



VALE COLUMBIA CENTER
ON SUSTAINABLE INTERNATIONAL INVESTMENT
A JOINT CENTER OF COLUMBIA LAW SCHOOL AND
THE EARTH INSTITUTE AT COLUMBIA UNIVERSITY



World Association of
Investment Promotion
Agencies

Investment Promotion Agencies & Sustainable FDI: *Moving toward the fourth generation of investment promotion*

Jeanne Lapujade / ANIMA / Casablanca / June 2011



ANIMA Investment Network
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Context

- Survey undertaken by:
 - Vale Columbia Center on Sustainable International Investment (VCC)
 - World Association of Investment Promotion Agencies (WAIPA)
- Online survey of IPAs (members of WAIPA) in April-May 2010
 - Sent to 215 IPAs (members of WAIPA) located in 160 countries
 - Response rate of 23% (50 agencies) : 78% based in emerging markets
- Objectives : benchmark the position IPAs vis-à-vis sustainable FDI
 - find out the extent to which IPAs are familiar with sustainable FDI issues and to what extent and in what ways they factor these into their investment promotion strategies and investment attraction tools
 - identify whether IPAs use investment incentives to attract sustainable investment
 - gather examples of individual experiences of IPAs with investors who undertook sustainable FDI
- Report released in June 2010

Towards a 4th generation of investment promotion?

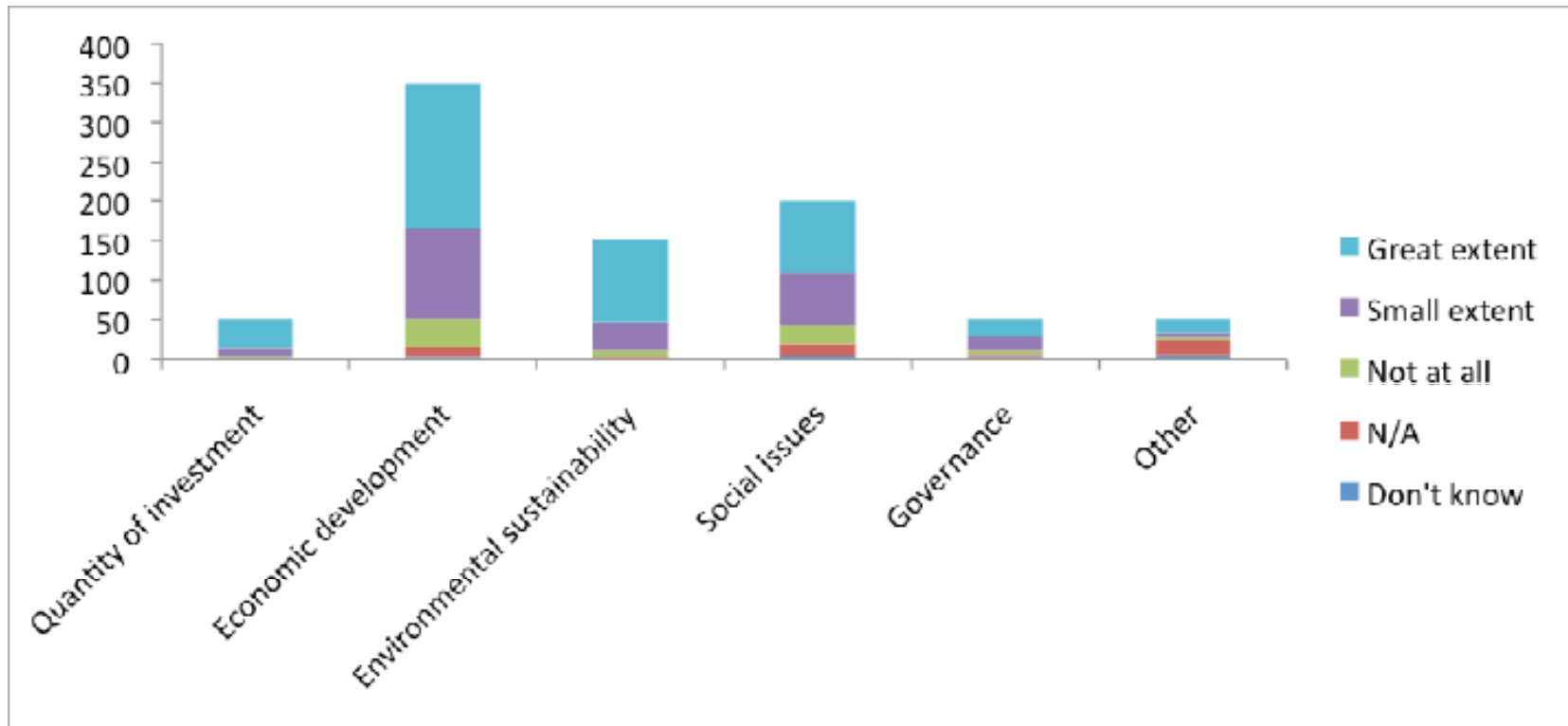
- Evolution of investment promotion functions and strategies over time
 - “First generation”: liberalization of FDI regimes and adoption of market-friendly policies
 - “Second generation”: establishment of IPAs to facilitate foreign investments
 - “Third generation”: targeting of specific industries (or even individual firms) that are deemed to be a good match for the host country (current stage)
 - “Fourth generation”: focus on attracting sustainable FDI?
- “Sustainable FDI”
 - Economic development
 - Environmental sustainability
 - Social development
 - Good governance

