WAIPA
World Association of Investment Promotion Agencies

NEWSLETTER
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Message from Alessandro Teixeira, WAIPA President

Dear WAIPA Members,

One of the main objectives of WAIPA is to strengthen its role as the main discussion forum for the issues related to the investment environment and investment promotion.

We are looking for creating more and better opportunities for the networking and for the exchange of best practices in capacity building and with regard to investment promotion techniques. In this sense, we are keen on promoting dynamic interaction, joint activities and information exchange between Investment Promotion Agencies ("IPAs") worldwide.

As WAIPA is present in all the continents through its member IPAs, the designated WAIPA Regional Directors are giving special importance to organizing regional events that promote integration between WAIPA members and the regional (national and sub-national) agencies that are not yet our members.

This year, we had a very successful experience in promoting 3 regional events: for South America, in Medellin, Colombia, in March, for Central America and the Caribbean, in San Salvador, El Salvador, in April, and for the European Union, in Madrid, Spain, in May.Reports on sessions and workgroups are available on http://conference.waipa.org.

Depending on a local demand, WAIPA offers additional training courses during regional events, as it was a case of Colombia, where we promoted a workshop on investment promotion techniques conducted by FDI Intelligence, Financial Times Group

We have an intensive program of WAIPA regional events for the second semester: for North America, in Canada, in September-October, for Africa, in Cameroon, in October, for Asia, in India, in November-December, and for Middle East and North Africa (venue and dates are being discussed).

In February 2010, we are planning to organize a WAIPA regional event for Oceania, in New Zealand.

In this very ambitious program we are counting on the support of our Regional Directors. At the same time, we would like to receive suggestions and feedback from all regional IPAs regarding the agenda of the regional events, priority issues to be focused at and possible value-adding capacity building courses to be implemented.

Last but not least, I would like to mention encouraging and very successful regional initiatives that are taking place this year. South American IPAs are participating as a region at 2 big international events: at World Investment Conference in La Baule, France, in June, and at China International Fair for Investment and Trade (CIFIT), in Xiamen, China, in September. In the first event, the regional IPAs are launching a joint publication "Why South America? A Key Destination for Investment". A similar publication, but with regard to the European Union, is being discussed by the European IPAs.

We are inviting you to participate in WAIPA regional events and in other activities. Only with our joint effort and cooperation we will make a difference in investment promotion.

Over 70% of IPAs May Be Missing Out on FDI Projects Knocking on their Doors

Global Investment Promotion Benchmarking 2009 (GIPB 2009), a new report by the Investment Climate Advisory Services of the World Bank Group, examines the ability of national IPAs in 181 countries to influence foreign investors' site-selection process. The report finds that over 70 percent of IPAs may miss out on investment by failing to provide accurate and timely information to potential investors.

GIPB 2009 assesses the response of IPAs to two potential investment projects seeking country and sector information. According to the report, only 53 IPAs responded to both project inquiries. Most strikingly, only 10 out of 181 IPAs followed up with potential investors to try secure projects, by converting this initial interest into a serious lead.

"If country information is hard to obtain, investors will simply go elsewhere," says Cecilia Sager, Investment Generation Manager of the Investment Climate Advisory Services. She also notes that in the global slowdown, FDI offers prospects for growth and employment. Attracting investment, however, requires professional facilitation which, unfortunately, many countries do not provide. In the current slowdown, facilitation, servicing and aftercare should be at the core of every IPA's work plan. Making sure that investors in the decision-making process retain the IPA's country in the short list and ensuring that the country remains among the finalists of the selection lies at the core of investment promotion.This possibility depends on the continuous openness of the regulatory framework for FDI, especially in developed countries. While this is, grosso modo, most likely assured, there are mounting signs of a reevaluation of, if not distinct uneasiness about, at least certain forms of FDI. This is reflected, among other things, in the increase of national policy changes, as well as more restrictive review processes, that make the investment environment less hospitable, especially for crossborder M&As. A good part of such protectionist attitudes is directed against sovereign FDI by state-owned enterprises and SWFs from emerging markets – precisely those entities that, at least for the moment, still are in a position to continue, if not increase, their outward FDI. It is actually surprising how little FDI SWFs have undertaken so far; the skeptical attitude in developed countries partly explains this.

GIPB 2009 shows that professional facilitation efforts do pay off. For example, Sitel, a global leader in business service outsourcing, contacted PRONicaragua to request information during the site-selection process. PRONicaragua provided detailed information packages that helped Sitel choose Nicaragua for its $5 million investment project, which created 1,000 jobs.

What is GIPB?

GIPB assesses IPAs' ability to meet foreign investors' information needs during the site-selection process in two ways:

The extent to which IPAs Web sites offer a business-support gateway for prospective foreign investors;

IPAs capacity to deliver information required by prospective foreign investors at the long-listing stage of a site selection process.

Using a "mystery shopper" methodology, GIPB consultants posed as a foreign investor and contacted each IPA with an inquiry related to a beverage manufacturing project (with a research and development component), and an inquiry regarding a software development center. The inquiries were designed to assess the IPAs' ability to respond to information requests in a professional and appropriate manner that would motivate the investor to engage further with the IPA and ultimately invest in the location. Assessing an IPA's inquiry-handling capability also sheds light on its core functions: the extent to which it understands its market, has done research on its own location so it can inform investors, and ensures that its staff have the requisite project management skills, knowledge, training, and marketing capability.

