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NOTE

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PREFACE

UNCTAD recently launched a new series of publications entitled the *Investment Advisory Series*. The Series provides practical advice and case studies of best policy practice for attracting and benefiting from foreign direct investment (FDI), in line with national development strategies. The Series draws on the experiences gained in, and lessons learned through, UNCTAD's capacity- and institution-building work in developing countries and countries with economies in transition.

Series A deals with issues related to investment promotion and facilitation and to the work of investment promotion agencies (IPAs) and other institutions that promote FDI and provide information and services to investors. The publications are intended to be pragmatic, with a how-to focus, and will include toolkits and handbooks. The prime target audience for Series A is practitioners in the field of investment promotion and facilitation, mainly in IPAs.

Series B focuses on case studies of best practices in policy and strategic matters related to FDI and development arising from existing and emerging challenges. The primary target audience for Series B is policymakers in the field of investment. Other target audiences include civil society, the private sector and international organizations.

The Investment Advisory Series is prepared by a group of UNCTAD staff and consultants in the Policies and Capacity-building Branch, under the supervision and guidance of James Zhan.

The present issue is the first of the new Series A publications. It is based on the results of a 2006 survey on

aftercare services among IPAs, carried out by UNCTAD in cooperation with the World Association of Investment Promotion Agencies (WAIPA). We would like to thank the numerous officials from national and regional IPAs who completed the questionnaire and provided information on their agencies' practices in this regard.

The current study was prepared by Paul Wessendorp and Jan Smit (UNCTAD consultant), under the supervision of Nazha Benabbes-Taarji and James Zhan. Overall guidance was provided by Khalil Hamdani. The UNCTAD survey on aftercare services was carried out by Esther Ronner from Utrecht University. Inputs and advice were received from Rory Allan, Fulvia Farinelli, Torbjörn Fredriksson, Carlos Griffin, Frank Grozel and Fiorina Mugione from UNCTAD; and Emmanuel Hess, Director of Investment Support Services of the Costa Rican Investment Promotion Agency (CINDE).

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ABBREVIATIONS

AFI	Association for Foreign Investors (Czech Republic)
CINDE	Costa Rican Investment Promotion Agency
CRM	customer relationship management
DAC	Durban Auto Cluster
DTI	(United Kingdom) Department of Trade and Industry
EDA	economic development agency
EPZ	export processing zone
FDI	foreign direct investment
FIC	Foreign Investors Council (Serbia)
GAFI	General Authority for Investment and Free Zones (Egypt)
GGIP	Good Governance in Investment Promotion
HQ	headquarters
ICT	information and communication technology
IDA	Industrial Development Agency (Ireland)
IPA	investment promotion agency
KOTRA	Korea Trade-Investment Promotion Agency
M&As	mergers and acquisitions
MIGA	Multilateral Investment Guarantee Agency
MoU	memorandum of understanding
NAFTA	North American Free Trade Agreement
NGO	non-governmental organization
R&D	research and development
SCC	Serbian Chamber of Commerce
SEEDA	South East England Development Agency
SIDA	Swedish International Development Cooperation Agency
SIMS	Strategic Initiatives for Multinational Subsidiaries
SMEs	small and medium-sized enterprises
TNC	transnational corporation
UKTI	United Kingdom Trade and Investment
UNCTAD	United Nations Conference on Trade and Development
VAT	value added tax
VIP	Vojvodina Investment Promotion Fund
WAIPA	World Association of Investment Promotion Agencies

EXECUTIVE SUMMARY

The term “aftercare” means many things to IPAs. It is defined here as the range of activities from post-establishment facilitation services through to developmental support to retain investment, encourage follow-on investment and achieve greater local economic impact. It needs to be driven by the view of what TNCs need in the present and the future, and what the host economy needs from international companies in its territory. This is achieved through the development of a structured service offer that includes administrative, operational and strategic support to TNCs.

This study argues that aftercare should be a core function of IPAs and includes the results of a survey of IPAs' current aftercare activities.

Rising FDI stock in developing countries and growing numbers of established foreign affiliates present increasing servicing burdens for IPAs but also expanding opportunities to generate follow-on investment and to foster a developmental impact. Moreover, IPAs need to be aware of the changing strategic perceptions by TNC groups of the role of their affiliates. The rise in cross-border M&As also presents challenges in maintaining the profile of local affiliates within TNC groups.

The requirements for setting up and operating an aftercare unit are much the same as for any marketing activity; they include an understanding of the market and customer, a segmentation and targeting strategy, and the development of programmes and evaluation. However, in some key areas, aftercare differs significantly from the conventional marketing model, which poses some key challenges. Effective aftercare may require inputs from many organizations in the public sector over which the IPA has no formal control or authority, so a partnership approach, based on cooperation and collaboration, is essential. The sharing of

resources with such partners is also often needed to ensure effective account management strategies.

The study reviews a wide range of delivery options for aftercare services and the challenges involved. The challenges include establishing credibility at high levels in TNCs, moving aftercare onto a proactive footing, establishing good customer management systems and deploying capable staff backed by good Internet tools.

Finally, there is the issue of monitoring and evaluating results. Evidence suggests that this is a weak point in aftercare service design and delivery, and needs urgent attention.

INTRODUCTION

Defining aftercare

IPAs often have different understandings of what aftercare implies, as shown by the IPA responses quoted in chapter 2. The most complete definition is possibly that of Young and Hood¹ who define aftercare as “comprising all potential services offered at the company level by Governments and their agencies, designed to facilitate both the successful start-up and the continuing development of a foreign affiliate in a host country or region with a view towards maximizing its contribution to the local economic development”.

The value of this definition is that it incorporates both post-establishment facilitation services of the narrow kind defined by Dunning² and what can be termed development support activities. The latter aims directly to foster follow-on investment and to enhance the development impact of the investment.

Apart from the United States of America, where business retention and expansion has been a priority at the State level since the late 1970s,³ aftercare is relatively new and receives adequate attention in only a few countries. Little research has been done on aftercare services and even the revised version of “Marketing a Country”⁴ does not focus on the importance of investor servicing.

With this study, an attempt is made to fill the gap and provide an overview of practices and challenges in aftercare. Although it specifically targets IPAs, there are a large number of

¹ Young, S. and Hood, N. (1994): “Designing developmental after-care programmes for foreign direct investors in the European Union”, *Transnational Corporations*, 3(2), pp. 45–72, UNCTAD.

² (1992, p.27), in Young and Hood, 1994, p. 45.

³ Kotler, P, Haider, D.H. and Rein I. (1993), *Marketing Places*, The Free Press, Macmillan, p. 230.

⁴ Wells, L.T. and Wint, A.G. (2000); *Marketing a Country*, FIAS Occasional Paper 13, The World Bank.

Introduction

public institutions often involved in aftercare which can also benefit from this study, such as economic development agencies (EDAs), export processing zones (EPZs), industrial parks, investor service centres, investors associations and line ministries.

The aim of this study

The aim of this study is to consider how IPAs should approach TNCs that have established in their territory, with a view to ensuring their continued presence, growth and development in a way that is mutually beneficial to themselves and their host regions. The focus is on practical guidelines for aftercare that can be implemented in IPAs.

In support of this study, UNCTAD conducted, in cooperation with WAIPA, a survey of how IPAs worldwide approach aftercare. The findings of this survey are presented in the various chapters and in more detail in annex B. A copy of the questionnaire and a list of respondents to the survey are provided in annexes A and C, respectively.

Structure of the study

Chapter 1 considers the implications for aftercare of FDI trends and corporate responses to the changed international environment. Chapter 2 sets out the nature and scope of what is understood by the term aftercare, followed by the rationale and impact of aftercare programmes in chapter 3. In chapter 4, key elements in setting up and operating an aftercare unit in an IPA are set out. Challenges and best practices in chapter 5 are followed by conclusions in chapter 6.

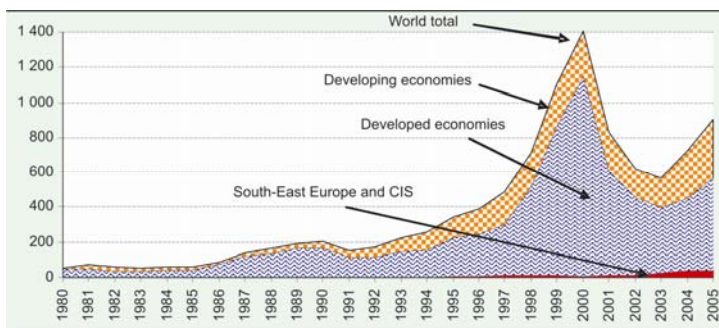
1. THE INCREASING IMPORTANCE OF AFTERCARE

In this chapter, two key developments that have an impact on the importance and conduct of aftercare activities are set out: (a) trends in the evolution of FDI flows and stocks, and the type of FDI financing; and (b) the related changes in the organization of international business activities.

1.1 FDI trends

Figure 1 shows the increasing flow of FDI since the 1980s. In 2005, total FDI inflows were \$916 billion, with \$542 billion (59 per cent) received by developed countries, and inflows of \$334 billion to developing countries, the highest level ever recorded. An important observation in analysing these figures is that mergers and acquisitions (M&As) make up a great portion of total FDI, with the number of cross-border M&A deals reaching 6,134 in 2005, with a total value of \$716 billion, or nearly 80 per cent of global FDI inflows. Within this global picture, the number of M&As involving companies in developing countries is also rising.

Figure 1. FDI inflows, global and by group of economies, 1980–2005
(Billions of dollars)

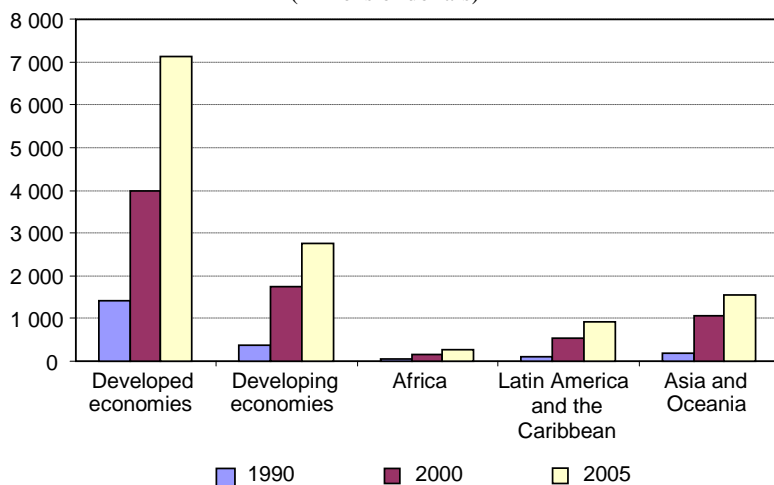


Source: UNCTAD, FDI/TNC database.

