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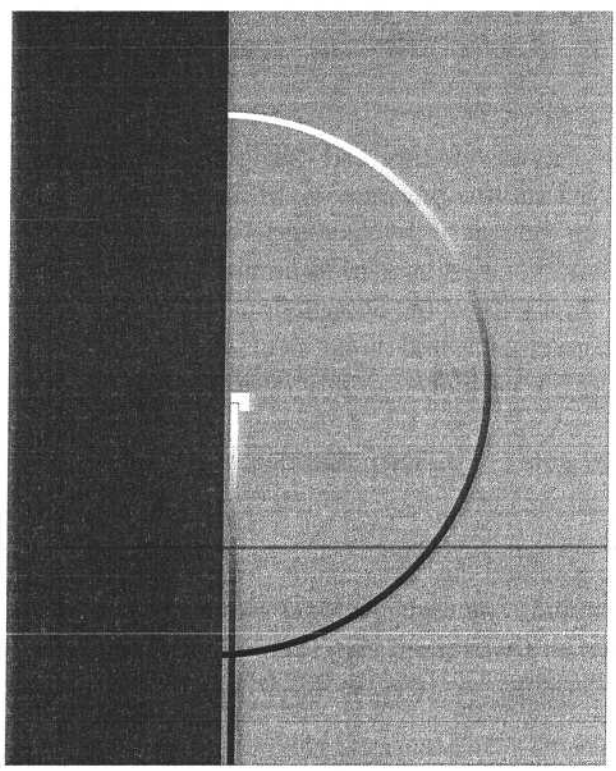
ASIT Advisory Studies, No. 14

HANDBOOK ON OUTWARD INVESTMENT AGENCIES AND INSTITUTIONS



UNITED NATIONS
New York and Geneva, 1999

Note

UNCTAD serves as the focal point within the United Nations Secretariat for all matters related to foreign direct investment flows. In the past, the programme on transnational corporations was carried out by the United Nations Centre on Transnational Corporations (1975-1992) and the Transnational Corporations and Management Division of the United Nations Department of Economic and Social Development (1992-1993). In 1993, the programme was transferred to UNCTAD and became that organization's Division on Investment, Technology and Enterprise Development. Some of the division's technical assistance activities are provided through the Advisory Services on Investment and Technology (ASIT). ASIT executes projects and programmes that are designed to strengthen the capacity of host countries, particularly developing countries, to create an investment climate that attracts foreign investment and international business. It also assists developing countries and economies in transition in strengthening their investment institutions, especially investment promotion agencies.

The present publication is part of the Series B Advisory Studies publications. In contrast to the research-oriented studies of Series A, Series B primarily contains work with a "how-to" focus that provides guidance on policy issues and answers to questions as they arise on the relationship between investors, home country institutions and host country entities. This series is meant, therefore, to be of direct relevance to practitioners in the field of foreign direct investment.

The term "country" as used in this study also refers, as appropriate, to territories or areas. The designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

In the tables, two dots (..) indicate that data were not available or were not separately reported.

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Preface

The increasing efforts of developing countries and economies in transition to attract foreign investment have led over the years to the establishment of investment promotion agencies or similar government institutions with the prime function of attracting foreign investment. In their day-to-day operations, these institutions not only extend their network and services to transnational corporations, but also to institutions in so-called home countries that facilitate outward investment.

Knowledge of these outward investment agencies and institutions varies extensively between investment promotion officials, especially in developing countries where information on these organizations is generally lacking. It is against this background that in September 1997, during an expert meeting on investment promotion and development objectives in Geneva, UNCTAD was asked by its member States to prepare a comprehensive listing of institutions and programmes that support outward investment, particularly to developing countries.

This advisory study was prepared in response to this request. The study includes information on the different outward investment agencies and institutions that can be found, the services and programmes that they provide, and cooperation arrangements that they maintain with other players in the field of investment. The study also gives a list of the organizations that participated in a recent UNCTAD survey on outward investment agencies.

The handbook was prepared by Paul Wessendorp and Martina Otto under the overall direction of Khalil Hamdani. The cover was designed by Diego Oyarzún-Reyes.

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Geneva, September 1999

Executive summary

In the 1980s and 1990s, in an effort to promote outward investment, many developed countries liberalized their regulatory frameworks and launched programmes to facilitate outward investment. Such programmes vary widely in structure and scope, but three main areas of intervention can be distinguished: (1) the provision of information and technical assistance in support of outward investment; (2) financial schemes and fiscal incentives; and (3) investment insurance and guarantees. In order to carry out these activities, most developed countries have established agencies and institutions for each of these services. In contrast, developing countries often have no such agencies or have only a more modest institutional set-up in support of outward investment. They rely more on services provided by regional and global institutions.

For the purpose of this study, outward investment agencies and institutions (OIAs) are defined as institutions whose prime function is to promote and facilitate investment abroad by carrying out specific outward investment programmes. In the study, OIAs are classified in the following three broad categories according to their primary set of functions: (1) outward investment promotion agencies (OIPAs); (2) development finance institutions (DFIs); and (3) investment guarantee schemes (IGSs).

Although private sector and international organizations are also active in the area of outward investment, the analysis of the survey material only covered national institutions. However, private entities with an official government mandate and with public sector funding have been included and the study also gives information on international organizations that provide assistance programmes to help countries to attract investment.

The UNCTAD survey which formed the basis of this study covered about 100 institutions. When looking at the services that OIAs provide, OIPAs scored high in the provision of information and international business contacts to companies that expressed interest in investing abroad. DFIs offer the broadest range of services with financing at the core of their operations, while IGSs usually limit their services to the provision of guarantees and insurances.

As to the scope of operations of OIAs, it was found that many programmes are geared to small and medium-sized enterprises. Because of the close relationship between investment promotion programmes and development programmes, most agencies and institutions covered by the survey direct their activities towards developing countries and transitional economies.

When asked about cooperation arrangements with inward investment promotion agencies (IPAs) in the countries where they operate, a great number of OIPAs reported that they work closely with these agencies. DFIs and IGSs scored lower on collaboration with IPAs and are also less active in seeking such relationships. A large number of OIAs indicated that they also maintain close links with other institutions within the investment network, especially with national and foreign private sector associations and public sector institutions in emerging economies.

Since this publication intends to be a practical handbook for investment promotion practitioners, a list of selected OIAs and regional and multilateral institutions that deal with foreign investment is included. Information on specific OIAs and international organizations is provided in a series of tables and boxes.