GIPB 2009 is the second in a series of biennial surveys. In 2006, GIPB examined 96 IPAs. Those IPAs surveyed both in 2006 and in 2008 can track the evolution of their performance over time. This is, in fact, one of the main purposes behind GIPB; to allow IPAs to benchmark their performance and set milestones for improvement. The next survey will take place in 2010 (GIPB11).

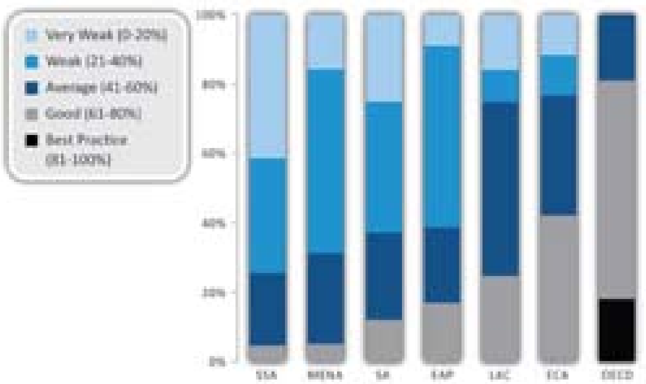
Best-Practice/Good-Practice IPIs by Region

Best Practice is Going Global

While only two non-OECD countries (Latvia and Costa Rica) were among the top 10, the top 25 IPAs had representatives from each region and income category except the low-income group and the Middle East and North Africa. IPAs in Latin America are approaching rapidly OECD standards, as well as IPAs in Eastern Europe and the Balkans. Further, Asia overall shows improvement averages of 25% since 2006 which reveal growing competitiveness.

The Austrian Business Agency emerged as number one worldwide, based on GIPB 2009's rankings. Middle-income countries are showing immense progress in competing for mobile investment, particularly Brazil, Botswana, Colombia, Lithuania, and Turkey. Lower middle-income countries like Honduras and Sri Lanka, which offer strong facilitation services, are evidence that a country's income is not linked to performance. An IPA's budget may not be an excuse for poor facilitation, as it is the most cost-effective investment promotion activity.

In addition, a number—admittedly still small—of low-income countries, such as Senegal and Ghana, outperformed some OECD economies. Their IPAs are not yet best practice but their capability is growing. Today, Africa does not need to look far away for best practice; Mauritius is a world-class IPA with consistently robust performance.



OECD High-Income Countries Provide the Only Cases of IPIs Achieving Overall Best Practice

Facilitation, Facilitation, Facilitation

About 92% of companies would contact the local IPA during the site-selection process according to a recent survey of executives with direct site selection responsibilities for large U.S. companies (DCI. July 28, 2008. "A View from Corporate America: Winning Strategies in Economic Development Marketing."). Thus, it seems that the role of the IPA in facilitation remains on demand.

Further, as the pool of FDI shrinks, there will be more competition for fewer projects. The ability of IPAs to influence investment decisions with timely and relevant country and sector information is more crucial than ever. IPAs should rethink their strategies to maintain their relevance in the current FDI context including shifting focus in the short and medium term from outreach to offering more professional facilitation services to any new opportunities knocking on their doors, and offering aftercare services to existing business to ensure their retention of jobs in the economy. The effective provision of relevant information can lessen investors' perceptions of risk and their transaction costs during the site-selection process, thereby making the IPA's location more competitive.

The case of Ecuador illustrates well how strategic facilitation can be. In GIPB 2009, Ecuador was the 12Th performer worldwide in inquiry handling. CORPEI, the national IPA, moved from the middle ranks toward best practice, increasing its overall score by 31 points to 71%. Dealing with political instability and an uncertain image abroad, CORPEI decided to focus on existing investors and provide world-class services to interested investors. With a small but dedicated team the strategy bore fruit. In 2008, with a strong capacity to react to investor's interest and a new budget, the proactive program "Invest in Ecuador" was put in place. This seems logic: How could IPAs justify a proactive promotion budget if they are not able to grab the opportunities that knock on their doors?

To obtain GIPB 2009 Summary Report with global, and regional trends, best practices, etc. visit www.fias.net. For your IPA confidential copy of GIPB 2009 Customized Report with the specific results and recommendations how to improve performance, contact fias@ifc.org.

Bilateral Investment Treaties and FDI Flows

By Lisa E. Sachs

Given that one of the principal purposes of bilateral investment treaties (BITs) is to help countries attract investment flows (by protecting investments), it is only natural that the question has been raised whether they do, in fact, lead to higher investment flows. The main studies on this topic from the past decade are collected in The Effect of Treaties on Foreign Direct Investment: Bilateral Investment Treaties, Double Taxation Treaties, and Investment Flows (Oxford University Press, 2009), a volume I edited with Karl P. Sauvant.

The results of all of these studies vary, with some finding that BITs do have a positive effect on FDI inflows and others finding no such effect. Among the studies that do find an effect, most agree that the strength of the impact of BITs on FDI inflows depends on several political, regulatory and economic factors, both within the host country and globally. Some found that the magnitude of the effect depends on the countries concluding the BIT, for example, whether the BIT is between a developing and developed country (which was found by some to increase the magnitude of the effect) or the total number of BITs that a country had concluded (those authors found that the more the better!). Plenty of other issues were considered—the signaling effect of treaties, the quality of host country institutions, whether the BITs had merely been signed or had entered into force, and the effect of the globally increasing web of BITs on the effect of each one.