One consequence of rising FDI flows is that both developed and developing economies show a significant increase in FDI stocks since 1990 (figure 2). For Asia and Oceania, the

increase has been most significant, more than eight-fold between 1990 and 2005, from \$191 billion to \$1,550 billion. FDI stocks in Latin America and the Caribbean soared at nearly the same rate, while for Africa the increase has also been significant, but on a smaller scale.

Figure 2. Inward FDI stock, developed and developing economies, Africa, Latin America and the Caribbean, Asia and Oceania: 1990, 2000 and 2005
(Billions of dollars)



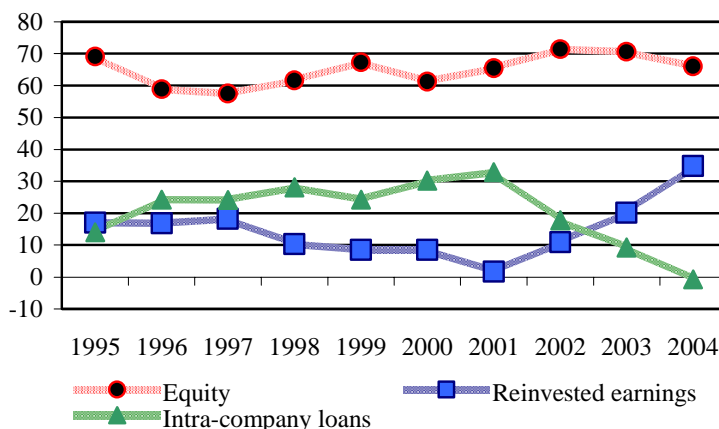
Source: UNCTAD, FDI/TNC database.

The increased stock of FDI has become a resource for new capital through reinvested earnings, but also sequential and associated FDI.⁵ Globally, reinvested earnings have contributed least to financing of FDI among the other two

⁵ In this context, *sequential FDI* is considered investment that follows an M&A or greenfield investment. *Associated FDI* refers to investment by supply companies.

components of equity and intra-company loans,⁶ although it appears to be increasing in importance (figure 3). This trend is reflected in the rising importance of reinvestment as a source of FDI in developing countries (figure 4).

Figure 3. Share of different financing components in world FDI inflows, 1995–2004
(Per cent)

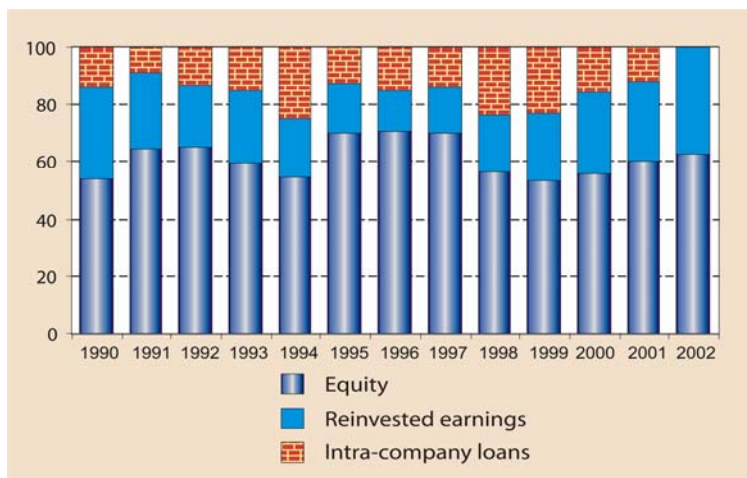


Source: UNCTAD, based on national sources and IMF Balance of Payment Statistics, CD-ROM, June 2005.

Note: Based on data only for countries for which all of the three components of FDI inflows are available. This number ranges from 66 to 110 between 1995 and 2004, accounting for an average of 87 per cent of total FDI inflows.

⁶ *Equity capital* is the foreign direct investor's purchase of shares of an enterprise in a country other than its own. *Reinvested earnings* comprise the direct investor's share (in proportion to direct equity participation) of earnings not distributed as dividends by affiliates, or earnings not remitted to the direct investor. Such retained profits by affiliates are reinvested. *Intra-company loans* or intra-company debt transactions refer to short- or long-term borrowing and lending of funds between direct investors (parent enterprises) and affiliate enterprises.

Figure 4. FDI inflows for developing countries by type of financing, 1990–2002
(Per cent)



Source: UNCTAD, based on IMF *Balance of Payment Statistics, CD-ROM, April 2004* and UNCTAD FDI/TNC database.

Note: Includes only the countries for which data on three components are available throughout the period 1990–2002.

1.2 The corporate context

TNCs have adopted new organizational structures and processes to deal with the changing international new business environment. There are two key areas which have major implications for the importance and conduct of aftercare by IPAs. Firstly, TNCs have tended to disaggregate value chains and to create increasingly specialized corporate functions to take advantage of the greater locational offering worldwide.⁷ Secondly,

⁷ Peters and Young suggest that product specialists are most likely to survive the current wave of restructuring, in "Introduction", *The Multinational Subsidiary*, Hood, N. (ed), Macmillan, 2003, p. 11.

with this spread of specialized corporate activities, “foreign subsidiaries”, whether controlled hierarchically or run separately as foreign fiefdoms, have been increasingly integrated into one corporate system, run as a network.

Well-documented examples of the nature and processes of corporate change in this context exist in the case of, for example, the United States-Canada Free Trade Agreements followed by the North American Free Trade Agreement (NAFTA), where researchers such as White and Poynter, and Birkinshaw⁸ have outlined implications for the management of foreign-owned subsidiaries in Canada of the changing North American market. Another well-documented example of the nature of corporate responses to a changed environment in FDI and trade flows is the case of United States investments in the United Kingdom by Young, Hood and Hamill.⁹

1.3 Implications for IPAs

These trends have at least three important implications for the aftercare activities of IPAs. First, the rise of established FDI, as reflected in the growing stock of FDI and the number of foreign affiliates, increases the aftercare servicing workload. Secondly, however, it presents more opportunities to promote additional and associated investment. Thirdly, the rise of cross-border M&As presents new challenges to maintain the profile of local affiliates.

The first implication is clear. With an estimated 770,000 foreign affiliates worldwide,¹⁰ the provision of aftercare services,

⁸ White, R.E. and Poynter, T.A. (1984); “Strategies for Foreign-Owned Subsidiaries in Canada”, *Business Quarterly*, pp. 59–69; and Birkinshaw, J. (2000); *Entrepreneurship in the Global Firm*, Sage.

⁹ Young, S., Hood, N., and Hamill, J. (1988); “Foreign Multinationals and the British Economy”, Croom Helm, London.

¹⁰ UNCTAD, FDI/TNC database.

Chapter 1. The Increasing importance of aftercare

even of the most basic facilitation kind, is a challenge. On the other hand, the growing stock of FDI and the expanding affiliates' base present opportunities for development support, including the fostering of reinvestment. It is possible that developing countries are not yet using this opportunity to the same extent as developed countries.

Some experts estimate that there are periods in which for certain regions, especially in developed countries, up to 70 per cent of investment is linked to the existing investment base. For Singapore, data show that 60 per cent of investment comes from foreign companies already present in the country.¹¹ These figures could be considerably lower in less developed regions. In the survey on aftercare,¹² which covered mainly developing economies, respondents estimated on average that 32 per cent of inward FDI came from reinvestments.

However, foreign affiliates often have to lobby¹³ at headquarters and compete against other subsidiaries in their networks to secure that investment. In such an environment, for subsidiaries to grow and move up the value chain, they may have to take control over their own destinies to move from branch plants or implementers to being active subsidiaries, specialized contributors or strategic leaders with a future in the corporate

¹¹ Spee, Roel (2005), "Making the Right Offer" in "What's Next? Strategic Views on Foreign Direct Investment", Invest in Sweden Agency, WAIPA & UNCTAD, p. 118; and "Full Service", fDi Magazine, 5 April 2004 (www.fdimagazine.com).

¹² In this study, the 2006 UNCTAD-WAIPA survey on IPA aftercare is referred to as "survey on aftercare".

¹³ In a 2004 survey undertaken by UNCTAD and Roland Berger Strategy Consultants (RBSC) on the offshoring of services among the largest 500 European TNCs, as many as 40 per cent of respondents stated that factors beyond pure benchmarking affect their offshoring decisions, including internal lobbying by their own foreign affiliates, *World Investment Report 2004*, p. 196.

network.¹⁴ This makes the work of aftercare activities increasingly important in retaining and adding value to established investors.

Finally, in the context of the great wave of FDI through M&As and the extensive resulting restructuring and reorganization of operations, it is ever more important for IPAs to work closely with foreign subsidiaries in their region. This is to ensure that they are better embedded and provide value to the TNC networks of which they are part so that they do not become the objects of downsizing or closure. Traditionally, M&A transactions have remained outside the scope of most IPAs' field of activities, but in view of the extent of restructuring and reorganization that has followed the boom in cross-border M&A activity, IPAs cannot distance themselves completely from the implications of such restructuring. This also has implications on whom to access, and how to access such corporate managers and executives. In sum, it needs effective aftercare.

¹⁴ See in particular the work of Julian Birkinshaw, e.g. *Entrepreneurship in the Global Firm*, Sage, 2000 and Delaney, E. "Strategic Development of Multinational Subsidiaries in Ireland", in Birkinshaw, J. and Hood, N. (eds) (1998); *Multinational Corporate Evolution and Subsidiary Development*, Macmillan.

2. NATURE AND SCOPE OF AFTERCARE ACTIVITIES

2.1 What does aftercare entail?

The Introduction has already provided a working definition of aftercare. However, practitioners working in the field of FDI promotion are often surprised by the different things that aftercare can mean to different IPAs and their public and private sector partners.

By way of example, respondents to the survey on aftercare listed the following as illustrations of aftercare activities:

“Support was provided to a local subsidiary of a major international company to win a contract for the supply of components for a substantial capital goods product. The IPA assisted the local subsidiary in demonstrating that the region had the capability (infrastructure, supplier base, skilled labour) to service the contract and, in addition, provided a financial support package.”

“A company was intending to announce bankruptcy, but through the IPA’s database and connections, investors were identified....”

“The IPA established a linkages programme after recognizing that investors were not benefiting from a structured system of sourcing materials from local producers.”

“Creating new leads for expansion projects for multinational companies.”

“Fast track land provision.”

“Continues facilitation of immigration formalities and the establishment of a technical committee to resolve implementation problems for major projects.”

Chapter 2. Nature and scope of aftercare activities

“Expansions, reference visits for newcomers, active role in social events...”

Aftercare should include both facilitation services for existing investors and development support and these activities should mirror the corporate evolution of foreign affiliates. In the next sections, an analogy and a model of corporate development are presented to illustrate this.