Contents

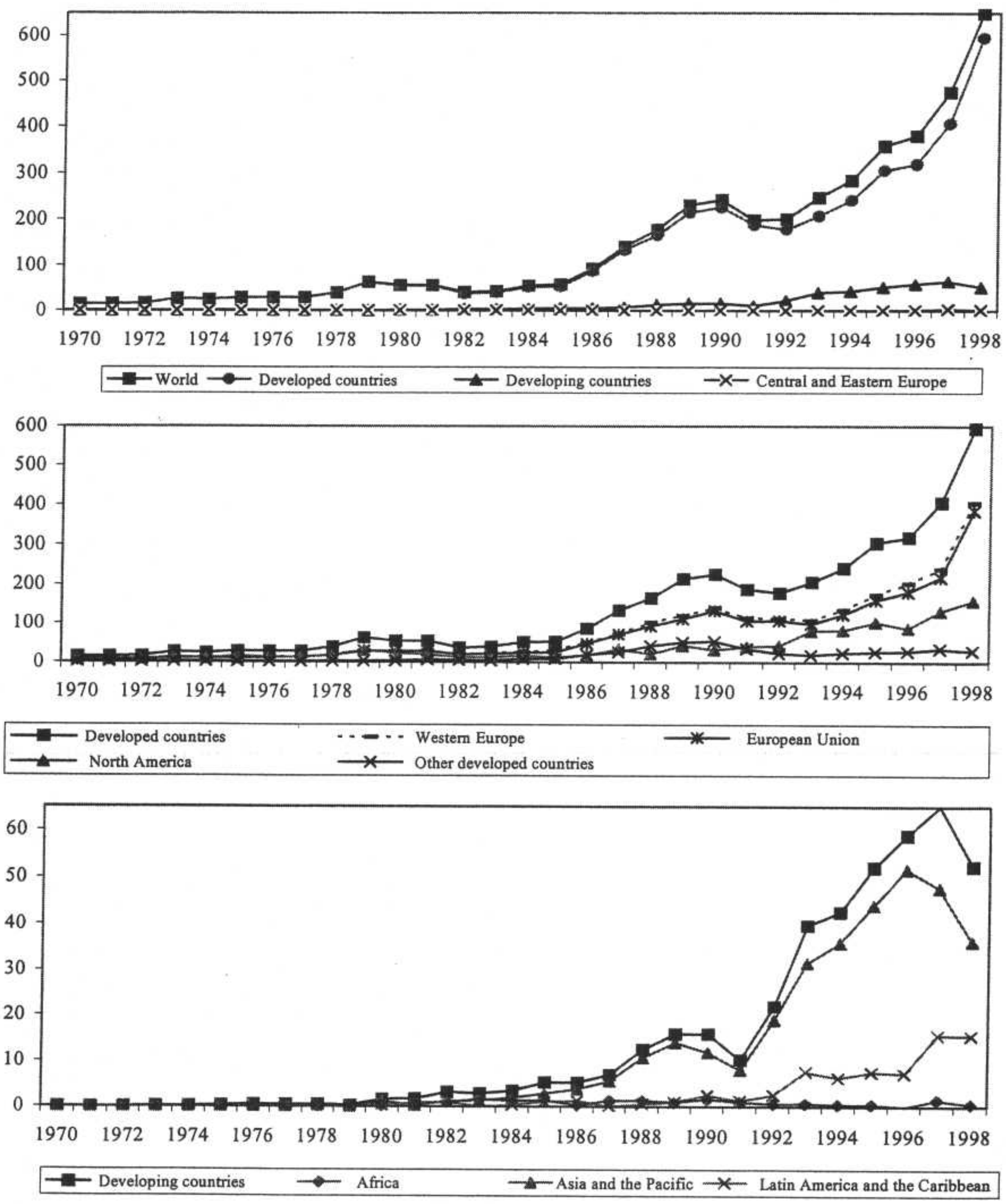
Abbreviations

APEC	Asia-Pacific Economic Cooperation forum
CDC	Commonwealth Development Corporation
DFI	development finance institution
ECGD	Export Credits Guarantee Department (United Kingdom)
EDC	Export Development Corporation (Canada)
EXIM Bank	Export-Import Bank of Thailand
FDI	foreign direct investment
FIAS	Foreign Investment Advisory Service
FMO	Netherlands Development Finance Company
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
IGS	investment guarantee scheme
IPA	investment promotion agency
KOTRA	Korea Trade-Investment Promotion Agency
M&A	mergers and acquisitions
MERCOSUR	Southern Common Market
MIB	Mexican Investment Board
MIGA	Multilateral Investment Guarantee Agency
NAFTA	North American Free Trade Agreement
OECD	Organization for Economic Co-operation and Development
OIAs	outward investment agencies and institutions
OIPA	outward investment promotion agency
SDR	special drawing rights
SMEs	small and medium-sized enterprises
SOFI	Swiss Organization for Facilitating Investments
TNC	transnational corporation
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WAIPA	World Association of Investment Promotion Agencies
WTO	World Trade Organization

A. Introduction

Foreign direct investment (FDI) has grown considerably during the past three decades and even more so during the last ten years. As figure 1 shows, developed countries are mainly responsible for this increase. But, although countries in Western Europe and North America still

Figure 1. FDI outflows, global and by region, 1970-1998
(billions of US$)



Source: UNCTAD, 1999, annex table B.2.

Note: "Other developed countries" include Australia, Israel, Japan, New Zealand and South Africa.

account for most FDI in- and outflows, an increasing number of developing countries or territories, mainly from Asia and Latin America, are nowadays not only major beneficiaries of FDI inflows, but also significant suppliers of FDI (for the latest figures on FDI outflows by region, see table 1). The most prominent in Asia are Hong Kong (China), Malaysia, the Republic of Korea, Singapore and Taiwan Province of China, and, in Latin America, Argentina, Brazil, Chile, Mexico and Panama.

Table 1. Regional distribution of FDI outflows, 1995-1998
(millions of US$)

	1995	1996	1997	1998
World	**358 573**	**379 872**	**475 125**	**648 920**
Developed countries	**306 025**	**319 820**	**406 668**	**594 699**
Western Europe	175 511	203 942	240 238	406 220
European Union	*160 411*	*181 817*	*218 428*	*386 161*
Other Western Europe	*15 100*	*22 125*	*21 810*	*20 059*
North America	103 540	87 718	131 999	159 406
Other developed countries [a]	26 974	28 161	34 432	29 073
Developing countries	**52 089**	**58 947**	**65 031**	**52 318**
Africa	454	- 26	1 418	511
Asia	44 060	51 681	47 741	36 182
Central Asia	..	..	*1*	*8*
South, East and South-East Asia	*44 944*	*49 567*	*45 653*	*34 312*
West Asia	*- 884*	*2 114*	*2 087*	*1 861*
Developing Europe [b]	67	89	253	145
Latin America and the Caribbean	7 510	7 202	15 598	15 455
The Pacific	- 3	1	22	25
Central and Eastern Europe	**460**	**1 105**	**3 425**	**1 903**

Source: UNCTAD, 1999, annex table B.2.

[a] Include Australia, Israel, Japan, New Zealand and South Africa.

[b] Include Bosnia and Herzegovina, Croatia, Malta, Slovenia and The Former Yugoslav Republic of Macedonia.

This increase in FDI flows is due to several factors. First of all, investment climates in many countries have been improved through deregulation, demonopolization, privatization and reforms of trade and investment regimes. Second, with growing globalization, more and more developed and developing countries are actively involved in attracting FDI and in promoting outward investment. Furthermore, the number of international mergers and acquisitions (M&A) has dramatically increased in the last few years. Another important factor is that, while investment activities by established large transnational corporations (TNCs) have continued, a growing number smaller companies have started to invest abroad.

FDI provides advantages for both host and home countries. For host countries, FDI increases the availability of goods and services, generates flows of skills, information and technology, retains or improves market access and intensifies competition and innovation. Furthermore, FDI is expected to help the economy to restructure and to adapt to the globalizing world economy. For home countries, FDI is also a means to increase enterprise competitiveness and national performance through access to foreign markets and resources. Moreover, it opens new export opportunities and often provides returns in the form of technology and profits. A study of the countries of the Organization for Economic Co-operation and Development (OECD) found that each US dollar of outward FDI was responsible for two dollars of additional exports (OECD, 1998).

Against this background, this study is meant to help investment promotion officers in developing countries to get a better understanding of agencies and institutions dealing with outward investment. Part 1 gives an overview of outward investment promotion strategies, promotional techniques and types of outward investment agencies and institutions (OIAs) involved in outward investment promotion and facilitation, as well as an analysis of services provided by these organizations and their institutional structure, based on a survey sent to OIAs. Part II contains a list of the OIAs surveyed.

1. Policies on outward investment

In the promotion and facilitation of outward investment, three main areas of intervention can be distinguished: (1) liberalization of regulatory policies; (2) policies facilitating and protecting FDI; and (3) promotional policies. For examples of outward investment strategies, see boxes 1 and 2, on Mexico and the United Kingdom, respectively.

(a) Liberalization of policies on outward investment

Until the 1980s, many countries restricted outward FDI through foreign exchange or capital movement controls designed to address balance-of-payments problems. Since then, developed countries have eliminated most of these restrictions in line with OECD liberalization codes and deregulation agreed within the European Union.[1] In contrast, many developing countries and transitional economies still limit outward FDI under the scope of restrictive capital-control policies. However, during the 1990s, some of these countries have introduced more liberal and even promotional policies with respect to outward FDI (UNCTAD, 1995, pp. 321-322). For example, a review of recent changes in legislation and national policies on outward FDI in developing Asia shows a clear trend towards further liberalization (UNCTAD, 1997). The Asian crisis did not stop this development (although there is increased recognition of the need for regulation of short-term capital flows), nor did it have a major effect on FDI flows into the countries most affected. As to outward investment, with the exception of the Republic of Korea, figures declined depending on the degree to which countries were affected by the crisis (UNCTAD, 1999, p. 60).

(b) Introduction of policies facilitating and protecting outward investment

Policies facilitating and protecting investment often follow the liberalization of legislation and policies. By the end of 1997, over 1,500 bilateral investment treaties, of which 249 were between developing countries, had been concluded (UNCTAD, 1998, p. 59). Bilateral investment treaties generally provide for unrestricted transfer of capital and earnings, fair and equitable treatment and objective mechanisms for the resolution of investors' disputes with host Governments. Simultaneously, some 1,700 bilateral tax agreements preventing double taxation

[1] An overview of these developments can be found in *OECD (1992)*.

had been signed (UNCTAD, 1998, p. 76). Also, the increasing number of regional integration agreements (e.g. the European Union, the North American Free Trade Agreement (NAFTA) and the Southern Common Market (MERCOSUR)) had a significant impact on investment flows, as all include provisions on investment (see the case of Mexico in box 1). At the multilateral level no such agreement exists although discussions and negotiations on a multilateral agreement have been on the international agenda for several years.

Box 1: Mexico

Since Mexico has adopted a new outward-looking strategy, it has been successful in attracting inward investment. With FDI inflows accounting for US $12 billion in 1997, it is the second largest recipient of FDI among Latin American countries. Yet Mexico also provides significant outward investment. In 1994, Mexico's outward investment figures were the highest of any Latin American country. After a steep decline due to the 1994 financial crisis, Mexico's outward FDI is on the rise again.

Mexico has entered into a number of free trade agreements, eliminating barriers to trade and investment and providing greater protection for investment with Canada and the United States under NAFTA and under separate treaties with Bolivia, Colombia, Costa Rica and Venezuela. Cooperation agreements on trade and investment and bilateral investment treaties have been signed with a significant number of Asian, European and Pacific countries. Furthermore, Mexico has become a member of the OECD and the Asia-Pacific Economic Cooperation forum (APEC) and has acceded to the World Trade Organization (WTO). Further bilateral and regional agreements are under negotiation with other Látin American countries and MERCOSUR. In order to prevent double taxation, Mexico has signed tax treaties with Germany, Japan, the Netherlands, Norway, the Republic of Korea, Singapore, Switzerland and the United Kingdom.

Mexico has enacted numerous reforms of its trade and investment framework, introduced new legislation and streamlined procedures to facilitate foreign investment. Even without specific programmes geared to outward investment or organizations exclusively dealing with outward investment, the first promotional efforts in this area have already been undertaken. Two institutions which primarily deal with inward investment, but also extend their services to outward investment, are the Mexican Investment Board (MIB) and Bancomext.

(c) Policies and programmes promoting outward investment

Most developed and some developing countries moved a step further and started to actively promote outward investment through specifically designed programmes.[2] Although these programmes vary among countries, services can be grouped in three broad categories: (1) information and technical assistance; (2) financial support and fiscal incentives; and (3) investment insurance and guarantees.

With respect to information services and technical assistance, we can distinguish programmes that provide:

- General information on geographic, economic and legal conditions of host countries;
- Sectoral studies and information on specific investment opportunities;
- Databases on home country firms interested in investing abroad;
- Conferences, investment missions and other proactive information programmes designed to bring information on investment opportunities to potential investors, whereby, for

[2] For a comprehensive overview of policies and programmes on outward FDI see UNCTAD, 1995, chapter VII, and World Bank, 1992.

example, executives from industrial countries go to developing countries, or executives from developing countries are brought to industrialized countries;

- "Matchmaking", by bringing information about investment opportunities to the attention of potential investors;
- Feasibility studies and project development for identified investment opportunities.