Others of the empirical studies found that BITs did not have an independent effect on promoting FDI flows. Some of those authors concluded that BITs only have a positive effect on FDI flows in countries with an already stable business environment and reasonably strong domestic institutions or suggested reverse causality: that a higher growth rate of FDI leads to an increased probability of a BIT being negotiated.

Taken together, these analyses suggest that it is difficult to establish firmly the effect of BITs on FDI flows. Intuitively, one would expect that such treaties, by providing a sort of good housekeeping seal of approval, have a positive effect on FDI flows as they signal that a country is interested in attracting such investment and that it provides certain guarantees under international law to protect it (thereby reducing the risk premium of an investment); and this signal is not only sent to a particular treaty partner but to the international investment community as a whole. The incidence of treaty shopping—whereby a firm invests in another country not from its home country but via a country that has a BIT with the prospective host country—also suggests that at least some firms deliberately seek the protection of a treaty. The rise in international arbitral cases shows, furthermore, that investors pursue their rights if they feel aggrieved.

So why the different findings in all of the empirical studies (methodological issues aside)? To begin with, most of the bilateral FDI stock and flow data are poor. Where they exist, moreover, the nature of FDI may play a role: the effect of BITs on investors' locational decisions is likely weaker for natural resource and market-seeking investors for whom the economic determinants of FDI are clear, whereas such treaties might more likely influence the decision-making of efficiency-seeking investors for whom several investment locations may be otherwise equally attractive. But FDI data mostly do not allow one to distinguish clearly between these various types of FDI. Difficulties exist also in disentangling the causal effects from BITs on FDI flows from the causal effects of a simultaneous and autonomous liberalization of the national FDI regulatory framework—a trend, as shown by UNCTAD, that is strong and pervasive. The level of development of the BITs partners—for instance whether BITs are signed between developed and developing countries or between developing countries, or whether the developing country is more or less developed—may also play a role. More generally, BITs may be relatively more influential in certain countries or contexts than in others, depending on the type of investments common to a country or the mix of other—more crucial—FDI determinants. The magnitude of the correlation between BITs and FDI, then, may vary for various countries and regions for reasons that are not captured or explored in the studies. Furthermore, the effect of BITs may change over time, for instance as the worldwide coverage of BITs continues to grow and as more or less all important countries conclude BITs with each other, the ability of these treaties to influence locational choices may even out.

The diverse findings in the literature may also reflect variations in the provisions of BITs. For example, most regression analyses look at whether or not BITs were in place, without factoring in the varying degrees of investor protections and benefits in these treaties[1], for example, as regards the breadth of arbitration rights or the primacy of BIT rights over national law. Another variation that could account for disparities in the studies is that BITs that include liberalizing provisions in addition to investor protection provisions (especially BITs with the United States, Canada, and Japan) can influence FDI flows by opening sectors previously closed to foreign investment; assuming the economic determinants are right, it would not be surprising for "liberalizing" BITs to lead to more FDI. This could perhaps explain the different findings for countries that have concluded BITs with the United States as opposed to other OECD countries.

The specific BIT effect can be further complicated if a BIT country enters, more or less simultaneously, bilateral or regional free trade and investment agreements: these latter agreements could have a similar "opening" effect for FDI and/or they could lead (via trade liberalization) to a larger market[2], with both effects potentially leading to an increase in FDI flows. Moreover, when the effect on FDI flows of BIT countries is compared with that of non-BIT countries, the comparison is complicated if the latter are covered by bilateral, regional or multilateral agreements with substantial investment provisions, blurring the distinction between these two groups of countries[3]. Put simply, countries have multiple tools for protecting foreign investments and the interests of foreign investors in addition to BITs, so a more comprehensive study would need to account for alternative investment promotion and protection measures in addition to BITs.[4]

Crucial, however, is the importance of the economic factors (including locational resources and assets, market variables and efficiency considerations)—and BITs do not directly influence them. Unless they are favorable (helped, of course, by investment promotion), FDI typically does not take place; and when they are favorable, and especially when they are strongly favorable, FDI can also take place in the absence of BITs. Since the economic factors trump virtually all other factors (assuming FDI is permitted), any study that seeks to isolate the specific BITs effect on FDI flows needs to include economic variables fully in its calculation.

Considering the complex relationship between investment treaties and the various variables of the three sets of FDI determinants, it is not surprising that it is difficult to establish firmly the effect of BITs on FDI flows. It fits into this picture that, in a June 2007 survey of 602 senior executives of MNEs around the world, roughly one-fifth of the recipients indicated that the existence of international investment agreements influenced their locational decisions "to a very great extent"[5] while an equal share said that such agreements influenced their decisions "not at all." At the same time, roughly half of the respondents indicated that IIAs influenced locational decisions "to a limited extent," suggesting that other factors needed to be present. A World Bank report also noted that there is evidence that many investors may not be aware of existing BITs when they make locational decisions, and may in fact "remain oblivious until some issue arises when its provisions may be relevant."[6]

Even in the absence of conclusive evidence as to the effect of BITs on FDI flows, countries continue to conclude these agreements, and the number of such treaties continues to grow. Governments could be signing these treaties because, as more countries conclude more and more of these agreements, they could be afraid that investors may avoid investing in countries that have not signed such treaties—so countries (especially developing countries) may feel they need to sign these agreements to stay competitive, or at least "to appear enlightened or receptive to modern international law trends."7 UNCTAD has suggested that, in some cases, foreign investors with existing investments have encouraged their home country governments—or the host country governments—to conclude BITs to protect existing investments; this means that studies that find that BITs did not stimulate FDI flows might overlook that BITs positively affect FDI flows by helping host countries to retain existing levels of FDI8.