2.2 Private sector analogy

To make sense of this heterogeneity, it is worth taking a step back to consider what exactly aftercare is about and looking at it from a slightly different perspective. The IPA can be seen as the sales and marketing department of a region or country. The role of aftercare activity is then like the after-sales activity of a private firm, aimed at customer satisfaction and encouraging repeat purchases.

Take, for example, a sales outlet in the automobile industry. The company sells a small used car to a student. It stays in touch with the buyer so that when she gets a job, she comes back to buy her first “proper car” from them. The company also assists her in obtaining a loan to help pay for her new car. When she gets married or promoted, she buys a larger, better model, or a sports car. When the couple starts a family, they trade the sports car in for a family model. When their children go to university, the company provides the students with a cheap old car, and so on. A classic example of the success achieved by just such a car salesman is presented in “In Search for Excellence” by Peters and Waterman.¹⁵

¹⁵ Peters, T. J. and Waterman, R.H. (1982); In Search of Excellence, Warner, p. 157.

What this example demonstrates is that as buyers (in our case TNCs) go through their life cycles, their needs change. The needs of the owners and managers of firms change, as the organizations they operate develop. The challenge for the IPA's aftercare activity is to anticipate the needs of that organization, the established TNC, to encourage it to move along a development path, and to ensure that it will meet the TNC's needs in a way that satisfies those of the host region as well. It is important in this respect that there is a rationale driving the aftercare programme, a desired overall goal to attain, not just the pursuit of an ad hoc range of activities.

2.3 The corporate development path

A useful model of subsidiary development that provides a rationale for aftercare has been developed by Delaney¹⁶ based on work by White and Poynter (1984) and fieldwork undertaken in Ireland. This formed the conceptual foundation for the Irish aftercare approach, called Strategic Initiatives for Multinational Subsidiaries (SIMS). Delaney identified eight stages in subsidiary development. At each stage, the corporate development needs of the foreign subsidiary are different, and in effect require a specific support service package from the IPA's aftercare division. The further task of the aftercare provider is to provide further targeted support to ensure that the subsidiary moves to the next stage. Delaney's eight stages for subsidiary development are:¹⁷

1. Establishing start-up;
2. Carrying out the basic mandate satisfactorily;
3. Performing the basic mandate in a "superior" way;
4. Extending the basic mandate — low-risk moves;

¹⁶ Delaney, E. (1998), "Strategic Development of Multinational Subsidiaries in Ireland", in Birkinshaw, J, and N. Hood (eds.) (1998); *Multinational Corporate Evolution and Subsidiary Development*, Macmillan, London.

¹⁷ Delaney, E. (1998), pp. 257–261.

Chapter 2. Nature and scope of aftercare activities

5. Extending the basic mandate — strategic development;
6. Becoming a strategic centre for the TNC — centre of excellence in its corporation;
7. Becoming a strategic pivot for the TNC for key activities — world centre of excellence in its corporation; and
8. Becoming a strategic apex for the TNC — a stand-alone strategy-making unit of the corporation.

Another example is that developed by Birkinshaw for Sweden.¹⁸ The principle stays the same: aftercare must be targeted to the longer-term development needs of the organization and the host region, not just delivered in sporadic, ad hoc acts aimed at resolving immediate issues. Aftercare should be strategically informed, not emergency “fire-fighting” or passive provision of information.

2.4 Categorizing aftercare services

To structure the wide range of services that an IPA could offer under the heading of aftercare, it can be useful to group them under three headings: (a) administrative services; (b) operational services; and (c) strategic services.¹⁹

Administrative services enable operations and include:

- Obtaining permits and permissions to operate or expand;
- Obtaining work permits for foreign nationals or spouses;
- Help in finding homes for transferred staff or schools for their children; and
- Introductions to providers of services such as banking, legal and accounting services, or property agents/brokers.

¹⁸ “Foreign-Owned Subsidiaries and Regional Development: The Case of Sweden”, in Birkinshaw, J, and N. Hood (eds.) (1998).

¹⁹ The distinction is based on the work of Igor Ansoff (1987); *Corporate Strategy*, Penguin, pp. 22–24.

Operational services support the effective and efficient operation of the TNC. These include:

- Support for training;
- Help with export promotion;
- Obtaining larger premises for expansions;
- Identifying local suppliers;
- Helping an established TNC build a business case to present to the parent firm for new investment into the host region; and
- Developing cluster organizations or other networks to improve productivity and competitiveness.

Strategic services are those that impact on the future direction of the firm, the development of new capabilities and the corporate development path in the host region. These services are aimed at ensuring that the TNC stays in the region and continues to grow and expand there, as well as upgrade operations to higher levels of added value. Examples of such strategic services include:

- Encouraging and supporting the development of new, upgraded, higher value added products and services of strategic value to the firm's network;
- Nurturing local suppliers to international standards;
- Linking the senior managers and directors of the TNC into high-level and national policy and influencing networks;²⁰ and
- Policy advocacy activities.

²⁰ In the United Republic of Tanzania, through the Tanzania National Business Council (TNBC), which is chaired by the President of Tanzania, business leaders, including foreign investors, have access to high-ranking government officials to discuss issues of common concern with respect to the socio-economic development of Tanzania, in particular private sector development and foreign investment.

2.5 The aftercare service space

The scope of these various services that fall under the caption of “aftercare” can be illustrated in terms of the diagram in figure 5. It is not intended to be exhaustive or fully inclusive, but offered by way of illustration, and can be called the “aftercare service space”. On the vertical axis, the types of service are listed; on the horizontal axis, time is listed.

This chart makes it clear why different IPAs may have different views of what they consider to be aftercare, as they may be focusing on one specific area in the wider service space. It is also clear that the time dimension (how long the IPA has been established) has an impact on the nature of the service to be delivered.

Figure 5. Aftercare service space by type of service and timeframe

The aftercare service space				
Type of Service	Strategic	<i>Establish firm so that it operates successfully and performs its mandate</i>	<i>Competition legislation, product development, R&D capabilities</i>	<i>Services that support firms in becoming strategic leaders, centres of excellence</i>
	Operational	<i>Find office space, factory, recruit staff, help install ICT equipment, power, etc.</i>	<i>Staff training, new premises, improved connectivity, local supply chains</i>	<i>Local R&D, university collaboration, strong relationships with unions</i>
	Administrative	<i>Obtain visas, import permits, work permits for spouses, operate in free trade zone</i>	<i>International school, obtain food, drugs and administration approvals</i>	<i>Agreement with tax authorities, collaborate with public sector on planning and transport</i>
		Short term	Medium term	Long term
		Time		

This has also led to different institutions giving their aftercare programmes different focuses of attention. For example:

- In China, a large number of cities, including Beijing, Shanghai and Tianjin, operate Investment Service Centres, which typically provide the type of assistance classified in figure 5 under short- and medium-term administrative and operational services. The Beijing Investment Service Centre, for instance, helps both domestic and foreign firms in their establishment phase in dealing with the different local and national authorities, in obtaining office and residential space, in recruiting and training local staff, and in providing advice on legal and technical issues.
- A growing number of IPAs in developing countries maintain post-establishment services. CINDE, well known for its success in investor targeting, now operates an aftercare service programme for investors. Information on this programme can be found in box 1.
- A good illustration in which an academic institution has played a key role in the first stages of an initiative that helped develop an industrial cluster and consolidate TNC operations comes from a case in South Africa. The Durban Auto Cluster (DAC) has supported small and medium-sized enterprises (SMEs) to upgrade their performance, enter the network of supplier companies and establish TNC linkages (see box 2). This example demonstrates that aftercare can include and overlap with other initiatives, some of which may be driven by the IPA, some of which may be driven by other institutions, for example clustering, or in the case of CINDE (box 1), with policy advocacy.

Box 1. Costa Rican Investment Promotion Agency (CINDE)

CINDE is one of the leading investment promotion agencies in Latin America, with a good track record and well-documented success stories in investor targeting.

The agency's mission statement not only highlights the organization's role in attracting FDI to Costa Rica, but also its commitment to quality services for investors and its responsibilities as a facilitating agent. On its website (www.cinde.org), one can find information on CINDE's post-establishment services, which include specialized support to companies that wish to expand operations in the country or diversify their product ranges. The service expands to networking support with other companies and institutions in the country and the organization of informative seminars on issues of interest to investors. The support could also involve CINDE's office in New York, which is in direct contact with United States-based headquarters of companies operating in Costa Rica.

The aftercare service also includes consultations with the business community on the frequency and degree of difficulty of obstacles encountered by investors. Recurring problems are presented to the relevant authorities and the process of removing identified obstacles is monitored by CINDE-coordinated, sector-specific working groups especially established for this purpose. When a desired set of outcomes occurs from this process, workshops are organized to inform businesses of the new changes in policies and regulations.

Two successful aftercare cases recorded in 2006 include (a) the publication of a decree that opened the possibility for manufacturing companies to temporarily introduce moulding equipment into the premises of small and medium-sized local suppliers; and (b) the creation of a special migratory regime for TNC executives and their families that fast-track a series of procedures related to the granting of visas, temporary residencies and working permits.

As noted on the CINDE website, the strategy behind these efforts is to establish strong relationships with the investor community in Costa Rica, anticipating their needs and problems, and to ensure client satisfaction.

Source: UNCTAD & CINDE.

- United Kingdom Trade and Investment (UKTI) has an “Investor Development” programme which is aimed at helping established investors grow, expand and add higher value added activities to their United Kingdom-based operations. A subregion in London operates a “Business Development” programme to support growth and expansion of firms, in collaboration with Think London, a subnational IPA.

Box 2. The Durban Auto Cluster (DAC)

The DAC is an example from South Africa of a partnership between an academic institution, the private sector, and national, provincial and local Governments to develop an integrated supply network in the automotive industry. A key role in the early stages of the initiative was played by the University of Natal (now University of KwaZulu–Natal) during the late 1990s, in which it participated in a series of pilot competitiveness benchmarking activities with a number of local automotive components producers.

These activities, and the subsequent development of a cooperative working relationship between researchers and the firms, led to a decision in 2000 to form DAC with public funding and an initial provincial-wide membership of 30 automotive-related manufacturing firms, including local SMEs and TNCs. The DAC business plan included benchmarking of club members and working groups on logistics to reduce costs and bottlenecks, human resource issues and matters related to supply development.

Research has indicated that the DAC initiative had a significant impact on TNC–SME relationships in the automotive industry in KwaZulu–Natal. The initiative has enabled smaller firms to meet global quality standards, supported SMEs in entering the network of supplier companies in the automotive industry, and ultimately helped embed TNCs into the local economy.

Source: UNCTAD, “Strategies and Policies for Promoting TNC-SME linkages in South Africa”, in *Best Practices in the Promotion of Business Linkages from a Policy Perspective* (forthcoming).