Financial support is given in the form of grants, loans and equity. Funding is provided for whole investment projects or specific stages of the investment process such as feasibility studies, project development or project start-up. Depending on the structure of the financial support schemes, pre-investment and feasibility studies can be fully financed or pre-financed. Pre-financed studies are usually carried out on condition that the finance is reimbursed if a project is considered viable. These financial support schemes for project development and project start-up, including the preparation of contracts, adaptation of technology and training of local personnel, are set up to help companies overcome financial hurdles and proceed with the investment process. This assistance is particularly important for smaller firms with little experience in investment projects abroad and limited financial means. As mentioned above, many Governments are also removing fiscal barriers to outward investment, especially through bilateral tax agreements. Some Governments go even further and provide direct tax incentives to companies that invest abroad.

Most developed countries have established investment insurance and guarantee schemes and an increasing number of developing countries are introducing similar programmes. While most of these schemes cover only non-commercial risk, some also address commercial risk. The structures of investment insurance and guarantee schemes differ; some are geared to investment in specific countries while others are indifferent to the destination of the investment but require that the protected investment should generate economic or social benefits.

An example of a country that maintains programmes which provide financial and insurance support to national companies that invest in developing countries is the United Kingdom. Information on two of these programmes is given in box 2.

Box 2: United Kingdom

The United Kingdom is one of the most successful countries in attracting foreign investment, and also an active player when it comes to outward investment. With US$ 37 billion of inward FDI and US$ 58 billion of outward FDI in 1997, it is the third-biggest host of FDI and the second-biggest investor in the world. Neither the Asian crisis nor the strength of sterling have been able to put a damper on the United Kingdom's record figures.

Until the 1980s, the United Kingdom restricted inward and outward investment; for example, capital leaving the country had to be approved by the Bank of England and money earned abroad had to be repatriated. But a variety of political and historical reasons led the United Kingdom to reverse its investment policy.

In order to protect and facilitate investment abroad, the British Government concluded 91 bilateral international protection of property agreements, providing safeguards and confidence-building measures to stimulate investment flows. The agreements, which were modelled on a text drafted in collaboration with British investors, cover five key areas: (1) payment of compensation in the event of expropriation; (2) transfer of profits and repatriation of capital; (3) subrogation; (4) independent settlement of investment disputes; and (5) international

/...

(Box 2, continued)

arbitration (State-to-State and investor-to-State). In addition to these agreements, the British Government concluded more than 80 double taxation agreements based on the OECD Model Double Taxation Convention of 1977.

The Government of the United Kingdom also encourages overseas investment through special institutions that facilitate and promote outward investments, such as the Commonwealth Development Corporation (CDC) and the Export Credits Guarantee Department (ECGD).

CDC, set up in 1948, is among the oldest development corporations. It provides equity and loan capital, seeks to establish partnership with sponsors, grants guarantees to support loans and provides management expertise. In the past, CDC directed much investment to the public sector and aimed to make 60 per cent of its new commitments in poorer developing countries. In recent years, however, it has focused more and more on higher income developing countries. CDC's global portfolio is worth £1.6 billion (US$ 2.6 billion).

ECGD, which was originally established in 1919 to help British businesses cover risks in export transactions, nowadays also insures new investments of British companies in virtually all foreign countries against the three principal categories of political risk (expropriation, war and restriction on remittances). To be eligible, investment - including equity and loans - must be regarded as assisting the development of the host country and must be approved by the host country's Government. ECGD issues policies worth over £3 billion (US$ 4.9 billion) per year.

2. Outward investment agencies and institutions

Agencies and institutions which carry out programmes to promote and facilitate investment abroad vary in their organizational structure and in the scope of their services. Many programmes are run by government institutions, departments and ministries, but private or semi-private organizations such as chambers of commerce or other trade associations are also involved in outward investment promotion and work often closely together with Governments (OECD, 1993, p.18). Furthermore, multilateral organizations also play an important role and facilitate the flow of investments to developing countries.

In this study, OIAs are classified in three broad categories on the basis of their primary set of functions, namely: (a) outward investment promotion agencies; (b) development finance institutions; and (c) investment guarantee schemes.[3]

(a) Outward investment promotion agencies

Outward investment promotion agencies (OIPAs) are agencies which promote outward investment, often in combination with the promotion of inward investment and export. The primary objective of these agencies is to help domestic enterprises to develop business links abroad and to pursue overseas business opportunities. They often promote outward investment through investment missions and conferences, but are also facilitators, providing information on political and economic conditions in foreign countries, laws and regulations affecting investment, investment opportunities abroad and available financing schemes. Many agencies have special programmes for developing countries and transitional economies.

[3] These categories are based on earlier studies by OECD (1993) and the World Bank (1992).

(b) Development finance institutions

Development finance institutions (DFIs) are national, regional or international institutions, which have the dual role of investment banks and development institutions. Established in order to mobilize private capital for investment in developing countries and transitional economies, they provide financing in the form of loans, equity and grants for projects in these countries either in their entirety or in partnership with other investors. Conditions for loans usually require that the project is commercially sound, has a development dimension and has the host Government's approval. DFIs are not only involved in project-funding, but also in supporting feasibility studies and in encouraging project sponsors to identify and develop investment projects that may, or may not, be financed by the institution.

(c) Investment guarantee schemes

Investment guarantee schemes (IGSs) are programmes which insure non-commercial and/or commercial risks abroad to encourage foreign investment. Non-commercial risks include expropriation, war, civil disturbance and transfer risks. Some institutions also guarantee breach of contract by host Governments. Again, as with loans given by DFIs, most programmes are geared to FDI to developing countries and transitional economies and require that the investment should contribute to the host country's economic development and should be approved by the Government of the host country.

(d) Other actors

As already stated above, besides these three categories, other actors are involved in outward investment promotion and facilitation. As these actors do not fall within the scope of this study, they will only be mentioned briefly in order to complete the picture:

- *Bilateral and multilateral institutions,* which deal with the execution of investment promotion-related programmes in developing countries and transitional economies. These programmes offer a wide range of activities which are mainly geared to improving the investment climate and helping countries to promote themselves to companies abroad. Assistance provided includes advice on the broad policy framework and guidelines for foreign investment promotion programmes, often combined with technical assistance and sponsorship for investment promotion missions, investment fairs, seminars, training, institution-building, sectoral studies and matchmaking.

- *Private consultancy firms,* which usually offer different lines of service when operating in this area. They provide information on investment opportunities and risks, undertake feasibility studies and project development often in combination with legal or fiscal advice and management consulting.

- *Private banks and insurance companies,* which also provide loans and insurance packages for foreign investment.

B. Survey of outward investment agencies and institutions

In 1998 and 1999, UNCTAD carried out a survey among institutions, agencies and programmes that support outward investment. Questionnaires were sent to OIAs in order to: (1) get a better understanding of the different functions and modes of operation of these agencies; (2) learn about the extent of cooperation between OIAs and other institutions in the field of investment; and (3) establish a permanent database on OIAs. Although the focus of this study is on national institutions, multilateral organizations that provide technical assistance in the area of investment to developing countries and transitional economies were also approached.

The response rate to the OIA survey was above 65 per cent. A copy of the 1999 questionnaire, which is a slightly modified version of the one that was used in 1998, is attached as an annex. The OIAs surveyed were mainly based in Asia, Europe and North America. Few agencies and institutions dealing with outward investment were found in Africa and South America. The difference in numbers of OIAs identified per region reflects the varying degrees of involvement in outward investment promotion and facilitation. Information on OIAs and international organizations given in the figures, tables and boxes in the next section are provided as received by UNCTAD.

1. Survey results

Almost all OECD countries have established outward investment promotion programmes. Those that have not yet done so are the Central and Eastern European member countries. In developed countries, outward investment promotion services are normally provided by several agencies or institutions, which all specialize in specific functions. They focus either on information services and technical assistance, on financial support or on investment insurances and guarantees. Due to smaller investment outflows, developing countries depend more on international organizations for these services. The regional and global institutions surveyed mainly deal with investment financing and investment guarantees. In table 2, a breakdown is given of the services that five regional development banks provide.

Table 2. Services provided by regional development banks

	info		promotion services				feasibility studies			project development			financing				guarantees		
	country information	investment opportunities	promotion material	matchmaking	conferences	investment missions	in-house	funding	financing & reimbursement	in-house	funding	financing & reimbursement	grants	loans	equity	liaising	vs. non-commercial risk	vs. commercial risk	promotion of technology transfer
African Development Bank	•	•			•	•	•	•	•	•	•	•	•	•	•	•			
Asian Development Bank	•				•		•	•	•		•		•	•	•			•	
European Bank for Reconstruction and Development	•	•	•		•			•	•	•	•			•	•	•		•	•
Inter-American Development Bank	•	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Islamic Development Bank		•	•		•	•		•			•		•	•	•	•			•

Source: UNCTAD survey on outward investment agencies and institutions, 1998/99.

In boxes 3 and 4, a description is given of a regional IGS, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and of the Multilateral Investment Guarantee Agency (MIGA), the investment guarantee agency of the World Bank Group.

Box 3: Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

Following the Agreement for the Promotion, Protection and Guarantee of Investment concluded between members of the Organization of the Islamic Conference, ICIEC was established in 1994 as a subsidiary corporation of the Islamic Development Bank. The primary objective of ICIEC is to enlarge the scope of trade transactions and the flow of investment among member States through the provision of investment insurances. In order to increase its insurance capacity and to enhance its technical expertise, ICIEC actively cooperates with other investment insurers through co-insurance or other collaboration arrangements.