→ FDI that contributes to a host country’s sustainable development

The missions of an IPA

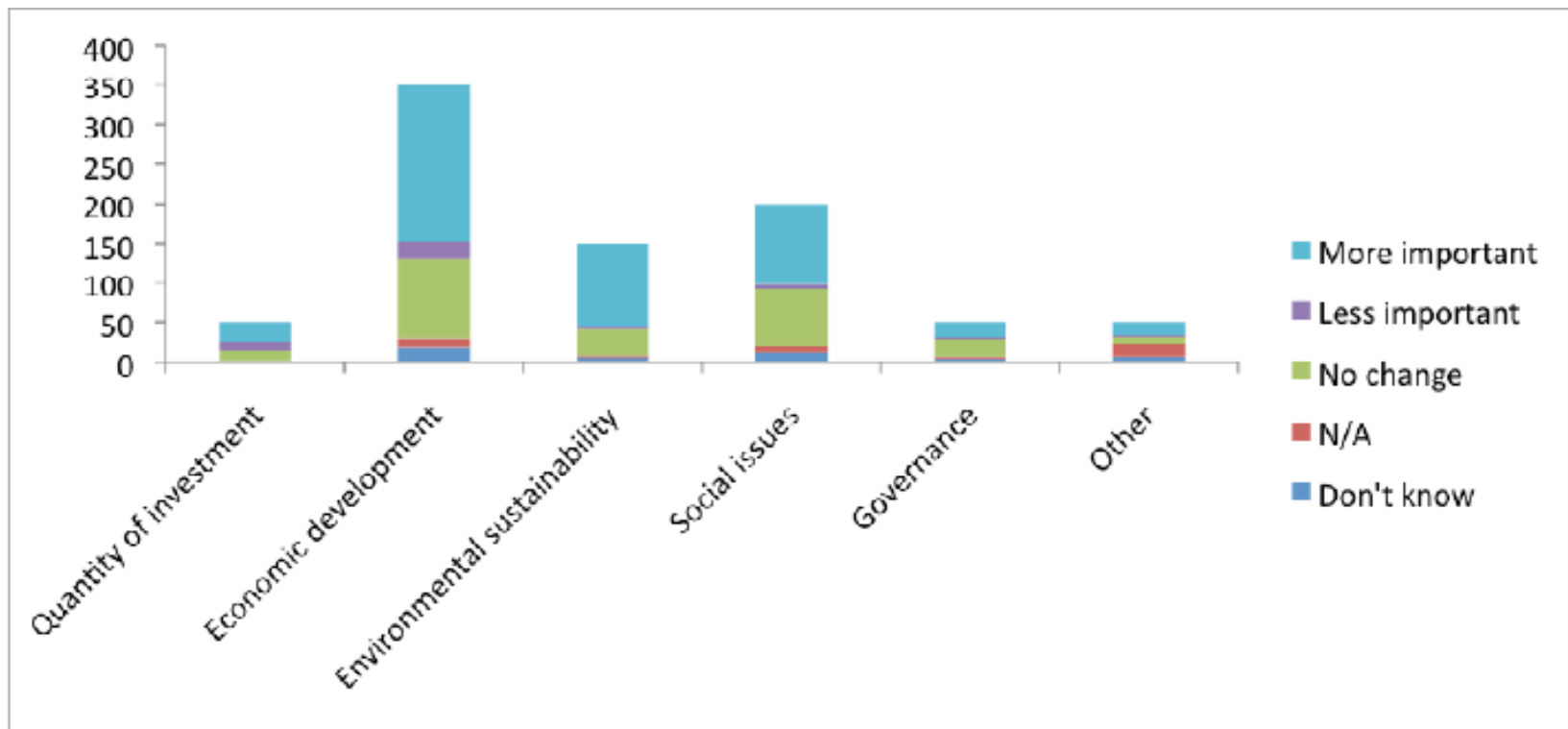
- Executing agencies of their host country governments
 - Insufficient autonomy to set investment policies and development goals themselves
 - Policy advocacy role however becoming more important
 - 1. Facilitators for foreign investors seeking to establish operations in the host country (one-stop shops)
 - 2. Generators of new FDI projects by targeting specific foreign investors overall, or in specific priority sectors that the country seeks to promote (apply the rights incentives)
 - 3. Image builders or developers of country brands used to market the country in order to attract FDI
- Focus on quantity rather than quality