Chapter 2. Nature and scope of aftercare activities

- In the 1980s, the state of Michigan in the United States established a “Business Retention” programme, to ensure that existing investors (both foreign and indigenous) did not relocate elsewhere in the United States.
- The Industrial Development Agency (IDA) of Ireland developed a well-structured programme of strategic services, called SIMS (see section 2.3), which aims at engaging with TNC subsidiaries from start-up through a process in which they become key players in the network of corporate subsidiaries of the TNC, to provide targeted support at each stage of that process, and to assist the firm in the further development of operations in Ireland.

It is important that an IPA that considers establishing or already operates an aftercare programme clearly defines whether it is going to focus on one or a few parts of the service package, or if it is going to develop a fully-inclusive and integrated aftercare service. This is a key decision, as it will have organizational and resource implications and influence the mix of organizations it is to collaborate with, both in developing objectives and in organizing delivery. Whatever choice the organization makes, it must develop and prepare its service offering in a professional manner, and be prepared to modify its service offering over time as the inward investment world is dynamic and TNCs’ needs and expectations change accordingly.

3. RATIONALE FOR AND IMPACT OF AFTERCARE PROGRAMMES

IPAs have traditionally focused on attracting and facilitating new investment. As the survey on aftercare (see annex B) indicates, this is still very much the case. According to survey respondents, only 10 per cent of IPA resources are allocated to aftercare, while in a related survey question, generation of reinvestments and expansion of existing investment is given a relatively high priority compared with other IPA activities. Respondents estimate that, in their regions, on average 32 per cent of FDI comes from reinvestment.

There may have been good reasons for the focus on promoting new investors to attract new firms, due to the absence of firms in the first place, or the need to build on the base of established TNCs by finding new investors to provide more employment, access to new technologies or generate other spillover effects. In this context, “aftercare” has often been seen as an “afterthought”. However, as indicated in chapter 1, after the 1990s, as companies have restructured to make use of new locational opportunities, and with regions having a larger base of established investors, aftercare has received more attention.

In developed economies, since the 1970s, regions have attempted to retain existing investors that might relocate to lower-cost locations or at least retain those activities that are not subject to strong cost pressures. At the same time, there have been efforts to build new capabilities and move activities higher up the value added chain to make them less subject to cost pressures and relocation.

In developing economies with increasing inflows of FDI, there has been recognition of the need to embed firms and ensure that the benefits and positive spillover are realized and maximized. This includes, for example, building local supply chains and

Chapter 3. Rationale for and impact of aftercare programmes

supporting research and development (R&D) that goes beyond adapting products to the local market.

However, the rationale for aftercare does not rest solely on an economic development and impact argument. There is also a strong business case for aftercare, based on effective deployment of IPA and, ultimately, public resources. These two arguments, which could be called the business case and the economic development case for aftercare, reinforce each other. They are presented in more detail below.

3.1 The business case for aftercare

From the point of view of the effective deployment of resources, the IPA can be seen as a specific type of “professional services organization”, and there are well-established reasons for a business development strategy based on existing customers in such a context.²¹

Established TNCs are, in a sense, a “captive audience”. It is up to the IPA to reap the benefits of the foreign companies already established. It is probable that these firms have existing relationships with the public sector and the investment promotion authorities. Therefore, there is something to build on. In addition, established TNCs often have an interest in working with the public sector in the host location, for example, from the point of obtaining grants and accessing other forms of business support, or even just to air their views on various matters. They can also identify key barriers to inward investment and thereby provide valuable inputs to the policy advocacy activities of the IPA.

²¹ See Maister, D. (1993); *Managing the Professional Services Firm*, The Free Press, Chapter 9.

With respect to budget considerations, aftercare design, development and delivery are not as costly as winning new clients through promotion and marketing teams that travel abroad. From the point of view of the IPA's human resources programme, contact with established TNCs through aftercare provides a good training ground for IPA staff, and supports skills development and motivation.

A growing body of private reports and public research supports the view that the potential for IPAs to influence location selection decisions can be limited.²² The emerging view is that the area where an IPA can add most value is in the facilitation of establishment, acting as "trusted advisor".²³ This includes introducing TNCs to local networks and helping them to establish more quickly, possibly with a greater scale and wider scope than would have been the case otherwise, and helping or ensuring that they expand and add value within the host region. Activities such as these fall very much within the scope of what is considered aftercare.

A satisfied TNC will spread the news and do a great deal of good for the IPA and the host location in corporate networks, which are often very difficult for IPA staff to access. The TNC will do the marketing for the IPA. Of particular importance for regions that may be experiencing problems as regards image and perception is the fact that satisfied TNCs established in their regions may allow or facilitate for promotional purposes the IPA's access to networks, such as industry and trade associations, within

²² Department of Trade and Industry (DTI) (2000); Evaluation of the DTI Funded Elements of the Invest in Britain Bureau, London; and, Department of Trade and Industry (2006) International Trade and Investment – the Rationale for Government Support, DTI Economics Paper no. 18, London.

²³ The idea of the "trusted advisor" is further explored in DTI (2006) and Maister, D., Green, C.H. and Galford, R.M. (2001); *The Trusted Advisor*, Touchstone, New York.

their source country. All of the above factors contribute to the potential overall effectiveness of aftercare services.

3.2 The economic development case for aftercare

The rationale for aftercare provision, from an economic development point of view, is driven by its potential impact. It is widely accepted that inward FDI can bring significant benefits to a host region. However, the reality is that those potential benefits, beyond the immediate direct impacts such as employment, do not automatically accrue to the host region. To realize and maximize such benefits may require targeted activity by the IPA. Main potential benefits (positive spillover) include, at the firm level, (a) new management techniques; (b) new technologies; (c) new skills; (d) international linkages; and (e) university links in new R&D. However, there may also be wider positive spillover that impacts (a) capital markets; (b) labour markets; (c) the property market; and (d) the local supply chain. This can lead to transformation of an industry, a sector, or even a regional economy.

There could also be less positive impacts from inward FDI related to negative effects on competition (displacement) or, if the investments are located in export processing zones that do not have a wider impact on the local economy, so-called cathedrals in the desert. These distort local factor markets and leave the region vulnerable to de-localization if the investments are not well embedded.

In situations such as those described above, major opportunities for effective aftercare activities can be found. In terms of the type of aftercare services (see 2.4), this is “operational” and “strategic” level aftercare, whereas IPAs often tend to see “administrative” activities as the primary aftercare service.

There are many good examples in developed countries where strategic action of this nature has contributed to adaptations of policies in response to changes in the world's industrial structure, for instance in Canada, Ireland, Scotland (United Kingdom) and in United States "Rust Belt" states such as Michigan. The challenge now is for developing countries to ensure that the investments secured in the course of the last few decades move towards the more specialized, higher value added, knowledge-intensive type that can support and drive further economic development and global competitiveness. In any situation where FDI flows are mobile and contestable, there is *a priori* an argument for strategic aftercare, even if there are only a few established investors. The IPA should also use the knowledge gained from what is required to ensure maximum positive economic impact in its policy advocacy work. As the established base of investors grows, this becomes increasingly important.

4. KEY ELEMENTS IN OPERATING AN AFTERCARE UNIT

In this chapter, key elements of developing and operating a focused and effective aftercare programme are presented. In reality, not all IPAs will want to, or be able to, develop an all-encompassing programme. They may have very specific strategic goals, and only focus on particular areas. However, the following sections provide a useful context and checklist for those who do not want the whole programme.

The process of setting up and operating an aftercare unit or programme in an IPA is summarized in the steps listed below. There will be differences in how this works in practice, depending on various contingent factors such as available resources, focus, the development stage of the IPA and the relationships with other business support organizations (both public and private), but the overall approach can just be adjusted to accommodate such factors.

The steps are:

1. Develop objectives and identify partners;
2. Assess resources and develop organizational options;
3. Segment, target and design the aftercare programme; and
4. Deliver services, monitor and evaluate the results.

These steps will be discussed below in more detail. In reality, they may of course not occur in the order above. For example, it may be that a budget is allocated before anything else happens, or that a given programme, say, supply chain development, already exists and its scope is increased to encompass a wider range of services.

Before beginning the process to set up an aftercare programme, one needs to know and understand the investor

community. Tools to acquire intelligence on TNCs operating in a location are discussed in the next paragraphs.

4.1 Precondition: Understand the investor community

It is essential for any marketing services organization to know its market: which firms are established, what the nature of their activities is in the host region, and who the key corporate officials in the relevant decision-making units are. This requires desk and field research.

The desk research involves accessing commercial databases²⁴ and Internet resources, and combining these with any information the IPA or any of its partners may have concerning established inward investors. These databases can then be examined to see if there are any statistical characteristics of established firms, such as products, services provided, markets, export orientation, size and country of origin, that throw light on the nature of the established TNCs, and to identify who is managing or controlling the operations in question.

To develop a fuller understanding of established TNCs, further fieldwork will be required to fill in gaps in the desk research. This can be done in several ways: through personal interviews or first through a postal survey followed by interviews of key groups identified in the sample, including, for example, trade associations. It may be worth undertaking focus group research where specific issues have been identified as being of key importance. In some countries, or even regions, there are established groups of inward investors that can provide valuable inputs into the research, as in the case of, for example, the Foreign

²⁴ Examples are Dun & Bradstreet, Thomson Financial and Bureau van Dijk.

Investors Council (FIC)²⁵ in Serbia or the Association for Foreign Investors (AFI)²⁶ in the Czech Republic.

A survey among investors could gather information and test any hypotheses developed in the course of the desk research. Questions to be asked could include: How well embedded are TNCs here? What are the main impediments to their operating or expanding in the region? What has been their experience of working with the public sector? What services would they find most useful from an IPA's aftercare unit? Under what conditions could they envisage increasing expenditure on R&D and higher value added activities?

Some IPAs, EDAs or other institutions tasked with aftercare or business retention have used field surveys as a tool to establish initial contact with TNCs in the region. In such cases, it is important that staff have the appropriate skills, both professional and personal, for the task. If such staff members are available, there are advantages to using this approach rather than consultants, as this builds relationships and knowledge in the IPA about the market.

When the IPA has sufficient data on the investor community, the process of setting up an aftercare unit can begin with setting the objectives for the programme.

4.2 Develop objectives and identify partners

The IPA should consider, on the one hand, the feedback and results of the established investors' survey, and on the other the economic development aims of their region, to see where

²⁵ www.fic.org.yu.

²⁶ www.afi.cz.

Chapter 4. Key elements in operating an aftercare unit

overlaps or mismatches are. The actual size of the foreign sector will, on its own, also be an important factor.