The members of ICIEC consist of the Islamic Development Bank, which has provided 50 per cent of the Corporation's capital of US$ 145 million, and the member States of the Organization of the Islamic Conference that have signed and ratified the Agreement and have paid their respective subscription to the capital stock of the Corporation. Full members are: Algeria, Bangladesh, Chad, Egypt, the Gambia, Guinea, Indonesia, the Islamic Republic of Iran, Jordan, Kuwait, Lebanon, Malaysia, Mali, Morocco, Pakistan, Saudi Arabia, Senegal, the Sudan, the Syrian Arab Republic, Tunisia, Turkey and Yemen.[a]

ICIEC provides export credit insurance and investment insurance for direct investment in enterprises or in the share capital of enterprises as well as for principal amounts of loans made or guaranteed by holders of equity in the enterprises. Insurance covers up to 90 per cent of the investor's loss arising from commercial and non-commercial risks for a period of 1 to 15 years. To be eligible, investment must be new, must contribute to the overall development policy of the host country and must conform to the principles of Shariah. Only the Islamic Development Bank, nationals of ICIEC member States and corporations owned by member States or nationals of member States can apply for ICIEC services.

[a] Signatories that have not yet fully complied with the membership requirements are: Afghanistan, Benin, Brunei Darussalam, Burkina Faso, Cameroon, Comoros, Djibouti, Gabon, Libya, Mauritania, Niger, Palestine and Uganda.

Box 4: Multilateral Investment Guarantee Agency (MIGA)

MIGA is an affiliate of the World Bank Group and was established in 1988. Its objective is to enhance the flow of FDI to its developing member countries. At present, the Agency has 149 members. MIGA is financed through subscriptions from developed and developing countries and has a capital stock of SDR 1 billion (US$ 1.36 billion). Two kind of services are provided by the Agency: long-term political risk insurance and advisory services.

The Agency gives out long-term guarantees against non-commercial risks, such as currency transfer, expropriation and war and civil disturbance, and under certain conditions also against breach of contract. The guarantees cover new investments, comprising equity, shareholder loans, loan guarantees, technical assistance and management contracts. To be considered, investments must have a clear developmental benefit to the host country and be financially and economically viable, environmentally sound and consistent with international labour standards. An eligible investor is either a national of a MIGA member country other than the country in which the investment will be made or a corporation that has its principal place of business in a member country or is majority-owned by nationals of member countries. State-owned corporations are only eligible if they operate on a commercial basis. MIGA also complements national and private investment insurance schemes through co-insurance and re-insurance. In many developing countries, however, no such schemes exist and MIGA thus represents the only possibility for foreign investors to insure their investment.

MIGA's technical assistance and advisory services are carried out by the Agency's Investment Marketing

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(Box 4, continued)

Services and legal department. The Investment Marketing Services department provides assistance in investment promotion to investment intermediaries such as national investment promotion agencies, sector ministries, industry associations and chambers of commerce. It has also established two Internet-based services, *www.IPAnet.net* and *www.PrivatizationLink.net*, which carry a wide array of legal and regulatory information and information on general business operating conditions, as well as on investment opportunities arising from the privatization of State-owned enterprises in developing countries and transitional economies. MIGA's legal department assists member countries by providing advice on legal and regulatory issues affecting FDI and mediates in investment disputes between private sector investors and member countries.

It is worth mentioning here that several international development organizations, such as OECD, the Foreign Investment Advisory Service (FIAS) and MIGA from the World Bank Group, UNCTAD and the United Nations Industrial Development Organization (UNIDO) offer technical assistance programmes to developing countries and transitional economies that vary in scope and focus, but cover parts or sometimes the full range of the following activities:

- The formulation of investment policies and development of a proper legal framework for FDI;
- Institutional support to Governments in the area of investment promotion;
- Training in the area of investment promotion;
- Sector- or project-specific studies; and
- The preparation and dissemination of information on investment opportunities.

The results of the survey are here broken down into: (a) services; (b) scope of operations; (c) institutional arrangements; and (d) cooperation arrangements. Agencies and institutions have been categorized on the basis of their core set of activities based on information received. Please note that for those DFIs that provide insurance and guarantee services and those IGSs that offer financing, the classification of these institutions in one or the other category has only been made for the purpose of this analysis.

(a) Services provided by outward investment agencies and institutions

The services provided by OIAs vary considerably. Provisions comprise country- and investment-related information, promotional activities, feasibility studies, project development, financing, guarantees and insurances. Figures 2, 3 and 4 and table 3 give an overview of services by individual OIA and by type of OIA as categorized above.

OIPAs have three main areas of activity. First and foremost, in order to help investors overcome the lack of information on potential investment destinations, OIPAs provide information on investment conditions in host countries and on specific investment opportunities. To collect this data, OIPAs either send representatives to potential host countries or establish close contacts locally, for example, through consultancy firms, research institutions and networks of local representatives. Second, OIPAs carry out matchmaking services; for this purpose, some agencies maintain large databases on potential partners in host countries. And third, as a useful addition to their general information services, many OIPAs organize investment missions to help potential investors obtain first-hand information and establish direct business contacts.

More than half of the OIPAs surveyed go even further and carry out as well as finance feasibility studies for small and medium-sized enterprises (SMEs). Unlike big corporations, SMEs are more in need of this support as they are often less familiar with investment conditions in developing countries, inexperienced in investment issues and usually more affected by insufficient funding. Some OIPAs, however, oblige the investor to reimburse part or all of the costs of the study.

Boxes 5 and 6 provide overviews of agencies which promote outward investment in the Republic of Korea (KOTRA) and in Switzerland (SOFI), respectively.

Box 5: Korea Trade-Investment Promotion Agency (KOTRA)

KOTRA deals with trade and investment promotion. The agency was founded in 1962 as a non-profit governmental organization and has been commissioned by the Ministry of Trade and Investment to embody the national policy goals of maintaining the trade balance and building a self-reliant economy. Since its creation, KOTRA has established 99 overseas Korea Trade Centres in 73 countries.

Although KOTRA primarily promotes export and inward investment, it also assists Korean businesses that wish to invest abroad. KOTRA now supports outward investment through: (1) making available country information from a database of 100 countries; (2) engaging in strategic projects which enable Korean companies to identify new business opportunities worldwide; (3) organizing seminars to disseminate information on the investment environment in foreign countries and on specific investment opportunities; (4) assisting SMEs in exporting industrial plants; and (5) organizing investment missions in cooperation with foreign Governments.

Box 6: Swiss Organization for Facilitating Investments (SOFI)

SOFI was established by the Swiss Government in 1997 in order to: (1) facilitate long-term cooperation between Swiss enterprises and the private sector in countries with developing and transitional economies, and (2) increase capital investments and know-how transfer between Swiss companies and enterprises in partner countries. Operational responsibility for SOFI has been entrusted to KPMG Switzerland, which makes available personnel, logistical services and its international network.

SOFI supplies information on the political, legal and economic environment in potential host countries, on existing investment incentives and on the Government programmes of partner countries. The agency also organizes conferences and business missions, participates in regional promotion initiatives and publishes promotional material. SOFI identifies and screens investment projects and communicates these investment opportunities to the Swiss market. Furthermore, the agency searches for and selects business partners, provides support and mediation throughout the negotiation phase and assists clients in project implementation. This is partly done through SOFI's consulting services, which include support to investors in the preparation of a business plan for a particular investment project and assistance to investors who are looking for additional funds to finance their project.

DFIs have the dual task of acting as an investment bank and a development agency. As would be expected, their main activity is in providing financing and liaising between investors and finance institutions (see figure 3). DFIs also undertake project-oriented activities such as pre-financing of feasibility studies, pre-financing of project development, and execution of feasibility studies as well as project development. The extent of their activities indicates the catalytic role that DFIs play in investment financing. DFIs with a strong developmental message provide information on the investment climate and investment opportunities in developing countries and also organize investment missions and conferences. The German Investment and Development Company (DEG), for instance, has a special promotional department. Other DFIs are becoming "one-stop-shops" that provide the whole range of services including guarantees and insurance for investments projects. The Netherlands Development Finance Company (FMO) is a well-known organization in development circles with a long tradition of development financing in developing countries and transitional economies. It also manages special programmes for these countries (see box 7).

Box 7: Netherlands Development Finance Company (FMO)

FMO was established in 1970. The company supports private enterprises willing to invest in emerging markets through financing. Fifty-one per cent of its shares are owned by the Dutch Government, which also contributes to the Bank's funds. Remaining shares are held by Dutch banks, trade unions, companies and private persons.

Based on the principles of additionality (FMO only provides financial services if the market fails to do so), catalysis (to increase the flow of financing to the private sector in developing countries) and good governance (social and environmental policy aspects are always taken into consideration), FMO finances all types of companies in countries designated by the World Bank as low- and middle-income and that have not been excluded by the Dutch Government for political reasons. Special attention is given to sub-Saharan Africa.

FMO provides financing in the form of loans and participation. Special focus is given to the local financial sector, which at present makes up 50 per cent of the total portfolio. Loans are issued at normal market interest rates either by FMO alone or together with other finance institutions under the supervision of FMO. Participation in the share capital of companies is coupled with monitoring and management support and is subject to two limitations: (1) FMO only takes a minority interest; and (2) FMO is never the biggest shareholder. Only large companies are financed directly; SMEs are financed in cooperation with local finance institutions.

In addition, FMO manages the following special programmes on behalf of and with the financial support of the Netherlands ministries of foreign affairs and economic affairs:

- *Small-Scale Enterprise Fund*, for medium- and long-term financing (in local currencies) of small companies in developing countries via local finance institutions;
- *Seed Capital Programme*, for the financing of new companies and finance institutions, especially in low-income countries in Africa, either directly or via local partners;
- *Investment Promotion and Technical Assistance for Developing Countries*, which provides financing for feasibility studies, pilot projects, temporary management and technical assistance projects, educational projects through subsidies, donations and interest-free loans in order to promote investment, international business partnerships and business operations of companies in Africa, Asia and Latin America;
- *Investment Promotion and Technical Assistance for Central and Eastern Europe*, which provides similar financial support as the latter programme, but for companies in Central and Eastern Europe.