It is also possible that governments, even if they are not entirely sure whether BITs lead to higher FDI flows, think that these treaties do not hurt such flows and, in any event, can serve other purposes—although there are trade-offs in terms of accepting international disciplines, with the corresponding reduction of national policy space. For example, some governments may want to use the commitments they have entered into in these treaties to advance domestic policy reforms. Conversely, governments could also be signing these agreements to signal to investors that they are prepared to bind their improved national policy frameworks and the regulatory changes that favor FDI in international agreements that cannot be changed unilaterally. This may be particularly important for countries that are politically or economically instable, or countries with high levels of corruption, as "investors may be especially concerned about the permanence or strength of domestic reforms implemented in [such] countries."9 In that case, BITs "may be the result of policy changes rather than the embodiment of them," which is supported by the fact that, simultaneously with the adoption of these bilateral treaties, countries "were also adopting internal regulatory changes that made foreign investment more liberal."10

Finally, governments that would want to strengthen the positive effects of especially BITs on FDI flows could go beyond relying on the indirect effects that are thought to be associated with better protection. They could do this by stipulating in BITs various measures that home countries could take to increase FDI flows to developing countries. Such measures could include, for example, various fiscal and financial incentives that home countries could grant to their firms if they invest in developing countries (and especially the least developed among them); technical assistance to build investment promotion capacities; information about investment opportunities; and improved market access. Such commitments, in fact, could also extend to efforts to enhance the benefits of FDI to host countries and their economic growth and development, for example, through the promotion of technology transfer and the creation of more linkages between foreign affiliates and domestic firms11. The negotiation of new BITs and the renegotiation of BITs underway may offer opportunities to do so.

Aside from the specific motivation for or impact of these investment agreements, there is another effect of the proliferation of BITs: they strengthen the rule of law in the sphere of international investment and hence contribute to the emergence of international investment law. This is not to suggest that the network of BITs constitutes, in and of itself, a coherent international investment law system. But the fact that the great majority of countries subscribe to a range of standards that are similar in nature and that these standards are being clarified and refined through practice, may indicate that a number of the building blocks for such a system are being put in place. As international investment rule-making involves the great majority of countries12, is a dynamic process and proceeds at a rapid pace, all countries have the opportunity to participate actively in designing the international investment law system and to seek to influence it in a manner that ensures that their interests are taken into account.

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[1] **Susan Franck, "Foreign direct investment, international treaty arbitration, and the rule of law," 19 Pac. McGeorge Global Bus. & Dev. L.J. 337 (2007); Deborah L. Swenson, "Why do developing countries sign BITs?," 12 U.C. Davis J. Int'l L. & Pol'y 131, at 153 (2005).**

[2] **For example, a World Bank study found that regional agreements that create larger markets positively affect FDI inflows when other institutional variables affecting the investment climate are satisfactory (though agreements that do not result in larger markets do not positively affect FDI flows). Richard Newfarmer, "Beyond merchandise trade: services, investment, intellectual-property, and labor mobility," in Global Economic Prospects 97,**

at 109 (2005), available at http://siteresources.worldbank.org/INTGEP2005/Resources/gep2005.pdf

[3] For example, many developing countries are covered by the GATS—and FDI in services to developing countries accounts for more than half of all FDI flows to these countries.

[4] Swenson, op. cit., p. 153.

[5] One could question, however, whether some of the senior executives who answered that IIAs influenced their locational decision making "to a great extent" may have strategically over-stated the importance of IIAs in their decision making in order to encourage the granting of such further protections IIAs may offer them. Matthew Shrinkman, "The investors' view: economic opportunities versus political risks in 2007-11," in Laza Kekic and Karl P. Sauvant, eds., World Investment Prospects to 2011: Foreign Direct Investment and the Challenge of Political Risk (London: The Economist Intelligence Unit, 2007), available at http://vcc.columbia.edu/pubs/.

[6] World Bank, World Development Report 2005: A Better Investment Climate for Everyone (Washington: World Bank, 2005), p. 177.

[7] Tom Ginsburg, "International substitutes for domestic institutions: bilateral investment treaties and governance," 25 Int'l Rev. of L. & Econ. 107, at 117 (2005).

[8] UNCTAD, Bilateral Investment Treaties in the Mid-1990s (New York: United Nations, 1998), p. 142.

[9] Swenson, op. cit., p. 133.

[10] Ginsburg, op. cit., p. 117.

[11] See UNCTAD, Investment Promotion Provisions in International Investment Agreements (Geneva: United Nations, 2008).

[12] Important in this context is that, in contrast to earlier periods, emerging markets participate actively in this process. By the end of 2006, developing countries alone were signatories to 77% of all BITs, 61% of all DTTs, and 81% of all other international investment agreements, and a number of these involve only developing countries. See UNCTAD, World Investment Report 2007: Transnational Corporations, Extractive Industries and Development (New York and Geneva: United Nations, 2007), p. 17.

