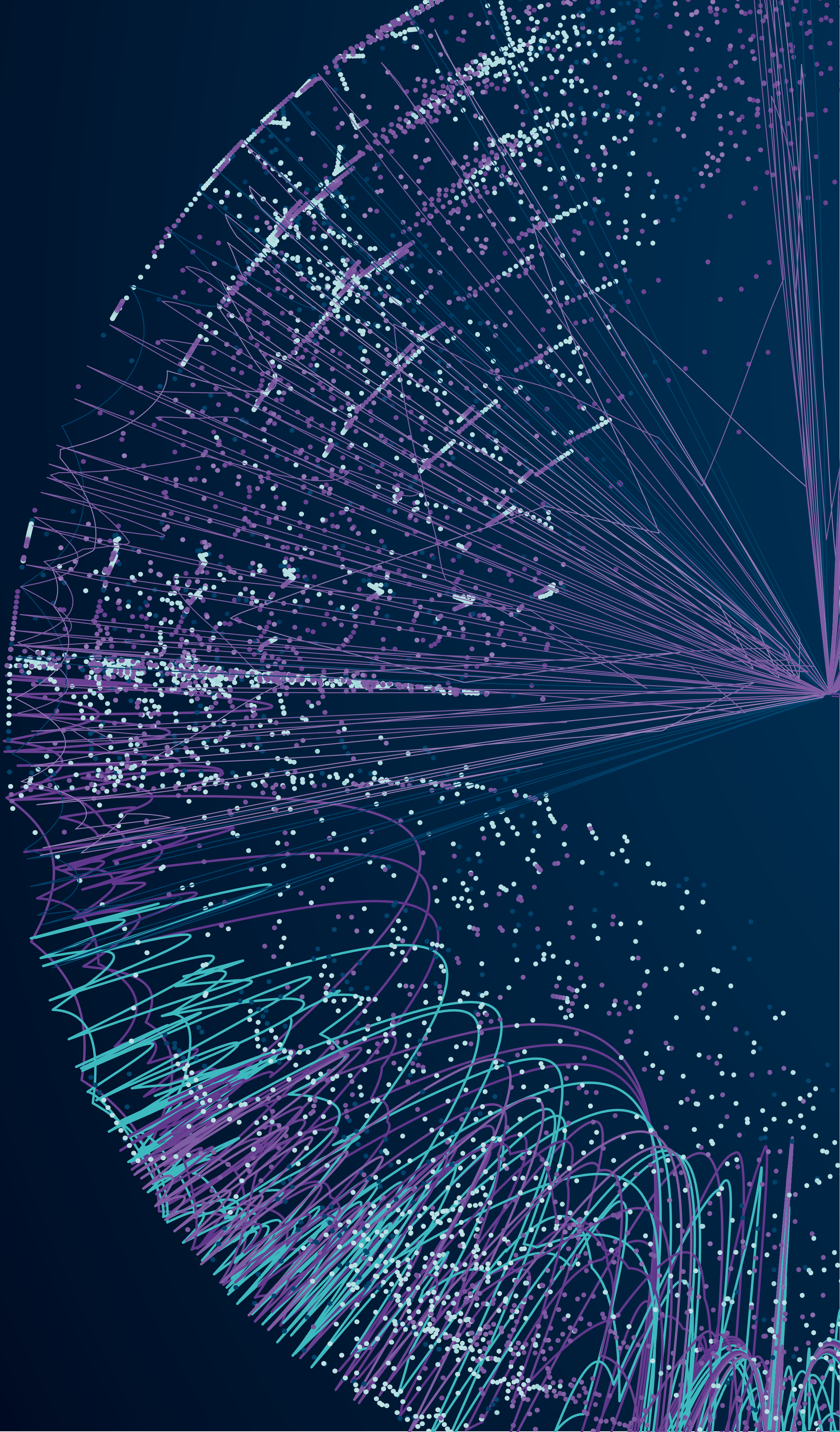
Based on the empirical results, this report explores how ACP IPAs are weathering an uncertain and complex post-COVID economic environment, their FDI-related development priorities and how they are responding to multiple demands. It reflects on whether current practices meet the peculiarities of ACP countries' situations and offers some pointers as to what actions ACP IPAs could take to improve their countries' economic, social and environmental prospects through FDI. Furthermore, it helps develop a better understanding of the effectiveness of the current strategies employed by ACP IPAs and provides an innovative model to better grasp the factors that define their performance, as well as how to influence them in the future. This report also identifies emerging areas of opportunity for ACP IPAs, maps their need for technical assistance, especially those geared towards accelerating the pace of digital adoption, and offers specific recommendations on joint action and value creation. ■

6. Müller (2023) UNIDO Director General calls for a 'new deal', a new economic approach for fair globalization; https://bit.ly/469g9IE; Direct quote taken from: UNIDO Invest in ACP(@InvestinACP) Twitter, 07 March 2023, https://bit.ly/46bOuqc

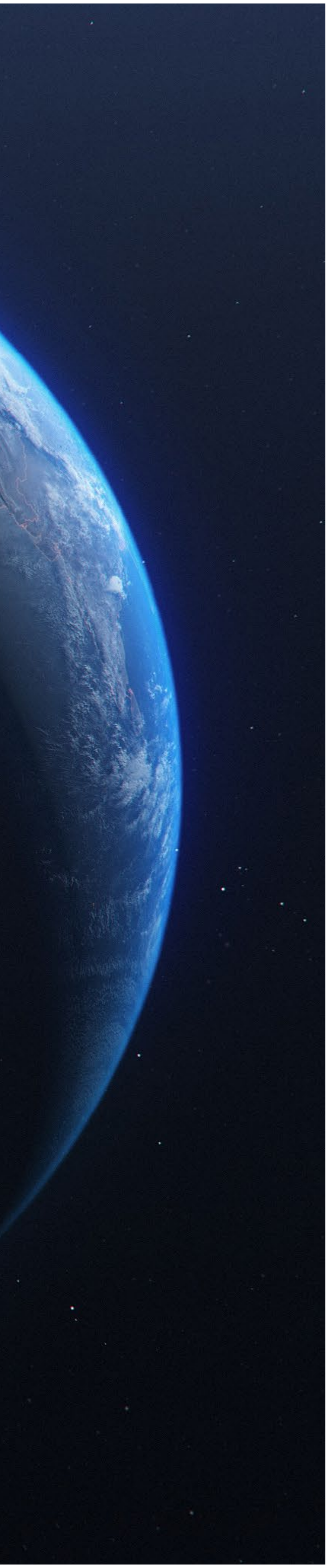
7. For simplicity reason, the term IPA is deployed grouping the different types of organizations involved in the function of investment promotion. This includes government units and departments, autonomous public bodies whether on a national level (NIPA: National Investment promotion agency) or subnational level (SIPA: Sub-national Investment promotion agency), as well as investment promotion institutions (IP) including public/private sector or sectoral intermediary institution with a dedicated investment promotion mandate.

8. WAIPA (2022) President's Opening Remarks 26th World Investment Conference Opening Ceremony 08 November 2022. https://bit.ly/3RgzaEV

9. WAIPA (2022) President's WAIPA. Opening Remarks 26th World Investment Conference Opening Ceremony 08 November 2022. https://bit.ly/3RgzaEV



Part I. Background on ACP countries



Chapter 1: Background on ACP countries

The group of ACP countries comprises 79 countries from Africa, the Caribbean and the Pacific and is defined by its membership in the Organization of African, Caribbean and Pacific States (OACPS). The ACP countries are a diverse group, economically, geographically, and demographically, facing challenges of significantly different dimensions.

As of the time of the survey[1], 48 of the 79 ACP countries are from Africa, 16 from the Caribbean and 15 from the Pacific (see Table 1), 47 per cent (37) of these countries are Least Developed Countries (LDCs), 15 (19 per cent) are Landlocked Developing Countries (LLDCs), 43 per cent (34) are Islands, 44 per cent (35) are Small Islands Developing States (SIDS) and 49 per cent (39) are Small States. These characteristics make the ACP group of countries one whose investment needs are more acute, while at the same time requiring FDI to respond to and integrate multi-dimensional complexities on the ground.

TABLE 1: CLASSIFICATION OF ACP MEMBER STATES.

	Countries in the region	Least Dev. Countries	Landlocked Least Dev. Countries	Islands	Small Islands Dev. States	Small States
Africa	48	32	15	6	6	14
Caribbean	16	1	-	13	16	13
Pacific	15	4	-	15	13	12
Total	**79**	**37**	**15**	**34**	**35**	**39**
	Percentage	**47%**	**19%**	**43%**	**44%**	**49%**

FOR SOURCE OF TABLE SEE ANNEX 2

The following sections provide a brief overview of FDI stocks and inward flows to ACP countries in 2021 in the global context. The descriptions are primarily based on the most recent available data from UNCTAD Statistics, unless otherwise indicated. →

1. August 2022

1.6 trillion US dollars
Global pre-pandemic FDI flow level in 2021

79 billion US dollars
FDI inflows to the ACP countries in 2021

FDI: THE STATE OF PLAY

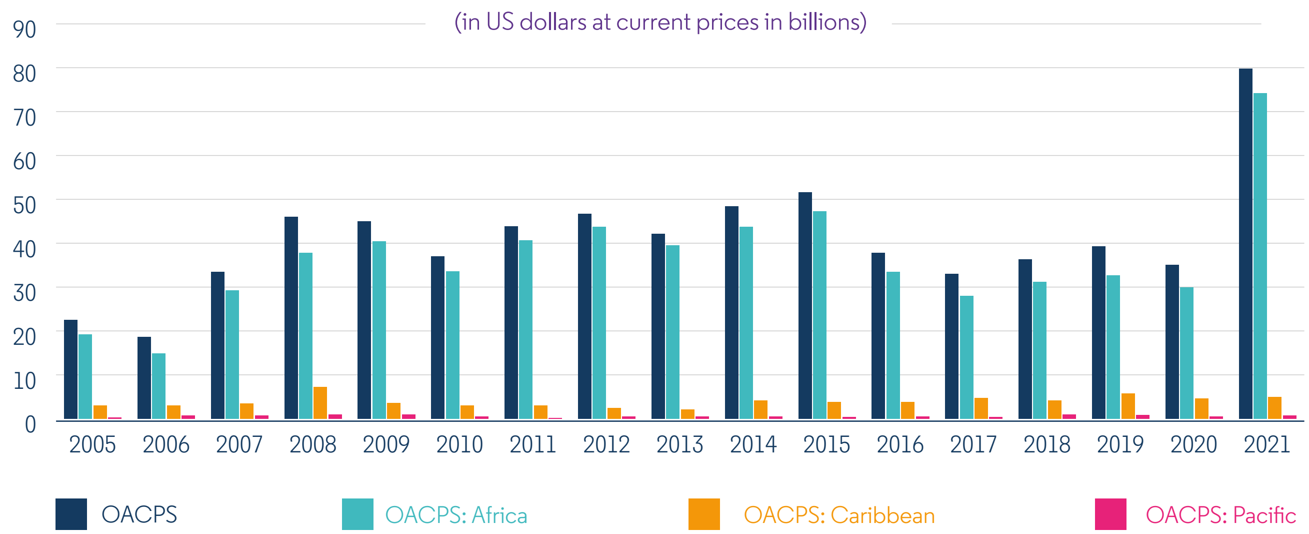
Global FDI flows returned to their pre-pandemic level of 1.6 trillion US dollars in 2021. This represented an increase of 64 per cent from the exceptionally low level in 2020. More than 52 per cent of global FDI flows (837 billion US dollars) were directed to developing countries, which represented an increase of 30 per cent compared to 2020, a share that grew more slowly than those to developed regions.

FDI INFLOW TRENDS IN THE ACP REGION

FDI inflows to the ACP countries reached an unprecedented level of 79 billion US dollars in 2021, with the majority of the inflows going to African countries, totalling 74 billion US dollars (see figure 1). In the Caribbean, FDI inflows amounted to 4.9 billion US dollars, while the Pacific countries of the ACP received 696 million US dollars.

The trends in the ACP region show a very encouraging rebound of 128 per cent in FDI inflows in 2021, largely surpassing the 30 per cent increase observed in developing economies overall. This recovery comes after a minor dip in 2020. The latest statistics indicate that the most notable increase was registered in Africa, with a significant growth of 148 per cent. In contrast, the Pacific and the Caribbean regions experienced more modest rebounds of 34 per cent and 6 per cent, respectively.

FIGURE 1: ACP GROUP OF COUNTRIES' FDI INWARD FLOWS (BASED ON UNCTAD STATISTICS)

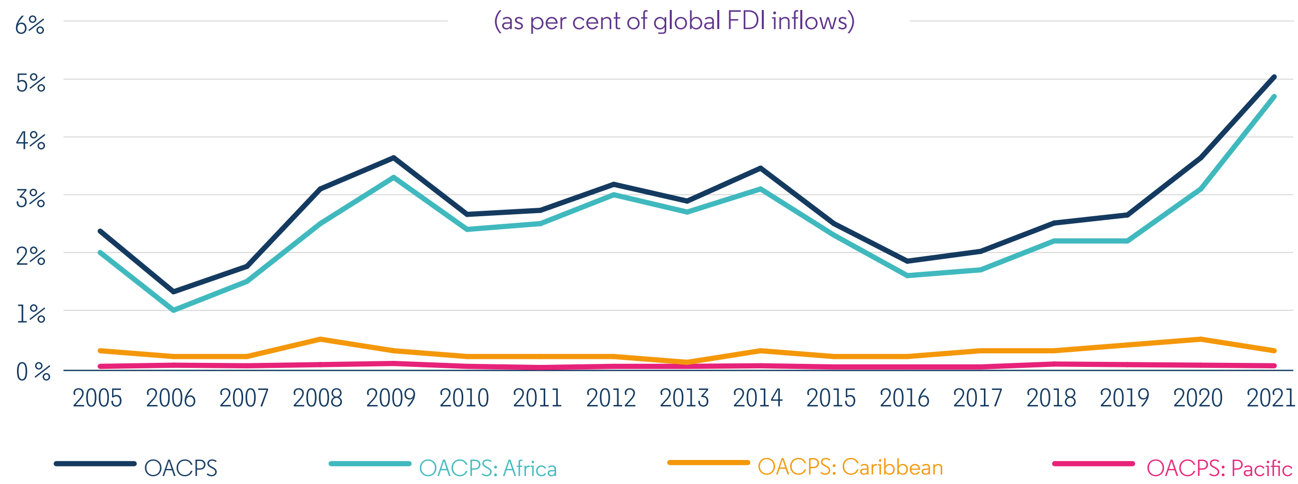


In the global FDI landscape, the ACP group of countries has become an increasingly important player, as demonstrated by their proportion of global FDI inflows (illustrated in Figure 2). In 2021, the ACP received 5.04 per cent of global FDI inflows, a significant increase from 3.64 per cent in 2020 and 2.65per cent in 2019.

Disaggregated by region, the largest share of inflows was directed to Africa (4.7 per cent). The Caribbean has attracted 0.3 per cent of global FDI inflows and the Pacific region 0.04 per cent.

The trends since 2005 show that the ACP countries' proportion of global FDI inflows has seen an appreciable rise since 2016, after the share fell from over 3 per cent to under 2 per cent from 2014 to 2016. This increase accelerated in 2019, mainly due to a growing share of FDI flows to Africa.

FIGURE 2: ACP GROUP OF COUNTRIES' FDI INFLOWS AS PER CENT OF GLOBAL FDI INFLOWS (BASED ON UNCTAD STATISTICS)



While the increase of FDI Inflows to ACP countries in 2021 may seem encouraging, the country-disaggregated data calls for caution, as the increase of FDI inflows is highly inflated by a single large intrafirm financial transaction in South Africa. When this transaction that led Southern Africa's total FDI inflows to skyrocket from 4 billion to 42 billion US dollars in 2021 (an increase of 895 per cent) is excluded, the increase in Africa is moderate and comparable to other developing regions.

MAJOR FDI RECIPIENT COUNTRIES OF THE ACP REGION

Besides South Africa, the top host economies behind the increase of FDI Inflow to ACP countries in the last decade are Mozambique, Nigeria, Ethiopia, the Republic of the Congo, and Ghana. A brief look at the 2021 developments in these countries as well as the major recipients of FDI inflows in the Caribbean and the Pacific sheds light on the larger trends in the ACP region.

AFRICA

In 2021, Mozambique experienced a jump in greenfield projects, mainly power plants, that led to a rise in FDI inflows of 68 per cent to 5.1 billion US dollars. Nigeria saw its inward flows double to 4.8 billion US dollars due to a resurgence of investments in oil and gas. A resurgence in the extractive industries was also recorded in Ghana, which received 2.6 billion US dollars of FDI inflows, an increase of 39 per cent resulting mainly from an investment in gold mining. In Ethiopia, Africa's central hub for China's Belt and Road initiative, Chinese investments tripled in 2021 lifting FDI inflows to 4.3 billion US dollars, the majority of projects targeting renewable energy.

Another country that is normally one of the main drivers of FDI inflows to sub-Saharan Africa is Congo. Although two international project finance deals were announced involving the construction of an oil facility for 166 million US dollars sponsored by entities in China, the Republic of the Congo recorded a decrease in FDI inflows by 8 per cent, resulting in a total of 3.7 billion US dollars FDI inward flows in 2021.

Overall, total greenfield announcements in Africa almost stagnated from previous periods at 39 billion US dollars in 2021, a modest increase from the low of 32 billion US dollars in 2020.

In terms of sectors, FDI increases across Africa were mainly determined by investments in power (56 billion US dollars) and renewables (26 billion US dollars). European investors remain the largest holders of foreign assets, most notably the United Kingdom (65 billion US dollars) and France (60 billion US dollars).

CARIBBEAN

In the Caribbean, the Dominican Republic's FDI inflows rose by 39 per cent to 3.1 billion US dollars in 2021, contributing significantly to the FDI inflow growth in the region (3.8 billion US dollars). Mining, financial services and special economic zones are the foundation to this growth. In addition, international project finance deals doubled in the region, exceeding pre-pandemic levels, in large part due to project financing in transportation infrastructure. →

PACIFIC

The growth in FDI inflows in the Pacific was mainly due to an acquisition in Fiji's energy sector, which increased the national FDI inward flows to 401 million US dollars (an increase of 66 per cent). Papua New Guinea, the second highest receiver of FDI has seen a decrease in inflows in 2021, resulting in a total of 87 million US dollars.

STRUCTURALLY WEAK, VULNERABLE AND SMALL ECONOMIES

As the ACP group includes many structurally weak, vulnerable and small economies, it is important to highlight their particularities regarding foreign direct investment.

FDI flows to structurally weak, vulnerable and small economies rose by 15 per cent to 39 billion US dollars in 2021. Inflows to the LDCs, LLDCs and SIDS together accounted for only 2.5 per cent of global FDI in 2021, down from 3.5 per cent in 2020. These countries, which have a combined population of over 1 billion people, face significant development challenges including rising debt, export marginalization, energy poverty and climate vulnerability, a reality that higher levels of FDI would help alleviate.

- FDI inflows to the 33 African **LDCs** increased by 17per cent to 16 billion US dollars, which represents almost two-thirds of all LDC inflows. Investments in LDCs' extractive industries continue to be a primary target of project finance. Investments in SDG-relevant sectors such as renewables, power, food and agriculture, and health remains weak, with a decline in both greenfield and international project finance deals. However, FDI flows rose in transport, WASH (water, sanitation and hygiene) and education.

- FDI inflows to the **LLDCs** increased by 53 per cent to 7.8 billion US dollars, representing 42 per cent of total FDI in LLDCs. Ethiopia became the largest LLDC recipient in terms of total value. FDI flows to Mali also rose significantly by 23 per cent to 660 million US dollars.

- FDI inflows to the **SIDS** rose by 17 per cent to 3.3 billion US dollars, an increase concentrated in the top five recipients: the Maldives, Fiji, the Bahamas, Trinidad and Tobago, and Mauritius. Together, they accounted for 56 per cent of FDI flows to the SIDS group. However, the 2021 increase represented only a partial recovery from pre-pandemic levels, which were approximately 25 per cent higher than 2021 levels.

Overall, the COVID-19 pandemic put further pressure on these already structurally weak economies. Investment in SDG sectors such as food, agriculture, health and education continued a downward trend in 2021, posing further challenges to achieving the SDGs.

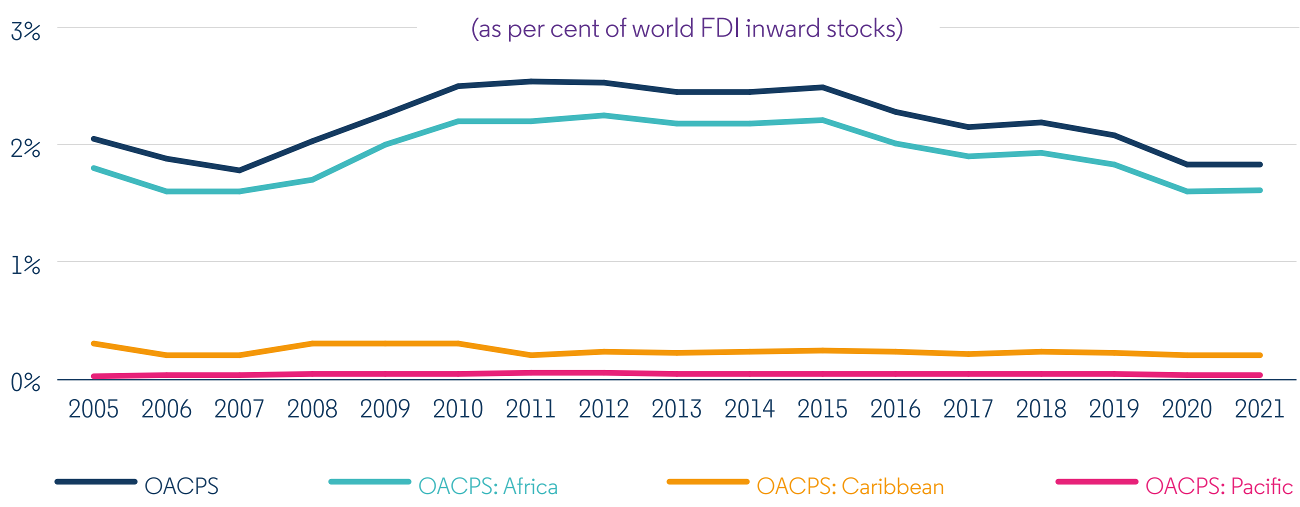
FDI STOCKS IN THE ACP REGION

To get the full picture of FDI trends in ACP, it is also important to look at FDI stocks in the region, measuring the total amount of FDI accumulated over time, as a second important indicator of FDI structure and trends.

According to the latest UNCTAD data, ACP countries collectively accumulated 833 billion US dollars in FDI inward stocks in 2021. The majority of this amount, specifically 87.6 per cent, was concentrated in African countries, with a recorded value of 729 billion US dollars. Meanwhile, the Caribbean countries had a total FDI inward stock of 89 billion US dollars, accounting for 10.8 per cent, while the Pacific region recorded 13 billion US dollars, or 1.6 per cent. The consistent increase across the ACP region in the past 17 years has led the ACP FDI inward stocks to more than triple from 2005 to 2021, with the Pacific region having experienced the most substantial growth in FDI inward stocks, with a nearly fivefold increase since 2005.

As concerns the ACP countries' share of global FDI inward stocks, Figure 3 shows that the largest share of stocks in 2021 was recorded in African member countries, accounting for 1.6 per cent of world FDI inward stocks. The Caribbean and Pacific regions had much smaller shares, at 0.2 per cent and 0.03 per cent, respectively, resulting in an overall ACP share of 1.83 per cent of the global FDI inward stock. The visualized data from 2005 to 2021 reveals a steady erosion of ACP countries' proportion of global FDI inward stocks since its peak at 2.53 per cent in 2011. Since 2020 the share has stagnated at 1.83 per cent. It can however be expected that the positive upward trend of shares of FDI inflows to ACP countries compared to world's FDI inflows (5.05 per cent in 2021, as previously shown) will also show impact in terms of increasing the shares of ACP countries in global FDI stock.

FIGURE 3: ACP GROUP OF COUNTRIES' FDI INWARD STOCKS (BASED ON UNCTAD STATISTICS)



WHAT LIES AHEAD FOR FDI IN ACP?

According to UNCTAD's World Investment Report 2022, FDI flows to developing economies are expected to be weakened by the war in Ukraine and its wider ramifications. The impact of high energy and food prices can lead to political instability and debt distress, which in turn can cause downgrades of country risk ratings. Rising investor uncertainty can adversely affect FDI flows.

As for FDI priority sectors in ACP countries, the increased oil and gas prices could shift investment back into fossil fuels, as was seen in Nigeria in 2021. However, it is also expected that the energy crisis will increase investment in renewable energy, such as green hydrogen, as well as critical minerals for the energy transition, according to the International Energy Agency.[2] For example, in 2022 CWP Renewables (Australia) announced a 40 billion US dollar power-to-x hydrogen international project finance deal in Mauritania, which exemplifies the magnitude of potential future FDI in renewable energy in ACP countries. The increased interest of private sector investors in Mauritania has led the Government to open an IPA in 2021 to help drive FDI into the country.[3] This development underlines IPAs' relevance for ACP countries in their function to accelerate FDI, especially in this evolving global context.

2. IEA (2022) Africa Energy Outlook 2022. OECD Publishing, Paris. https://bit.ly/47HAFB4

3. O'Farrell, Seth (2022) Green hydrogen hype puts Mauritania on the map. fDi Intelligence. https://bit.ly/47FJnQl

Part II. The Survey

In the following chapters, the results of the 2022 UNIDO and WAIPA survey of ACP IPAs will be presented. The survey was undertaken in the context of the “regional window” of the *ACP Business-Friendly: Supporting Value Chains Through Inclusive Policies, Investment Promotion, and Alliances* Programme, funded by the EU and OACPS. It was conducted digitally between July and August 2022 with the help of an online questionnaire tool.

Through the survey, Investment Promotion Agencies were asked to respond to two distinct sets of questions:

→ The first set of questions was designed to gather relevant information to showcase and promote ACP IPAs. Accordingly, profiles of regional, national and sub-national IPAs now appear on the Programme's 'Invest-in-ACP' Platform enabling faster and more accurate information gathering by potential investors.[1]

→ The second section focused on the characteristics and activities of IPA to assess agencies' interest and maturity in the digital transition while taking the impact of the COVID-19 pandemic into account.

The two main objectives of this survey were: (i) eliciting IPA's technical cooperation needs; and (ii) also researching the digital transformation of IPAs.

1. Accessible on: https://bit.ly/47MnXBs

In addition, the large data set resulting from the survey not only offers an opportunity to better ascertain how FDI is delivered in ACP countries, but also to compare and contrast these findings with five studies that cover FDI activities in other regions. These studies are:

1. OECD (2018), Mapping of Investment Promotion Agencies in OECD countries ('OECD Mapping').

2. OECD (2019), Mapping of Investment Promotion Agencies: Middle East and North Africa ('OECD MENA Mapping').

3. Inter-American Development Bank (2019), How to Solve the Investment Promotion Puzzle: A Mapping of Investment Promotion Agencies in Latin America and the Caribbean and OECD Countries ('IDB study').

4. ILO and WAIPA (2022), The contribution of IPAs to achieving SDG 8: Report of the ILO-WAIPA Survey of Investment Promotion Agencies on inclusive economic growth and decent work ('ILO-WAIPA study').

5. World Bank – WAIPA (2020), State of Investment Promotion Agencies: Evidence from WAIPA-WBG's Joint Global Survey ('WBG-WAIPA study').

The following chapters of Part II will look at, firstly, the survey participants (chapter 2); the focus of ACP IPAs (chapter 3); the digitalization of ACP IPAs (chapter 4); how ACP IPAs are soliciting contributions and leveraging investors' support (chapter 5); and lastly, ACP IPAs' need for technical assistance (chapter 6).

Chapter 2: Survey Participants

61 institutions responded to the survey

The majority of respondents were directors, CEOs and board members

10.7 years of experience in the FDI industry

2.1 Profile of Participating Institutions

A COMPARATIVE REVIEW OF IPA INSTITUTIONAL STRUCTURES: ACP IPAS IN FOCUS

The survey was sent to 149 investment promotion institutions (IPIs) from the 79 OACPS Member States at sub-national, national, and regional levels. A total of 61 institutions responded, which presents a response rate of 41 per cent. The response rate for National IPAs (NIPAs) was 48 per cent but could be considered 64 per cent given that, according to UNIDO's own research, only 59 of the 79 ACP countries have an IPA.

The majority of respondents were IPA managers, directors, CEOs and board members (93 per cent). On average, they have worked for 7.6 years at the IPA and bring 10.7 years of experience in the FDI industry. Their seniority and levels of experience lend credibility and robustness to the results of this survey.

From the 61 participating institutions 47 were from Africa, all of whom are from sub-Saharan Africa or islands off the east coast of Africa, 10 were from the Caribbean, and 4 from the Pacific. The size of the bubbles in Figure 4 indicates the number of institutions that responded from each country. →

FIGURE 4: SURVEY PARTICIPANTS

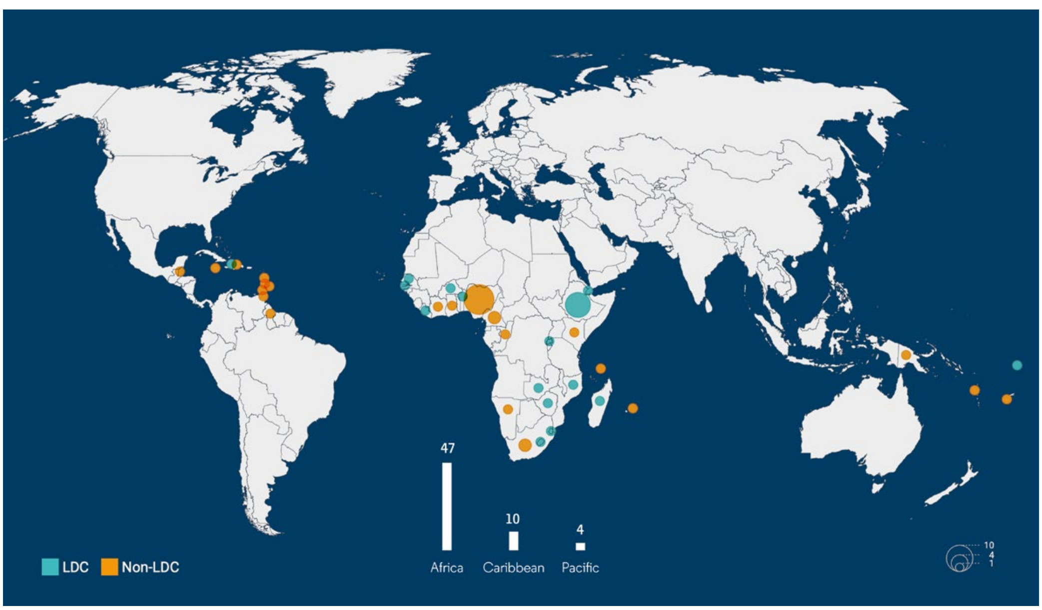


FIGURE 5: INSTITUTION TYPES

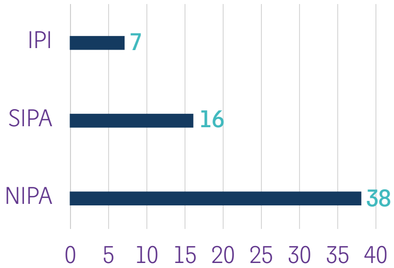
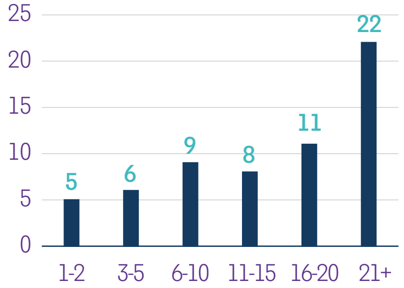


FIGURE 6: AGE OF INSTITUTIONS (YEARS)



About a third (36 per cent; 22) of the respondents are from Least Developed Countries (LDCs), and 62 per cent (38) are classified as developing countries.

Of all responding institutions, 62 per cent (38) are National Investment Promotion Agencies (NIPAs), 26 per cent (16) are Sub-National Investment Promotion Agencies (SIPAs) and 12 per cent (7) are other Investment Promotion Intermediaries (IPIs) such as private sector associations or SME Development Agencies (see Figure 5). Collectively, all these agencies are referred to as IPAs in this report.

22 of the 61 participating IPAs were established more than 21 years ago, while 5 were only created in 2020 or 2021 (Figure 6). Their average period of existence is 18 years. This is similar to the situation of IPAs in OECD countries, which on average, have existed for 20 years.

Concerning geographical variations, the survey found that African IPAs and IPAs from the Caribbean tend to be younger (17-21 years on average) than those in the Pacific region, which are the oldest in the sample, existing for over 32 years on average.

2.2 Legal Status, Governance & Reporting Lines

HOW IPAS ARE STRUCTURED AND ORGANIZE MATTERS

The legal status, governance structure, reporting lines and the nature and scope of mandates of an IPA offers a good insight into how it operates. They determine how the IPA reports, sets targets and is managed, and therefore can have a significant impact on an IPA's performance and on a country's relative FDI competitiveness. The 2018 OECD Mapping of Investment Promotion Agencies underlines that an IPA's legal status "will determine many organizational and functional aspects of the agency Their legal status will have a particular incidence on their level of autonomy vis-à-vis the government, particularly in terms of financial and human resources management."[1]

In the subsequent section, a comparison is drawn between the findings on legal status and reporting lines of the ACP IPA survey and those of the MENA, OECD, and WBG-WAIPA surveys. This comparison aims to emphasize certain disparities between these regions and their respective findings. However, it is important to acknowledge that the different surveys employ distinct

1. OECD (2018) Mapping of Investment Promotion Agencies in OECD countries. Page 21. https://bit.ly/40NHVcy

classifications, which can result in discrepancies when the results are contrasted. Therefore, the comparison should only be interpreted as indicative of differences, keeping in mind the above-mentioned limitation.