FMO's financing portfolio is spread across 71 countries, with total assets amounting to 2.4 billion Dutch guilders (US$ 1.2 billion).

An example of a financial institution that offers support to local businesses which invest abroad is the Export-Import (EXIM) Bank of Thailand. More information on this Thai institution, which was established in 1993, is given in box 8 and table 3.

Box 8: Export-Import Bank of Thailand (EXIM Bank)

The EXIM Bank was established in order to offer financial services to Thai businesses in their operations on the world market. The Bank is owned by the Thai Government and supervised by the Ministry of Finance. The initial capital of the Bank comes from the Ministry of Finance.

/...

(Box 8, continued)

The main focus of the EXIM Bank is on strengthening the export-oriented Thai industry through financial services. It offers services to projects that directly and indirectly enhance the export capability of Thailand and in that context it supports investment projects of Thai investors abroad through medium- and long-term credits. The Bank provides credits alone or in cooperation with other finance institutions if the need for financing exceeds the Bank's capacity. In order to give Thai investors more confidence, the Bank has also started to participate as a shareholder in overseas projects.

Only IGSs tend to limit their operations to one function; they focus primarily on the provision of guarantees and insurances. One of the reasons for this may be that these institutions get involved at a late stage in the investment process, when the initial investment decision has already been taken. In addition, their mandate is often narrow and limited to covering special risks related to investment in countries in which the political and legal situation is not considered stable. On the other hand, some IGSs are closely related to DFIs, such as ICIEC (box 3), and therefore often liaise between potential investors and finance institutions. Box 9, on the Canadian Export Development Corporation (EDC), gives an example of an institution that provides both financing and investment guarantees.

Box 9: Export Development Corporation (EDC)

EDC, Canada's export credit agency, was created in 1944 and transformed into a Crown Corporation through an Act of Parliament in 1969. EDC provides financing and risk management services to Canadian exporters and investors. It operates as a commercial financial institution and is accountable to the Canadian Parliament through the Minister of International Trade.

EDC's insurance services, including its political risk insurance programme, cover 90 per cent of losses resulting from either commercial or political risks. The Corporation's financial services are provided on a medium- and long-term basis in the form of loans, lines of credit, protocols, equity, pre-shipment financing, leasing and project financing.

EDC has established a special programme for SMEs in order to help them compete in the international market place. In 1998, 88 per cent of EDC's customers were SMEs. During that same year, export sales and foreign investment totaling Can$ 34.8 billion (US$ 23.7 billion) were supported in 155 countries.

In the survey, OIAs were asked if they actively promoted the transfer of technology through, for example, licensing agreements, turnkey technology, arms-length trade, intra-firm trade or FDI. As shown in table 3, about 40 per cent of the institutions surveyed indicated that they promoted technology transfer. Most OIAs did this across all sectors of the economy. One out of three, however, indicated that special attention was given to technology transfer in the manufacturing sector.

As mentioned in the introduction, a large number of OIPAs promote outward as well as inward investment. This is partly because many OIPAs started as inward investment promotion agencies and afterwards expanded their activities to outward investment promotion. This only happened recently in developing countries, which explains why many of these agencies' core activities still concern attracting foreign investment. As shown in the last column of table 3, DFIs and IGSs are far less involved in inward investment promotion and facilitation.

Figure 2. Services provided by outward investment promotion agencies

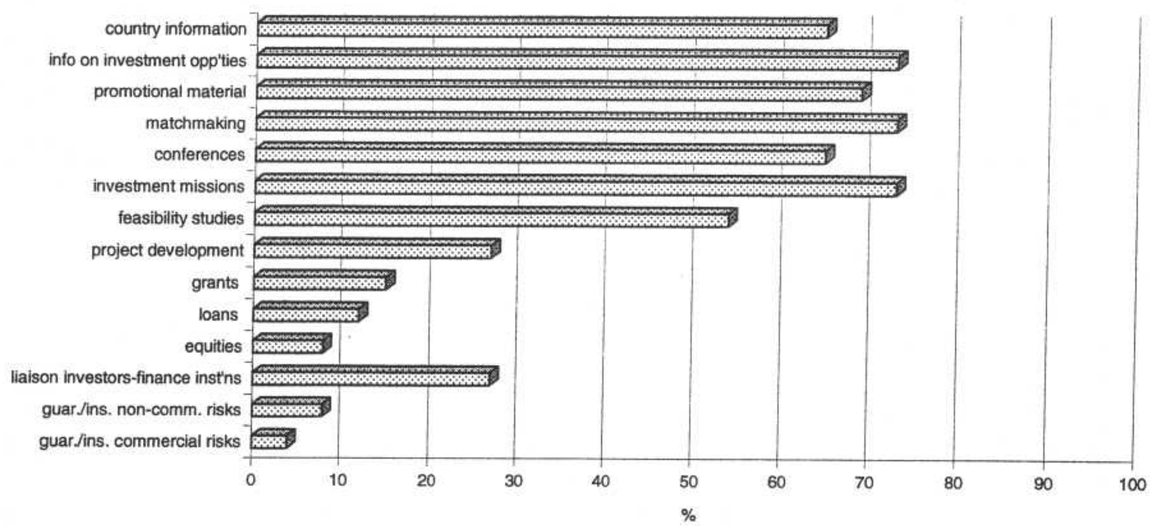


Figure 3. Services provided by development finance institutions

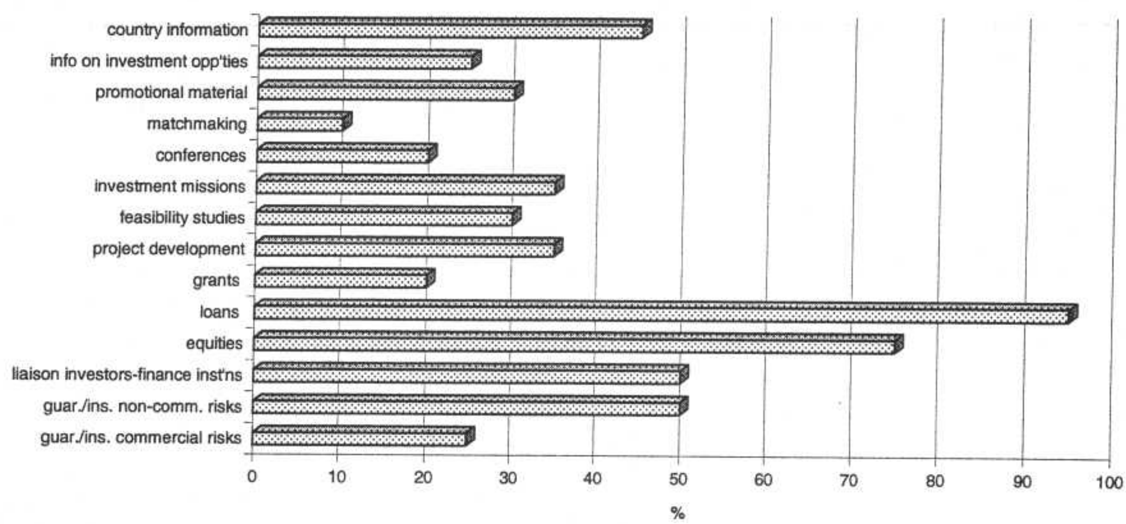
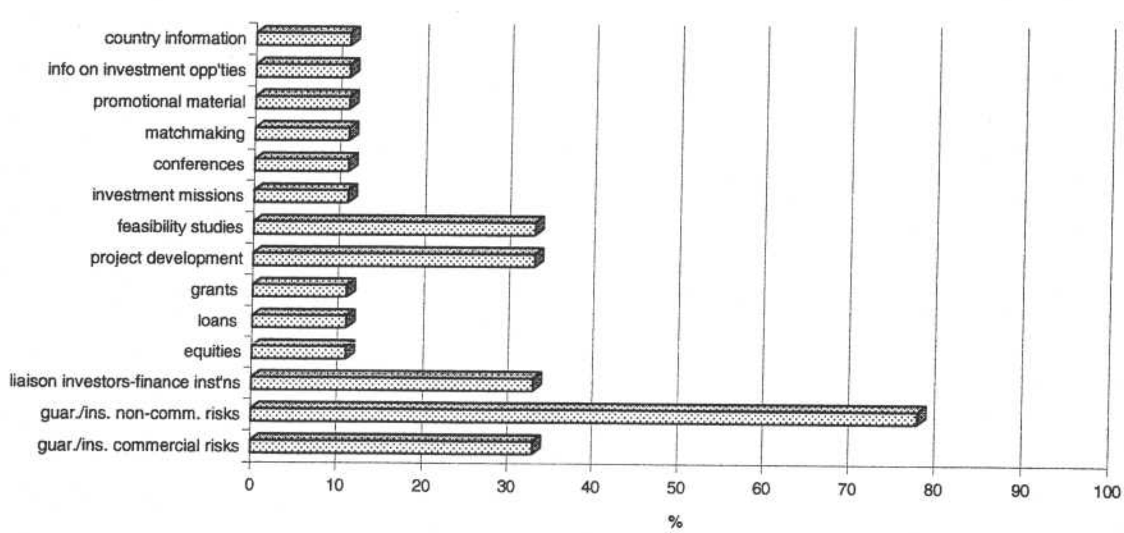


Figure 4. Services provided by investment guarantee schemes



Source : UNCTAD survey on outward investment agencies and institutions, 1998/99.

