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Promotion of Foreign Direct Investment

What Are the Costs?

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Donors finance and support a surprising amount of instruments that promote foreign direct investment (FDI) in developing countries. This paper assesses how FDI promotion instruments operated by the OECD, the World Bank, UNIDO and UNCTAD contribute to economic and social development and environmental sustainability. Given the lack of cost-benefit analysis and evaluations at present, the aim of this paper is to stimulate the debate on the impact, costs, benefits and aid effectiveness of investment promotion instruments, specifically in the context of the UN Conference on Financing for Development and in other forums such as the OECD and UNCTAD.

Political support to attract foreign investment

Foreign investment is considered by many policymakers and international financial institutions to be an essential part of economic and development policies, certainly in developing countries but even in developed countries. In contrast to official development aid (ODA) that has been criticised for being inefficient and insufficient, foreign investment has been advocated as an important mechanism for making the economy more efficient and as a key source of capital income. Foreign Direct Investment (FDI) has been praised for introducing skills and new technology, and creating jobs, for example. Promoting FDI is seen as a useful tool for realising integration in the world economy and is part of the thinking that free markets and international competition are the best way for developing countries to achieve economic growth.

The 'Monterrey consensus', which resulted from the first UN Conference on Financing for Development[1] (2002, Monterrey, Mexico), stated that FDI was one of the main sources for financing growth in developing countries. The importance of FDI for development is again being discussed, in the context of the second UN Conference on Financing for Development (29 November-2 December 2008, Doha, Qatar). There are many other forums also promoting the role of FDI. At the UNCTAD XII conference (April 2008, Accra, Ghana), several debates were organised to increase awareness and understanding of foreign investors' strategies by host countries in order to attract FDI. In addition, the annual OECD Global Forum on International Investment held in March 2008 discussed many policy reforms as a way to attract foreign investment by developing countries. 'No development without foreign investment' is also a central argument for the European Commission to press developing countries to negotiate

regional free trade agreements - as large regional markets are more attractive to FDI - and to include liberalisation and deregulation of foreign direct investment. This was the case in the economic partnership agreement (EPA) signed in 2008 by the EU and Caribbean (Cariforum) states.

Most political support to attract FDI does not take into account academic research indicating that there is no automatic or equivalent link between foreign direct investment and development (see SOMO briefing 'Is Foreign Investment Good for Development? A Literature Review', March 2008). Whether FDI has positive or negative effects depends on whether the right policies and regulations are in place and relates to factors such as the sector, the country, the company, and the balance of costs and benefits for all the stakeholders.

As the support to attract FDI is mainly geared towards macro-economic aspects, and these aspects are also the subject of most academic research on FDI, it is rarely revealed who actually benefits, who endures the negative consequences and what the impact of FDI on the local society is. Civil society organisations and trade unions, however, have often highlighted the negative consequences for workers and their health, labour rights and income, for communities, for the environment, and for economies and societies as a whole. They have called for careful scrutiny of foreign investment for its contributions to development, in order to prevent domestic small and medium-sized companies (SMEs) being wiped out due to unequal competition, and avoiding 'predatory' foreign investments which fail to ensure host country revenues and economic development, and increase the domestic capital base.

Official discussions sometimes pay attention to the 'quality of FDI'. For instance, to ensure financial and economic benefits for the host country such as local SMEs becoming suppliers of foreign investors, tax income, job creation and stimulating FDI in sectors important to the host country. The official declaration of the UNCTAD XII conference in Accra places greater emphasis on the need to guarantee the 'quality' of investments and to take measures to ensure that investments benefit development.[2]
The 'quality of FDI' however often proves to be a contentious issue at international official forums such as the UN and the OECD. While preparing the second UN Conference on Financing for Development, the differences of opinion between developing and developed countries regarding how to make FDI beneficial to development, on how to attract FDI and on what types of FDI to attract, reappeared.[3] Almost no attention has been given, so far, to the dangers of developing countries depending on FDI for their economic and export policies, but they are becoming apparent during the current financial crisis, as foreign investment is being withdrawn or is not growing.

Figures on FDI in developing countries

The political focus on promoting FDI seems to have resulted in more FDI flowing to developing countries. Figures show that foreign investment to developing countries increased by 217% between 2002, when the first UN conference on Financing for Development was held, and 2007.

