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POLICY ADVOCACY IN INVESTMENT PROMOTION

Note by the UNCTAD secretariat*

Executive summary

It is widely recognized that foreign direct investment (FDI) plays an important role in countries' efforts to achieve sustained economic development and growth. Developing countries, including LDCs, and economies in transition are making significant efforts to attract FDI and benefit from it. This note discusses the issue of policy advocacy in investment promotion, the role of investment promotion agencies as advocates for change, tools and instruments and best practices based on national experiences, and lessons learnt from UNCTAD technical cooperation activities.

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INTRODUCTION

1. The report of UNCTAD's Commission on Investment, Technology and Related Financial Issues on its tenth session refers to the São Paulo Consensus, adopted at UNCTAD XI, and states that UNCTAD should "support efforts of developing countries and economies in transition to attract and benefit more from FDI, including by helping them to formulate and implement investment policies and by assisting with relevant legislation and regulations in line with their development strategies."[†] The report goes on to suggest that effective implementation of investment policies by Governments requires "a combination of, *inter alia*, political will and numerous strategic decisions to ensure that a given policy initiative will be supported, adopted and brought to fruition."

2. Over the last decades, foreign direct investment (FDI) liberalization has prompted a multitude of favourable changes in national regulatory regimes aimed at reducing barriers to inward FDI, strengthening standards of treatment for foreign investors and enhancing the functioning of markets. Competition for foreign direct investment (FDI) has induced many Governments to market their countries,[‡] often through their investment promotion agencies (IPAs), and to adopt proactive policies to attract FDI. However, where such positive changes have taken place, in many cases the implementation of laws and regulations adopted by Governments, especially in developing countries and economies in transition, to improve the business climate remains quite challenging. Bureaucracy and heavy red tape, for example, are among the major obstacles. As many of UNCTAD's Investment Policy Reviews (IPRs) point out, often not only policy changes are needed to create an enabling investment environment but also effective execution and implementation of policies already in place.

3. By engaging in policy advocacy, IPAs can contribute to the improvement of the business climate. This note will address ways that IPAs can make best use of policy advocacy to encourage Governments to adopt an investment-friendly policy environment. It will examine the issues that are unique to advocacy for investment policies, as well as the skills and tools that those responsible for implementing investment policies will need in order to build consensus for their adoption and implementation. The note will also suggest some best practices drawn from UNCTAD surveys and research and the experience of IPAs advocating for policy change.

I. IPA POLICY ADVOCACY AND ITS MAIN ACTORS

A. Definition

4. Policy advocacy refers to the strategic deployment of a broad set of tools to influence changes in regulations, laws and government policies. For the IPA and its clientele, this could mean policy changes that affect issues of interest to investors, existing or potential (including, for example, policies affecting trade, investment, labour, immigration, real property rights, etc.). Policy advocacy does not, however, refer to efforts to obtain preferential treatment for one particular firm, or the provision by an IPA of assistance in solving problems relating to a firm's day-to-day and/or routine activities.

[†] Report of UNCTAD's Commission on Investment, Technology and Related Financial Issues on its tenth session, 6–10 March 2006 (TD/B/COM.2/71), annex II.

[‡] Wells, L. T. and A.G. Wint (1990), "Marketing a country: Promotion as a tool for attracting foreign investment", Occasional Paper 1 (Washington, D.C.: Foreign Investment Advisory Service).

5. An UNCTAD survey found that close to 80 per cent of all IPAs conduct policy advocacy activities in one form or another. This was particularly true in the cases of least developed countries (LDCs)[§] and economies in transition.^{**} The IPA must have a goal in mind when trying to effect change. Often, this means advocating measures that seek to make the investment environment more attractive to potential investors.

6. These efforts can be taken to mean direct, personal conveyance of a set of policy preferences to government officials, whether privately through individual meetings or publicly through conferences and seminars sponsored by Governments or where government officials are present. They can be written or oral, regular or intermittent, and either closely focused on a particular issue at hand or broader expressions of policy preferences. They can include opinion building, a more indirect way to engage Governments by providing information or taking a position within non-governmental fora that can have an impact on how government officials think. Such efforts can involve sharing information on policy positions with journalists, authoring media articles on the issue at hand, or sponsoring reports and conferences by respected policy organizations on a topic that covers the relevant policy issue.

B. Main actors

7. One aspect of understanding what constitutes policy advocacy is to ask who engages in it. Most broadly, government officials themselves, who are rightly seen as the targets of policy advocacy, could also be said to be part of the broader policy advocacy community, since they do not just design and execute policy but also must defend their proposals among their colleagues, both domestic and foreign, who may have different priorities and constituencies.

