OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as "developed", "industrialized" and "developing" are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

23292

GUIDELINES FOR INVESTMENT PROMOTION AGENCIES

Foreign Direct Investment Flows to Developing Countries

UPDATED 2003

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

economy environment employment

GUIDELINES FOR INVESTMENT PROMOTION AGENCIES

Foreign Direct Investment Flows to Developing Countries

INDUSTRIAL PROMOTION and TECHNOLOGY BRANCH

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna, 2003

The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The responsibility for opinions expressed rests solely with the authors, and publication does not constitute an endorsement by UNIDO of the opinions expressed.

This document has been produced without formal editing. The views expressed in this document do not necessarily reflect the views of *the Secretariat of the United Nations Industrial Development Organization. Any indication of*, or reference to, a country, institution or other legal entity does not constitute an endorsement.

ACKNOWLEDGEMENT

This document is an updated and revised version of a report prepared by a UNIDO consultant in 1994.

Preface

Foreign Direct Investment (FDI) is playing an increasingly important role in the world economy. Especially important are FDI inflows for the developing countries as these bring potential benefits of capital formation as well as productivity gains to domestic firms. In an increasingly competitive international environment it is challenging for some developing countries to compete for, and attract, significant shares of FDI.

The aim of these Guidelines is to support Investment Promotion Agencies interested in stimulating FDI inflows into their countries. The paper brings to the reader's attention developments in both policy and practical approaches to the issues of FDI as well as specific actions that host Governments may take to attract FDI.

The approaches include UNIDO's tools, methodologies and mechanisms that can be used by policymakers at government, institution and enterprise levels to enhance competitiveness in attracting FDI.

Contents

Preface iii

Executive Summary vii

UNIDO and Investment Promotion viii

Investment Policy Framework viii

Investment Promotion Strategies and Techniques x

Organisational Structures for IPAs xii

Planning/Operating Procedures and Performance Evaluation xiv

Introduction 1

Table 1: Regional FDI Inflows for 1980-2001, millions of US dollars 3

Table 2: Regional FDI Inflows for 1980-2001, % of Total 4

I. UNIDO and Investment Promotion 7

A. The Investment and Technology Promotion Network 8

B. Integrated Investment Promotion Programme 9

1. Policy Level 9

2. Institutional Level 9

3. Enterprise Level 10

C. Methodologies and Tools for Investment Promotion 11

1. Country and Projects Presentation Tours 11

2. Investment/Technology Promotion (ITP) Delegate Programme 12

3. Computer Software 12

4. Project Completion Facility (Pre-investment Services) 13

5. The Investment Forum 13

6. Networking 14

7. Global Outsourcing 15

II. Investment Policy Framework 17

Figure 1: 'Virtous Cycle' of Policy Intervention 18

A. Evaluation and Screening of Applications Versus 'Negative Lists' 19

B. Incentives 20

Table 3: Fiscal and Non-Fiscal Incentives 22

C. Switch to Performance-Linked Incentives 22

D. Access to Local Financing and Foreign Exchange 23

E. Repatriation and Expropriation Guarantees 24

F. Labour Laws and Visa Access 25

G. Access to Land and Infrastructure 25

H. Conclusions on Investment Policy 26

III. Investment Promotion Strategies and Techniques 29

A. The Concept of Investment Promotion 29

B. Techniques of Investment Promotion 32

1. Investor Servicing and Facilitation Techniques 32

2. Techniques to Identify and Remove Administrative Obstacles and Managerial Impediments to FDI 33
3. Image-Building Techniques 34
4. Investment-Generating Techniques 35
C. Strategies for Investment Promotion 38
D. Project Identification and Project Profiles 39
E. Data, Information, Statistics and Knowledge (DISK) Facilities for Investment Promotion 40
IV. Organisational Structures for IPAs 45
A. Legal Frameworks 45
B. Institutional Arrangements 46
1. Managing the Links to the Government 48
2. Board Composition 48
3. Internal Structures and Management 49
C. 'One-stop' Agencies 50
D. Human Resources, Staffing and Skills 52
E. Overseas Promotion Activities 54
V. Planning/Operating Procedures and Performance Evaluation 57
A. Planning/Operating Procedures 57
B. Input/Output Performance Evaluation 58
Table 4: Performance Evaluation of IPA Activities 60
Concluding Remarks 61
References 62
Explanatory notes 63
Appendix I: List of Countries and Areas Included in Selected Groupings 65
Appendix II: Cumulative FDI Inflows (%) to Selected Regions and Selected Countries (1980-2000) 67
Appendix III: UNIDO and other Web Based Sources on Foreign Direct Investment Promotion 69

Executive Summary

Foreign Direct Investment (FDI)[1] is playing an increasingly important role in the economic and industrial development plans of developed and developing countries and many Governments are actively seeking to win an increased share of this investment. Its magnitude has increased by more than 25 times over the past two decades, but with demand for FDI still growing, competition for FDI continues to intensify. Countries seeking an increased share need to be able to outmatch their competitors as they adjust economically over the long-term from factor-driven to innovation-driven socio-economic development.

The various forms in which FDI occurs include direct investment in wholly owned companies, joint ventures, technology transfers, licensing agreements, mergers and acquisitions and other forms of inter-company alliances. Foreign Direct Investment and joint ventures absorb the bulk of annual capital flows of funds, however technology transfer and licensing agreements also play an important role. Therefore, in any investment promotion strategy attention should be paid to these. More recently FDI in industrialised countries has been dominated by Cross-Border Mergers and Acquisitions.

Three interrelated factors influence a country's ability to win FDI:

- Its overall investment policy framework, public governance and market competitiveness environment.

- Its investment promotion and institutional capacity building strategies.

- Its institutional capacity for implementing these strategies.

The relative importance of each factor varies by country and in time in relation to the country's developmental strategy and institutional structures for supporting the efficient working of markets. The policy environment is of paramount importance in a country with a sizeable local market and substantial natural resources. For countries with smaller markets and fewer natural resources, an active and focused investment promotion strategy is important, as is having an effective Investment Promotion Agency (IPA)[2] to implement the strategy. In many countries Investment Promotion Agencies have gained a high profile in implementing national development policies with respect to attracting FDI.

UNIDO and Investment Promotion

UNIDO has a range of enabling services, methodologies and tools to assist developing countries in their investment promotion to attract FDI. These enabling services are applied, in an integrated manner, at three levels of intervention: Government/policy level; institutional level; and enterprise level. UNIDO's enabling services include formal and informal networks, specific methodologies and advisory services, and analytical and business performance computer software.

Investment Policy Framework

The investment policy framework is a function not only of market/cost/resource seeking motivations of the potential investors, but also the country's socio-economic development goals. The overall investment policy environment is determined by a well-calibrated combination of all macroeconomic, microeconomic and commercial policies as well as public governance in action, but of particular interest to foreign investors are modal neutrality, market contestability and policy coherence in terms of, *inter alia*, entry requirements, incentives, foreign exchange and funding policies, access to visas and work permits, land ownership laws, access and availability of physical infrastructure, repatriation and expropriation rights.

Most foreign investors prefer open and unrestricted policies, so Governments are moving to more simple, transparent and automatic investment policies. As the emphasis on manipulating the regulations declines; servicing existing investors, removing administrative obstacles and managerial impediments, investment promotion and investment generation become more important to attract FDI.

Some Governments have a special policy framework for foreign investors which is different to that for domestic investors. However, the trend is to eliminate distortions by having the same policies for local and foreign investors. Although in the short- to medium-term a separate policy environment for foreign investors may be the only option if these investors are to be attracted, experience suggests it would be best to have a uniform policy environment for both groups.

Screening and approving foreign investors and their projects are still common but more automatic procedures are coming into place. Many countries now use a 'negative list', which means that only projects on this list need formal approval. The use of a short negative list greatly simplifies entry requirements, while it allows control over investments of strategic national interest.

The role of incentives in attracting foreign investments is something on which there is expert disagreement. Research tends to show that incentives are generally more important for export-oriented projects than for import-substitution or market seeking ones. Generally, developed countries tend to use non-fiscal incentives (for example, grants and subsidies), whereas Governments of the developing countries tend to put more effort in using fiscal incentives (for example, tax holidays). Where incentives are applied, however, investors prefer clear and transparent procedures in contrast to hidden rules and bureaucratic approval systems.

There are many options for simplifying and clarifying incentive approval procedures. One is to write the special tax and customs exemptions into the normal tax and customs code. Eligible investors then become automatically entitled to these exemptions from the tax and customs authorities and do

not require pre-approval from a special authority or board. This approach has the added advantage that incentives, where applicable, can be performance-linked. This approach can easily be augmented, for example, by the use of tax credits for specified performance. Investors place a high priority on freely convertible foreign exchange and on access to local currency for project funding. In the short- to medium-term, if these priorities cannot be satisfied, Governments can use a range of interim mechanisms, but these tend to be second-best solutions.

The difficulty of obtaining visas and work permits for expatriate staff also hampers foreign investment. Foreign investors coming to a new location, whether in the developed or the developing world, will generally insist on key managerial and operations positions being filled by expatriate staff with the expertise and in whom they have confidence. Governments that are not willing to provide visas and work permits, or that are overly bureaucratic in issuing these documents, will constrict investment flows.

Access to factor inputs, land and physical infrastructure is essential for the implementation of new projects. Without the right to contest for factor inputs, to own investment sites, or at least to have long-term stable leases on them, many foreign investors will not proceed. Governments unwilling to grant these rights will severely restrict investment flows.

Properly constructed and well-managed industrial estates and technology parks, which can be specially designated and incentivised, are widely used to address the lack of adequately and suitably serviced sites. While poor planning and management of these estates and parks have sometimes led to costly failures, the countries that have been successful in attracting mobile investment invariably make use of them, and the procedures they follow are worthy of study by those embarking on such a course. To help developing countries specifically in this matter UNIDO has developed a number of effective tools.

Foreign investors can face two distinct and separate problems in connection with infrastructure. The first is confusion over policy and administrative delays in obtaining access to such facilities that exist. The second, and greater, problem is the lack of adequate facilities. Both problems need to be addressed. In dealing with the second problem, Governments are increasingly introducing Build-Operate-Transfer (BOT)[3] schemes and privatisation schemes to augment public sector investment. Again UNIDO has methodologies to assist developing countries in this area.

A country that has no consistent track record of granting repatriation and expropriation rights, which are standard practices internationally, needs to define its commitment to these rights. Legislation that is coherently and consistently interpreted, is one practical way of doing this. In the event of disputes about these or other rights, investors may normally appeal to international tribunals.

Investment Promotion Strategies and Techniques

An investment promotion strategy involves the organised use of a range of promotional activities to enhance the capacity of a country to absorb FDI and thereby to increase the level of investment in a country. Most strategies use four different but interrelated sets of activities with varied emphasis depending on changing conditions. They are: activities to service existing, prospective and new investors (investor servicing); procedures aimed at identifying and removing administrative obstacles and managerial impediments to FDI; campaigns to enhance the image of a country (image building); and actions to generate an increased flow of investor's projects (investment generation).

The importance attached to each of these activities varies by country and over time, but at any given time most strategies include elements of all four activities.

Investor servicing involves pre-approval services, approval services and post-approval services to existing, prospective and new investors. These services can be provided in a proactive manner or passively. They can be comprehensive, providing a complete investor 'hand-holding', or more selective, for example – focusing on ensuring that permits and clearances are provided with minimum delay and bureaucracy. UNIDO's surveys of foreigm investor perceptions of host countries enable the design of low cost investor servicing strategies. The key issue in investor servicing is effectiveness in reducing uncertainty for the investor.

Identifying and removing administrative obstacles and managerial impediments require analytical techniques and subsequent management and legislative responses. One technique is to use FDI 'road-mapping' to identify how long it actually takes for an investor to start doing the business of making the investment after arrival in the country. The other step comprises identifying the administrative obstacles and managerial impediments and dealing with them. There are two basic ways to deal with administrative obstacles and managerial impediments to FDI; legislation to remove or moderate, and human resource management to change behaviour.

Image-building activities comprise effective communication about the location and include producing and distributing fact sheets, videos, brochures and newsletters, holding briefings and engaging in media relations, public relations and advertising. Image-building techniques must be accompanied by removing administrative obstacles and managerial impediments, investment-generation and investor-servicing activities, as on their own they are invariably wasteful. Some of these techniques, particularly advertising, media and public relations campaigns are best implemented by professionals.

Investment generation involves broad- or narrow-cast targeting, the use of mail and telephone

campaigns, investment seminars and missions as well as direct marketing to individual investors. These techniques can, and should, be applied to audiences within the host country as well as to audiences overseas. They are applied differently for joint-venture projects and for direct investments, and the investment promotion strategy needs to reflect these differences. For the most part direct marketing to targeted investors is the most effective technique, while general missions are the least effective. The overall socio-economic development strategy of the country should not be overlooked during the investment generation process.

An investment promotion strategy should combine these techniques in innovative ways that suit the economic and industrial development requirements and the resources of an individual country. Where a country's investment image is poor relative to the reality, image-building activities are called for, but not before removing administrative obstacles and managerial impediments to FDI. Where the flow of potential investors falls short of investment requirements, a greater emphasis on investment generation activities may be the answer. Where realised investments fall short of the potential, it may be necessary to place more emphasis on investor servicing. Most strategies prioritise investor servicing, because satisfied investors increase their investments and are the best promoters of the country. A UNIDO survey of investors in Sub-Saharan Africa performed in 2001 indicated that the single most important source of awareness of investment opportunities was dialogue with existing investors.

A targeted investment promotion strategy is invariably more cost effective than a general one. Targeting involves selecting countries, sectors, sub-sectors and companies, and requires careful strategic planning to be effective. Government ministries and agencies, as well as local investors and business associates, need to be involved in the target-setting process. The mechanisms for doing this need to suit the requirements and practices of individual countries.

Strategy implementation requires significant financial resources, and Investment Promotion Agencies should be externally oriented and careful not to use all their resources for staff salaries and related expenses, as little would be left for actual investment promotion. An agency whose staff stay in their offices will seldomly be effective.

Project identification is regarded by many promotion agencies as essential to their activities. Especially for joint ventures involving small or medium enterprises, a project outline is important. On the other hand, foreign investors, especially large Multinational Enterprises (MNEs), are in a better position than most agencies to define suitable projects when they are given information on the business environment in a country. As a rule, project identification work is best when limited to profiling the enterprises and entrepreneurs, and their investment project proposals. Full-scale feasibility studies, except in specific isolated circumstances, should be generally avoided.

Many agencies emphasise the need for good Data, Information, Statistics and Knowledge (DISK) systems, and their integrated management, to help them do their work properly. Data are needed on international investment trends. Information is required on business conditions at home and abroad. Statistics are necessary on sectors, industries and target companies. Knowledge on the dynamics of industrial organisation is vital to crafting investment promotion strategies. Investors visiting the agency should be tracked, and the agency itself and its activities need to be monitored for performance evaluation. Good DISK systems in these fields can be built up and components can be purchased where appropriate. Promotion agencies can receive assistance from multilateral entities in this area. Promotion agencies need to continuously build up their DISK and market intelligence systems. Very important is information on the investments that could potentially be won. Good industry and market intelligence is also necessary to identify potential investors and promotion agencies need to devote time and effort to its development. UNIDO's programmatic approach to investment promotion which includes systematic profiling of domestic enterprises is a key input to building such intelligence systems for investment promotion strategies.

Organisational Structures for IPAs

The institutional environment for, and structure and legal basis of, Investment Promotion Agencies affect their performance as do their links to the Government, the composition of their board, the abilities of their staff and the effectiveness with which they organise and use networks.

Experience suggests that promotion agencies with clear legal frameworks setting out their powers, functions and responsibilities work best. Agencies with weak legal foundations and without the influence and resources needed for the task are seldomly effective.

Generally, three types of structure can be discerned: parastatal organisations, independent government organisations and private sector bodies. All three structures can work well if properly managed and given adequate resources. On balance the parastatal model with autonomous management and operations is more likely to work best in most situations. Promotion agencies that are part of government ministries are seldomly effective, but direct, independent government bodies work well. Private sector bodies invariably need funding from donors to cover their expenses.

Often, promotion agencies are linked to the office of the Head of the State as that position is seen as giving the most influence over investor servicing capabilities. Increasingly, investments are being sought in all economic sectors rather than just industry. This reinforces the reasons for attaching the agency to the office of the Head of the State.

Substantial, and even majority, private sector membership of the board of an Investment Promotion Agency is seen as having an important influence on its behaviour, management and

performance. Private sector membership increases the agency's credibility with private sector investors, provides independence from the day-to-day pressures of Government and helps to create a suitable management and promotional culture. Furthermore, best practices of managing in the private sector can be brought in to boost operational systems within the agency. Private sector members give rise to concerns about confidentiality, but procedures can be implemented to allay these concerns.

The quality and skills of staff are critical to the success of Investment Promotion Agencies. Managers and boards should devote considerable attention to recruiting, training, motivating and rewarding their staff. Staff should come from both private and public sectors. Care is needed to recruit people with the right abilities and approaches to problem solving, and on-going training is necessary for what is a specialised activity. UNIDO's Investment/Technology Promotion (ITP) Delegate Programme in relation to Investment and Technology Promotion Offices (ITPOs) is a facility available to support this training.

Successful promotion agencies have found that allocating staff involved in promotional activities to particular projects gives best results. A project officer assumes responsibility for an identified portfolio of investors, projects and a specified set of activities. In this approach, both the agency and the investor will have clear lines of accountability and control.

To show that they attach great importance to investor servicing, many promotion agencies call themselves 'one-stop' shops. Many do not live up to the name, however, and investors can be sceptical about the term especially when government departments do not fully support the IPA. Different structures have been tried to improve the effectiveness of one-stop shops, with different degrees of success. What appears to make one-stop servicing procedures work is a strong and visible commitment from the Government and from the board and management of the agency. Without this commitment, no amount of legal power appears to be able to get the desired result.

Overseas offices under the operational control of an Investment Promotion Agency are regarded as the best way to carry out promotion and marketing abroad. They are, however, an expensive option and one that can be justified only after other options have been fully exploited. The use of the ITPOs of UNIDO is an alternative that promotion agencies should consider carefully.

Effective investment promotion requires that agencies organise and use both private and public sector networks. IPAs need to recognise that this networking can be either internal to the host country (national chambers of commerce, industry and manufactures associations, government departments, etc.) which are promoted within UNIDO integrated programmes; or external to the host country (UNIDO ITPOs, SPXs, etc.). These networks are essential to successful investor servicing and investment generation activities, as well as for staying in tune with changing investor sentiment.

Networks need to be used on a daily basis because promotion agencies operating in isolation cannot successfully implement a strategy. Investment Promotion Agencies in developing countries can benefit from UNIDO Exchange, Subcontracting and Partnership Exchange (SPX)[4] and other networks developed by UNIDO (such as AFRIPANET[5]).

Planning/Operating Procedures and Performance Evaluation

Investment promotion agencies need proper management to assure effective operation and control procedures to ensure efficient operation. They need management and planning procedures to translate national investment ambitions into strategic objectives for the agency and then into short-, medium- and long-term investment targets. They need to specify the policies, develop actions to achieve targets, and then quantify the resources needed to undertake the actions. Experience points to the desirability of a planning system that incorporates strategic, operational and tactical corporate planning. This should reflect long-, medium- and short-term goals. Such a system enables strategic objectives to be translated into annual tasks and targets for different organisational units, teams and individuals.