According to the OECD IPA Mapping and OECD MENA IPA Mapping, autonomous public agencies are the most common model adopted by IPAs in the world, with 100 per cent of MENA IPAs and 60 per cent of developed and developing OECD country IPAs having chosen this governance structure. However, only 23 per cent of ACP country IPAs are fully autonomous public agencies, according to the information provided by the participating institutions.

The most common legal status in ACP countries is the governmental IPA (76 per cent), in the form of a unit or a department within a ministry (see Table 2). This is similar to the findings of the WBG-WAIPA study that found that 73 per cent of IPAs are either a semi-autonomous agency reporting to a ministry, or a sub-unit of the president's office or a government entity. By contrast, government IPAs comprise only 31 per cent of IPAs in OECD countries. The number of semi-autonomous agencies reporting to a minister, or a sub-unit of the president's office were not part of the ACP study but was significant in the WBG-WAIPA study.

In summary, ACP IPAs are twice as likely to be a governmental institution and three times less likely to be autonomous compared with OECD countries.

TABLE 2: ACP IPA'S LEGAL STATUS, COMPARISON ACROSS DIFFERENT IPA MAPPING STUDIES

IPAs' legal status	ACP	OECD MENA[2]	OECD[3]	WBG-WAIPA[4]
	In percent			
Autonomous public agency	23	100	60	18
Semi-autonomous agency reporting to a ministry				37
Sub-unit of president's office				9
Governmental (part of ministry)	76		31	26
Joint public-private agency			6	4
Private agency			3	3
Other	1			2
Total	**100**	**100**	**100**	**100**

Table 3 shows that when it comes to reporting lines, placing the agency under a specific ministry is the most common structure in ACP countries (41 per cent).

This is similar to the findings of other studies, with 58 per cent of OECD IPAs and 67 per cent of IPAs in the WBG-WAIPA study reporting to a ministry. 25 per cent of ACP IPAs report to the president or prime minister, which is similar to the WBG-WAIPA findings (23 per cent), albeit three times higher than in OECD countries, where only 8 per cent of OECD IPAs report to a ministry or to the president's office.

A further 18 per cent of ACP IPAs report to a committee or a board of governors, compared to 26 per cent in the OECD study, and 27 per cent of LAC IPAs. In the OECD MENA study, 50 per cent of respondents have multiple reporting lines[5]. The composition of the board is also important, as "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."[6] →

2. OECD (2018) Mapping of investment promotion agencies in OECD countries. Page 19. https://bit.ly/3SPp3rE

3. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 9. https://bit.ly/3QzNg2z

4. OECD (2019) Mapping of Investment Promotion Agencies: Middle East and North Africa. Page 26. https://bit.ly/3MQ8SGQ

5. OECD (2019) Mapping of Investment Promotion Agencies: Middle East and North Africa. Page 26. https://bit.ly/3MQ8SGQ

6. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 10. https://bit.ly/3QzNg2z

TABLE 3: ACP IPAS' REPORTING LINE, COMPARISON ACROSS DIFFERENT IPA MAPPING STUDIES

Reporting line	ACP	OECD	IDB-LAC[7]	WBG-WAIPA
	In percent			
President or Prime Minister	25	8 (e)	8 (e)	23
Ministry	41	58 (e)	47 (e)	67
Committee of Governors/Board	18	26 (e)	27 (e)	15
Others	16	8 (e)	2 (e)	5

e = figure estimated based on figure of data source

One reason why many ACP IPAs report to the head of government could be that investment promotion is a key part of these countries' economic development plans. Hence, by reporting to the head of government, IPAs may have greater influence on policy advocacy and better access to key government resources and decision makers. However, reporting to the head of government also carries certain risks, notably the risk of being subject to political influence, and begs the question whether the IPA is a technical organization or a political arm of the incumbent government. Indeed, some groups argue that an "IPAs' institutional independence may help them to be less subject to governments' budget volatility and political cycles and thus more effective when it comes to accomplishing their functions."[8]

A further potential downside of IPAs being governmental organizations is that they risk becoming 'detached' from the private sector, and therefore less sensitive and responsive to its needs.

However, independence alone is not a guarantor of better performance as it can lead to misalignment with the government's overall industrial policy and planning. Such misalignment might come at a cost in terms of, for example, sending mixed messages to investors and regulatory bureaucracy. Moreover, it is not uncommon to see independent IPAs being side-lined by Ministries which set-up their own service departments with a similar mandate. Such actions not only further confuse investors but are also a reflection of sub-optimal resource allocation.

Nevertheless, the WBG-WAIPA study notes "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."[9] However, the participation of the private sector is a model that only 9 per cent of OECD and 7 per cent of WBG-WAIPA IPAs adopt and is a model that is not yet present in ACP countries.

2.3 Mandates of ACP IPAs

IPAS' FIT-FOR-PURPOSE ROLES: THE IPA MANDATE

Among the most studied aspects of IPAs is the composition of their mandates. The OECD Mapping notes, "While IPAs are always created to promote inward foreign investment, all OECD agencies have at least one other mandate or a little less than six (5.7) different mandates on average."[10] The IDB study found that larger and more developed countries' IPAs tend to specialize more, i.e., have a smaller number of mandates, possibly because other agencies in the

7. Volpe, C. & Sztajerowska, M. (2019) How to solve the investment promotion puzzle: A mapping of investment promotion agencies in Latin America and the Caribbean and OECD countries. Washington, D.C, Interamerican Development Bank. Page 11. https://bit.ly/3SPRxBI

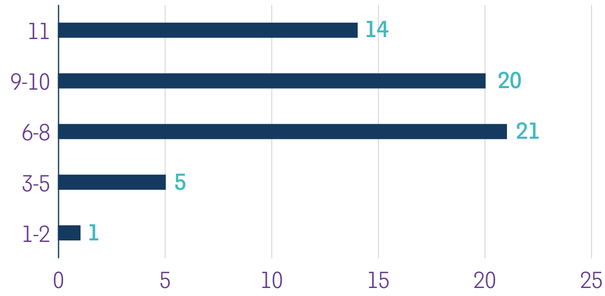
8. OECD (2019) Mapping of Investment Promotion Agencies: Middle East and North Africa. Page 25. https://bit.ly/3MQ8SGQ

9. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 9. https://bit.ly/3QzNg2z

10. OECD (2018) Mapping of Investment Promotion Agencies in OECD Countries. Page 26. https://bit.ly/3SJj2Na

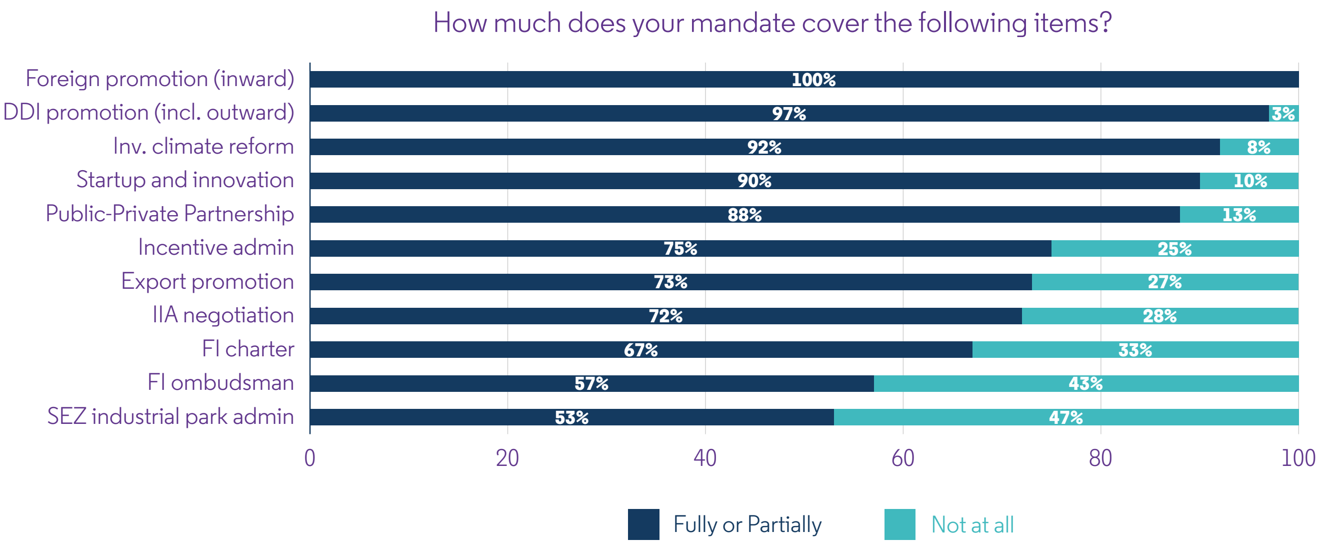
country undertake other functions[11]. Indeed, the WBG-WAIPA analysis of the number of mandates found that "developed countries tend to have more specialized IPAs with fewer mandates. A greater number of agencies from high-income countries have between one and five mandates, while the largest number of IPAs from low-income countries have more than 5 mandates."[12]

FIGURE 7: HOW MANY OF THE 11 MANDATES EACH IPA HAS



The survey found that ACP IPAs either fully or partially cover an average of 8.4 of the 11 listed mandates (see Figure 7), a number that rises to 9.2 different mandates when including mandates that were indicated under 'other mandates'. This figure is similar to the 8.7 mandates MENA IPAs have on average[13].

FIGURE 8: WHICH MANDATES DO ACP IPAS FOCUS ON



Participants were asked to identify how much their mandate covered a list of 11 mandates, as can be seen in Figure 8. Unsurprisingly, the principal focus of ACP IPAs is on attracting foreign direct investors (100 per cent). What is surprising is the high importance ACP IPAs place on domestic investment promotion, including outward FDI (97 per cent).

This figure is significantly higher than the findings of the ILO-WAIPA 2021 study, which found that 74 per cent of IPAs across the world have this mandate. However, the WBG-WAIPA has a similar total to ACP countries, 98 per cent, when the 67 per cent of domestic investment is combined with the 31 per cent of outward FDI (see Table 4).→

11. Volpe, C. & Sztajerowska, M. (2019) How to solve the investment promotion puzzle: A mapping of investment promotion agencies in Latin America and the Caribbean and OECD countries. Washington, D.C, Interamerican Development Bank. Page XXV. https://bit.ly/3SPRxBI

12. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 11. https://bit.ly/3QzNg2z

13. OECD (2019) Mapping of Investment Promotion Agencies: Middle East and North Africa. Page 26. https://bit.ly/3SPoQVo. And also, OECD (2018) OECD mapping of med IPAs 2018. Preliminary analysis. Page 24-25.

TABLE 4: ACP IPAS' MANDATES, COMPARISON OF MANDATES ACROSS 4 STUDIES

Mandates	ACP	ILO-WAIPA[14]	OECD Mapping [15]	WBG-WAIPA[16]
	In percent			
Promotion of inward FDI	100	74	100	97
Domestic Investment (incl. outward)	97	75	69	67 + 31 (outward)
Export promotion	73	37	56	51
Private-Public Partnership promotion/facilitation	88	50	9	15
Helping to shape related government policy	92	72		64
Foreign investment charter	67			
Negotiation / drafting model investment treaties	72	19	9	27
Ombudsperson	57		26	
Start-up and innovation	90		56	38
Incentive administration	75			38
Special Economic Zones (SEZs)	53		3	22

There are three other mandates, which ACP IPAs are significantly more likely to have than the respondents to the ILO-WAIPA study:

- Export promotion with 73 per cent of ACP IPAs, compared to 37 per cent of IPAs in the ILO-WAIPA study and 51 per cent in the WBG-WAIPA study.
- Negotiation/drafting international investment agreements, 72 per cent of ACP IPAs compared to 19 per cent observed in the ILO-WAIPA IPA study, 9 per cent of OECD IPAs and 27 per cent in the WBG-WAIPA study.
- Public-private partnerships 88 per cent of ACP IPAs, against 50 per cent observed in the ILO-WAIPA IPA study, 9 per cent in OECD countries and 15 per cent in the WGB-WAIPA study.

The next three mandates focus on making the business climate more attractive. 92 per cent of ACP IPAs have a mandate to improve the investment climate, 67 per cent to develop a foreign investment charter and 57 per cent for a foreign investment ombudsperson (26 per cent in the OECD in 2018)[17].

The presence of an ombudsperson office gives a strong (political) signal of the importance government attaches to effectively and efficiently dealing with investor grievances and complaints, which could explain the value ACP countries place on this mandate.

When it comes to start-up and innovation, 90 per cent of ACP IPAs have this mandate while incentive administration is covered by 75 per cent of them. Administration of special economic zones or industrial parks (collectively referred to as SEZs) was covered by 53 per cent of ACP IPAs.

14. International Labour Organization (2022) The contribution of IPAs to achieving SDG 8. Report of the ILO-WAIPA survey of investment promotion agencies on inclusive economic growth and decent work. Page 20. https://bit.ly/3G8ajg4
15. OECD (2018) Mapping of Investment Promotion Agencies in OECD Countries. Page 24-25. https://bit.ly/3SJj2Na
16. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 11. https://bit.ly/3QzNg2z
17. OECD (2018) Mapping of Investment Promotion Agencies in OECD Countries. Page 46. https://bit.ly/3SJj2Na

In addition, 58 per cent of ACP IPAs deliver other mandates beyond the 11 surveyed. These other mandates can be grouped into 3 areas:

1. Funding, grants, financial support and asset management.

2. Infrastructure and development projects.

3. Supporting MSMEs and SMEs.

The study found no connection between the size (by number of full-time employees) or the geographic location of an IPA and the number of mandates it held. In the Pacific, excluding one IPA, which only has one mandate, the average is 8 mandates, while in Africa the average was 8.4 of the 11 mandates. In the Caribbean, the average is 6 mandates, but again that figure is reduced by one Caribbean IPA with only 2 mandates, and another with just 4.

The wide range of mandates that ACP IPAs are being asked to cover illustrates the key role they play in the economic development of their countries and regions. A positive aspect of distributing public mandates across fewer institutions includes the co-location of teams dealing with different mandates, which usually leads to increased collaboration. Multiple mandates have the potential to increase performance when there are clear internal governance structures that stimulate horizontal cooperation amongst different departments, for example, between the department dealing with domestic investment promotion and the one focusing on export promotion.

However, additional mandates do require additional resources. The IDB study states that "on average, adding a new mandate is estimated to cost US$1.3 million."[18] Hence, ACP IPAs need to ensure they have sufficient funds as well as the appropriate stakeholder and managerial support to successfully perform each individual mandate. Without sufficient funds and support, multiple mandates can result in 'mandate overload', where its negative effects outweigh the benefits that stem from increased collaboration.

Other challenges might include overlap with other public organizations, adding complexity to the number and type of collaborative institutional interfaces to be identified, managed, and developed. Further negative effects can also stem from a mismatch between the expectations of funders, policymakers, and the beneficiaries of IPAs' services with actual delivery and progress on targets for each mandate. Competition for shared public resources can be exacerbated by a lack of autonomy, and a lack of in-house capacity, particularly for those mandates that require sophisticated skills. Possible conflicts of interest are also potential negative consequences that must be taken into account. Any conflicts of interest, even those that are unintended, might result in tensions with stakeholders, weaken collaboration and result in difficult decision-making at leadership level. All of this is likely to reduce the quality of service provided and therefore affect how ACP IPAs perform their mandates including their FDI mandate.→

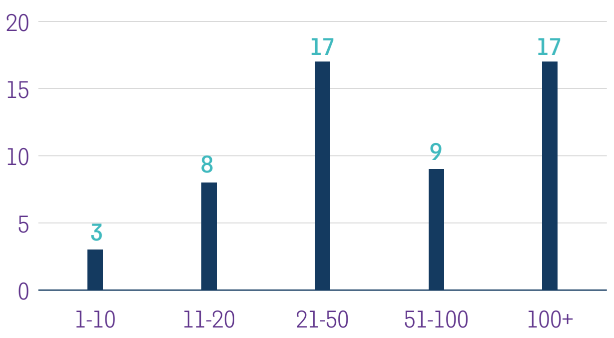
18. Volpe, C. & Sztajerowska, M. (2019) How to solve the investment promotion puzzle: A mapping of investment promotion agencies in Latin America and the Caribbean and OECD countries. Washington, D.C, Interamerican Development Bank. Page: XXV. https://bit.ly/3SPRxBI

2.4 Human Resources of ACP IPAs

FROM VISION TO CAPACITY TO EXECUTE

The number of persons that an IPA employs strongly influences its ability to carry out its mandates. Having seen that ACP IPAs are covering a comparatively high number of mandates, one would expect them to also have a rather large workforce.

FIGURE 9: IPA HEADCOUNT



The survey found that the large majority of ACP IPAs have more than 20 full-time equivalent (FTE) employees, with 31 per cent having even more than 100 (see Figure 9). Only three ACP IPAs have 10 or fewer employees. Across ACP IPAs, 73 per cent of employees are professionals and 27 per cent are in clerical roles. On average, ACP IPAs employ 63 professional staff (median 23), and 23 clerical staff (median 10) (see Table 5).

TABLE 5: IPA STAFF KEY FIGURES

IPA Staff	Professional	Clerical	Total Staff
Mean	63 FTE	23 FTE	85 FTE
Median	23 FTE	10 FTE	42 FTE
Female Share	53 %	42%	47%

In terms of geographic variation, all Pacific IPAs and 70 per cent of the Caribbean IPAs have fewer than 50 employees. African IPAs have around 100 FTE on average (median 60), the high average being due to one IPA employing 700 staff members. LDC-ACP IPAs have almost double the amount of FTE on average than non-LDC-ACP IPAs (136 vs. 61), with 50 per cent of LDC- ACP IPAs employing more than 100 full time staff members. In comparison, "the median LAC IPA employs 100 staff, 32 of whom work on investment promotion. The median number of investment promotion staff is 20 in LAC IPAs and 41 in OECD IPAs."[19] This shows that although ACP IPAs cover more mandates on average than OECD IPAs, they only have a marginally higher median headcount, underlining the challenge of 'mandate-overload'.

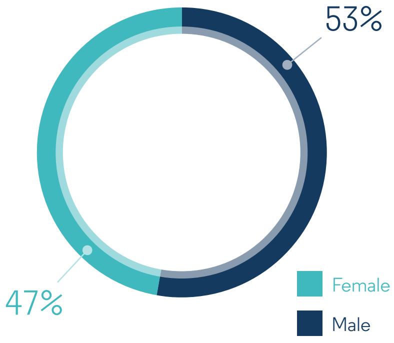
Throughout the COVID-19 pandemic, 28 per cent of ACP IPAs increased their headcount, 11 per cent reduced headcount and at 61 per cent of IPAs headcount was unchanged, suggesting that COVID-19 did not have a significant impact on headcount at ACP IPAs. This is contrary to the narrative surrounding headcount reductions as FDI levels plummeted early in the pandemic. Table 6 shows that the largest increase was in ICT/digitalization/data staff, 30 per cent, which reflects the growing importance of digitalization, to be discussed later.

TABLE 6: CHANGE IN STAFF DURING COVID-19

Changes in Staff	Increased significantly	Increased	No change	Decreased	Decreased significantly
	In percent				
Professional	12	16	56	11	5
Clerical staff	9	18	66	5	2
ICT/Digitalization/Data related staff	9	21	61	7	2

19. Volpe, C. & Sztajerowska, M. (2019) How to solve the investment promotion puzzle: A mapping of investment promotion agencies in Latin America and the Caribbean and OECD countries. Washington, D.C, Interamerican Development Bank. Page 29-30. https://bit.ly/3SPRxBI.

FIGURE 10: GENDER SPLIT OF EMPLOYEES



Gender is presented from various angles in this report (see Chapter 3.3 and Chapter 5.3.1).

Only 15% of the surveyed ACP institutions are ISO 9001 certified

2.5 Gender Equality

GENDER EQUALITY IS NOT AN ISSUE AT ACP IPAS

It is reassuring to observe from the responses to the survey that the gender split of employees at ACP IPAs is close to 50:50 (see Figure 10). Gender equality, especially amongst professional staff does not seem to be an issue in ACP IPAs with 53 per cent of them being women. However, there is room for improvement amongst clerical staff with a smaller female share of only 42 per cent.

When it comes to gender balance at leadership levels, work remains to be done at ACP IPAs (and also at IPAs generally), as in 2020, UNCTAD found that only 5 per cent of leadership roles in African IPAs are filled by women and 2 per cent in Asia-Pacific, as compared to 21 per cent of IPAs globally[20].

2.6 Quality Management

A QUALITY ENABLER: ISO 9001 CERTIFICATION

In the context of governance and operations of IPAs, it is also important to look at quality management and related certification. A straightforward way for an IPA to demonstrate its commitment to providing high standards of service to investors is through ISO 9001 certification. ISO 9001 Quality Management Systems standards have been around since the 1980s and more than a million companies, across all industries and countries, have obtained ISO 9001 status. Having ISO 9001 certification communicates standardized business excellence and "helps ensure that customers get consistent, good-quality products and services, which in turn brings many business benefits."[21]

Therefore, having an ISO 9001 certification gives a positive signal to potential investors and creates conducive frameworks and conditions to monitor and evaluate IPA effectiveness and manage related performance metrics for internal and external reporting.

However, currently only 15 per cent of the surveyed ACP institutions are ISO 9001 certified. This may in part be due to the small size of many of the IPAs and that several of them are only a few years old. The smallest ACP IPA with ISO 9001 certification has 34 FTEs. →

20. UNCTAD (2020) Mainstreaming gender equality in investment promotion. The IPA Observer, issue 10. Page 5. https://bit.ly/46lQP2e

21. International Organization for Standardization (n.d.) ISO 9001 and related standards. Quality management. https://bit.ly/46oLyqH

FIGURE 11: BUDGET DISTRIBUTION

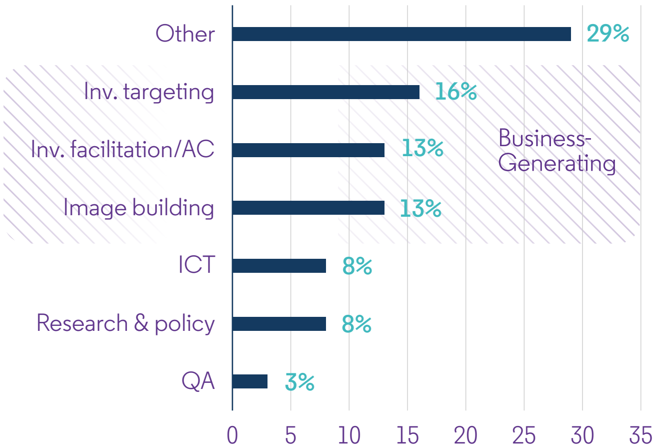
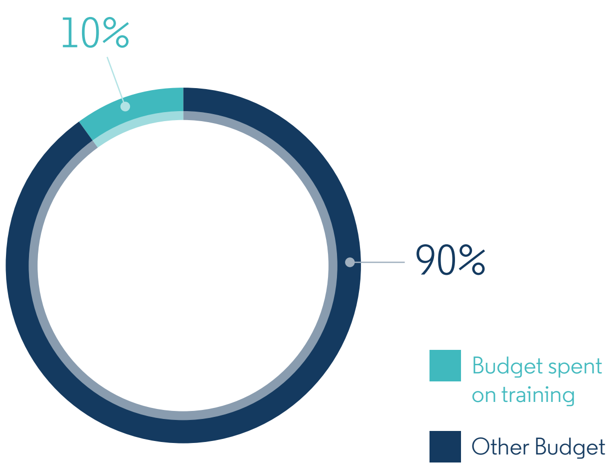


FIGURE 12: BUDGET SPENT ON TRAINING



2.7 Budgets

BUDGETS PROVIDE AN INDICATION OF PRIORITIES

Participating IPAs were asked what percentage of their overall budget was allocated to six FDI functions.

> As can be seen in Figure 11, investment targeting attracts 16 per cent of budgets, investment facilitation and aftercare 13 per cent and image building 13 per cent.

A considerable 29 per cent is classified as 'other', which might be due to the multiplicity of mandates and begs the question as to whether this supports FDI delivery, irrespective of the size of the budget.

The IDB study identified that in OECD and LAC countries "overall, investment generation, facilitation and retention jointly account for roughly three-quarters of IPAs' investment promotion budget and staff."[22] Assuming that in the IDB study, image building is part of investment generation, and that staff expenses are included in the ACP budget, then the OECD/LAC's IPAs allocate significantly more resources to FDI-specific, business-generating and client-facing functions than ACP IPAs do (75 per cent vs. 42 per cent). Considering this disparity, the question arises if ACP IPAs are allocating their budgets in a way that ensures the maximum possible impact on business.

The remaining budget is allocated to ICT (8 per cent), research and policy advocacy (8 per cent) and quality assurance (3 per cent). IPAs also note a 10 per cent spending on training (see figure 12).

22. Volpe, C. & Sztajerowska, M. (2019) How to solve the investment promotion puzzle: A mapping of investment promotion agencies in Latin America and the Caribbean and OECD countries. Washington, D.C, Interamerican Development Bank. Page XXV. https://bit.ly/3SPRxBI

2.8 Publicly Available Information

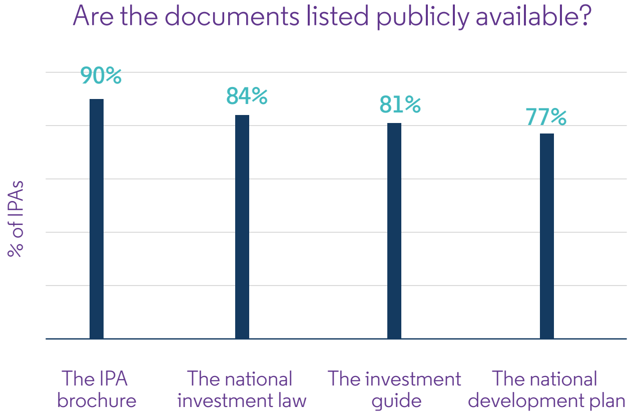
INVESTORS APPRECIATE ALL RELEVANT INFORMATION BEING MADE PUBLICLY AVAILABLE

These days, particularly post-pandemic, investors expect easily accessible (i.e., digitally stored and searchable), accurate data and information to help inform their investment decisions. Moreover, they consider the public availability of key investment-related documents to be an indication of ease of doing business, transparency, and accountability.

In the chapter 2.3. on mandates of ACP IPAs, it was unearthed that promotion of FDI is one of the core priorities for all participating institutions. Consequently, ACP IPAs should also inherently embrace the task of creating and publishing relevant promotional material and documents. The survey found that the majority of ACP IPAs make key investment-related documents publicly available (see Figure 13). The IPA's promotional brochure is the most common document made available (90 per cent of participating IPAs), followed by the national development law (84 per cent), the investment guide (81 per cent) and the national development plan (77 per cent). These documents should not only inform the investor community about the country and processes of investing locally, but also consider stakeholder engagement with peer public agencies, trade bodies and other actors in the FDI ecosystem who have a stake in the overall investment climate and location attractiveness.

In its 2018 survey, the OECD looked at the managerial documents IPAs use and whether or not they are made public. The most commonly cited documents are an IPA's strategy, targets, business plan, activity reports and financial reports, with 44 per cent of OECD IPAs[23] and 33 per cent of LAC IPAs[24] making these documents available to the public. However, sharing alone is not sufficient, as a paper from the Asian Development Bank (ADB) noted, "the key to successful government reports—those which actually contribute to improved government performance — is steady support from influential champions,"[25] and how the shared information is used to create societal value. Continuous updating of publicly available information is also important to timely reflect critical and investor-relevant regulatory changes affecting the business environment. →

FIGURE 13: DOCUMENTS LISTED PUBLICLY



23. OECD (2018) Mapping of investment promotion agencies in OECD countries. Page 78. https://bit.ly/40GxZS3

24. Volpe, C. & Sztajerowska, M. (2019) How to solve the investment promotion puzzle: A mapping of investment promotion agencies in Latin America and the Caribbean and OECD countries. Washington, D.C, Interamerican Development Bank. Page 19. https://bit.ly/3SPRxBI

25. Asian Development Bank (2016) Government Public Performance. https://bit.ly/3T9duf7. And also, Tryens, J. (2016) Government public performance reporting. Is it worth the effort? ADB Governance Brief, issue 26. Page 2. https://bit.ly/3QABx3D

2.9 SDGs

THE SDGS AS A BLUEPRINT TO GUIDE FDI DECISION-MAKING

The United Nations' Sustainable Development Goals (SDGs) guide the FDI decision-making of both investors and FDI host countries. The World Economic Forum analyzed 8,550 companies listed in the MSCI All Country World Index[26] to assess business alignment to the UN SDGs goals. "Broadly speaking, companies fell mostly in the middle — roughly 38 per cent were aligned while almost 55 per cent were misaligned or neutral. Meanwhile, just 0.2 per cent of companies were strongly aligned with the UN SDGs."[27]

As business increasingly embraces the SDGs, IPAs have the opportunity to leverage the SDG framework to accelerate efforts in targeting FDI, ensuring that the SDG framework is clearly reflected in investment proposals and that the monitoring of investments is aligned with SDG targets. Likewise, IPAs typically ensure their strategic plans are also aligned with the SDGs. As the WBG-WAIPA study found, "IPAs' strategies are influenced by the SDGs, mostly when identifying priority sectors and activities."[28]

In particular, IPAs prioritize projects linked to a specific SDG, which articulate a country's SDG investment plans to (potential) investors, and which engage with government-wide initiatives that facilitate SDG implementation. Moreover, IPAs' position at the intersection between private sector and government interests is conducive for them to act as advocates for SDG implementation. Indeed, some advanced IPAs record the SDG contributions investors are making and are now looking at how they can further support investor-led SDG implementation. By doing so, these IPAs also generate important data underpinning country's SDG reporting.

UN SDGs shape FDI choices for investors and host nations

0,2%

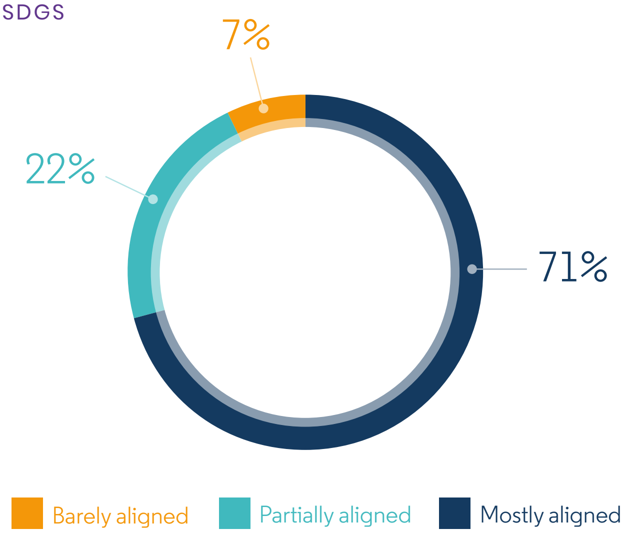
Only 0.2% firms strongly aligned with UN SDGs

26. World Economic Forum (2021) UN Sustainable Development Goals: How companies stack up. See: https://bit.ly/3MGaDGI
27. World Economic Forum (2021) UN Sustainable Development Goals: How companies stack up. See: https://bit.ly/3MGaDGI
28. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page XI. https://bit.ly/3QzNg2z

IPAs increasingly offer SDG-related facilitation services, for example to help investors achieve carbon-neutrality, source renewable green energy or offer decent jobs. Other efforts include greening local supply chains, fostering knowledge transfer to local SMEs, helping domestic companies export to markets with high environmental standards and connecting start-ups with SDG-related innovation with corporate ventures.

Another angle that connects SDG implementation and FDI involves improving the investment climate; this is where IPAs help shape SDG-friendly policies or draft investment treaties that foster sustainable growth and proactively drive a pro-SDG agenda. For example, WAIPA's IPAs of the G20 Nations initiative[29] provides a structured common platform to foster the achievement of SDG targets, climate resilience and inclusive growth.

FIGURE 14: ALIGNMENT BETWEEN STRATEGIC PLANS & SDGS



With regards to ACP IPAs, the survey found that 71 per cent of their strategic plans are mostly aligned with the SDGs, 22 per cent are partially aligned, while only 7 per cent of ACP IPAs have little alignment between their strategic plan and the SDGs (see Figure 14).

These figures suggest that SDGs are important to the majority of ACP IPAs, and by extension to their boards, which could be a consequence of the majority of ACP's IPAs being part of the public sector.