8. Actors in policy advocacy can include a myriad of stakeholders ranging from chambers of commerce, foreign investors, domestic companies, trade associations, international organizations, think tanks and policy foundations, labour unions, consumer and other NGOs, media, ministries of economy, commerce, finance, technology, etc. Not all of these various actors will be directly concerned by the policy issue under consideration and might have different opinions and policy stands. Depending on the issue at hand, these actors can become potential allies for IPAs, as well as possible opponents, and much will depend on how an IPA frames its arguments for a specific policy issue and manages to create a country team to work together as one force.

9. IPA agendas for investment-friendly government policies are also often pursued by chambers of commerce representing foreign investors, foreign companies already present in the host country, consumer-oriented NGOs and non-profit groups working for good governance and transparency, and domestic and foreign think tanks that favour open trade and investment.

10. Embassies of countries that are home to leading foreign investors are another source for cooperation on the policy advocacy agenda. Think tanks, foundations, university research groups and other policy organizations may exist at home that have an agenda that supports

[§] Forty-nine countries are currently designated by the United Nations as LDCs. The criteria underlying the current list of LDCs are: (a) low income, as measured by GDP per capita; (b) weak human resources, as measured by a composite index (augmented physical quality of life index); and (c) a low level of economic diversification.

^{**} UNCTAD, 2002, *The World of Investment Promotion at a Glance; A Survey of Investment Promotion Practices*, (UNCTAD/ITE/IPC/3), pp.14-15.

open trade and investment, consumer choice, and domestic competition for goods and services. When these groups are not strongly represented at home, there may be ways for IPAs to build links with internationally based groups, for example through the Internet, conference participation and visits.

11. Within government, the strongest IPA allies for many issues will be within ministries of economy, finance, trade and technology, which value FDI for the job creation, tax revenues, bilateral trade linkages, and transfer of expertise that it can bring. While all of these ministries will have other priorities in addition to improving the conditions for FDI, their door should always remain open to FDI advocates.

C. The unique role of investment promotion agencies

12. IPAs are institutions that are responsible for the promotion of inward direct investment to a given geographical region. Many of them are public sector institutions, though some of them are organized as semi-private or private sector institutions as well. While most countries maintain an IPA at the national level, IPAs may also exist at the sub-national level, or, conversely, at the supra-national level covering several countries. Many of these IPAs appeared in the late 1980s and 1990s, in parallel with the increase in global foreign direct investment (FDI) and the commensurate growth in the competition for FDI accompanying numerous liberalization measures introduced by Governments worldwide that made it easier for investors to access foreign markets.

13. While the general mandate of most IPAs in the world is to promote and attract FDI and support the economic development of their countries, not all of them are clearly and specifically empowered to undertake policy advocacy functions. However, because of their special mandate to work with the private sector to promote investment – rather than just implement policies – investment agencies should be considered *sui generis* organizations with one foot inside the governing inner ring where policy is formulated and one foot in the business community where investment decisions are made. Sometimes IPAs are policy implementers, but just as often they are policy advocates.

14. When the private sector is looking for a partner to promote economic reform, companies should remember that "...IPAs are in a strategic position to carry out policy advocacy activities because of their interface between the private and the public sector."^{††} As an UNCTAD study put it, "IPAs are sometimes called the advocates of the private sector within the government. Eighty per cent of the IPAs indicated that the provision of policy advice is part of their portfolio of tasks."^{‡‡}

15. While IPAs are particularly well placed to engage in policy advocacy in cooperation with the private sector, there is a paradox about this role. On the one hand, IPAs gain in prestige vis-à-vis their Governments – and thus in their ability to generate a more investment-friendly economic climate – if they are able to say that they can speak for the interests of the private sector.

16. On the other hand, if corporations are seen as the primary or sole constituent of an IPA, then the IPA loses its independence and its role as an honest broker between

^{††}Jacques Morisset, 2003, "Does A Country Need a Promotion Agency to Attract Foreign Direct Investment?", p. 16

^{‡‡} UNCTAD, 2001, "The World of Investment Promotion at a Glance: A Survey of Investment Promotion Practices", United Nations Conference on Trade and Development, United Nations Advisory Studies number 17, UNCTAD/ITE/IPC/3., p. 21.

government and the private sector. In such a case, the IPA would become a much less attractive partner for corporations, who would seek alternative routes to entering a foreign market and dealing with the regulatory and legal issues involved. To be successful, IPAs need to maintain a balancing act, avoiding becoming either a government spokesman or a private sector lobbyist. Sometimes the IPA runs the risk of becoming the exclusive window for concessionary treatment – tax incentives, visas, even land – or might cater for the interests of only large investors. This was the case, for example, of the Board of Investment of Sri Lanka, which "contributed mostly to the provision of an enabling environment for new larger investors – for example, it strongly supported the pioneering textile and garments industry, while it has not helped to improve the regulatory, tax and operating conditions of small-to-medium-scale Sri Lankan investors. To an extent it may have even undermined the economy-wide improvements that are required by perpetuating a dual regime in which large investors obtained treatment far superior to that available to small and medium investors".^{§§} Such distortion does occur as a result of IPAs' activities in a number of countries throughout Asia and Africa.