Selecting performance criteria and their measures for assessing and evaluating promotion agencies has important policy and operational implications. The criteria and measures selected – *inter alia*, investment levels, employment potential, export or inputs/outputs value – will create different priorities for the agency. An agency needs to select a few main measures of performance, to understand the implications of this choice and to get the agreement of government authorities.

Performance evaluation can be output-related or input-related. The former assesses the external outcomes of promotional activities, for example, investment, jobs, exports or additional output. The latter assesses the effort made by the agency internally, for example, the number of seminars organised, information briefings provided or DISK systems organised. All promotion agencies need a combination of output and input criteria with an emphasis on important output-related measures. Three such measures in particular are recommended for monitoring and management control purposes: the number of potential projects, the number of newly approved or registered investments and the level of realised investments. If it is up-to-date in these three areas, the agency can track its overall performance as well as that of the individual promotional activities and individual organisational units.

The agency's performance should be measured regularly with different criteria being measured in appropriately different periods. After evaluation by management, results should be communicated to staff and to the Government. They should also be used in promotional activities, for example, as part of the image building strategy.

Periodically, agencies can arrange for major benchmark studies to give a more complete picture of the national, regional and sectoral benefits and costs of the promotional strategy. Benchmark

studies should be conducted by an independent person or organisation rather than by the agency itself to increase the credibility of findings.

NOTES:

[1] Throughout these Guidelines the terms Foreign Direct Investment (FDI), international investment flows and foreign direct investment flows are used interchangeably.

[2] Throughout these Guidelines the terms Investment Promotion Agency (IPA), promotion agency and agency are used interchangeably.

[3] See http://www.unido.org/doc/stdoc.cfm?did=50144 for Guidelines for Infrastructure Development through Build-Operate-Transfer (BOT) Projects.

[4] http://www.unido.org/spx

[5] http://www.unido.org/afripanet

Introduction

International investment flows [Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI)] have increased significantly over the past two decades with FDI increasing some 25 fold. These flows represent one major manifestation of globalisation in terms of the spatial distribution of industrial production and manufacturing services. These flows continue to play an increasingly important role in the socio-economic strategies and investment plans of the developed and developing countries. To accelerate economic development, Governments are competing to take actions aimed at winning an increased share of FDI. The result is that competition for mobile investment is growing annually. In concerted drives to expand their share of FDI, Governments and their institutions have embarked on programmes to reform their investment policy frameworks, liberalise investment regulations, to update their investment promotion strategies and activities and to strengthen their institutional capacities and structures for this purpose. Institutions such as Investment Promotion Agencies (IPAs), Boards of Investments (BOIs), Economic Development Boards (EDBs), Trade Development Boards (TDBs), for example, have become powerful instruments of development in several European, African, Asian, and Latin American countries. Even many counties, provinces and individual states in advanced countries have established their own IPAs.

The investment policies, strategies and institutional structures that have worked best to increase FDI flows to individual locations around the world are of widespread interest, as are those that have been less successful or have failed to yield satisfactory results. Considerable knowledge, expertise and lessons of experience now exist on what works best and what does not, and these UNIDO Guidelines seek to set out the main lessons that can be learned from international experience. The lessons should be of interest to Investment Promotion Agencies in many countries, particularly those in which such agencies are being, or just have been established.

Experience indicates that generally foreign direct investors select destinations among countries and locations for their investment according to variances in a 'wish list' that create an attractive investment climate:

- Political stability (because capital investments are time framed longer than the incumbency of elected Governments or the electoral cycle);

- Economic stability;

- International outlook (i.e. global thinking/behaviour with respect to best practice and policy);

- Government regulations (i.e. clarity and consistent interpretation);

- Infrastructure (e.g. distribution logistics efficiencies, communications infrastructure);

- Labour (i.e. profile and skills);
- Banking/finance (i.e. strong intermediation capabilities and capacities);
- Government attitude (i.e. service orientation);
- Local business infrastructure;
- Quality of life (e.g. personal safety/heath/education/lifestyle).

In this wish list investors are looking for the best in relation to their market, efficiency and resource seeking motives for FDI.

International mobile investment occurs in a number of forms, including direct investments[1] (which itself has several modalities) and portfolio investments. Economically, FDI is to be distinguished from 'portfolio investment'[2] insofar as FDI represents the maintenance and creation of real, productive assets (a factory, office, etc.) whereas portfolio investment merely transfers the ownership of a financial asset from one individual or institution to another. Portfolio investments are usually organised through financial and capital markets (stock markets and stock exchanges) and are not normally handled by promotion agencies, which concentrate instead on attracting FDI and on promoting its different modalities including joint ventures and strategic alliances. Agencies also encourage and arrange the various forms of FDI that incorporate technology transfers and licensing agreements (including joint production arrangements, co-marketing and co-promotion arrangements, joint R&D agreements, and other forms of technical collaboration agreements), bearing in mind that some of these latter forms of investment can occur with little or no equity participation by the foreign partner. They can involve the sale of modern equipment and know-how, the sale of product technology and know-why or the establishment of agreements that allow local firms to produce and market specific products under the conditions of license and sub-contracting agreements, for example, as in original equipment manufacturing. In this context, the tendency of governments to initiate substantial programmes for privatisation of state assets has provided another entry mode for FDI.

In general, international data on FDI projects and associated capital flows do not provide a detailed breakdown among the different forms of investment. Operating experience shows that the majority of actual investments into developing countries occur either as equity FDI or as joint ventures, with the annual flow of FDI far exceeding the flow of funds into joint ventures. In contrast, recent experience indicates the majority of FDI into industrialised countries taking the form of Cross-Border Mergers and Acquisitions (X-B M&As).

Data on the net inflows of FDI from 1980 to 2001 are given in Table 1, whereas Table 2 shows the information on the shares going to eight regions. The tables also show the regional distribution of

inflows among the developing countries. Foreign Direct Investment is expected to grow briskly through to 2006 with significant flows to China. Although, global FDI fell by 40% in 2001; poor countries' inflows fell by only 9%, while rich countries saw a 49% decline in volume due to the sharp deceleration in the pace of X-B M&As[3].

Table 1*: Regional FDI Inflows for 1980-2001, millions of US dollars[I, II]

	1980	1981	1982	1983	1984	1985
Industrialized Countries[1]	46,478.87	45,794.23	30,601.01	32,513.57	40,941.82	41,693.56
North Africa	131.63	375.90	267.99	394.07	882.40	1,421.99
Central Africa[2]	223.14	244.62	308.38	397.33	90.15	693.83
Western Africa[3]	-507.14	660.23	624.70	429.63	295.84	472.72
Eastern and Southern Africa[4]	304.94	121.45	72.62	75.40	94.66	167.92
Latin America[5]	6,433.75	8,652.04	6,825.97	5,348.28	4,215.06	5,733.71
West Asia and Europe[6]	-3,348.47	6,913.84	11,545.79	5,336.33	5,418.05	954.89
South and East Asia[7]	2,480.43	3,902.22	4,188.00	4,090.30	4,335.56	4,387.17
TOTAL REGION	**52,197.14**	**66,664.54**	**54,434.46**	**48,584.93**	**56,273.53**	**55,525.78**

	1986	1987	1988	1989	1990
Industrialized Countries[1]	70,725.71	116,501.30	134,450.89	167,698.53	172,239.47
North Africa	1,099.05	1,004.38	1,446.16	1,635.94	1,134.65
Central Africa[2]	331.46	407.19	384.68	120.76	-353.48
Western Africa[3]	134.38	812.81	477.23	2,081.73	892.14
Eastern and Southern Africa[4]	195.21	309.30	242.34	416.09	513.55
Latin America[5]	4,496.89	3,755.37	7,506.55	7,742.17	8,196.22
West Asia and Europe[6]	1,291.06	-950.10	466.13	422.05	2,586.53
South and East Asia[7]	5,428.68	7,563.07	11,634.56	12,565.61	16,984.41
TOTAL REGION	**83,702.42**	**129,403.32**	**156,608.54**	**192,682.86**	**202,193.48**

	1991	1992	1993	1994	1995	1996
Industrialized Countries[1]	117,382.93	122,015.46	151,617.85	150,001.48	223,928.91	243,524.51
North Africa	799.46	1,505.22	1,604.37	2,160.08	847.85	816.21
Central Africa[2]	641.58	444.20	227.31	109.37	296.30	69.85
Western Africa[3]	945.24	850.02	1,542.76	2,383.66	1,627.08	2,190.99
Eastern and Southern Africa[4]	334.45	314.15	42.17	434.25	941.95	942.00
Latin America[5]	12,930.77	15,073.16	13,773.63	28,625.18	30,039.29	43,724.19
West Asia and Europe[6]	2,154.29	2,754.58	3,236.51	1,984.01	-204.51	3,050.83
South and East Asia[7]	19,266.70	24,600.07	44,357.25	54,555.74	62,521.31	74,866.21
TOTAL REGION	**154,455.42**	**167,556.85**	**216,401.85**	**240,253.78**	**319,998.17**	**369,184.81**

	1997	1998	1999	2000	2001
Industrialized Countries[1]	297,754.99	510,904.07	887,187.17	1,231,475.60	588,323.13
North Africa	1,249.08	1,956.47	1,669.65	2,388.98	574.00
Central Africa[2]	103.01	1,267.76	2,316.77	25.95	N/A[III]
Western Africa[3]	2,342.01	1,652.79	1,694.44	216.20	N/A[III]
Eastern and Southern Africa[4]	1,191.96	1,510.04	1,420.17	987.91	N/A[III]
Latin America[5]	65,610.72	73,439.63	87,843.33	74,813.40	52,981.90
West Asia and Europe[6]	5,565.23	7,366.45	3,316.57	1,674.09	5,661.23
South and East Asia[7]	82,873.44	87,607.06	93,042.73	124,607.38	31,643.67
TOTAL REGION	**456,690.44**	**685,704.27**	**1,078,490.83**	**1,436,189.51**	**679,183.93**

* Table 1 and 2 have common notes, see overleaf

Table 2: Regional FDI Inflows for 1980-2001, % of Total[I, II]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Industrialized Countries[1]	89.04	68.69	56.22	66.92	72.76	75.09	84.50	90.03	85.85	87.03	85.19
North Africa	0.25	0.56	0.49	0.81	1.57	2.56	1.31	0.78	0.92	0.85	0.56
Central Africa[2]	0.43	0.37	0.57	0.82	0.16	1.25	0.40	0.31	0.25	0.06	-0.17
Western Africa[3]	-0.97	0.99	1.15	0.88	0.53	0.85	0.16	0.63	0.30	1.08	0.44
Eastern and Southern Africa[4]	0.58	0.18	0.13	0.16	0.17	0.30	0.23	0.24	0.15	0.22	0.25
Latin America[5]	12.33	12.98	12.54	11.01	7.49	10.33	5.37	2.90	4.79	4.02	4.05
West Asia and Europe[6]	-6.42	10.37	21.21	10.98	9.63	1.72	1.54	-0.73	0.30	0.22	1.28
South and East Asia[7]	4.75	5.85	7.69	8.42	7.71	7.91	6.49	5.84	7.43	6.52	8.40
TOTAL REGION	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Industrialized Countries[1]	76.00	72.82	70.06	62.43	69.98	65.96	65.20	74.51	82.26	85.75	86.62
North Africa	0.52	0.90	0.74	0.90	0.26	0.22	0.27	0.29	0.15	0.17	0.08
Central Africa[2]	0.42	0.27	0.11	0.05	0.09	0.02	0.02	0.18	0.21	0.00	N/A[III]
Western Africa[3]	0.61	0.51	0.71	0.99	0.51	0.59	0.51	0.24	0.16	0.02	N/A[III]
Eastern and Southern Africa[4]	0.22	0.19	0.02	0.18	0.29	0.26	0.26	0.22	0.13	0.07	N/A[III]
Latin America[5]	8.37	9.00	6.36	11.91	9.39	11.84	14.37	10.71	8.15	5.21	7.80
West Asia and Europe[6]	1.39	1.64	1.50	0.83	-0.06	0.83	1.22	1.07	0.31	0.12	0.83
South and East Asia[7]	12.46	14.68	20.50	22.71	19.53	20.27	18.13	12.77	8.62	8.68	4.66
TOTAL REGION	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

[I] SOURCE: UNIDO Statistics compiled from International Finance Statistics (from International Monetary Fund) according to UNIDO List of countries and areas included in selected groupings in the International Yearbook of Industrial Statistics 2002 [5].

[II] Statistical data for Aruba, Bahamas and Kiribati disregarded, as these countries are not included in UNIDO country groupings.

[III] Data not available.

[1] Data for Tajikistan, Uzbekistan and Federal Republic of Yugoslavia not available in IFS database.

[2] Data for Democratic Republic of the Congo, Sao Tome and Principe not available in IFS database.

[3] Data for Guinea- Bissau not available in IFS database.

[4] Data for Reunion not available in IFS database.

[5] Data for Bermuda, British Virgin Islands, Cuba, French Guiana, Guadeloupe, Martinique, Puerto Rico not available in IFS database.

[6] Data for Iraq, Lebanon, Qatar, United Arab Emirates not available in IFS database.

[7] Data for Bhutan, Brunei Darussalam, French Polynesia, New Caledonia not available in IFS database.

Table 2 also shows that, in terms of share of FDI, while Industrialized Countries maintained their overall share (dropping from 89% to 87%) over two decades with a low point of 56% in 1982 and a high point of 90% in 1987, four African regions[6], West Asia and Europe[7] have lost out heavily to the countries of South and East Asia and Latin America[8] in the drive to win mobile investments. Within Asia the main beneficiaries of cumulative FDI inflows over the two decades were the countries of South and East Asia, in particular China, Hong Kong, Singapore and Malaysia; in Latin America – Brazil, Mexico, Argentina and Chile have attracted large volumes of internationally mobile capital. See Appendix II for cumulative FDI inflows to the selected regions and countries for the years 1980-2000. In 2000 FDI inflows were relatively low for the four African regions that received only 0.26% of the total FDI inflows. Cumulatively Egypt, Nigeria, Angola and Tunisia have received the bulk of the low volumes of FDI to Africa. In West Asia and Europe the largest cumulative flows of FDI have been hosted by

Saudi Arabia, Turkey, Bahrain and Croatia.

The FDI inflows to Industrialized Countries recovered during the 1990s, with downturns in 1994 and 1996, and reached 87% in 2001. Since 1990, the investment flows to Sub-Saharan Africa have collapsed. Latin America having performed relatively weakly in attracting FDI in the later part of the 1980s has proved a stronger magnet for FDI in the 1990s. South and East Asia has consistently shown improvement in attracting FDI throughout the last 20 years (despite cyclical downturns) until the hiatus of the Asian economic crisis of 1997.

The lessons of experience on attracting increased flows of FDI that emerge from the performance of relatively developed countries like Ireland and Singapore and from developing countries like Malaysia and Thailand is that a favourable investment policy framework – creating 'an attractive investment climate' - coupled with an active and professionally implemented investment promotion strategy, is essential to successful investment promotion. Governments in these countries have placed a high priority on winning an increased share of FDI, and they have succeeded in doing so by designing and managing well-calibrated policies. Their experience suggests that other Governments that are serious about increasing their inflows of investment need to do two things:

- Reform investment policy in terms of modal neutrality[9], market contestability[10], and policy coherence[11] to remove administrative obstacles and managerial impediments to FDI and ease the difficulties foreign investors face in establishing new projects;

- Establish an Investment Promotion Agency with the authority, competence, independence and resources necessary to design, formulate and implement an investment promotion strategy that suits the economic and industrial objectives, requirements, advantages and resources of the country.

To a large extent the former activity has progressed well in terms of the liberalisation of FDI policy regimes since 1980s. Regulatory changes in FDI laws have been overwhelmingly pro investment in keeping with the general trend towards deregulation and reduction of barriers to business, investment and trade.

With regard to investment, responding to the need for a strategic approach for investment promotion, a significantly high proportion of countries have established formal institutional mechanisms for investment promotion. Establishment of institutional mechanisms and investment promotion would need to take place within the trilateral policy framework of modal neutrality, market contestability and policy coherence. Furthermore, the activities of institutions set-up for investment promotion would need to incorporate, in a 'virtuous cycle', the following:

1) Servicing existing investors;

2) Removing administrative obstacles and managerial impediments to investment;

3) Promoting the host location through image building, destination image marketing management and campaign programmes;

4) Attracting new investment and retaining existing investors; and

5) Servicing new investment.

These interrelated and mutually reinforcing activities would need to be performed in a manner that creates a virtuous cycle of improving not only the flow of FDI but also the qualities of the Investment Promotion Agency. It goes without saying that requisite funding support is vital to this performance.

Competition for FDI is such that investors invariably face a number of attractive locations and options for any new project, and they will tend to locate where the combination of investment climate and policy environment is most attractive, and where their investments are welcomed and facilitated. UNIDO can assist developing countries in their efforts to enhance their investment climates.

NOTES:

[1] Foreign Direct Investment constitutes the aggregate of corporate economic activity that forms part of the financial account of a country and is recorded in IMF balance of payments statistics. It comprises: (1) the net acquisition of share and loan capital through mergers and acquisitions or takeovers, joint ventures, and the establishment of new greenfield subsidiary companies; (2) profits of overseas subsidiaries which are reinvested abroad and (3) parent to subsidiary capital transfers.

[2] Portfolio investment is an investment in corporate stocks and shares, government stocks, etc., mainly by investors and financial institutions such as pension funds and insurance companies.

[3] Foreign Direct Investment. From The Economist print edition. Apr. 4th 2002.

[4] See Appendix I for UNIDO country classification.

[5] See Appendix I for UNIDO country classification.

[6] North Africa, Central Africa, Western Africa, Eastern and Southern Africa.

[7] According to UNIDO classification, this group comprises only countries of the former Yugoslavia as European, other European countries and that of the former Soviet Union are comprised under Industrialized Countries.

[8] See Appendix I for UNIDO country classification.

[9] Modal neutrality describes policies that allow foreign investors to decide for themselves how best to serve the markets they enter.

[10] Market contestability embodies the ability of both foreign and domestic investors to compete on a level of playing field for the factors of production.

[11] Policy coherence refers to the degree of internal consistency of objectives, FDI policies and interpretation of policies, in their regulatory form, across a range of issues and at different levels of Government.

I. UNIDO and Investment Promotion

UNIDO is one of several major international institutions promoting Foreign Direct Investment (FDI) to developing countries. Developing countries and economies in transition face numerous challenges in their industrial development and economic modernisation. Industry needs investment and a supportive climate for growth. Managers must make industries more competitive in order to increase their international market share. The industrial base must be expanded to generate increasingly more productive jobs - and all this in an era of increasing global competition and constant change. In meeting these challenges, Governments, institutions and industries face common problems.

UNIDO is the singular worldwide multi-lateral organisation mandated to deal with industry within a development perspective. UNIDO applies its enabling services in a non-profit, neutral and specialised manner. UNIDO operates at three levels of intervention: the Governmental/Policy level, the Institutional level and the Enterprise level.

Sustainable industrial development is never easy to achieve. It means balancing the concerns for, and competing priorities in,

- competitive **E**conomy
- productive **E**mployment
- sound **E**nvironment.

These "3Es" - economy, employment and environment - are guiding principles for UNIDO's interventions and therefore the approach to its markets, clients and customers; especially in the light of growing international concern over the social and environmental consequences of industrialisation. These three dimensions of industrialisation are reflected in nearly all activities. Socio-economic considerations affect employment, gender, wealth generation, public health, safety at work, industrial profitability, the promotion of entrepreneurship, public-private sector partnerships, economic and industrial planning, and industry support.