Online Investor Marketing Best Practices

By Michael Christopher, Marketing Officer for the Research and Knowledge team at the Multilateral Investment Guarantee Agency (MIGA)

Financial crisis and the global economic recession caused FDI flows to decline by an estimated 21% in 2008 with further declines likely in 2009[1]. Pressure on investment promotion intermediaries (IPIs) to obtain a piece of the shrinking FDI pie will be greater now and with potential budgets cuts, IPIs will be expected to squeeze more out of their online investor outreach and marketing efforts. The following article offers several industry best practices to help IPIs fine tune their online marketing efforts to achieve maximum effect.

Web Strategy

Agencies without experience managing web sites may be tempted to "just get a web site" and be done with it. This approach overlooks the vast potential a well-run web site can provide in marketing investment destinations, engaging investors, generating investment queries and reaching a truly global audience. IPIs should strive to incorporate their web site into every facet of their business development plans in order to reach the maximum number of potential investors. All interactive features of a web site - email alerts, newsletters, instant messaging, multimedia including video - empower IPIs to engage directly with investors to facilitate the investment process – and for maximum effect, these tools need to be coordinated to produce specific strategic outcomes as specified in an IPI's business development plan.

When Making the Cut, Content is King

For IPI's trying to make the cut in the site selection process, content is definitely king. While a significant amount of the initial investor site selection process begins with desktop research, recent studies suggest that "many countries have failed at the most basic function of marketing a country: making relevant information easily available to potential investors[2]." Beyond investment and trade barriers, IPIs must first knock down barriers to information by providing complete, up-to-date, accurate and actionable investment information. For countries having recently experienced conflict or political turmoil, providing detailed information to investors helps dispel lingering negative perceptions. The quality of investment information, or lack thereof, could make the difference between your country making the cut in the site selection process, or not.

Partnerships: The Multiplier Effect

Leveraging the marketing and distribution platforms of global public and private sector firms specializing in investment promotion can extend an IPI's reach to a larger pool of potential investors exponentially. Many organizations are happy to incorporate contributions from IPIs - especially investment opportunities - into relevant articles on their web sites and distribute them via newsletters and emails to their registered users. Such mutually beneficial content partnerships can be created at little or no cost to the IPI. For example, institutions as diverse as TradeInvestAfrica, the Federation of Industries of Rio de Janeiro (FIRJAN) or the Uganda Investment Authority (UIA) have all leveraged partnerships with FDI.net, a unique investor-focused portal operated by the Multilateral Investment Guarantee Agency (MIGA), to reach a global investor audience free of charge.

Social Networks

For IPIs facing budget restraints, the Internet also offers a myriad of free, global marketing and distribution platforms to reach investors. Social networking sites such as Facebook, MySpace, YouTube, LinkedIn and micro-blogging tools like Twitter all provide cash-strapped IPIs with platforms to disseminate information about their investment destinations to millions of users – all for free[3]. To start using these social networking tools, IPIs need to simply register with the services and upload relevant investment related content to attract potential investors. The above sites also offer FAQs and "how to" guides to help users create online communities around their topics of interest – investment destinations – how to effectively engage interested visitors.

Keyword Advertising

For IPIs with even a small budget, keyword advertising online offers an attractive option. Keyword advertising targets those searching online for specific search terms relevant to an IPI's investments. Such "Pay per Click" advertising programs provide unparalleled ROI as advertisers only pay if someone clicks on their ad Traditional mass media advertising like radio, television and newspaper ads cannot offer the same targeting advantages as keyword advertising nor the ability to easily measure the performance of the advertising program. Google dominates the search engine industry globally and with over 72% market share in the U.S., its Google Adwords program is certainly worth a look[4]. The search behemoth also offers a variety of free tools to help IPIs maximize their web site's rankings in search results. Check out Google Trends, Google Analytics and Google Conversion University for more information.

Monitoring and Evaluation

Implementing a monitoring and evaluation (M&E) regime allows IPIs to gauge how well their web strategy is working. Free (Google Analytics) and fee-based (Omniture Site Catalyst) web analytics software applications can be used to track the behavior of visitors on your web site providing key insight into their interests. Such real time market intelligence enables IPIs to quickly identify the type of investment opportunities and business environment intelligence that visitors are looking for and make sure that such information is prominently displayed. Through an M&E framework, responding to the expressed information needs of visitors helps IPIs grow visitor loyalty, increase return rates and build an ever increasing community of potential investors.

About MIGA

MIGA's mission is to encourage foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. One way this is achieved is by providing timely and essential data and analysis to investors, advisors, and investment promotion practitioners through our free online Investment Information Services (IIS). FDI.net (www.fdi.net) is a unique investor-focused portal providing a growing base of over 25,000 registered users with the latest information on business conditions and investment opportunities and special features highlighting topics of interest to investors.

For additional information on online investor outreach best practices, contact MIGA's Investment Information Services at fdinet@worldabank.org. IPIs interested in exploring partnership opportunities for free content dissemination should also contact FDI.net.

About FIAS

FIAS is the World Bank Group's Investment Climate Advisory Facility. It advises client governments of developing and transition countries on how to improve their business climate for domestic and foreign investors. As part of a comprehensive range of products and services MIGA delivers IPI advisory services through FIAS.

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[1] UNCTAD, World Investment Report 2008.

[2] FIAS, Global Investment Promotion Benchmarking 2008: Summary Report.

[3] Hitwise.com, Dashboards – 'Top 20 Sites & Engines'.

[4] Ibid.