17. IPAs have a crucial role to play in promoting investment regulations that are consistent with the public interest and national development concerns, including their design and day-to-day administration, so that they do not impose unnecessary or unforeseen burdens on investors or become a distortion factor in the economy of the nation.

18. It is important to point out that there exists a variety of mechanisms through which IPAs report to government, and this often has a bearing on their status and power as public institutions and their ability to influence policy change. Some IPAs are placed directly under the highest political authority in the country and report directly to the President or the Prime Minister. Quite often, this confers greater influence on the IPA, as it has the ear of senior decision makers. Some IPAs are actually within a Ministry of Investment, as in the case of Egypt. In mid-2004, the newly appointed Government created the Ministry of Investment, and this has injected new dynamism into investment-related policies and institutions. The long list of initiatives adopted since then is testimony to the fact that the Egyptian Government is listening more carefully to investor concerns and acting more quickly on them.^{***} Other IPAs are a unit or a department in a large ministry which is not directly concerned with investment-related issues as a priority, such as the Ministry of Trade, Economy, Planning or Finance, and the IPA might not necessarily have direct access to the Minister himself or his close entourage and consequently encounter difficulties in conveying its concerns. The institutional structure, mandate and reporting mechanisms, as well as technical skills, have important implications for the ability of the IPA to speak forcefully and the degree of influence it can exercise.

II. HOW TO ORGANIZE IPAs FOR POLICY ADVOCACY

19. Should an IPA have a "policy advocacy unit" within its organizational structure to be able to conduct effective policy advocacy? This is a key question that many IPAs find themselves confronted with, and the answer is not straightforward. While coherent organization of an IPA's efforts to formulate and implement an advocacy strategy is warranted, policy advocacy is a cross-cutting function within an IPA, and the function is usually discharged by a number of IPA staff dispersed across the institution. The CEO plays a

^{§§} UNCTAD, 2004, Investment Policy Review Sri Lanka.

^{***} UNCTAD, Report on the Implementation of the Investment Policy Review, Egypt, UNCTAD/ITE/IPC/2006/1, United Nations, New York and Geneva, 2006, page 2.

crucial role, as do the external relations department and/or press officers, for example. Crucial inputs as to the issues that are of concern to investors are often best collected by line officials who have day-to-day contact with an IPA's investor clientele. The question of whether or not to have, institutionally, an advocacy unit depends upon the extent to which such a unit could exercise effective leadership and coordination over these dispersed elements within the IPA. Needless to say, it would be disastrous if the IPA were not speaking with one voice when articulating a specific course of action to take on a given policy issue.

20. In practice, although many IPAs conduct policy advocacy, few IPAs appear to have established a specific unit inside the agency dedicated to policy advocacy. In many IPAs, policy advocacy efforts are centralized in the executive office. Other IPAs have policy advocacy "teams", led by an organizational unit or an individual, particularly where staff have had experience in and are comfortable working in teams for purposes that need to be handled by more than one single unit. These "teams" may extend beyond the IPA, and encompass its allies. While there exists a variety of ways in which IPAs are organized for conducting policy advocacy through informal or formal organizational structures, there is no clear evidence of the merits of one structure over the other. The quality of the people and the seriousness with which policy advocacy is conducted by the IPA through the formulation of a clear and focused strategy and effective leadership seem to be the basic and most important requirements to ensure success

A. IPA staffing/outsourcing

21. It is worthwhile noting that while "policy advocacy tends to receive the smallest expenditures, amounting to no more than 7 percent on average"^{†††} in IPA budgets, "policy advocacy appears to have the strongest impact on FDI inflows, followed by image-building, investor servicing, and investment generation. Policy advocacy seems to be the most effective IPA function and IPA effectiveness is positively correlated with the quality of the investment climate. Most IPAs are in a strategic position to carry out policy advocacy activities because of their interface between the private and the public sector."^{†††} Most IPAs do not have many resources in the form of specialized personnel. They optimize their resources by creating a mix of in-house staff and outsourcing functions to specialized agencies. Even though there is a temptation to outsource many activities, it is prudent for the IPAs to create in-house core capacity in advocacy functions and to supplement that with outside expertise. There are four core advocacy functions – need input, research, process management and communication.