UNIDO's investment promotion activities, started in the late 1960s, can be considered one of the first multilateral investment programmes. In its nearly 40 years of existence, UNIDO has gained vast expertise in the selection and assessment of investment and technology, the negotiation of technology transfer agreements, the review of environmental impact issues, the efficient use of energy and other substantive areas where it offers technical assistance and cooperation services (including management services, procurement services, entrepreneurial development and training, as well as privatisation and restructuring programmes). This makes it the only organisation with a comprehensive background in investment promotion as well as industrial and technology development.

UNIDO covers all areas of investment promotion activities at three strategic levels - policy, institutional and enterprise. At the policy level, it provides advice on investment policy and legislation. At the institutional level, it has assisted in building capacity and helped to establish and strengthen national Investment Promotion Agencies. At the enterprise level, it promotes investment and technology transfer proposals and assists business partners in reaching agreements. Governments, Investment Promotion Agencies and enterprises in developing countries and in many industrialised countries find that UNIDO can play a catalytic role in international cooperation.

A. The Investment and Technology Promotion Network

To promote business contacts, UNIDO operates a network of investment and technology promotion offices. Currently there are thirteen UNIDO Investment and Technology Promotion Offices (ITPOs)[1] in Bahrain, Belgium, Brazil, two in China, France, Greece, Italy, Japan, Poland, Republic of Korea, Russian Federation and UK[2]. The principal functions of the ITPOs are to build contacts with enterprises in their host countries willing to consider a FDI venture with a partner in a developing country or a country in transition or to provide inputs for such a venture; to bring the local partner and the prospective foreign partner into direct contact through UNIDO's meetings/fora and through any other appropriate means with a view to their commencing negotiations on co-operating in the implementation of the project.

UNIDO's former Investment Promotion Service Offices (IPS) have taken on a new strategic orientation in line with UNIDO's programmatic transformation. They are now based on the recognition that investment promotion is interlinked with technology transfer and acquisition. This is reflected in the new name - Investment and Technology Promotion Offices. ITPOs primarily focus on strengthening the capacities of client countries and institutions to improve their competitiveness as well as on fostering industrial partnerships, in particular, between small- and medium-scale companies. ITPOs lie at the hub of the Investment and Technology Promotion Network (ITPN)[3]. ITPN bring together UNIDO field offices, development finance institutions, Investment Promotion Agencies, technology centres, subcontracting exchanges and other partners. For example, there are 10 UNIDO International Technology Centres[4] that implement work programmes within the frame of UNIDO projects.

ITPOs are one-stop shops for four services crucial to investment promotion and technology transfer:

(i) dissemination of investment information;

(ii) identification and promotion of investment opportunities;

(iii) provision of training in promotional techniques; and

(iv) matching project sponsors with potential foreign investors.

The staff of the offices are in close touch with business communities and development agencies in their host countries and have established data banks with details on companies interested in industrial partnerships in developing countries and on the type of opportunities they are seeking. Such companies receive information on investment projects in the countries and industrial sub-sectors, as well as general information on business conditions (e.g. the procedures for registering an investment project and information on tax and other incentives). At the same time, ITPOs play the important role in developing and carrying out UNIDO's integrated country programmes.

B. Integrated Investment Promotion Programme

UNIDO can formulate Integrated Programmes[5] offering assistance at different levels: policy, institutional and enterprise.

1. Policy Level

UNIDO's enabling services help to enhance policies, strategies and regulatory frameworks for investment and technology promotion. At the policy level, it provides advice on investment policy and legislation, assists Governments to design or enhance policies, strategies and instruments for investment and technology promotion within the new economic context. In addition, UNIDO assists to strengthen related legal and regulatory frameworks. In particular assistance is provided to develop or enhance Technology Foresight Programmes[6] to define future orientation of technology programmes and associated necessary FDI in accordance with rapid changes in investment and technology.

To summarise, policy-level assistance would encompass assistance to Governments in designing and implementing a coherent policy framework and a strategy to bring the investment opportunities and business potential of the country to the attention of foreign investors[7]. UNIDO also assists Governments in establishing development priorities and identifying competitive sectors that could attract FDI. It offers assistance in preparing or reviewing investment code and investment incentive schemes that could affect investment decisions, such as tax regulations, tariff concessions, loan guarantees and other forms of financial and fiscal incentives, as well as non-financial incentives and measures such as access to industrial estates and 'high-tech' parks. UNIDO could also design the institutional infrastructure needed to implement investment policies. These advisory and enabling services would set a framework for an investment promotion policy that takes into consideration both short- and long-term development objectives[8].

2. Institutional Level

UNIDO's enabling services can help with building institutional capabilities in investment and technology promotion. Assistance to the institutional infrastructure in developing national capabilities in investment projects would involve establishing and/or strengthening national investment and technology promotion institutions and upgrading their capacities in the identification, formulation,

appraisal and promotion of investment and technology projects and technology transfer negotiations. The starting point is frequently the design of a national promotion strategy. This involves working towards consensus with national institutions involved in investment (private sector organisations like Chambers of Industry and Trade, Manufacturers' and trade associations, government departments, in particular the revenue, immigration and customs) to decide a strategy with the IPA as the central coordinating agent. The organisational structures and requisite staff skills of the institutions (primarily the IPA) are adjusted and strengthened to implement the strategy. UNIDO conducts training specifically in promotion techniques, industrial project profiling and appraisal, technology transfer and joint venture agreement formulation and negotiation. These training programmes, developed through decades of technical assistance in many countries, will be available as Web-enabled interactive training through UNIDO certified trainers. A further service is the creation of opportunities for staff of national investment- and technology-related institutions to upgrade their skills internationally through on-the-job advanced training in ITPOs under the UNIDO Investment/ Technology Promotion (ITP) Delegate Programme[9]. This includes profiling of domestic enterprises and their investment plans (as part of a dynamic national data base), surveying foreign investors, direct promotion and organizing promotional events at the sub sector or target country level. Once the necessary training has been provided, the investment promotion centre could be linked to ITPN for the promotion of investment projects identified in the country and for the exchange of other investment related information. IPAs that have been strengthened (or created if none existed) through a UNIDO Integrated Programme, can become UNIDO partner IPAs by their membership in UNIDO networks like the AFRIPANET, thereby retaining access to further training and UNIDO links.

3. Enterprise Level

At the enterprise level, UNIDO promotes investment proposals and assists business partners in reaching agreements, supports national investment- and technology-related institutions in their efforts to develop business alliances with foreign partners by providing access to potential investors and technology suppliers.

UNIDO's enabling services can assist industrial enterprises in developing countries to gain access, through various forms of collaboration with foreign companies, to investment resources including, *inter alia*, capital, technology and know-how, as well as marketing and managerial skills. Beneficiaries of assistance at this level would be private entrepreneurs, small and medium-size firms that are willing to consider investing in a new industrial venture, in the expansion, or rehabilitation, of an existing investment.

A full investment promotion cycle, from formulation of business proposals to locating potential investors and sources of funds as well as ensuring the viability and financial/technical soundness of the project, would be carried out in close cooperation with target entrepreneurs.

Such an approach includes:

• Identification of local enterprises that have demonstrated the ability to compete successfully in the national market (or even internationally) and are judged to have sufficient experience in their sub-sectors to be considered as competent potential business partners for foreign investors. Alternatively, the identification of specific investment opportunities for which national investors are seeking foreign partners to provide needed complementary investment resources.

• Formulation of these opportunities into detailed investment projects utilising UNIDO's Industrial Investment and Technology Project Profile (IITPP)[10] format in conjunction with computing software. When an investment concept is being articulated into a detailed project, the potential investor must be given information sufficient and transparent to allow the investor to assess and evaluate the economic and technical viability of the project.

• Information on screened and validated investment, environment-related and technology opportunities as well as relevant information on industrial issues provided by the business and knowledge network (UNIDO Subcontracting and Partnership Exchanges (SPXs), UNIDO Exchange[11] and Technology Needs Assessment[12]) through electronic web-based platforms.

• Promotion of investment opportunities through ITPOs and associated ITP Delegate Programmes, which can identify potential foreign partners to realise the proposed investment opportunities.

• Assistance in the preparation of feasibility studies and in securing the financing for negotiated projects (see Project Completion Facility, below).

UNIDO's integrated investment promotion programmes can strengthen the capacity and capability of the national counterpart organisation to promote business partnerships involving the transfer of resources from advanced industrialised countries. Also they can lead to the inflow of resources for industrial expansion, conversion, modernisation and rehabilitation.

C. Methodologies and Tools for Investment Promotion

UNIDO has developed a number of methodologies and tools to implement an integrated programme involving investment and technology in a recipient country.

1. Country and Projects Presentation Tours

Visits to countries having ITPOs are organised for delegations from recipient countries. The delegates who should be senior government officials, high-level representatives of the Investment Promotion Agency, and executives of the chamber of commerce and industry or entrepreneurs, provide potential foreign partners with information on the investment climate and investment opportunities

in their home countries and discuss specific investment opportunities. Usually country and projects presentation tours are organised in advance of, and integrated with, an investment forum (discussed below) to publicise the forthcoming event to the target business communities and thereby maximise the potential of realising actual investment.

2. Investment/Technology Promotion (ITP) Delegate Programme

The ITP Delegate Programme is an important component of many UNIDO ITPOs. The essence of the Delegate Programme is the placement of officials from developing countries and countries with economies in transition in the business environment of major international commercial centres. This allows the opportunity to forge industrial alliances between partners from the Delegate's country and international partners. To facilitate this partnership the Delegate has access to the investment and technology promotion expertise and methodologies, software and computing techniques, as well as data, information, statistics and knowledge available in the ITPO.

The selection of qualified Delegates is key to the success of the Delegate Programme. Delegates are chosen from organisations involved in investment and technology promotion (e.g. relevant government institutions, Investment Promotion Agencies, development banks and export promotion agencies). During the secondment of the Delegates to ITPOs, which may last from a few months to three years, they promote industrial investment and technology projects.

Spending considerable time at selected ITPOs, the Delegates work side-by-side with experts experienced in promoting investment in industrial ventures and technology transfer. At the same time, they present portfolios of investment opportunities from their own countries to potential investors. Delegates also act as contacts between entrepreneurs through providing information about their country, institutions and entrepreneurs. These facilitate business partnering. The results achieved by the ITP Delegate Programme have also attracted private-sector participation with an increasing number of Chambers of Commerce, Industry Associations and other privately funded organisations.

3. Computer Software

UNIDO has developed a range of software support systems including the UNIDO Exchange – a platform that aims at fostering UNIDO's development mandate and which provides on-line access to its expertise and new, enhanced linkages between its stakeholders[13].

COMFAR *III Expert, COMFAR III Business Planner and COMFAR III Mini Expert* are other high-resolution computer software programmes that permit the user to simulate comprehensively the short- and long-term economic and financial situation of investment projects. The software permits the analysis of industrial as well as non-industrial projects, whether new investments, rehabilitations, expansions, joint venture or privatisation projects.

UNIDO has also developed a number of other business performance software, such as BEST, FIT, PHAROS and MCCT. BEST[14] – "Business Environment Strategic Toolkit" – is a software decision support tool based on modern business concepts (revenue and market oriented) and a set of original innovative economic indicators as business performance measures. FIT[15] – "Financial Improvement Toolkit" – is a PC software support tool aimed at decisions with strategic and operational characteristics. PHAROS[16], as "Business Navigator" is a sophisticated but at the same time simple and easy to use software package for upper level enterprise management. It allows the generation and analysis of alternative business scenarios and provides for easy interpretation of operational and strategic business information. It has automated data import facility from external software systems. MCCT[17] – "Measurement Control Chart Toolkit" – is a software tool supporting quality assurance implementation programme designed according to the ISO 9000 series. The software allows easy monitoring and maintenance of measurement devices and systems at industrial enterprises and metrological institutions.

Using the available tools appropriate to demand conditions, UNIDO assists in the preparation of feasibility studies. It offers joint-venture partners access to pre-investment studies and methodologies based on UNIDO manuals[18]. Most international financing institutions accept studies based on these methodologies as the basis for financing investment projects.

4. Project Completion Facility (Pre-investment Services)

UNIDO assists identified business partners by facilitating their negotiations. Before the two parties commit themselves to project implementation and financing, they normally assess in detail the feasibility of the project and its investment dimensions and requirements. UNIDO is able to co-finance such pre-investment studies under its Project Completion Facility. This programme will provide financial support to the two parties for preparing pre-investment studies on marketing, production and raw material costs, choice of technology and other elements of technology and investment. UNIDO also advises the parties on potential financing institutions.

5. The Investment Forum

Investment fora enable national investors and potential partners from industrialised countries to hold face-to-face bilateral discussions on investment projects previously identified and promoted by ITPN. This interaction, at the level of specific investment projects, often results in new project ideas being proposed to the national investors. Between six and eight months of preparation are usually needed to ensure that the counterpart organisation in the recipient country is capable of carrying out UNIDO's investment promotion methodology and providing the necessary assistance to both foreign and national investors. Identified investment opportunities are screened and promoted through the channels of ITPN and potential foreign partners are fully informed of investment opportunities and the investment climate in the country. After a forum, a follow-up phase lasting between three and six

months is usually required for investors to pursue negotiations initiated at the forum. The ITPOs will keep in close contact with foreign investors who showed an interest in pursuing business negotiations and will offer them the support of the Project Completion Facility for reaching an agreement and implementing it. One key to the success of the follow-up stage is the participation of the national counterpart organisation in channelling information on national business entrepreneurs and firms' foreign potential partners through ITPN.

6. Networking

In linking energy and environment with investment promotion and cleaner production networks, the Clean Development Mechanism (CDM) of Kyoto Protocol, which addresses global warming, displays great potential as an effective tool for developing countries to attract FDI, transfers of technology and financing for projects that result in reduction of greenhouse gas emissions. Credits for reduction can become an additional stream of cash flows for the projects while the international transfer of credits for reduction are recognised under the CDM as compliant with the obligation to reduce emissions in the developed countries. However, opportunities may not be realized fully without enabling conditions in developed and developing countries. This is where UNIDO comes in with its expertise in investment promotion and technology transfer and its network for providing multiple services.

UNIDO supports national efforts in attracting FDI and technology flows for Cleaner Production (CP) projects. This involves the establishment of a mechanism in the participating countries, to stimulate the flow of capital to CP projects through investment promotion and technology up grading. This mechanism promotes networking between the private and public sectors with potential regional and international partners by developing UNIDO's investment and technology tools and methodologies for adaptation to CP projects as well as establishing and maintaining permanent linkages between the UNIDO Investment and Technology Promotion Offices (ITPOs) and CP networks. The database on CP projects and related policies, investment opportunities, technology needs and technology offers, may be used by IPAs as opportunities for attracting CP investments.

Recently, many African countries have established national Investment Promotion Agencies (IPAs) to increase the flow of investment resources into their economies. With the advance of globalisation, however, some of those Investment Promotion Agencies have found themselves confronted with the challenges of complex international marketing and intense competition. Limited financial resources and lack of capacity and skilled staff increase the difficulty of meeting these challenges. The UNIDO-Africa Investment Promotion Agency Network (AFRIPANET)[19] is a group working to explore practical, low cost schemes to improve the effectiveness of its member agencies in mobilising domestic investment and FDI. It functions as a resource group drawing on UNIDO

services, tools, methodologies and networks; research and analysis; shared experiences and international expertise[20]. The AFRIPANET also provides a permanent platform for training, capacity building and linkages to the UNIDO worldwide network of Investment and Technology Promotion Offices.

The Asia-Africa Investment & Technology Promotion Centre (AAITPC)[21] has been established by UNIDO to promote business linkages in the form of investment, trade and technology transfer between Asia and Africa. Within the framework of South-South Cooperation, the Centre is helping business communities and institutional partners in both Asia and Africa to identify business opportunities and to create mutually beneficial win-win situations.

In networking, the Arab Regional Centre for Entrepreneurship and Investment Training (ARCEIT) that promotes domestic investments as precedent to stimulating FDI and technology is another example. Several countries in the Arab region are using this facility which reflects the UNIDO ITPO approach.

7. Global Outsourcing

UNIDO provides technical assistance leading to investment in developing countries for establishing and operating "Subcontracting and Partnership Exchanges" (SPXs)[22]. Subcontracting and Partnership Exchanges are nodal points for technical information and promotion, as well as matchmaking centres for industrial subcontracting and partnership between main-contractors, suppliers and subcontractors. Their purpose is the optimal utilisation of the different manufacturing capacities of affiliated, related and supporting industries. UNIDO assists developing countries in setting up a roster of subcontractors, suppliers and main-contractors. The SPXs act as centres for technical information, investment matchmaking and promotion, as well as clearing-houses for industrial subcontracting and partnership enquiries and opportunities. Today some 60 subcontracting and partnership exchanges, established by UNIDO in more than 30 countries, form part of a global industrial outsourcing network and supply-chain.

NOTES:

[1] http://www.unido.org/itpo

[2] See Appendix III for links to UNIDO ITPOs.

[3] http://www.unido.org/itpo

[4] http://www.unido.org/doc/461696.htmls

[5] See http://www.unido.org/doc/331090.htmls for Guidelines for the Formulation of Integrated Programmes.

[6] Technology Foresight (TF) (http://www.unido.org/doc/521850.htmls) – a sphere of UNIDO 's specialist advice to policy makers – can be described as a systematic approach in which various methodologies and techniques are combined in order to create a better preparedness for the future. During the last ten years TF has been carried out in several countries. A key purpose of many of these studies has been to provide guidelines for the development of industrial policies and preparation of governmental programmes on research and education. Recognizing the importance of Technology Foresight, UNIDO, in cooperation with the International Centre for Science and High Technology (ICS), have launched a Regional Programme for Latin America and the Caribbean with the objective to promote, encourage and support technology foresight initiatives (http://www.foresight.ics.trieste.it/).

[7] One element of this might be to prepare an investors' guide. Other elements include FDI road mapping and analysing administrative obstacles and managerial impediments to FDI.

[8] A good illustration is provided by the national inter-ministerial Investment Steering Committee (ISC) in Tanzania chaired by the Prime Minister. With membership from the economic and industry ministries as well as Tanzania Investment Centre (TIC), the ISC is charged with eliminating contradictory laws and mandates, and improving policy coherence of the Tanzania investment regime.

[9] For example, ITP Delegate Programme in UNIDO ITPO in Tokyo (http://www.unido.or.jp/eng2.html)

[10] See http://www.unido.org/data/ida/018945.cfm for Guidelines for Preparing the Industrial Investment Project Profile

[11] http://www.unido.org/exchange/

[12] http://www.unido.org/doc/511850.htmls

[13] Related functionalities will be enabled. Under preparation are:

- A database featuring technical barriers to trade
- On-line interactive business, technology and environment related UNIDO tools and methodologies
- Access to other UNIDO activities and service modules

[14] http://www.unido.org/doc/250444.htmls

[15] http://www.unido.org/doc/250445.htmls

[16] http://www.unido.org/doc/250446.htmls

[17] http://www.unido.org/doc/331061.htmls

[18] For example, Manual for the Preparation of Industrial Feasibility Studies, Manual for the Evaluation of Industrial Projects, Guide to Practical Project Appraisal, Guidelines for Infrastructure Development through Build-Operate-Transfer (BOT) Projects, etc.

(See http://www.unido.org/doc/100493.htmls).

[19] http://www.unido.org/afripanet/

[20] For example the UNIDO Pilot Survey in Ethiopia, Nigeria, Uganda and United Republic of Tanzania on Foreign Direct Investor Perceptions in Sub-Saharan Africa, 2002. (http://www.unido.org/userfiles/PuffK/02-55669.pdf).