HOWEVER, ACP IPAS DO NEED SUPPORT IN MEETING THE SDGS

In 2020, UNCTAD observed that "there is demand by IPAs for guidance on how to align their investment promotion efforts to national SDG objectives. This demand has increased during the pandemic in line with renewed national priorities and in the face of new threats to the advancement of the SDG agenda."[30] Though not exclusively, ISO certifications could offer an interesting reference point for SDG implementation. For each SDG, ISO has identified the standards that provide the most relevant guidance towards meeting that goal. Indeed, these standards "provide a solid base on which innovation can thrive and are essential tools to help governments, industry and consumers contribute to the achievement of every one of the SDGs."[31]

29. IPAs of the G20 nations (n.d.) See: https://bit.ly/3uo5KLQ

30. UNCTAD (2020) Mainstreaming gender equality in investment promotion. The IPA Observer, issue 10. Page 2. https://bit.ly/46lQP2e

31. International Organization for Standard (n.d.) Sustainable Development Goals. See: https://bit.ly/3QOK8Qg

Chapter 3: Focus of ACP IPAs

IPAs across the world carefully select which sectors and countries to target, focusing on those that best match their industrial policy objectives. When prioritizing which countries to target, IPAs typically consider sectoral matching, competitive advantage, and strength of connection to that country. In particular, they focus on existing economic links, historical connections, linguistic similarities, diaspora connections and geographical proximity. Furthermore, value chain analysis is increasingly used to understand the role locations play in global value chains, and this insight helps to further refine targeting efforts.

In 2020, the WBG-WAIPA study observed that targeting is indeed a key part of successful FDI attraction.[1] The two main components of FDI targeting are geography and sector. Secondary factors include the size of company, stage of maturity of business, ease of access, familiarity with host country, level of innovation and carbon-footprint. →

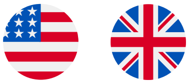
1. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page XI. https://bit.ly/3QzNg2z

3.1 Geographies Targeted by ACP Countries

LOCATION MATTERS FOR EFFECTIVE FDI

The survey results reflect the world's shifting geopolitical dynamics. China, which has been investing heavily across the world in recent years[2], is a key target for 73 per cent of ACP IPAs, particularly those that are resource rich. Indeed, almost all African respondents, and the majority of the Caribbean and Pacific IPAs have signed cooperation agreements with China relating to China's BRI.[3] Beyond China, the two dominant target countries of ACP IPAs are the USA and the UK.

China is a key target for 73%of ACP IPAs



USA and the UK are the two other **dominant target countries** of ACP IPAs

Target sectors can also be linked to regional strategies of large capital exporting countries (or regional groupings of such countries), such as the EU's Global Gateway initiative. Through this initiative, the EU has allocated €300 billion for investments in digital, climate and energy, transport, health, education and research projects,[4] half of which is intended for African countries.[5] The initiative allocated a "€6.05 billion package in financial guarantees to support 40 investment programmes in Sub-Saharan Africa, Latin America Asia and the Pacific. The guarantees are expected to generate more than €50 billion in investments in key sectors, such as renewable energy, digital infrastructure and climate resilience and health. The package also includes a new green bond programme."[6]

Moreover, there are the European Partnership Agreements (EPAs) which seek to bring "trade relations with ACP countries in line with WTO rules, allow the granting of trade preferences to developing countries, but prohibit discrimination among them."[7] The EPAs also foster economic diversification, which necessarily "requires intermediate goods and industrial equipment that [the] liberalization of EU imports into ACP countries could provide at lower prices."[8] ACP IPAs could benefit from incorporating EPA-related products and services in their targeting efforts as "EPAs are expected to attract EU investors to the region by offering them legal certainty."[9] However, EPAs can have ramifications on the investment climate, as they imply rules to promote fair competition,

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2. Merem, E. C., Twumasi, Y. A., Wesley J., et al. (2021) The assessment of China's scramble for natural resources extraction in Africa. World Environment, 11 (1). See: https://bit.ly/3MP4t6K
3. Green Finance & Development Center (2022) Countries of the belt and road initiative (BRI). See: https://bit.ly/3R4MV9x
4. European Commission (n.d) Global gateway. See: https://bit.ly/3sE1MOJ
5. Center for Strategic & International Studies (2022) Global Gateway's Infrastructure Plan for Africa Announced at EU-AU Summit. https://bit.ly/40Hu6fE
6. European Commission (2022) Global Gateway: EU greenlights 40 new guarantee programmes under the European Fund for Sustainable Development plus. https://bit.ly/3RdP0QF.
7. Zamfir, I. (2018) An overview of the EU-ACP countries' economic partnership agreements. Building a new trade relationship. European Parliament Research Service. Page 5. https://bit.ly/3MPSTIC
8. Zamfir, I. (2018) An overview of the EU-ACP countries' economic partnership agreements. Building a new trade relationship. European Parliament Research Service. Page 5. https://bit.ly/3MPSTIC
9. Zamfir, I. (2018) An overview of the EU-ACP countries' economic partnership agreements. Building a new trade relationship. European Parliament Research Service. Page 6. https://bit.ly/3MPSTIC

foster economic efficiency and strengthen regulatory institutions.[10] The Agreements also take account of the threat posed by climate change, sea-level rise and environmental degradation to SIDS and provide guidance when it comes to investment targeting. Article 9 outlines that they "shall invest in green growth, circular economies and renewable energy, ensuring that economic growth goes hand in hand with environmental sustainability."[11] Overall, EPAs offer a framework for how to steer geographic and sector targeting in ACP countries.

REGIONAL DIFFERENCES

AFRICA

In Africa, only China (68 per cent) was named a priority target by more than 50 per cent of the IPAs (see Figure 15). Other countries that are major targets are the USA (47 per cent), the UK (45 per cent), likely due to its historical and diaspora links and economic ties, and India (38 per cent). Other key target areas were other major western European countries, Türkiye, and the Middle East, notably the UAE.

While India was only listed as the 4th most important target country for African ACPs, its importance is growing rapidly and given India's size, population, and geographic proximity to Africa, it is likely to become an increasingly important player in the region. In 2017, India was the seventh largest investor in Africa, with FDI growing from 3.2 billion US dollars in 2008 to 4.9 billion US dollars in 2016.[12] Mauritius received by far the largest share of FDI, 90per cent of the total investment in the continent, largely due to the island nation serving as a routing point for other FDI destinations in Africa.[13] Between 2008 and 2016, East Africa attracted the most investment from India, with a share of 63 per cent.[14] The shares of South and West Africa during the same period were 9 per cent and 5 per cent, respectively.[15]

THE CARIBBEAN

In the Caribbean, North America (especially USA and Canada) is a key target of all 10 Caribbean IPAs that have responded to the survey (see Figure 16). Apart from China, the other major focus was the UK, likely due to historical and diaspora connections, as well as other countries in the Caribbean. →

FIGURE 15: TOP TARGETS FOR AFRICAN IPAS

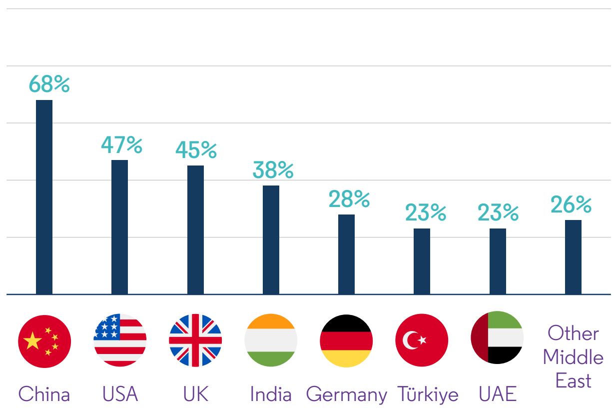
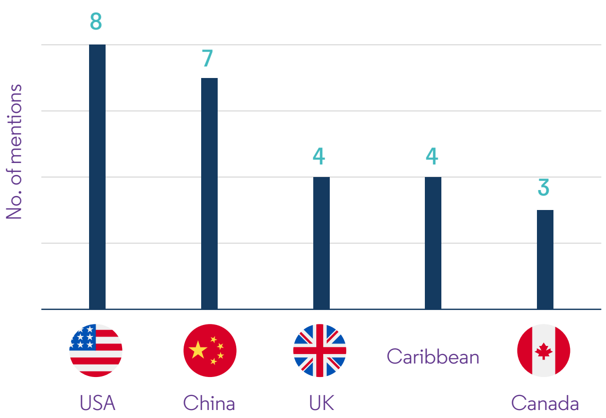
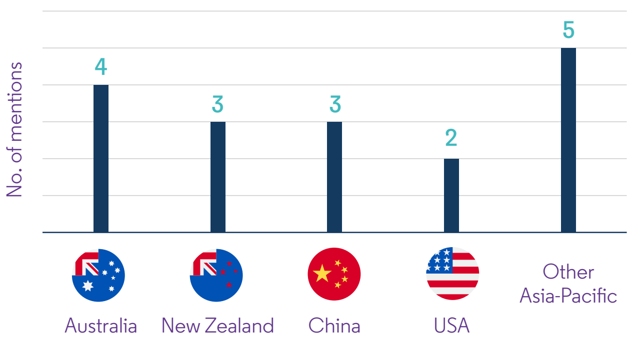


FIGURE 16: TOP TARGETS FOR CARIBBEAN IPAS



10. European Commission (n.d.) EU trade relations with Caribbean countries. Facts, figures and latest developments. https://bit.ly/47EMW9o
11. European Commission (n.d.) EU trade relations with the Pacific. Facts, figures and latest developments. https://bit.ly/3MNWpn8
12. Chakrabarty, M. (2018) Indian Investments in Africa: Scale, Trends, and Policy Recommendations. Observer Research Foundation. Page 6. https://bit.ly/46mLeZc
13. Chakrabarty, M. (2018) Indian Investments in Africa: Scale, Trends, and Policy Recommendations. Observer Research Foundation. Page 8. https://bit.ly/46mLeZc
14. Chakrabarty, M. (2018) Indian Investments in Africa: Scale, Trends, and Policy Recommendations. Observer Research Foundation. Page 11. https://bit.ly/46mLeZc
15. Chakrabarty, M. (2018) Indian Investments in Africa: Scale, Trends, and Policy Recommendations. Observer Research Foundation. Page 8. https://bit.ly/46mLeZc

FIGURE 17: TOP TARGETS FOR PACIFIC IPAS



THE PACIFIC

In the Pacific, all four IPAs surveyed include Australia, and three of the four target New Zealand and China among their top five targets (see Figure 17). Many other countries from the Asia-Pacific region, such as Indonesia, Fiji and Japan, were also indicated as targets. However, only once was a European country mentioned (France). This suggests that, particularly for small island countries, it is both practical and realistic to focus on attracting investment from countries in their geographic area, in this case, the Asia-Pacific region.

3.2 Sectors Targeted by ACP Countries

SECTORAL SEGMENTATION IS KEY TO FDI SUCCESS

In addition to targeting specific countries, IPAs also target specific sectors, usually those where they have a competitive advantage, such as in natural resources, or a sector they would like to enter into ACP countries to meet policy or SDG objectives. More specifically, as the WBG-WAIPA report established, target sectors are drawn from national development plans or a similar high-level strategic policy document (81 per cent) or based on comprehensive research on global demand and FDI emerging trends (49 per cent).[16] The report also noted that with an average of 11 'priority' sectors, many IPAs target too many sectors.

A particular benefit of sector targeting, as Harding et al. established, is that "sectors targeted by investment promotion agencies receive twice as much FDI in the post-targeting period relative to the pre-targeting period than non-targeted sectors."[17] Moreover, the paper found that targeted investment promotion in developing countries generates "about 68 per cent more jobs for MNC affiliates in targeted sectors as compared to non-targeted sectors".[18]

However, it should be noted that sector targeting is a dynamic space. Almost half of OECD IPAs changed their sector priorities between 2019 and 2020, and half of those have made changes at least partly because of COVID-19. The main drivers behind changes in targeting, however, lie elsewhere: "Overall, OECD IPAs see longer-term trends – such as the increased role of sustainability and digitalization – as impacting their priorities more than the pandemic itself"[19]. In 2021, according to the WBG-WAIPA study, the most popular sectors targeted were renewable energy (68 per cent of IPAs) and information technology (IT) services (62 per cent of IPAs).[20] The lesson for ACP IPAs is that target sectors should be reviewed on an ongoing basis.

When looking at the key sectors, the 2021 WBG-WAIPA survey found that primary sector activities is the top sector for 81 per cent of upper-middle-income countries, 87 per cent of the lower-middle-income group and 100 per cent of the low-income group.

The study findings present a more nuanced picture. While agriculture and aquaculture are important sectors, secondary and tertiary subsectors were more frequently mentioned by ACP IPAs overall (as shown in Table 8). However, when considering the prevalence of agriculture, aquaculture, and agro processing as key sectors collectively, their significance for ACP IPAs becomes evident (as depicted in Table 7).

16. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page XI. https://bit.ly/3QzNg2z

17. Harding, T. & Javorcik, B. (2012) Roll out the red carpet and they will come: Investment promotion and FDI inflows. University of Oxford. Page 12. https://bit.ly/40PpyEe

18. Harding, T. & Javorcik, B. (2012) Roll out the red carpet and they will come: Investment promotion and FDI inflows. University of Oxford. Page 18. https://bit.ly/40PpyEe

19. Sztajerowska, M. & Volpe, C. (2021) Together or apart: Investment promotion agencies. Prioritization and monitoring and evaluation for sustainable investment promotion. OECD, Investment Insights. Page 1. https://bit.ly/3MQAVFW

20. Sztajerowska, M. & Volpe, C. (2021) Together or apart: Investment promotion agencies. Prioritization and monitoring and evaluation for sustainable investment promotion. OECD, Investment Insights. Page 7. https://bit.ly/3MQAVFW

Across all three ACP regions, the top sectors targeted are agriculture, aquaculture, and agro processing, followed by manufacturing and tourism. The energy sector ranks fourth in terms of priority.

The similarity in priority sectors across the different regions suggest that ACP IPAs have more characteristics in common than their geographical differences might suggest (Table 7).

TABLE 7: KEY SECTORS BY REGION (PER CENT OF IPAS THAT MENTIONED A SECTOR AS A PRIORITY)

Key sectors	Africa	Caribbean	Pacific
		In percent	
Agriculture, aquaculture, agro processing	93	80	75
(excl. agro processing)	71	40	75
Manufacturing	73	80	75
Tourism	51	80	75
Energy	44	40	-

1. **Agriculture, aquaculture and agro processing** was mentioned more than once by some institutions, illustrating their desire not just to grow or catch/harvest/produce, but also to move up the value chain by processing the output. Agriculture is key to promoting economic growth and alleviating poverty and hunger in many ACP countries. According to the most recent World Bank data, except for the Caribbean subgroup, the agriculture, forestry, and fishing sector's contribution to the GDP of the ACP region in 2019 exceeded 16 per cent, slightly surpassing the average of lower middle-income countries.[21] Although its role in employment generation has declined, in 2021, agriculture still accounts for more than 52 per cent of total employment in sub-Saharan Africa and 35 per cent in the Pacific Small Island States.[22] Agriculture also accounts for a larger portion of total trade for the ACP countries than for the developing countries as a group.[23] However, low diversification and productivity, combined with stringent market conditions create a largely unfavourable environment for ACP countries. The World Bank notes that the main challenge concerns the competitiveness of the agricultural sector and its up- and downstream activities, underlining that investment in agricultural research and development services is limited and inadequate.[24]

2. **Manufacturing:** With export-driven FDI featuring highly in developing economies, manufacturing is a sector that around three-quarters of ACP IPAs prioritize. The sector not only generates a significant number of jobs, both directly and indirectly, but also helps diversify the economy. Diversification is of particular importance for resource-rich countries that are seeking to reduce their reliance on a narrow range of industries linked to raw material extraction. While manufacturing ranks among the top global job creators,[25] its job creation value in ACP countries is linked to ACP countries' role in global value chains. →

21. World Bank DataBank (n.d.) Agriculture, forestry, and fishing, value added (per cent of GDP) - Caribbean small states, Pacific island small states, Sub-Saharan Africa, Low income, Lower middle income. https://bit.ly/3upqTW9

22. World Bank DataBank (n.d.) Employment in agriculture (per cent of total employment) (modeled ILO estimate) - Caribbean small states, Pacific island small states, Sub-Saharan Africa. https://bit.ly/40Ie6Kx

23. Christiaensen, L. (2017) Can agriculture create job opportunities for youth? World Bank. See: https://bit.ly/3sKEwyz

24. Christiaensen, L. (2017) Can agriculture create job opportunities for youth? World Bank. See: https://bit.ly/3sKEwyz

25. IBISWorld (2023) Global Biggest Industries by Employment in 2023. See: https://bit.ly/40TcCNt

ACP countries' "generally small economies, low production, the prevalence of small-scale producers and suppliers and the resulting challenges in achieving economies of scale mean that plugging into existing value chains co-ordinated by multinational corporations (MNCs) is difficult."[26] In many small local economies, most manufactured products are exported. However, UNCTAD observed that tariffs and non-tariff measures (NTMs) remain major obstacles in increasing the trade performance growth of ACP member states. Other factors include access to maritime transport shipping networks, container services, seaport infrastructure, and low performance in e-commerce, even when compared to the developing country average.[27] Nonetheless, investors are still keen to invest in manufacturing, as for example observed under the UK-led Manufacturing Africa Programme.[28]

3. **Tourism:** Travel and tourism are key to the economies of ACP countries, contributing 36 per cent of GDP and 0.3m jobs in the Caribbean, 23 per cent of GDP and 1.6m jobs in Africa.[29] Moreover, international tourism constituted almost 50 per cent of exports in the Small Pacific Islands States in 2019.[30] Therefore, it comes as no surprise that a significant majority of ACP IPAs focus their investment targeting strategies on this sector. Eight ACP countries, including the Seychelles and 7 Caribbean islands are on the list of top-10 countries that are dependent on the tourism industry.[31] The World Travel and Tourism Council (WTTC) established that 1 in 10 jobs globally are related to tourism.[32] Furthermore, the United Nations World Tourism Organization (UNWTO) estimates that 1 job in the core tourism sector creates 1.5 additional or indirect jobs in the tourism-related economy.[33] The COVID-19 pandemic had a significant impact on the tourism sector in ACP countries (see Box 1). The economic importance of accelerating job recovery in the tourism industry in ACP countries therefore cannot be overstated.

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26. Draper, P., Freytag A., & Frick, S. (2015) The Potential of ACP Countries to participate in global and regional value chains: A mapping of issues and challenges. The South African Institute of International Affairs, No. 19. Page 6. https://bit.ly/40SWj3m
27. UNCTAD (2018) Key statistics and Trends in Economic Integration: ACP Region. Page VII. https://bit.ly/3sxQnA9
28. Source: https://bit.ly/49JwJBB
29. World Travel & Tourism Council (n.d.) Economic impact reports. See https://bit.ly/3QJ7N4J
30. World Bank DataBank (n.d.) International tourism, receipts (per cent of total exports) - Pacific island small states. See: https://bit.ly/49DhUAR
31. World Travel & Tourism Council (2017) Where does Travel & Tourism create the most jobs? See: https://bit.ly/3QJ7R4t
32. World Travel & Tourism Council (2017) Where does Travel & Tourism create the most jobs? see: https://bit.ly/3QJ7R4t
33. United Nations World Tourism Organization (2019) World tourism Day 2019. See: https://bit.ly/3G8kbX5

BOX 1: COVID-RELATED JOB LOSSES IN ACP COUNTRIES

COVID 19-related job losses in ACP Countries

-25%

Employment in the Caribbean travel & tourism sector fell by 25per cent from 2.8 million jobs in 2019 to 2.1 million in 2020.*

-50%

In Africa the loss of jobs was estimated at 12.4 million, 51 per cent of which was tourism-related employment.**

-64%

In the Pacific Region, the World Bank concluded that countries that are more reliant on international tourism such as Fiji, Vanuatu and Samoa have seen tourism-related employment drops by around 64 per cent.***

* World Travel & Tourism Council (2021) Research reveals Travel & Tourism sector's contribution to Caribbean GDP dropped by $33.9 billion in 2020. https://bit.ly/3SOBiob

** Statista (n.d.) Number of jobs lost in the travel and tourism sector in Africa from the coronavirus (COVID-19) pandemic in 2020, by scenario. https://bit.ly/3SMRCWy

*** World Bank (2021) Reskilling and Labour Migration Vital to the Pacific's Economic Recovery. https://bit.ly/47KeqL7

4. **Energy:** With energy being a key input for economic growth and global energy consumption rising, energy features high on the political agenda of governments across the world. Indeed, Fdi Intelligence reports that, in 2022 a record amount of capital was pledged to wind and hydrogen projects, while oil and gas returned to the top 10 recipients of FDI due to the impact of the war in Ukraine on global energy prices.[34] →

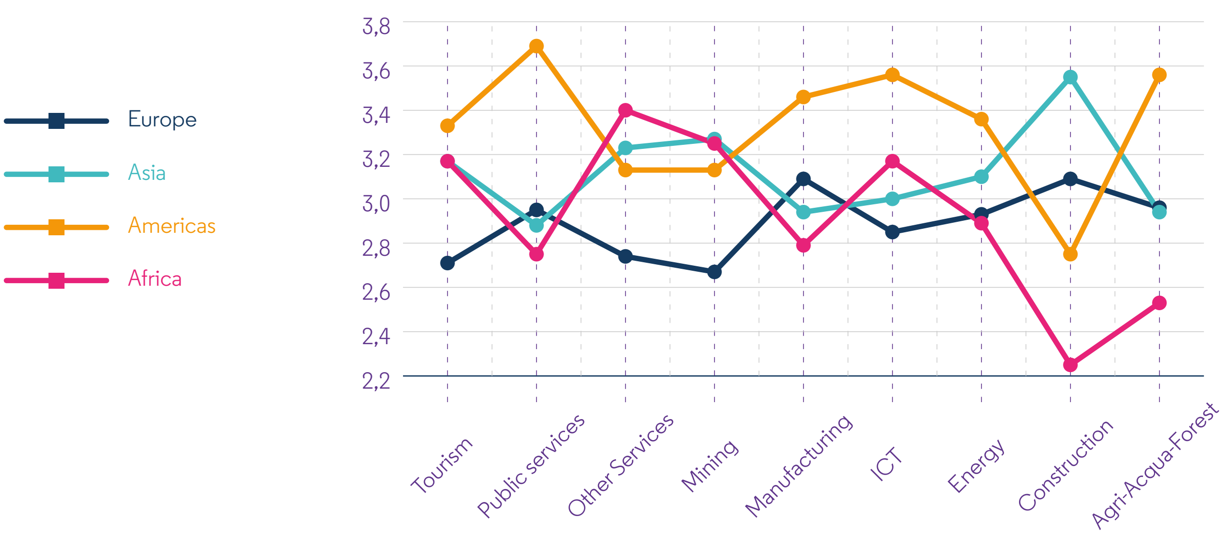
34. Irwin-Hunt, A. (2023) The 2022 investment matrix. FDI Intelligence. https://bit.ly/3GrmNj7

A FULL LIST OF THE INDICATED PRIORITY SECTORS IS SHOWN BELOW:

TABLE 8: KEY SECTORS (INDICATES HOW OFTEN A SECTOR WAS MENTIONED)

Sub-sector/Sector	Primary	Secondary	Tertiary	Grand Total
Agriculture	36	-	-	36
Agro-processing	-	19	-	19
Aquaculture	10	-	-	10
Chemicals man.	-	10	-	10
Construction	-	2	-	2
Energy	-	24	-	24
Food & beverages	-	7	-	7
Forestry	2	-	-	2
ICT	-	-	20	20
Infrastructure	-	7	-	7
Leather processing	-	1	-	1
Manufacturing	-	41	-	41
Mining	15	-	-	15
Other services	-	-	18	18
Public services	-	-	15	15
Real Estate	-	-	1	1
Textile and Garment	-	4	-	4
Tourism	-	-	34	34
Transportation	-	-	3	3
Grand Total	**63**	**115**	**91**	**269**

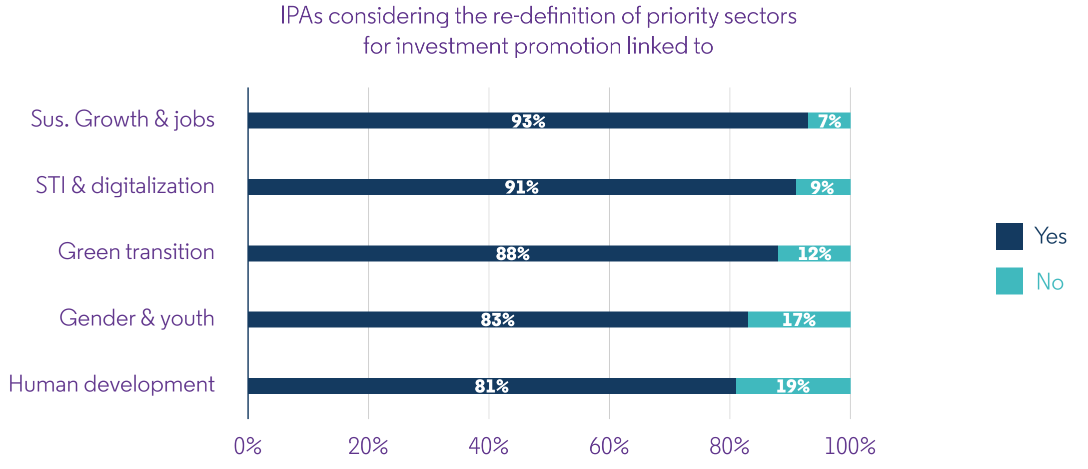
FIGURE 18: SOURCE PRIORITIZATION OF ACP IPAS



When looking at source prioritization by sector (Figure 18), the survey unearthed the different regions, which are targeted by ACP IPAs for different priority sectors:

> ACP IPAs that indicated agriculture, aquaculture and agro processing, public services[35], and ICT as key sectors, mainly target North America. Whereas Asian countries are mostly targeted by ACP IPAs that focus on construction and mining as key sectors. Africa was mostly targeted by countries that indicated 'other services'[36] and mining as a priority sector. Moreover, ACP IPAs focused on manufacturing mainly target Europe as a source region for investment.

FIGURE 19: IPAS CONSIDERING RE-DEFINITION OF PRIORITY SECTORS



In summary, sector targeting responds to a combination of strategic factors, and is also a reflection of market shifts, geopolitical preoccupations, the dynamism of global value chains, and many other factors. Indeed, participating ACP IPAs observe the need to redefine their priority sectors for investment promotion and identified five main drivers to achieve that objective, as shown in Figure 19. The most pressing one is their focus on advancing the agenda of sustainable growth and jobs (93 per cent), science, technology and innovation and digitalization (91 per cent), green transition (88 per cent), gender & youth (83 per cent) and human development (81 per cent). Not surprisingly, these priorities match the areas where ACP are most keen to receive technical assistance (to be further discussed later). →

35. Aggregated under public services is healthcare, education, water supply, waste management and remediation activities; rule of law & security.

36. Other services include transport & logistics; financial services; knowledge services; arts, entertainment and recreation;

3.3 Events Attended by ACP Countries

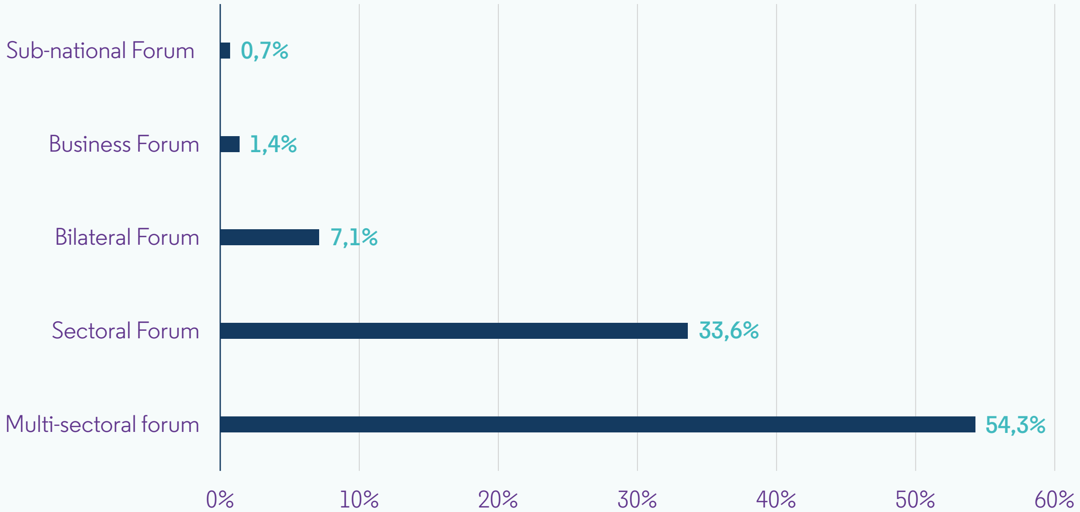
MANY OF THE EVENTS ATTENDED ARE NOT COMMERCIALLY FOCUSED

IPAs must choose events carefully according to their strategic interests

Events such as conferences, seminars and trade fairs are an opportunity for IPAs to meet and directly engage with potential investors. IPAs can either attend events as guests or participants or host their own investment forums or conferences. Typical promotional and lead generation events that IPAs attend include online marketing events, trade fairs, networking events of various types and public relations events. As it is not practical for IPAs to attend all events, they need to carefully select those events that are most likely to meet their strategic interests and reflect their targeting strategies.

Most events that ACP IPAs attend are of a regional or global nature, with just over half being multi-sectoral forums (54 per cent). Around a third (34 per cent) are sector-specific events followed by bilateral events (7 per cent) with specific countries as can be seen in Figure 20.

FIGURE 20: TOP 5 INTERNATIONAL EVENTS



In the survey, ACP IPAs named more than 100 different events that they attend, the most commonly cited events are shown in Figure 21.

FIGURE 21: MOST ATTENDED EVENTS

These results suggest some inconsistency between the events that IPAs attend and the countries and sectors they indicated to reflect targeting priorities (see previous sub-chapter). For example, even though African countries are not among the key target countries of either ACP region, the COMESA-RIA Investment Forum is among the top 4 most attended. China is the most targeted investor, however, CIFIT is only the 5th most cited event. Similarly, ACP IPA participation appears to be relatively low in UK and USA related events, although these are amongst the top-five economies targeted for new investments.

However, much of targeting may be through diplomatic networks in those countries and could also be linked to the availability of funding, grants or subsidies to cover travel and attendance costs. A further consideration is whether attendance at international events is dependent on the attendance of targeted companies and investors, and consequently the likelihood of securing business. Or it is dependent on political priorities and geopolitical affinities that require country representation, even when there are unlikely to be realistic opportunities for investor engagement. Furthermore, if there is mandate-overload, as discussed earlier, staff may not have the time to attend overseas conferences.

Another notable factor is the nature of the most cited events; they are either led by governments or international organizations. No exclusively focused commercial event was in the top 10. This list suggests that ACP IPAs may not be targeting the right events. As important as these gatherings might be, companies looking to expand are more likely to attend more commercially focused events.

While the FDI industry is making significant efforts to attract investors to those conferences cited, ACP IPAs should nevertheless review the events they attend, particularly given their time and budget constraints, to ensure they are maximizing the opportunities to attract FDI to their countries.


00232
00423
00264
FINANCE
1079

Chapter 4: Digitalization of ACP IPAs

As of January 2023, 5.2 billion people, or 64 per cent of the world's population use the Internet.[1] COVID-19 has, as noted in a McKinsey survey, "speeded the adoption of digital technologies by several years—and many of these changes could be here for the long haul."[2] This is no different for FDI.

In 2018, a WAIPA survey established that the future of investment promotion is digital.[3] This is certainly true now, as the pandemic has accelerated the speed at which IPAs digitalize their services, run their operations and collaborate with peer agencies.

Indeed, nowadays investors perform much of their initial research about a country online. The pandemic has increased the use of tools such as virtual tours, drone recordings to assist remote visits and GIS mapping. As a result, any lack of good quality digital tools across the complete investor life cycle via easily accessible solutions such as information portals, digital windows and cross-government permit applications is likely to put a country at disadvantage vis-à-vis its competitors.

Meaningful progress has been made on digitalization, as UNCTAD observed, stating that "the significant efforts that countries are expending on improving information portals and online single windows, as evidenced by the new data from GER.co-data[4] shows that there is broad consensus that (1) information provision, (2) regulatory transparency and (3) streamlining of administrative procedures for investment make the biggest difference for investors."[5]

Against this backdrop, it is unsurprising that the recently published details on the draft IFD Agreement of the WTO include single information portals as one of the main components of the "Transparency of Investment Measures" aimed at facilitating foreign direct investment.[6] →

1. Datareportal (2023) Digital around the world. https://bit.ly/49MywG8
2. McKinsey & Company (2020) How COVID-19 has pushed companies over the technology tipping point—and transformed business forever. See: https://mck.co/49MN1Km
3. WAIPA (2019) Overview of investment promotion: Report of the findings from the WAIPA annual survey of 2018. Geneva. Page 37. https://bit.ly/49LFlaS
4. GER is the acronym for Global Enterprise Registration. https://bit.ly/49HQmdu
5. UNCTAD (2022) Investment facilitation: Progress on the ground. Investment Policy Monitor, issue 6. Page 2. https://bit.ly/3QPELQK
6. World Trade Organization (2023) Factsheet: Investment Facilitation For Development In The WTO. https://bit.ly/3QPELQK

Looking more closely at the use of digital information portals and digital single windows in developing countries (see Box 2 and Figure 22), the numbers show that they are catching up. Between 2016 and 2021 there was an increase of 39 per cent in digital information portals and of 320 per cent in digital single windows in developing countries. Moreover, increasing numbers of LDCs, including many ACP countries, have built best-in-class digital portals (see Box 3), clearly showing that ACP IPAs have the potential and capability to build excellent digital solutions. IPAs that are in the early stages of their digitalization journeys should learn from their peers' digitalization achievements to accelerate their own digitalization programmes.

