



THE IPA OBSERVER

INVESTMENT PROMOTION AND FACILITATION MONITOR



UNITED NATIONS
UNCTAD

The Digital Transformation of Investment Promotion Agencies

During the COVID-19 pandemic, investment promotion agencies (IPAs) have been adopting new ways of working online and using digital tools.

IPAs now need to address digitalization more strategically and move beyond a reactive

approach. This should allow them to continue their traditional operations and achieve their objectives in a more efficient way. UNCTAD proposes 4 steps to adopt a strategic approach to the digitalization of IPA operations (box 1).

Box 1. UNCTAD proposes 4 steps for IPAs to adopt a strategic approach to digitalization



1. **Assess digital needs:** Consider the specific challenges, information and service gaps of the IPA in which digitalization could make a difference.
2. **Take stock of in-house digital skills and technologies:** Review digital skills of IPA staff and map which areas of work are already fully or partially digitalized and which are not.
3. **Define goals of digital processes and tools:** Identify and describe where digitalization can complement and enhance existing services or where functions can be strengthened.
4. **Adopt agile processes and regular feedback mechanisms:** Digital transformation can be an incremental process and IPAs can begin with 1 or 2 areas of work. Ensure regular monitoring and benchmark progress on goals.

Source: UNCTAD.

To remain competitive, IPAs need to enhance their digital investment promotion and facilitation efforts.

To date, most digital tools relate to their investment promotion functions, such as

marketing and investor targeting. But, in line with wider e-government efforts, digital tools and processes are increasingly being used by IPAs across the whole investment cycle (table 1). An important driver is the investor who

is demanding easily accessible, accurate and up to date information online before committing resources to travel and conduct site visits. This, together with stagnating foreign direct investment, a widening finance gap to achieve the Sustainable Development Goals, and other challenges including changes in the

international tax system, reinforce the need for countries to strengthen their investment promotion and facilitation efforts. It is therefore no surprise that the number of digital information portals and single windows related to investment has increased in coverage and quality.¹

Table 1. Types of digital tools used by IPAs.

| IPA functions | Digital tools and practices |
|--|--|
| Investment promotion | IPA websites, social media, online investment guides (iGuides), digital platforms featuring investment opportunities, digital benchmarking tools, automated value proposition generation tools |
| Investment facilitation | Step-by-step online information portals (eRegulations), investment maps, online single windows (eRegistrations), digital site selection maps, guided virtual tours, digital comparison tools, project monitoring platforms, incentive calculator tools |
| Aftercare services and policy advocacy | Customer relations management (CRM) systems, online investor surveys, business linkages matchmaking exchanges, online supplier databases, virtual grievance consultations |

Source: UNCTAD.

Agencies are not on a leveled digital playing field and those with low levels of preparedness risk falling behind.

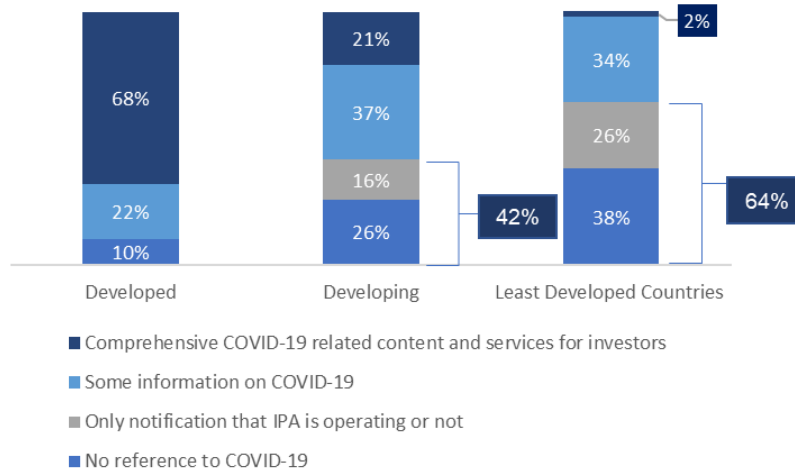
To what extent an IPA can enhance the digitalization of its operations depends largely on the wider digital ecosystem in the country and its digital technology infrastructure and skills. The digital divide between the poorest countries and developed economies that was brought to light during the COVID crisis is also reflected in the work of government institutions. UNCTAD regularly monitors the online activities of IPAs and reported on their asymmetric response at the onset as well as amid the health crisis.²

In 2020, 68 percent of IPAs in developed countries provided comprehensive business-related information to investors through their various digital channels, compared to only 21 percent of agencies in developing countries and 2 percent in least developed countries (LDCs) (figure 1). Later in 2021, as IPAs began to focus less on retention and more on promotion of investment in new priority sectors like health, UNCTAD’s monitoring again revealed important differences in the breadth and quality of information provided by developed and developing countries’ agencies (figure 2). The annex provides a selection of digital tools used by IPAs.