[21] http://www.unido-aaitpc.com

[22] http://www.unido.org/spx/

II. Investment Policy Framework

A wide range of macroeconomic factors and commercial policies impact the investment policy framework and the Foreign Direct Investment (FDI) decision. Most investors give the highest priority to political and economic stability, the global thinking and international outlook of host Governments, government regulations and infrastructure of host countries. Host policy makers should pay attention to calibrating advantageously location specific investment incentives and responding in strategic ways to attract FDI.

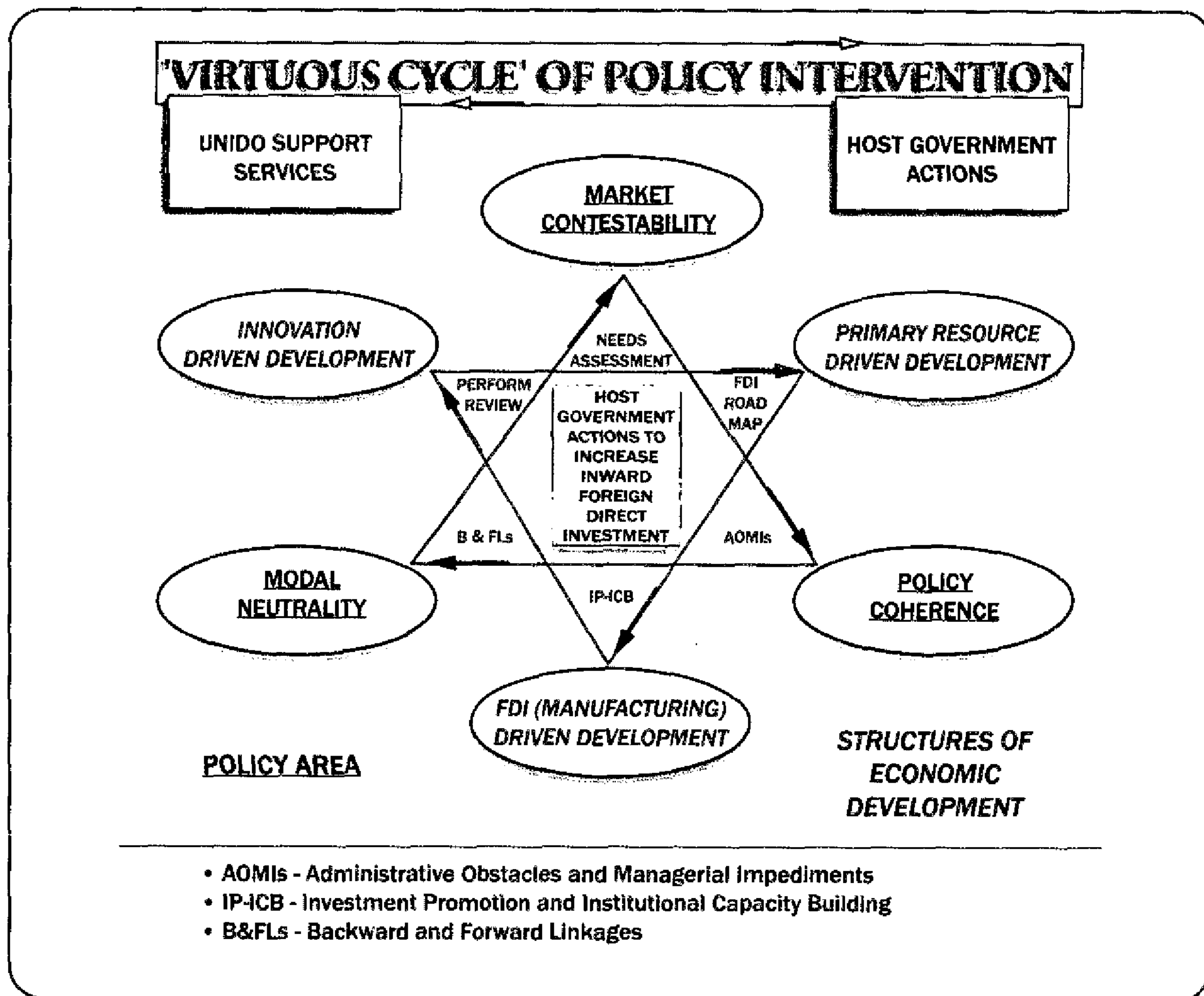
The variables about which investors express greatest concern, however, are those directly affecting investment entry requirements, incentives, trade policies, financial and foreign exchange policies, repatriation and expropriation conditions. Investors are also concerned about labour laws and access to visas for expatriate workers, access to land and ownership of it, and the availability of the physical infrastructure necessary to operate and sustain their investment.

Depending on the level of industrial development, different countries need to improve different aspects of their policy environment for attracting FDI. Figure 1: 'Virtuous Cycle' of Policy Intervention, illustrates the inter connection of the key aspect of the policy framework managed by host Government actions, the predominant characteristic structure that drives economic development[1] and host Government specific actions to increase FDI which can be supported and reinforced by UNIDO enabling services.

The interrelated policy areas of modal neutrality, market contestability and policy coherence need to be well-articulated and calibrated with respect to the balance of primary resource, manufacturing and innovation driven economic development. The host Government's actions to increase FDI comprise, in addition to those of Investment Promotion Agencies (IPAs): needs assessment; FDI 'road-mapping'; removing administrative obstacles and managerial impediments to FDI; direct investment promotion and institutional capacity building; creating backward and forward linkages between foreign and domestic investors; and carrying out performance reviews of the different elements and the whole of the activities to increase FDI.

The long-term evolution of the economy towards a predominantly innovation driven development is supported and reinforced in turn by the quality of articulating dynamically and calibrating accurately the policy framework. This should be according to the stated aims and objectives of the country. Then FDI will be better enabled to play its role in capital formation, productivity growth and delivering beneficial externalities.

Figure 1: 'Virtuous Cycle' of Policy Intervention



From a broad perspective, for example, countries with economies considered predominantly dependent on the primary sector should place greater emphasis on needs assessment and road mapping so that they can look for possibilities to minimise the investors' time and costs, and eliminate or reduce administrative obstacles and managerial impediments. Economies that are predominantly dependent on the commodity resources primary sector would need to place policy emphasis on the regulatory frameworks that moderate ownership rights, land acquisition protocols and the whole system of property rights and transaction laws. The manufacturing driven economies might want to place more emphasis on direct investment promotion and consider institutional capacity building after demonstrating significant progress on the removal of administrative obstacles and managerial impediments to FDI. In a predominantly manufacturing driven development the host Government might wish to bring greater attention to fostering backward and forward linkages. Policy emphasis would focus on Intellectual Property Protection Rights (IPPRs), as the core dimension of manufacturing is production know-how and technology know-why. Innovation driven economies might want to place emphasis on higher levels of performance review while focusing attention on reinforcing integration and linkages. The needs assessment for innovation-driven development is of immense strategic importance with respect to technology futures. UNIDO has methodologies including

Technology Foresight[2] to enable such assessment.

Some Governments provide different investment policy frameworks for overseas investors and domestic investors. Clearly, the articulation and calibration of the policy framework need to be dynamic in keeping with changing economic conditions and economic growth objectives. Other Governments are moving towards policies that do not discriminate in favour of, or against, overseas investors and therefore reduce anomalies and distortions among different groups of investors. Sometimes, however, it is not possible (or desirable) for Governments to completely equalise the policy environment in the short-term, and separate policy frameworks are seen as necessary to attract overseas investment. This is because the policy environment facing local investors, with all its regulations and restrictions, may not be sufficiently attractive to win foreign investments, and reforming it is expected to be too difficult or to take a long time. Whether or not the policy environment can be equalised for all investors in the short-term, Governments that wish to attract overseas investment should strive to make their policies simple, transparent and coherent. Furthermore, automatic, rather discretionary rules are preferable to minimise rent-seeking behaviour.

A. Evaluation and Screening of Applications Versus 'Negative Lists'

In some countries, the investment authorities screen all investment applications for approval and require feasibility studies and other evidence of the viability of a project before allowing new investments to be set up. A number of countries, however, have abandoned this approach in favour of very limited screening or none at all, and some have adopted a simple registration system that does not entail any evaluation by the investment authority. These are examples of different degrees of modal neutrality. Clearly, under perfect economic conditions for FDI inflows, countries must maintain complete modal neutrality. However, implicit in this approach is the acceptance that private investors, because they are risking their own funds, are likely to know better than investment authorities if a project is worthwhile. Therefore they are better able to decide how best to serve the market.

Approval of new investments often entails a range of incentives including granting trade protection, tax concessions and/or finance concessions to the investor. While many Governments still evaluate projects for incentives, more are changing the administration of incentive schemes in a way that requires less evaluation. Some, for example, do not require approval for investments not seeking incentives; moreover, where incentives are granted, the trend is towards automatic, rule-based and across-the-board concessions rather than discretionary and project specific ones.

Entry of foreign investment is often restricted to specified business activities, to specified levels of ownership and to specified forms of company structure, which again constitutes the absence of perfect conditions of modal neutrality. Governments often spell out the business activities where investment is allowed and specify the kinds of ownership and structure allowed. They then screen

potential projects to determine whether or not they meet the established criteria. This approach can lead to bureaucratic delays and corruption because of discretionary practices. Therefore, Governments of host countries are trying to manage better the trilateral policy framework[3] to attract FDI. The problem they face is that they have to balance their FDI policy with the socio-economic environment of the country and the economic objectives of development. The other aspect is that Governments of host countries are competing for FDI and this competition can distort FDI policy[4].

A simpler, more transparent and automatic approach is to specify a limited set of activities in which foreign investment is not allowed. Normally such a list is short and is designed to control investments in activities considered to be of national strategic importance. It is called a 'negative list', and once stated it can greatly reduce the bureaucracy and screening process associated with defining and implementing a 'positive list' of activities open to investment. If a project is not on the negative list, the promoter can normally register the investment, in keeping with commercial law, and proceed without government approval. The negative list approach can be used for purposes other than defining investment entry rights. It can, for example, be used to specify places where investors may not locate or activities not open to incentives.

B. Incentives

Views on the importance of incentives in attracting investments differ widely, and little consensus exists because conceptually the incentives for investors to enter the market of host countries are more or less the same, while the policies of the host countries should differ in order to attract FDI in competition with other host countries. Therefore, policies to attract FDI should be coherent and the policy environment should be predictable for foreign investors. Some Governments and government agencies feel compelled to offer incentives because they know that countries with whom they are competing offer incentives. Investors, on the other hand, do not usually rank incentives high among the important factors affecting their investment decisions. More important to them are market access and contestability, a competitive and stable business environment. The issue of incentives has to be increasingly addressed bearing in mind the World Trade Organization treaty obligations. Nevertheless, developing countries tend to offer fiscal incentives oriented to tax holidays. In contrast, developed countries tend to offer financial incentives oriented to grants and balance sheet identities.

Research that has evaluated the impact of incentives has not been able to draw clear-cut and definitive conclusions. The evidence indicates that incentives play a more important role in attracting export-oriented investment than in winning domestic-sales-oriented investment. The latter focuses on local market opportunities, so the prospects for profitably serving that market are more important than incentives. New perspectives on FDI policies indicate not only how should new investors be best served, but also how policies should pay close attention to the servicing of existing investors. This is because existing investors should be seen as the main marketing instrument of the host country to

attract FDI. In contrast to market-seeking investment, export-oriented investment is more mobile, and incentives can have a greater influence on its location decisions. Consequently, calibrating the balance of incentives between domestic-sales-oriented investment and export-oriented investment for the purpose of socio-economic development needs careful consideration.

Where incentives are provided, their scale and clarity are likely to affect their ability to attract investments. For example, a partial and qualified tax relief for a three- to five-year period is unlikely to have much effect on investment decisions, partly because of its limited scale and partly because its impact can seldomly be communicated clearly. Most new investments are not particularly profitable in their early years; so short-term, partial tax breaks may have little or no impact at all. Where a number of caveats surround the tax incentives, as is often the case with partial relief incentives, investors typically discount their impact entirely when making the initial decision on location.

An incentive package will be less effective if its impact and the conditions under which it applies are not clear to the investor. A 15 per cent tax rate for 20 years is much easier to understand and to communicate than a tax incentive with total and/or partial exemptions, all subject to a range of conditions. Both incentives may have the same after-tax impact on profits, but most investors are likely to understand this when it can be stated simply and in a transparent manner.

The impact of incentives is also affected by the alternative cost environment available to an investor. A tax exemption where the corporate tax rate is 50 per cent is a more powerful incentive than the same exemption where the rate is 25 per cent. Equally, a complete exemption from customs on capital and raw material imports has a much greater impact where protection levels are high than where they are low. In a relatively high-tax or high-protection business environment Governments may feel that they have no short-term options but to offer incentives in order to attract investment. Investors, on the other hand, are acutely aware of the business environment they will face when the incentives run out and will make their decisions accordingly.

For export-oriented investments, most Governments allow the duty-free import of capital goods and of goods for further processing under a variety of mechanisms, including special duty-free zones, temporary entry, bonded warehouses and duty drawback schemes. The mechanisms sometimes extend to stamp duties, Value-Added Tax (VAT) and other indirect taxes that apply to imports. Imports required for re-export production are normally freed from import controls, licensing and similar restrictions.

In practice, however, a number of the duty exemption mechanisms are difficult to administer and are often only partial because indirect taxes on imports are retained. These difficulties, coupled with the sometimes poor and corrupt administration of customs procedures, seriously hinder investment flows to many countries. While the liberalisation of trade regimes and the removal of

complex import procedures and duty charges is the long-term solution to these problems, in the short-term the simplification of procedures is the most practical solution. Yet the reform of customs procedures, because of revenue streams associated with customs and excise, appears one of the greatest stumbling blocks countries face in their efforts to streamline investment policy and win new investment. An overwhelming need to reform customs procedures has led many countries to introduce practices that merit consideration by all countries seeking to win new investment.

Special regional incentives – specially designated and incentivised areas – within a country can influence internal investment flows and may be necessary for the development of particular regions. Again, such incentives, on their own, are seldomly sufficient to overcome major regional or infrastructural deficiencies, but they can have significant impacts on investment flows.

Table 3 below summarises some of the fiscal and non-fiscal incentives that can be used by host Governments to attract FDI.

Table 3: Fiscal and Non-Fiscal Incentives

Fiscal Incentives	*Non-Fiscal Incentives*
Tax holidays	Depreciation methods
Tax-free imports	Development Banks' loan policies
Tax exemptions	R&D support
	Environmental standards support
	Labour training support
	Government subsidies

C. Switch to Performance-Linked Incentives

Approving and administering incentive schemes poses significant problems for Governments. The trend nowadays is towards administrative procedures that are more transparent and automatic and often linked to investment performance. Where tax incentives and customs exemptions are built into the tax and customs code of a country, administration can be greatly streamlined and the need for individual approvals can be totally or substantially removed. In these circumstances, rather than seeking prior approval for incentives from the investment authorities, eligible investors go to the tax and customs officials directly and claim their entitlement under the law. This removes the discretionary element from decisions and eliminates the need for prior approvals. The incentive package as such remains unaltered; only its implementation is changed and simplified. The issue of policy coherence is important here because customs authorities might not want to adjust their own norms to the existing law because of the potential loss of rentier income.

Several developed and developing countries are reforming their tax structures to give lower tax rates that apply evenly across the economy. For example, rather than having corporate tax rates of 50-

55 per cent and many special exemptions, they may have an overall rate of 25-30 per cent with no, or fewer, special exemptions. Tax simplification and reform programmes have considerably lessened the importance of tax holidays. One sign of this is that generally over the last few years in countries of the Organisation for Economic Co-operation and Development (OECD) Governments have relied more on non-fiscal than on fiscal incentives. This is in contrast to developing countries that tend to rely more on fiscal incentives.

All tax incentives have a built-in performance dimension in that the tax relief cannot be earned if the business is not profitable. However, some Governments have acted to enhance this performance dimension, through tax credits or deductions for activities sought by the Government. For example, investors could be given total relief on export profits to promote exports, or double allowance on wages and salaries to promote employment, or treble allowance on research and development expenditures to promote new technology.

In a world of networked production, more attention by host Governments in FDI policy making should be given to incentives other than tax incentives, because in the spatially distributed network of Multinational Enterprises (MNEs), investors can move profits between tax havens and locations with differential tax rates to minimise their overall tax liabilities.

D. Access to Local Financing and Foreign Exchange

As an example of market contestability, access to local financing and to freely convertible foreign exchange is widely sought by foreign investors. Other examples of market contestability would be access to local labour and local suppliers. Limitations on access to local financing, coupled with foreign exchange restrictions, add to the investment risk and to operating costs and undermines investors' confidence in the operating business environment. In the extreme, an investment simply becomes a speculative venture, where the investor risks hard currency funds in an uncertain foreign exchange environment, something which few serious investors are prepared to do.

Most Governments accept this reality and follow economic and currency policies that allow investors access to local borrowing and provide a degree of foreign exchange stability and convertibility. However, host Governments should bear in mind that such policy may crowd out domestic investors.

Export-oriented FDI needs foreign exchange to purchase imported goods and services. Firms with such FDI are normally net earners of foreign exchange, so they must be allowed foreign exchange in order to earn more of it. They will continue to need foreign exchange even in times of critical national shortages, which can arise often in developing countries. To win these types of investments it is essential that access to foreign exchange is assured and that a Government's credibility in this policy domain is well-established. A number of short-term mechanisms are available to assist in the provision of foreign exchange: for example, allowing foreign exchange accounts, providing for retention accounts on a

portion of export proceeds, and allowing the use of 'convertible' local currency accounts, or special 'windows' at commercial banks or at the central bank. While these short-term mechanisms are fine as interim measures, policies need to move in the direction of full market contestability in providing unrestricted access to local financing and to convertible foreign exchange.

E. Repatriation and Expropriation Guarantees

Foreign investors generally seek a straightforward assertion of their rights to get their money out, whether it arises from profits or from the original investment. Governments generally accept this and build it into their investment laws. Countries without convertible currencies, however, do not extend this right to domestic investors, who may remain subject to capital controls. The willingness of foreign investors to retain profits in the host country depends on the internal financing needs of their project, and its strategic expansion dependent on; the macroeconomic climate, the perceived stability of the country and the ability to earn an appropriate return. Some countries attempt to force the retention of profits by limiting the ability to remit overseas or by subjecting remission to the approval of the monetary authorities. This is an administrative obstacle that impedes foreign investment, and for investors already in the country it simply invites evasion through international transfer pricing, for example. Free repatriation of profits and of original investment capital is a basic element of most FDI legislation. Furthermore, guaranteed repatriation rights are normally extended to cover foreign loan repayments. For this, however, the monetary authorities may limit the ability of firms, particularly non-exporting firms, to borrow abroad in hard currencies. This is normally part of the policy governing balance of payments capital account liberalisation.

Explicit guarantees against expropriation, or nationalisation, are important issues affecting the investment policy climate of a country, but their usefulness ultimately depends on the track record of the country. Some countries have gone through stages of nationalisation and expropriation, and this history makes investors wary. To counter this wariness, countries can adopt investment laws that explicitly limit the power of the Government to seize assets and that specify the scale and timing of compensation to be paid under extraordinary circumstances. Where reference is made to compensation, it should provide for immediate payment at fair, i.e. market, rates and in the investor's original currency. Other countries do not mention guarantees against expropriation in their investment laws, because legal principles limiting the Government's ability to expropriate in certain cases of eminent domain are well-established and enshrined in commercial law, as are compensation rights. Where these principles are not well-established, expropriation and compensation rights are probably best included in investment laws.