BOX 2: DIGITAL INFORMATION PORTAL AND SINGLE WINDOWS

Digital information portals

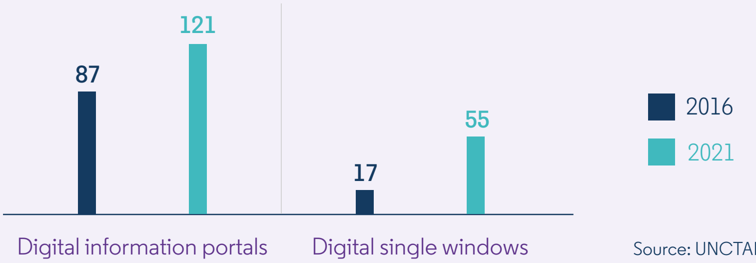
"Digital information portals describe the steps necessary to obtain all mandatory registrations to legally operate a company. This includes incorporating at the business registry, obtaining tax and social security numbers, and receiving relevant sectoral and municipal clearances and licenses. High-quality portals describe the process end-to-end, from the user's perspective, and seamlessly across multiple government agencies. Estimated cost: $250,000-$500,000."

Digital single windows

"Digital single windows combine the approval processes to obtain mandatory registrations and place them online. They reduce the need for investors to travel to meet with government officials, wait in lines and return several times at various stages of the process. Online registration is substantially less expensive than paper-based processes. Online registration systems are best integrated within a broader digital government approach to allow multiple services to be provided on the same system and to foster collaboration across government entities. Estimated cost: $500,000-$1,000,000."

Source: https://bit.ly/3MNzMPs

FIGURE 22: NUMBER OF DEVELOPING COUNTRIES WITH DIGITAL INFORMATION PORTALS AND DIGITAL SINGLE WINDOWS



Source: UNCTAD

BOX 3: BEST IN CLASS INFORMATION PORTALS AND SINGLE WINDOWS IN 2021

UNCTAD's GER.co publishes yearly rankings where they "rate governments' digital information portals on the degree to which they provide transparency on mandatory registrations for businesses". The initiative also evaluates digital single windows established by governments in terms of their effectiveness in facilitating online registration processes for businesses and investors.

In 2021, several ACP countries were included amongst the list of:

Best information portals: Benin, Burkina Faso, Cameroon, Comoros, Guinea-Bissau, Lesotho, Mali, Rwanda, Solomon Islands, United Republic of Tanzania, Togo & Tuvalu.

Best single windows: Benin, Kenya, Togo & Uganda

Source: UNCTAD (2022) Investment Policy Monitor January 2022. Page 3 - 6. https://bit.ly/3MNzMPs

Digitalization is clearly increasingly important for all IPAs and, as stated above, there is evidence that ACP countries can do it well. However, some ACP IPAs are much more advanced in their digitalization efforts than others. The survey looked at the following factors that affect the introduction of digital tools in the operations of ACP IPAs:

- ACP IPA's current digital capabilities;
- The impact of COVID-19 on digitalization;
- The status of ACP IPAs' digital transformation strategies, including digital transformation priorities, technologies being used or planned to use, and data sharing and security. →

4.1 Current Digital Capabilities

ACP IPAS HAVE LIMITED DIGITALIZATION CAPABILITIES

As discussed earlier, digital transformation is an increasingly important factor in strengthening IPA performance and their competitiveness in attracting FDI. As noted by UNCTAD, digital tools "facilitate site selection, streamline administrative tasks related to investment, support enterprise development and linkages with local suppliers, and to receive investor feedback and grievances."[7]

FIGURE 23: DIGITAL CAPABILITIES OF ACP IPAS

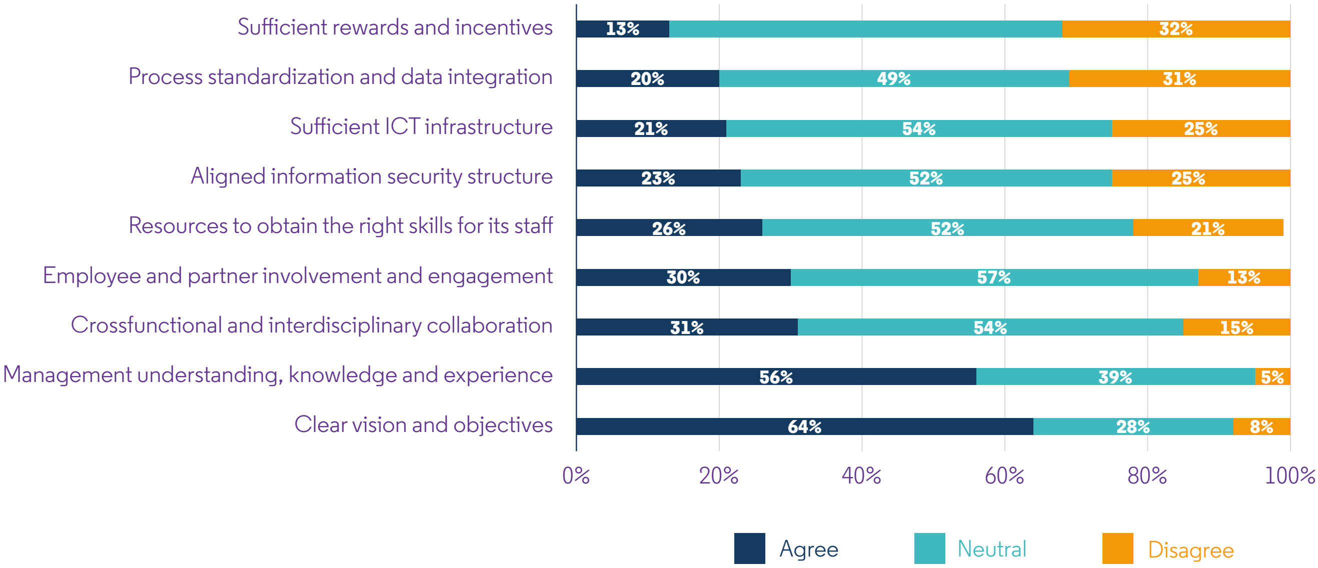
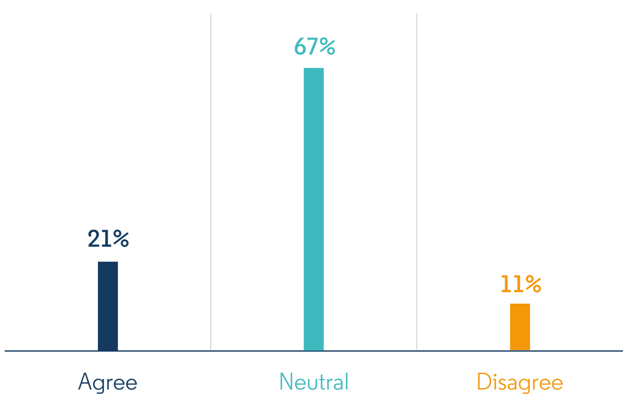


FIGURE 24: PERCEPTION ABOUT DIGITAL CAPABILITIES INSIDE THE IPA



ONLY A FEW IPAS BELIEVE THEY HAVE THE NECESSARY DIGITAL CAPABILITY

The survey revealed that the majority of ACP IPAs have limited digital capabilities and that they are therefore not well positioned to implement a digital strategy. In particular, 36 per cent of ACP IPAs indicated that they do not have a clear vision and objectives, and 44 per cent that their management do not have the necessary digital knowledge and experience. More than 70 per cent of ACP IPAs were not confident they had sufficient employee and partner engagement, the resources to obtain the right skills for their staff, an aligned ICT infrastructure and the necessary level of process standardization and data integration to deploy a digitalization strategy (see Figure 23).

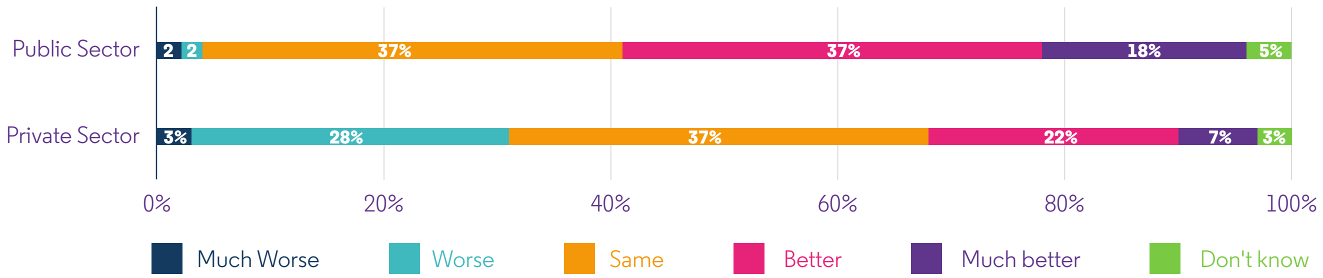
While the findings of the survey suggest that most ACP IPAs have limited digital capabilities, at an individual ACP IPA level, the picture is quite mixed (see Figure 24).

7. UNCTAD (2023) The digital transformation of investment promotion agencies. The IPA Observer, issue 12. https://bit.ly/3G3E81j

While 11 per cent of ACP IPAs believe they are a long way from having the necessary digital capability, and 67 per cent have a neutral/mixed view, 21 per cent of ACP IPAs express confidence that they have the capability to successfully integrate digital tools into their operations.

When comparing their digital capability with other public sector institutions, almost all ACP IPAs believe their digital capabilities are at a similar level or better than other public sector bodies in their countries (see Figure 25).

FIGURE 25: COMPARISON BETWEEN PUBLIC AND PRIVATE SECTOR DIGITAL CAPABILITY

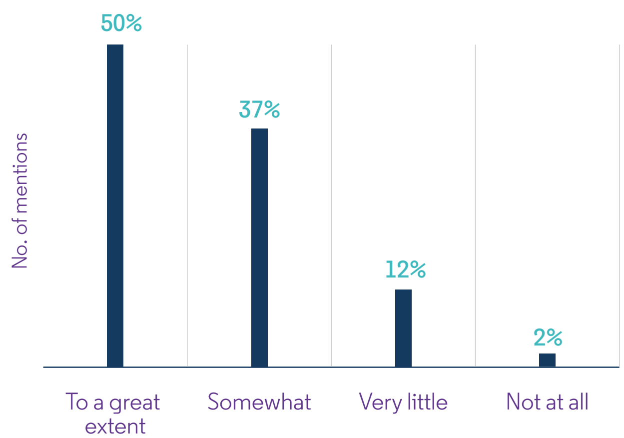


However, a more nuanced scenario emerges when ACP IPAs were asked to compare their digital capabilities with the private sector, with 22 per cent of IPAs considering their capabilities to be better than private institutions, 28 per cent worse and 37 per cent at a similar level.

Overall, the survey results suggest that a majority of public and private institutions in ACP countries have limited digital capabilities and readiness to implement digitalization strategies. Consequently, the demand for technical support to advance and support their digitalization efforts is significant (see following chapters).

4.2 Impact of COVID-19 on Digitalization

FIGURE 26: COVID-19-RELATED ACCELERATION OF DIGITAL TRANSFORMATION



COVID-19 HAS LED ACP IPAS TO ACCELERATE AND RETHINK THEIR DIGITALIZATION STRATEGIES

The COVID-19 pandemic has significantly increased the level of remote working across the world. This has resulted in an acceleration in the uptake of digital collaboration software such as Microsoft Teams and Zoom as well as the use of IT generally.[8,9] →

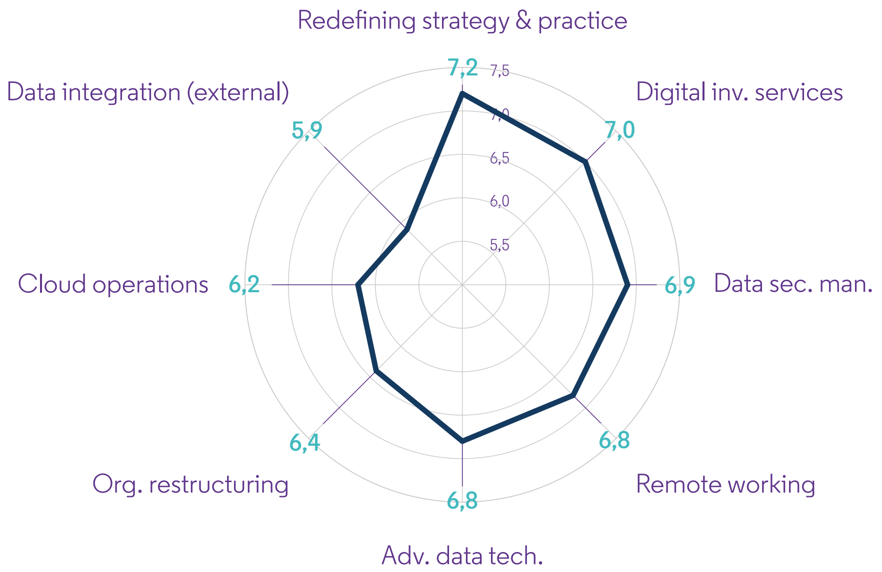
This is also the case for ACP IPAs, with 87 per cent of them stating that the pandemic had accelerated their use of digital tools to a 'great extent' or 'somewhat' (see Figure 26).

8. Rodriguez, R. (2021) COVID-19 and digitalization. Eurofound. See: https://bit.ly/40Q5r8H

9. The Economist (2020) COVID-19 is spurring the digitalization of government. See: https://econ.st/3G9uXwm

An increased demand for digitalization due to COVID-19 can be observed in all areas surveyed. The highest score was for redefining strategies and practices for digital transformation, which suggests that ACP IPAs increasingly identify a need to change how they operate in a digitalized world. There was also a high focus on digital investor services, data security management, advanced data technologies and remote working (see Figure 27).

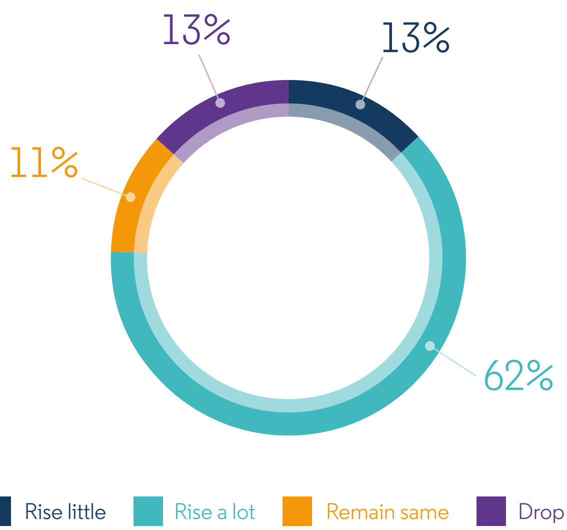
FIGURE 27: INCREASE IN DEMAND FOR DIGITALIZATION DUE TO COVID-19



As for the post-pandemic recovery period, 62 per cent of ACP IPAs expect the demand for digitalization to rise significantly, while only 14 per cent expect demand to decline (see Figure 28).

FIGURE 28: CHANGE IN DEMAND FOR DIGITALIZATION POST COVID-19

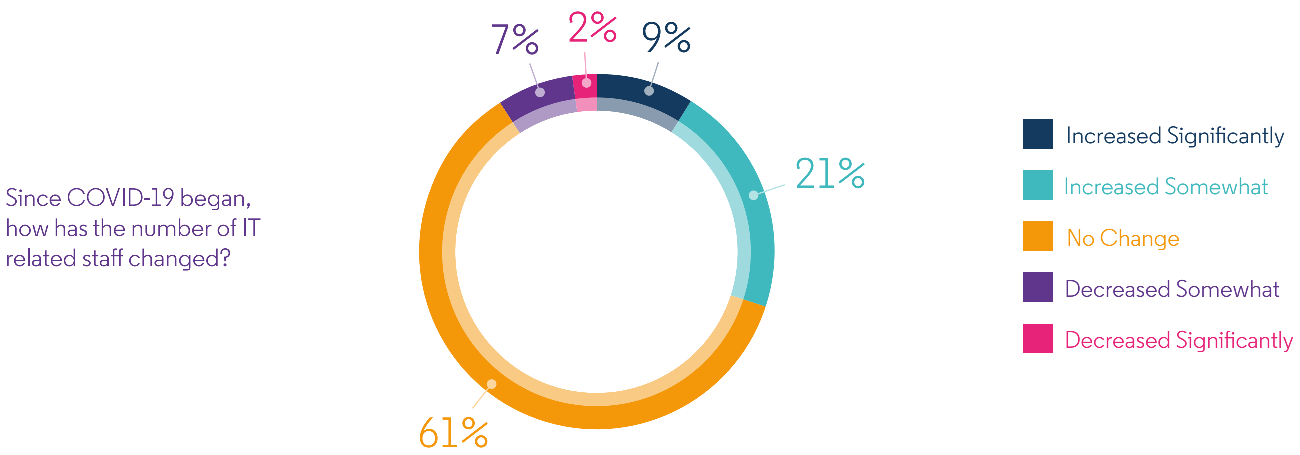
How do you think the demand for digitalization will change during the recovery, in comparison to the pandemic period?



The acceleration has not yet translated into a significant increase in ICT/digitalization/ data related staff as only 30 per cent of ACP IPAs have increased their ICT headcount.

Despite the increased demand to digitalize their operations, only 30 per cent of ACP IPAs have increased their IT related headcount (see Figure 29). This raises some concerns regarding the ability of ACP IPAs to deliver the digital transformation. However, the survey did not cover the question, whether they are contracting out the delivery of digitalization and IT related activities. Another challenge in this regard, is the stated lack of necessary resources to obtain the right IT skills for ACP IPAs staff to support these digitalization efforts.

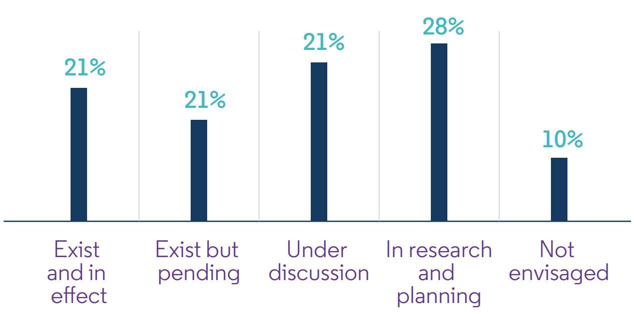
FIGURE 29: CHANGE IN IT RELATED STAFF HEADCOUNT



4.3 Status of Digital Transformation Strategies

Only 21 per cent of ACP IPAs have an operational digital transformation strategy, and significant work remains to be done to complete implementation.

FIGURE 30: CURRENT STATE OF THE DIGITAL TRANSFORMATION STRATEGY



The survey found that only 21 per cent of ACP IPAs have an operational digitalization strategy and 69 per cent of ACP IPAs are in the process of developing and approving their digital transformation strategy. 10 per cent of IPAs that participated in the survey do not envisage developing a digital transformation strategy (see Figure 30). →

Of the 12 ACP IPAs that have an operational digital transformation strategy in place, only 2 are very much advanced in implementing their objectives (see Figures 31 and 32).

FIGURE 31: HOW LONG HAS DIGITAL STRATEGY BEEN OPERATIONAL

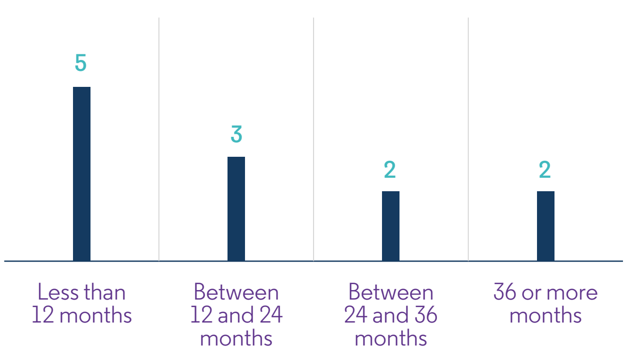
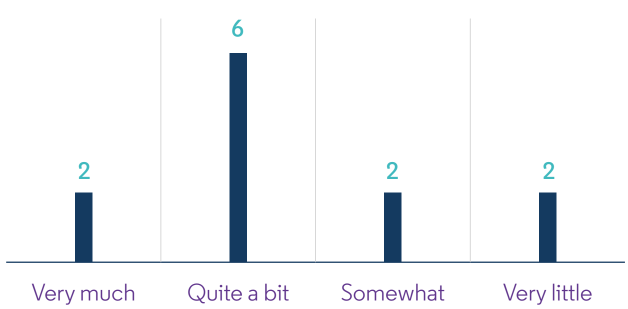


FIGURE 32: PROGRESS IN IMPLEMENTING DIGITAL OBJECTIVES



The majority of ACP IPAs have not developed a digital transformation strategy

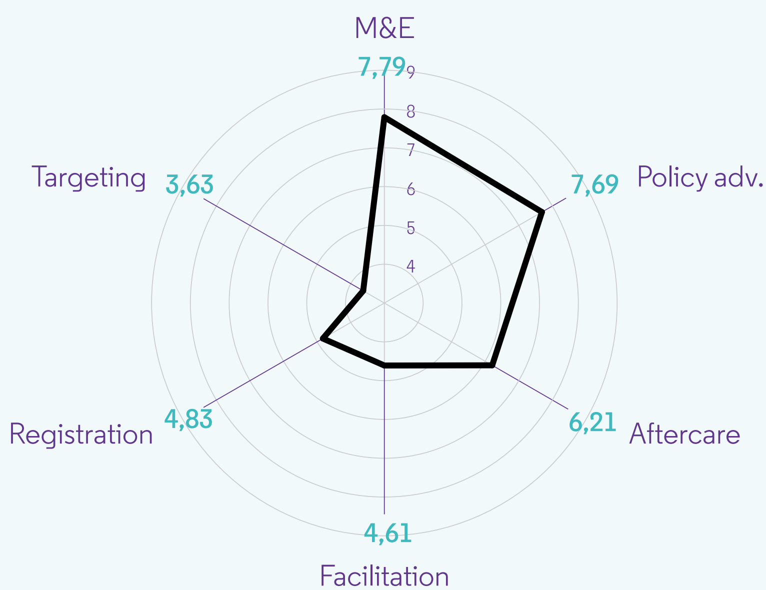
ACP IPAs prioritize digital monitoring and policy advocacy

Given the current state of ACP IPAs digital readiness, it is unsurprising that the majority of ACP IPAs have not developed a digital transformation strategy, and that even those IPAs that do have an operational strategy still have to fully implement it. Indeed, it appears that it may take some time before many of the ACP IPAs are effectively digitalized. This is because: (i) their digitalization strategies are in the early stages of development; (ii) the majority of ACP IPAs have not significantly increased their IT headcount since the start of the COVID-19 pandemic; (iii) the institutions show signs of a significant need for technical assistance.

THE PRIORITY OF DIGITAL TRANSFORMATION EFFORTS IS ON MONITORING AND EVALUATION

The clear focus of the majority of ACP IPAs digital transformation workstreams is on activities relating to monitoring and evaluation (7.8 out of 10 points) as well as policy advocacy (7.7 out of 10 points). Investment attraction functions are of lesser importance for digital transformation with investor targeting (3.6 out of 10 points), investment facilitation (4.6) and investor registration (4.8) all reaching lower scores in the survey (see Figure 33). Concerning IPAs' client-facing services, IPAs see a need to prioritize digitalization on investor aftercare (6.2 out of 10 points).

FIGURE 33: PRIORITIZATION OF FUNCTIONS FOR DIGITAL TRANSFORMATION



DIGITAL TECHNOLOGIES ARE LARGELY BEING USED FOR RELATIVELY BASIC TASKS

When assessing the current capabilities of ACP IPAs that do employ digitalized tools in their operations, or that demonstrate a readiness to integrate such tools into their operations, the responses to the survey suggest that much work remains to be done.

The survey establishes that ACP institutions do not use digital technologies extensively, and that the focus is on relatively basic, well-established technologies and processes. Indeed, only data collection (54 per cent) and registration and tracking (43 per cent) are currently being performed digitally by more than one-third of ACP IPAs (see Figure 34). →

FIGURE 34: TECHNOLOGIES CURRENTLY BEING USED OR PLANNING TO BE USED

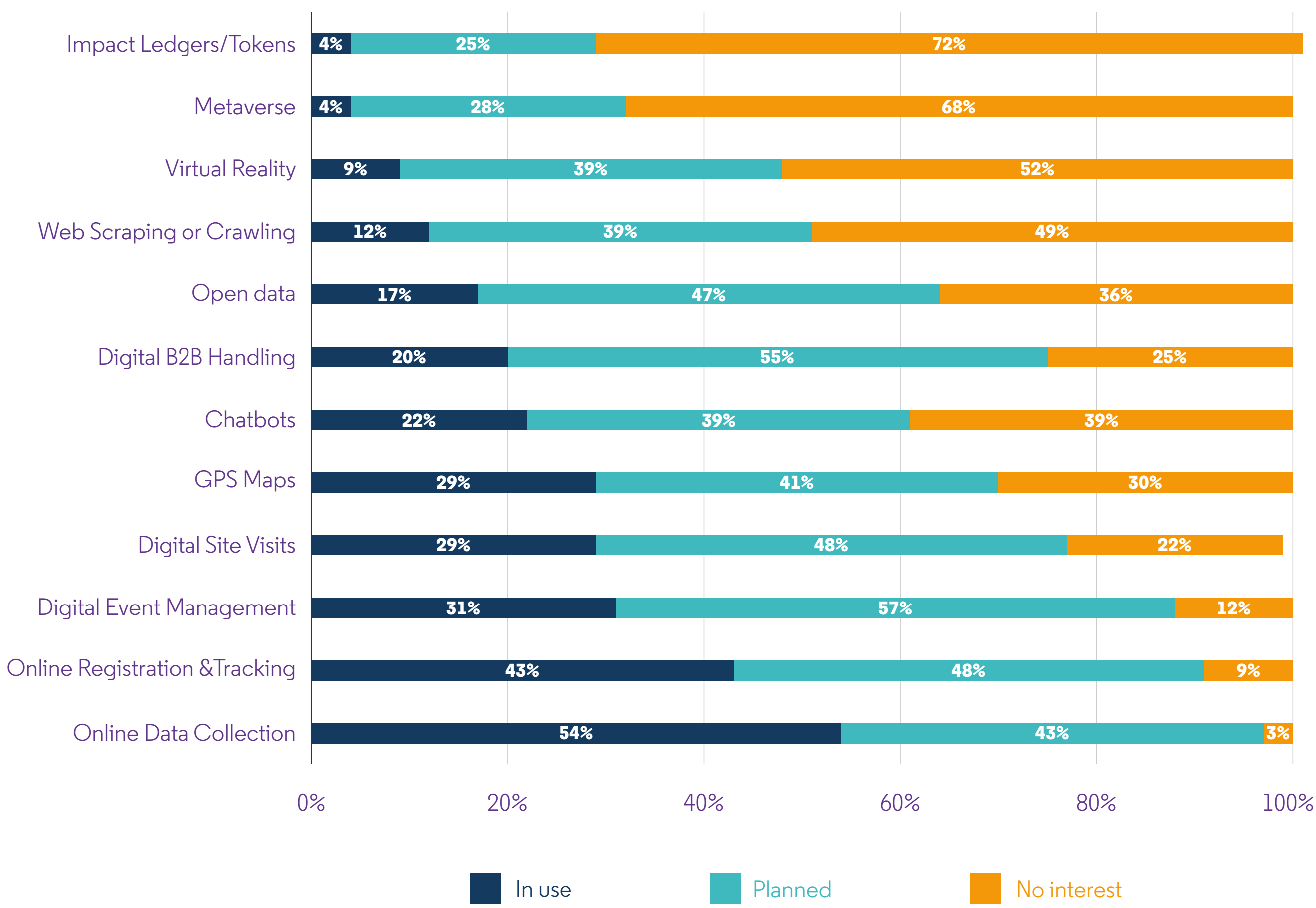


FIGURE 35: TECHNOLOGIES BEING USED BY IPAS

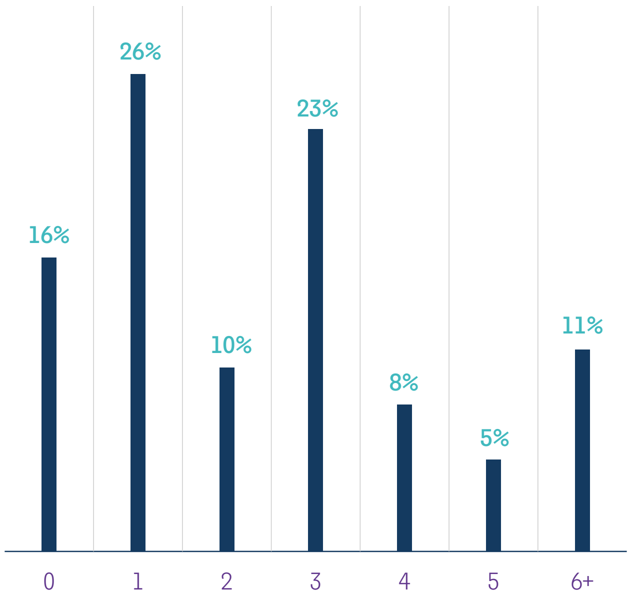
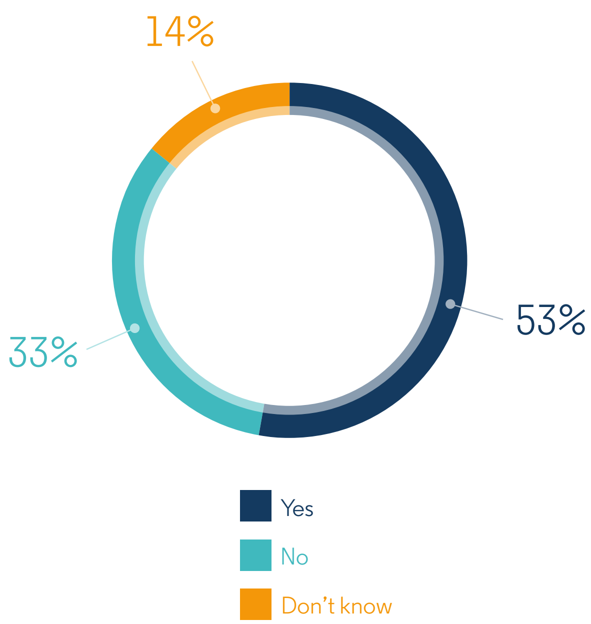


FIGURE 36: ADHERENCE TO DATA SHARING PROTOCOLS



The survey found that the most IPAs are currently using or plan to implement the following technologies: online data collection tools (97 per cent), online registration and tracking tools (91 per cent), digital event management tools (88 per cent) and digital site visit tools (77 per cent), all of which are well-established technologies. Nevertheless, even these more basic types of technology are yet to be implemented. Digital B2B handling is also high on the priority lists of IPAs for future implementation with 55% of IPAs stating that planning efforts have begun. Given ACP IPAs' limited digital capabilities and overall budget constraints, it is reasonable to focus first on implementing well-established solutions. It is therefore unsurprising that ACP IPAs have limited interest in newer, more advanced technologies such as virtual reality (9 per cent), the metaverse (4 per cent) and impact tokens (4 per cent), although more than 25 per cent of IPAs say they are planning to use these technologies. At an individual IPA level, 16 per cent of ACP IPAs are currently not using any of the 12 technologies, and a further 26 per cent are only using one, with 75 per cent using less than 4. Only 11 per cent of ACP IPAs are using 6 or more of these 12 technologies (see Figure 35).

This clearly underlines the significant digitalization gaps that need to be overcome to effectively digitalize the majority of ACP institutions.

SIGNIFICANT IMPROVEMENTS ARE REQUIRED IN DATA SHARING AND SECURITY

While it is clearly important that ACP IPAs digitalize their operations in the near future, they also need to ensure they do so in an organized, safe, secure and efficient manner, in accordance with industry best practices.

IPAs' interactions with other institutions and stakeholders inevitably involve, and indeed are underpinned by a large volume of data sharing. In a world dominated by electronically shared information, having robust data sharing protocols is critical to enabling the efficient and rapid cooperation between different institutions. In particular, robust protocols give confidence to all parties about how their data will be handled and how it will be kept safe and secure by:

- Making all parties clear about their roles;
- Setting out the purpose of any data sharing;
- Establishing what happens to the data at every stage;
- Setting standards.

However, the survey found that data sharing protocols are not common amongst ACP IPAs.

> Indeed, while 86 per cent of ACP IPAs share data with other parties, only 53 per cent of them are confident they have data sharing protocols in place, and a further 14 per cent were not able to confirm whether or not they had established data sharing protocols (see Figure 36).

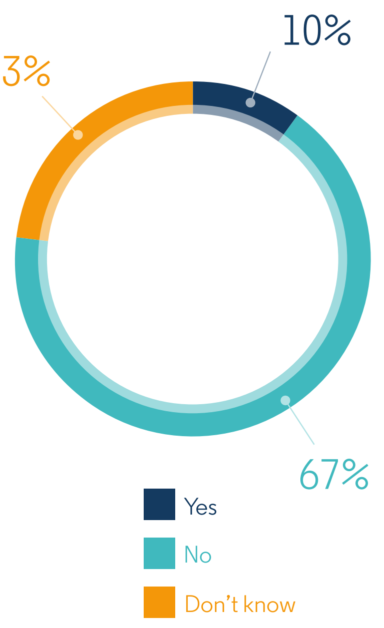
Moreover, 67 per cent of ACP IPAs do not have information security management certification (such as ISO27001 or 27701[10]), a further 23 per cent are 'don't knows', and only 10 per cent were confident they had information security management certification (see Figure 37).

The survey also asked whether IPAs adhered to industry data standards. A significant proportion of IPAs agreed that their organizations complied, with data privacy standards (78 per cent), data security standards (75 per cent) and data protection standards (71 per cent). This statement would however further verification in the light of low levels of security management certification.