Need input

22. This function relates to environment scanning to identify the issues that are critical and require a policy solution. IPAs have a number of investment promotion executives who fulfil mainly two tasks, namely targeting investors and providing aftercare services. These executives are constantly interacting with investors, understanding their requirements, and analysing their failures and also success stories. There is a need to build capacity in these executives to recognize issues that require policy intervention and bring them to the attention of the IPA's chief executive. Conscious of the importance of policy advocacy and in order to maximize the effectiveness of the resources at their disposal, IPAs are increasingly asking

^{†††} The Effectiveness of Promotion Agencies at Attracting Foreign Direct Investment, FIAS 2004, Occasional Paper 16, p. 33.

^{†††} Jacques Morisset, 2003, "Does a Country Need a Promotion Agency to Attract Foreign Direct Investment?" page 16.

UNCTAD for training and advice on policy advocacy, particularly on how to organize themselves.^{§§§}

Research and analysis, policy and planning

23. Once the IPA has identified the issues, data collection and research comprise the second stage. It is advisable for the IPAs to have some in-house research and database management capabilities. The actual legwork, such as collection of data, can be outsourced to agencies that specialize in this activity. Analysis of issues is key in monitoring the investment climate and providing timely information to the Government on the competitiveness of the country in relation to competitors through benchmarking. It allows the IPA to highlight areas needing corrective action.

Process management

24. This includes the creation of messages in different formats, media management, preparing presentations, planning events, networking, etc. The IPA's core team, consisting of investment promotion executives, information and database management executives and economists, are formed into an advocacy team with different responsibilities. They work closely with the external support agencies and ensure timely and quality delivery.

Communication

25. Effective communication skills can be developed through capacity-building programmes at all levels within the IPA. Investment promotion in general and policy advocacy functions in particular require strong and effective communication skills. These skills are required for consensus building with partners, reducing resistance and persuading decision makers.

B. Advocacy teams

26. Building an effective and broad-based advocacy team is critical to the success of an IPA in the area of policy advocacy. IPA advocacy teams consist not only of employees of the IPA but may also include partners in a formal or informal organization. Members of effective IPA advocacy teams, even though they may belong to different organizations, recognize their interdependence and the need for each other's special knowledge, skills and resources. TEAM Uganda is a very good example, among others. Forty-nine government ministries and institutions are participating in the TEAM Uganda initiative. The Uganda Investment Authority (UIA), together with the Presidential Investor's Round Table, developed the concept of TEAM Uganda to streamline the government machinery and to improve service delivery to the business community, in particular foreign investors.

27. Through the TEAM Uganda network, which includes critical institutions such as the Uganda Registration Services Bureau, the Immigration Department, the Uganda Revenue Authority, the National Environment Management Authority and the Uganda Land Commission, UIA has found a new platform to advocate improvements in the investment framework.

^{§§§} UNCTAD has developed a training programme and a course specifically dedicated to IPA policy advocacy which has been delivered both at the national and regional levels to a large number of developing countries and economies in transition. The course is available in French, English and Spanish. Policy advice has also been provided on how to organize an IPA for policy advocacy. This was particularly done in the case of the Kenya Investment Authority which as a result established a unit solely dedicated to policy advocacy.

28. Policy advocacy requires hard work and a long-term commitment. The effort will sometimes not succeed, and often the process has to be either given up or started again. The synergy that comes from people working together provides the necessary impetus to "keep going when the going gets tough".

C. Monitoring and evaluation

29. Monitoring and evaluation are important elements in a policy advocacy strategy. A sound monitoring and evaluation system helps the advocacy team track its success, build credibility with support organizations and motivate members to sustain momentum. If IPA policy advocacy activities bring about a desired policy change, the IPA will want to demonstrate a clear connection between its objectives and activities and the policy outcome.

30. Monitoring is the process of routinely gathering information on all aspects of an advocacy campaign and using the information in team management and decision making. A monitoring plan is a basic and vital management tool that provides team members and other stakeholders with information that is essential to designing, implementing, managing and evaluating advocacy activities. Evaluation involves systematic and objective analysis of the team's performance, efficiency and impact in relation to its objectives. The ultimate objective is to draw lessons from experience in order to improve the quality of future advocacy campaigns, improve the design of future campaigns and demonstrate the IPA's ability to support organizations and policymakers.

III. TOOLS AND PRACTICES IN POLICY ADVOCACY

31. IPAs from Europe, Latin America, Asia and Africa all present examples of specific best practices that other IPAs can draw upon when considering their policy advocacy tools and operational methods. After-care, involvement of the private sector and the use of regional approaches are some of the ways that IPAs have been successful in leveraging their role to impact the policy environment. These practices can be grouped in three major areas: (a) ways and means to seek the views of the private sector and canvass the business environment; (b) ways of bringing the views of the private sector to the attention of the Government and the avenues and communication channels available to that effect; and (c) the regional dimension of policy advocacy.