In these cases it is also desirable to provide for internationally accepted procedures on dispute resolution. For foreign investors the prospect of having local courts as the only remedy for settlement of investment-related disputes can be unnerving. Much more preferable is the designation of a third

party or a neutral forum for dispute settlement. Options available include defined arbitration procedures or provision for resolution before foreign courts or before multilateral bodies such as the International Centre for Settlement of Investment Disputes (ICSID), associated with the World Bank[5].

F. Labour Laws and Visa Access

Restrictive labour laws that lessen flexibility in the human resource management of investors (hiring and firing staff) or that impose additional costs, for example, in the form of extra holidays or time off, are invariably a cause for concern among investors. Much of the international flow of investments in labour intensive industry, such sectors as clothing, footwear, furniture and consumer electronics, is particularly sensitive to labour costs, demand and labour restrictions. Investors avoid locations where labour policies are excessively restrictive relative to skill levels and productivity. Countries seeking investment in these or other cost-sensitive sectors need to bring their labour laws into line with those of competitors or face the probability that they will not attract many investments.

When countries re-calibrate their policies to switch from efficiency-seeking FDI (aimed at attracting low-cost-labour investments), their promotional strategies and sectoral targeting need to concentrate on investments that require higher skill levels. This calls for a greater emphasis on manpower training and education policies and on steps to ensure that these policies are well-articulated to translate into a larger volume of higher-skilled labour force.

Restrictive access to work permits and visas for essential expatriate workers also adversely affects investment flows. Many investors, whether they are investing in developed or in developing countries, insist on certain key managerial posts being held by expatriates, at least until they become accustomed to local business practices and become confident that they can hire suitable and reliable local staff[6]. If visa restrictions seek to prevent or delay this, or if they are more bureaucratic than in other countries, investment inflows will be reduced. Some countries have removed all or most visa restrictions and now provide work permits freely; others have greatly reformed and simplified existing procedures. These reforms can include allowing generously for a defined percentage of expatriate workers in any new investment, making work clearances valid for 3-5 years rather than for a single year, or providing permit and visa clearances with a minimum of bureaucracy and delays and according to transparent and simple rules[7].

G. Access to Land and Infrastructure

Most developing countries and even some developed countries face difficulties in providing as many adequately serviced sites as are needed for new investment. A number of countries do not allow foreign ownership of land, but even in those that do, access to serviced land is invariably a problem. While investors from different countries attach different degrees of importance to land ownership, most are either reluctant or unwilling to invest without ownership of their site or a long lease (for

instance, 99 years) on it. Governments should concede this if they want to attract long-term foreign investment and should modify their investment policies accordingly, especially with regard to the system of property rights.

Even where ownership rights exist it is often difficult, and time-consuming, for foreigners to amass a section of land on which to place their investment, because even small tracts of land may have several owners or land titles may be in dispute or not properly registered. These difficulties have led many Governments and Investment Promotion Agencies to provide special land banks, sometimes in the form of industrial estates or technology parks, where incoming investors can acquire suitable sites on commercial terms. Properly managed and controlled, this approach can greatly facilitate the inflow of new investments.

Access to high quality physical infrastructure (power, telephones, water, effluent treatment and roads) in sufficient quantity is also difficult in most developing countries. It is expensive and time-consuming to put these facilities in place, and they are normally built with public funds. Alleviating infrastructure shortages often requires radical policy reforms to address short-, medium- and long-term requirements. In the short-term, policies may need to define access rights to whatever facilities already exist, as it may not be practical to provide additional facilities quickly enough. In the medium-term, many Governments can ease the difficulty by providing serviced zones, industrial estates, or other specially designated areas associated with incentives. Some Governments have modified their policies to allow, for example, investors to install their own power generators and their own water and effluent-treatment plants depending on the type of FDI. On occasion, they allow investors to make part of these facilities available to other users, including local authorities, at a charge. Flexible policies, combined with modern technology, can allow companies to install telephone facilities without which no modern business can operate.

With respect to longer-term requirements, several Governments now allow private investment in infrastructure facilities, including serviced industrial estates, under Build-Operate-Transfer (BOT)[8] and similar schemes. Governments are taking steps to privatise infrastructure services that were previously provided almost exclusively by public sector bodies, with varying degrees of success. To provide adequate infrastructure for investors without overburdening the public sector with debt is a crucial policy consideration. Countries that lack the physical infrastructure to support mobile investments need either to modify their policies or face the prospect of winning fewer new projects.

H. Conclusions on Investment Policy

In the competition for foreign investment, countries are simplifying their investment laws, removing the distinctions in treatment between foreign and domestic investors, removing or reducing the need for screening, eliminating discretionary incentives and building automatic entitlements into

basic tax and customs laws. Increasingly, they are re-calibrating their policies, abandoning special subsidies in negotiating and approving individual projects, in favour of standardised incentives excepting strategic sectors. In the mineral and extractive sectors case-by-case negotiations tend to be normal practice, and in these sectors concessions or rights differ from project to project, so case-by-case consideration is likely to continue.

Greater simplicity, transparency and automaticity have been introduced to the approval process and have been reflected in substantial reorganisation and redirection of investment promotion institutions. With less emphasis on pre-approval screening, evaluation and control, there is less need for large, predominately regulatory bodies. Increasingly, the focus has switched from regulatory to promotional activities and from restricting new investments to facilitating them. Organisations that once carried out the regulatory function need to adapt themselves to a range of new functions; servicing existing investors, removing impediments, promoting the host, attracting selectively new investment, and servicing new investors. For some institutions, as their past identity and culture was linked to regulation, it is often difficult to transform themselves into credible promotion-focused organisations.

More Governments are accepting that investors require expatriate managers to set up and run new investments, and they are revising their visa and work permit laws accordingly. In the crucial area of land ownership and physical infrastructure, Governments that are actively seeking mobile investments are modifying existing laws and policies. Provision for land ownership, or for long-term land leases, by overseas investors is now commonplace, as are policies to promote and use private investment for infrastructure facilities.

NOTES:

[1] See stages of Competitive Development in UNIDO, African Industry 2000, The Challenge of Going Global, p.130.

[2] http://www.unido.org/doc/521850.htmls

[3] Modal neutrality, market contestability and policy coherence.

[4] See Oman, Charles. Policy Competition for Foreign Direct Investment: A Study of Competition among Governments to Attract FDI. OECD Development Centre, 2000.

[5] http://www.worldbank.org/icsid/

[6] In this respect, the widespread availability of managerial skills within an economy to enable business and commercial intermediation to occur is crucial to attracting FDI.

[7] The investment codes of countries usually indicate the rules and regulations pertinent to visas and expatriate managers.

[8] See http://www.unido.org/doc/stdoc.cfm?did=50144 for Guidelines for Infrastructure Development through Build-Operate-Trasfer (BOT) Projects.

III. Investment Promotion Strategies and Techniques

The switch from a regulatory to a promotional approach for attracting investment has focused attention on the concept of investment promotion as an overall strategy and on the techniques used, as well as on the formulation of particular strategies to suit different investment conditions and requirements.

A. The Concept of Investment Promotion

Investment promotion may be seen as a function of the investor's Firm Specific Advantages (FSAs), host Location Specific Advantages (LSAs), investment motivations and the Integrated International Sourcing, Production and Marketing (IISPM) Networks of Multinational Enterprises (MNEs). This is because investors in general want to minimise their overall production costs and therefore choose the host country that best meets their requirements. Investment promotion activities aim at encouraging projects, Foreign Direct Investment (FDI) and local re-investments, joint ventures and technology transfer by international firms. Each source of investment requires a different combination of promotional techniques, but some common and well-tested techniques apply for all.

There is a considerable body of experience on the different techniques and on which promotional strategies succeed and which do not. This experience can be used to devise an appropriate strategy for any country or region. It must, however, be tailored to the conditions and requirements of the particular location, its investment demands, the investment environment and the resources available for promotion activities. No single solution will be appropriate either in all circumstances or for all times.

Governments worldwide use a range of techniques to promote investment. They can be classified into four groups:

- Techniques directed at servicing existing, prospective and new investors, known as investor-servicing techniques.

- Techniques aimed at identifying and removing administrative obstacles and managerial impediments to FDI.

- Techniques aimed at building, or changing, the investment image of a county, known as image building techniques or destination image marketing.

- Techniques used to generate investment directly, through specific investor targeting, known as investment-generating techniques.

Investment Promotion Agencies tend to engage in all four activities to varying degrees to bring investment to their countries. The mix and intensity of activities will vary by country and over time in

accordance with changing conditions and priorities. A common feature of successful investment promotion strategies is a strong emphasis on investor servicing. It is important to ensure that potential projects are translated into actual investments quickly and that satisfied investors attract more investors. To give an example, Ireland, Singapore and the Netherlands are three countries that have placed a high priority on investor services and facilitation, making them a core element of promotional activities. In this way, the Irish Development Authority (IDA), the Singapore Economic Development Board (SEDB) and Singapore Trade Development Board (STDB), and the Netherlands Foreign Investment Agency (NFIA) have gained advantages in attracting FDI over competing Investment Promotion Agencies in other countries.

The priority given to any particular element of the promotion process will depend on the individual country and its economic and industrial goals, its investment requirements, resources available, policy and regulatory conditions, and the prevailing conditions in domestic and overseas markets. Goals and priorities will change over time and with the development stage of a country. For example, image building, tends either to follow changes in government policy to encourage investment or to be heavily used early in the life of a promotion agency, but only after sufficient progress in removing administrative obstacles and managerial impediments is visible. When government policy is changed, the promotional organisation can focus on image building to advise the investment community about the new attitude towards investment, the changes in the regulatory regime and the country's interest in attracting investors. When promotion executives believe that an appropriate image has been created, they may shift their focus to investment-generating activities. Some countries may continue to use image-building activities extensively if changing economic conditions within the country or abroad makes it necessary to change or reinforce the image.

Image building need not be the only focus of a promotional programme. If, for instance, a country does not have a negative image as a potential site, and if its attractiveness as an investment location is already well-known internationally, there is little need to concentrate resources on image building. Conversely, countries with negative investment images that reflect reality, or those that are perceived as a risky place for investments, may need to begin their efforts by focusing elsewhere. For instance, they might work to improve the investment climate by removing administrative barriers or increasing the services available to existing investors. Advertising a poor product is not only wasteful but is likely to undermine credibility when an improved product is promoted in the future.

Investment-generating activities are necessary where the flow of new investments falls short of national objectives and where the country wants to expand into new areas of investment for reasons of resource availability, comparative advantage or long-term development. To attract new investment, countries engage in in-bound and out-bound overseas missions and seminars, communications (advertising, mail and telephone), campaigns and direct contact with individual investors. These

activities may be targeted at industry sector(s), selected groups of investors in particular locations or they may be more general in their focus. Many countries have opened overseas offices as part of their investment promotion programmes, but this approach can be expensive and demands substantial budget and staff resources. An alternative could be to enlarge the functions of a country's embassies to perform these tasks. The financial demands of overseas offices are such that Governments need to be cautious and maximise the benefits from other channels before considering opening their own overseas offices. The channel that should be carefully considered is the use of the UNIDO established Investment and Technology Promotion Offices (ITPOs) around the world[1]. The main aim of UNIDO's ITPOs is to provide support to the country in its efforts to contribute to the industrialisation and establishment of private sector-led economic activities in developing countries and in economies in transition. This support is through identifying potential investors and mobilising the financial, technological, and other resources required for the establishment of business partnerships that ultimately lead to investment. Their staff are in touch with the Governments' representatives, business community, development agencies and financial institutions.

Servicing investors usually entails a range of pre-approval, approval and post-approval activities. These entail providing information on doing business in the host country, granting approvals and clearances quickly and efficiently, assisting in the implementation of projects, helping with access to essential infrastructure, supporting and monitoring investor performance. Services should be provided on a pro-active basis, whereby staff of the promotion agency seek out investors and help them to anticipate and solve problems that arise. A passive basis, whereby the promotion agency simply responds to investor requests, is not generally as rewarding. Most promotion agencies find that a concentration on investor servicing is justified because it is cost-effective and it emphasises the realisation of investments, not only their approval or registration. Notably, satisfied investors make good promoters of further investment.

The international investment market contains many potential investors, and generally only a fraction would consider an investment in a particular country or region at a given time. Of those who would, relatively few will seek government approval and fewer still will ultimately realise their investment plans. Investment Promotion Agencies must therefore put substantial effort and resources into identifying and encouraging potential investors. Investment-generating activities concentrate on this aspect of the promotional task. Once that population of interested investors has been identified, most promotion agencies seek to ensure that as many as possible of these are converted into realised investments as quickly as possible.

This conversion of potential investors into actual investors is the prime task of investment-generating and investor-servicing activities. Image building supports the other promotional functions by painting a positive picture of the investment climate. Moreover, as it provides information on business

conditions and achievements, it helps to carry out the task of investor servicing.

Identifying potential investors is an important element of a successful promotion strategy and one in which promotion agencies should be prepared to invest heavily. This part of the process involves well-articulated communications strategies including direct marketing, public relations, mail and advertising campaigns, investment seminars and missions and other costly techniques, each of which has a limited probability of success. Here is where data, information, statistics, knowledge and market intelligence are valuable and where the assistance of international organisations in identifying and attracting potential foreign partners is crucial. Once the investors have been identified, the process of converting them into actual investors begins. An Investment Promotion Agency should make sure that this conversion process happens efficiently and should maximise the proportion of potential investors who become actual investors. There will inevitably be attrition between those identified as potential investors and those who actually go on to invest. Promotion strategies must aim at minimizing this attrition.

B. Techniques of Investment Promotion

Several techniques are used in each of the four categories of investment promotion[2].

1. Investor Servicing and Facilitation Techniques

The principal techniques for servicing existing investments are intended to continue reducing uncertainty and enhancing investor confidence, and include the following:

• Pre-approval services, including information services, site-visit services and procedures for handling investors. These services usually feature strongly in most investment promotion strategies.

• Approval services, including screening, evaluating and approving projects for incentives and permits required by the Government. In the past this service category often pre-dominated, but with investment policy reforms, approval procedures have been greatly simplified and, to a certain extent, automated. In time, approval services are likely to absorb a declining proportion of resources.

• Post-approval services, including assistance with matters that arise during implementation of a new project: delivery of permits; access to site and infrastructural facilities; customs and visa clearances, foreign exchange clearances; introductions to local business, government and community leaders; and assorted settling-in problems. Properly developed post-approval servicing can become an important source of investment intelligence and a competitive advantage for promotion agencies. One-stop servicing is likely to be very attractive to investors and to influence their investment location decisions.

Investment Promotion Agencies need to decide which kind of service will take precedence (pre-approval, approval or post-approval services), and for each service, they should decide what kind

and level of help to offer. A choice must be made, for example, on the level of information services, on the level of site-visit support and on the level of post-approval and aftercare services. These decisions can be made in the light of national investment goals, the resources available and investor servicing needs in the country.

Public and private sector networking is essential to the provision of efficient investor services. Without close and on-going government contacts with private sector investors and agencies it will not be possible to service new investors well. Just as necessary are effective working relationships across the public sector, nationally and locally. Often it is the efficiency of this public-private networking that determines how effective are the facilitation services provided to investors. The imaginative and well-managed use of these networks, in a transparent manner and strongly supported by the Government, often does more to facilitate investments than giving the Investment Promotion Agency strong and special legal powers.

Contacts between a promotion agency and the private sector should be extensive, pro-active and continuous. They should include close linkages with local companies in many sectors, and with industry associations. These contacts should be used to promote joint ventures; to brief incoming investors on banking facilities, taxation, local suppliers, buying a site and organising construction and the general features of doing business in the country; to provide services, including subcontractor services; to arrange for services such as advertising, market research and sub-sectoral analyses; to participate in and host promotional events at home and overseas; to obtain market intelligence; and to arrange for introductions to potential investors. Without such contacts in its everyday work, an agency cannot be effective. These two networks, private and public, are so important to investment promotion that special efforts need to be made to ensure their creation and to update and maintain them formally and informally.

2. Techniques to Identify and Remove Administrative Obstacles and Managerial Impediments to FDI

The techniques to identify and remove administrative obstacles and managerial impediments are analytical, and require subsequent management and legislative responses. These include:

- Road-mapping to identify how long it actually takes for an investor to start doing the business of making the investment after arrival in the country. FDI road-mapping traces the path of all the operational and procedural steps, the time to complete each step, all the formalities, and all payments required to start operating the investment as a going concern. The trace is presented as a detailed report that records the formalities and identifies inconsistencies, bottlenecks, administrative obstacles and managerial impediments in setting up an investment project.

- After the road-mapping, the next step would be to identify the administrative obstacles and

managerial impediments and deal with them. There are two basic ways to deal with administrative obstacles and managerial impediments to FDI. Those with structural characteristics can be eliminated or reduced by legislation (either erasing rules from statutes, eliminating formalities or passing new more consistent and coherent law). Those with behavioural characteristics can be eliminated or reduced by firstly redesigning the associated human resource compensation, disincentives and reward systems. Secondly, by re-engineering the procedural systems to eliminate obvious rent-seeking points.

Given the importance of the 'wish list' for investors' investment decision-making, the ability of administrative obstacles and managerial impediments in reducing FDI cannot be overstated. Their reduction or removal can radically improve the revenue and profit profile of an investment.

3. Image-Building Techniques

Increasingly nations have to market themselves in order to compete for FDI flows. Marketing a nation involves destination image marketing and management, and the associated campaigns, which build a positive and attractive image of the country. It goes without saying that no amount of image-building effort will mask a fundamentally unfriendly host environment. The implication here is that policy makers need to make significant and visible progress on removing administrative obstacles and managerial impediments to FDI before embarking on expensive image building strategies and campaigns.

Image-building techniques use a number of communication tools including:

• Fact sheets, videos and information briefs that address topics of general interest to investors (fact sheets and videos); and more specific themes and topics subject to quick change (information briefs).

• Newsletters that inform a target audience about investment developments, plans and events. They can be produced by desktop publishing and circulated monthly or quarterly.

• Media and public relations activities that publicise investment success stories and alert the domestic and international media and selected audiences to upcoming events and new policies. They entail press, radio and television briefings, conferences, organised in-bound/out-bound tours for national and international journalists and tours by government representatives to promote the country in overseas markets. Nevertheless there should be a clear-cut campaign strategy and consistency in operating the campaign. For example, the high-level diplomatic visits to a foreign country might be followed by a group of ministers of the host country, and thereafter by a business mission consisting of the appropriate sector(s) of the business community.

• The technique of perceptual mapping[3] – another active technique, could be used to identify and communicate the strategic benefits of host countries and locations. Through perceptual mapping,

which places values on the attributes of strengths and weaknesses, opportunities and threats, the individual location specific advantages could be better identified and pointed out. Subsequent policies aimed at attracting FDI would be more effective.

- Investors' guides and brochure packages that contain essential information on how to do business in the country, including contacts and legal aspects, in an easy-to-read format. These could also show key economic indicators to exhibit the country's comparative strengths. Nowadays these guides can be produced relatively cheaply by desktop publishing but there should consistency and coherence in all investment promotion communications.

- Advertising campaigns, which may be targeted and specific or general and directed at providing an overall message in selected media.