Building Capacity in Economic Development Organizations – Staying Ahead of The Curve

By Ian Bromley, Chairman, International Economic Development Council Chief Executive, Creative Sheffield and Sheffield City Development Company

During this time of economic challenge, the economic development profession is being urgently asked to do triage and also provide preventive medicine. Economic developers are trying to help their own organizations as well as their own communities to get through this market malaise. And they are finding that this is a time to invest in the knowledge and the tools to help respond to this crisis as well as to get ahead of the curve in time for the next wave of growth.

Economic developers are at ground zero. In many places the credit crunch means no ground breaking on projects that had been ready to go. Budgets are suffering from the loss of anticipated revenue. Efforts at business attraction continue but efforts for business retention may take greater urgency as many communities are just trying to maintain the status quo. This is the triage.

Cities are taking short-term or immediate measures to buffer local economies – by making it easier and less expensive to do business (e.g., easing regulations and abating fees or taxes); stimulating development of housing, infrastructure or other public works projects; and in some places, experimenting with "buy local" promotions, programs or incentives. For example, San Francisco is granting local businesses a new jobs payroll tax exemption and expanding its "buy local" shopping and holiday campaigns. Denver is working on "Better Denver" infrastructure projects including an enhanced downtown streetscape, a recreation center and light rail.

But strategizing is taking place at another level as well. Communities don't want to be vulnerable to just a few large employers or industries. Instead of company towns, think entrepreneurial zones. Communities also don't want to be beholden to a workforce with a narrow and inflexible skill set that could be rendered obsolete due to automation or outsourcing. It is time to better align the skills of the workforce with the demands of the new economy. This is the preventive medicine, the longer term solution.

Thus, a crucial part of the strategic response to this economic recession is continued investment in drivers of long-term prosperity – entrepreneurship; clean tech/green/ sustainable initiatives; technology and innovation; place-making/quality of life; workforce development and global integration. Cities are taking action to strengthen these initiatives where already in place, or are trying new and innovative ways to advance them. To mitigate the effects of the collapse of the financial services sector, New York City is supporting entrepreneurship through providing low-cost incubator space, making available more than $8 million dollars in angel investments to local start-ups and opening a "VC connect portal." Meanwhile, Portland, Los Angeles and Kansas City are three of the cities focusing on developing "green industries" which are projected to be sources of jobs in the future.

You might not expect organizations and economic development professionals to be taking time to invest in themselves when there are so many demands on the ground. And yet they are. There is a surge in the number of economic development professionals taking courses or going through a certification program to enhance their skills. The International Economic Development Council (IEDC) offers courses in economic development. In 2009, over 500 people have taken courses in economic development and, as of May, this already surpasses the total number of people who took courses in 2008.

Why? The surge of interest is due to at least two factors, both of which are related to the climate of economic uncertainty. The first concerns the individual who wants to stay competitive and grow in the profession. The second concerns the economic development needs of the community. In this time of economic duress, there is unquestionably the need for new skills and more expertise to help steer communities on a better course for the future.

In 2009, the courses with the highest attendance have been Entrepreneurial and Small Business Development Strategies followed by Workforce Development and by Business Retention and Expansion course. It is clear that one of the ways we must get out of this economic crisis is to innovate out of it. Entrepreneurship and workforce development go hand in hand as tools that the economic development community now needs to help communities be more competitive.

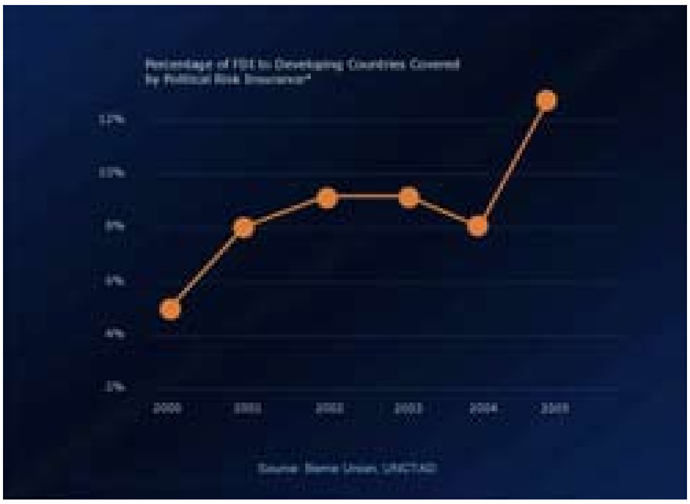
The conception and execution of short term and long term economic response strategies requires expertise. And the reality is there are learning costs. Unfortunately during this time of economic duress, in order to compete, communities need to be fast learners or they may get left behind. There are fewer deals out there and winning them means acting quickly and creating the best, smartest package of incentives and having the best, smartest baseline of assets to offer. This is where building capacity comes in. Value-added, skill-enhancing education can help lubricate the process of economic development by getting communities up to speed with the strategies they need, both short-term and long-term, to weather the economic times – both good and bad.

Political Risk Insurance and Investment Promotion

Against the backdrop of the global economic decline, investor perceptions of political risk are on the rise. Recent surveys and reports also show that most investors expect political risk to increase further over next five years. Coupled with the global economic recession, sharp declines in FDI flows and the re-emergence of "resource nationalism", investment promotion intermediaries (IPIs) face an uphill climb to attract foreign investors. However, powerful and innovative risk mitigation instruments in the form of political risk insurance (PRI) exist to help IPIs and their investor clients manage political risk in the calculus of investors and keep cross-border investment flowing. This article offers an overview of political risk and PRI, and suggests how IPIs can use risk mitigation instruments, such as PRI, to facilitate the investment process.