A. Assessment of the investment environment and sources of information

32. The first step in organizing an IPA for policy advocacy is to establish ways to assess the business environment that will produce the findings upon which advocacy efforts will be based. Probably the richest source of useful information is investors already established in the country. In this regard, **investor aftercare services** could be considered an essential part of the policy advocacy process. By engaging in dialogue on a regular basis with foreign investors, IPAs learn what aspects of the policy environment these investors consider to be favourable or detrimental to their business activities. After-care is an area in which, for example, the Costa Rican Investment and Development Board (CINDE) has had success. CINDE engages in biannual visits with investors to discuss issues that may be making it difficult to conduct business or expand its operations in the country. The after-care also involves visits to the corporate headquarters of a number of US-based investors, in coordination with CINDE's New York office. CINDE also convenes monthly, thematic working groups where investors can discuss key issues affecting the investment climate, such as immigration procedures, infrastructure, human resources and domestic supply issues.

33. Prospective investors are of course another key source of input. Whether through investment promotion road shows or in-country visits, direct discussions with companies looking to invest will reveal their priorities concerning not only a particular investment but also the broader policy and regulatory framework. **Foreign investors' surveys** are also quite useful in canvassing the views and perceptions of both existing investors already established in the country as well as potential investors who have not yet made the decision to invest.

34. In addition, **representatives from professional service firms** that assist companies with investment strategy and implementation (lawyers, consultants, investment banks) can be another important source of policy guidance. These firms are retained by potential investors to advise them on possible locations for investments based on their political, legal, economic and regulatory attractiveness. Whether on behalf of a specific client or more broadly in order to inform themselves on various countries or regions, these advisory firms are seeking information on the investment environments in countries where they are active or could in the future be active. As part of this learning process, they can be convinced to engage with IPAs and other government officials, companies and local experts. The advisory firms are also a source of information and expertise on the kinds of policy environments that are attractive to investors.

35. **Specialized foreign media** reports about a country can also be a useful source of ideas for policy advocacy. The leading global newspapers, all of which have websites with most articles available either free or for a modest fee, will publish articles on the economic and business environment in the larger countries and markets and occasionally on smaller ones as well. Country surveys will often point to positives and negatives about the investment environment they cover.

36. Even in smaller, poorer countries without chambers of commerce representing foreign investors, there are usually **foreign embassies** from the larger countries with investors abroad. The commercial and economic sections of these embassies often serve as a source of ideas for policy advocacy regardless of the size or prosperity of the country involved. Visits by officials from foreign capitals (from foreign, economic, trade or commerce ministries) also offer an opportunity for IPAs to exchange views about policies that can promote investment.

37. On the **Internet**, there is a myriad of sources that can provide ideas for policy advocacy. The websites of international organizations such as UNCTAD, UNIDO or WTO, institutions such as IFC, MIGA or FIAS of the World Bank Group, and the regional development banks contain information on general or country-specific policy issues that tend to promote or deter foreign investment. Also, there are several non-governmental organizations and think tanks whose websites can be valuable sources of information on best practices in investment. These range from international economic policy research institutes to charities working on development to groups lobbying for good governance and against corruption.

38. **Public/private sector forums** are valuable sources of information on the views of the private sector and the investment environment. They include foreign investors' associations, foreign investor councils or private sector forums, depending on the country and location. In China, each province has a foreign investor' association with which the local IPA has a close relationship, and frequent meetings are organized to discuss issues of concern to investors.

39. **Foreign Investor Councils** are also widely used in a number of countries. In some countries of Central and Eastern Europe – Serbia and Romania, for example – Foreign

Investor Councils comprising the leading companies with investments in the country can have a significant impact on the policy environment. The FIC in Serbia issues an annual "White Book" which details the conditions for foreign investment in the country, where progress has been made, and where more policy changes would be desirable. In effect, some policy advocacy work is subcontracted to the FICs, with whom the IPAs keep in close contact.

40. A similar approach has been taken in Ghana. After discussions between the President of Ghana and the Presidents of the World Bank and IMF, the Ghana Investors Advisory Council (GIAC) was formed. The GIAC, which advises the President on investment issues, is composed of the 25 leading business executives in the country drawn from multinational companies with operations in Ghana, potential investors, and top local businesses; the CEO of the Ghana Investment Promotion Centre is an observer at GIAC meetings. The GIAC, which meets every six months, identifies very specific issues that need to be addressed in order to maintain or improve the environment for investment in the country.