A decision to take at this stage is the extent to which other economic development organizations will be included or excluded from setting aims and objectives of the aftercare programme, and it must be kept in mind that the IPA will need to collaborate with at least a few, but probably several, such organizations to deliver an effective aftercare service.

This process can sometimes prove to be quite complex, as some business support organizations may already own some of the business support space the IPA is contemplating entering with its aftercare activity (e.g. that relating to small business development, cluster development, export promotion and the activities of chambers of commerce and industry). Also, agreements must be made as to who owns what space in the national and subnational business support architecture, and how to collaborate, so there is no duplication and resulting confusion among established TNCs.

Development of aims and objectives for the programme should be based on consultation with organizations involved and any resource constraints or other priorities need to be made explicit from the beginning, so as not to create unrealistic expectations for the programme.

Objectives of aftercare programmes can then be agreed, for example, to include (a) increased value added activities of a targeted set of TNCs; (b) increased employment of certain levels of staff; (c) attraction of suppliers to TNCs, possibly to a specific business park or region; (d) more collaborative projects with universities or other R&D organizations; (e) identification and removal of key barriers to increased reinvestment by TNCs; and (f) increased reinvestment in a specific region.

Once objectives are identified, targets can be set for specific aftercare programmes. Such targets can include (a) the number of contact visits per year for the different segments (see below) in the TNC clientele; (b) the number of successful projects to realize; (c) the number of new jobs to create; and (d) the number of jobs to safeguard. Targets may also include influence on specific legislation or establishment of a science or innovation park.

The survey on aftercare respondents indicated that they made an average of 3.7 visits and 10.7 calls or e-mails per year per company. Importantly, 68 per cent of these were to “selective” clients.

In the course of developing objectives for aftercare activity, it may become clear that, in order to implement the service successfully, it is necessary to work very closely with other stakeholders in the process. In such cases, it is useful to develop relatively explicit, good working protocols with such organizations, even possibly extending to service-level agreements, depending on the extent to which collaboration is envisaged. Such organizations could include chambers of commerce, overseas diplomatic or consular organizations, outsourced service providers and government departments. The Republic of Korea took this idea one step further with the establishment of the Office of the Foreign Investment Ombudsman and its Investment Aftercare Team. Article 23-3 of the Enforcement Decree of the Korean Foreign Investment Promotion Act calls for government organizations to respond within seven days to a request for assistance from the Investment Aftercare Team on grievances reported by foreign investors. More information on the Republic of Korea’s aftercare system is given in box 3.

Box 3. The Foreign Investment Ombudsman and the Investment Aftercare Team in the Republic of Korea

In 1999, the Government of the Republic of Korea commissioned the first Foreign Investment Ombudsman to establish the Investment Aftercare Team. This team is staffed with experts in the fields of finance, trade, law, taxation, customs, labour management and construction. The experts, also called “home doctors”, act as liaisons to find solutions for grievances filed by foreign companies. They look for solutions on a case-by-case basis in consultation with relevant government institutions. By law, the ombudsman system ensures prompt cooperation from these agencies.

The Investment Aftercare Team also supports expansion of investments by foreign companies and organizes seminars and conferences that address management and daily life issues of foreign investors.

Since its establishment, the Investment Aftercare Team has handled more than 2,500 grievances, more than 75 per cent of which have been settled; others are still pending.

The president of the European Chamber of Commerce in Korea said, “The office of the Ombudsman has proven to be a decisive factor in resolving various management and daily life grievances, and we wholeheartedly applaud their sincere efforts.”

Source: Korea Trade-Investment Promotion Agency (KOTRA).

4.3 Assess resources and develop organizational options

Once objectives have been identified, the required resources can be defined. If resources are not available, aims and objectives must be modified. Sometimes, IPAs also make use of in kind resources provided by partners. In Serbia, for instance, the Vojvodina Investment Promotion Fund (VIP) of the Autonomous Province of Vojvodina has signed a Memorandum of

Understanding (MoU) with the Serbian Chamber of Commerce (SCC) for sharing offices and facilities (box 4).

Box 4. The Vojvodina Investment Promotion Fund (VIP), Serbia

A wide-ranging cooperation MoU was signed between VIP and SCC to create, among other things, new promotional activities in the country through organizing fairs, economic events, business forums and contact markets.

As part of the agreement, the SCC made available for three years to the VIP Fund its offices in Belgrade, as well as its offices abroad, without compensation. In return, the Executive Council of the Autonomous Province of Vojvodina offered its conference premises, congress halls and other facilities, without compensation, for the logistical support of the SCC.

Source: VIP.

Once resources are specified, the strategic and organizational options can be defined. Young and Hood²⁷ identified four generic outcomes of such processes:

1. **The Company Friend:** This is an activity that is not well resourced and is reliant upon the networks and contacts that the one or two aftercare managers in question can muster. It is not systematic or strategic but tends to be ad hoc and driven by immediate needs. It can combine a wide variety of services ranging from administrative to strategic issues, depending on the calibre of the staff delivering aftercare. An example of such a service could be found at a subnational IPA in the Northern Netherlands, with two aftercare managers dealing primarily with expatriate issues and related applications.
2. **The Project Based Approach:** In this case, aftercare is not well resourced either, but the aim is to focus resources and service delivery on very specific areas such as supply chain

²⁷ Young, S. and N. Hood (1994), pp. 61–65.

development, or increasing university collaboration. Thus, for example, a Sourcing Department existed in CzechInvest to help Czech suppliers link up with newly established foreign investors. An aftercare unit was spun out of this in 2002. This unit is now part of the Investment Projects Department which, together with the Incentives Departments and the Department of Sourcing form the Investment Support Division.²⁸ So while it was initially established as a project-based approach, it is now moving in the direction of a “fully-integrated approach” as set out below.

3. The Aftercare Team Approach: This is where a relatively wide service offering is delivered, but it is not particularly well structured in terms of subnational or national economic priorities. With many IPAs dealing with considerable resource constraints, this model is increasingly scarce and hard to justify. It represented the initial, relatively unfocused approach adopted by UKTI. However, UKTI, with its new strategy, has moved away from this to a more focused system closer in line with the “integrated approach”.
4. The Integrated Approach: This is the most ambitious type of aftercare service aimed at integrating foreign affiliates into the local economy. This approach works in a highly structured, well-resourced manner to deliver specific goals that are aligned with regional or national economic development objectives. Some years ago, Ireland developed an aftercare programme that intervened at different levels in the corporate development path (see sections 2.3 and 2.5) in order to better integrate firms into the Irish economy.

Each approach has its own operational requirements, such as resources and staffing, time frame, evaluation criteria, and pros and cons. Which approach is selected will depend on the nature of the intended programme in terms of national priorities and the resources available.

²⁸ Peters, E., in OECD (unpublished); Foreign Direct Investment Policy in the Lviv Region of Ukraine, December 2005.

4.4 Segment, target and design the aftercare programme

There are often more established TNCs in the host region than there are IPA resources to give them all equal levels of attention. The IPA must therefore devise a segmentation and targeting strategy that will reach the TNCs it considers most important, given the nature of the established base of inward investors and the objectives developed.

The survey on aftercare found that 60 per cent of IPAs providing aftercare services offer these to all investors and the remaining 40 per cent to selected investors. However, some that offer aftercare to all investors indicated that they still apply selection criteria to prioritize. Among agencies that select investors, the industry or sector and the size of the investment are the most popular segmentation criteria. The location of the investment and the source country criteria were only used by a few of the agencies in the survey.

There are other, more sophisticated approaches to segmentation that are increasingly finding favour in IPAs. These include value added at TNCs; actual and potential levels (salary levels, knowledge driven, R&D orientation); type of activity, for example, regional headquarters (HQ), regional R&D centre or specialized manufacturing operation; exports, actual and potential; impact if the TNC decides to relocate to elsewhere; and TNCs where there are already some good working relationships (ability to influence). Some IPAs also use a mix of the above when segmenting their established TNCs. Box 5 presents one such approach to segmentation.

Box 5. The South East England Development Agency (SEEDA) in the United Kingdom

SEEDA offers established strategic investors in the South-East a comprehensive aftercare programme to help them fulfil their business potential. A strategic investor is defined by SEEDA as one who is active in an important location or industry sector, has a group HQ in the South-East or is otherwise locally prominent.

SEEDA has seven investor development managers, each of whom is based in the subregion for which he or she is responsible. Each member of this team helps managers of at least 50 strategic companies to grow the business, as well as flagging up potential difficulties and ensuring that investors' views are heard by policymakers at regional and national government levels. Investor development managers work with and build upon the achievement of SEEDA's local partners, providing an extra resource to ensure that the service to investors is uniformly comprehensive across the South-East.

Source: SEEDA website (www.seeda.co.uk).

Peters²⁹ suggests the following as key segmentation variables for TNC aftercare activities: high export intensity; high local content (low import intensity); high pay and productivity; limited displacement effects on key local markets; ability to promote rather than constrain host country competition; capability to support high value added functions; and ability to develop strong local linkages and high levels of innovation.

Once the segments have been identified, it must be decided which to target, at what level of intensity, and by whom. For example, it may be agreed that:

- Established TNCs of national importance are the objects of the national agency's most senior managers;

²⁹ Id., chapter 5.

- Some companies with specific, unique or highly developed technologies can be looked after by a team coordinated by the national (or subnational) IPA that includes a member from the relevant division in the department of trade and industry, as well as a member from the relevant national scientific research establishment;
- Other TNCs could be looked after by subnational IPAs or regional cluster organizations, depending on, for example, their size or where their HQs are;
- Smaller TNCs, where the host region may not have much to offer, may be included in general events such as “the annual gatherings of investors from country X” or mail-outs, and left to themselves, with the condition that if they do need support, they know where to get it.

It is important that as many TNCs as possible, if not all, be drawn into the IPA’s aftercare network.

Once all the TNCs operating in the region have been segmented and targeting agreed, it is up to the delivery organizations to develop creative and innovative aftercare programmes. The programmes should be based on an underlying rationale that links it with economic development policy and should include a series of marketing and promotional events to the targeted established investors. These can be combinations of individual contact sessions and group events, but it is important that their aims and objectives be spelt out clearly so that their effectiveness can be evaluated at a later stage. IPAs must also be very clear about what services they are offering, so that TNCs can respond appropriately.

There are many numbers and types of potential contact occasions. They could, however, be arranged around national day celebrations of the target firms, or industry-specific trade fairs or even ministerial or other high-level visits.

4.5 Deliver services, monitor and evaluate the results

The effectiveness of aftercare programmes will also be influenced by the delivery mode selected: in-house by the national IPA; in-house by the subnational IPA; in-house by the local IPA; or outsourced to a national, subnational or local partner (public, private or non-profit).