What is Political Risk Insurance?

Political risk insurance is a tool for businesses to mitigate and manage risks arising from adverse actions—or inactions—of governments. As a risk mitigation tool, PRI helps provide a more stable environment for investments into developing countries, as well as better access to finance. For investors, PRI helps reduce the risk profile of their envisaged projects, thereby increasing the probability of a better risk-weighted return. For lenders, PRI is often a prerequisite for investors to borrow money to fund projects in emerging markets. Purchasing PRI may also improve access to financing, increase the size of a loan, result in reduced interest rates, or lengthen the tenor of loans. As the chart below illustrated, increasingly larger percentages of FDI to developing countries are being covered by PRI which indicates a growing demand for non-commercial risk insurance.



Who Provides Political Risk Insurance?

The PRI industry is composed of private and public providers, as well as multinational entities, such as the World Bank's Multilateral Investment Guarantee Agency (MIGA). Private PRI providers, such as the Lloyd's syndicates, offer coverage for varying tenors and projects and are speedy in their project underwriting. Many public providers are national export credit agencies (ECAs), which cover both export credit/trade transactions, as well as longer-term investments. They may offer particular programs to support investors based in their country in line with their priorities and objectives. Multilateral agencies providing PRI also offer special programs to investment projects that promote their strategic goals, e.g. investments by small and medium enterprises, FDI by multinationals based in developing countries etc.

Which Risks Are Covered by Political Risk Insurance?

Common political risks covered by PRI are expropriation; breach of contract; war and civil disturbance; and currency transfer restrictions. The PRI industry is constantly seeking to develop new and innovative products and services to suit emerging needs of investors. For example, prior to the 9/11 terrorist attacks in the United States, only a handful of PRI providers – MIGA being one of them -- provided terrorism insurance, but terrorism coverage is now more widely available.

Why is Political Risk Awareness Important for IPIs?

Political risk is becoming more prominent as a factor determining the location of a project, and IPIs need to be aware of the consequences of such risk in business and investment decisions of multinationals. Today, a variety of political risk ratings indicate that a number of developing countries are associated with relatively high political risk and such perceptions can hinder significantly IPIs' efforts to target new investment. This may be more so in countries seeking foreign investment in their extractive sectors, or looking to develop or upgrade their infrastructure in partnerships between foreign investors and national or provincial governments.

Rather than ignoring adverse investor perceptions regarding the presence of political risk, IPIs must be in a position to address directly such concerns. This means, first of all, building an awareness of investor political risk perceptions and candidly assessing the extent to which these are valid. Such awareness will enable IPIs to discuss openly specific political risks facing their country with potential investors and respond appropriately on how these can be mitigated. IPIs should be in a position to help potential investors distinguish between political risks, typically covered by PRI, and commercial risks, especially when there is a fuzzy demarcation line between the two. In this context IPIs must also recognize that there is a cost involved in purchasing PRI, and how that features in the location decision process of the investor.

How Can IPIs Address Investor Concerns about Political Risk?

There are several ways for IPIs to address investor concerns. First, IPIs need to be familiar with the types of risk mitigation products available, such as PRI, how these relate to their countries' risk profile, and how relevant these are in addressing the concerns of investors. Second, IPIs must be familiar with providers of PRI and their eligibility criteria so as to direct potential investors to the right provider. Investors should be encouraged to contact various providers to find the coverage most suited to their specific risks and the risk profile of the destination country.

In this respect, it is important to be familiar with and draw upon the experiences of other investors in the country who have already purchased PRI. Third, IPIs must be familiar with their countries' PRI claims and investment arbitration record. This is also important for aftercare; foreign investors who have filed PRI claims would need a distinct approach to induce them to invest more in the country. Having an investor file a claim is not necessarily a bad thing since a satisfactory ending to a claim (or potential claim) can send positive signals to prospective investors about the proven ability of PRI to mitigate political risks in the country.

The PRI-Center: MIGA's Online Portal on Political Risk

IPIs first need to become familiar with how political risk factors into their countries' business environment. The Political Risk Insurance Center (PRI-Center.com) can serve as the starting point in learning about political risk and mitigation instruments in general, finding out who offers PRI and other services worldwide and access country pages containing risk ratings, news and relevant resources. IPIs can register to receive email alerts on new content, as well as the monthly PRI Briefing, an e-newsletter highlighting reports, news and events pertaining to political risk.

About MIGA

MIGA's mission is to encourage foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. MIGA fulfills this mandate by offering political risk insurance (guarantees) to investors and lenders. For additional information on political risk insurance, contact MIGA at migainquiry@worldbank.org .

GDP global Forthcoming Programmes

E-marketing for Investment Promotion

Thursday and Friday 9-10 July 2009
Kensington, London, UK

How E-marketing can increase the results of your Investment Promotion Agency by getting the most out of a small marketing budget!

This two day E-marketing course has been specially developed for Investment Promotion Agencies so as well as understanding the essentials of E-marketing you'll receive practical advice and methods to implement E-marketing in your organisation.

Day 1 de-mystifies E-marketing, what it is and how it can benefit your organisation. We'll take an in depth look at one of the essential tools of E-marketing: the website, and everything it comprises.

Day 2 is for those delegates who are already knowledgeable about websites. It offers an intensive programme which outlines the main E-communications channels and how to put together an effective communications plan.