At a time in which cyber-hacking and ransomware attacks are all too commonplace, robust information management, data sharing protocols and cyber security management ought to be a priority for IPAs so that investors and other stakeholders can feel confident in collaborating with IPAs from a data security standpoint.

In summary, the majority of ACP IPAs are in the very early stages of digitalizing their operations and are hampered by a variety of factors, as described above. Since data security goes hand in hand with digital transformation it is not much surprising that this field also leaves much room for improvement, for example in terms of obtaining relevant certification.

FIGURE 37: IPAS WITH INFORMATION SECURITY MANAGEMENT



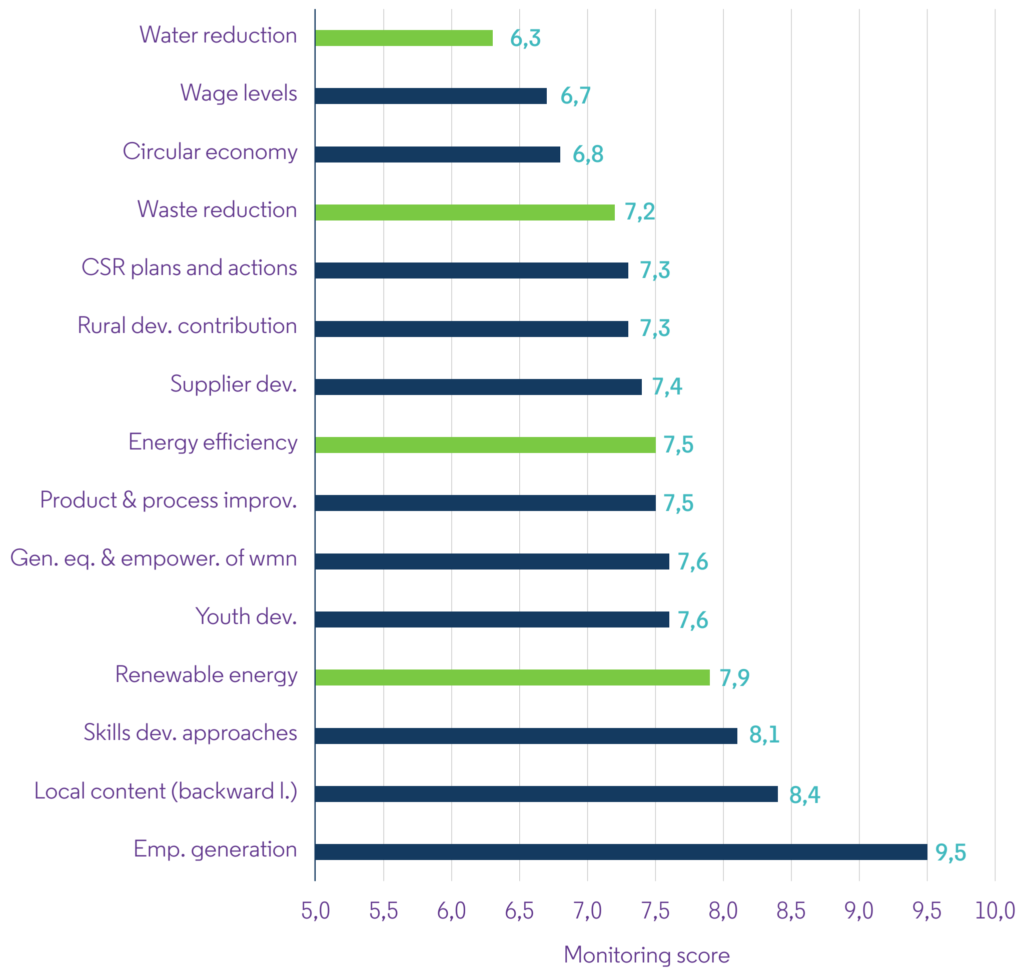
10. The most commonly used standard for information security is ISO 27001, while ISO27701 is the related standard for privacy information management.

Chapter 5: Soliciting Contributions and Leveraging Investor's Support

FDI investments bring a range of secondary benefits to the host country, primarily in the form of knowledge and technology transfer, which consequently can lead to additional benefits for the local labour force and to the host economy in general.

To understand the priorities ACP IPAs put on different economic, social and environmental indicators linked to investments, they were asked to what extent they track or solicit investors' contributions in 15 different areas. The answers are presented as scores on a scale from 1 to 10 (see Figure 38), with higher scores indicating a greater extent of tracking or soliciting these contributions (1 = "never"; 10 = "a great deal"). The colour coding in the figure shows the broader classifications of each indicator in terms of "people and prosperity" (blue) or "planet" (green). →

FIGURE 38: TRACKING THE CONTRIBUTION OF INVESTORS

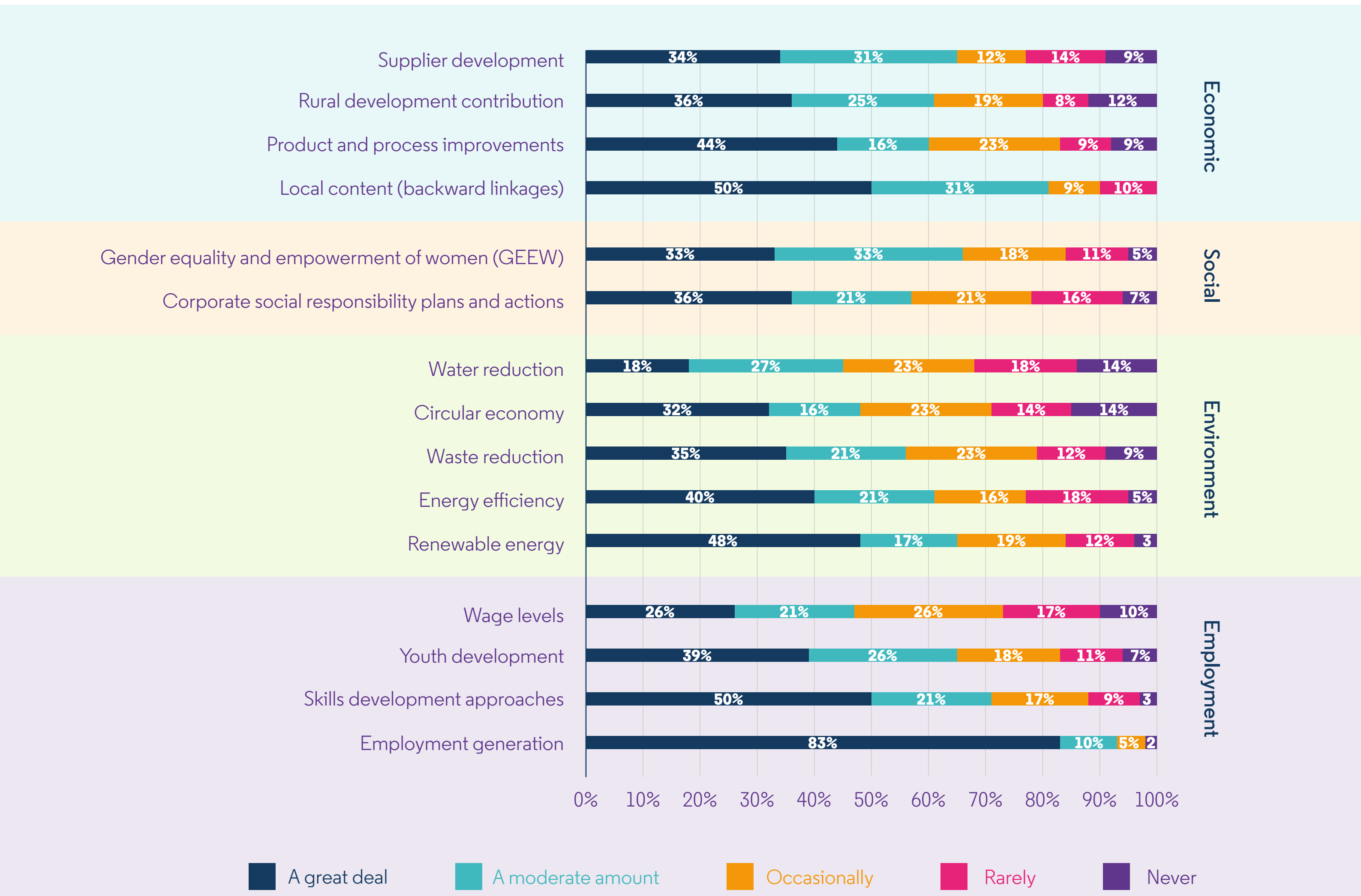


The findings unearth the significant importance that ACP IPAs put on tracking employment generation, compared to the other 14 topics surveyed. While other indicators pertaining to employment, such as skills development approaches also play an important part in the efforts of IPAs, in terms of tracking investor contributions, others, such as wage levels do so to a much lesser extent. The same mixed results apply to the indicators that can be subsumed under the "planet" classification. While renewable energy is an area that has achieved a high score, waste and especially water reduction are much more neglected in the IPAs tracking efforts.

With the importance of reliable data for targeting and securing quality FDI, these results indicate a need to increase the tracking of investors' contributions by ACP IPAs, especially with regard to the indicators on the lower end of the figure.

Due to the relevance of investment and investors' contribution monitoring, it is called for to look at the results more in-depth. The graph below shows the detailed results from which the aggregated scores in Figure 39 are derived. These results will serve as the basis for the following pages, in which the 15 topics will be examined in the following clusters: employment, social, environmental and economic objectives.

FIGURE 39: WHERE INVESTORS' CONTRIBUTIONS ARE TRACKED OR SOLICITED



5.1 Employment Objectives

The global FDI industry places great importance on job creation, with most IPAs across the world having it in their key performance indicators (KPIs). The survey canvassed insight into four aspects of employment objectives, namely employment generation, skills development, youth employment and wages.

5.1.1 Employment Generation

ACP IPAS HAVE JOB CREATION AS THEIR MAIN PRIORITY

Whilst ACP countries are geographically dispersed, employment is a topic that concerns them all – 83 per cent of them tracking investors' contributions to employment a great deal. Their priorities and strategic interests may differ, but job creation is at the very core of all their economic growth challenges. There are at least three key factors to consider, namely youth employment, brain drain and displacement.

- Youth unemployment is a particular concern for many countries in the regions, as it exceeds 50 per cent in Niger and is just below 50 per cent in many Pacific countries, such as Kiribati, Vanuatu and Tuvalu.[1] Moreover, the high birth rates in many ACP countries, for example in Niger, Angola, Mali and Uganda,[2] suggest that employment, particularly youth employment (see later section), will be a key focus for many years.

- For some ACP countries, including Samoa, Jamaica, Micronesia, Eritrea and Somalia, the quality of jobs created is also important, as they are impacted by some of the highest brain drain rates in the world.[3] Hence, the creation of more attractive highly skilled jobs is among the most effective solutions to help stem the exodus of talent. Quality of jobs, career development and quality of life are becoming increasingly important to the global workforce, and these are areas where IPAs can leverage investors' contributions. They should also be factored into business targeting.

- Some ACP countries are severely impacted by forced displacement of large communities resulting from social, political and environmental crises. These include the Central African Republic, the Democratic Republic of Congo, Sudan, Chad and Cameroon. Many displaced persons pursue formal and informal sector employment in the host or transit countries. The arrival of displaced persons in significant numbers increases competition for existing jobs with the local labour force, further increasing the demand for jobs.

With 83 per cent of ACP IPAs tracking investors' contributions of employment generation to a great deal, this is clearly at the top of the agenda of ACP IPAs.

5.1.2 Skills Development

SKILLS ARE A DRIVER FOR INVESTMENT

"When done right, skills development can reduce un- and underemployment, increase productivity, and improve standards of living. Helping people develop and update their skills makes economic sense."[4] Given the levels of unemployment in ACP countries, and their lower-than-average labour productivity (at 24 per cent)[5], it is surprising that only 50 per cent of ACP IPAs place a high importance on →

1. World Bank DataBank (n.d.) Share of youth not in education, employment or training, total (per cent of youth population). See: https://bit.ly/3G6tZkf
2. World Population Review (2023) Birth rate by country. See: https://bit.ly/3G6xLKn
3. theGobalEconomy.com (2022) Human flight and brain drain - Country rankings. See: https://bit.ly/47H1Ko5
4. World Bank (n.d.) Skills development. See: https://bit.ly/40LadnW
5. UNCTAD (2018) Key statistics and Trends in Economic Integration: ACP Region. Page VII. https://bit.ly/3sxQnA9

tracking investors' contributions to skills development. FDI is a channel to increase skills and productivity by targeting, attracting, and retaining investors that lead to an increase of local skills levels. This can be done through training local employees, empowering potential local managers to replace expatriate managers, and creating positive productivity spillovers, which often include technology transfers to local firms. Furthermore, the demanding nature of international investors' affiliates "tends to increase pressure on local employees and firms to adopt certain changes and standards of performance. For example, these factors may induce productivity improvements both at the individual firm level and via compositional effects at the sector level, pushing less productive suppliers out of the market."[6]

Hence, for IPAs, the expected level of skills development, a potential investment return, is often factored into the investment project appraisal before deciding on the extent of services to provide to a specific investor, including grants or incentive approvals.[7] Indeed, IPAs often facilitate introductions with training institutions and are increasingly active in talent attraction, conscious that finding appropriate talent is often a major investment driver and concern for established investors as well as a factor that also affects re-investment decisions.[8] Therefore, IPAs sometimes survey investors about their views regarding the availability of talent, which often results in advocacy work to speed up visas for existing employees, match-making between job seekers and MNCs, partnerships between academia and the investor community on curriculum development, or to inform talent migration policies.

Given the importance of skills to an economy, it is unsurprising that one in every two ACP IPAs work with investors to advance skills development in their countries.

5.1.3 Youth Development

OPPORTUNITIES FOR YOUTH ARE LINKED TO FDI TARGETING

Youth development is another key aspect of employment generation, although it raises some questions that only 39 per cent of ACP IPAs are significantly focused on this, given rocketing youth unemployment rates in some ACP countries. Youth employment is strongly linked with sector targeting, and all priority sectors of ACP IPAs (see Chapter 3.2) offer opportunities for youth employment.

An example is the tourism industry, which generates 1 in every 10 jobs across the world. With the majority of workers in tourism being under 35 years of age, and half of them aged under 25[9], this sector is critical when it comes to youth employment. In addition, tourism offers jobs to migrants, with 1 in 4 tourism workers being foreign born.[10] This fosters the integration of young migrants and displaced persons into the society of their host country. This is particularly relevant to some ACP countries, notably post-conflict ACP countries or those that have been impacted by environmental hazards and crises, forcing the displacement of large numbers of people.

For similar reasons, the agricultural sector is very important with regards to creating skills development and job opportunities for younger people. As the former Director General of the Food and Agriculture Organization (FAO), José Graziano da Silva, noted, "agriculture will continue to generate employment in Africa over the coming decades, but businesses around farming, including processing, packaging, transportation, distribution, marketing and financial services could also create jobs for young people, especially those in rural areas."[11] Future jobs might not be on farms, but in businesses related to farming. In addition, the UN has noted that with urban migration, demand on urban food markets is growing, which in turn can generate

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6. World Bank (2020) Foreign Direct Investment and Employment Outcomes in Developing Countries: A Literature Review of the Effects of FDI on Job Creation and Wages. In focus. Page 10. https://bit.ly/3sJcDa5
7. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 26. https://bit.ly/3QzNg2z
8. UNCTAD (2014) Skills and Foreign Direct Investment Promotion: What can Investment Promotion Agencies do?, IPA Observer No. 3. https://bit.ly/3R7jdk6
9. International Labour Organization (2022) COVID-19 and sustainable recovery in the tourism sector. TMSRTS/2022/9. https://bit.ly/3MQDqYN
10. International Labour Organization (2022) COVID-19 and sustainable recovery in the tourism sector. TMSRTS/2022/9. https://bit.ly/3MQDqYN
11. United Nations News (2018) Job creation around agriculture can spur youth employment in Africa – UN agency. See: https://bit.ly/3MT6QWe

youth job opportunities in agriculture-related activities including urban farming.[12]

The Growth Sectors for Youth Employment (GSYE) initiative also provides instructive insights and information on opportunities for youth employment in developing countries and is particularly relevant to ACP countries. The initiative, which involves collaboration between the African Economic Research Consortium (AERC), the Overseas Development Institute (ODI), the Economic Research Forum (ERF) and INCLUDE[13], seeks to provide evidence that certain economic sectors have the potential to create significant numbers of youth jobs. Their research included several ACP countries, notably Ethiopia, Kenya, Mali and Uganda. Among the most promising sectors identified in Ethiopia are agricultural and services; in Kenya, agriculture, transport, trade, construction, and education; in Mali, agricultural and trade activities; and in Uganda, tea, coffee, wholesale and retail trade, agro-processing and animal husbandry.[14] This underlines the strong link between ACP IPAs' sector targeting and youth employment and outlines the responsibility and potential IPAs have when prioritising one sector over another, as their choices have a direct impact on the nature and scale of opportunities that will be created for upcoming generations. Tracking investors' contributions to youth development can support IPAs to improve their targeting efforts and better adapt their services.

5.1.4 Wage Levels

SOME INVESTORS PAY A WAGE PREMIUM, WHILE OTHERS PAY LOWER WAGES

"Consistent evidence suggests that the effect of foreign ownership on workers' wages in MNC affiliates is positive in developing countries."[15] Foreign affiliates tend to pay higher wages to workers with a certain education level than domestic firms. This is usually referred to as the wage premium. This premium reflects the preference of foreign investors for more educated workers, which is often the case in capital-intensive production. As a result, the establishment of foreign affiliates tends to generate a greater demand for skills, pushing relative wages up for higher-skilled workers.[16] There is also a positive impact on wages of employees of "domestic firms that serve as suppliers of MNEs or recruit managers with prior experience in foreign firms, but these spillover effects are small."[17]

However, some investors do have an adverse impact, particularly on blue-collar wages, as UNIDO has noted, commenting that "*ceteris paribus*, Chinese firms employ more workers (mostly blue collar) and pay lower wages for both skilled and unskilled workers as compared to both domestic firms and other foreign investors."[18] Again, different sectors have different business models associated with different salary levels. Hence, many IPAs have wage-related KPIs to focus their targeting efforts on sectors and companies that create high-paying local jobs. However, this is easier said than done.

The link between FDI, wages and inequality is the subject of significant debate. A 2018 study observed that the rise of the Gini coefficient (measuring income inequalities within a country) across developing and developed countries between 1990 and 2013 could be →

12. United Nations News (2018) Job creation around agriculture can spur youth employment in Africa – UN agency. See: https://bit.ly/3MT6QWe

13. INCLUDE is a Dutch African platform that promotes evidence-based policymaking on inclusive development in Africa through research, knowledge sharing and policy dialogue. See https://bit.ly/3R8zLrO

14. African Economic Research Consortium (2021) Identifying growth sectors for youth employment in Africa: Workshop update. https://bit.ly/3SCMft0

15. Saurav, A., Liu, Y. & Sinha, A. (2020) Foreign direct investment and employment outcomes in developing countries: A Literature Review of the Effects of FDI on Job Creation and Wages (English). Washington, D.C, World Bank Group. Page 10. Available: https://bit.ly/3R76vC1

16. Saurav, A., Liu, Y. & Sinha, A. (2020) Foreign direct investment and employment outcomes in developing countries: A Literature Review of the Effects of FDI on Job Creation and Wages (English). Washington, D.C, World Bank Group. Page 10. https://bit.ly/3R76vC1

17. Arnal, E. & Hijzen, A. (2008) The Impact of foreign direct investment on wages and working conditions. OECD Social, Employment and Migration Working Papers. No. 68. Page 5. https://bit.ly/3R458ns

18. Prota, F., Coniglio, N. & Seric, A. (2014) Foreign direct investment, employment and wages in sub-Saharan Africa. Working Paper 05/2014. Page 1. Vienna, UNIDO. https://bit.ly/46pWofM

partially attributable to FDI, particularly in middle-income economies.[19]

However, other scholars found that FDI tends to decrease income inequality among low-income countries.[20] Accordingly, "a country like Malawi, in which the share of FDI on GDP increased from 7.32 per cent to 19.67 per cent over the sample period, this would imply a Gini decrease of about 2.47 points (ceteris paribus), a modest part of the actual decrease at 14.22 units during the studied period"[21].

The survey results showed that 26 per cent of ACP IPAs track investors' contributions to wage levels 'a great deal'. However, considering the effects FDI can have on ACP countries in either direction, more ACP IPAs should carefully track and target investments that can advance their work to address inequality in their respective countries.

5.2 Environmental Objectives

FDI that helps achieve environmental goals is usually referred to as 'green FDI' or 'climate FDI'. Many IPAs are increasingly embracing this type of 'sustainable investment.' Activities include targeting green sectors, designing financial and non-financial incentives that encourage green investment, increasing the visibility of green investment opportunities and linking investments with SDG implementation. Furthermore, they encourage green production and gather information relating to investors' carbon footprints. However, due to the differing levels of development and approaches taken by "IPAs to green their economies shows that there is no one-size-fits-all solution and that a going-green strategy must be tailored to local circumstances."[22]

5.2.1 Energy, Renewable Energy and Energy Efficiency

ENERGY UNDERPINS ECONOMIC, SOCIAL AND ENVIRONMENTAL OBJECTIVES

The *United Nations Office for Project Services (UNOPS)*, which has extensive experience in implementing complex infrastructure projects, including energy, notes that the sector has a direct impact on 43 per cent of the SDG targets.[23] It is therefore crucial for advancing economic and social objectives. In addition, the OECD noted in 2022 that fulfilling the commitments made in the Paris Agreement to curb climate change requires investment in renewable energy to triple by 2030,[24] highlighting the importance energy plays in transitioning to a carbon-neutral society. FDI is at the heart of addressing these demands.

The International Energy Agency (IEA) observed that the "rapid increase in demand in 2021 pushed power prices and emissions to record levels, with serious implications for consumers, economies and clean energy transitions".[25] Investors did respond, as reported by FDI Intelligence, by massively investing into renewable and traditional energy

19. ECLAC (2018) Does foreign direct investment lower income inequality? New evidence and discussion on the role of service offshoring (Captive Centers). Final Paper: Redlas Conference. Page 23. https://bit.ly/46qlEmh
20. Cuoto (2018) Does foreign direct investment lower income inequality? New evidence and discussion on the role of service offshoring (Captive Centers). Final Paper: Redlas Conference. Page 23. https://bit.ly/46qlEmh
21. Cuoto (2018) Does foreign direct investment lower income inequality? New evidence and discussion on the role of service offshoring (Captive Centers). Final Paper: Redlas Conference. Page 23. https://bit.ly/46qlEmh
22. UNCTAD (2016) Promoting Green FDI: Practices and Lessons from the Field. The IPA Observer No. 5. https://bit.ly/46DcbZ7
23. UNOPS (2018) Infrastructure: Underpinning Sustainable Development, Copenhagen, p. 41. https://bit.ly/46Iraqo
24. OECD (2022) Harnessing investment for sustainable development: OECD FDI Qualities Initiative. See https://bit.ly/47B6fjY
25. IEA (2022) Surging electricity demand is putting power systems under strain around the world. See https://bit.ly/49IM7OG

projects, but also in steel, electric vehicle (EV) batteries and semiconductors. "While billions of dollars were deployed into renewables projects, 2022 also saw the return of oil and gas,"[26] reflecting the wider ramifications of the war in Ukraine.

FDI in the energy sector responds to three main drivers. The **first driver** seeks to bring energy to the world population and achieve SDG 7, "ensure access to affordable, reliable, sustainable and modern energy for all". The Energy Progress Report 2022 noted that the number of people without access to electricity declined from 1.2 billion in 2010 to 759 million in 2019. Nevertheless, electrification often fails to keep pace with population growth, especially in African countries such as Nigeria, the Democratic Republic of Congo or Ethiopia, where a total of 230 million are still unserved.[27] In addition, the report highlights that COVID-19's financial impact has made basic electricity services unaffordable for millions of people, the majority of whom are located in Africa.

The 2021 IEA report examined economically vulnerable nations and found that in 2020, only 55 per cent of their populations had access to electricity, leaving approximately 417 million people without service. According to the report, "it would take LDCs and LLDCs almost 40 years and SIDS almost 15 years to reach a level of deployment similar to the average 2020 level of developing countries."[28] Energy is indeed a key focus to address global inequalities and reverse multi-dimensional poverty.[29] However, financing on generation, electricity networks, and decentralized solutions would need to increase by 35 billion US dollars per year to meet 2030 targets.[30]

The second driver behind energy investment is the transformation of the energy sector from hydrocarbons to renewable sources and thereby decoupling economic growth from greenhouse gas (GHG) emissions. This requires "new infrastructure to generate 'green' electricity, and hydrogen or biofuels to transport the energy to the areas of consumption."[31]

The International Renewable Energy Agency (IRENA) outlines that "global investment in energy transition technologies reached a new record of USD 1.3 trillion in 2022."[32] Nonetheless, more capital is needed, as "annual investments must more than quadruple to stay on the 1.5°C pathway"[33]. The cumulative investment requirement is at "USD 150 trillion to realize the 1.5°C target by 2050 averaging over USD 5 trillion in annual terms."[34]

IRENA calls for public sector intervention to channel investment flows in renewable energies in a more equitable manner across countries. "In 2022, 85 per cent of global renewable energy investment benefitted less than 50 per cent of the world's population. Africa accounted for only one percent of additional capacity in 2022, leaving regions home to about 120 developing and emerging markets receiving comparatively little investment."[35]

The third driver relates to efficiency. Most current energy structures were designed to support fossil fuels and must be re-designed to support renewable energy systems.[36] In addition, existing energy generation, transportation and consumption infrastructure must become →

26. Irwin-Hunt, A. (2023) The 2022 investment matrix. FDI Intelligence. See https://bit.ly/3GrmNj7

27. IEA (2022) Tracking SDG7: The Energy Progress Report, 2022. Page 6. IEA Paris. https://bit.ly/3SJKt9C

28. IEA (2021), Global Energy Review 2021. Page 97.IEA, Paris https://bit.ly/46rxZqe License: CC BY 4.0.

29. IEA (2021), Global Energy Review 2021. Page 26.IEA, Paris https://bit.ly/46rxZqe License: CC BY 4.0.

30. IEA (2022) Tracking SDG7: The Energy Progress Report, 2022. Page 6. IEA Paris. https://bit.ly/40NHHC9

31. Fleischmann, O., Vallery, A. & WilmerHale, C. (2022) FDI in the energy sector. GCR. https://bit.ly/3QO9FsN

32. IRENA (2023), World Energy Transitions Outlook 2023: 1.5°C Pathway, International Renewable Energy Agency, Abu Dhabi. Page 4. https://bit.ly/47rWSDO

33. IRENA (2023), World Energy Transitions Outlook 2023: 1.5°C Pathway, International Renewable Energy Agency, Abu Dhabi. Page 4. https://bit.ly/47rWSDO

34. IRENA (2023), World Energy Transitions Outlook 2023: 1.5°C Pathway, International Renewable Energy Agency, Abu Dhabi. Page 4. https://bit.ly/47rWSDO

35. Electric Energy Online (2023) Investment Needs of USD 35 trillion by 2030 for Successful Energy Transition. Online. See: https://bit.ly/3uoFGAg

36. IRENA (2023), World Energy Transitions Outlook 2023: 1.5°C Pathway, International Renewable Energy Agency, Abu Dhabi. Page 3. https://bit.ly/47rWSDO

more 'intelligent', which requires substantial investment in digitalization.[37] Recent efficiency investment growth has "concentrated largely in Europe, suggesting policies are needed in other regions to achieve global climate goals."[38] Post-recovery efficiency-related spending makes up two-thirds of government clean energy and sustainable recovery measures globally, offering ACP countries international benchmarks to inform ACP policies.[39]

ENERGY & SIDS

While only 44 per cent of ACP countries are SIDS, all the Caribbean and 87 per cent of Pacific OACPS Member States are classified as such (see Table 9). Therefore, further exploring the role of energy-related investments in SIDS bears relevance for the entire ACP region.

TABLE 9: SIDS IN ACP COUNTRIES

	Countries	Total SIDS	Total Staff
Africa	48	6	13
Caribbean	16	16	100
Pacific	15	13	87
Total	**79**	**35**	**44**

UNOPS found that in SIDS, "energy supply typically relies on imported fossil fuels, particularly diesel, whose high costs exacerbate affordability issues, especially in rural areas, adding that the lack of appropriate technologies and technical capacity in SIDS have been barriers to the adoption of renewable energy."[40] UNOPS goes on to point out that in low-income countries, adding renewable energy technologies (such as solar panels) to the rooftops of both residential houses and public buildings could help meet between 30 per cent and 80 per cent of the electricity demand of some islands. Furthermore, offshore wind farms and the installation of floating solar panels in the sea would help overcome the physical space limitations in many SIDS. Geothermal energy is also a potential option for some Pacific Islands.[41]

Vulnerability to environmental threats further emphasizes the need to diversify SIDS' energy sources and increase the share of renewable energy in the energy mix.[42] The rapid development of different green energy technologies represents a sizeable opportunity for investors and host economies. For example, SIDS have, in the blue economy, a further channel to drive the diversification and resilience agenda and use ocean and coastal resources to generate renewable energy from offshore wind farms or fuel from biomass.[43]

Renewable energy is an important sector for ACP IPAs, with about 48 per cent of them expecting investors to drive the green energy agenda and tracking their contributions in this area. ACP IPAs can help investors to develop suitable business models that work for all stakeholders, with UNCTAD noting, in relation to SIDS, that "governments can work with large-scale commercial energy consumers, such as tourism resorts, mines or factories, to implement renewable energy technologies that supply a portion of their energy consumption."[44] Other areas where IPAs can play a role is by supporting their governments to drive policy advocacy to offer an attractive investment climate for renewable energy projects. With the new dynamics on the energy market, and their own countries' growing energy needs, 40 per cent of ACP IPAs prioritize renewable energy and energy efficiency-related investments, as shown in the earlier sub-chapter 3.2. They will look specifically at investors from the Americas and Asia for this (see Figure 18).

37. Fleischmann, O., Vallery, A. & WilmerHale, C. (2022) FDI in the energy sector. Page Global Competition Review. See https://bit.ly/3ur0OWD
38. IEA (2021) Energy Efficiency Market Report 2021. Page 10. IEA Paris. https://bit.ly/3umkP0D
39. IEA (2021) Energy Efficiency Market Report 2021. Page 10. IEA Paris. https://bit.ly/3umkP0D
40. UNOPS (2020) Infrastructure for Small Island Developing States The role of infrastructure in enabling sustainable, resilient and inclusive development in SIDS. Page 23.
41. UNOPS (2020) Infrastructure for Small Island Developing States The role of infrastructure in enabling sustainable, resilient and inclusive development in SIDS. Page 23. https://bit.ly/40O4k9r
42. UNOPS (2020) Infrastructure for Small Island Developing States The role of infrastructure in enabling sustainable, resilient and inclusive development in SIDS. Page 7. https://bit.ly/40O4k9r
43. UNCTAD (2021) Identifying alternative economic development strategies for diverse SIDS. Background Paper. Page 16. https://bit.ly/3QJrTvH
44. UNCTAD (2021) Identifying alternative economic development strategies for diverse SIDS. Background Paper. Page 49. https://bit.ly/3QJrTvH

5.2.2 Circular Economy

THE CIRCULAR ECONOMY IS EXPECTED TO BRING POSITIVE EMPLOYMENT EFFECTS

“The materials used by the global economy have quadrupled since 1970, far faster than the population, which has doubled.”[45] The world’s consumption of materials hit a record 100 billion tons in 2019. In contrast, global recycling rates are only 8.6 per cent.[46] Moreover, the Ellen MacArthur Foundation & McKinsey found that only about 5 per cent of the remaining value of most material goods is captured and made use of when the products are disposed of. The scale of this gap requires a complete reassessment of how the world uses resources. The circular economy (CE) has been defined as, “an economy in which products and materials are recycled, repaired and reused rather than disposed of.”[47] The WEF highlights that: “with the right enabling environment, the CE offers a promising opportunity for economic development, value creation and skills development.”[48]

The International Institute for Sustainable Development (IISD) observes that “material efficiency has a positive job creation capacity due to three main factors: (1) the profitability of more efficient technologies; (2) changes in labour productivity; and (3) the foreign value added (meaning the value added of imported inputs that are used to produce products or services designed for export).”[49] The WEF adds that the CE represents a 4.5 trillion US dollar global growth opportunity by 2030.[50]

The projected size of the CE market will not only drive sustainable investments, it will also create jobs. For example, the ILO estimates a net gain of 18 million jobs across the world economy, while the Global Climate Action Summit estimates the creation of over 65 million new low-carbon jobs by 2030, and although the estimates differ, a majority of experts foresee positive employment effects.[51]

Despite the significant opportunities the circular economy offers to create jobs, only 32 per cent of ACP IPAs track or solicit investors’ contributions in this sector.