Table 3. Outward FDI promotion programmes of the agencies and institutions surveyed

Outward investment promotion agencies	information		promotional services				feasibility studies			project devpt.			financing				guarantees		promotion	
	country information	investment opp'ties	promotional material	matchmaking	conferences	investment missions	in-house execution	funding	financing & reimbursem't	in-house execution	funding	financing & reimbursem't	grants	loans	equity	liaising	vs. non-commercial risk	vs. commercial risk	technology transfer	incl. inward investment
Australia																				
Austrade	*		*														*	*	*	*
Austria																				
Erp-Fond														*						
Brunei Darussalam																				
MIPR		*	*	*		*													*	*
Germany																				
BfAI[a]	*																			
Iceland																				
OBS		*		*	*	*														*
India																				
IIC	*	*	*	*												*			*	*
Italy																				
Mondimpresa	*	*	*	*	*	*														*
SIMEST		*	*	*	*	*	*			*					*	*			*	
Prometeo	*					*	*						*							*
Japan																				
JETRO	*	*	*	*	*	*	*												*	*
OCDI							*			*									*	
Malaysia																				
MIDA	*	*	*	*	*	*							*			*			*	*
MATRADE		*	*	*	*	*	*													
MASSA[b]	*	*	*	*	*	*		*	*		*	*							*	*
Mexico																				
MIB	*	*	*	*	*	*										*			*	*
Netherlands																				
EVD	*			*																
New Zealand																				
SPTC	*	*	*	*	*	*	*	*			*								*	
Portugal																				
ICEP	*	*	*	*	*	*		*			*			*						*
Republic of Korea																				
KOTRA	*	*	*	*	*	*	*												*	*
Singapore																				
EDB		*	*	*	*	*				*			*	*	*				*	*
South Africa																				
IDIC		*				*		*								*	*		*	*
Spain																				
ICEX	*	*	*	*	*	*		*	*		*					*			*	
Switzerland																				
SOFI	*	*	*	*	*	*	*	*	*							*			*	
Thailand																				
BOI	*	*	*	*	*	*													*	*
USA																				
TDA					*			*	*											
Zimbabwe																				
Zimtrade	*	*	*	*	*	*		*					*							*

[a] Based on 1998 data.
[b] Private company with government mandate.

/...

(Table 3, continued)

Development finance institutions	information		promotional services				feasibility studies			project devpt.			financing				guarantees		promotion	
	country information	investment opp'ties	promotional material	matchmaking	conferences	investment missions	in-house execution	funding	financing & reimbursem't	in-house execution	funding	financing & reimbursem't	grants	loans	equity	liaising	vs. non-commercial risk	vs. commercial risk	technology transfer	incl. inward investment
Australia																				
EFIC														*			*			
Belgium																				
SBI-BMI							*							*	*	*				
Denmark																				
IFU		*				*								*	*	*				
IFV		*				*								*	*	*				
IO		*				*								*	*	*				
Finland																				
NDF														*						
FINNFUND[a]	*										*		*	*	*	*	*			
Germany																				
DEG	*	*	*	*	*	*	*	*		*	*	*		*	*				*	
KfW	*		*					*			*		*						*	*
Japan																				
JEXIM	*													*	*		*	*		
JAIDO	*									*				*	*				*	
Mexico																				
Bancomext	*	*	*	*	*	*								*	*	*	*			*
Netherlands																				
FMO								*	*		*	*	*	*	*	*	*	*	*	
South Africa																				
DBSA[a]													*	*	*		*			
Spain																				
COFIDES	*		*			*		*			*			*	*	*				
Sweden																				
Swedfund														*	*	*	*	*		
Thailand																				
EXIM Bank	*		*		*									*						*
Turkey																				
Turk EXIMBANK	*													*		*	*	*	*	
United Kingdom																				
CDC			*		*	*	*			*	*			*	*		*	*		
USA																				
OPIC														*	*		*		*	

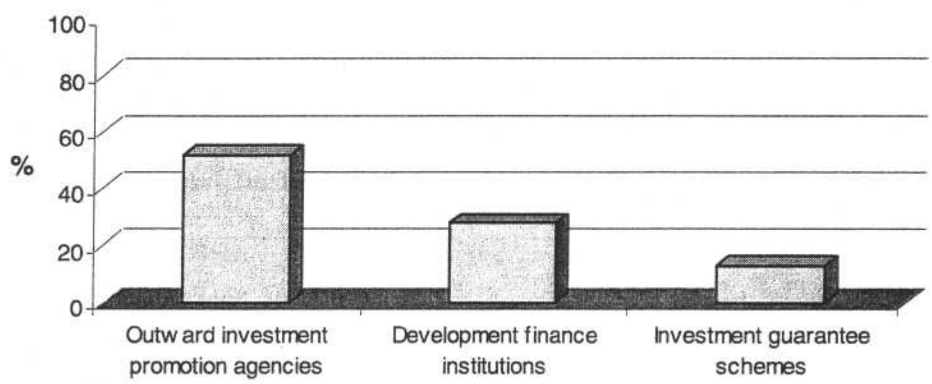
Investment guarantee schemes	information		promotional services				feasibility studies			project devpt.			financing				guarantees		promotion	
	country information	investment opp'ties	promotional material	matchmaking	conferences	investment missions	in-house execution	funding	financing & reimbursem't	in-house execution	funding	financing & reimbursem't	grants	loans	equity	liaising	vs. non-commercial risk	vs. commercial risk	technology transfer	incl. inward investment
Austria																				
FGC	*	*	*	*	*	*	*	*		*						*		*	*	
Bürges								*		*			*			*		*		*
Canada																				
EDC														*	*	*	*	*		*
Czech Republic																				
EGAP																	*			
Finland																				
FINNVERA																	*			
Germany																				
C&L/Hermes[b]							*			*							*			
Italy																				
SACE																	*			
Netherlands																				
NCM																	*			
United Kingdom																				
ECGD																	*			

Source: UNCTAD survey on outward investment agencies and institutions.

(b) Scope of operations

OIAs usually gear their services to certain groups of businesses selected according to the size of the enterprise, the economic sector and the geographic region it operates in. As figure 5 shows, 52 per cent of OIPAs, 29 per cent of DFIs and 13 per cent of IGSs gear their services towards SMEs rather than larger companies. The main reason for this preferential treatment is that smaller enterprises are often more in need of support because they are less familiar with investment procedures and less well equipped to deal with market imperfections. Furthermore, there is a general understanding that SMEs, due to the smaller scale of their operations, adjust better to developing economies and could therefore have an additional developmental impact. A 1993 UNCTAD study also showed that small and medium-sized TNCs were better able to transfer technologies suited to small-scale production, and were more labour-intensive, more export-oriented and used more local inputs than larger TNCs (UNCTAD, 1993).

Figure 5. OIAs that gear their services to SMEs



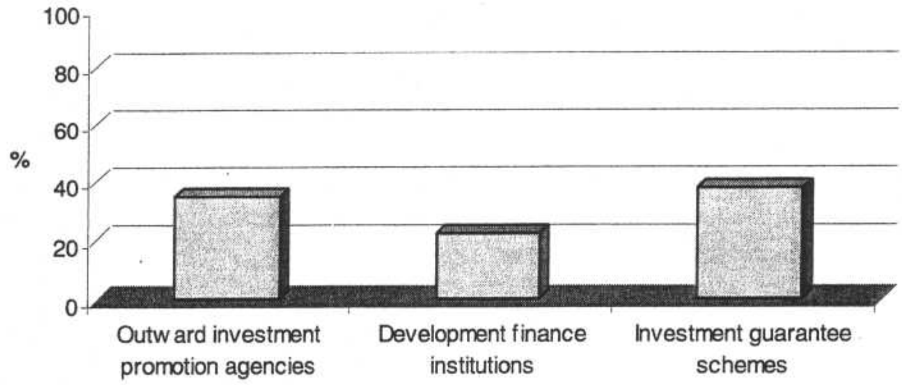
Source: UNCTAD survey on outward investment agencies and institutions, 1998/99.

All agencies and institutions included in the survey provide services to national companies in order to promote and facilitate outward investment, but as figure 6 on the next page shows, many OIAs do not exclude foreign-owned companies.

When OIAs were asked if they limited their services to specific sectors, DFIs and IGSs indicated that they did not have such a policy. Twenty per cent of OIPAs, however, targeted enterprises in selected sectors, especially in agriculture, industry, tourism and, to a lesser extent, infrastructure and transport.

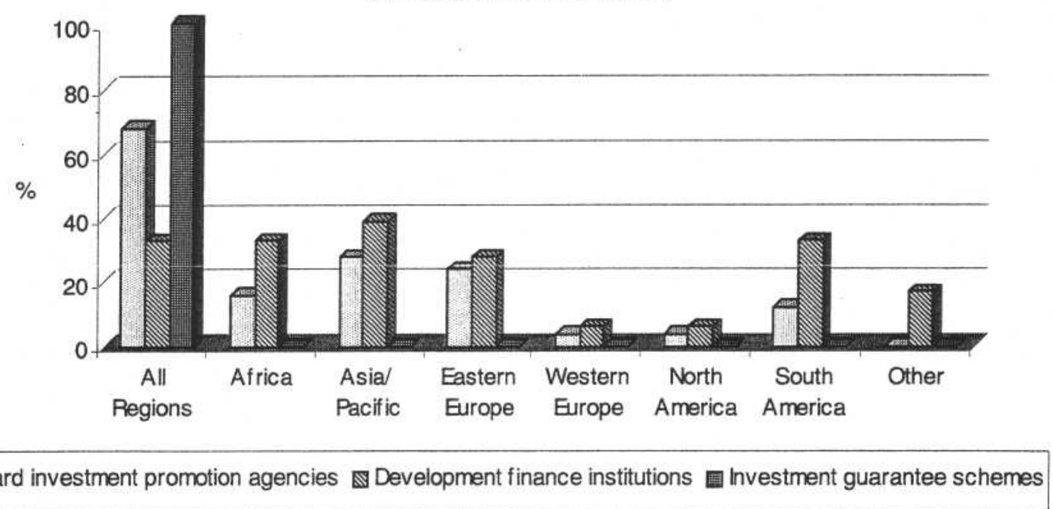
The survey results presented in figure 7 show that a large number of DFIs (70 per cent) and some OIPAs (30 per cent) target selected geographic regions, while IGSs do not discriminate in favour of any region. The reason for the geographical bias by DFIs is the close relationship of many of these institutions with bilateral development and assistance programmes. This is also the case for those OIPAs that provide services to only a selected number of countries or regions. Western Europe and North America are therefore often excluded from their radius of operations and services.