To what extent do you consider the following sustainability dimensions in your investment promotion strategy?



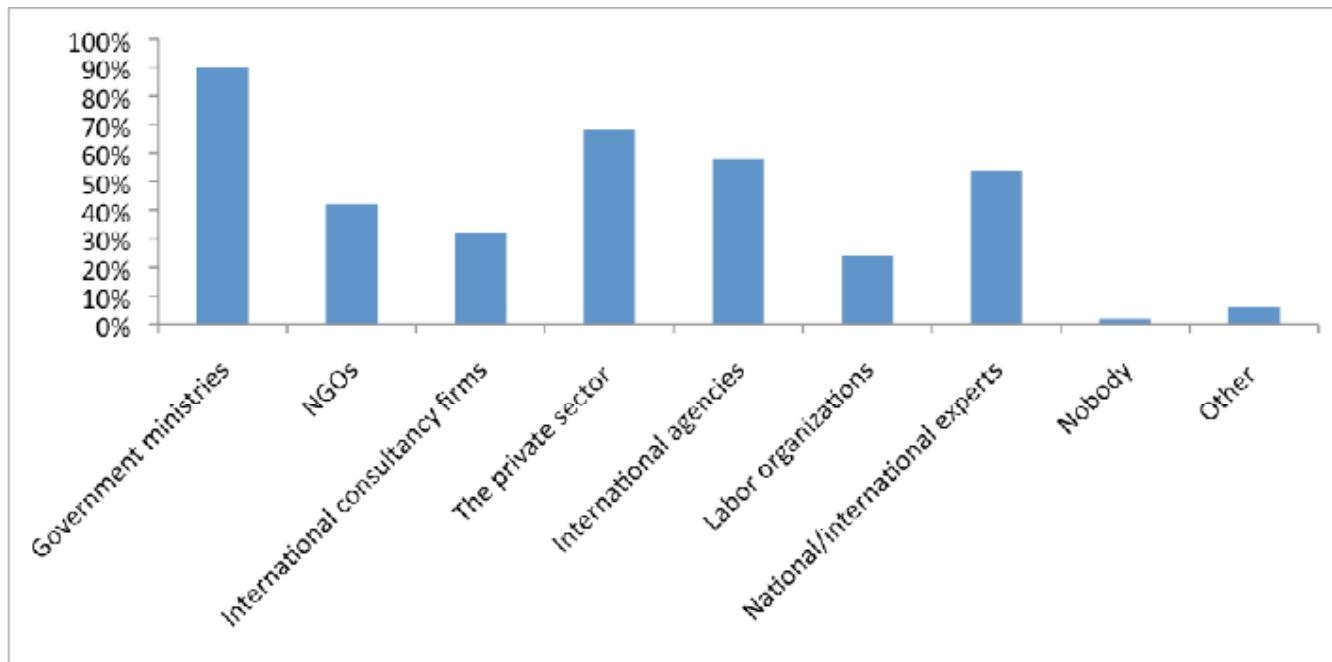
- Priority = Investment volume (job creation)
- Economic development dimension of sustainability

How do you expect the sustainability considerations to change over the next 5 years?