Southern Africa International Investment Promotion Programme 2009

Tuesday to Thursday 14-16 July

East London, Eastern Cape, South Africa

This three-day programme is building on the annual GDP IPA capacity building programmes restricted for Southern Africa/SADC region.

The International Investment Promotion Programme is the most comprehensive and up-to-date training programme for executives for South Africa provinces available today. This programme is specifically designed to give investment and trade promotion professionals the "toolkit" to succeed. It also provides a complete grounding to newcomers in economic development. The programme features specialist training modules and 1:2:1 expert sessions on attracting, keeping and developing direct investment. Agency E-marketing is explored in depth.

Short piece of news...

The GDP Global's independent IPA Performance Benchmarking 2009/10 is now launched and registrations are taken until June 30. It's an accurate and affordable tool to obtain specific and honest understanding of an agency's performance. It is the prerequisite to better internal team processes, investor sales and servicing, and successful implementation of new promotion strategies. It's an independent audit of services and website. This programme focuses on the capabilities of national, regional and city investment promotion agencies in dealing effectively with foreign investor enquiries and in promoting their respective regions.

The 7th IPA Performance Benchmarking Report 2007/8 contains the results of investigations which were undertaken from October 2007 and December 2008. It can be obtained by IPA professionals by request.

A total of 40 IPAs representing countries, regions and cities from around the world were evaluated through 168 separate assessments. 13 emerging economy IPAs and 27 IPAs from the developed world took part in the programme.

3 agencies listed below performed to the highest global standards:

The World's Best Performing (World Leader) IPA, achieving an overall score in excess of 75% is Invest Brisbane. No agency has ever before achieved this overall standard. Invest Brisbane achieved the status of World Leader, due to overall very high standards of performance in every area. In particular the teamwork and personal commitment of Invest Brisbane staff produce outstanding results – a general evaluation score at the upper 80% level.

The two World Class IPAs, achieving performance ratings of 70-74.9% were Locate in Kent (UK) and Investment New Zealand.

In 2005/6 the world class agencies were Sheffield First for Investment (UK), Velocity Brisbane (Australia), Invest Northern Ireland and Invest Victoria (Australia).

The Global Best Practice IPAs, with performance ratings of 65-69.9%, were:

Invest Hong Kong, MIDAS – Manchester, Aderly (Lyon), Investment New Zealand,

Invest Victoria (Australia), Austrian Business Agency, Invest in France Agency, IDA Ireland, Scottish Development International, and SIEPA (Serbia).

What is WAIPA ?

The World Association of Investment Promotion Agencies (WAIPA) was established in 1995 and is registered as a non-governmental organization (NGO) in Geneva, Switzerland. The Association currently has about 250 member agencies from all over the world. WAIPA acts as a forum for investment promotion agencies (IPAs) to provide networking opportunities and facilitate the exchange of best practices in capacity-building and investment promotion. Membership is open to all agencies whose prime function is to promote any country or territory for investment.

What are the goals of WAIPA?

WAIPA aims to improve co-operation amongst IPAs on a regional and global scale and facilitate the exchange of experiences in attracting FDI. The objectives of WAIPA, as reflected in its statutes, are to:

- Promote and develop understanding and co-operation amongst IPAs;
- Strengthen information gathering systems and information exchange amongst IPAs;
- Share country and regional experiences in attracting investment;
- Help IPAs gain access to technical assistance and training through referrals to relevant agencies;
- Assist IPAs in advising their respective governments on the formulation of appropriate investment promotion policies and strategies.

Who are theinstitutional partners of WAIPA?

WAIPA's Consultative Committee comprises the following international and multilateral organizations:

- Foreign Investment Advisory Services (FIAS) of the World Bank Group,
- International Economic Development Council (IEDC),
- Organization for Economic Co-operation and Development (OECD),
- PROINVEST,
- United Nations Conference on Trade and Development (UNCTAD),
- United Nations Industrial Development Organization (UNIDO).

WAIPA shall establish working relations with organizations which have relevance to WAIPA's objectives.

Where do WAIPA members come from?

Afghanistan, Albania, Algeria, Angola, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bolivia, Bosnia-Herzegovina, Botswana, Brazil, Bulgaria, Cameroon, Canada, Cape Verde, Cayman Islands, Chile, China, Colombia, Congo (Democratic Republic or the), Costa Rica, Côte d'Ivoire, Croatia, Cuba, Curacao (Netherlands Antilles), Cyprus, Czech Republic, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guyana, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iraq, Iran (Islamic Republic of), Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Korea (Republic of), Kuwait, Kyrgyzstan, Latvia, Lebanon, Lesotho, Libya, Lithuania, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Moldova (Republic of), Mongolia, Montenegro, Morocco, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Oman, Pakistan, Palestinian National Authority, Papua New Guinea, Paraguay, Peru, Poland, Portugal, Qatar (State of), Romania, Russian Federation, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Slovakia, Slovenia, Solomon Islands, South Africa, Spain, Sri Lanka, Sudan, Swaziland, Sweden, Tajikistan, Tanzania (United Republic of), Thailand, Trinidad and Tobago, Tunisia, Turkey, Turks and Caicos Islands, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Vanuatu, Venezuela, Vietnam, Yemen (Republic of), Zambia and Zimbabwe.

For comments and submissions to WAIPA Newsletter please contact Mrs. Karine.campanelli at:
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