¹ UNCTAD (2022). Investment Policy Monitor, [Investment Facilitation: Progress on the Ground](#). Special Issue 6, January.

² UNCTAD (2020). [Investment Promotion Agencies: Striving to Overcome the COVID-19 Challenge](#). The IPA Observer, Special Issue 8, April.

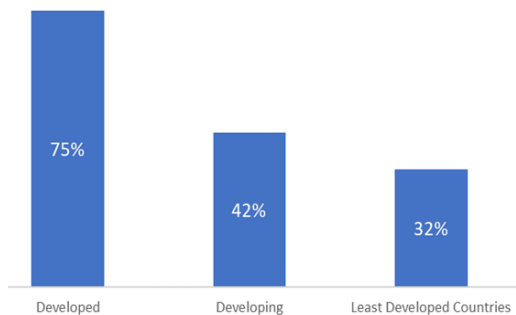
Figure 1. Asymmetric online response by IPAs at the onset of the pandemic
(percentage of websites and social media channels, by group of economies).



Source: UNCTAD review of online activities of 180 national IPAs between March and July 2020.

Figure 2. Amid the pandemic, persistent difference in the online activities of IPAs.

(percentage of IPA websites/social media channels that featured health for investment, by group of economies)



Source: UNCTAD, 2021. Review of online activities of 188 national IPAs between February and May 2021.

IPAs in LDCs cited digitalization as a current priority.

A recent needs assessment among 28 LDC IPAs reveals the digital transformation challenge that LDC IPAs are facing (table 2). IPAs from the poorest countries require support from the international community and development partners. UNCTAD regularly provides such technical assistance to governments and IPAs through digital tools that aim to increase transparency about regulatory procedures for investors, through step-by-step information portals and by providing support in the streamlining of investment processes online.³

Table 2. Digitalization is a priority for LDC IPAs.
(percentage of respondents)

| | |
|--|-----|
| Insufficient digital technology was a main challenge for the IPA during the pandemic | 71% |
| Digitalization of operations is a priority for the IPA post-COVID-19 | 79% |

Source: UNCTAD, forthcoming. Needs assessment survey of 28 IPAs from LDCs between May and August 2022.

³ Examples of digital tools developed by UNCTAD for developing countries include online investment guides [iGuides](#), step-by-step information portals [eRegulations](#), online single windows

[eRegistrations](#), and a world index of online enterprise registration portals [GER.co index](#).

Annex

| IPA functions | Areas of work | Examples of digital tools used by IPAs |
|---|---|--|
| Investment promotion | Answering prospective investor queries | <i>Invest Estonia's</i> electronic investment advisor provides semi-automatic replies to simple and complex investor queries, including tailor-made value propositions. |
| | Benchmarking against other countries | The <i>Foreign Investment Promotion Agency</i> of Tunisia's Compare Tunisia online tool allows investors to benchmark Tunisia against other countries with regards to international rankings. |
| | Providing up-to-date information on the investment location | Online investment guides (" iGuides " – implemented in 40 countries) were designed by UNCTAD and the International Chamber of Commerce to provide investors with information on investment opportunities, business costs and the local regulatory environment for investment including labour, land, taxes, investor rights and sectoral data. |
| Investment facilitation | Facilitating site selection | <i>Invest India</i> has an online industrial land bank that functions as an investible land bank with information on availability of raw material, logistics and urban infrastructure. |
| | Streamlining administrative tasks | <i>Invest Malaysia's</i> investment portal is a single-entry point for companies to submit and track their applications online. |
| | Supporting enterprise development | <i>APEXBrasil</i> offers an e-commerce diagnostic tool that companies can use to assess their readiness to sell and export online. It provides guidance and links to useful partners and support programmes. |
| Aftercare services and policy advocacy | Facilitating links to local suppliers | <i>The Council for Development of Cambodia</i> developed an online suppliers database with sustainability dimension to facilitate matchmaking between investors and local suppliers. The database has information about sustainability characteristics of selected suppliers. |
| | Receiving investor feedback and grievances | The Republic of Korea's <i>KOTRA</i> has a foreign investment Ombudsman that works to support grievance resolution of foreign investors in the country and has an online grievance application system . |

Source: UNCTAD.



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