A wide variety of combinations of the above in terms of delivery mechanisms exists. For example, one subnational IPA has three in-house staff, one aftercare manager, one aftercare researcher, and one professional telesales person whose job is to set up meetings with established TNCs for eight field-based aftercare managers. Each field-based manager has a target of 15 to 20 visits per month, broken down into categories such as “routine” or “project driven”.

Field-based staff are managed from and employed by the IPA’s local partners to whom field visits have been outsourced. They come to the office only one day a week for team meetings, briefings, training, reporting and administration. Reports are prepared and sent to their local office and copied to the subnational IPA for analysis. Required action is agreed between the subnational and the local IPA. Strategy is driven by the national and subnational IPAs in consultation with local partners.

Not less than 95 per cent of the survey on aftercare respondents indicated that they collaborate with other institutions in offering aftercare. In addition, aftercare services are delivered through units in the IPA with titles other than “aftercare”, for example, Technical Assistance, Marketing Investor Support, Industry Support and Facilitation. The issue is to what extent these units provide administrative, operational or strategic-level aftercare.

The delivery method will have implications for (a) the type of staff to be recruited; (b) staff training; (c) motivation; and (d) management. An interesting example of an aftercare programme from Merseyside in the United Kingdom is given in box 6.

Box 6. The Merseyside (United Kingdom) Aftercare Programme

The aftercare programme for Liverpool and Merseyside was set up in 2003 to encourage inward investment in the Liverpool City Region, and is one of the first programmes of its kind run on a local basis. Just two years into the programme, it has helped safeguard 1,340 jobs, created 300 new positions and generated £87 million of capital investment.

The Aftercare Team consists of six experienced Business Account Managers, who work alongside existing subnational inward investment agencies across Merseyside. The team aims to build relationships with locally based operations and subsidiaries of national and international companies to give them the support they need to grow and reinvest. The website mentioned below has profiles of the programme's aftercare managers and examples of some of their successes.

Source: www.investmerseyside.com (go to "Investor guide, Aftercare").

It is now generally accepted that the account management system is the appropriate method for delivery of aftercare services. This involves segmenting the community of inward investors and allocating company servicing to specific account managers. Different priorities, targets and service levels are agreed for different firms in terms of their segmentation characteristics. In the survey on aftercare, 73 per cent of respondents indicated that they had assigned account managers for dealing with clients and 54 per cent said they provided client management training.

As to monitoring and evaluating the impact of the aftercare programmes, the key is that the measures against which

Chapter 4. Key elements in operating an aftercare unit

the programme is to be evaluated are agreed from the outset with the relevant monitoring organizations, for example, the Treasury or Ministry of Finance.

Some quantitative measures have been mentioned. Others include the number of new projects identified, the number of follow-up or repeat visits, the change in stage of value chain of successful projects, and the number of aftercare projects or jobs (new or safeguarded) for which responsibility is claimed. This latter measure can be problematic, and IPAs have developed several approaches to dealing with it.

More complex qualitative measures also exist, for example, a survey every year or two to determine the impact of the IPA on a variety of matters, which can help in signalling problems and new trends. Information collected through these surveys could be used to evaluate and modify the IPA's *modus operandi*, if required.

It is a cause for some concern that, of the 62 IPAs within the survey on aftercare which offer an aftercare programme, only 58 per cent indicated that their institution evaluated these services. Of this group, 53 per cent said they used testimonials, 21 per cent used certificates and 71 per cent (also) used other methods. The value of appropriate monitoring systems lies not only in the measurement of outputs, but also in the process of defining what those outputs are, or could be expected to be, so that the role of the IPA in aftercare becomes increasingly clear and well defined.³⁰

³⁰ In order to create some conformity of approach in methodology to compare the impacts of the United Kingdom Regional Development Agencies, which include investment promotion and aftercare activity, the United Kingdom Department of Trade and Industry has published guidelines to this effect entitled "Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework", February 2006 (DTI Occasional Paper No. 2).

5. CHALLENGES AND BEST PRACTICES

The preceding chapter outlined a step-by-step approach for setting up and operating an aftercare unit, without too much reference to the many challenges that IPAs face in the implementation of their aftercare activities. This chapter sets out these challenges when developing and delivering aftercare services. These are challenges in addition to those of the level of resources, structuring or development of targets.

A number of challenges for aftercare services listed by Young and Hood³¹ back in 1994 still remain and are reflected in this chapter. However, new challenges have occurred and the private sector, as well as international organizations and non-governmental organizations (NGOs), are offering a variety of support packages to assist IPAs in meeting these challenges.

Institutional credibility

TNCs may not be willing to engage deeply with the IPA's aftercare team because they do not have sufficient trust in their credibility. It can be hard to convince a private firm that a given IPA representative can add value to their organization's effectiveness. In such cases, one way to establish credibility is to present the TNC management with a few case studies setting out success stories where IPA intervention has produced positive results. Past corporate clients of the IPA may also be prepared to share experiences with the TNC that the IPA is targeting.

The challenge for an IPA in this situation is to earn trust and confidence at a high level in the firm, rather than at administrative or lower operational levels. Of course, it may have to earn trust and confidence by performing well at administrative or operational levels before access is allowed at strategic levels.

Another way to establish trust is to have good governance in the IPA and other institutions that deal with investors,

³¹ Young and Hood (1994).

promoting predictability, transparency, accountability and participation. This can inspire confidence in TNCs and increase their willingness, or preparedness, to work in partnership with the IPA on aftercare and other projects. UNCTAD has developed a technical cooperation programme that supports IPAs in improving governance in investment promotion (box 7).

Box 7. UNCTAD's Good Governance in Investment Promotion (GGIP) programme

UNCTAD's GGIP programme aims to improve the environment for foreign investment and business development by reducing the cost and risk of international investment, thereby making, as well as keeping, locations attractive. The programme looks at four elements:

- **Predictability** — existence of clear policies and a legal framework for investment, as well as predictable rules and regulations and their fair and consistent application;
- **Transparency** — timely and accessible information disclosure, an effective helpdesk for investors, and openness to the media and the public on investment policies and practices;
- **Accountability** — performance standards and monitoring for government officials, as well as impartial grievance procedures for investors; and
- **Participation** — continuous dialogue between the Government and the investor community as well as other stakeholders, which feeds into policymaking.

Since 2002, a number of international meetings, including an intergovernmental expert meeting (November 2004), were held on GGIP. The technical assistance programme carries out country-based projects, which include a review of the status of governance in investment promotion and facilitation, provision of practical solutions for governance-related problems, and assistance in the implementation of projects that improve public governance and investor services. So far, Ethiopia, Lesotho, the Maldives, Mali, Uganda and the United Republic of Tanzania have benefited from the programme.

Source: UNCTAD.

Capability of employees

Linked to the above is the issue concerning the capability of IPA employees to understand TNC needs, engage with TNC staff at the right levels and be able to deliver well-developed, high-quality services. This issue extends beyond pure technical knowledge. IPA staff members also need the required people skills if they are to engage with and influence TNC decision makers.

IPA responses to this challenge include:

- Recruitment of staff with a background in the private sector (retired or semi-retired managers who may have taken early retirement, or who only wish to work part time, have been used successfully for aftercare purposes);
- Enrolment of staff for IPA service delivery from a generalist rather than a specialist or technical background, with experience of working with people in relationship management roles;
- Provision of training in account management; and
- Outsourcing of service delivery or collaboration with organizations such as chambers of commerce and industry, which have the required levels of private sector experience and knowledge, as well as employees with people skills.

IPAs must decide which aftercare services they are going to address and design, and deliver the appropriate products with staff recruited or specially trained for this purpose.

Influencing TNCs

The IPA aftercare team will not be able to exercise influence on the TNC without organizational credibility and staff capability. Even so, TNCs may not be open to influence and may

be unwilling to work closely and in partnership with the IPA and other public sector organizations.

In such cases, there is not a great deal the IPA can do except to be on the lookout for changes in corporate personnel, specific corporate developments, or corporate cultures that might change the situation. It is usually best to deploy IPA resources where they can make a difference and not to waste time knocking on doors that are firmly shut.

Continuity

Developing long-term relationships of mutual respect and trust between often highly mobile international managers on the one hand, and sometimes equally mobile IPA staff on the other, can be challenging. In addition, there is the consideration that there is really nothing as good as a personal relationship for developing credibility, trust and the ability to influence.

These problems have been met, to an extent, by the development of customer relationship management (CRM) systems, which, if they are maintained properly, can help meet this challenge by capturing information, storing it, and passing it on to other members of the IPA aftercare team. Of course, there are other benefits to good CRM systems, such as being able to keep track of transferred TNC managers, or those that change employers over time, and thereby develop a valuable network of contacts.

However, retention of key staff members at the IPA, those of the right calibre and a degree of commitment that can function as a corporate memory, is a major issue. Partially outsourced models could go some way to meeting this challenge. Another way is to focus on retaining a few specialized, well-remunerated, competent senior staff members that manage a corps of relatively

young, high-performing and enthusiastic employees (e.g. business and engineering graduates). This model has been used by Singapore. In a sense, this is the opposite of using experienced, often semi-retired people as earlier observed in Merseyside (box 6), but shows that various solutions are possible.

Customer responsiveness

IPAs often work on policy-driven time frames (internal clients), rather than those of their external TNC clients. This can create frustration and costly delays at companies. In response to this situation, some IPAs (such as Egypt's General Authority for Investment and Free Zones (GAFI) and the Michigan Economic Development Agency) now have it written into their operating frameworks that they must respond to various types of enquiry within given time frames, and they are monitored accordingly (see also box 3 on aftercare in the Republic of Korea).

However, even when IPAs have adopted external customer-driven time schedules, this may not be the case with their partners such as local authorities. The way to deal with this is to keep working increasingly closely with local partners and to impress on them the importance of working with time frames for TNC customers.

Proactive versus reactive approaches

The aftercare units of IPAs often indicate that they react to enquiries coming from established TNCs, rather than going to meet them on a proactive basis.

Reactive approaches may be the result of (a) the presence of a strong, continuous, autonomous inflow of enquiries and requests; (b) under-resourced aftercare services; (c) absence of a

clear aftercare strategy and action plan; or (d) an unwillingness to engage with established TNCs on a proactive basis.

The danger of a reactive approach is that it is not possible to set or drive a policy agenda when dealing with firms that have not been pre-selected through a segmentation process. It may be that cases which come to the public sector for support are only those which are in trouble and for which not a great deal can be done, often because the call for support came too late. Clearly, there are many drawbacks to a reactive approach. How to develop a proactive approach is the main subject of this report.

The role of the Internet

The Internet provides an opportunity for IPAs to provide up-to-date information on a range of investment-related subjects to a wide audience of existing and potential investors. It can also be used to develop relationships with partner organizations for the purpose of account management and with established investors, through voice or e-mail hotlines and discussion forums.