41. Involving the views of the business community closely in policy dialogue is also the aim of the **Private Sector Forum (PSF)** established in Viet Nam in 1998. The goal of the PSF is to help Viet Nam develop a successful private business environment by addressing short-term problems and creating a longer-term view of what is necessary for sustainable investments. The PSF, which meets quarterly, is organized by the World Bank, the International Finance Corporation (IFC) and the Minister for Planning and Investment, and its membership includes both government and private business associations. The PSF has three working groups: Banking; Legal/Policy; Manufacturing/Distribution.

B. Channels of communication

42. There is a great variety of ways of conveying advocacy issues to Governments. Issues of concern can be brought to the attention of decision makers through strategic policy research papers concerning regulatory reforms, private sector development or any other important questions. Foreign investor surveys, policy briefs, white papers, investment climate reports, benchmarking reports, etc., are all intended for the same purpose. Other communication channels or avenues available to IPAs for alerting Governments to the need for policy change include meetings and conferences or links to champions or development partners and international organizations.

43. One good example of an IPA effectively drawing the attention of senior government officials to policy issues through the publication of an annual report is the Invest in Sweden Agency (ISA). ISA has the mandate from the Ministry of Foreign Affairs to report on the investment climate in Sweden once a year or as the need arises. ISA publishes an annual report entitled "The Climate for Foreign Investment in Sweden", which is presented to the Government. The report contains both trends in FDI in Sweden and the findings of a survey of foreign investors' views and perceptions of the business climate in the country. Specific issues are highlighted each year. Both positive and negative aspects of the investment environment are presented. The report has proved to be a powerful policy advocacy instrument in ISA's work.

44. It also appears that, to be successful, some policy advocacy must be done in public. One way for IPAs to do this is to commit government ministers and parliamentarians to attending regular conferences and events with current and prospective investors and other interested parties (media, NGOs, international organizations, Governments of outward

investor countries). These fora are well suited for IPAs to engage in public policy advocacy in front of the officials who will make the ultimate policy decisions. Officials will most likely come to these meetings with some promised policy reforms in hand, which they can later be held accountable for. Officials will also be obliged to react to the comments and suggestions by the IPAs and others with an interest in a more attractive investment environment. This is one channel which is commonly and widely used by IPAs around the world.

45. Decentralization of investment promotion to the sub-national or local level is another way of reinforcing the efforts of the IPA and its policy advocacy activities. A number of countries have followed this course of action and devolved responsibilities downward to sub-national and local institutions through the establishment of provincial or local chapters. These often build their own relationships with the politicians in their area, and these politicians in turn are often able to influence the decision making of politicians at the national level. This is particularly the case in some large developing countries such as Brazil.

46. Another approach that suggests itself is to develop a privileged relationship with a more developed country with which a given region already has strong commercial ties. For instance, the Austrian Federal Economic Chamber (WKOe) regularly hosts events where investment opportunities in the Western Balkan region are highlighted, with participation by government representatives from each country in the region. The WKOe now sees itself not only as an export promotion agency but also as an organization that should encourage outward FDI by Austrian firms. This added mandate reflects the understanding by the WKOe that outward investment in Central and Eastern Europe and the Western Balkans has been one of the main reasons for Austria's faster economic growth in recent years. Asian, Latin American or African IPAs could consider one or more of these special relationships with countries that are ready to promote the mutually beneficial role of foreign investment.

47. IPAs can increase their influence by building cooperative links with international organizations operating at the regional or multilateral level. An example of this kind of approach is the European Investor Outreach Program (EIOP) run by the Multilateral Investment Guarantee Agency (MIGA) for the countries of South-Eastern Europe, none of which are members of the European Union (see box 1).

Box 1. European Investor Outreach Program (EIOP)

In order to help countries in South-Eastern Europe to improve their appeal to potential investors, the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group has established the European Investor Outreach Program (EIOP) to assist the IPAs of Croatia, Serbia, Montenegro, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Albania. In addition to serving as an initial one-stop shop for investors interested in these countries, the EIOP also engages in advocacy with the Governments concerned in order to promote a policy environment that will help attract FDI. In the case of the Western Balkans, and perhaps other countries with similar economic and political realities, IPAs are under pressure to deliver concrete results in terms of new investments. While they may recognize the value of policy advocacy, it could also be seen as something of a luxury compared to the short-term need to seal new investment deals. In this kind of situation, being able to rely on the EIOP to do at least part of the advocacy work with Governments is a plus. This is particularly the case as many IPAs in the region are answerable to a single minister and thus may not have the independence to pursue advocacy with vigour. The EIOP encourages companies with potential interest in investing in the region to make initial contact with it as a one-stop shop. After canvassing Governments, the EIOP presents a range of investment options to those companies making

inquiries. Not only is some of the responsibility for attracting investment in the hands of EIOP, but EIOP also engages in policy advocacy with the Governments of South-Eastern Europe based upon what it hears from potential investors and its knowledge of best practices.