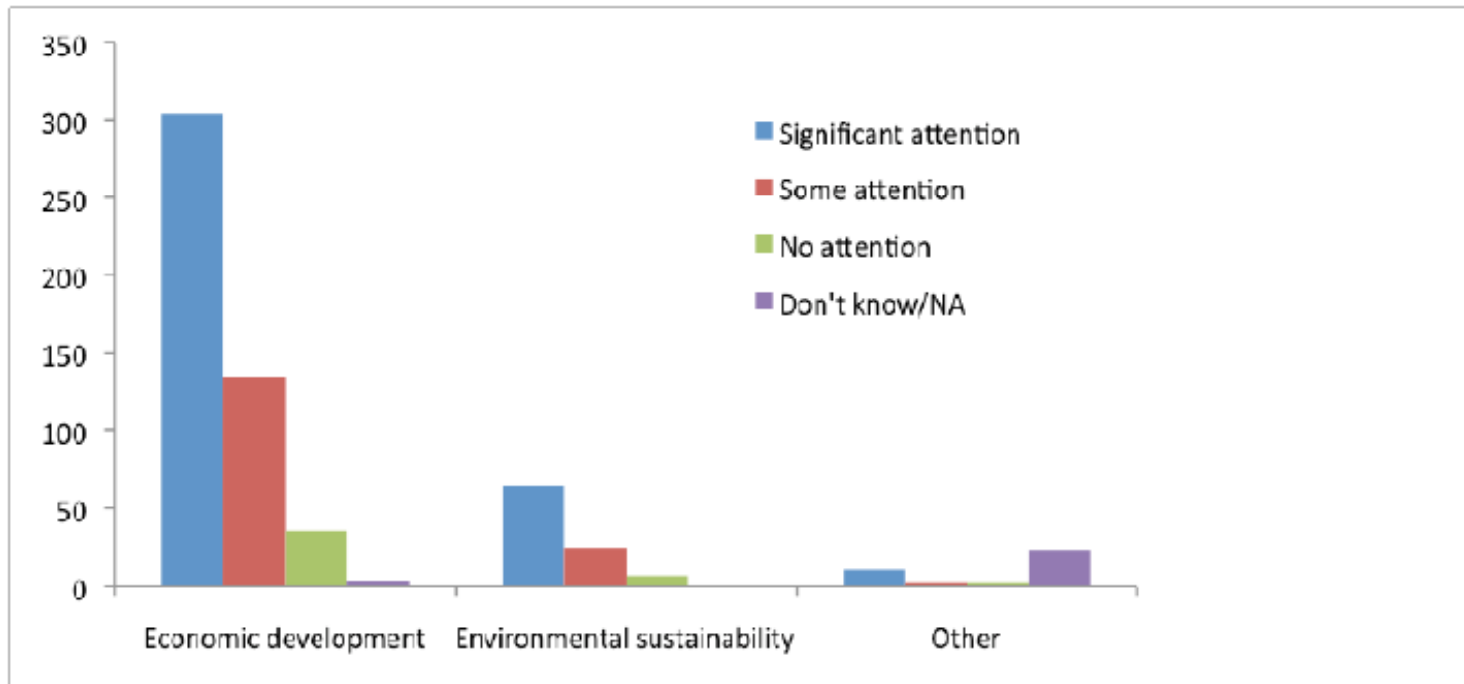
- Going forward IPAs expect all dimensions (except good governance) to become more important
- Especially economic development and environmental sustainability

When formulating your investment promotion strategy, who do you interact with primarily regarding sustainable development issues?



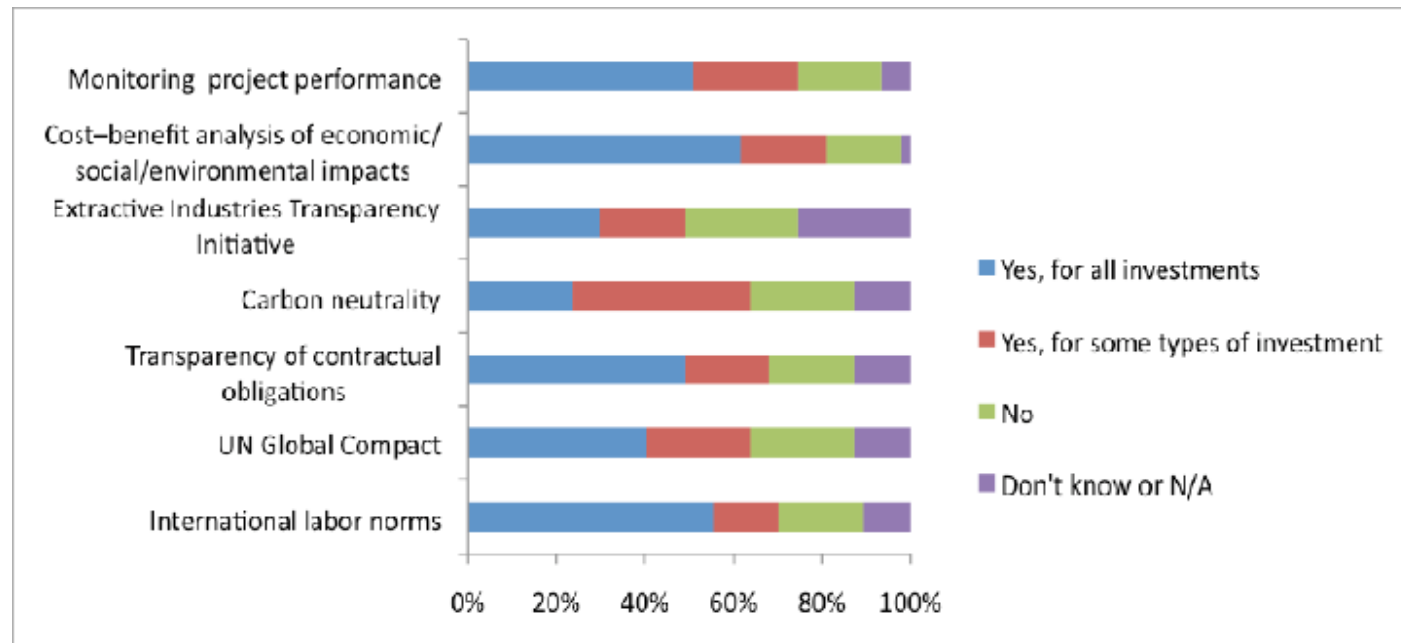
- Confer with government ministries or other government entities
- Consult with the domestic private sector
- Seek advice from international or national experts

