Statement for IIA Reform

The World Association of Investment Promotion Agencies (WAIPA) is the umbrella organization that leads IPAs not just in terms of investment promotion best practices but also in terms of thought leadership and policymaking. With over 170 members spanning 130 countries it can be the lever that channels policy shifts across the globe. IPAs hold the key to transformation of the sustainable investments landscape and WAIPA is central in interconnecting them for concerted results.

WAIPA can do this through capacity building and training of IPA officials; awareness campaigns to sensitize governments on the long-term effects of ignoring SDGs; introducing indicators that make investor selection processes more conscientious; conduct benchmarking of current practices and stipulate their consequences and more importantly link investor after-care facilitation to sustainable goals.

The objective of such a sustained effort that WAIPA hopes to drive will be ultimately to lessen the problem of lack of resources and expertise in monitoring and enforcement of sustainable investment policies. Also, to work more effectively and in a more integrated way with investment community especially with TNCs. It is the TNCs that will ultimately need to change course for real on-ground transformation so we can serve the people and the planet better.

WAIPA has no shortage of development leadership influence with its Consultative Committee giants network. This objective however needs a meaningful and emphatic private sector influence and partnership. WAIPA looks to corporate leaders to work with it to create the right approach and capacity links this initiative deserves.

WAIPA strongly supports efforts of UNCTAD towards IIA Reform and is ready to provide full assistance with regards to “Promoting and Facilitating investment” as mentioned under 5 areas in UNCTAD’s Roadmap. The review of the UNCTAD Action Menu on Investment Facilitation was refreshing as it was functional from the perspective of IPAs. It effectively outlined the action points IPAs must take and laid out for them the ground they need to cover in order to become the leaders they should within their governments.
WAIPA would be even more pleased to see an elaboration of the aspect of bureaucratic discretion and discrimination. In our experience, this is perhaps the single most impending issue to free flow of investment. So more information on this would be good so governments cannot just be cautious about how they bureaucratically create blocks but be able to identify the discriminatory behavior.

With regards to improving efficiency, perhaps we could also look into using existing legal framework between countries such as Bilateral Investment Treaties (BITs) positively. Often engagements are in parallel to some positive concessions that these BITs may have. Under the same point it is the visa regimes that sometimes create the biggest hurdles, especially when the general populous contain some degree of paranoia about foreign investors and foreigners. There is very little coordination and linkage between the priorities of the Investment agency and the foreign policy agency. This leads to all sorts of investment obstacles.

About proactive investment promotion, we feel that IPAs must create a robust media strategy. This helps to create an integrated engagement with what is a pillar of the state and one that can be used as an ally to further IPAs causes and aims.

Additionally, at WAIPA we feel that there is a need for an action point to denote the spillover effects of TNCs. Many studies reveal that technology transfer (or technology spillovers) from Transnational Enterprises (TNCs) to local companies generally exist through vertical and especially backward linkages. That means technology transfers/spillovers tend to exist in supplier-buyer relationships. That’s why, Investment Promotion Agencies can play a significant role in the promotion of such kinds of spillover effects. They can create and implement sector-specific and even company-specific strategies and action plans to identify bottlenecks that prevent such kinds of spillovers and to facilitate and promote such kinds of channels.

Aftercare is a very crucial part of investment promotion; in fact, it is perhaps the most important because it makes the difference between a short-term investor and one that is long term. Rather than creating new organizations that act as additional bureaucratic bodies, we believe that the efficiency of
IPA’s must be increased to serve multiple purposes. We feel that this should gain more prominence in the action points.

IPAs can also act as ombudspersons; can gather feedback and design policy; they can correct data from the field and plough it back into the investment framework; they can promote accessibility and transparency and most importantly provide one-stop shop services. We believe that with a traditional bureaucratic approach it will not be possible to decrease cost-of-doing-business due to lack of transparency and lack of efficiency. Investors need to feel welcome and to be understood and only the people from business sector will be able to facilitate the issues they face. Therefore, the multi-purpose and multi-pronged approach of IPAs could also be part of the action points.

IPAs are ideally to be formed by professionals from the field but in reality, due to bureaucracy, IPAs are being pushed out of the game – this should change and IPAs should gain more power. IPAs have enough potential but with more financial, administrative support and with modern legal structure giving them the right to act as a real investment authority, they can call the shots. For them to gain more power and control over their governments, action points linked to their financial independence could also be an important addition in the action menu.

As earlier mentioned transnational companies (TNCs) have a tremendous potential to contribute to sustainable development in the countries they invest in. The best vehicle to do this is via the investment promotion agencies that every government routes investment funds though. That is the point where the policy influence makes the most impact.

This potential is both unexplored and untapped. Arguably Investment Promotion Agencies (IPAs) can be propped up to have additional capacity and also act as the gatekeepers of high quality of all Foreign Direct Investment (FDI). They can ensure a mandatory component of sustainability of all projects, Greenfield as well as others.

IPAs have great proximity to their governments; have access to other regional government decision-makers; contain the corporate ethos that is lacking in competing government agencies and they largely drive all investment in the sectors they prioritize in particular. They are the ones with the power to
determine how much investment comes into the host country and what the nature of that investment is.

With this much influence it is only rational in the economic sense to empower IPA so they can be more effective filters of investment – Crunching up the pro-people investment contributing towards SDGs and blocking or limiting the kind that hampers local communities and the environment that sustains them.

As WAIPA we strongly believe that in the current version of International Investment Agreements the investment promotion and facilitation are not underscored as strongly as it should have been. In almost all countries IPAs are existing but in some are underestimated or weakened, in others lost in bureaucratic burdens.

We would like to point out that IPAs could play essential role to achieve SDG Goals for which global community join forces these days. WAIPA will be ready to facilitate it and to cooperate with all relevant stakeholders to assist IPAs in their endeavors towards creating a better environment for sustainable investments worldwide.