48. The work undertaken within the framework of UNCTAD's Investment Policy Reviews (IPRs) and Blue Books contributes to policy advocacy in a number of ways, as it focuses on key policy recommendations, building on UNCTAD's wide experience of investment policy across developing countries. IPRs are published and accessible to all and can strengthen the policy advocacy efforts of other institutions. IPRs are presented at national workshops, which bring together government officials and representatives from the private sector and civil society to discuss and comment on the main policy implications of the recommendations of the Reviews. The peer review mechanism in UNCTAD's Commission on Investment, Technology and Related Financial Issues allows an exchange of views and experiences on policy and best practices among UNCTAD member countries. It also provides a forum for the private sector to initiate a dialogue with high-level government officials (see box 2 on IPRs).^{****}

Box 2. Policy advocacy through IPRs

Some concrete examples of successful policy advocacy through IPRs include the following (the list is not exhaustive but a mere illustration):

A team from UNCTAD presented the main findings and recommendations of the IPR of Kenya and other FDI-related policy issues to around 30 members of Parliament of Kenya. The full-day session with MPs clarified a large number of FDI policy issues and allowed a constructive policy dialogue. UNCTAD had recommended a key amendment to a recently passed investment promotion act in its IPR. The amendment was approved by Parliament a few months after UNCTAD's session with MPs.

A one-day training session on taxation issues was also organized for members of staff of the Kenya Investment Authority. The session was aimed at giving the staff a sufficiently strong grasp of taxation issues to allow them to engage in a policy dialogue with Kenya's tax authorities and ensure a tax environment favourable to investment.

A team from UNCTAD presented the main findings and recommendations of the IPR of Rwanda to the economics and trade commission of the Parliament and Senate of Rwanda. This occurred ahead of the publication of the IPR and was greatly welcome by the Senators and MPs. It should increase the likelihood of policy recommendations being adopted, and strengthened the policy advocacy role of RIEPA, Rwanda's investment promotion agency.

UNCTAD organized a seminar to sensitize members of the Cabinet of the Government of Zanzibar to issues related to foreign direct investment. In particular, it focused on the implications of a new investment code that had been prepared with UNCTAD technical assistance.

UNCTAD prepared a technical report on the promotion of the industrial mining sector in Rwanda. It made recommendations on the policy environment needed to promote investment

**** UNCTAD has published 15 IPRs for: Algeria, Benin, Botswana, Ecuador, Egypt, Ethiopia, Ghana, Lesotho, Mauritius, Nepal, Peru, Sri Lanka, Uganda, United Republic of Tanzania and Uzbekistan, and some seven more are under preparation, including Brazil, Colombia, Islamic Republic of Iran, Morocco Nigeria, Rwanda and Zambia.

in the sector and provided comments on a draft mining code. The report was presented at a national workshop, which brought together experts and investors from the mining sector and government officials involved with the new mining code and future regulation of the sector. It promoted a fruitful dialogue among sector participants ahead of major legal and regulatory changes.

49. In the case of LDCs, the UNCTAD/ICC Investment Advisory Council (IAC) provides an informal and flexible framework within which senior business executives and senior government officials responsible for investment matters can interact on questions related to attracting FDI and benefiting from it (see box 3 on IAC), and it serves as an effective forum to discuss investment policies, problems and challenges at the highest level.

Box 3. UNCTAD/ICC Investment Advisory Council (IAC)

The IAC was established at the Third UN Conference on the Least Developed Countries in May 2001 on the joint initiative of UNCTAD and the International Chamber of Commerce (ICC). The purpose of the Council is to: (i) facilitate the interaction between government and corporate representatives; (ii) provide Governments of least developed and other low-income countries with advice and recommendations that can help to increase the level and quality of foreign direct investment inflows; (iii) speed up development; (iv) facilitate the integration of economies into the world economy; and (v) increase the awareness of international business to investment opportunities in least developed and other low-income countries.

To date, the IAC has met five times. The meetings make available the expertise of senior corporate executives in support of the efforts of developing countries to attract foreign direct investment and benefit from it. They are also a forum for launching new initiatives towards this end.

IV. POLICY ADVOCACY THROUGH REGIONAL INTEGRATION MECHANISMS

50. Over the last decades, countries in different regions have created regional integration mechanisms to accelerate economic development. It is generally felt that integration can, among other things, raise returns on investments, facilitate larger investments, and induce industries to relocate. It can also commit Governments to reforms, increase bargaining power and enhance cooperation. In countries that are part of regional intergovernmental or supranational groupings, the options for impacting policy and for acquiring economic and political information of relevance to investors is multiplied.