The survey on aftercare found that 83 per cent of respondents made use of the Internet for aftercare purposes by providing information on investment regulations and procedures (90 per cent); updates on the country's business environment (84 per cent); local investment opportunities (76 per cent); and potential investment partners (56 per cent).

A website assessment carried out in 2006 by the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group revealed that, although many IPAs have made initial investments in communication technologies with reasonably well-designed websites, most have not yet developed the organizational systems and skills needed to successfully interact with and support

inward investors. Investor information contained on IPA websites was also considered poor on quality and accuracy.³²

It is not always budget constraints that hold back the development of this tool. Often, a lack of understanding by the IPA management of the possibilities and potential importance of the Internet in information dissemination and communication causes the underutilization of the Internet for investment promotion and aftercare. Box 8 provides a description of the Internet-based e-regulations system on investment, designed by UNCTAD. The system is currently being implemented in IPAs in Africa, Latin America and Eastern Europe.

Box 8. UNCTAD's e-regulations on investment: an information system in support of IPA aftercare

Foreign investors often have difficulty getting a clear picture of their rights, procedures, persons to deal with in ministries and where to complain. This can be a disincentive for investment.

UNCTAD's e-regulations system on investment presents all procedures in a clear and orderly manner, as well as ways of recourse and contact data in the concerned ministries. It provides the IPA with the necessary information to guide the investor in his contacts with the administration and to help him get satisfaction in cases when there is a feeling that rules were not applied properly.

The e-regulations system can be used by IPAs to organize and present any administrative process of interest to investors. Once information is registered in the database, it can be displayed on the IPA website and can be updated, either by the IPA itself or by the ministries in charge of the procedures.

Source: UNCTAD.

³² MIGA, Investment Promotion Agency Performance Review 2006, <http://www.miga.org>.

Organizational involvement

A very wide range of organizations, from both the public and private sectors, can potentially be involved in what is called aftercare. From the private sector point of view, this includes those providing property services, recruitment, financial services, and other business and professional services such as information and communication technology (ICT) and legal support. Public sector organizations that may have a TNC on their target contact list include small business development agencies, training organizations, cluster organizations, export promotion bodies, organizations supporting innovation, and a variety of other public sector service delivery institutions. There are two aspects to this issue:

1. Getting the organizations to work together on an agreed aftercare-driven programme. Sometimes organizations set up protocols between each other to coordinate service delivery to TNCs.
2. Identifying the best delivery source, or account manager, as it were, for the TNCs. This does not necessarily mean someone from within the IPA, but effective implementation does require substantial collaboration between public sector partners.

Evaluation of IPA aftercare impacts

A major challenge for the IPA, whether in the case of winning new investments or in aftercare, is the evaluation of results, more specifically, the attribution of project successes and employment, for example, to the efforts of the IPA. This is important not only from an internal point of view for development of strategy and resource allocation, but also for accounting purposes when discussing budgets with departments such as a ministry of finance.

It is usually better to be pre-emptive and to develop an approach or methodology before being asked or challenged about results. One approach used by some IPAs is to invite TNCs who have carried out expansions, or have undertaken investments that could be attributed to IPA intervention, to complete a customer feedback form. On the form they can indicate the extent to which the firm attributes its decision to the IPA and identify ways in which the IPA provided added value to the investment, for example in the form of the investment coming on stream more quickly, or it being larger, or having a wider scope than would otherwise have been the case.

Some IPAs use the “balanced scorecard” approach, which gives due consideration to both hard and soft factors, often combined with weightings attached to the various metrics in question. IPAs may also develop short case studies that set out how they supported the TNC and describe some of the wider effects of the investment on, for example, property development, training, labour markets, technology transfer, university R&D and linkages. Regular surveys among investors are also used by IPAs to assess the impact of their aftercare programmes. API-Invest in Portugal uses an annual Customer Quality of Services Survey carried out by an independent company to evaluate their programme, including their Key Account Managers system, which is the main delivery mode for the agency’s aftercare services.

6. CONCLUSIONS

Changes in the size of FDI flows and the growing FDI stock in many economies, as well as corporate responses to changes in the international business environment, mean that attention to aftercare activity has become a priority for investment promoters in developed and developing countries.

A useful analogy for understanding aftercare, what it is and what it can achieve, can be provided by seeing aftercare as an after-sales strategy of private sector sales and marketing departments. The critical issue is that aftercare should be driven by a longer-term view of the development of the TNC within the host region, not as a series of ad hoc, disconnected interventions. From such a perspective, aftercare services can be categorized as administrative, operational and strategic. The greatest contribution of aftercare is to be found in the strategic services, although that certainly does not mean that operational or administrative aftercare is without value.

Although IPAs do not dedicate the same amount of resources to aftercare as to winning new investment, there is a sound case for investing in aftercare services in an IPA, both from the point of view of effective use of resources and ensuring maximum long-term economic impact by the TNC on the host economy. The cost of winning investments through aftercare is less than that of generating investments from new companies. The process of ensuring maximum economic impact also helps to identify key areas for policy advocacy.

Even though few IPAs have the luxury of setting up an integrated aftercare programme from scratch, there are key steps for setting up and managing such a programme. In essence, these correspond to what is to be expected from any professional marketing programme: know the market, know the customer; identify and target the most desirable segments; design and deliver services that meet customer needs; and monitor, evaluate and adjust the service as required. The general view is that

Chapter 6. Conclusions

programmes that put strategic considerations at their core tend to deliver the best results in terms of maximizing economic impact.

Programme design, delivery and evaluation require substantial cooperation and coordination between public sector organizations at national, subnational and local levels in terms of programme development and the sharing of resources. A wide variety of models for service delivery exists, including outsourcing options.

For all the reasons given in the previous chapters, IPAs should treat aftercare as a core function in investment promotion. It is not a stand-alone activity in the IPA, so it needs to be fully integrated with other activities and initiatives, and must be well coordinated with all the service providers within a location or country.

ANNEX A: SURVEY ON IPA AFTERCARE: QUESTIONNAIRE



*Investment promotion agency (IPA) survey on aftercare services by
UNCTAD's Advisory Services on Investment and Training (ASIT)*

General Information check your answers below

Please write or

1	Name of agency	...
2	Address	...
3	Website	...
4	Name of respondent	...
5	Telephone number	...
6	Fax	...
7	Email	...

Agency/Institution

8	Type of agency	National Subnational
9	Year of establishment	...
10	Number of employees working for your IPA, including overseas	...
11	Total budget in 2005 (including all cost items/ expenditures) in US\$ or national currency	...

Allocation of resources

12	Estimated allocation of resources in your agency	Image building and branding % Investment generation % Investment facilitation % Aftercare services % Policy advocacy % Other (please specify)..... %
13	Can you indicate to what extent reinvestment/expansion of	Lower priority than other activities Same priority as other activities Higher priority than other activities

Annex A

	existing investment is considered a priority for your agency?	
14	What percentage of inward FDI in your country is reinvestment? (please estimate) %
Aftercare/Corporate Development Support — Practices and tools		
15	In your country, at what level are aftercare services by public sector institutions primarily offered?	National/federal level Regional level Local level
16	At what other level are aftercare services also offered in your country? Please check only if applicable.	National/Federal level Regional level Local level
17	Does your agency currently provide aftercare services?	Yes (please continue with questions 20 to 35) No (please continue with question 18)
18	Is any other institution in your country responsible for providing aftercare services to investors?	Yes No
19	If yes, which institution?	...

<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>If you replied “no” to question 17, and you completed questions 18 and 19, please return the form.</p> </div>				
20	In offering aftercare, does your agency cooperate with other institutions?	<input type="checkbox"/> Yes (please specify) <input type="checkbox"/> No		
21	Which unit(s)/department(s) of your agency is (are) involved in providing aftercare services?			
22	To whom does your agency offer aftercare services?	<input type="checkbox"/> All investors <input type="checkbox"/> A selection of investors		
23	If aftercare services are only offered to a selection of investors, what criteria are used to identify target companies?	<input type="checkbox"/> Size of investment <input type="checkbox"/> Industry or sector <input type="checkbox"/> Home country of investor <input type="checkbox"/> Location of investment <input type="checkbox"/> Other (please specify)		
24	In providing aftercare, what is the frequency of follow-up company visits or contacts with businesses operating in your country?	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; padding: 2px;">Visits: per year</td> <td style="width: 40%; padding: 2px;">Phone/e-mail: per year</td> </tr> </table>	Visits: per year	Phone/e-mail: per year
Visits: per year	Phone/e-mail: per year			
25	Are these visits selective (according to company size or another criterion)?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
26	Does your staff receive client management training?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
27	If yes, what is the frequency of this training?	<input type="checkbox"/> Annually <input type="checkbox"/> Less frequently <input type="checkbox"/> More frequently		
28	Has your agency assigned “account managers” (meaning a single contact person to whom the investor can turn for assistance)?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
29	Do you apply software/computer programmes to keep track of aftercare services provided to investors by your agency?	<input type="checkbox"/> Yes <input type="checkbox"/> No		

Annex A

Aftercare/Corporate Development Support — Services offered				
30	What aftercare services do you provide?	Yes	No	If yes, number of staff employed for this service
A	Maintain a database/provide information on existing investors			
B	Maintain a database/offer information on local services (banks, lawyers) and suppliers			
C	Business networking support			
D	Assistance in identifying suppliers, customers and competitors			
E	Assistance in expansion projects, through identifying suitable property, site options, etc.			
F	Provide advice on recruitment, skills availability and training support			
G	Facilitate placement of expatriate staff and family			
H	Offer strategic information on regional and national initiatives			
I	Overseas networking through embassies (i.e. maintain relations with companies' HQs)			
J	Permanent hotline/e-mail for day-to-day problems			
K	Complaint window for investors			
L	Dispute resolution services			
M	Policy advocacy working groups with private sector members			
N	Regular surveys among existing investors			
O	Other (please specify)			

Use of the Internet		
31	Do you make use of the Internet in providing aftercare services?	<input type="checkbox"/> Yes <input type="checkbox"/> No
32	If yes, what information do you offer? Please check all that apply.	<input type="checkbox"/> Local investment opportunities <input type="checkbox"/> Investment regulations and procedures <input type="checkbox"/> Potential investment partners <input type="checkbox"/> Updates on the country's business environment <input type="checkbox"/> Other (please specify).....
Evaluation		
33	Does your agency evaluate its aftercare programme?	<input type="checkbox"/> Yes <input type="checkbox"/> No
34	If yes, how? Please check all that apply	<input type="checkbox"/> Testimonials <input type="checkbox"/> Certificates on receipt of service <input type="checkbox"/> Other (please specify).....
35	Can you provide any examples of positive results of your agency's aftercare programme? Which specific aftercare service was responsible for these results?	