5.2.3 Waste Reduction

WASTE HAS AN ECONOMIC COST THAT RESULTS IN INVESTMENT OPPORTUNITIES

In 2020, the world was estimated to generate 2.24 billion tons of solid waste, a figure that is expected to increase by 73 per cent to 3.88 billion tons in 2050,[52] surpassing global food production.[53] In addition, at least 33 per cent of this waste is mismanaged globally today through open dumping or burning, while 37 per cent ends up in landfills.[54] The World Bank states that proper waste management is essential for liveable places, “but it remains a challenge for many developing countries and cities. Effective waste management is expensive, often comprising 20–50 per cent of municipal budgets.”[55] They also have an economic cost. For example, poor waste and pollution management are negatively affecting important sectors of the Pacific economy, such as tourism, fisheries and agriculture.[56] Linking demand for renewable energy and substandard solid waste management drives demand for waste-to-energy (WtE) solutions. →

45. Carrington, D. (2020) World’s consumption of materials hits record 100bn tonnes a year. The Guardian. See https://bit.ly/40IGiNn
46. World Economic Forum (2021) Five Big Bets for the Circular Economy in Africa. African Circular, Economy Alliance. Page 9.
47. Ellen MacArthur Foundation & McKinsey. (2015). Growth within: A circular economy vision for a competitive Europe. Page 12. https://bit.ly/3QMBtOj
48. World Economic Forum (2021) Five Big Bets for the Circular Economy in Africa. African Circular, Economy Alliance. Page 9. https://bit.ly/49HpSJ4
49. IISD (2020) Circular Economy Proxy Measures: Indicators on job effects for a closed-loop economy November 2020 Written by Daniella Echeverría, Joachim Roth, Mostafa Mostafa and Philip Gass. Page 4. https://bit.ly/3sGe21e
50. World Economic Forum (2019) It’s time for the circular economy to go global - and you can help. See: https://bit.ly/3SLIvW7
51. IISD and Sitra (2020) Effects of the Circular Economy on Jobs. Page 17. Winnipeg. https://bit.ly/3QGOau2
52. World Bank (2022) Solid Waste Management. https://bit.ly/3QKwqOA
53. Statista (2022) Worldwide volume of food consumption 2015-2027. https://bit.ly/3sQVWcK
54. Kaza, Silpa; Yao, Lisa C.; Bhada-Tata, Perinaz; Van Woerden, Frank (2018) What a Waste 2.0; What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050: A Global Snapshot of Solid Waste Management to 2050. Page 5. Urban Development. Washington, DC: World Bank. https://bit.ly/46pXjge License: CC BY 3.0 IGO.
55. World Bank (2022) Solid Waste Management. See. https://bit.ly/3QKwqOA
56. OACPS (2021) IF Factsheet SPS OACPS Research & Innovation Programme. Page 1-2. https://bit.ly/3R8Dcz4

One initiative in this space is the Pacific Adoption of Waste-to-Energy Solutions Programme (PAWES) that seeks to strengthen various strands of the Pacific region's nascent research and innovation (R&I) ecosystem and build local capacity,[57] both in policy and talent, which in turn can become a driver for investments.

A further example linked to the circular economy is the African Circular Economy Alliance (ACEA), a government-led coalition of African nations working together to spur Africa's transformation into a circular economy that delivers economic growth, jobs and positive environmental outcomes. ACEA collaborates with the WEF and identifies five opportunity areas for the continent: food systems, packaging, built environment, fashion and textiles, and electronics. These sectors have the potential to significantly reduce waste, bypass 'linear lock-ins' of outdated linear production models and deliver on the ambitions for fast-growing sectors.[58]

A third example is FISH4ACP, an initiative of OACPS regarding food and nutrition security, by ensuring the economic, social and environmental sustainability of fisheries and aquaculture in ACP countries. FISH4ACP, implemented by FAO with funding from the European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ), is supporting the reduction of bycatch and discards of shrimps in Guyana and Cameroon. In Tanzania and Zambia, FISH4ACP is driving technological improvements in processing, handling and diminishing losses of small pelagic fish.

These three examples also show the variety of opportunities to further engage with the private sector and identify attractive value chain niches that foreign investors would want to enter. At the same time, governments should look at policies or PPP models that foster market-driven solutions for waste reduction.

To date, only 35 per cent of ACP IPAs track investors' contributions to waste reduction. However, due to its growing relevance, the pressure to prioritize this area further within IPAs will increase as well.

5.2.4 Reduction of Water Consumption

WATER INSECURITY BRINGS OPPORTUNITIES TO INVEST BOTH IN INCREASING WATER SUPPLY AND IN BETTER MANAGING WATER RESOURCES

Economic growth is a 'thirsty business', according to the World Bank, which recognizes that water is a vital factor of production and that diminishing fresh water supplies translates into slower growth. Water scarcity could result in a 6 per cent decline in GDP by 2050 due to water-related losses in areas such as agriculture, health, income, and productivity.[59] For ACP countries, countries in West Africa are the ones expected to be most affected by this economic loss.

Droughts are on the rise as established by the UN Convention to Combat Desertification (UNCCD): "an upward trajectory in the duration of droughts and the severity of their impact, not only affecting human societies but also the ecological systems upon which the survival of all life depends."[60] Countries in the Horn of Africa have in 2022 experienced their worst drought in 40 years, displacing hundreds of thousands of people in the region.[61] Droughts and water insecurity exacerbate political tensions, domestic conflicts, and economic problems. "Many of these are the consequences of long-term droughts that have turned lands into deserts that people are unable to farm".[62]

As in every crisis, droughts also offer business opportunities, as "sustainable and efficient agricultural management techniques are needed to grow more food on less land and with less water,"[63] alongside early-warning systems and other technologies to improve drought resilience.

Water security is linked to two broad categories: increase water supply and improve water management. The former "generally involves infrastructure or engineering solutions to increase water supply (e.g., dams, irrigation

57. OACPS (2021) IF Factsheet SPS OACPS Research & Innovation Programme. Page 1-2. https://bit.ly/3R8Dcz4
58. World Economic Forum (2021) Five Big Bets for the Circular Economy in Africa. African Circular, Economy Alliance. Page 9. https://bit.ly/49HpSJ4
59. World Bank (2022) Water. See: https://bit.ly/3R6hCuL
60. UNCCD (2022) World 'at a crossroads' as droughts increase nearly a third in a generation. https://bit.ly/3NeLMKj
61. NPR (2022). Countries in the Horn of Africa are experiencing the worst drought in 40 years. https://n.pr/47lJGQu
62. Nasdaq (2021) State of the Water Industry 2021. https://bit.ly/3SPTyxE
63. UNCCD (2022) World 'at a crossroads' as droughts increase nearly a third in a generation. https://bit.ly/3NeLMKj

infrastructure and the construction of weirs) or substitution (e.g., desalinated water) – and has traditionally been the most promoted method to address water scarcity."[64] The latter focuses on managing water, levering economic incentives (e.g., pricing, subsidies, and/or property right changes that allow water markets), regulatory and/or planning processes (e.g., legislation and regulation) and educational measures (e.g., information and campaigns).[65] Both result in a significant market opportunity.

According to the Water and Sewage Global Market Report 2021, this opportunity is expected to reach 1.3 trillion US dollars in 2031.[66] With the water supply and sanitation sector facing increasing pressures, especially due to the impacts of climate change, innovation and technology have a vital role to play in scarcity and safety, water efficiency, utility operations, monitoring and treatment, and data and analytics.[67]

Business must also drive a water reduction agenda. Forbes identified that the top three challenges preventing companies from reaching their sustainability goals are an inability to show return on investment (ROI) on sustainability investments, a lack of understanding of the risks associated with not investing in sustainability and the lack of innovative technology to implement sustainability solutions for more effective water management.[68] This insight offers an opportunity for IPAs to work with establish investors and help them reduce their water consumptions. With 18 per cent of ACP IPAs tracking or solicit investor's contributions to water reduction, this is likely to be an area of significant growth.

5.3 Social Objectives

Social objectives are a growing area of FDI, both for foreign investors and host economies, due to its link with environmental, social and corporate governance (ESG) criteria. FDI is well recognized as a driver for social development, particularly in the areas of gender equality, women's empowerment and corporate social responsibility (CSR).

5.3.1 CSR Plans and Actions

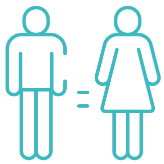
A THIRD OF ACP IPAS FOSTER CSR-RELATED CONVERSATIONS WITH INVESTORS

There are several angles to the CSR contribution a foreign investor makes to a host economy. For example, in the context of philanthropy, foreign investors are often found to be generous donors. A study by the Global Business Alliance (GBA), a USA-based advocacy group, found that over a 10-year period international companies in the United States increased their charitable contributions by 123 per cent, while the USA-wide average grew by only 19 per cent.[69] There is also an important CSR knowledge spillover effect. For example, a 2018 study in China looking at talent mobility found that FDI is "a vehicle for sustainable development, through the transfer of corporate social responsibility-related managerial knowledge from foreign to local firms."[70] Other positive aspects of CSR include employee retention and brand awareness.

These different perspectives are particularly pertinent when it comes to investments in developing economies. In ACP countries, 36per cent of IPAs track or solicit contributions in CSR. →

64. Wheeler, Sarah A. (2021) Water Markets: A Global Assessment. Edward Elgar Publishing as quoted in Global Water Forum. https://bit.ly/46pdxqf
65. Wheeler, Sarah A. (2021) Water Markets: A Global Assessment. Edward Elgar Publishing as quoted in Global Water Forum. https://bit.ly/46pdxqf
66. Research and Markets (2022) Water and Sewage Global Market Report. https://bit.ly/3R7B3U4
67. World Bank (2020) The future of water: How innovations will advance water sustainability and resilience worldwide. https://bit.ly/40Tj7A0
68. Forbes (2023) 3 Challenges Companies Must Conquer to Help Reduce Water Use. https://bit.ly/3G5xCHc
69. Global Business Alliance (n.d.) Global business alliance releases new state-by-state analysis of global investment. https://bit.ly/47CMwAw
70. Zhang, Y., Shang, Q. & Liu, C. (2018) FDI spillovers on corporate social responsibility: The channel of labor mobility. Sustainability, 10 (11). https://bit.ly/3ugJPpO

5.3.2 Gender Equality and Women's Empowerment



In 2020, UNCTAD observed that IPAs are promoting gender equality at work

33%

ACP IPAs focus on gender equality, tracking investor contributions to this area

FDI OFFERS A WEALTH OF OPPORTUNITIES TO DRIVE GENDER EQUALITY AND WOMEN'S EMPOWERMENT

IPAs in developed and developing countries are increasingly integrating gender equality and women's empowerment into their work. In 2020, UNCTAD observed that IPAs are active both in advancing gender equality within their organizations, as well as helping increase the impact of foreign companies' operations on gender equality in the host country.[71]

UNESCAP notes that IPAs have a direct line of communication with foreign investors and can influence how they set up and grow in host countries.[72] The Commission therefore laid out actions IPAs can take to advance gender equality (see Box 4). In addition, UNCTAD highlights that a growing number of multinational companies are monitoring and reporting gender equality, which "has generated both a demand and an opportunity for IPAs to support them in this area."[73] FDI can impact gender equality in at least three main areas: (1) at the decision-making level of the company expanding internationally, (2) at a subsidiary both at a leadership level and on the factory floor, as well as (3) in the ecosystem where the MNE operates. In all these areas, subjects such as job creation, career progression, equal pay and opportunities for women, are some of the many channels to empower women.[74]

IPAs have an important role to play in increasing the positive impact of FDI on women in their own organization, in the FDI ecosystem in which they operate, and in their economies. In 2022, the Investment Monitor looked more closely at gender equality in investment promotion and how the use of data helps to facilitate change. They found a positive correlation between organizational gender equality measures taken by an IPA and measures affecting its investment promotion work. In particular, the analysis showed that gender awareness training for IPA staff creates greater awareness inside the organization and also induces staff to integrate gender equality elements into their investment attraction and policy advocacy work.[75] Box 5 shows how gender equality can be mainstreamed in an IPA's typical investment facilitation and promotion workflow.

A third (33 per cent) of ACP respondents reported that they focus on gender equality when working with investors and track their contributions. This is lower than the 45 per cent of global IPAs promoting gender equality and women's empowerment in at least one area of their work, according to a 2020 UNCTAD study.[76] →

71. UNCTAD (2020) Mainstreaming gender equality in investment promotion. The IPA Observer, issue 10. https://bit.ly/3SOHY63
72. UNESCAP (2023) Advancing gender equality through foreign direct investment often an overlooked avenue. https://bit.ly/49MF9Is
73. UNCTAD (2020) Mainstreaming gender equality in investment promotion. The IPA Observer, issue 10. Page 1. https://bit.ly/3SOHY63
74. UNESCAP (2023) Advancing gender equality through foreign direct investment often an overlooked avenue. https://bit.ly/49MF9Is
75. Zietlow, K. (2022) Gender equality in investment promotion: The need for a data-driven approach. Investment Monitor. https://bit.ly/46mBw9o
76. UNCTAD (2020) Mainstreaming gender equality in investment promotion. The IPA Observer, issue 10. Page 3. https://bit.ly/46lQP2e

Advancing Gender Equality through FDI – Often an Overlooked Avenue

UNESCAP outlined a series of actions that IPAs can adopt to promote gender equality.IPAs should mainstream gender into their investment promotion and facilitation activities. It outlined the following specific measures:

- Identifying investment opportunities that can impact women and promote gender responsive investments.
- Ensuring equal access of men and women to capacity and supplier development programmes.
- Facilitating re- and up-skilling training programmes for women by foreign investors.
- Supporting women entrepreneurs in understanding how to reach out and pitch to foreign investors.
- Showcasing women entrepreneurs at national and international investment fairs as well as in road shows for foreign investors.
- Working with finance ministries to develop special incentives to encourage foreign investors to make a contribution to women's empowerment when investing.
- Developing promotional material and image building activities that are gender inclusive.
- Targeting women owned and led firms as potential foreign investors.
- Targeting foreign investors that have a track record of investing in gender equality.

UNESCAP, February 2023, https://bit.ly/49MF9ls

BOX 5: INTEGRATION OF GENDER EQUALITY IN THE INVESTMENT PROMOTION WORKFLOW

How are IPAs integrating gender equality in the investment promotion workflow?

IPAs are promoting gender equality and women's empowerment in their communication and media campaigns at the national level.

Some IPAs are also ensuring that their image brand is in line with the country's gender equality commitments and built into the value proposition marketed to foreign investors.

Some IPAs define impact on women as a criterion to evaluate investment leads or reporting on gender-related targets that influence the prioritization process of investment opportunity pipelines.

Some IPAs are also promoting gender inclusive linkages between foreign investors and the local economy facilitating equal access for men and women to capacity building, certifications, and supplier development programmes.

Some IPAs provide tailored support to address the specific challenges faced by their female stakeholders, including women-led businesses, entrepreneurs, and exporters.

Some IPAs are proposing aftercare services that promote gender equality in the workplace of MNEs.

Some IPAs include recommendations to address the gender gap as part of their policy advocacy work to strengthen the local investment climate.

Some agencies report to, or are part of, high-level working groups promoting gender equality and women's empowerment at the national level.

Source: UNCTAD (2020) IPA Observer Issue 10. Mainstreaming gender equality in investment promotion. https://bit.ly/46lQP2e

5.4 Economic Development Objectives

Finally, there is the economic development aspect of FDI, where the combination of investor priorities, industrial policies and economic development-oriented facilitation services generates further economic value for the host economy. This segment includes topics such as supplier development, product and process improvement, local content and special economic zones (SEZs).

5.4.1 Local Content

LOCAL CONTENT HAS BOTH SUPPORTERS AND DETRACTORS

Local Content Requirements (LCR) are used by a host economy to ensure that investors use a certain proportion of locally manufactured goods or domestically supplied services in their operations. The intended effect of LCR is that investors help local suppliers to upgrade their capabilities and ultimately increase local value added and supply chain integration. It also creates an opportunity for local suppliers to innovate. However, the OECD has suggested that while LCR policies may achieve certain short-term objectives, they undermine industrial competitiveness and overall employment in the long-run.[77] Observers also note that "local firms are generally keen to supply to foreign firms but are often not ready to make the necessary investments in technology and in processes to meet strict quality standards without a clear line of sight on [the] potential payoff for such investment."[78] Despite debates regarding their effectiveness and compliance with international economic agreements, the use of these measures has increased since the 2008 crisis.[79]

A 2018 UNCTAD review of six African countries with LCRs found that the policy frameworks put in place "have achieved significant improvements in the contribution of the oil and gas sector to their national economies beyond a narrow benefit of revenue generation and export earnings".[80] It also cites increased employment opportunities and the development of the skills and capabilities of both individuals and local small and medium scale enterprises as some of the benefits. "Notwithstanding these achievements, there is room for improvement in policies and the legal and regulatory policy frameworks to promote effective compliance and sustainable domestic linkages to other economic sectors."[81] Research suggests that while there are understandable reasons why ACP IPAs use LCRs, they should be used carefully to not undermine the attractiveness of a location or to overly protect local suppliers.
This survey unveiled that approximately 50 per cent of ACP IPAs track or solicit an investor's contribution in the area of local content. This represents the second highest score (together with skills development and after employment generation as top priority) in the various categories of solicited/tracked investor contributions.

5.4.2 Product & Process Improvement

DIGITAL TRANSFORMATION IS ROOTED IN PRODUCT AND PROCESS IMPROVEMENT

A further aspect of supplier development that is of relevance to ACP IPAs is product and process improvement, especially in relation to the localization of products, and in the context of export-oriented FDI where there is a requirement to comply with international standards. Product and process improvement can be initiated by the investor as a response to market demands and opportunities, as well as by the government seeking to stimulate competitiveness.

There are multiple benefits for the company going through the improvement process. In addition, there are spill-over effects to local firms, as the process creates opportunities →

77. OECD (n.d.) Local content requirements impact the global economy. https://bit.ly/47IUOXp
78. Gonzalez, A. (2017) Looping in local suppliers rather than forcing out international firms. World Bank. https://bit.ly/3G8ojWV
79. UNIDO (2016) The role of local content policies in manufacturing and mining in low- and middle-income countries. Page 36. Working paper 19/2016. Vienna, UNIDO. https://bit.ly/3R6kact
80. UNCTAD (2018) Overview of local content regulatory frameworks in selected ECCAS countries. Strengthening development linkages from the mineral resources sector in Central Africa. Page 10. Geneva, UNCTAD. https://bit.ly/3R4TFEj
81. UNCTAD (2018) Overview of local content regulatory frameworks in selected ECCAS countries. Strengthening development linkages from the mineral resources sector in Central Africa. Page 10. Geneva, UNCTAD.

to participate in new global value chains. It can set off and show new digitalization pathways, as companies that identify gaps in the performance of key processes may identify ways to leverage digitalization for productivity gains. This allows the company to enter "an intensive transformation of business and organizational activities, processes, competencies and models to fully leverage the changes and opportunities of adopting a mix of digital technologies and their accelerating impact."[82] This in turn benefits clients, partners, and suppliers as they embark on their own product and process improvement journeys.

This study found that 40 per cent of ACP IPAs are already active on this front in terms of soliciting or tracking investors' contributions.

5.4.3 Rural Development

FDI IS SLOWLY BUT SURELY ENGAGING IN RURAL DEVELOPMENT

According to a 2022 study, 72 per cent of OECD countries have regional investment promotion strategies in place and 94 per cent of national investment promotion strategies have a regional development dimension.[83] Whilst there is consensus that FDI is an important part of economic transformation that "can play a major role in supporting regional development, it can also exacerbate existing regional disparities."[84]

With 16 SIPAs in the ACP sample, investment promotion and facilitation support systems are also moving to a sub-regional level. Unsurprisingly, the data shows that they place a relatively higher score on tracking investors' contribution to rural development than their NIPA counterparts. However, while regional development and rural development have links when it comes to FDI, they also have differences. Looking first at the similarities, a study in China found that FDI had "directly contributed to reducing urban-rural income inequality through employment creation, knowledge spillovers and contributions to economic growth. FDI has also contributed to increasing urban-rural income inequality through international trade,"[85] while another study, which looked at 46 Asian countries, found a favourable association between FDI and the use of agricultural land as a percentage of total land.[86]

When it comes to differences between regional and rural development, the aspect that stands out the most is poverty. The United Nations Department of Economic and Social Affairs (UNDESA) notes that "poverty remains mainly a rural challenge: 80 per cent of people in poverty live in rural areas."[87] Rural poverty rates are the highest in sub-Saharan Africa, where more than 50 per cent of the rural population live in extreme poverty in numerous countries."[88] In addition, rural communities often have a higher share of elderly people and yet are frequently poorly served with inadequate access to public services, infrastructure and social protections, all characteristics that make them complex destinations for investment.

In addition to the overall slowdown in demand for primary sector industries, the COVID-19 pandemic hit rural economies particularly hard due to their greater reliance on tradeable goods and activities, such as agricultural commodities, mining, and tourism.[89] This compound effect has moved rural development up the agendas of governments across the world and given the focus on agriculture in many ACP countries, it is not surprising that 36 per cent of ACP IPAs are already engaged in tracking and soliciting investors' contribution to rural development.

82. Quirk, E. (2019) Process improvement plays a major role in digital transformation. Best Practices. See: https://bit.ly/3R6E9rj

83. OECD (2022) The geography of foreign investment in OECD member countries: How investment promotion agencies support regional development. OECD Business and Finance Policy Papers, No. 20. Page 2. Paris, OECD Publishing. https://bit.ly/3R9wUPH

84. OECD (2022) The geography of foreign investment in OECD member countries: How investment promotion agencies support regional development. OECD Business and Finance Policy Papers, No. 20. Page 2. Paris, OECD Publishing. https://bit.ly/3R9wUPH

85. Chen, C. (2016) The impact of foreign direct investment on urban-rural income inequality: Evidence from China. China Agricultural Economic Review, 8 (3). https://bit.ly/3sGftNa

86. Paul, S., Jahan, N., Nandi, A., Rahman, M.A. (2021) Nexus between FDI, agriculture, and rural development: Evidence from Asian countries. Asian Journal of Agriculture and Rural Development, 11(4) Page 311. https://bit.ly/3sL4j9R

87. UNDESA (2021) Reducing poverty and inequality in rural areas: key to inclusive development. See: https://bit.ly/3sJ3caK

88. UNDESA (2021) Reducing poverty and inequality in rural areas: key to inclusive development. See: https://bit.ly/3sJ3caK

89. OECD (2020) Policy Implications of Coronavirus Crisis for Rural Development. See: https://bit.ly/47Esxl4

5.4.4 Supplier Development

INVESTORS NEED QUALIFIED SUPPLIERS TO COMPETE INTERNATIONALLY

"From an investor's perspective, having domestic suppliers at the right quality, price and quantities is crucial for locational investment decisions."[90] This is valid both for attracting new investors and for growing and retaining established investors. This makes supplier development programmes (SDPs) a key component of any investment facilitation package. They focus on upgrading domestic companies, facilitating linkages, inserting SMEs in global value chains, strengthening the supply capacity of local companies, and using targeted incentives to encourage skills upgrading.

A further argument in favour of SDPs are industrial policies that incorporate cluster development, an approach that recognizes that closely-knit business sectors outperform those that are less well connected. There is a lead generation angle here as well. IPAs, particularly those targeting manufacturing or tradeable goods, perform complex value chain analysis to identify niches of opportunities and supplier gaps, which informs their targeting efforts.

In addition, SDPs have a role to play when it comes to regionalization. The OECD observed that distance to suppliers is one of the top three obstacles to directing FDI outside of a country's capital city or to different regions.[91] This offers space for national and subnational IPAs to join forces and develop SDPs that strengthen regional supplier capacity based on investor needs looking to operate or expand in those territories. Overall, SDPs "require a long-term view, with both policy commitment to addressing specific market failures and the flexibility to adapt to new opportunities and challenges along the way."

Of those surveyed, 34 per cent of ACP IPAs track investors' contributions to supplier development. This figure will likely increase given the significant supply chains disruptions due to the pandemic and as a response to regional economic integration. In addition, SDPs and supplier matchmaking interfaces go well with other mandates that are important to ACP IPAs such as domestic investment promotion, exports and SME development, which was discussed earlier (see Chapter 2.3). They offer a platform for collaboration among teams delivering against different mandates as well as with other public sector agencies.

90. INTRACEN (2022). Webinar report: Supplier development programmes: A key to facilitating FDI and development impact. See: https://bit.ly/49VdK7w

91. OECD (2018) Mapping of investment promotion agencies in OECD countries. Page 97. https://bit.ly/3SPp3rE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IPSUM
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Chapter 6: Need for Technical Assistance

The last chapter of Part II of this report will focus on technical assistance needs. ACP IPAs were asked to assess how important it was to them to receive technical assistance, capacity building and advisory support in 10 key areas of their work. The overwhelming message is that in all areas surveyed, ACP IPAs would appreciate significant levels of support.

Looking more closely at the data in Figure 40, first it is key to understand that a score of 10 means that it was particularly important for an IPA to receive support in this area, while a score of 0 means that it is not at all important. The average score was 8.63, with four of the topics scoring 9 or more and the lowest score being 7.4 – which is nevertheless a high number.

Indeed, all surveyed topics are relevant to at least half the ACP IPAs. The findings correlate strongly with those of similar surveys, notably the 2022 ILO-WAIPA survey of IPAs.

FIGURE 40: NEED FOR SUPPORT BY TOPIC (SCORE)

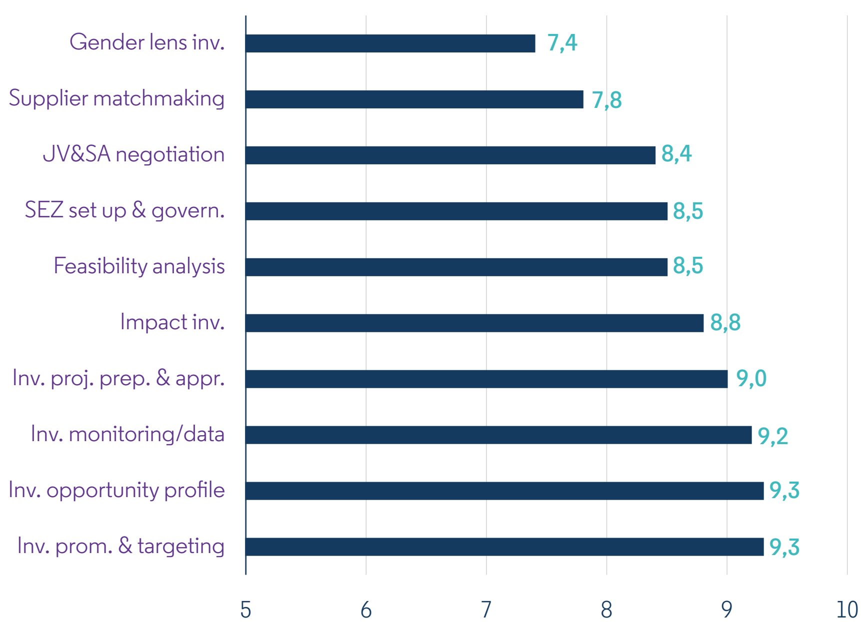
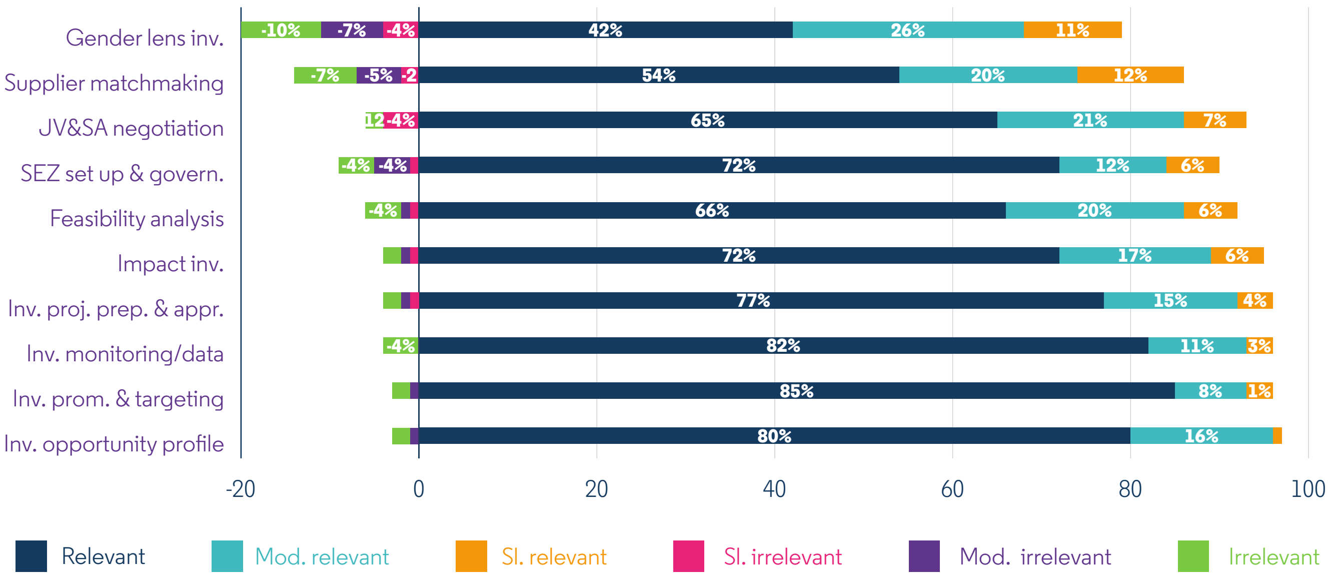


FIGURE 41: NEED FOR SUPPORT BY TOPIC



The following section provides brief overviews of current thinking and initiatives in place relating to the individual themes in descending order of importance (per the scores in Figure 40).

6.1 Investment Opportunity Profiling

BETTER PROFILING HELP INVESTORS AND IPAS BETTER ASSESS INVESTMENT FIT

One of the most important early steps in targeting FDI is the preparation of investment opportunity profiles. 96 per cent of ACP IPAs report that this area is 'relevant' or 'modestly relevant' to the IPAs' needs for technical assistance, capacity building, and advisory support (see Figure 41).

Investment opportunity profiles have two main objectives: (1) to help prospective investors evaluate the opportunity presented to them, by making clear the potential of the domestic market and why the opportunity is attractive to investors; and (2) to help IPAs assess the fit between prospective investors and an investment opportunity.

Digital tools are particularly effective for conducting investment opportunity profiling. Related templates include:

- A summary of main objectives;
- An introduction to the location of the future investment, including a brief but precise description of the location to highlight its main attributes;
- A description of the market and the rationale for implanting an FDI in the identified location (including the existence of skilled labour, raw materials and inputs, transportation, utilities, universities and research institutions, etc.);
- Clear statements of potential to show how the investment will yield dividends (for example, current and recent trends in production, consumption, demand, and brief but relevant statistics showing market potential (i.e. market information, sector analyses or feasibility studies from UNIDO or other sources);
- The IPA's contact information.

Ideally, templates are designed in such a way that they can be easily linked to government databases in order to obtain the most up-to-date information on legislation and incentives. For example, UNIDO's Digital Investment Profiling System (DIPS) and its Invest in ACP platform demonstrate the effectiveness of ACP IPAs in targeting and profiling FDI using digital tools (see Box 6).

BOX 6: UNIDO INSTRUMENTS SUPPORTING INVESTMENT OPPORTUNITY PROFILING

How UNIDO's Digital Investment Profiling System (DIPS) and the Invest in ACP Platform support Investment Opportunity Profiling

Under the ACP Business-Friendly Programme, UNIDO has developed two digital tools that were launched in 2022: DIPS and the Invest-in-ACP portal, which jointly constitute the Invest-in-ACP Platform: https://investment.unido.org/

DIPS, serving as the backend of the platform, is a user-friendly web application that supports data collection of Investment Opportunity Profiles (IOPs) and facilitates the process of creating, editing and publishing of Investment Opportunity Summary Sheets (IOSs). Furthermore, DIPS enables better investor data management, including FDI surveys, leading to enhanced business intelligence on existing investors in a country and FDI targeting.

The front-end of the platform, the Invest-in-ACP portal, acts as a One-Stop-Shop for insights into investing in the 79 ACP countries. Beyond offering detailed information on a variety of value chains and site-level information on industrial parks, it serves as a digital space for IPAs to showcase and promote bankable investment opportunities from the ACP region to potential investors. More than 900 listed opportunities can be explored on the portal, which are summaries of more detailed IOPs tenable to greenfield, brownfield/joint venture investment opportunities identified and formulated in ACP countries with the help of DIPS.

Following a holistic approach, the Invest in ACP Platform not only enables IPAs to digitally manage the entire workflow of investment opportunity profiling, promotion, and monitoring but also raises awareness of the investment potential of the ACP region and assists prospective investors in identifying pertinent IOPs and evaluating the opportunity presented to them.

6.2 Investment Promotion and Targeting

ACP IPAS SEE AN URGENT NEED FOR TECHNICAL ASSISTANCE FOR INVESTMENT PROMOTION AND TARGETING

Investment promotion reflects a range of activities of selling messages to market the FDI destination. According to the World Bank, 92 per cent of IPAs proactively market to prospective investors. However, marketing does not end once an investor has been attracted. Many IPAs continue to target their investors across the investment life cycle as they look for follow-on investments and also to encourage the investor to become better integrated into the local economy. According to the World Bank, 52 per cent of IPAs continue to market at the entry and the establishment phase, 39 per cent market to established investors, and 20 per cent continue their marketing activities to foster linkages and further growth.[1]

Besides marketing directly to potential investors, investment promotion also involves marketing a location, or nation branding. "In the 21st century nation branding has grown to be busy business with virtually every nation keen to hear how to best compose the face it presents to the world."[2] Although IPAs should ensure that any nation branding they choose is an effective use of their scarce resources. →

1. Heilbron, A. & Aranda-Larrey, Y. (2020) Strengthening service delivery of investment promotion agencies. The Comprehensive Investor Services Framework. Page 4. Washington D.C, World Bank Group. https://bit.ly/47TwKI1

2. Subramanian, S. (2017) How to sell a country: the booming business of nation branding. The Guardian. See: https://bit.ly/47STba2
Mahate, A. (2017) Module 3 IPA's Service Catalogue, s.l: Course: Towards the next generation of IPAs by Inter-American Development Bank.