Table 1: FDI inflows, FDI outflows and FDI net inflows

Region	FDI inflows			FDI outflows			Net FDI inflows		
	2002	2007	Growth %	2002	2007	Growth %	2002	2007	Growth %
World	678 751	1 833 324	170	596 487	1 996 514	235	82 264	-163190	-98
Developing countries	**157 612**	**499 747**	**217**	**44 009**	**253 145**	**475**	**113 603**	**246 602**	**117**
Africa	11 780	52 982	350	115	6 055	5165	11 665	46 927	302
North Africa	3 631	22 415	517	266	1 159	336	3 365	21 256	532
Other Africa	8 149	30 567	275	-152	4 896	3321	8301	25 671	209
Latin America and the Caribbean	51 358	126 266	146	6 009	52 336	771	45 349	73 930	63
South America	26 788	71 699	168	4 080	15 532	281	22 708	56 167	147
Other Latin America and the Caribbean	24 570	54 567	122	1 929	36 834	1809	22 641	17 733	-22
Asia and the Pacific	94 474	320 498	239	37 885	194 754	414	56 589	125 744	122
West Asia	3 554	71 493	1911	2 460	44 167	1695	1 094	27 326	2397
Other Asia	90 920	249 005	174	35 425	150 587	325	55 495	98 418	77

Based on: UNCTAD, World Investment Report 2008, Annex Table B.1, and & World Investment Report 2004, Annex Table B.1

Table 2: Greenfield FDI projects vs. mergers and acquisitions, figures 2002 and 2007

Region	Number of greenfield FDI Projects		Number of cross-border M&As		Percentage greenfield projects		Percentage M&A projects	
	2002	2007	2002	2007	2002	2007	2002	2007
World	5703	11703	6553	10145	46	53	54	47
Developing countries	**2362**	**4922**	**1302**	**2273**	**64**	**68**	**36**	**32**
Africa	170	380	80	174	68	68	32	32
North Africa	75	196	17	31	82	86	18	14
Other Africa	95	184	63	143	60	56	40	44
Latin America and the Caribbean	565	780	390	644	59	55	41	45
South America	367	437	275	403	57	52	43	48
Other Latin America and Caribbean	198	343	115	241	63	59	37	41
Asia and the Pacific	1627	3762	832	1455	66	72	34	28
West Asia	232	551	36	114	87	83	13	17
Other Asia	1395	3211	796	1341	64	70	36	30

Based on: UNCTAD, World Investment Report 2008, Annex Table A.I.1. and World Investment Report 2006, Annex Table A.I.1

These FDI figures not only cover green-field investments, which are investments in new production or service capacity in an area where no previous facilities existed. They also include mergers and acquisitions which amounted to 36% of the total number of FDI projects in 2002 and 32% in 2007 (see table 2).

Figures on investment inflows have to be assessed alongside figures on outflows of investment and of investment-related capital. FDI related outflows from developing countries are not larger than their FDI inflows according to UNCTAD. However, FDI outflows from developing countries grew more than the FDI inflows to developing countries in 2007 compared to 2002 (see Table 1). Nevertheless, during the discussions in preparation for the Doha Conference on Financing for Development, developing countries considered it necessary to reverse the 'net outflow of financial resources from developing countries'. In other words, the FDI inflows do not compensate for the total financial outflows from developing countries.

The investment capital that accumulates over the years and is still present in the host countries as a result of the inflows and outflows of FDI is the inward FDI stock, i.e. the investment capital that accumulates over the years and is still present in the host countries. In developing countries, FDI stock amounts up to an important one third of GDP.[4]

What these figures do not show is the extent to which these investment flows contribute to sustainable and equitable development. What are the benefits of this FDI, who is benefiting, and what are the costs? Is this investment taking place in the sectors in which developing countries need it?

Supporting mechanisms behind FDI flows

There are many ways in which attracting foreign investment is being supported politically and with financial and human resources. Such political support takes place based on the view that FDI can only be attracted by liberalising investment and protecting investors' interests through laws and regulations. The international FDI promotion measures are sometimes combined with efforts at the national level to promote private sector development and an investment-oriented business climate.

Financed by donor countries providing official development aid (ODA), international institutions have developed and operated many instruments to attract FDI towards developing countries, claiming to improve economic growth and development. Between 2001 and 2003, the donor countries grouped in the OECD spent 15% to 20% of their annual bilateral ODA on instruments to attract investment, including infrastructure.[5]

The World Bank, OECD, UNCTAD and UNIDO alone offer in total over 50 instruments to stimulate FDI, according to their websites. Annex 1 of this briefing provides an overview of the instruments of these 4 institutions. The instruments can be categorised as follows:

- **Direct policy advice to governments**
  Direct policy advice instruments provide guidance to governments of host countries in the development or revision of their foreign and domestic investment policies, including investment laws and regulations,

incentives and practical support to foreign investors. Such policy advice is geared towards an attractive investment environment and covers a broad range of policy areas, such as competition, trade, tax, corporate governance and responsibility, market integrity, human resource development, infrastructure development and public governance. The instruments used include (self) evaluations of existing investment policies and proposals for their reform, direct advice on regulatory reforms and technical assistance.
Donor countries are given policy guidance on how to use ODA to promote private sector investment.

- **Policy support for governments**
  In contrast with direct policy advice that offers guidance on determining the content of investment policies, policy support refers to facilitating the creation of investment policies. Policy support involves providing research, data and publications on economic or FDI topics and investors' interests, setting up information services, and developing tools, programmes and informative technical assistance for policymakers and other government assistants. Also, benchmarking tools are created providing comparable information on key FDI aspects, used mainly to compare countries' best practices on investment promotion. The fundamentals of FDI are formulated in several checklists, principles, guidelines and strategies. These fundamentals can be applied voluntarily.
  Binding investment instruments are also considered as a means for attracting FDI. Among the four international organisations described, developing countries can only sign investment declarations and codes with the OECD.