Image-building techniques are used in both domestic and overseas markets to inform investors about a country's evolving investment plans, its changing policies and incentives, its procedures and requirements and its progress and achievements. The techniques are normally best used in conjunction with investor servicing, eliminating barriers to FDI and investment-generating techniques as on their own they can be very expensive and not fully effective in winning new projects. Advertising for new investors without the ability to service their needs is often a waste of resources and can be counterproductive. Since image-building techniques, in particular advertising, need to be strategic and are practised by specialists, many Investment Promotion Agencies work closely with private companies, subcontracting the execution and the evaluation of advertising campaigns.

4. Investment-Generating Techniques

After the administrative obstacles and managerial impediments have been removed (or at least substantial progress on this has been made), the host policy-makers could pursue attracting and retaining FDI by targeting specific potential investors. Nevertheless the key issue with investment-generating activities is that they should be co-ordinated in a campaign with other three techniques to attract FDI.

The principle investment-generating techniques include the following to target specific potential investors:

- Mail (or fax) campaigns, which can be effective in introducing an agency, an event or an investment prospect to many potential investors. Since response rates and recall rates to mail campaigns are often low, they need to be combined with other activities. Such campaigns have the advantage, however, of being able to reach a large and specific audience at a relatively low cost.

- Telephone campaigns, which are often used in conjunction with mail campaigns to confirm

invitations, to set up appointments or to follow up on previous contacts. They are a key part of all investment-generating activities.

• Promoting up-and-coming local investors and potentially lucrative investments to attract the interest of foreign partners. Some of the main functions of the UNIDO established ITPOs are to build contacts with enterprises in their host countries willing to consider a business venture with a partner in a developing country or a country in transition or to provide inputs for such a venture and to assess industrial partnership proposals. Details are supplied from UNIDO Headquarters or field offices, with a view to determining whether a partner, able and willing to supply the resources sought for such proposals, can be found in their host countries.

• Investment seminars and investment fora, both industry sector-specific and general, are widely used to communicate with investors and to generate contacts for subsequent follow-up. Sector-specific seminars are normally more effective than general seminars. Investment fora, in which interested investors negotiate one-on-one with potential partners, are likely to involve much more planning than investment seminars, in which experts discuss the issues. While investment fora are useful they tie substantial resources to a single event that occurs only infrequently. Foreign participants should be briefed well in advance on the prospects to be presented at a forum to ensure that they prepare themselves for substantive discussions. To support the conversion of initial discussions into contracts, individual meetings should be scheduled and an effective follow-up should be carried out.

• In-bound and out-bound missions, which can be sector-specific or general, are also widely used for generating investments. Experience shows, however, that large, general missions tend to be expensive and are not particularly good at directly generating investments. In-bound missions are normally less expensive than out-bound ones, but both types can suffer from having too general a focus and especially, for example, when made up of individuals from too wide range of business activities and with interests that vary from investment to trade to tourist activities. For best results, missions should be focused, well-organised and supervised. Participants need to contribute substantially to costs or else there is a heightened risk of 'free-riding'.

• Trade fairs and conferences can be useful for disseminating information, awareness building and training staff but neither is particularly useful for generating investments, unless integrated fully with other activities and supported by consistent follow-up.

• Direct marketing, which experience points to as a very effective form of investment generation.

Advertising, sales promotion and publicity are important in the investment promotion mix, but, from a marketing perspective, personal selling remains the most effective technique. It does, however,

require substantial financial and skilled personnel resources and as a practical matter can form only one element of a programme for investment generation. The ITPOs of UNIDO provide a platform for low-cost direct marketing and do away with the need for overseas offices. The Investment/Technology Promotion (ITP) Delegate Programme is an important component of UNIDO ITPOs. Each ITPO offers places to Delegates from selected countries. A Delegate is usually on the staff of an Investment Promotion Agency or an equivalent institution and may spend from a few months to three years at the ITPO promoting investment in their country, making use of the services, contacts, databases and office support the ITPO provides. On a country-to-country basis, the ITPOs have been found to give effective support to overseas promotion activities.

Implementing investment-generating techniques such as seminars, conferences and missions require the participation of domestic private sector investors, and most Investment Promotion Agencies work closely with that sector. In some countries, investment-generating activities are carried out exclusively by the private sector, but this is the exception rather than the rule.

Promoting and generating joint-venture investments requires the use of still other techniques[4] including:

• Identification of potential local partners and obtaining information on their company; size, products, technology, markets, financial position and investment interests.

• Compiling a joint-venture profile in the form of a booklet or a computer file, easily disseminated by electronic means. The investment prospects can be amplified in individual project profiles describing the investment proposal and giving enough information to allow a prospective partner to decide whether the venture is worth investigating and pursuing. Profiles might describe the economic and market dimensions of the proposed project (scale of the project, the range of products, available or proposed markets, competitors and suppliers, import-export conditions and the foreign resources needed)[5].

• Preparation of profiles for those projects likely to be of greatest interest to overseas partners.

• Local partners would prepare fact sheets on their companies and investment interests.

• Targeted promotion of high-potential projects, which entails identifying companies likely to be interested, contacting them, providing details of the project and inviting them to come and see for themselves.

• Brokering agreements between partners, which involves bringing potential partners together and then helping, if necessary, to conclude an agreement.

To assist Investment Promotion Agencies in developing countries in carrying out the above tasks, UNIDO has developed the new tool COMFAR[6] (the Computer Model for Feasibility Analysis and Reporting). COMFAR III Expert is an aid in analysis of investment projects. The main module of the program accepts financial and economic data, produces financial and economic statements and graphical displays and calculates measures of performance. Supplementary modules assist in the analytical process. The program is applicable for the analysis of investment in new projects and expansion or rehabilitation of existing enterprises as, e.g. in the case of re-privatisation projects.

Investment Promotion Agencies sometimes think that investment generation is performed only overseas, but in fact most such efforts should also incorporate a strong domestic element. Many of the techniques used internationally can be used at home, where they can be directed at local investors and potential joint-venture partners, existing overseas investors and local branches of foreign companies to increase the backward and forward linkages between foreign and domestic investors. In some countries up to half the new overseas investment comes from the expansion of firms already in the country through reinvesting profits.

C. Strategies for Investment Promotion

The calibration and combination of techniques used to attract investments to a country depends on a number of variables, including the country's economic size and geo-economic location, its investment goals, its record in winning investments, the articulation of its investment policy framework, the resources available for promotion and the likely interest by investors. These variables in turn depend on the factors; investor motivations (efficiency seeking, market seeking, resource seeking), FSAs, LSAs and country stage of development, as well as competition from other countries. Furthermore the factors and variables change with time.

When launching an investment promotion programme, an overall strategy should be formulated and agreed at the highest levels. This strategy, which can be drawn up by the Investment Promotion Agency in consultation with the Government, does at least four things. First, it sets out the investment goals. Secondly, it identifies priority sectors and spells out which potential investment sources are to be targeted. Thirdly, it decides on the techniques to be employed in winning an investment and the priorities to be given to different techniques. Fourthly, it specifies the resources required to implement the strategy over particular periods.

Formulating the elements of a strategy requires careful consideration. Before determining the desired investment levels, which is the first element in that formulation, international investment trends should be examined and the country's record in winning investments, and the investments themselves, should be evaluated. Often the desired levels of investment far exceed the realistic prospects, and promotion strategies should always be based on realistic but challenging targets. If the investment

goals are to be set realistically, it will make sense to first examine what makes the environment offered to investors different from that offered by competing countries. If the 'product' does not measure up well against what is available in competing locations, then the prospects of increasing investment flows by means of promotional activities are not good. The most important thing is to provide an attractive 'product' – encapsulated by the investment climate – for investors. Techniques mentioned earlier can be used in this examination.

Targeting particular sectors for the delivery of new investments and particular countries and companies as the source of these investments is the second element in formulating an overall investment promotion strategy. Some countries consider it unnecessary to target their promotional activities by sector or country and direct their activities instead at general investment audiences. Most, however, focus their promotional efforts on identified targets, so as to achieve the best results for their money. Existing and potential areas of host location competitive advantage need to be identified, potential investors need to be found, and credible programmes need to be agreed with the Government and put in place. Analytical and institutional mechanisms must be set up to identify and then obtain a consensus on targets for investment and to work with the Government to put in place the necessary policies and infrastructure.

A third element of strategy formulation is the identification of the techniques, and their contents, that will be used to deliver investments. The choice and contents of techniques will necessarily change over time and in the light of the success of past activities. Techniques need to be selected and prioritised from the outset, even if subsequent experience calls for refining the priorities. If a country is receiving a lot of attention and many visits from potential investors but this interest is not being translated into satisfactory levels of investment approvals and investment realisation, then investment servicing and facilitation should be given priority. Where the problem is insufficient interest, image building and investment generation need to take priority. And further analysis will indicate which techniques should have the highest priority. Most national strategies, however, call for a combination of techniques, and different intensities of content. Identifying the best combination of techniques and content for a particular situation is one of the challenges of strategy formulation.

The fourth element in strategy formulation is determining the effects of the proposed plan on budgetary and other resources. These budgetary implications often force a reassessment of proposals, because not enough money will be left for implementation. Donor agency support and bilateral support from foreign Governments can sometimes be obtained but such support is often conditional on a contribution from the host Government.

D. Project Identification and Project Profiles

There is an on-going debate on the need for Investment Promotion Agencies (IPAs) to identify

projects and to prepare project proposals. Large sums of money are spent on this work, but experience in many parts of the world shows that elaborate studies and pre-feasibility preparation for projects prior to securing commitment from investors are often wasteful. Project documents prepared by promotion agencies, even with the help of consultants, are invariably either out of date or based on assumptions that do not match either the assumptions, or the requirements, of individual investors. The question is not about whether or not to prepare project proposals but the amount of detail.

To promote local investors as joint-venture partners and to promote other forms of enterprise-to-enterprise cooperation, it is desirable to prepare skeleton profiles. The Investment Promotion Agency can help a reliable local investor with a good track record, for example as agent or distributor for a MNE, to articulate business plans and investment ideas in the form of a proposed profile. Such a profile defines the project idea and its economic rationale and gives sufficient information on background and objectives to allow an investor to decide if pre-investment expenditures are justified. Once a potential foreign investor shows interest in the local investor and the project, further in-depth analysis would be required to give the project its final shape and determine its feasibility. Effective investment policy regimes indicate that this is best left to the investing partners.

The information in a profile and the degree of detail should be dictated by the nature of the project and of the foreign resources sought. It should facilitate the promotion of the project, that is, it should convince the potential foreign partner that it would be worth entering into a business relationship with the local investor. Although the final agreement may be very different from the original proposal, the profile still serves to bring potential partners together to start discussing a concrete proposal. The investment promotion activities of UNIDO and its international network of ITPOs are based on the proper preparation and dissemination of such profiles.

Promotion agencies should focus on specific activities combined with good sectoral knowledge and lists of potential joint-venture partners (and their project proposals) presented in the form of profiles.

Sales and promotional campaigns developed for targeted sectors and sub-sectors, run by staff who know about international trends in the sectors, often offer enough background information for investors to identify suitable opportunities. Well-trained promotional staff can provide knowledgeable and intelligent inputs to potential investors, who will then be able to decide whether there is a project opportunity for them.

E. Data, Information, Statistics and Knowledge (DISK) Facilities for Investment Promotion

Investment promotion activities rely heavily on access to good, up-to-date in-depth DISK on a wide range of topics including:

- Investment policies of the host country;
- Country/industry/sector/firm economic and commercial information;
- International investment trends;
- Details of the main investments and investors on the international scene;
- International industry/sector economic and commercial information;
- Business and investment activities of potential target companies;
- Financial intermediation by local banks/capital markets;
- International markets in the sectors of interest;
- International investor tracking systems;
- Country business and commercial law;
- Local investors and the status of their projects;
- Input/output structures of backward and forward linkages between foreign and domestic investors;
- The progress of concluded agreements;
- Investment track-records;
- Internet access to the World Wide Web.

Databanks and indices on companies can provide some of this information, but for the rest the Investment Promotion Agency itself will have to set up and install suitable systems. The agency will also need computer-based systems, fact sheets, briefings and contact networks to build and update a library store of data, information, statistics and knowledge on its own country and other countries for the benefit of staff as well as potential investors. Computer-based systems or fact sheets can be used to disseminate DISK that does not change rapidly. DISK, which is subject to change, needs to be collected and circulated to staff and other relevant parties on an on-going basis. Agency staff need to develop a network of contacts that can provide product information, market intelligence and site/infrastructure information or indicate how and where this can be found.

Good computerised databases (sometimes available at a cost) exist on international companies

and investment trends, but most agencies need to supplement them with internal investment libraries and with active on-going market intelligence, which can normally only be obtained by survey routines and maintaining close contact with the market-place[7]. If not, by the time the market intelligence on investment finds its way to data files, the investment decisions may have already been made and investment promotion staff may be faced with a lost prospect rather than a potential investor.

A successful agency complements its access to international data systems and library materials with its own market intelligence system, based on reports from its own market executives. The data, information, statistics and knowledge should be available to everybody working with the Investment Promotion Agency. That is why IPAs could establish well-stocked commercial libraries to provide necessary information to its clients inside and outside the host country. A considerable amount of DISK on business intelligence and economic issues can be obtained freely from over-seas trade and industrial magazines and publications, the 'yellow pages' for every country, on-line news from foreign business press and in-bound missions if analysed carefully. Access to online databases and libraries would also be an asset to IPAs. Internet-based access not only to the world business press enables and informs better communication between the IPA and interested parties, but also supports quicker e-mail communication.

Access to international industry association and market reports, and evaluations, is also necessary for staff training and for background information, as well as for deciding strategy on business areas to be targeted for investment. These reports can be expensive, so an agency must be carefully selective.

Computerised systems for tracking investors exist but need to be modified to meet the requirements of individual agencies. Some such system is essential to the planning and management of a successful agency. Equally, an agency involved in promoting joint ventures needs a good system for listing projects and for keeping track of their progress.

Access to accurate and up-to-date industrial and trade-related information is essential for entrepreneurs and investors alike if they are to take advantage of international business opportunities. The Industrial Information Centres listed in the on-line directory[8] are known to UNIDO as focal points for information and investment resources. They strive to make their national resources better known to other countries and thus contribute to the efforts of UNIDO in accelerating the flow of information in the global community.

IPAs can also benefit from using UNIDO Exchange[9] which is a business and knowledge network that provides, on its electronic platform, screened and validated investment, environment and technology opportunities as well as relevant information on industrial matters.

NOTES:

[1] There are thirteen UNIDO Investment and Technology Promotion Offices (ITPOs) in Bahrain, Belgium, Brazil, two in China, France, Greece, Italy, Japan, Poland, Republic of Korea, Russian Federation and UK. In Russian Federation there is UNIDO Centre and there are five Investment Promotion Units (IPUs) in Egypt, Jordan, Morocco, Tunisia and Uganda. (Please refer to UNIDO 's web page as the number of ITPOs is continuously increasing http://www.unido.org/itpo).

[2] For a discussion of country image building and marketing, see Phillip Kotler. The marketing of Nations: A Strategic Approach to Building National Wealth. *The Free Press, New York*, 1997.

[3] For a discussion of this technique see Johansson J.K., Thorelli H.B., 1985, International Product Positioning, Journal of International Business Studies, 16(3), pp. 57-75.

[4] UNIDO's web-based training packages forthcoming 2003.

[5] UNIDO's SPX (http://www.unido.org/spx/) and Technology Needs Assessment (http://www.unido.org/doc/511850.htmls) are key resources in profiling potential international joint venture partners and areas for supplying technology needs.

[6] http://www.unido.org/comfar/

[7] For example the UNIDO Pilot Survey in Ethiopia, Nigeria, Uganda and United Republic of Tanzania on Foreign Direct Investor Perceptions in Sub-Saharan Africa, 2002. (http://www.unido.org/userfiles/PuffK/02-55669.pdf).

[8] http://www.unido.org/doc/50427.htmls

[9] http://www.unido.org/exchange/

IV. Organisational Structures for IPAs

Competition for investment, changing investment policies and the response of investment promotion strategies are causing organisational structures to be modified, with less management emphasis on regulatory bodies and more on promotion agencies. These modifications are reflected in new legal frameworks for Investment Promotion Agencies (IPAs), in different institutional arrangements for promotion and in efforts to set up 'one-stop' investment centres. In addition, there is growing recognition that the staffing, skills and operating procedures of IPAs are essential to their effectiveness and success.

In setting up IPAs, Governments have tried various kinds of structures, and much of their experience can be instructive. Some countries have opted for parastatal investment promotion bodies, others for direct government agencies, and still others for private bodies. Experience exists with all three institutional forms, with variations of each and with the functions performed. Governments have also experimented with the powers and functions given to these agencies. Some promotion agencies have been given extensive powers of approval, promotion and facilitation, that allow them to offer special concessions for eligible categories of investment. Other agencies have more limited powers and are confined to approving for incentives; little is done in the way of investor servicing, investment generation or image building.

A. Legal Frameworks

Most IPAs are still either government or quasi-government bodies, and international experience shows that to be effective they need a clear and well-defined legal framework that specifies their responsibilities and functions, their authority and powers, their structure and their links with the Government. A number of agencies have the power to issue licences and to approve incentives, and these powers must be legally mandated, for the sake of both the investor and the agency itself. The benefits of a clearly defined legal base are many. The legal foundations provide for:

- The agency's stability, permanence and independence regarding potential investors, national and provincial government officials.

- Establishing and clearly defining the agency's rights, powers and responsibilities in investment promotion activities and related policy issues.

- Preventing undue interference in its activities by Government, political, business or other special interet groups.

- Establishing the specifications for the role of the executive.

- The agency's position and authority to board members, management and staff.

- Setting up an organisation with a clear role and foundation.

If an agency is unable to demonstrate stability, permanence and independence, government bodies and investors will be quick to recognise its vulnerability, and this will stifle its effectiveness. Moreover, if it has no clear basis for its authority, investors cannot rely on the approvals it sanctions, and its status is undermined. A clear legal basis is especially relevant given the importance most Governments attach to new investment. There should be no doubt as to the responsibility assigned to the agency for national investment promotion, and this responsibility is best not confused or combined with other, unrelated responsibilities. Transparent and well-formulated powers are required to prevent undue interference in the activities of the agency from the many special interest groups who will be affected, in one way or another, by new investments. Finally, the agency needs a clear framework to attract the right calibre of executives and managers.

Business, civil and commercial law enable most Governments to define the agency's legal status in special legislation, and this is probably the best procedure to follow. Some use other legal instruments, such as special orders or decrees or short amendments to existing legislation, to establish new agencies. In some cases these instruments are ineffective or inferior to clear, well-thought-out, separate legislation. Governments considering the enactment of such legislation can study comparable laws in other countries to evaluate the merits of different approaches and use the services of specialist consultants to assist in framing the law.

B. Institutional Arrangements

Investment promotion involves a range of tasks that are usually performed by private sector organisations (marketing, selling, advertising) and others that are usually handled by Government (licensing, approval and servicing). Accordingly, investment promotion benefits from the skills and resources of both private and public sector executives. Indeed, a mix of public/private experience and skills is usually beneficial at all levels of the agency.

Most countries have opted for a single organisation to carry out respectively their investment promotion activities. These organisations may have strong centralised powers, or their powers may be based on agreements with other government agencies and ministries. A single organisation is preferable because promotional activities are expensive and more than one organisation dealing with investment promotion leads to conflicting messages to overseas investors. Countries seeking to win additional investment cannot afford to send a confusing message to investors, nor can they afford the luxury of a number of agencies undertaking similar high-cost activities and incurring coordination costs.