Investor targeting is the process of identifying, selecting, and engaging with investors that match the country's value proposition. As highlighted already in Chapter 3, targeting is more likely to be successful when it is closely aligned with the host country's national development plan, industrial policies (notably SMEs policies, women, youth, and environment) and other relevant national innovation policies.

Targeting requires making a "choice between [the] costs of attracting a sector against the benefit that is derived from it. In most cases the final choice of selecting sectors is a balance of those two factors."

Indeed, as the IPA toolbox developed by the German Agency for International Cooperation (GIZ) underlines, targeting specific target groups can effectively allocate limited resources to the most promising promotional activities, resulting in improved outcomes in terms of both the quantity and quality of foreign direct investment inward flows.[3]

Investor aftercare is linked to both investment promotion and targeting. When ensuring that established investors maximize their contribution to the host economy, IPAs help shape investors' perceptions of the local business opportunity, build investor confidence, grow investor linkages, increase purchase power flows, and persuade investors to commit to other investment opportunities in the host country. It is therefore vital for IPAs to understand how aftercare functions drive value creation throughout the whole investment life cycle.[4] From this perspective, aftercare not only increases the return on investment on public funds, channelled into attracting FDI, it is also an important source of new leads for expansion, an instrument to avoid divestment and an opportunity to strengthen linkages. Leading IPAs are using world-class aftercare to differentiate themselves from competitor locations. ACP IPAs can therefore largely profit from doing so as well, by supporting established investors and continue targeting efforts.

The relevance of investment promotion and targeting is reflected in the responses to the survey, as it has received the highest overall score from ACP IPAs, when they evaluated their technical assistance needs. ACP IPAs also see a specific benefit of digitalization in these fields, for instance in relation to aftercare (see Chapter 4.3).

6.3 Investment Monitoring and Collecting Firm-Level Data

INSIGHT FROM DATA COULD FURTHER BOOST ACP IPAS' EFFECTIVENESS

Similar to promotion and targeting, 93 per cent of ACP IPAs stated that technical support and assistance with monitoring investment and collecting firm-level data is relevant or modestly relevant to them. This also links to the need to accelerate the digitalization in ACP IPAs.

With the rise of big data tools, analytics, and digital technologies, IPAs have the opportunity to collect, process, and analyze firm-level, and other relevant data to gain insights into emerging trends and sectors with high potential and assess investment impact on the local economy. For example, investment monitoring helps with assessing how investors shape employment patterns in remote locations or how demand from large-scale extractive investment puts pressure on scarce resources such as water.

For the SIDS sub-group in ACP countries, monitoring planet indicators is especially important due to their unique vulnerabilities and dependence on natural resources. Insight and evidence provided by specialized tools will help them, for example, better understand and mitigate environmental risks, identify (unintended) negative effects of an investor's operations, and effectively engage with stakeholders on environmental issues.[5]

Monitoring investment and collecting firm-level data is also crucial for targeting efforts, tailoring investment services, and addressing potential challenges in the investment process. It also supports informed decision-making and policy advocacy efforts by providing IPAs with valuable empirical evidence.
However, the capacity gaps in this area are significant, as were highlighted in the chapter on tracking investors' contributions and IPAs' digitalization.

3. The Deutsche Gesellschaft für Internationale Zusammenarbeit (2020) IPA Toolbox – A Practical guide to support IPAs. Available from https://bit.ly/40YAWO2

4. Arriagada Peters, C. and Coble, D. and Li, T. and Lewis, B. (2022). Investment Aftercare Explained. A Guide for FDI Practitioners and Policymakers on How to Grow and Retain Investors. Chapter 1. Routledge, London and New York. https://bit.ly/47P0mjJ

5. UNIDO (2023) Invest-in-ACP newsletter No:5. UNIDO- WAIPA IPA profile and digitalization survey 2022. https://bit.ly/3t7b7yO

BOX 7: UNIDO SUPPORTING IPAS IN FIRM-LEVEL DATA COLLECTION

Supporting investment monitoring and firm-level data collection through the ACP BF programme meso-level intervention:

As part of the ACP BF Programme meso-level component, UNIDO supports IPAs in collecting and analyzing firm-level data on FDI structure, performance, impact, and perceptions to devise effective investment promotion strategies and secure more quality FDI. The data collection is following a methodology for monitoring investor activity through surveys, which is based on previous work undertaken by UNIDO in ACP countries, in relation to its Africa Investment Promotion Agency Network (AfrIPANet) Programme.

The FDI Investor surveys generate continuous streams of investor empirical data that enhance subsequent institutional support on investor opportunity profiling, investment aftercare services, the promotion of linkages, access to finance, etc.

To facilitate the survey-based data collection, UNIDO's Digital Investment Profiling System provides IPAs with an efficient digital solution. DIPS is also used for improving investor data management, including the compilation and updating of FDI Business Directories.

So far, 8 IPAs under the ACP BF Programme used DIPS to compile over 7,800 company contact details, reach out to more than 4,200 investors to discuss their needs and re-establish broken links. This engagement led to the update of approximately 2,600 contacts, fostering stronger relationships and nurturing future opportunities.

Analytics on the ACP IPA FDI Business Directory development and Investment Monitoring can be found on the Invest-in-ACP portal: https://investment.unido.org/

6.4 Investment Project Preparation and Appraisal

INVESTMENT PROJECT PREPARATION AND APPRAISAL REQUIRE SPECIALIZED SKILLS

Contrary to FDI attraction in developed economies, where IPAs have the role of marketing existing opportunities or projects prepared by specialized public agencies, the nature of FDI in developing countries requires IPAs to get involved much earlier in the process. This means that, for example, they play a role in envisioning an investment opportunity, scoping, and assessing it. The benefit of such an approach is that IPAs can contribute their investor knowledge and provide valuable market input to help shape the future investment project.

The challenge of being involved at such an early stage is that the IPA is expected to go beyond its common skill sets. Project preparation and assessment require significant work that is quickly out of date or do not match either the assumptions, or the requirements of individual investors. UNIDO's Guidelines for Investment Promotion Agencies underlines that "the question is not about whether or not to prepare project proposals but the amount of detail" and suggests preparing skeleton profiles and embark on further in-depth analysis only once a potential foreign investor shows interest.[6] →

6. UNIDO (2003) Guidelines for Investment Promotion Agencies. Foreign Direct Investment Flows to Developing Countries. Page 40. Vienna.

UNIDO studies reveal that lack of appropriate skills to formulate investment opportunities is a major constraint in several developing countries.[7] The need for developing countries to upgrade local capacities in identification, preparation and appraisal of pre-investment studies call for appropriate human resource skills development efforts. Despite the increased plethora of financial instruments aspiring to identify and finance a growing pipeline of bankable investment opportunities, there remains a discrepancy between levels of investment demand versus financial supply, which often leaves investment project developers and potential investors disillusioned about the complexities and difficulties to conclude new investment agreements.

As suggested by results-based management (RBM models), several factors should be considered during project preparation and appraisal.

- The project should have a strategic focus, which is aligned with policy objectives.
- It should be relevant and based on sound assessments, analysis and tried-and-tested learning.
- It should be supported by a strong results framework including monitoring and evaluation.
- It should achieve cost efficiencies and the best use of resources.
- It should be effective in meeting stated objectives.

Predictable, well planned, and carefully appraised investment projects are much more likely to succeed in raising the interest of a potential investor.

In light of this, UNIDO has designed a suite of training modules aimed at closing gaps in investment analysis and improving the efficiency and flexibility of the investment decision making process, including an Investment Project Preparation and Appraisal (IPPA) e-learning course[8], which is free-of-charge as a complement to on-site training that can be delivered upon demand.

Given its importance, it is unsurprising that 92 per cent of ACP IPAs regard technical assistance and support with project preparation and appraisal as (modestly) relevant.

6.5 Impact Investments

ACP IPAS HAVE AN ADVANTAGE IN ATTRACTING IMPACT INVESTMENT BUT ARE YET TO DEVELOP TOOLS TO DRIVE ESG INVESTMENT

International organizations are strongly advocating for sustainable investment. In particular, the United Nations has set ambitious targets to promote sustainable development.[9] UNCTAD has estimated the market for sustainability-related investments at 1.2 – 1.3 trillion US dollars.[10] Moreover, the OECD stated that FDI is an important source of finance to help meet these global commitments to sustainable development,[11] while the World Bank noted there is growing interest from investors in impact investing - deploying financial capital to obtain both financial as well as (measurable) social or environmental returns, anchored in high governance standards.

A leading player in the ESG field is the Global Impact Investing Network (GIIN) whose membership includes the largest global community of impact investors including asset owners and asset managers, and service providers engaged in impact investing. Its members include Fortune 500 companies, major international banks, the EBRD and Africa50.[12] GIIN comments that what investors need, but is notably missing in the

7. Refer for example to UNIDO (2016), UNIDO Investment Promotion, A retrospective.
8. See: https://bit.ly/3Tb2Vs1
9. Zhan, J. (2020) Reset investment promotion in a new area of international production. Strategizing beyond the Covid-19 global crisis. WIC 2020. See: https://bit.ly/3N3Coce
10. Zhan, J. (2020) Reset investment promotion in a new area of international production. Strategizing beyond the Covid-19 global crisis. WIC 2020. See: https://bit.ly/3N3Coce
11. OECD (2022) Harnessing investment for sustainable development: OECD FDI Qualities Initiative. See: https://bit.ly/47B6fjY
12. Global Impact Investing Network (n.d) https://bit.ly/4a5nPyL

impact investing market, are impact intelligence tools that make sense of the impact performance of their investments.[13]
Another organization is the Response, Recovery, and Resilience Investment Coalition[14], which is supported by a group of leading foundations, which aims to streamline impact-investing efforts that address the large-scale social and economic consequences of COVID-19.

The global importance accorded to the SDGs, ESG, and impact investments gives ACP IPAs an advantage. For example, Sub-Saharan Africa's share of assets under management (AUM) was 10 per cent of the total 2022 cumulative AUM of 213 billion USD invested by the world's largest impact investors.[15] This compares to a 1.6 per cent share of FDI inward stocks in Africa compared to the world FDI inward stocks (see Chapter 1). Over the next five years, a third of investors plan to increase allocations to sub-Saharan Africa. This shows that there are industrial sectors that impact investors perceive to be thriving and investible such as renewable energy, fintech, healthcare and others. The demographic structure and emergence of middle classes in many ACP societies may be seen as a positive factor reaping the demographic dividend.

With all the benefit that impact investment brings, there is one aspect that receiving economies cannot ignore: The substantial demand for data required to inform decision making. Countries seeking to attract this asset class need to have extensive data strategies in place to fulfil the demands that ESG investment requires. This is yet another area, where digitalization can help IPAs take advantage of the global momentum surrounding impact investments. SIDS in particular need such tools to track planet indicators depending on which sustainability-aligned investments are chosen. This is a key area of focus in designing technical assistance initiatives linked to impact investing.

89 per cent of ACP IPAs articulated that this area is of relevance to their technical assistance needs.

6.6 Feasibility Analysis

FEASIBILITY ANALYSIS PROVIDE A ROADMAP FOR INVESTOR DECISION MAKING

Once an investment opportunity has been profiled, taken to market, and it has attracted attention from prospective investors, the next step is to provide a document to facilitate investor decision-making. Feasibility studies provide .comprehensive insights into all the main aspects of an investment project from the perspective of the investor. They serve several purposes:

- → An overview of the project including the expected return on investment. This section includes information on the size and characteristics of the market, a summary of the business plan, projected revenues and costs, and the proposed operational and financial structure. The document should also be balanced, outlining not only the expected benefits, but also the potential risks involved, and how these risks can be managed or minimized.

- → A comparison of the different investment alternatives to enable the investor to select the option that best fits their risk/reward profile.

- → A framework for engagement with the key stakeholders of the project such as the tax authority responsible for assessing applications for incentives and the local authority responsible for assessing the environmental and social impact of the proposed project.

- → A narrative that helps sell the project to relevant influencers and decision-makers.

Feasibility studies can be prepared by the IPA to ease investor decision making, or by the investor. Irrespective of who undertakes the study, the above list makes clear that a wide range of skills are required to produce such a study. Consequently, investors sometimes outsource the production of a feasibility study to specialist consultants; these consultants might contact the IPA for details or request help with assessing an investment opportunity. Indeed, IPAs also sometimes outsource the production of a feasibility study, particularly for projects that require specialist sector expertise. →

13. Global Impact Investing Network (n.d) https://bit.ly/4a5nPyL

14. Global Impact Investing Network (2020) Global impact investing network launches 'response, recovery, and resilience investment coalition' to facilitate COVID-19 related impact investments. https://bit.ly/49VPuCc

15. Hand, D., Sunderji, S., Pardo, N. (2023) 2023 GIINsight: Impact Investing Allocations, Activity & Performance. The Global Impact Investing Network (GIIN). New York.

BOX 8: LEVERAGING UNIDO'S COMPUTER MODEL FOR FEASIBILITY ANALYSIS AND REPORTING (COMFAR) FOR (PRE-) FEASIBILITY ANALYSES

Leveraging UNIDO's Computer Model for Feasibility Analysis and Reporting (COMFAR) for (Pre-)Feasibility Analyses

The long-standing UNIDO software product COMFAR III is geared towards supporting individual firm-level or entrepreneurial actors in a given sector or value chain to improve their skills in investment project formulation and feasibility analysis techniques. Given the applicability of COMFAR to various investment project scenarios (new projects, modernization, expansion, rehabilitation, joint ventures), it acts as an ideal complement to the efforts of investment promotion institutions (IPIs) related to sector-based investment opportunity profiling. COMFAR, together with the UNIDO feasibility analysis manual, is accepted as a standard for the preparation of bankable projects in many countries. The system comes with predefined templates for sectors such as industry, agriculture, infrastructure, environment, mining and tourism. There are currently more than 11,000 COMFAR users in 160 countries.

Over the last years, UNIDO has made major investments to accompany the successful transition of COMFAR III to COMFAR 4. The changing demands of investors and SMEs made it necessary to bring the programme up to modern technical standards and deliver a suite of digital and capacity building instruments to augment the quality of UNIDO's feasibility work and therefore to increase sector-specific investments. In addition to the assessment of the financial feasibility and developmental impact of projects, COMFAR 4 can play – even more than the COMFAR III

The fact that 86 per cent of ACP IPAs perceive this area as moderately or highly relevant to their technical assistance needs is not unexpected, considering the extensive array of skills it requires.

6.7 Special Economic Zones

AS SEZS GROW IN POPULARITY, COMPETITION TO ATTRACT TENANTS ALSO INCREASES

The survey found that 51 per cent of ACP IPAs are mandated to work with Special Economic Zones and Industrial Parks. By comparison, only 3 per cent of IPAs of the OECD Mapping[16] and 22 per cent of IPAs in the WBG-WAIPA study[17] have this mandate.

SEZs and FDI are closely linked. A 2020 Survey by the World Free Zone Organization found that 80 per cent of SEZs reporting that "more than 60 per cent of investment in their Free Zone is generated by foreign-owned companies"[18] Benefits include job creation, knowledge spillover, export, increased productive capacity and economic

16. OECD (2018) Mapping of investment promotion agencies in OECD countries. Page 9. Available from https://bit.ly/40GxZS3

17. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 11. https://bit.ly/3QzNg2z

18. World Free Zones Organization (2020) Outlook Report 2020. The way forward. Page 34. https://bit.ly/40TOVon

diversification.[19] However, with SEZs growing in popularity, competition to attract tenants also increases, which can lead to 'a race to bottom'.

A 2021 SEZ-specific study focused on Africa found that SEZs could make an important contribution when it comes to intra-regional commercial integration.[20] Therefore, they are likely to become a key item in negotiations to advance the African Continental Free Trade Agreement (AfCFTA). Some areas that might require careful dialogue consider "concern over rules of origin alleging unfair competition deriving from tax and other investment incentives granted to companies located in Economic Zones."[21] A further area for discussion is the ownership of SEZs, as a 2021 UNCTAD study found that foreign ownership is perceived as bringing little benefit to local suppliers or the local economy.[22]

Sector-specific SEZs also play a role in developing industrial policy, as they work with government to build complete local supply chains, often with a focus on creating an appropriate and supportive local ecosystem. This is because stronger sector clusters make a location more attractive to investors in that sector, reinforcing the link with FDI. For example, SEZs played an important role during the pandemic through targeted efforts in the health sector, such as financial incentives in addition to facilitating access to key stakeholders.[23]

The 2020 WBG-WAIPA study found that some IPAs receive a small proportion of their budgets from SEZs for services provided to investors (5 per cent of budget) and rental income (a further 5 per cent).[24] In an environment where budgets are slim, SEZ-related additional income is likely to be welcomed by ACP IPAs. However, few IPAs have reported successful results from SEZs, which suggests that they require specialist skills in both establishing an SEZ, but also in its governance and management.

ACP IPAs recognize the uniqueness of SEZ, with about 84 per cent expressing this topic to be at least modestly relevant in terms of their technical assistance needs.

6.8 Joint Ventures and Strategic Alliances

JOINT VENTURES AND STRATEGIC ALLIANCES ARE GROWING IN IMPORTANCE

Joint ventures (JVs) are business arrangements where two or more parties come together to share assets such as manufacturing facilities, access to markets and intellectual property, and agree to collaborate via contractual agreements which usually include profit sharing. Contrary to a merger or an acquisition, a JV does not consider transfer of ownership. The WBG-WAIPA study established that 83 per cent of IPAs provide services to joint ventures (JVs) between foreign and domestic firms, and that this work consumes 13 per cent of the resources dedicated to servicing clients.[25]

In contrast, strategic alliances are "medium- to long-term partnerships in which each participant contributes non-monetary assets to achieve a joint goal." One of the benefits of strategic alliances is that they are more agile than other forms of partnerships, and they are also easier to establish and dissolve than joint ventures, mergers, and acquisitions. They also require less commitment from each party. Strategic alliances are becoming increasingly popular with such deals having increased eightfold →

19. UNCTAD (2021) Special Economic Zones & African Continental Free Trade Agreement: Results from a continent-wide survey. Page 6. https://bit.ly/3QVC8gy
20. UNCTAD (2021) Special Economic Zones & African Continental Free Trade Agreement: Results from a continent-wide survey. Page 6. https://bit.ly/3QVC8gy
21. UNCTAD (2021) Special Economic Zones & African Continental Free Trade Agreement: Results from a continent-wide survey. Page 23. https://bit.ly/3QVC8gy
22. UNCTAD (2021) Special Economic Zones & African Continental Free Trade Agreement: Results from a continent-wide survey. Page 23. https://bit.ly/3QVC8gy
23. UNCTAD (2021) Promoting Investment in health post pandemic: a global trend? The IPA Observer, issue 11. Page 3-4. https://bit.ly/3GnfEzW
24. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 18. https://bit.ly/46zjEZ4
25. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Page 6. Washington, D.C, World Bank Group. https://bit.ly/3QzNg2z.

between 2012 to 2020.[26] In its 2008 publication, *Patterns of Internationalization for Developing Country Enterprises (Alliances and Joint Ventures)* UNIDO noted that "FDI and other forms of association to MNEs operations, such as subcontracting, original equipment manufacturing (OEM), participation in global value chains (GVCs), global manufacturing networks (GMNs), joint ventures (JVs) and various kinds of alliances have been the movers of technological progress, economic growth and success in international markets for many developing countries."[27]

This remains true today, and ACP IPAs should showcase such opportunities in their countries. To do this, they need a detailed understanding of local markets, the structure of existing businesses, and the potential for ACP SMEs to engage in JVs or strategic alliances. Information on the regulatory environment that may facilitate such collaborations is also essential.

In 2019, the OECD addressed the importance of networks and strategic collaborations to promote technology transfer. In particular, the WTO TRIPS Agreement's provisions were mentioned for technology transfer; matching suppliers with foreign investors, as well as the OECD Guidelines for Multinational Enterprises. Together, these two instruments serve as global frameworks that promote strategic alliances based on recognized protections for investors' rights and obligations, as well as the mutual recognition of principles that inspire investor confidence and host country accountability.

With 86 per cent of ACP IPAs considering JVs and strategic alliances as at least modestly relevant to their technical assistance needs, it is clear they recognize the complexity of such deals, as well as the opportunity that servicing JVs and strategic alliances could bring to their host economies.

6.9 Supplier Matchmaking

SUPPLIER MATCHMAKING IS A SERVICE OFTEN PROVIDED BY IPAS

Many investors appreciate the provision of supplier matchmaking services, as the WBG-WAIPA survey found. That study also established that 57 per cent of participating IPAs provide matchmaking services, while 60 per cent of IPAs invite investors to events and activities that promote linkages and matchmaking with suppliers.[28] The same study noted that 49 per cent of surveyed IPAs have databases on domestic supplier firms, and that 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."[29] In addition, 31 per cent of IPAs indicated they would like to see regulatory reforms in their countries in order to improve links with domestic suppliers.[30]

Further to supplier development programmes discussed in Chapter 5.4.4, this survey unveiled that 64 per cent of ACP IPAs see receiving technical assistance with supplier matchmaking as (modestly) relevant.

26. Yalazi, G., von Szczepanski, K., Lang, N., et al. (2022) Unleashing the innovation power of alliances. BCG. See: https://on.bcg.com/3MYaq1q

27. UNIDO (2008) Patterns of internationalization for developing country enterprises (Alliances and joint ventures). Page VII Vienna, UNIDO. https://bit.ly/3sRz5xT

28. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 25. https://bit.ly/3QzNg2z

29. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 28. https://bit.ly/3QzNg2z

30. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 35. https://bit.ly/3QzNg2z

6.10 Gender-lens Investing

GENDER LENS INVESTING HAS A FOOTHOLD IN ACP COUNTRIES

Gender lens investing seeks to, among other things, promote investing in enterprises that offer products or services that substantially improve the lives of women and girls. UNIDO goes a step further by defining gender lens investing as the intentional integration of gender analysis, investment analysis, and decision-making processes. This approach entails making investments in enterprises that are either women-owned or women-led, as well as investing in enterprises that promote gender equality in the workplace. Additionally, it involves investing in products or services that significantly enhance the lives of women and girls.[31]

One key player in this field is UN Women, which is leading global efforts to expand the participation of businesses, financial institutions, and other private stakeholders in promoting innovative financing and gender-sensitive investments under the initiative 'Investors for Equality', notably in Latin America and the Caribbean.

A private sector key player is 2XGlobal, a community of over 2,500 investors and investment influencers in over 50 countries. 2XGlobal coined the term 'gender-smart' "to reflect the larger ethos of those who understand that gender is material to financial, business, and social outcomes. Gender-smart investors recognize that financial systems engage with and benefit men and women differently."[32] 2XGlobal observes that gender lens investors, like impact investors, are either intentional in their strategies — making gender outcomes core to their investment approach — or choose to integrate gender alongside other sustainability factors. In their experience, the latter offers the fastest path to scaling equity.[33]

Gender-lens investing offers important opportunities to ACP countries, provided recipients of ESG investing help investors produce the required evidence that gender-investing demands. With 68 per cent of ACP IPAs perceiving this field (modestly) relevant to their technical assistance needs, it suggests that some ACP countries are working in this field but that more support is still required.

6.11 Geographical Variations

When looking closer at the regional differences and similarities, some interesting findings can be observed.

Pacific IPAs indicated the highest overall need for technical assistance with an average score of 9.29. Their most relevant needs are in the areas of investment monitoring and firm-level data collection and analysis, investment opportunity profiling, investment promotion/targeting, as well as impact investing, which all received the highest score (10). SEZs/Industrial Parks was the least relevant area for Pacific IPAs, however, still achieving a score of 7.9. Caribbean IPAs also see their most urgent needs in investment opportunity profiling and investment promotion/targeting (9.5). Overall, Caribbean IPAs also have the lowest score reflecting technical assistance requirements (8). African IPAs have indicated the same most and least relevant technical assistance needs as the Caribbean IPAs. However, overall, they find the topics to be more relevant (8.7) on average.

Sub-national IPAs and young IPAs have technical assistance needs above the average, with aggregated scores of 9.3 and 8.9 respectively.

The previous pages have outlined the different areas of technical assistance that ACP IPAs deem relevant. It unearthed the key areas, in which the international community can generate innovative approaches to support capacity building, programme development and execution in conjunction with ACP IPAs to further accelerate FDI flows into tLe ACI region.

31. UNIDO (2022) Impact gender lens investing. Training programme. https://bit.ly/3uAFU7B

32. 2XGlobal (n.d.) See: https://bit.ly/3sxPPde

33. Biegel, S. (2018) Why a Gender Lens Is Key to Sustainable Investing. https://bit.ly/3RgFsUR

Part III. Observations, Recommendations & Conclusions

Chapter 7: Observations

This report confirms that IPAs from ACP countries cannot be considered as a homogeneous group. They face unique economic, environmental, political, and social challenges, and some of them are extremely vulnerable to the impact of climate change. A lack of diversification in their economies, a dependence on a limited number of raw material exports, remoteness from markets, poverty and marginalization are some of the principal factors that account for ACP countries' relatively modest share of FDI and relatively slow SDG progress.

Whilst ACP IPAs have a good understanding of the FDI industry, the impact FDI has in their host economy, how to attract FDI and present a strong commitment to the SDGs, performance is hampered by inhibiting factors. These are:

1. **The performance of many ACP IPAs is impeded by governance structures that do not necessarily respond to their unique opportunities and challenges, exacerbated by mandate overload** when compared to other IPAs, as observed in OECD and WAIPA studies. In pursuing multiple mandates, ACP IPAs may face greater performance challenges vis-à-vis both prospective investors and domestic clients (both government and the private sector) when taking into account their level of staff and available financial resources.

2. **Targeting could be optimized,** particularly when it comes to increasing the likelihood of securing a positive response from investors, as well as aligning event attendance and responding to opportunities that stem from shifts in markets.

3. **ACP IPAs allocate significantly less of their budgets to business generating activities** than their peers, which is likely to adversely affect FDI outcomes.

4. **ACP IPAs are not prepared for today's highly digitalized global economy.** This is evident throughout the survey.

5. **The need to drive the 2030 Agenda is massive.** In an environment of growing inequalities, rising pressure from climate change and economic uncertainty, FDI's role in driving sustainable investment increases.

6. **Capacity gaps and technical assistance needs were observed in all aspects of the work of ACP IPAs.**

Broadly speaking, the situation facing ACP IPAs can be summarized as follows:

- ACP IPAs have a longer road to market than their peers.
- ACP IPAs have a harder task than their peers.
- Attracting FDI to ACP countries is more challenging compared to other regions.

Or put another way, ACP IPAs are not operating on a level playing field. The following pages explore this in more detail and develop a framework to understand FDI in ACP countries.

Framwork to Understand FDI in ACP Countries

ACP IPAS HAVE A LONGER ROAD TO MARKET THAN THEIR PEERS

The OECD outlined in 2018 four core functions of IPAs; i.e., image building, investment generation, investment facilitation and retention (aftercare), and policy advocacy (see Figure 42 below).

FIGURE 42: IPA'S FOUR CORE FUNCTIONS BY OECD

	Image building	Investment generation	Investment facilitation and retention	Policy advocacy
Main Objective	Create awareness and generate positive feelings about a country as investment destination	Reach out to foreign investors and convince them to locate their investment in the host country	Facilitate the implementation of investment projects, maximize their economic benefits and generate follow-up investments	Monitor foreign investors' perception of the host country's investment climate and propose changes to improve the investment policy
Agro-processing	→ Marketing plans → Media campaigns → Website → Brochures → General Communications and public relations (PR) events	→ Meetings with foreign investors → Reaching-out campaigns → Targeted communication and PR events (sector-specific or investor-specific)	→ Provision of information → Site visits → Administrative support (including one-stop-shop services) → MNE-SME linkage programs	→ Global rankings → Surveys of foreign investors and industry associations → Policy impact assessment → Meetings with the government

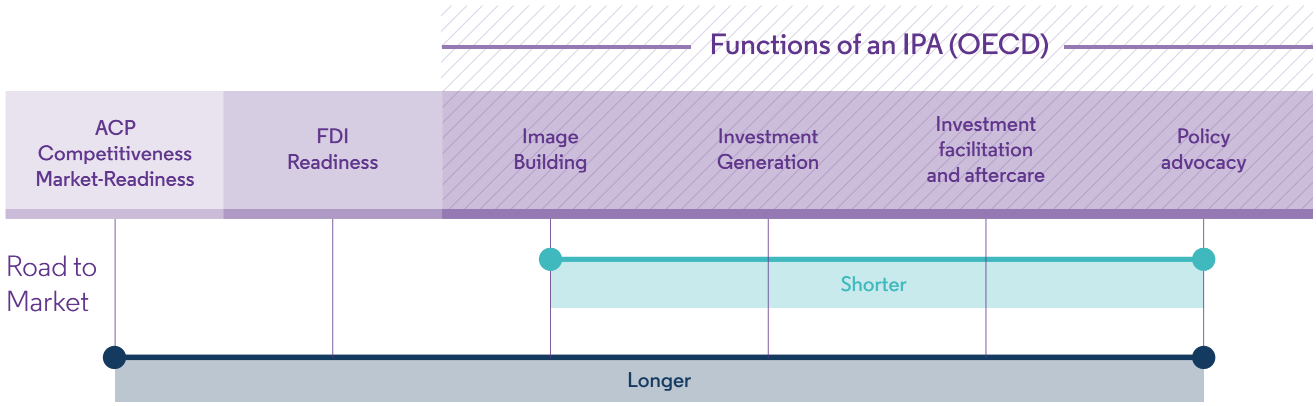
Source: OECD (2018) Mapping of Investment Promotion Agencies in OECD countries

An IPA from a developed economy focuses on these 4 OECD functions to bring its message to market. ACP IPAs do the same, but must also deal with two further factors. First, they must outline what the investment opportunity is, as a significant part of their opportunity pipeline is related to articulating a vision of better economic conditions that are yet to materialize in ACP countries. They also have to overcome a lack of country brand and are impacted by sometimes negative investor preconceptions about doing business in their country.

Where a similar value proposition is presented by two different IPAs to the same investor, *ceteris paribus*, the IPA from an ACP country has a longer road to market than its peers, as shown in Figure 43. For them, FDI attraction is not a sprint, but a marathon.

The notion of a longer road to market could be a factor that helps explain lower FDI success rates from ACP countries, as well as a neglect of post-investment services.

FIGURE 43: ROAD TO MARKET AND FUNCTIONS OF IPAS



ACP IPAS HAVE A HARDER TASK THAN THEIR PEERS

A second factor to examine is the combination of available resources and governance. This includes legal status, number of mandates, budgets, tools, skills, and processes available and how these affect each other. On a continuum from well-equipped to ill-equipped, ACP IPAs are likely to be less well-equipped than their peers from more developed economies (see Figure 44).

ATTRACTING FDI TO ACP COUNTRIES IS MORE CHALLENGING THAN TO OTHER REGIONS

A third factor necessary to better understand FDI in ACP countries concerns the business environment of these countries, including variables such as the quality of infrastructure, GDP per capita, demographics, the effects of climate change and the capacity to coordinate institutional actions towards business environment improvements (see Figure 45).

On a continuum from a stable and robust environment on one side to an environment affected by volatility, uncertainty, complexity and ambiguity (VUCA) on the other, it is likely that the IPA of a developed economy operates in a more stable and robust environment, while an ACP IPA is more likely to operate under more volatile conditions.