When selecting priority areas/sectors, how much attention do you pay to the dimensions of sustainable FDI?



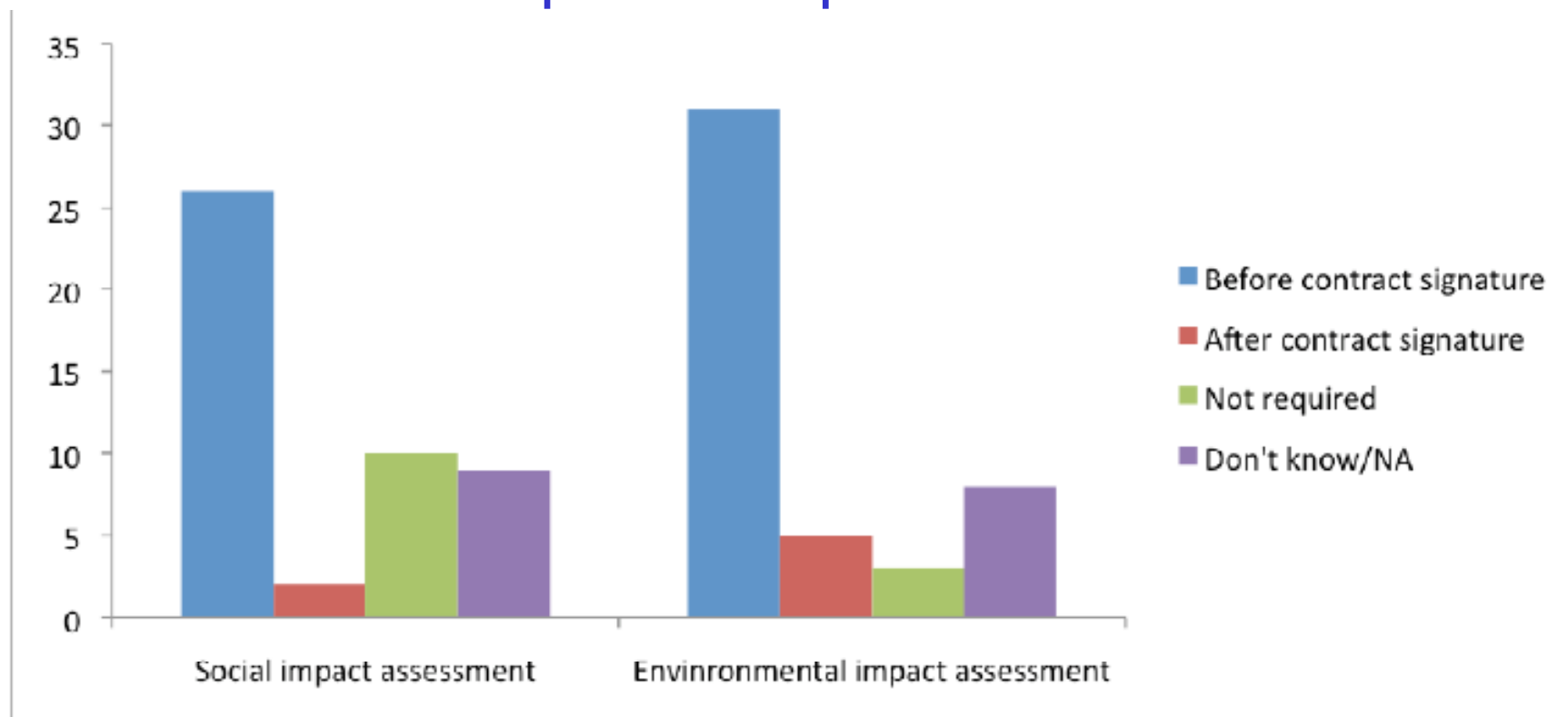
- Economic development factors at the forefront
- Significant attention to the environmental sustainability dimension also, though considerably less (“green” technologies)

Does your agency seek especially investments that adhere to any of the following standards/norms?