51. In Europe, the newer, less economically advanced member countries of the European Union have additional vectors for policy advocacy available to them that non-EU members do not. In addition to persuading their own Governments to enact certain policy changes, EU IPAs can turn to the European Commission in Brussels, which in certain areas has supranational authority and in others has a strong hortatory role. If an IPA thinks that a new telecommunications law is necessary to attract more investment in that sector, it may turn out that the European Commission is planning a new telecoms directive that could reinforce the goals of the IPA in question. Although in other regions of the world organizations with the same level of supranational powers as the EC do not exist, there

should, for example, be options for policy advocacy for South-East Asian IPAs within ASEAN, for South American IPAs within MERCOSUR or for East African countries within EAC or COMESA (see box 4).

Box 4. The Common Market for Eastern and Southern Africa (COMESA)

The Common Market for Eastern and Southern Africa was launched on 30 October 2000 and its members are Angola, Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libyan Arab Jamahiriya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. It represents a regional market of 380 million people, and one of its major aims is to integrate trade and investment in the region and to provide a major boost to investment promotion. COMESA serves as an example for regional policy advocacy. The impending establishment of the COMESA Common Investment Area (CCIA) and the establishment of the Regional Investment Agency (RIA) in Cairo, Egypt, on 1 June 2006 will institutionalize policy advocacy at the regional level. RIA aims to advocate the adoption of best practices in investment policies across all members of COMESA. One concrete example is the Regional Investors' Road Map commissioned by USAID and 11 National Investors' Road Maps, advocating changes to national investment environments and those aspects of national policy that impact cross-border investment in the COMESA member countries. Other important areas addressed include permanent investor permits, land development, business registration and tax regimes.

52. The combination of regional and private sector advocacy is a practice that some emerging economies are initiating. One concrete example is to be found in the East African Community (EAC) – with its "Second Development Strategy", the EAC has paved the way for an economic reform programme ranging from legal harmonization to the adoption of common labour legislation, a single entry visa for business people, and increased trade liberalization. The 'Second Development Strategy' is a basis for regional policy advocacy. Each legislative undertaking is based on a consultative process that brings together the EAC secretariat, regional experts and officials from the relevant ministries in each member State. In the case of the EAC, successful policy advocacy carried out through a regional organization creates the necessary institutional momentum to raise the region's profile and attractiveness to foreign direct and intra-regional investment.

53. However, there is a downside to policy advocacy through regional integration. Sometimes change can be slowed down if all countries have to adopt a specific course of action that might not be politically feasible for some of them. It can be a recipe for gridlock, as the lowest common denominator will apply. The role of two speed mechanisms might be a solution to go forward.

54. In conclusion, there are numerous ways and means available to IPAs to help them play their role as policy advocates. Some of these do not require a lot of resources, either human or financial, and even IPAs with limited resources can undertake them. Overall, investment promotion agencies should see their ambition as creating a "grand bargain" with their respective Governments. IPAs will need to deliver on their promises to attract more and higher-quality investment to their countries. In return, Governments need to be made to understand that without the proper reforms in the policy environment, IPAs cannot and should not be expected to accomplish their mandate. Successful policy advocacy convinces

Governments not only of the merits of individual policy changes, but also of the broader need to maintain their side of the institutional bargain.

55. UNCTAD, the World Association of Investment Promotion Agencies and the multilateral development agencies are all possible venues for cross-border cooperation among IPAs, including sharing experiences about the skills, knowledge and organization that an IPA should have for consistently effective yet adaptable policy advocacy. The right background and training for those engaged in investment promotion and particularly policy advocacy is important. Especially for developing and transition economies, it could be argued that the senior executives of IPAs should have educational or professional experience in one or more of the key home countries or in organizations where these countries and their representatives play a major role. Not only is knowing how these investors think of crucial importance, but such a background may give IPAs added authority vis-à-vis their Governments.

V. ISSUES FOR EXPERTS

56. The foregoing suggests several key issues for consideration by experts:

- How can IPAs be successful in policy advocacy, a bridge between the public and private sectors, while avoiding becoming either a government spokesman or a private sector lobbyist? How can the balancing act be maintained?
- What are effective practices for IPAs to make their policy preferences heard, and what are the most appropriate vehicles for getting policy messages across to Governments?
- What are private sector views on the role of the business community in promoting policy change for the improvement of the investment environment?
- While many of them recognize the need to devote resources to policy advocacy, IPAs, especially those in less economically advanced countries, are also often under pressure from their Governments to produce tangible, immediate results in the form of new foreign investment. One way out of this conundrum is to leverage other interested parties who can contribute to the policy advocacy process.
- Should an IPA be located under the highest authority in the country, for example in the President's or Prime Minister's office or within a Ministry? What are the merits of various existing reporting channels and how can an IPA have enough weight to be able to influence change in policies?

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