Faced with different requirements and concerns, Governments have set up their Investment Promotion Agencies in different ways and given them different powers and responsibilities. Some

have been set up as parastatal bodies[1], others as direct government institutions and still others solely by, or in consultation with, the private sector. The powers they exercise vary widely. A few have strong central powers and many have coordinating powers; others have very few powers, in which case the investment approval and realisation process remains diffuse.

The functions assigned to agencies also vary. Some are responsible for a wide range of activities in investor servicing, reducing administrative barriers, image building and investment generation and other areas of policy. In other countries the functions are limited to screening and incentive approval, with little authority or responsibility given for promotion activities.

Parastatal bodies are regarded as the most effective form of institution for investment promotion because they are flexible and yet can integrate private and public sector promotional skills and procedures. Moreover, they can adopt private sector management practices and processes at the same time as maintaining close links with the Government in investment policy-making and implementation. These advantages have made the parastatal model most popular around the world.

Experience with private sector promotion agencies is more limited, and while those that exist have proven to be effective, they appear to require large sums from donors. The private sector in most countries is willing to assist in the promotion process and welcomes the chance to do so, but it is generally reluctant to provide the substantial amounts needed to establish and run a national Investment Promotion Agency.

Most countries that do not have parastatal agencies have direct government bodies to implement their investment promotion strategies. Where they have clear and independent reporting procedures, such bodies have been effective. Those that have been most successful have had their own boards of directors and have performed their day-to-day activities separately from their government departments.

The least desirable and least successful system of promotion is to have no central agency at all, in which case investors must go round to all the separate responsible agencies and obtain the approvals themselves and incur high transaction costs. In these diffuse systems few formal or structured promotional activities are undertaken, and where they prevail they have been found ineffective and are disliked by investors.

Promotion agencies can be legally separate and independent bodies or they can be part of an existing government department. Separate and independent agencies work best for several reasons. Investment promotion is typically a high profile activity and a risky one. The results of investment promotion are of significant interest to political, government and business groups at the national and local levels. An agency needs to have the authority and responsibility, within a policy framework, to act decisively and with speed on the numerous day-to-day decisions required in promoting, facilitating

and monitoring investments. It therefore needs a legal basis for its work and the managerial independence and security to win the confidence of investors and to attract as well as retain the qualified staff essential to its success. If, instead, its actions are subject to normal government decision-making processes and day-to-day interference by various interest groups, an agency cannot be effective in the commercial and competitive environment of Foreign Direct Investment (FDI). The best way to combine the importance of Governments having an influence on the IPA and yet not subjecting the IPA to undue governmental interference is to attach the IPA to the highest executive office available in the country (for example, Prime Minister, President etc.).

1. *Managing the Links to the Government*

The promotion agency's links to the Government are crucial factors and will bear upon its effectiveness and performance. Often an agency is either located in or linked to the ministry of economy, trade or industry, because most of the investments will involve manufacturing activities. Increasingly, however, it is linked to the office of the President or the Prime Minister because of the importance of this office and its ability to arbitrate firstly among different ministries on disputed issues and policies; and secondly to coordinate different ministerial functions. At the same time the autonomy of the agency must be respected.

The decision on the most appropriate links within the Government has a number of practical and significant implications. First, many Governments wish to attract investments in sectors outside manufacturing, such as tourism, banking, insurance, infrastructure, information technology and communication, as well as in branches of tertiary sector including advanced technology and R&D. If investments in these other sectors are accorded a high priority, the argument for linking the agency just to the ministry of industry is weakened. Secondly, most of the problems that arise are in connection with customs and tax clearances, foreign exchange facilities, work permits and access to serviced sites and infrastructure, including telecommunications and water and power. Resolving these problems involves interactions with, for instance, the ministry of finance, customs or taxation authorities or the central bank rather than the ministry of industry. So the implementation of FDI requires coordination of several ministries. That is why the IPA in a country that wants to attract FDI should be able to perform this interministerial function.

2. *Board Composition*

A successful promotional agency almost always has its own independent board, which approves its policies, strategies and budgets and oversees its day-to-day activities. In addition, if the agency is required to screen investments and provide incentive packages, the board normally evaluates projects and issues the required approvals. The size, management, composition and powers of this board influence the agency's performance. Some countries opt for a board comprised entirely of ministers, often chaired by the prime minister. Others opt for a board with a senior level of public sector

representation. Still others opt for a varied combination of senior public and private sector representatives. While some Governments are happy with private sector participation, others, for various reasons, are not. Fears about confidentiality and conflict of interest cause many Governments to exclude the private sector from participation.

Despite these fears and perceived difficulties, international experience shows that private sector membership can enhance investment promotion activities in several ways. Since investment promotion itself is more familiar to private sector people than to those in Government, the former can bring authority and experience to a board. Furthermore, the management culture needed for promotion activities to flourish is more typically found in the private sector. Private sector membership of the board also helps to ensure that views other than those prevailing in Government are taken into account. This can be useful not only for the promotion agency but also for the Government in terms of the quality of policy formulation. In addition, private sector members have credibility with investors that public sector personnel, no matter how able, do not have.

Prominent business people are sometimes perceived as using their positions to bias policies in favour of existing investors or to seek personal or business gains. Admittedly, there is ground for such concerns in all countries, but with careful board specifications, selection procedures and with transparent operational and reporting guidelines; the advantages of having members from the private sector are widely regarded as outweighing the disadvantages. In addition where the board is concerned more with matters of policy than with detailed project decisions there is less danger of conflict of interest.

3. Internal Structures and Management

The internal organisational structure, overall management and human resource management of an agency also greatly influences its effectiveness and performance. Promotional agencies can be structured in a number of different ways. They can be organised, for example, by branch of industry (electronics, food, textiles), by economic sector (primary, secondary, tertiary); by territory (overseas, domestic); by investment promotional activity (facilitation, generation, image building); by scale of investment (large, small); or by type (infrastructure). At different times in the life of an agency, and to reflect changing priorities, different structures will be appropriate. The agency should be free to adjust its internal structure and resources as long as it achieves the required results. For this reason, decisions on internal structure should be left to management by the board and the chief executive. Defining them in legislation or in legally binding documents should be avoided, as this hampers an agency's ability to change its internal structure in response to sometimes rapidly changing requirements.

Different organisational structures have different advantages and require different expertise. Organisation by economic sector encourages expertise in individual sectors, and such expertise is a crucial ingredient of promotion work. Organisation by geographic location encourages expertise in

the languages, cultures and business trends needed to operate in different parts of the world. If the promotion agency has a number of overseas offices and if executives are required to travel a great deal, organisation by geographic location can be more cost-effective. The increasing tendency of IPAs to be organised by geographic location is due to the fact that domestic agencies do not only look after incoming investment, but also increasingly help domestic investors willing to invest abroad. When the Investment Promotion Agency is organised by the scale of investment it can better serve and differentiate the needs of different investor groups. Organisation among promotional activities encourages expertise in marketing skills, whereas organising by type of investment encourages expertise in the different underlying capital and technological characteristics of FDI.

The optimal arrangements for an agency will change over time as priorities and investment requirements change. At any time, however, the organisational structure should reflect the following:

• The host location overall investment regime;

• The existing investment law that includes business legislation and registration;

• The priorities of the agreed investment promotion strategy as a function of industrial development, economic policy and national competitiveness;

• The workloads that arise in various parts of the agency due to the priorities of the promotion strategy;

• The ranges of staff accountability, responsibility and functional duties;

• The personnel specifications and job descriptions of staff;

• The agency's size and the flexibility required for its operations.

It is crucial for IPAs to pay attention to commercial, environment and competition legislation and their dynamic impacts on business. Such attention enables IPAs to operate in a business-like manner with the best possible management practises.

C. 'One-stop' Agencies

The power and functions of 'one-stop' agencies are not the same everywhere, but most, if not all, emphasise investor servicing, especially post-approval servicing. Promotion agencies in some countries in Asia consistently emphasise the facilitation element of their business, with positive results. This facilitation is usually designed to ease the difficulties facing investors who are unfamiliar with the policy and institutional frameworks of a country and its bureaucratic procedures for establishing and operating businesses. The facilitation provides information on local conditions as well as on the accessing infrastructure services.

One-stop agencies typically do not have the power to issue all the necessary permits or clearances for approval or to provide facilities to implement the investments. Rather, they seek to inform investors and guide them through the bureaucratic process; by advising on local practices and procedures; and assisting in the formalities and numerous steps required to implement a new investment in a new community.

Different frameworks for the one-stop agency have been tried around the world. They can be classified broadly according to degree of integration of communication, co-ordination, command and control required to operate the agency:

- Non-coordinated, or diffuse, frameworks;
- Inter-ministerial frameworks;
- One-stop facilitation frameworks;
- One-stop approval centres.

The non-coordinated, or diffuse, framework is in reality a passive approach. Little attempt is made to coordinate the delivery of services to investors who must themselves seek out all necessary approvals, clearances, contacts, sites and infrastructure. This approach does not work well and reflects the inability of a Government to clearly define its attitude and posture towards Foreign Direct Investment.

An inter-ministerial framework usually involves an approvals committee made up of representatives from various ministries. This form is useful in reducing potential conflicts among government departments because it involves all the relevant ministries in policy and approval decisions. It is preferable to a non-coordinated approach, but from an investor's perspective it is less satisfactory than a one-stop approval Centre. Investors can face considerable delays in obtaining approvals and permits, and without transparency, tight controls and good management interministerial frameworks can be as much of a hindrance as a help.

One-stop facilitation frameworks, which are more common nowadays, interact with the investor and provide, at a single location, data and information on investment services and on the approvals required. They may be the partial outcome of the attempt to set up a one-stop approval Centre. If they are well-managed and well-coordinated they work well, but if not they merely add more steps to the clearance and establishment process. They differ from interministerial frameworks in that they include a special unit composed of officials from the relevant ministries. An investor seeking approval visits the special unit to get information and advice on such issues as tax and customs clearances, visas and work permits, central bank clearance, availability of water, power and telecommunications, and access to suitable sites. Senior staff are typically seconded from the relevant government departments to

the special unit and an investor can meet all of them on a single visit. Where Governments take a strong interest in, and support with adequate resources the workings of, these frameworks they can operate effectively.

The most integrated approach however is the one-stop approval centre. The framework most closely matches what investors mean when they talk about one-stop shops. From such a centre the investor receives all data, information and statistics as well as knowledge regarding necessary permits and approvals. Some centres have the legal power to provide all clearances themselves, but usually their authority resides in their ability to ensure that such clearances are provided quickly and fairly automatically. They are what most investors want and what many Governments would like to provide. Central to their success is that the Investment Promotion Agency receives backing and resources from the Government to implement the entire investment cycle and one-stop servicing. This backing may be through legal powers, but it may also be through strong and obvious government commitment to investment promotion and investment realisation that does not allow administrative and departmental problems to hold up clearances and the establishment of the inward investment.

D. Human Resources, Staffing and Skills

Clear policy and legal frameworks, promotion strategies and organisational structures will not in themselves ensure effective performance. Successful promotion needs well-developed human resources and staff with the necessary qualifications, motivation, attitudes, experience and skills, capable of undertaking the managerial tasks involved. The personnel policies of a promotion agency need to ensure appropriately designed personnel specifications so that suitable staff are selected and that they are adequately trained. Further, their job descriptions need to be clearly expressed and performance accurately monitored to ensure that rewards match achievements. Finally, the personnel specifications and job descriptions need to evolve to reflect changing conditions and priorities for attracting FDI.

The main tasks to be undertaken by the executives of an agency include managing, coordinating and integrating the many investment promotion and facilitation activities described earlier, together with organisational planning and market research. These managerial tasks will be undertaken mostly with respect to private firms and enterprises, at home and overseas. Therefore staff need an understanding of, and management experience in, private business and they need training in the specialist techniques of investor servicing, analysis, image building and investment generation. Familiarity with the dynamics of international investment trends in different sectors and with commercial operations in the home country and overseas is also necessary.

The high-level skills required include social skills; market research and analysis capability; market planning and the ability to use resources effectively; networking and organising; selling and influencing;

presentation and negotiation; foreign languages; public relations and handling the media; copy and report writing; and management of staff, time and resources. Promotion officers need to have a positive attitude, characterised by professional integrity and commitment, as well as an assertive personality that enables them to be resilient and remain optimistic in spite of difficulties and disappointments. While training can impart know-how or enhance ability and is very important, initial recruitment of the right calibre personnel is crucial to operational success of the IPA. In keeping with changing external conditions and responses by the IPA, staff have to be recruited to meet changing circumstances of competition for FDI.

In recruiting staff, the intake from the private and the public sectors should be balanced, as the skills and experience of both sectors are essential. Recruitment and staffing are critical because successful investment promotion is essentially a 'people' business. If the organisation is staffed with the wrong people, or if obstructionist civil service attitudes and practices are allowed to prevail, the organisation will fail irrespective of its policies. Proper staff search, selection and recruitment processes, professional and thorough training procedures, and career development schemes for staff motivation and recognition are essential to success. The management needs to motivate staff not only through reward systems, pay and conditions but also through other recognised motivational techniques commensurate with modern management.

Staff must be trained regularly in the management and operation of investment promotion activities. While some of the training needs to be done immediately, some of it can be carried out over a longer period in keeping with career development and changing conditions of investment promotion and strategy. Once an investment promotion strategy is decided, a training programme can be prepared to inculcate the techniques required for its implementation. This programme can include courses on investor analysis and servicing, systems analysis and image building, investment generation, the planning and control of promotion activities, presentation skills, negotiations and report writing. Selected executives may need to be trained in foreign languages. In addition, senior officials from the agency may need to visit counterpart agencies in other countries to see their operations and learn from their experiences. UNIDO can assist with comprehensive training in these areas[2].

The size of an Investment Promotion Agency and the number of staff depend on its duties and authority. If it focuses on promotional activities rather than on incentive approval, the agency can be small at first, with provision for it to expand later on depending on the increasing scale of tasks and performance. Experience shows that it is preferable to maintain a small and properly staffed agency than to allow the number of staff to swell to the point where the quality of recruits and training suffers. The danger of too rapid an expansion is that unsuitable staff will be recruited who then adversely affect the attitudes, behaviour and performance of the entire agency.

One approach is to divide projects among project officers, making each one responsible for a defined range of assistance to a portfolio of investors on a continuing basis. This approach allows the promotion agency to manage its activities and at all times know who is responsible for dealing with an individual project. At the same time it gives the investor a single contact person within the agency.

A project officer functions as a catalyst, an organiser and a progress chaser. The project officer is the 'eyes and ears' of the investor in the public service and sees to it that projects progress efficiently through approval and implementation. The project officer should not enjoy any special powers but should be familiar with the needs of investors and with systems, procedures and regulations. The project officer should also have good personal contacts with the public and private agencies that play a role in expediting investment programmes.

E. Overseas Promotion Activities

The proper strategy, structure and management procedures for overseas promotion activities receive considerable attention from Governments seeking to win Foreign Direct Investment. Ultimately, effective promotion invariably needs a local presence. Different approaches have been taken, with substantially different results. Research and experience suggest that overseas marketing is best undertaken by specialised overseas offices operating directly under the control of the national Investment Promotion Agency. This, however, is a costly strategy and other arrangements can work well provided they are properly established and carefully managed.

Strategic overseas representation is desirable for a number of reasons, mainly oriented to market intelligence and for keeping in close touch with potential investors. Whereas removing administrative barriers, image building can be extensively carried out without permanent overseas representation, and investment servicing mostly occurs within the home country. Investment generation, however, requires direct and on-going contact with investors and thus requires some form of overseas representation.

The most common approaches of Governments to providing overseas representation are the use of consulates, embassies and/or trade offices; stand-alone investment promotion offices; foreign consultants; and existing networks such as ITPN (Investment and Technology Promotion Network)[3] and UNIDO Exchange. Sometimes these approaches are combined: executives specialised in promoting investment are installed in existing embassy or trade offices or in offices provided by foreign Governments, multilateral agencies or other organisations.

For the most part, and for many developing countries, the results of using existing consulates, embassies or trade offices have been disappointing. This is primarily not only because of management and control difficulties but also because the staff in those offices lack the skills required to promote

investment. The fact that these offices and their personnel invariably report to a ministry other than the one responsible for investment promotion means it is difficult, if not impossible, for the Investment Promotion Agency to control them on a daily basis. Without coherent management and control overseas investment generation, in a highly competitive market place, cannot be implemented effectively.

Many Governments have found that the use of foreign consultants for investment generation purposes is unsatisfactory. This is due partly to the difficulty of obtaining consultants with the ability, access and experience to undertake the tasks involved and partly to practical difficulties in managing and controlling their activities. While Governments and Investment Promotion Agencies are primarily interested in the actual investment arising from promotion activities, consultants are reluctant to agree to have their performance measured by actual investment, as they cannot control this. They prefer performance measures based on the activities they undertake or on the number of investor referrals they provide. In addition, since most contracts with foreign consultants are short-term, it can be very difficult to generate new investment flows in a short period, and IPAs can face paying large sums to consultants without any guarantee of results.

Experience shows that by far the most satisfactory arrangement for overseas investment generation activities is stand-alone offices in strategic locations operated by the Investment Promotion Agency. This option, however, is expensive and can be justified only if it achieves a substantial flow of new investments to a country. The costs of operating stand-alone offices in key overseas locations are so high relative to the total resources of some developing countries that this option is often impractical in the early stages of investment promotion. Yet these countries need some form of representation and this leads to a search for workable alternatives.

One alternative is to use stand-alone offices in some critical target countries and existing embassy or trade offices in other countries. Foreign consultants can be hired to do the things they do well, including organizing promotional events, conducting public relations and press activity and/or identifying target companies in selected sectors.

Another alternative is to place investment promotion specialists answerable to the promotion agency for short-, medium- or long-term assignments in key embassy or overseas trade offices. This cuts down on office overhead expenses while providing skilled staff who are responsible for, and focused on, investment promotion activities in critical markets. Office overhead expenses can also be reduced if foreign Governments or institutions provide suitable accommodation for investment promotion executives. In these cases, the agency conducting the activities must staff and equip the office and pay the running costs of the staff while the donor Government or agency covers the office overhead costs.

A further alternative is to use the Investment and Technology Promotion Offices (ITPOs) of UNIDO. In the Investment/Technology Promotion (ITP) Delegate Programme, a Delegate of a national

Investment Promotion Agency is selected by an ITPO to spend an agreed period of time at that office (usually from three months to three years). The ITPO provides space, administrative support and access to all the channels and data banks available to it. Over the years these offices have built up a considerable network of potential investors, contact persons and national financing institutions as well as links with the bilateral aid programmes of the host Governments. The staff of the ITPO also support, guide and train the Delegate to ensure quick adaptation and progress. Experience shows that an efficient and informed Delegate who is well-supported and managed can conclude 10 or more projects every year and facilitate many more.

From the evidence available, the critical factors for effective overseas investment promotion operations include at minimum a well-defined and marketable product, the careful selection of target overseas markets, well-trained staff, effective application of modern management methods and control procedures, as well as good support from the home office. Without these, no overseas promotional structure is likely to be effective; with them, any one of a number of alternative structures can give satisfactory results. Ultimately successful investment promotion rests on superior management of all the elements in a strategic manner that is consistent with overall industrial development goals and policy.

NOTES:

[1] The term parastatal describes a type of agency used by Governments to undertake specialised activities on behalf of the State. These agencies are answerable to the Government but separate from it. Typically, they are set up and funded by the Government. Their overall policies and plans are subject to government approval but their day-to-day operations are usually the responsibility of the board established to run them. They conduct their business independently of the Government, although within established policy guidelines. They usually operate their own recruitment and personnel policies, but the degree to which pay and conditions can deviate from those in the public sector is limited.