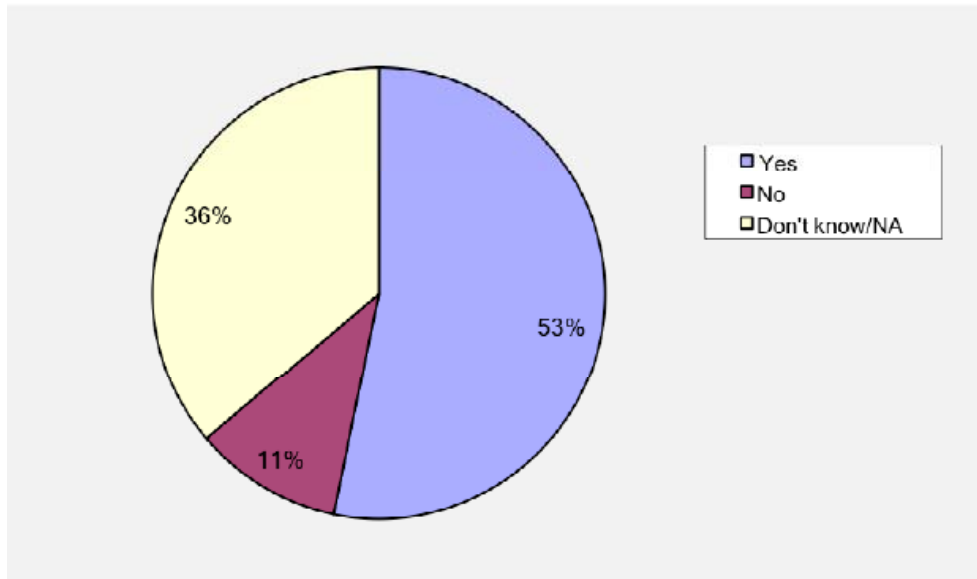
- IPAs more familiar with cost-benefit analysis and project monitoring and less with specific norms or standards
- Carbon neutrality to become a new priority
- Readiness to do away with standards in exchange for investment

At which stage in the investment approval process are investors required to provide assessments?



- Both social and environmental impact assessments for FDI projects in all or in selected industries
- Assessments at the project level = preferred way for IPAs to address sustainability dimensions (beyond economic development)

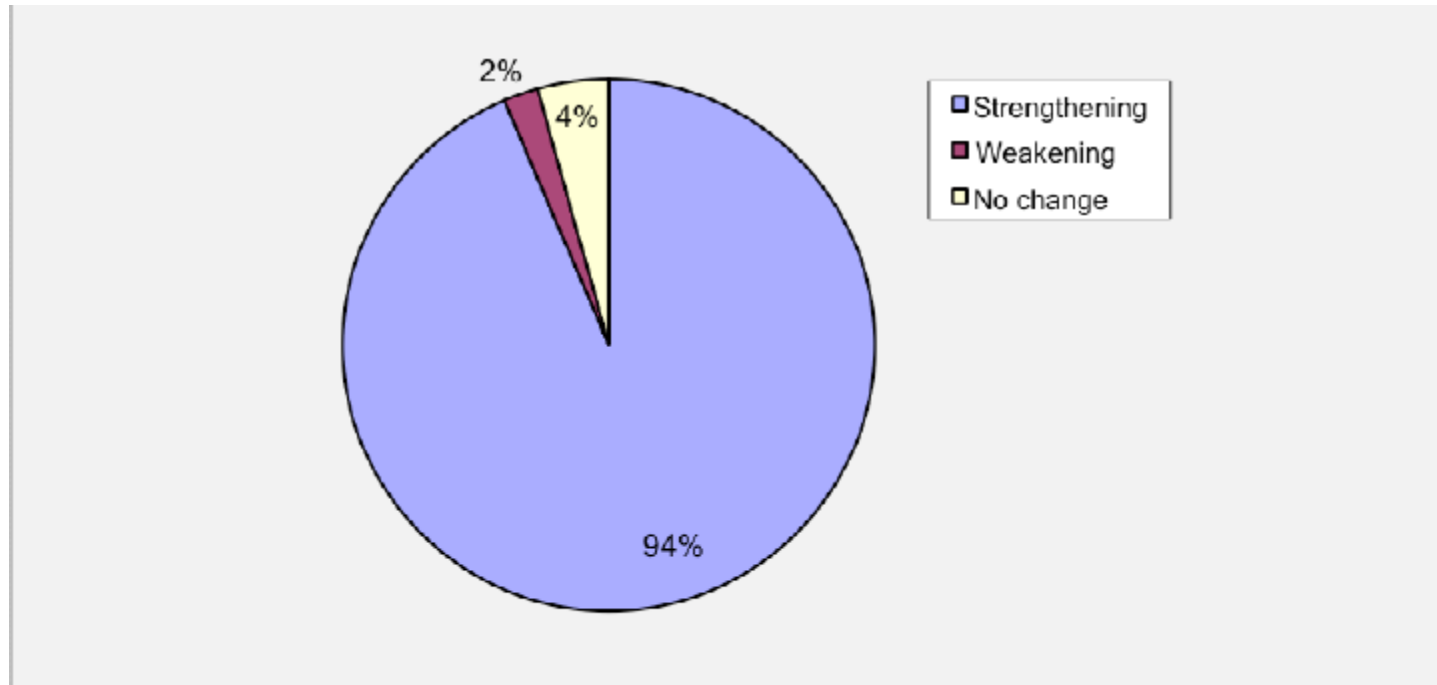
Do any companies that have invested in your country stand out in terms of contributing to sustainable development?