Consequently, attracting FDI to ACP countries is likely to be more challenging than it is to bring FDI to other regions. →

FIGURE 44: RESOURCES AND GOVERNANCE OF IPAS

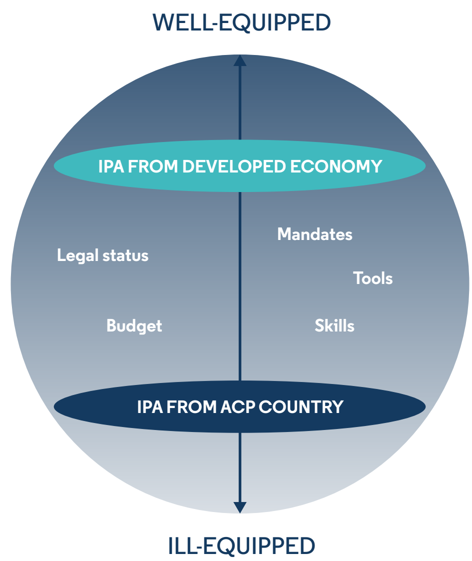
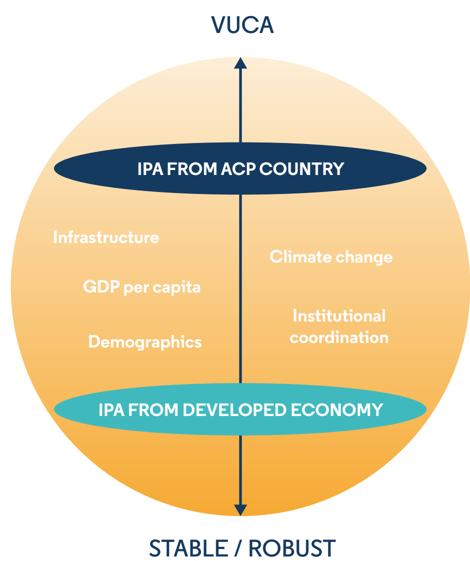
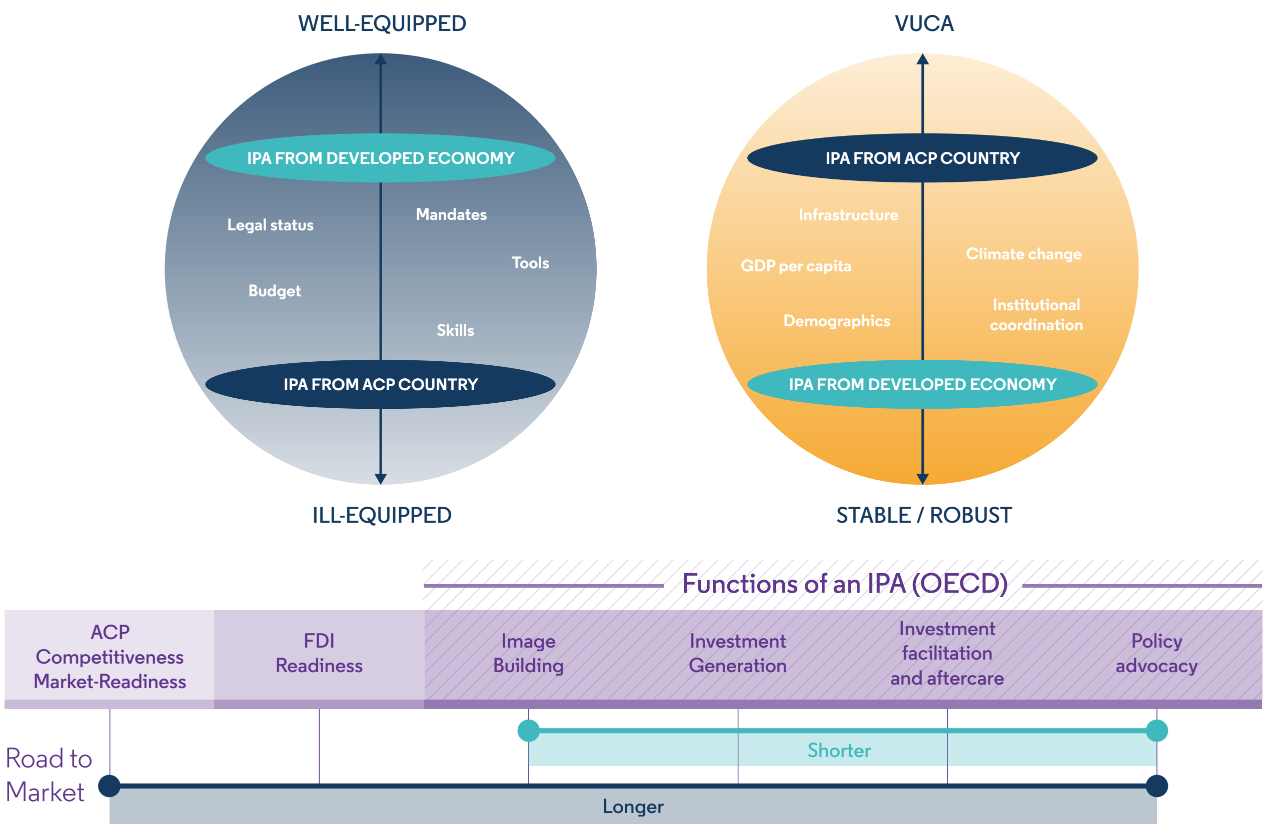


FIGURE 45: ENVIRONMENT AND COMPLEXITY OF FDI ATTRACTION



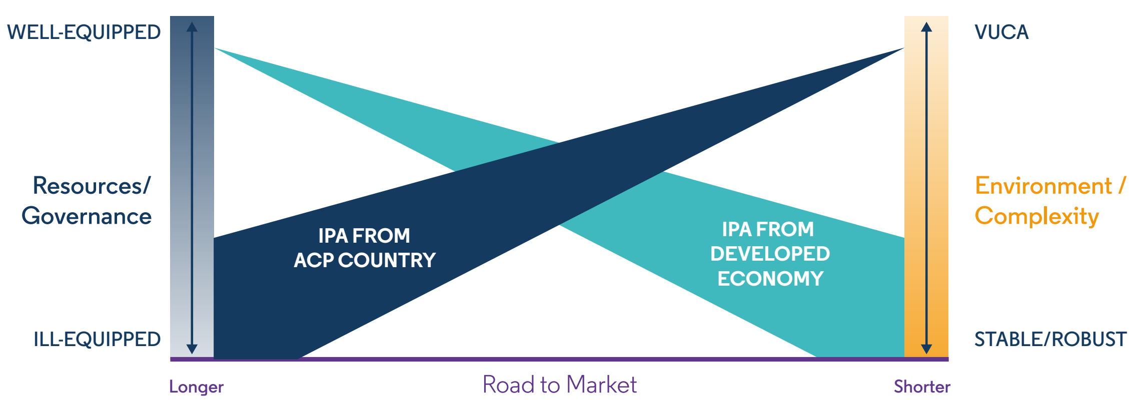
A MODEL TO UNDERSTAND FDI IN ACP COUNTRIES

FIGURE 46: COMBINING THE 3 OBSERVATIONS.



Combining the three factors, as shown in Figure 46, illustrates the interconnectedness of the three continuums, and that together they offer a model to better compare how two hypothetical IPAs are likely to perform when driving FDI.
In the diagram below (Figure 47), the triangle in purple represents an IPA from an ACP country that is poorly equipped, has a longish road to market and operates in a more volatile environment. In contrast, the triangle in blue represents an IPA from developed economy that has a shorter road to market, operates in a relatively stable environment and is better equipped.

FIGURE 47: COMPARISON BETWEEN TWO IPAS

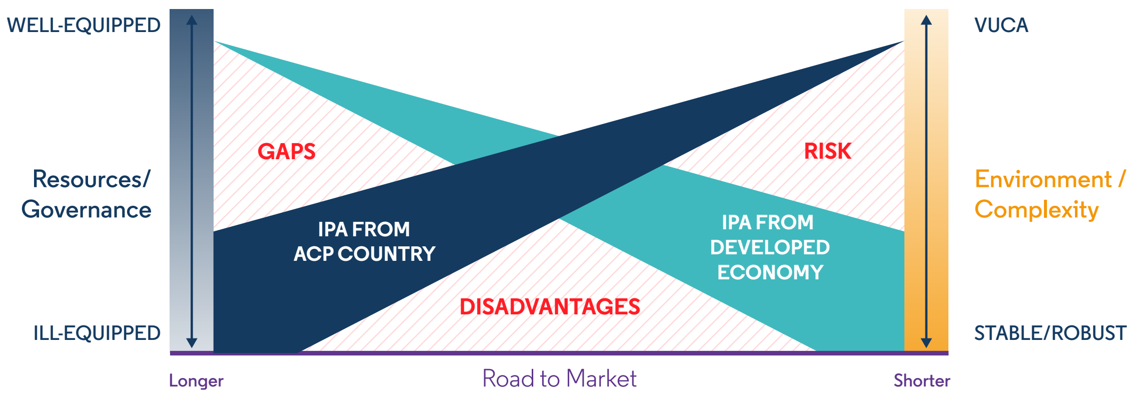


This shows that ACP IPAs are not operating on a level playing field when compared to their developed economy peers. This has policy implications and provides a model to better understand why FDI to ACP countries is challenging and calls for a rethink of how to best approach it. It also offers insight into the design of technical support, partnerships with international organizations and investment treaties.

Narratives Surrounding FDI in ACP Countries

Reviewing several reports about ACP countries through the lens of this framework showed that these documents can be placed into three distinctive groups (see Figure 48), a lens of gaps, disadvantages, and risks, and that these groupings map onto the three factors identified. Perspectives about ACP IPAs in relation to the resource and governance axis portray them as lacking resources, budgets, and gaps in their skillsets. Perspectives in the horizontal axis highlight a narrative of disadvantage, referring to the difficulties ACP IPAs face when bringing value propositions to market. And finally, the business environment axis shows narratives of risk associated with FDI in ACP countries.

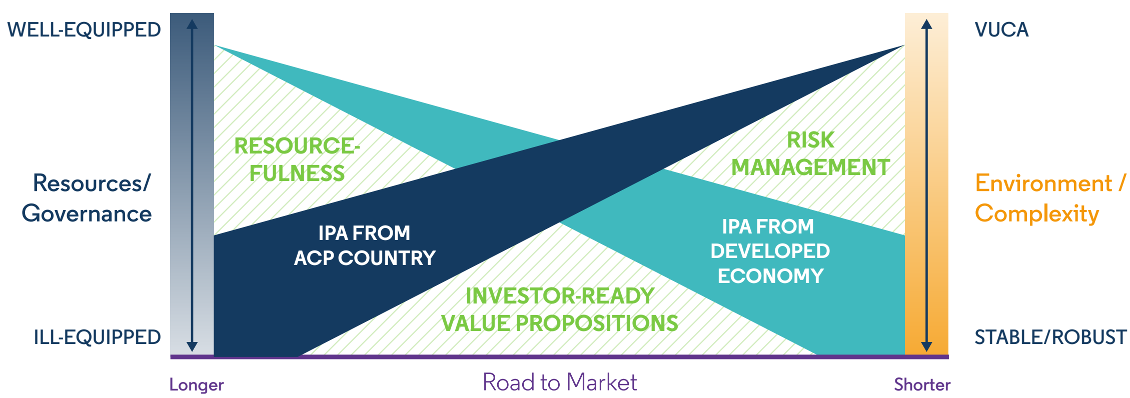
FIGURE 48: CURRENT NARRATIVES ABOUT FDI ATTRACTION TO ACP COUNTRIES



In order to move from a more negative towards a positive narrative and turn challenges into opportunities, ACP IPAs could focus on resourcefulness instead of gaps; instead of articulating disadvantages move towards crafting persuasive value propositions and investment pipelines to overcome a longer road-to-market and instead of accepting risks as merely external factors, to transition to active risk management (see Figure 49). Such a discourse offers better perspectives for ACP IPAs and provides a positive framing from which to grow FDI in ACP countries.

It is against this backdrop of a positive outlook for FDI flows to ACP countries that recommendations are presented.

FIGURE 49: ALTERNATIVE NARRATIVES FOR FDI ATTRACTION TO ACP COUNTRIES.



Chapter 8: Recommendations

The following recommendations have been developed as a response to the challenges and key observations outlined in the survey, as well as the framework presented in the previous chapter. While the first three groups of recommendations are directly linked to the results of the report, the last two are expanding on these survey-based recommendations and focus more generally on how the FDI challenge facing ACP countries could be approached.

1

Recommendation 1: Design for better governance.

ACP IPAS SHOULD CONSIDER CHANGES TO THEIR GOVERNANCE IN ORDER TO DRIVE FDI PERFORMANCE.

ACP IPAs should establish what is the best governance model that suits their specific realities, including reviewing their legal status, mandates, and budgets.

Legal Status

ACP IPAS SHOULD CONSIDER MORE BUSINESS-LIKE STRUCTURES

The survey found that most ACP IPAs are governmental agencies with only a minority (18 per cent) reporting to a committee or a board of governors. Although, there is no established best practice for governance models of IPAs, a study by WBG-WAIPA noted that "IPAs with a business-like structure are more successful in bringing investors to a location."[1]

Recommendation: Boards of ACP IPAs should consider whether it would be more appropriate to incorporate a business-like structure into their governance model. This could be done with non-executive board members drawn from diverse groups including the private sector.

1. Sanchiz, A. & Omic, A. (2020) State of investment promotion agencies: Evidence from WAIPA-WBG's joint global survey. Washington, D.C, World Bank Group. Page 9. https://bit.ly/3R8sg2Z

Mandate

ACP IPAS SHOULD REASSESS HOW TO BEST DELIVER ON MULTIPLE MANDATES

The survey found that ACP IPAs typically have more than five mandates. There is a consequent risk of mandate-overload, particularly where the budget is not sufficient to effectively perform all mandates at the same time and at desired quality.

Recommendation: In an ideal scenario, ACP IPAs would be equipped with sufficient budget and resources to effectively fulfil their mandates. Where this is not the case, they should explore how to better combine these mandates to achieve scaling effects. For example, identifying mandates that complement each other and then developing appropriate KPIs may reduce the risks of mandate-overload. Collaborating with other public agencies to share execution responsibilities can bring in additional resources and lead to synergies for greater efficiency and effectiveness. Teams with diverse mandates should be brought together based on shared clients and institutional objectives, hence allowing for the optimization of resource allocation. Pooling data from different mandates into a consolidated CRM tool is also a crucial step to addressing mandate overload. Such a tool would provide an overview of all the interactions the IPA has with their clients, generate insight, and enable the identification of ways they could add value to each other.

Budget

ACP IPAS SHOULD REVIEW HOW THEY USE THEIR BUDGETS

ACP IPAs may not be utilizing their budgets as effectively as possible. While OECD/LAC IPAs spend up to 75 per cent of their budgets on business-generating and client-facing functions, ACP IPAs only allocate 49 per cent of their resources to client engagement activities. This hampers their business results.

Recommendation: ACP IPAs should review how they spend their budgets to ensure they maximize their spending on business-generating activities and, within those business-generating activities, ensure a higher weighting for investment facilitation and specifically aftercare.

Quality Management

ACP IPAS WOULD BENEFIT FROM HAVING ISO CERTIFICATION

An ISO 9001 certification sends a positive signal to potential investors, partners, and stakeholders that an IPA will provide a high-quality service, however, only 15 per cent of IPAs have ISO 9001 certification.

Recommendation: ACP IPAs should consider obtaining an ISO 9001 certification.

2

Recommendation 2: Make digitalization a priority.

ACP IPAS SHOULD ACCELERATE THE PACE OF DIGITAL ADOPTION.

Digitalization is in its infancy in the majority of ACP IPAs. Indeed, many ACP IPAs do not yet have a digitalization strategy. Therefore, they should accelerate the pace of digital adoption.

Setting Realistic Goals

ACP IPAS SHOULD ESTABLISH A CLEAR AND REALISTIC ROADMAP FOR THEIR DIGITALIZATION JOURNEY

The survey revealed that most ACP IPAs have limited digital capabilities and therefore are not well positioned to implement a digital strategy. Hence, it is crucial for ACP IPAs to identify their needs, set achievable goals and leverage useful tools to expedite the digitalization process.

Recommendation: ACP IPAs should be realistic about what they are trying to achieve when planning to digitalize their operations. Indeed, as UNCTAD recommends, "developing countries, especially the least developed countries (LDCs) with scarce resources should focus their efforts on initiatives with the highest return: information provision, regulatory transparency, and streamlining of administrative procedures for investors."1 This can also include the integration of readily available digital tools into their operations, often provided by international organizations (refer to Box 6).

Best Practices

ACP IPAS SHOULD ENGAGE IN KNOWLEDGE SHARING TO IMPLEMENT TOP-NOTCH DIGITAL SOLUTIONS

Some ACP IPAs have shown that they are capable of digitalizing parts of their operations to a very high standard as, for example, Rwanda, Tuvalu, and Togo have proven by producing best-in-class information portals or single windows.

Recommendation: ACP IPAs should look at the factors that underpin the success of these examples to guide their own digitalization journeys and gain a better understanding of associated costs, the decisions to customize own solutions/vs. taking solutions from the market, digitalization milestones, and others.

1. UNCTAD (2022) Investment facilitation: Progress on the ground. Investment Policy Monitor, issue 6. Page 7. https://bit.ly/3RuI5DJ

Data Sharing Protocols

ACP IPAS SHOULD INTRODUCE DATA SHARING PROTOCOLS

A considerable proportion of ACP IPAs do not have data sharing protocols and/or information security management certification. However, they are a pre-requisite of doing business for many international organizations and businesses.

Recommendation: ACP IPAs should design and implement data sharing protocols and obtain information security management certification as quickly as possible. Private companies can guide organizations through the process of gaining certification such as ISO 27001 and ISO 27701.

BOX 9: FURTHER GUIDANCE ON HOW TO ACCELERATE THE PACE OF DIGITALIZATION

Further guidance on how to accelerate the pace of digitalization:

- **Pursue strategic partnerships to accelerate the digitalization of FDI work.** ACP IPAs should consider pursuing strategic partnerships with local universities and research institutions, international organizations, regional economic commissions, and private sector firms that possess modern, effective digital tools and data. These partnerships ought to have digitalization as the main priority and should be designed as win-win collaboration models that are self-financing.

- **Anchor FDI strategy in digital value creation.** Through digitalization, ACP IPAs can pursue further value creation through the development of new services to both prospective investors and domestic clients (governments and local firms) some of which might have an income generation element. ACP IPAs' should not lose sight of their institutional targets and establish monitoring check points along the digitalization journey to ensure that digital solutions are acceptance by prospective IPA users and its clients. Digital development should be guided by these institutional targets, not vice versa.

3

Recommendation 3: Increase effectiveness of targeting efforts.

ACP IPAS SHOULD BE MORE SELECTIVE WITH THE TARGETS THEY PURSUE.

ACP IPAs should select target sectors, geographies, and events more rigorously to increase effectiveness and improve the quality with which investment opportunity pipelines are matched against potential investor groupings from within and outside the ACP region.

Key Sectors

ACP IPAS SHOULD FOCUS ON PRODUCTIVE VALUE CREATION ACTIVITIES IN THEIR PRIORITY SECTORS

Harding et al. have established that “sectors targeted by investment promotion agencies receive twice as much FDI in the post-targeting period relative to the pre-targeting period than non-targeted sectors.”[1] ACP IPAs must be mindful that the transformation of raw materials and supplying services to consumers and business generates more economic value, diversifies the economy, and fosters economic resilience.

Recommendation: ACP IPAs should ensure they put sufficient focus and effort on their target sectors and regularly review their priority sectors to take account of market shifts. Moreover, ACP IPAs should continue their efforts in increasingly target secondary and tertiary sector companies in a view to augment their productive value creation activities in ACP countries and regions.

Event Attendance

ACP IPAS SHOULD BE MORE DISCERNING IN THE EVENTS THEY ATTEND

According to the survey data, some IPAs may not be using their resources and time efficiently, as the events they choose to attend for promotion are not fully aligned with the countries and sectors they claimed they were targeting.

Recommendation: ACP IPAs should focus on attending events that are closely aligned with the countries and sectors they are targeting and that have a proven track record of potential investor v, specifically fairs with B2B activities related to target industries.

Tracking Investors’ contribution

ACP IPAS NEED TO UNDERSTAND HOW ESTABLISHED INVESTORS’ ARE PERFORMING AND HOW THEY CONTRIBUTE TO THE SDGS

Employment generation is the main focus of IPAs, when it comes to tracking investors’ contributions, it being the only indicator that more than 50 per cent of IPAs putting a great deal of effort into tracking it. However, a substantial proportion of them make little effort to track investors’ contributions in any other relevant economic, social, or environmental areas.

Recommendation: ACP IPAs should regularly map their base of established investors and track their contribution to the national sustainable development goals. Thereby they produce knowledge that can help them target quality FDI that advance their countries’ development agenda more effectively. This also allows them to detect potential risks and identify companies that could benefit from support programmes or specialized incentive provision.

1. Harding, T. & Javorcik, B. (2012) Roll out the red carpet and they will come: Investment promotion and FDI inflows. University of Oxford. Page 12. https://bit.ly/40PpyEe

Expanding on these survey-based recommendations, the following two clusters of recommendations delve deeper into specific areas where ACP IPAs can further enhance their work and make significant contributions to their countries' sustainable development agenda.

4

Recommendation 4: Unlocking FDI potential.

ACP IPAS SHOULD FOCUS ON ENHANCING THEIR BUSINESS-GENERATING SKILLS AND ACTIVITIES.

In essence, FDI promotion can be seen as the act of marketing a country and its opportunities to prospective investors. ACP IPAs should therefore develop the skills to drive FDI as sales and respond to the various needs of investors. Once an investor is attracted, investment monitoring and aftercare play a vital role in obtaining maximum value from established investors.

Client-Facing Operations

ACP IPAS SHOULD BUILD STRONG SALES CAPACITIES

Successful IPAs require outstanding sales teams with the skills to sell development projects. The survey suggests that these are not strengths of ACP IPAs.

Recommendation: ACP IPAs should prioritize skills development for sales teams and allocate resources to expand their business-generating activities. Partnerships with other organizations can enable them to engage in sophisticated projects such as larger infrastructure or real estate. Ultimately, this will lead to ACP IPAs becoming more client-led organizations.

Skills for Development Projects

ACP IPAS SHOULD DEVELOP PROJECT FINANCE SKILLS.

Developing economies' FDI pipelines usually include infrastructure projects, (renewable) energy projects, construction projects and public-led greenfield investment opportunities that benefit from stimulus money or require investors to match funding. It is important to note that these pipelines can differ substantially from those focused on "traditional FDI", requiring IPAs to possess distinct skill sets. This includes for example the skills to develop or appraise (pre-) feasibility studies (see Box 8), employing a blended finance approach or engaging with impact investors and/or private equity partners. ACP IPAs need to understand how risk tolerance differs for different investor groupings when suggesting types and scales of investment opportunities in their economies.

Recommendation: ACP IPAs should assess the nature of capital flows required by their pipelines, map project finance skills against it and build capacity as required.

Aftercare

ACP IPAS SHOULD UPGRADE THEIR AFTERCARE WORK

Aftercare can make a significant contribution to an IPA's KPIs. The industry average is for aftercare to deliver 50 per cent of yearly job targets, with some mature IPAs in advanced economies able to secure up to 70 per cent of their job targets via subsequent expansions and reinvestment.

Recommendation: ACP IPAs should develop aftercare capabilities and review their service offer to ensure that their services match every stage of the investment life cycle.

Linkages

ACP IPAS SHOULD ASSESS THE LINKAGE REQUIREMENTS OF INVESTORS

COVID-19 related disruptions, the ramifications of the war in Ukraine, global trends in re- and nearshoring and the changing nature of supply chain governance highlight the importance of assessing and monitoring value chains.

Recommendation: ACP IPAs should assess the need from locally established and prospective investors for linkage services such as business matchmaking, supplier development programmes and cluster development. In doing so they establish an important bridge between FDI promotion and domestic investment promotion with, as the survey has shown, both targets being almost on par in terms of importance for ACP IPAs' mandate execution.

Special Economic Zones

ACP IPAS SHOULD WORK CLOSELY WITH SEZS TO BETTER SERVE ESTABLISHED INVESTORS

The public policy motivations for promoting SEZs often derive from the industrial policies or strategies of national, state and local governments, seeking to induce industrial transformation, diversification and upgrading towards more competitive, sustainable and inclusive economies, through structural changes correcting for market failures.[1] ACP IPAs have hence a role to play to promote the benefits of SEZ to investors in highlighting characteristics that can positively influence investment decisions related to access to land, infrastructure, quality services and proximity to suppliers or markets. SEZs can increase industrial productivity of investing tenants by reducing production costs, reducing waste and pollution and administrative overhead costs vis-à-vis on-site service providers.

Recommendation: ACP IPAs have much to gain by working closer with SEZs to further strengthen industrial clusters and to outline value propositions that match the demand of shifting global value chains.

1. Syrquin, M., in A.K. Dutt and J. Ros (Eds.) (2007) Structural Change and Development. In International Handbook of Development Economics, Vol. 1

5

Recommendation 5: Keep focusing on vision 2030.

ACP IPAS CAN LEVERAGE QUALITY FDI TO ADVANCE THEIR COUNTRIES' DEVELOPMENT.

IPAs are key catalysts for sustainable development, especially in the ACP region, where development challenges persist. They hold significant importance in advancing Vision 2030 through attracting Investments. However, it is essential to proactively act upon this potential.

Social Development Goals

ACP IPAS SHOULD CONTINUE THEIR EFFORTS TO ADVANCE THE SDG AGENDA

ACP IPAs appear to be taking the UN SDGs seriously, as 93 per cent of their strategic plans are at least partially aligned with the UN SDGs. However, the survey results, especially with regard to tracking investors' contributions, barely reflect this alignment.

Recommendation: To advance the SDG agenda, ACP IPAs should further align their promotion and facilitation efforts with the SDGs, leveraging available support from international organizations. This allows IPAs to also provide innovative services that assist established investors in expanding their sustainable footprint in the local economy not only for themselves and, leading by example, also advocate for ESG adoption amongst their suppliers, buyers, and business partners.

Climate Crisis

ACP IPAS SHOULD INCORPORATE CLIMATE CHANGE INTO THEIR BUSINESS PLANS

The climate crisis and its repercussions have gained widespread attention, permeating discussions on business and development. ACP IPAs ought to embrace this reality and integrate it into their practices.

Recommendation: ACP IPAs should understand the implications of the climate crisis and the potential business opportunities behind climate mitigation and adaptation. By proactively incorporating this understanding into their investment value propositions, IPAs can accelerate the delivery of climate solutions through FDI, effectively contributing to resilience-building efforts. Therefore, ACP IPAs should identify and proactively target FDI-ready solutions that mitigate the effects of climate change and contribute to adaptation efforts.

Corporate Social Responsibility

ACP IPAS SHOULD FURTHER LEVERAGE INVESTORS' CSR INITIATIVES

Many foreign investors make donations or partner with local foundations through which they channel their charitable work. However, few IPAs use FDI facilitation methodologies to further expand CSR activities, inject visibility to the philanthropic work of the FDI sector and explore avenues to optimize the impact of CSR so it delivers a wider social, environmental, and economic impact in ACP economies.

Recommendation: ACP IPAs could include mandatory conversations about CSR activities at the project evaluation stage or as part of the conversation about incentives. This data might help reporting on a country's SDG implementation progress, provide insight into what multinationals are doing in other countries that could be replicated, and might offer opportunities for further collaboration with technical assistance projects offered by international organizations and NGOs.

BOX 10: FURTHER POINTERS REGARDING HOW TO COMBINE TARGETING EFFORTS WITH THE VISION 2030

Further pointers regarding how to combine targeting efforts with the vision 2030:

- **Embrace the circular economy for targeting purposes.** ACP IPAs should map local initiatives related to the circular economy and lever those efforts to identify market opportunities for FDI.
- **Become familiar with climate-transition technologies applicable to diverse sectors.** Digital tools that measure carbon footprints, help foster carbon-neutrality or carbon-negativity and identify climate vulnerable locations provide valuable insights for IPAs. These tools can help IPAs tailor their investment promotion strategies, target specific sectors and regions, and attract investors showing clear and credible sustainability commitments. Utilizing such tools also strengthens the ability of IPAs to effectively communicate the value proposition of climate-friendly investments.
- **Further support gender and youth targeting.** ACP governments with a commitment to gender equality and youth employment present an opportunity for IPAs to further lever the demographic characteristics of their locations to better respond to youth and gender policy imperatives. ACP IPAs should articulate how FDI delivers on the gender and youth agenda and work alongside peer government agencies to design value propositions that connect businesses operated by women or young entrepreneurs with FDI through joint ventures, strategic alliances or subcontracting.

These five groups of recommendations offer concrete steps that ACP IPAs can take in the short to medium term and offer some guidance to international organizations on how they can better work with ACP countries. Doing so with speed and effectiveness ought to be the main priority for ACP stakeholders. The following section presents a framework as of how to implement these recommendations.

Guidelines for Implementation

When implementing these recommendations, the advice is for IPAs to base their approach on three pillars: digitalization-first, partnership-led and new value generation.

(a) Digitalization First

Perhaps the most striking effect of digitalization is the speed with which it can facilitate the delivery of an IPA's work. The savings and efficiencies derived from the use of digital tools allow them to allocate resources to other priorities. Digitalizing and mastering the use of digital tools throughout the investment cycle and across all operations is vital for ACP IPAs looking **to increase their efficiency.** Therefore, digital-first should be firmly rooted in their work, influencing decision-making every step of the way. The principle of digital-first is captured in the question: **what should be done digitally?**

(b) Partnerships-Led

IPAs need specialized networks, through partnerships and strategic alliances, with whom to design cross-organizational programmes that address the needs of investors, while at the same time serving inclusive economic development. Partnerships, in their different forms, whether local, regional (intra-ACP) or international, industry-led or around a common challenge, can bring resources, facilitate knowledge transfer, drive cooperation, and increase learning for resilience. Forming partnership should become a habit for ACP IPAs in their efforts **to amplify their work and investor outreach.** The principle of partnership-led is captured in the question: **what partnerships will amplify investor outreach?**

(c) New Value-Generating

The new value creation pillar is perhaps the most important, which results in significant synergies between digitization and partnership. When combined, they bring new perspectives and become a breeding ground for innovation. A commitment to unearthing new value **fosters ongoing transformation** and is essential for ACP IPAs to attract more FDI. The principle of new value generation is captured in the question: **what new value is surfacing and how can it be mainstreamed?**

These three pillars provide ACP IPAs with a tool to assess how they can implement the recommendations they choose to drive forward. These questions also offer a framework for international organizations to design technical support that could help transform the conditions under which ACP IPAs strategize, plan, and facilitate FDI.

Closing Remarks

The vulnerability of ACP economies calls for a unique perspective and tailored strategies to support them in promoting FDI. This is the central premise behind the findings, the formulation of the framework, the recommendations, and the guidelines, which take into account the ACP's structural challenges in proposing actions that are implementable by IPAs in the short to medium term.

The compound effect of these factors offers a roadmap for ACP IPAs to better respond to the particularities of the context in which they deploy their FDI efforts. Together, they offer a blueprint with which they can tap into the opportunities of a fast-changing environment, as opposed to being defined by it. Hence, viewed as an integrated set of enabling factors, they are critical to strengthening the capabilities and effectiveness of ACP IPAs so that they may accelerate FDI attraction and sustainable growth in the ACP region.

The stakes are high. With 1.1 billion people living in ACP countries, actions taken today to accelerate FDI flows to ACP countries can have sustainable impact on the region and set the stage to address shared priorities and preoccupations relating to climate change, poverty, and social inequalities. The urgency of deploying global efforts to help accelerate sustainable development in ACP countries cannot be overstated. This involves efforts from the international community to continue to strengthen ACP IPAs' capacities in the areas stated in the survey.

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Annex 1: List of ACP countries[1]

A

Angola

Antigua and Barbuda

B

Bahamas

Barbados

Belize

Benin

Botswana

Burkina Faso

Burundi

C

Cameroon

Cape Verde

Central African Republic

Chad

Comoros

Congo Rep

Congo, Democratic Rep

Cook Islands

Côte d'Ivoire

Cuba

1. As of the time of the survey: August 2022

D

Djibouti

Dominica

Dominican Republic

E

Equatorial Guinea

Eritrea

Eswatini (Kingdom of)

Ethiopia

F

Fiji

G

Gabon

Gambia, The

Ghana

Grenada

Guinea (Republic of)

Guinea-Bissau

Guyana

H

Haiti

J

Jamaica

K

Kenya

Kiribati

L

Lesotho

Liberia

M

Madagascar

Malawi

Mali

Marshall Islands

Mauritania

Mauritius

Micronesia, FR

Mozambique

N

Namibia

Nauru

Niger

Nigeria

Niue

P

Palau

Papua New Guinea

R

Rwanda

S

Saint Kitts and Nevis

Saint Lucia

Saint Vincent and the Grenadines

Samoa

São Tomé and Príncipe

Senegal

Seychelles

Sierra Leone

Solomon Islands

Somalia

South Africa

Sudan

Suriname

U

United Republic of Tanzania

T

Timor-Leste / East Timor

Togo

Tonga

Trinidad and Tobago

Tuvalu

U

Uganda

V

Vanuatu

Z

Zambia

Zimbabwe

Annex 2: Categories of ACP countries

CLASSIFICATION OF ACP STATES

	Countries in the region	Least Dev. Countries	Landlocked Least Dev. Countries	Islands	Small Islands Dev. States	Small States
Africa	48	32	15	6	6	14
Caribbean	16	1	-	13	16	13
Pacific	15	4	-	15	13	12
Total	**79**	**37**	**15**	**34**	**35**	**39**
	Percentage	**47%**	**19%**	**43%**	**44%**	**49%**

SOURCES USED FOR VERIFICATION

79 ACPs Countries https://bit.ly/3uMzimF
LDCs States https://bit.ly/4ammlej
Landlocked https://bit.ly/3NepR5P
Small States https://bit.ly/3GQkQwR
SIDS https://bit.ly/3RerpxM

Reasons for differences to UNCTAD's table published in 2018
(See: UNCTAD (2018) Key statistics and trends in economic integration. ACP Region. Available from: https://bit.ly/3sxQnA9, Page 3)

- LDCs: Cape Verde and Equatorial Guinea are not LDC states, which brings the number of African LDC down to 32 (from 34). Samoa is not an LDC state, which brings the number of LDC state of Pacific Region from 5 to 4,

- SIDS: All 16 Caribbean states are SIDS (13 islands + 3 coastal states). Of the 6 African islands, only 5 are SIDS (Madagascar is not a SIDS). Guinea Bissau is not an island, but is a SIDS, bringing the total number of African SIDS to 6. Of the 15 Pacific Islands, only 13 are SIDS (exceptions are Cook Island and Niue)

- The discrepancy in the SIDS (35) and Island (34) is explained by several SIDS not being Island as explained above. SIDS: 34 Islands + 3 Caribbean SIDS non-islands (Belize, Guyana and Suriname) +1 African non-island SIDS (Guinea Bissau) – 3 Islands non-SIDS (Cook Island, Madagascar, Niue) = 35 SIDS.

For any query, please contact

investmentportal@unido.org

Directorate of SDG Innovation and Economic Transformation (IET),
Division of Fair Production, Sustainability Standards and Trade (IET/PST),
Vienna International Centre
P.O. Box 300, 1400 Vienna, Austria
Email: pst@unido.org

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INDUSTRIAL DEVELOPMENT ORGANIZATION

World Association of
Investment Promotion
Agencies

Funded by

European Union

Organization of African, Caribbean, and Pacific States