Figure 6. OIAs that gear their services to national companies only



Source: UNCTAD survey on outward investment agencies and institutions, 1998/99.

Figure 7. Services provided by OIAs geared to all or selected geographic regions
(multiple choices possible)



Source: UNCTAD survey on outward investment agencies and institutions, 1998/99.

Some agencies and institutions, however, have an even more specific target group; they focus their programmes on developing countries with which their home country has strong traditional ties. In the category "other regions", institutions often referred in the survey to special programmes in which they target countries not by region, but by socio-economic indicators. The least-developed countries are frequently mentioned as beneficiaries of such programmes.

(c) Institutional arrangements

Most OIAs surveyed are either part of ministries of trade or foreign affairs or report to one of these ministries. As to the rest, nearly one out of five have a mixed ownership structure of public and private partners, and 5 per cent are private entities on an official government mandate to implement a specific investment promotion programme with public sector funding.

C&L Deutsche Revision/Hermes is a typical example of such an arrangement and could serve as a model for an alternative approach (see box 10).

Box 10: C&L Deutsche Revision/Hermes

Since 1959, a consortium of two private companies, C&L Deutsche Revision[a] and Hermes[b], has been entrusted by the German Ministry of Economics with administering the Government's overseas investment insurance guarantee scheme, in which C&L Deutsche Revision is the leading company. The decision on whether a guarantee for a project should be given is still made by the Government through an interministerial committee composed of representatives of the ministries of economics, finance, foreign affairs and economic cooperation.[c]

The scheme provides cover against political risks for German direct investments in foreign countries. Coverage is available for equity, loans (for investments) to foreign enterprises and donations to overseas branches of German enterprises. Earnings from equity and loans can also be included in the guarantee with a maximum limit.

To be eligible for a guarantee, an investment must fulfil several requirements: (1) it must be new; (2) it must have positive effects on the economy of the host country; and (3) the situation in the host country must appear satisfactory at the time of approval with respect to legal protection against political risks (this is assumed to be the case in countries with which Germany has signed bilateral investment agreements for the encouragement and reciprocal protection of investments). No new guarantees can be approved for investment in countries in which claims under the guarantee scheme are pending.

The scheme covers non-commercial risks. Non-commercial risks include: (1) expropriation, nationalization and similar politically motivated official measures; (2) breach of commitments undertaken by government or government-controlled entities, provided that the foreign enterprise is entitled to these commitments and that they are specified in the guarantee document; (3) war and revolution; and (4) the impossibility of transferring capital and earnings.

In 1998, the annual budget for guarantees for German investment and some other programmes was DM 45 billion (US$ 25 billion). As at 31 December 1998, the maximum liability of the Federal Republic of Germany was DM 17 billion (US$ 9 billion); 81 per cent of the guarantees were for investments in emerging markets, mainly Argentina, Brazil, China, the Czech Republic, Hungary, Indonesia, Libya, Mexico, Poland, the Russian Federation, South Africa, Thailand, Turkey and Venezuela.

[a] C&L Deutsche Revision is integrated into Pricewaterhouse-Coopers.
[b] Hermes is a credit insurance company with offices in Germany and nine European countries.
[c] The same consortium has been entrusted with the export credit guarantee scheme since 1949, but in this case Hermes is the leading company.

Agencies and institutions involved in outward investment promotion have increased the number of representatives and offices abroad in order to better serve their clients. About 60 per cent of OIPAs and DFIs and over 40 per cent of IGSs have some form of representation abroad, in the form of either their own overseas offices or representatives based in private companies or embassies.

Table 4 gives an overview of OIAs with such representation and where it is located. This information not only reveals the scale of the outreach by OIAs, but also gives an indication of which regions are best served or, sometimes, targeted. The relatively large number of special programmes offered by OIAs to promote investment in low-income countries is not clearly reflected in the location of their overseas representatives, partly because donor countries, through their embassies, often play an active role in the execution of such programmes.

Table 4. OIAs with representatives/offices abroad

OIAs	No. of representatives/ offices	Locations
Australia		
AUSTRADE	100	Worldwide
Austria		
FGC	4	Eastern Europe
Denmark		
IFU	4	China, India, Mexico, Zimbabwe
IO	1	Poland
Finland		
FINNFUND	1	Malaysia
FINNVERA	2	Belgium, Russian Federation
Germany		
BfAI	40	Australia, Canada, China, Egypt, India, Japan, Morocco, Russian Federation, South Africa, Spain, Taiwan Province of China, United Arab Emirates, UK, USA
C&L	..	Worldwide
DEG	5	Brazil, China, India, Mexico, South Africa
KfW	9	Brazil, China, Côte d'Ivoire, Egypt, Guatemala, India, Indonesia, Jordan, Kenya
Iceland		
OBS	6	China, France, Germany, Russian Federation, UK, USA
India		
IIC	6	Germany, Japan, Singapore, United Arab Emirates, UK, USA
Italy		
PROMETEO	4	China, Czech Republic, Hungary, Viet Nam
Japan		
JEXIM	18	Argentina, Australia, Brazil, China, Colombia, France, Germany, Hong Kong (China), India, Indonesia, Mexico, Philippines, Russian Federation, Thailand, UK, USA
JAIDO	1	Saudi Arabia
JETRO	80	Worldwide
Malaysia		
MATRADE	22	Australia, France, Italy, Japan, Latin America, Netherlands, Republic of Korea, Russian Federation, Saudi Arabia, Singapore, Taiwan Province of China, United Arab Emirates, UK, USA
MIDA	12	Australia, France, Germany, Italy, Japan, Republic of Korea, Sweden, Taiwan Province of China, UK, USA
Mexico		
Bancomext	36	Canada, Europe, Latin America, USA
MIB	1	USA
Netherlands		
FMO	1	Costa Rica
NCM	..	Europe, Malaysia, USA
Portugal		
ICEP	46	Africa, America, Asia, Europe
Republic of Korea		
KOTRA	99	Worldwide, in 73 countries
Singapore		
EDB	17	Not specified
South Africa		
IDIC	44	Worlwide, in 36 countries
Spain		
COFIDES	1	Mexico
Sweden		
SWEDFUND	1	Zimbabwe
Thailand		
BOI	4	France, Germany, Japan, USA
United Kingdom		
CDC	32	Africa, America, Asia
United States of America		
OPIC	1	Turkey
TDA	2	Philippines, Turkey

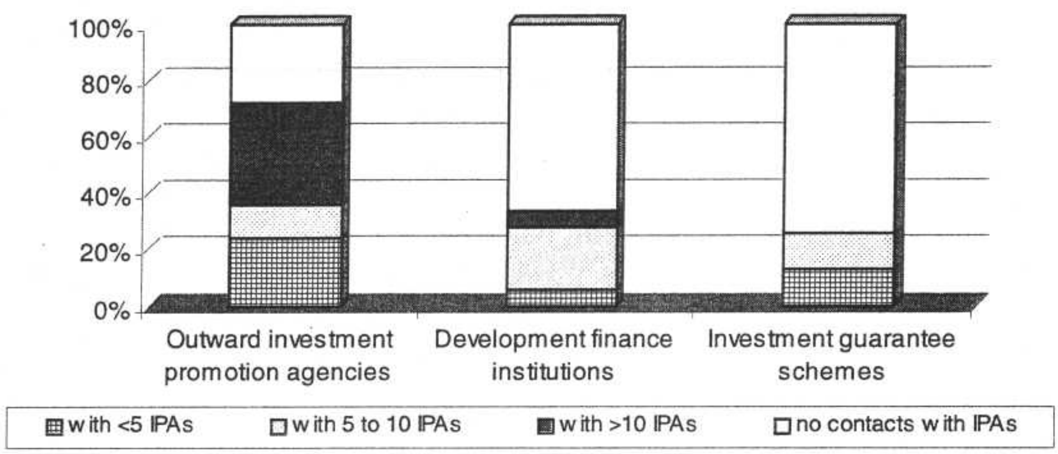
Source: UNCTAD survey on outward investment agencies and institutions, 1998/99.

(d) Cooperation arrangements

This section covers cooperation arrangements between OIAs and investment promotion agencies (IPAs) as well as with other players in the investment network. Survey data on cooperation with IPAs are presented in figures 8 and 9.