- Examples of sustainable FDI projects included:
 - multinational enterprises that had made large investments or had created considerable employment
 - firms that had engaged in “green” projects or philanthropy

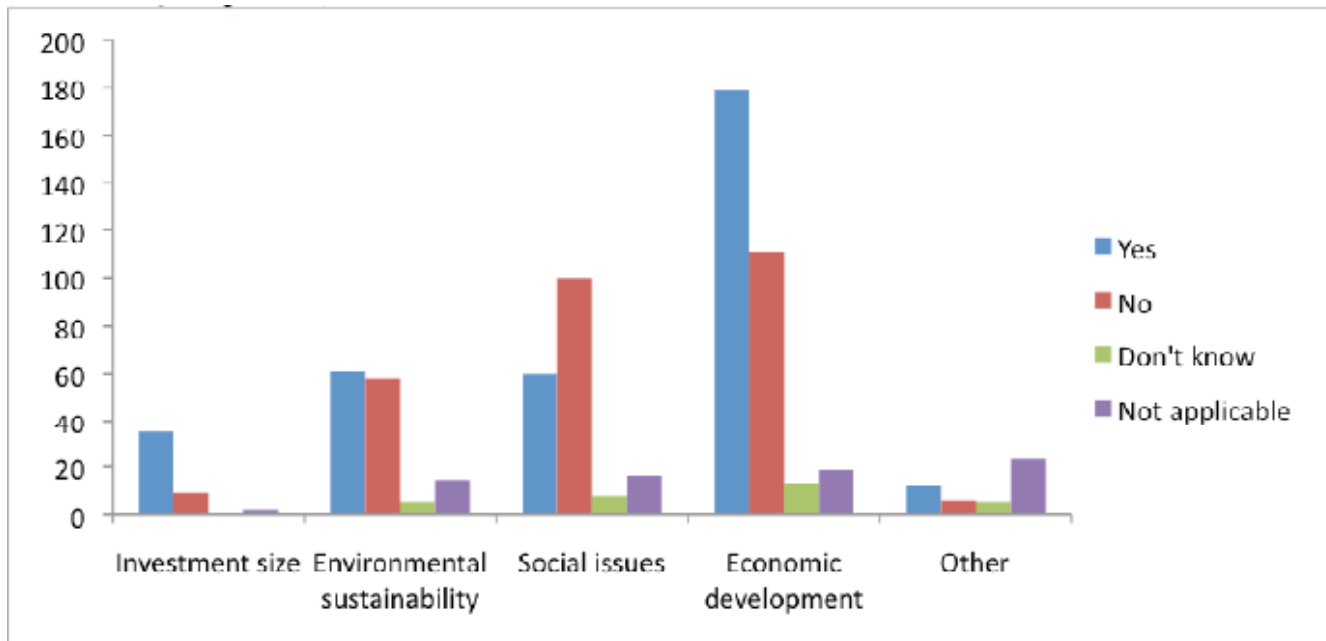
- Illustrations of positive contributions to one or more dimensions of sustainable FDI but not sufficient to characterize an investment as sustainable (holistic assessment across all four dimensions needed)
- Investment size = not a characteristic for sustainable investments

In what way do you see your policy advocacy role changing over the next 5 years?