[2] See http://www.unido.org/doc/100493.htmls for training manuals.

[3] http://www.unido.org/itpo

V. Planning/Operating Procedures and Performance Evaluation

Investment Promotion Agencies (IPAs) need clear planning and operating procedures, and effective monitoring, evaluation and reporting systems in order to conduct and manage their affairs.

Planning systems are important for translating national plans and broad investment objectives into organisational targets and operational procedures. They need to be capable of setting realistic objectives within the prevailing investment environment and allocating resources effectively and quickly. They need to be able to respond to changing circumstances in the competitive and uncertain business of attracting Foreign Direct Investment (FDI). Experience shows that to manage an Investment Promotion Agency successfully, a number of things must be done:

- Clear investment targets considering value and volume, type, location etc. should be set.
- The investment targets need to have a short-, medium-, and long-term profile.
- Countries and sectors from which the investments can be generated need to be identified.
- Clear business development plans should be devised, including the investment cycle (servicing existing investors, removing administrative obstacles and managerial impediments, image building, and investment generation).
- Actions need to be taken that can win the required investments and maximise their realisation rates.
- Human resources must be allocated effectively.
- Budgetary resources must be deployed efficiently.
- Management systems must be put in place to operationalise strategy, to evaluate performance and to take corrective actions.

The task of promoting and implementing investments must be divided into manageable blocks of work using task analysis and project management techniques. Defining these blocks sets the planning, control, operational and performance evaluation framework. Details will vary, however, by country and by agency, as well as in keeping with the unfolding strategy.

A. Planning/Operating Procedures

An agency's planning framework can include a strategic (long-term), operational (medium-term), as well as a detailed annual (short-term) component which define the milestones of performance and achievement. The framework should be linked to national objectives for investment, and this linkage

should be clearly articulated in the plans of the IPA. Long-term plans can set out a strategic focus for the agency, including target investment levels, priority sectors and countries from which investment is sought. These plans will have implications for investment policies, for skill requirements, for financing of infrastructure facilities and for the development of the regions and towns of the country. In setting out the main elements of the promotion strategy and the tactics that will be followed to achieve the objectives, the agency's budget and other resources required need to be specified, as part of the operational planning.

Annual plans, by contrast, can focus more narrowly and specifically on activities for the year ahead. They can define the immediate competitive opportunities and threats facing the IPA and identify the critical success factors. The investment targets for the year should be broken down by organisational units, as well as the promotional activities to be undertaken (when, where and by whom). Finally, the budget and staff allocations proposed for the year ahead should be detailed.

To implement its plans, explicit operating procedures need to be established in the form of manuals to be followed within the agency. These will differ by organisation but their main components include the following: clearly defined tasks based on the overall plans and subdivided by organisational unit and staff member; well-defined and well-understood performance criteria, which are collected, analysed and reported regularly; an up-to-date and on-going resource allocation system; and a flexible but clear management decision-making process.

B. Input/Output Performance Evaluation

Evaluation systems for investment promotion activities typically fall under three headings: systems to monitor how well investments comply with approval conditions, systems to monitor the amount of new investment approved and systems to track the promotional activities of the agency. In general, countries place less emphasis on the first of these (monitoring compliance with approval conditions) as approval procedures become more automatic. Furthermore, incentives are increasingly being linked to performance and are being awarded not upfront but only after performance has been proved.

Measurements of performance based on approved investments are less desirable than those based on realised investments, which may be substantially fewer. However, investments are realised only a considerable time after, in some cases years after, the promotional activity that gave rise to the investment. Consequently promotion agencies need indicators of potential investment to assess the impact of promotion campaigns and of the resources allocated to individual activities. Investment approvals are a good leading indicator of realised investments, and initial site visits, meetings between potential joint-venture partners and projects in the pipeline are leading indicators of investment approval.

Evaluation systems (quantitative/qualitative) differ in terms of variables and measurement accuracy. At minimum they measure inputs and/or outputs. Selecting evaluation criteria is a crucial task as **'what gets measured gets done'** suggests that poorly chosen performance evaluation criteria will lead to poor performance.

As investment promotion activities have 'lead-lag' characteristics, in other words a time gap exists between effective activities and outcome, both inputs to, and outputs from, activities should be measured. Furthermore evaluation criteria need to be measured over the appropriate time frame.

Accordingly, there are direct (and indirect) useful and practical measures of promotion performance some of which are indicated in Table 4[1].

The measures of performance – evaluation by output – are classed as 'output' measures because they relate directly to actual investments resulting from promotional activities. Most agencies also need to use 'input' measures of performance and some only use input measures, which record the effort put in by the organisation.

The measures of performance used have important policy implications and affect the direction and achievements of the agency. Once a measure has been chosen, it becomes the criterion by which success or failure is gauged and achievement is rewarded. If, for example, the measure is the value of investment achieved, it is likely that the agency will prioritise capital-intensive projects. Measures based on employment generated would bias results towards labour-intensive projects, while measures linked to output or export sales would bias the type of project promoted and implemented. Data on site visits and project approval and realisation can be collected as potential or actual investment values, employment levels, output values or export sales. Data on all these variables can be collected periodically, but practical considerations mean some of them should be selected for regular and on-going performance assessment. The measures considered most appropriate will vary by country depending on the national priorities for investment and according to the changing patterns of investment inflows.

Collecting, analysing, evaluating and communicating performance data can be time-consuming and costly. If, however, the data are not made available quickly, their usefulness is severely curtailed and they can only marginally affect decisions and/or performance for either on-going management purposes or policy review purposes. To avoid excessive costs and delays, promotion agencies often concentrate on a fewer measures of performance that can be updated quickly and accurately. Moreover, they often have to rely on limited sample data rather than on census-type data, particularly for their evaluations of the impact of realised projects. Accurate performance evaluation is crucial to effective and efficient management of the IPA's functions and tasks. While criteria may be related to the organisation as a whole, human resource management principles dictate that IPA staff should also

Table 4: Performance Evaluation of IPA Activities

Evaluation by input	Evaluation by output
• The detailing of objectives of strategic, operational and detailed planning of IPA activities	• The number of site visits or investments that are in the pipeline
• Number of investment seminars held	• Dissemination rate of DISK* to investors
• Number of in-bound missions received	• Number of targets identified through planning
• Number and scope of interventions	• Number of FDI missions in
• Number of contacts established	• Number of FDI missions out
• Number of times contacts contacted	• Number of FDI applications and approved
• Number of personnel trained	• Volume of new investment realised and registered
• Number of problems identified	• Rate of volume increase in FDI (according to different criteria, e.g. employment numbers)
• Number of obstacles to FDI removed	• Rate of value increase in FDI (according to different criteria, e.g. labour/capital ratios)
• Availability and number of inputs into DISK* data-base	• Number of FDI regime changes in favour of investors
• Number and quality of diagnostic reports, policy notes, institutional reviews, governance reviews, sector assessments, advisory reports, etc., produced	• Number of specific investor strategies developed
• Number of investors surveys	• Amount of research commissioned
• Number of calls for assistance and assistance provided	• Increase in per capita investment in well- and less-developed regions of country
• Funds spent by category	• Number of special designated zones and areas created
• Number of interventions on behalf of investors	• Number of amendments made into laws and regulations governing the FDI inflows and business organisation
• Number of specific campaigns (image building)	• Fiscal and financial incentives and take-up rate
• Number of investor servicing interventions	• FDI index[2]
• Inter IPA collaborations	

* Data, Information, Statistics and Knowledge

have performance targets to be realised. These are usually in terms of skills development and continual learning through on-job/off-job training.

Ultimately investment promotion performance needs to be measured by realised projects as well as by number of approvals and projects in the pipeline. The evaluation needs to be output-focused even though some input-focused measures are used. It needs to be based on data that can be obtained relatively quickly and cost-effectively. The measures of performance need to give agency's management and Governments a good idea of the returns and relative costs of different activities. Benchmark studies of the wider benefits and costs of promotion activities can be undertaken periodically to supplement the information obtained from day-to-day performance measures.

NOTES:

[1] Quality matters as much (if not more) as quantity.

[2] UNCTAD WIR 2001.

Concluding Remarks

Competing for Foreign Direct Investment (FDI) is not an easy task for most developing countries especially the least developed as the flows in Tables 1 and 2 indicate. However the policy and practical lessons of experience on investment promotion, depicted in these Guidelines, point to ways and means by which the task can be facilitated. These ways and means include not only the technical cooperation assistance of UNIDO but also specific actions on the part of host Governments to attract FDI.

Crucially important in the former is the judicious use of UNIDO's available technical competencies. In the latter a deep appreciation of the dynamics of international investment coupled with well-calibrated policy and strategy is indispensable. Together the opportunities for attracting FDI are higher but without them the possibilities for FDI are likely to be too few.

References

1. Charles P. Oman, "Policy Competition for Foreign Direct Investment. A Study of Competition among Governments to Attract FDI". OECD Development Centre, 2000.

2. Philip Kotler, "The Marketing of Nations: A Strategic Approach to Building National Wealth". New York: The Free Press, 1997.

3. UNIDO, Foreign Direct Investor Perceptions in Sub-Saharan Africa. UNIDO Pilot Survey in Ethiopia, Nigeria, Uganda, United Republic of Tanzania, 2002. The survey is available online under: http://www.unido.org/userfiles/PuffK/02-55669.pdf

Explanatory notes

AAITPC	Asia-Africa Investment & Technology Promotion Centre
AFRIPANET	Africa Investment Promotion Agency Network
AOMIs	Administrative Obstacles and Managerial Impediments
B&FLs	Backward and Forward Linkages
BEST	Business Environment Strategic Toolkit
BOI	Boards of Investments
BOT	Build-Operate-Transfer
COMFAR	Computer Model for Feasibility Analysis and Reporting
DISK	Data, Information, Statistics and Knowledge
EDBs	Economic Development Boards
FDI	Foreign Direct Investment
FIT	Financial Improvement Toolkit
FSAs	Firm Specific Advantages
ICS	International Centre for Science and High Technology
ICSID	International Centre for Settlement of Investment Disputes
IDA	Irish Development Authority
IISPM	Integrated International Sourcing, Production and Marketing
IITPP	Industrial Investment and Technology Project Profile
IMF	International Monetary Fund
IPA	Investment Promotion Agency
IP-ICB	Investment Promotion and Institutional Capacity Building
IPPR	Intellectual Property Protection Rights
IPS	Investment Promotion Service
IPU	Investment Promotion Unit
IRS	International Referral System
ITP	Investment/Technology Promotion
ITPN	Investment and Technology Promotion Network
ITPO	Investment and Technology Promotion Office
LSAs	Location Specific Advantages
MCCT	Measurement Control Chart Toolkit
MNEs	Multinational Enterprises
NFIA	Netherlands Foreign Investment Agency
OECD	Organisation for Economic Co-operation and Development
SEDB	Singapore Economic Development Board
SPX	Subcontracting and Partnership Exchange
STDB	Singapore Trade Development Board
TF	Technology Foresight
TDBs	Trade Development Boards
UNIDO	United Nations Industrial Development Organization
VAT	Value-Added Tax
X-B M&As	Cross-Border Mergers and Acquisitions

APPENDIX I:

List of Countries and Areas Included in Selected Groupings[1]

Industrialized Countries

Eastern Europe and Former USSR
Albania
Bulgaria
Czechoslovakia (former)*
Germany, Eastern part
Hungary
Poland
Romania
USSR (former)**

Western Europe
Austria
Belgium
Denmark
Finland
France
Germany, Western part
Greece
Iceland
Ireland
Italy
Luxembourg
Netherlands
Norway
Portugal
Spain
Sweden
Switzerland
United Kingdom

Japan

North America
Canada
United States of America

Others
Australia
Israel
New Zealand
South Africa

Developing Countries

AFRICA

North Africa
Algeria
Egypt
Libyan Arab Jamahiriya
Morocco
Sudan
Tunisia

Central Africa
Angola
Burundi
Cameroon
Central African Republic
Chad
Democratic Republic of the Congo
Equatorial Guinea
Gabon
Rwanda
Sao Tome and Principe

Western Africa (ECOWAS)
Benin
Burkina Faso
Cape Verde
Cote d'Ivoire
Gambia
Ghana
Guinea
Guinea-Bissau
Liberia
Mali
Mauritania
Niger
Nigeria
Senegal
Sierra Leone
Togo

Eastern and Southern Africa
Botswana
Comoros
Djibouti
Ethiopia
Kenya
Lesotho
Madagascar
Malawi
Mauritius
Mozambique
Namibia
Réunion
Seychelles
Somalia
Swaziland
Uganda
United Republic of Tanzania
Zambia

WEST ASIA AND EUROPE
Bahrain
Cyprus
Iraq
Jordan
Kuwait
Lebanon
Malta
Oman
Qatar
Saudi Arabia
Syrian Arab Republic
Turkey
United Arab Emirates
Yemen
Yugoslavia (former)***

LATIN AMERICA

Anguilla
Antigua and Barbuda
Argentina
Barbados
Belize
Bermuda
Bolivia
Brazil
British Virgin Islands
Chile
Colombia
Costa Rica
Cuba
Dominica
Dominican Republic
Ecuador
El Salvador
French Guiana
Grenada
Guadeloupe
Guatemala
Guyana
Haiti
Honduras
Jamaica
Martinique
Mexico
Montserrat
Netherlands Antilles
Nicaragua
Panama
Paraguay
Peru
Puerto Rico
Saint Lucia
St. Kitts and Nevis
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela

SOUTH AND EAST ASIA

Bangladesh
Bhutan
Brunei Darussalam
Cambodia
China
China (Hong Kong SAR)
China (Taiwan Province)
Fiji
French Polynesia
India
Indonesia
Iran (Islamic Republic of)
Lao People's Dem. Rep.
Malaysia
Maldives
Mongolia
Myanmar
Nepal
New Caledonia
Pakistan
Papua New Guinea
Philippines
Republic of Korea
Singapore
Solomon Islands
Sri Lanka
Thailand
Tonga
Vanuatu
Viet Nam

[1] Source: UNIDO International Yearbook of Industrial Statistics, 2002.

* Czech Republic and Slovakia.

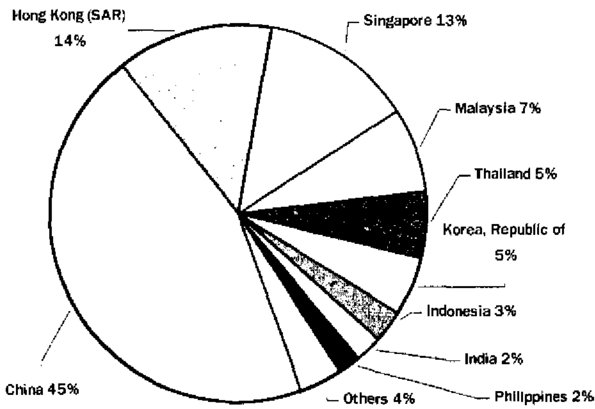
** Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

*** Bosnia and Herzegovina, Croatia, Slovenia, the former Yugoslav Republic of Macedonia, and Yugoslavia, Federal Republic of.

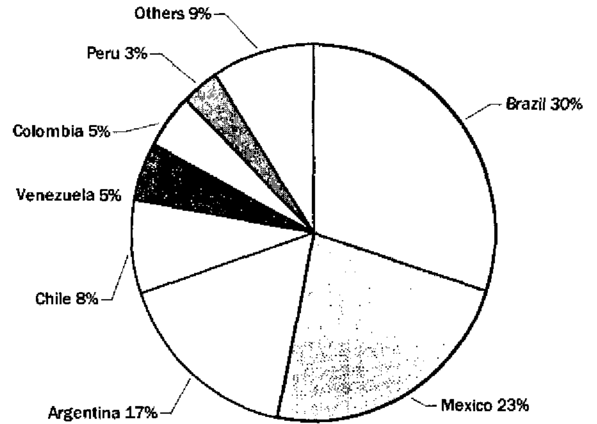
APPENDIX II:

Cumulative FDI Inflows (%) to Selected Regions and Selected Countries (1980-2000)

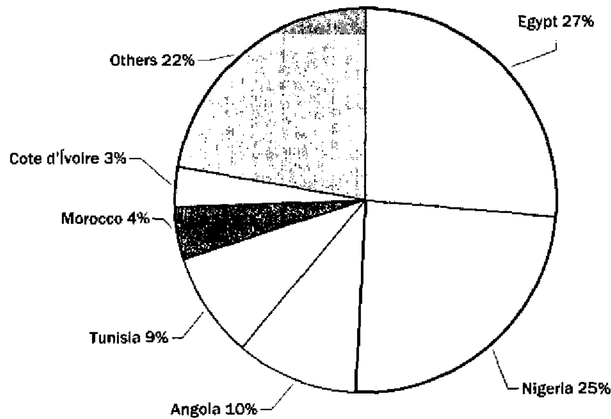
South and East Asia - 53.75%



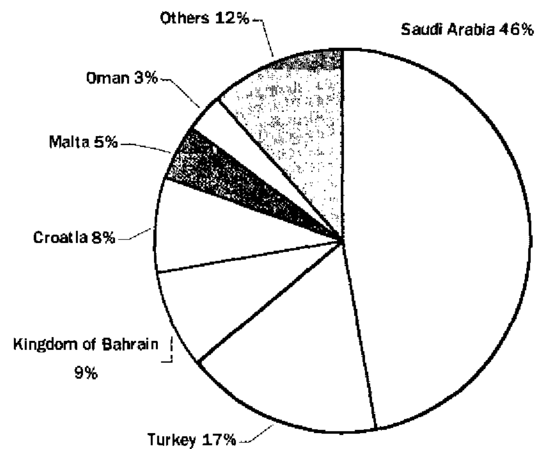
Latin America - 37.09%



Africa - 4.73%



West Asia and Europe - 4.43%



[1]SOURCE: UNIDO Statistics compiled from International Finance Statistics (from IMF) according to UNIDO List of countries and areas included in selected groupings in the International Yearbook of Industrial Statistics 2002

APPENDIX III:

UNIDO and other Web Based Sources on Foreign Direct Investment Promotion.

UNIDO Established Networks	http://www.unido.org/itpo
UNIDO Centre for International Industrial Co-operation (UNIDO CIIC), Moscow	http://www.unido.ru
UNIDO Investment and Technology Promotion Office (ITPO), Tokyo	http://www.unido.or.jp
UNIDO Investment and Technology Promotion Office (ITPO), Seoul	http://www.ipsoseoul.org
UNIDO Investment and Technology Promotion Office (ITPO), Warsaw	http://www.unido.pl
UNIDO UK Focal Office	http://www.nwda-unido.org.uk

Foreign Investment Advisory Service (FIAS)	http://www.fias.net
International Monetary Fund (IMF)	http://www.imf.org
Multilateral Investment Guarantee Agency (MIGA)	http://www.miga.org
Organisation for Economic Co-operation and Development (OECD)	http://www.oecd.org
United Nations Conference on Trade and Development (UNCTAD)	http://www.unctad.org
World Association of Investment Promotion Agencies (WAIPA)	http://www.waipa.org
World Trade Organization (WTO)	http://www.wto.org

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O Box 300, A-1400 Vienna, Austria
Telephone: (+43 1) 26026-0, Fax: (+43 1) 26926-69
E-mail: D.Liang@unido.org, Internet: http://www.unido.org