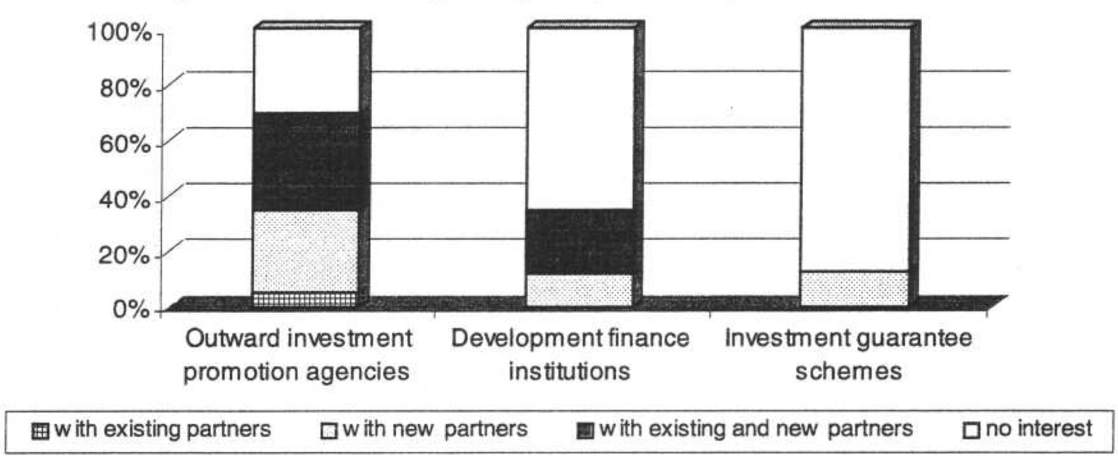
OIPAs show a strong interest in close cooperation with their counterparts in host countries. As IPAs try to attract inward investment, they are natural partners of OIPAs and cooperation is sought from both sides. OIPAs thus score high on cooperation with IPAs, especially when taking into account the relatively young age of most of these agencies. Contacts of DFIs and IGSs with IPAs are less frequent, which reflects the more conservative approach of these organizations towards close cooperation with non-finance institutions.

Figure 8. OIAs having frequent contacts with IPAs



Source: UNCTAD survey on outward investment agencies and institutions, 1998/99.

Figure 9. OIAs wishing to expand partnerships with IPAs



Source: UNCTAD survey on outward investment agencies and institutions, 1998/99.

As figure 9 shows, most OIPAs indicated that they would like to expand partnerships with IPAs, and showed considerably more interest in doing so than DFIs and IGSs. An OIPA like SOFI (box 7) does this through cooperation with the World Association of Investment Promotion

Agencies (WAIPA), an association of more than 100 IPAs that is increasingly seeking contacts with OIAs (see box 11).

Box 11: World Association of Investment Promotion Agencies (WAIPA)

WAIPA was established in 1995 by 59 IPAs under the auspices of UNCTAD. The Association is a non-profit organization open to all agencies whose prime function is to promote any country or territory for investment. At present, WAIPA has 103 members. Its objectives are: (1) to promote and develop understanding and cooperation amongst IPAs; (2) to strengthen information exchange amongst IPAs; (3) to share country and regional experiences in attracting investment; (4) to assist IPAs in gaining access to technical assistance and training; (5) to facilitate access to funding and other assistance; and (6) to assist IPAs in advising their respective Governments in the formulation of appropriate investment promotion policies and strategies. Furthermore, WAIPA represents its members in international meetings and is involved in several initiatives that will strengthen cooperation among countries in the area of investment promotion.

The Association operates through three organs: (1) its General Assembly, which meets once a year on general policy matters and the work programme; (2) the 15-member Steering Committee, which meets twice a year to draw up proposals for the realization of WAIPA's objectives; and (3) the secretariat, which assists the Steering Committee in carrying out its work. Secretariat functions are performed temporarily by UNCTAD. In addition, a consultative committee, consisting of FIAS, OECD, MIGA, UNCTAD and UNIDO, advises WAIPA on support programmes for member agencies.

The financial resources of the organization come from membership fees and funding from international institutions, Governments and the private sector. The Dutch, Irish and Swiss Governments have contributed to various events while MIGA, UNCTAD and UNIDO have supported training activities.

WAIPA's programme includes workshops and conferences, while the Association maintains an Internet discussion forum and publishes newsletters, an annual report and a directory of members. During the past few years, several workshops on the exchange of best practices in investment promotion have been organized with the support of UNCTAD and UNIDO. In line with its approach to organize annual conferences in conjunction with other events, the WAIPA Third Annual Conference entitled "Partners in Investment for Development" took place in parallel with UNCTAD's 1998 "Partners for Development" meeting in Lyon, France, while the 1999 Conference was held in the context of the Emerging Markets International Fair in Geneva, Switzerland.

When OIAs were asked about cooperation with institutions other than IPAs in the investment network, national and foreign private sector associations (often partners of OIAs) scored high. Because of the public status and development orientation of many OIAs, cooperation with public sector institutions in developing countries and transitional economies is also considerable. As stated earlier, a large number of OIAs maintain close relationships with bilateral development assistance programmes and other national agencies and institutions that provide support to overseas investment.

2. Conclusions

The main conclusions are:

- In many developed countries, outward investment promotion and facilitation is provided by agencies and institutions which offer services to investors in one of three broad areas, namely: (1) information services and technical assistance; (2) financial support; and (3) investment insurance and guarantees. Due to smaller investment outflows, few developing countries have set up institutions dealing with outward investment. Often, they depend on regional institutions and services provided by international organizations.

- The private sector and international development organizations are also active in promoting and facilitating foreign investment. While private sector companies and banks concentrate their activities in developed countries and emerging markets, international development organizations gear their programmes to those regions where the private sector is more reluctant to take its business.

- OIPAs usually help potential investors in the first stages of an overseas investment decision. This is done by offering information on investment conditions and investment opportunities abroad and through networking activities. The core services of DFIs are focused on those investors who have passed this first stage and are seeking financial assistance to realize their projects. Besides their financial services, DFIs often also undertake project-oriented activities such as feasibility studies and project development. Some DFIs provide investment guarantees, but many countries have set up special institutions to cover the different risks involved in foreign investment projects. The survey shows that those institutions usually restrict their range of activities to investment guarantees and insurances.

- In most developed countries, SMEs benefit from preferential treatment by OIAs. The main reason for this special treatment is that SMEs usually need more assistance than larger companies. Also important in this context is the general perception within development circles that the operations of SMEs in developing countries are better adapted to local conditions and therefore contribute more to the general economic development effort.

- Because of the close relationship of outward investment promotion programmes with international development assistance, many OIAs focus their activities on developing countries and transitional economies.

- Most OIAs have a strong interest in close cooperation with their counterparts in host countries, and thus many of them wish to expand their partnerships with IPAs. Cooperation between inward and outward investment agencies is perceived as important by both sides and is increasingly sought by OIAs and IPAs alike.

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World Bank (1992). Programs in industrial countries to promote foreign direct investment in developing countries. Foreign Investment Advisory Service, Occasional paper 3, ISSN 1018-4902;3, Washington, DC.

List of agencies and institutions dealing with outward investment

This list gives the addresses of the institutions that replied to the survey on outward investment. If available, the name of the head of the institution or department, or another contact person, is also given. Nearly all the institutions listed were included in the analysis. Those that were not included did not particularly qualify as an outward investment institution, but do provide services which are of relevance to emerging economies and are therefore included in the list.

Following this list, a list of regional and multilateral institutions that deal with foreign investment is also given, as these institutions play an important role in assisting developing countries and transitional economies in attracting foreign investment.

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Annex
Questionnaire for outward investment agencies

Name of the Agency/Organisation:	
Head of the Agency (name and title):	
Address:	
Telephone Number:	**Fax Number:**
E-mail Address:	**Home Page Address:**

A: Type of services provided			
Information services	yes ☐	no ☐	If yes, please indicate: general info on investment destinations ☐ specific info on investment opportunities/incentives, etc. ☐
Promotional activities	yes ☐	no ☐	If yes, please indicate: production of promotional material ☐ matchmaking ☐ conferences ☐ investment missions abroad ☐
Feasibility studies	yes ☐	no ☐	If yes, please indicate: by in-house experts ☐ through funding ☐ through pre-financing with reimbursement ☐
Project development	yes ☐	no ☐	If yes, please indicate: through in-house project execution ☐ through funding ☐ through pre-financing with reimbursement ☐
Financing	yes ☐	no ☐	If yes, please indicate: grants ☐ loans ☐ equity ☐ liaising between investors and financing institutions ☐
Investment insurances/guarantees	yes ☐	no ☐	If yes, please indicate: non-commercial risks (expropriation, war, etc.) ☐ commercial risks ☐
Does your agency actively promote the transfer of technology (through e.g. licensing agreements, turnkey technology, arms-length trade, intra-firm trade, FDI) ?	yes ☐	no ☐	If yes, please indicate in which main sectors: ____________ ____________ ____________
Does your agency have offices abroad?	yes ☐	no ☐	If yes, please indicate how many: ______ Where are they located? ____________ ____________ ____________
Does your agency also promote inward investment?	yes ☐	no ☐	

B: Scope of Operations			
Are your services geared to specific types of enterprises?	yes ☐	no ☐	If yes, please indicate which type(s): SMEs ☐ TNCs ☐ national companies ☐ foreign companies ☐
Are your operations restricted to specific sectors?	yes ☐	no ☐	If yes, please indicate which sector(s): agriculture and natural resources ☐ industry ☐ infrastructure and transport ☐ tourism ☐ other services ☐
Are your operations restricted to geographic regions/specific countries?	yes ☐	no ☐	If yes, to which regions? Africa ☐ Asia & the Pacific ☐ Eastern Europe ☐ Western Europe ☐ North America ☐ South America & the Caribbean ☐ Or to which countries? ____________________ ____________________

C: Cooperation arrangements			
Do you have frequent contacts with specific Investment Promotion Agencies (IPAs)*? * Investment Promotion Agencies are agencies whose prime function is to promote any country or territory for investment.	yes ☐	no ☐	If yes, please indicate how many: <5 ☐ 5-10 ☐ >10 ☐ If yes, please specify the countries in which they are located: ____________________ ____________________
Are you planning to expand your partnerships with IPAs?	yes ☐	no ☐	If yes, please indicate: with existing partners ☐ with new partners ☐ If yes, please specify in which countries: ____________________ ____________________

This questionnaire has been completed by Mr./Ms.______________________________ Tel.: ______________

Please return the completed form before **31 March 1999** to:

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