- IPAs feeling constrained by what is stipulated in investment promotion acts, government policies or guidance by ministries
- Bigger say in formulating the national FDI policy agenda

Do you offer incentives to foreign investors for projects based on the amount of FDI or the dimensions of sustainable FDI?



- Investment incentives mirror the relative importance attributed to each dimension => economic development
 - Technology transfer, job creation, disadvantaged regions, etc.
 - Not surprising given budget constraints

Table 1: Different strategies for targeting sustainable FDI

TYPE OF STRATEGY	IPA/COUNTRY
Branding of the country	
Serious about environmental protection	Nigeria, Senegal, Seychelles, South Africa, Belize, Mexico, Sri Lanka, Indonesia, Thailand
Strict labour standards	Vietnam
Consultation with communities	Philippines
Technology transfer in policy or legislation	The Gambia, Nigeria, El Salvador, Peru, Philippines, India
Sustainable forest management	Kenya, Uganda
Advantages for CDM projects	Peru, Brazil
Incentives for FDI with economic benefits	
Investment in high technology to promote technology transfer	Libya, Tunisia, Angola, South Africa, Costa Rica, Sri Lanka, Fiji, Cambodia, Malaysia, Vietnam
Linkages between foreign and local enterprises	Angola, Trinidad Tobago, Solomon Islands, Malaysia (MIDA)
Incentives for FDI with social benefits	
Social benefits as one eligibility criterion for general incentive programme	Social/cultural wellbeing (Angola), Investment in areas with difficult socioeconomic conditions (Vietnam) Training (Solomon Islands, Gambia, Tunisia)
Tax concessions and grants for training	Libya, Botswana, Moçambique, Namibia, Nigeria, South Africa, Uganda, Chile, Sri Lanka, Trinidad Tobago, Malaysia
Incentives for FDI with environmental benefits	
Environmental protection as one eligibility criterion for general incentive programme	Egypt, Lesotho
Incentives specifically for environmental protection	Tunisia, Argentina (ADI), Cambodia, Malaysia, Vietnam
Clean technology/production	Algeria, China
Renewable energies	Algeria, the Gambia, Ghana, Argentina, Nicaragua, Malaysia
Waste management	Ghana (GIPC), Malaysia (MIDA)
Targeting investors committed to sustainable development	
Interested in companies with CSR policies	Solomon Islands (Commerce), Peru (PIPA)
Targeting sustainable sectors	

Promoting sustainable FDI

- 2008 IPA websites survey
 - About 50% of the websites surveyed provided information on general or specific incentives aimed at promoting FDI with environmental, social or economic benefits

Source: Grieg-Gran, Maryanne & Johanna Edlund (2008), "[*Attracting FDI that contributes to sustainable development: a review of current IPA practice*](#)", in IIED and WAIPA, eds. Responsible Enterprise, Foreign Direct Investment and Investment Promotion, p.20

Conclusions

- IPAs' experience and sustainability
 - The longer an IPA has been in existence, the more likely it is to move beyond facilitation to targeting sustainable FDI that contributes in terms of quality and not sheer volume alone

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 - The longer an IPA has been in existence, the more likely it is to move beyond facilitation to targeting sustainable FDI that contributes in terms of quality and not sheer volume alone
- Investment volume = not an objective on its own
 - Quantity alone does not ensure the potentially positive effects that FDI can have on sustainable development
- Linkages among the 4 dimensions
 - Directing investment to disadvantaged regions = greater economic opportunities in these regions + potential of reducing income inequality in the country => economic and social dimensions
- Reinforced policy advocacy mission
 - Bigger role in shaping the national policy agenda
 - Increased awareness of the potential contributions of sustainable FDI

Conclusions

- Sustainable FDI = new territory for many IPAs
 - Especially those that are still performing the more traditional tasks in investment promotion
- Proposed areas for extension of the findings of this survey
 - Investigating the structure of IPAs, as well as the monitoring and evaluation and reward systems in place
 - Examining investment promotion acts to review the framework within which IPAs operate (legislation, training, etc.)
 - Analysing if a trade-off between quantity and quality of FDI is likely to hamper the attractiveness of a location or whether there may indeed exist a “win-win” scenario for the host country
- Nascent steps toward 4th generation investment promotion
 - Growing awareness of the benefits associated with the quality of FDI
 - More can be done to accelerate that process



Merci

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