ANNEX B: SURVEY ON IPA AFTERCARE: FINDINGS

In 2006, UNCTAD, in close cooperation with WAIPA, carried out a survey among IPAs on aftercare services. The survey questionnaire (annex A) was sent to 184 members of WAIPA. Sixty-nine questionnaires were returned, of which 62 indicated that their IPA provides aftercare. Of the 69 replies, 60 were from national and nine from subnational agencies.

1. Sample profile

In this section the profile of the group that responded is presented.

Geographic origin of respondents — Respondents are relatively evenly distributed across Africa, Asia, Europe and Latin America (see annex C). WAIPA did not have members from the United States and Canada at the time of the survey, which accounts for their absence from the sample.

Year of establishment — While the median³³ year of establishment of respondents is 1995, some were established as early as 1937, 1950 and 1958.

Size (employment) — While the median employment size of IPAs that responded is 40, the average³⁴ size is 132. This aspect of the sample is somewhat distorted by the fact that some IPAs are part of much larger government departments or agencies, and their employment is not separated from that of their larger parent organizations.

IPA Budgets — As in the case of the previous point, and for the same reason, the sample is distorted in terms of budget size. The

³³ The median is the mid-point of a series of observations.

³⁴ The average (arithmetic mean) is the sum of the numbers in a set divided by the number of members in that set.

average budget of the IPAs that responded is \$9.05 million, while the median is \$2.25 million.

2. Allocation of IPA resources and IPA priorities

IPAs were asked to estimate the share of IPA resources dedicated to the various activities presented below:

- Investment generation 26%;
- Investment facilitation³⁵ 20%;
- Image building/branding 19%;
- Aftercare services 10%;
- Policy advocacy 8%;
- Other 17%.

Aftercare does not feature high in the IPA in terms of resource allocation. This is interesting in the light of the following findings:

- IPAs were asked to judge the priority of generating reinvestment/expansion of existing investment relative to other activities, either as higher, the same or lower. The results were:
Higher — 25%; Same — 59%; Lower — 16%.

The response suggests that despite the relatively low budget level for aftercare, generating reinvestment and expansion of existing investment are considered a relatively high priority.

- On average, 32 per cent of inward FDI is estimated to come from reinvestment in the regions that responded to the survey. Note that this figure varies considerably between locations.

³⁵ In the survey, facilitation services for existing investors was considered part of aftercare.

3. Institutional arrangements for offering aftercare services

There are various arrangements for the provision of aftercare services. Survey respondents that offer aftercare services indicated that for 66 per cent of them, aftercare is primarily offered at the national level. Ninety-five per cent of respondents indicated that they collaborate with other institutions in offering aftercare. IPAs do not always offer aftercare services labelled as such, and these services can be offered in units with titles such as Technical Assistance, Marketing Department, Investor Support Division, Industry Support Team and Facilitation Department.

Clearly, the emphasis and role of aftercare in different contexts will be different. For example, in one IPA, aftercare may be seen as promoting the grants and incentives offered by the region, in another as an element of industrial development policy.

4. Aftercare service delivery

Sixty per cent of survey respondents indicated that aftercare is offered to “all” investors, while the remainder said that it is offered to “some”. Of this 60 per cent, several IPAs still provided selection criteria on the basis of which they target TNCs for aftercare. With respect to the kind of selection criteria used, the following replies were received (multiple answers per IPA were possible): the industry or sector (80 per cent); size of the investment (60 per cent); the source country (3 per cent); the location of the investment (7 per cent); and other (27 per cent). These results touch on several factors such as the basis of segmentation (chapter 4) and whether aftercare is provided on a proactive or reactive basis (chapter 5).

Respondents also indicated that the average number of aftercare visits undertaken per targeted firm was 3.7 per year, and

the average number of phone calls made or e-mails sent was 10.7 per year. However, more important than the number of calls or visits made is the level at which they take place and the corporate responsibility of those being visited. Sixty-eight per cent of respondents indicated that the visits were “selective”.

Seventy-three per cent of respondents indicated they had assigned account managers for dealing with clients, and 54 per cent said they provide client management training. Such training was provided annually in 49 per cent of cases, more often in 12 per cent, but less than annually in 39 per cent. Sixty-nine per cent of IPAs use computer programmes to track aftercare services provided.

5. The scope of aftercare services

Table 1 below presents responses from IPAs as regards the services they provide that qualify as aftercare, the frequency that those services are provided and staff employed in delivering those services (median and average). We may assume that some of these staff members also perform other functions.

Simple services, such as the provision of information, are most frequently offered. More complex and challenging matters, such as dispute resolution, surveys and hotlines, are less popular. It may be that these are provided by other public entities.

6. Use of the Internet

Eighty-three per cent of respondents indicated that they make use of the Internet in aftercare. The type of information offered is as follows: investment regulations/procedures, 90 per cent; updates on the country business environment, 84 per cent; local investment opportunities, 76 per cent; potential investment partners, 56 per cent; and others, 22 per cent.

Use of the Internet is now well established in the IPA world, where it is primarily used for image building and informational purposes. However, the value of websites tends to vary depending on how well known the country already is, as this has implications for who will access the IPA's websites or not.

Table 1. Services provided by IPAs, frequency of provision and staffing

Aftercare service	Yes (% of respondents)	Staff employed Median	Staff employed Average
Maintain database/provide information on existing investors	89	2	3.4
Assist expansion projects, identify suitable property, locations, site options, etc.	85	3	3.8
Offer strategic information on regional and national initiatives	79	3	3
Maintain database/offer information on local services and suppliers	77	2	3.5
Policy advocacy working groups with private sector members	71	2.5	4
Business network support	68	2	3.9
Assistance in identifying suppliers, customers and competitors	66	3	3.3
Overseas networking through embassies	66	3	3.1
Complaint window for investors	63	2	3.1
Permanent hotline for day-to-day problems	61	2	2.7
Regular surveys among existing investors	61	2	3.2
Advice on recruitment, skills availability and training support	60	2	2.5
Facilitate placement of ex-pat staff and family	48	1.5	3.1
Dispute resolution services	44	2	2.4

Source: UNCTAD–WAIPA survey on IPA aftercare services, 2006.

7. Evaluation of aftercare programmes

It is a cause for some concern that only 58 per cent of IPAs that responded evaluated their aftercare programmes. One would expect a 100 per cent positive response to a question such as this. However, it must be added that the evaluation of aftercare activities, as in the case of promotion of new investment, presents some major challenges, as is made clear in chapter 4. Of the 58 per cent that said that they do evaluate, 53 per cent indicated that they use testimonials, 21 per cent use certificates and 71 per cent used (also) other means, including surveys.

ANNEX C: SURVEY ON IPA AFTERCARE: RESPONDENTS

Africa

Botswana	Botswana Export Development and Investment Authority (BEDIA)
Cameroon	Investment Code Management Unit
Côte d'Ivoire	Centre de Promotion des Investissements en Côte d'Ivoire (CEPICI)
Egypt	General Authority for Investment and Free Zones
Ethiopia	Ethiopian Investment Agency
Gabon	Agence de Promotion des Investissements Privés (APIP)
Gambia	Gambia Investment Promotion and Free Zone Agency
Kenya	Kenya Investment Authority
Lesotho	Lesotho National Development Corporation (LNDC)
Malawi	Malawi Investment Promotion Agency
Mauritius	Board of Investment
Namibia	Namibia Investment Centre (NIC)
Seychelles	Seychelles Investment Bureau (SIB)
South Africa	Invest North West
South Africa	Trade and Investment KwaZulu–Natal (TIK)
Swaziland	Swaziland Investment Promotion Authority
United Republic of Tanzania	Tanzania Investment Centre (TIC)
Uganda	Uganda Investment Authority (UIA)

Asia and Oceania

Australia	Invest Australia
Australia	Invest Victoria
Fiji	Fiji Trade and Investment Bureau
French Polynesia	Tahiti Invest
Iran (Islamic Republic of)	Organization for Investment, Economic and Technical Assistance of Iran (OIETAI)
Israel	Invest in Israel
Japan	Japan External Trade Organization (JETRO)
Jordan	Jordan Investment Board (JIB)
Kuwait	Inter-Arab Investment Guarantee Corporation (IAIGC)
Lebanon	Investment Development Authority of Lebanon (IDAL)
Macao, China	Macao Trade and Investment Promotion Institute
Malaysia	Malaysia Industrial Development Authority (MIDA)
Maldives	Foreign Investment Services Bureau (FISB)
Philippines	Board of Investments
Republic of Korea	Busan–Jinhae Free Economic Zone Authority
Republic of Korea	Korea Trade-Investment Promotion Agency (KOTRA)
Samoa	Ministry of Commerce, Industry and Labour
Solomon Islands	Ministry of Commerce and Tourism
United Arab Emirates	Ras Al Khaimah Free Trade Zone Authority

Annex C

Europe

Bosnia and Herzegovina	Foreign Investment Promotion Agency of Bosnia and Herzegovina (FIPA)
Croatia	Croatian Trade and Investment Promotion Agency
Cyprus	Foreign Investors Service Centre
Czech Republic	CzechInvest
Denmark	Invest in Denmark
Greece	Hellenic Center for Investment (ELKE)
Iceland	Invest in Iceland Agency
Ireland	Industrial Development Agency of Ireland (IDA Ireland)
Malta	Malta Enterprise Corporation
Netherlands	Netherlands Foreign Investment Agency
Poland	Polish Information and Foreign Investment Agency
Portugal	API — Invest in Portugal
Romania	Romania Agency for Foreign Investments (ARIS)
Serbia	Serbian Investment and Export Promotion Agency (SIEPA)
Slovakia	Slovak Investment and Trade Development Agency (SARIO)
Slovenia	Slovenian Trade and Investment Promotion Office (TIPO)
Sweden	Invest in Sweden Agency (ISA)
United Kingdom	UK Trade and Investment

Latin America and the Caribbean

Aruba	Aruba Foreign Investment Agency
Colombia	Proexport Colombia
Costa Rica	Costa Rican Foreign Investment Agency (CINDE)
Dominican Republic	Center for Export and Investment of the Dominican Republic (CEI–RD)
Ecuador	Corporación de Promoción de Exportaciones e Inversiones (CORPEI)
El Salvador	Comision Nacional de Promocion de Inversiones (PROESA)
Guyana	Guyana Office for Investment (GO-INVEST)
Guyana	Linden Economic Advancement Programme (LEAP)
Jamaica	Jamaica Promotions Corporation (JAMPRO)
Mexico	Mexican Bank for Foreign Trade (BANCOMEXT)
Netherlands Antilles	Curaçao Industrial and International Trade Development Company (CURINDE)
Paraguay	REDIEX Red de Inversiones y Exportaciones
Peru	Proinversión
Saint Lucia	National Development Corporation

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