- **Assistance to investors**
  There are many instruments for assisting investors that are exploring investment opportunities, mostly by informing them about characteristics of countries and their sectors, industries and markets. Other information

Attracting FDI to Egypt: a practical example of supporting mechanisms

Driven by international advice, Egypt has been reforming its investment policies in recent years. The country fully liberalised foreign investment in several sectors like manufacturing, other sectors are being reviewed at the moment. The reforms are based on the direct policy advice Egypt receives from international institutions, via advice mechanisms that are named in annex 1:

It is a participating country in:
- The Policy Framework for Investment of the OECD
- The MENA-OECD Investment Programme
- Mediterranean exchange by UNIDO

Is the subject of:
- An Investment Policy Review by UNCTAD in 1999 (and a report on the implementation in 2005)
- An Investment Policy Review by OECD in 2007
- An Integrated Programme (Country Service Framework) of UNIDO

Makes use of the services of:
- The Investment Climate Advisory Service (FIAS) of the World Bank
- The Advisory Services on Investment and Training (ASIT) of UNCTAD
- UNIDO Investment Promotion Units
- Multi-donor Investment Promotion Agencies
- The Foreign Direct Investment Promotion Center of the World Bank

In addition, Egypt signed several binding commitments on how to treat FDI, which are seen as tools to attract FDI, such as:
- OECD Declaration on International Investment and Multinational Enterprises
- International Investment Agreements (BITs and FTAs)

In the process of adhering to the OECD Declaration on International Investment and Multinational Enterprises *"Egypt agreed to review the restrictions on investors (……) such as certain limits in the tourism sector as well as the discriminatory treatment of foreign investors in construction, courier services and commercial agents in relation to exports".*

Source:
OECD, "Egypt should keep up pace of reform to attract more investment, says OECD", press release, 11 July 2007

services advise investors on potential risks they may encounter, or on business regulations they will come across when wishing to invest in a certain country. Foreign investors are also given support in cooperating with companies in host countries in the industrial, technological and scientific areas. Policy dialogues between investors and host authorities are also promoted, with the help of investment assistance instruments, in order to promote governments' understanding of foreign investors' needs.

- **Financing for investors**
  The World Bank Group offers investors several financial products. The International Finance Corporation (IFC), the World Bank Group's private-sector financing arm, funds private-sector projects in developing countries, and provides commercial loans and equity finance to private sector companies in developing countries. The Multilateral Investment Guarantee Agency (MIGA) of the World Bank offers guarantees that insure investors in projects in emerging markets against losses related to problems that can occur when investing in developing countries, such as currency transfer restrictions, expropriation, war and civil disturbance and breach of contract. The guarantees also assist investors by accessing funding, lowering borrowing costs, and resolving potential investment disputes. MIGA also provides investors with country knowledge and environmental and social expertise.

These advisory services, tools and direct support mechanisms must be viewed in the context of policies to liberalise FDI already in existence, which have often been a condition of loans by the IMF and World Bank. Many other investment promotion mechanisms exist outside these institutions, but they have identical objectives and operations. Examples include the Investment Climate Facility for Africa (ICF), the EU-SADC Investment Promotion Programme (ESIPP) and the Pro€Invest programme to promote investment and technology flows to enterprises in African, Caribbean and Pacific countries.

Evaluating investment promotion instruments

The abundance of investment promotion instruments arises from the broad political and financial support for attracting FDI as a means to growth and economic development. It increases the risk of overlap with several instruments giving advice and support on attracting FDI to the same developing countries. Investment Policy Reviews are executed by both the OECD and UNCTAD, for instance. An example of a country that is involved in many of the instruments mentioned, is Egypt (see box). Note that the investment promotion instruments in the overview in Annex 1 often have different functions and do not include many other overlapping initiatives not covered in this briefing.

Although there are cooperation agreements on investment issues among some of these institutions[6], the overview in Annex 1 of the instruments reveals a lack of coordination and overview, leading to unnecessary complexity. This raises the question of whether some developing countries are receiving conflicting advice. For instance, the World Bank's Doing Business Indicators allocate high rankings to countries that have low corporate taxes, while the Policy Framework for Investment of the OECD advises developing countries to reflect on 'the disappointing experience from economies that have attempted to rely on a low tax burden – typically targeted at foreign investment – to boost development.'[7] However, the OECD Investment Policy Review of Egypt praised the reduction in the corporate income tax rate from between 32% and 40% to a uniform 20%.[8]

Another remarkable finding is that there is little information about evaluations of this myriad of investment promotion instruments, nor about whether these investment promotion mechanisms themselves provide developing countries with ways to evaluate the investment promotion advice and support they receive. Evaluations of the effects of investment promotion mechanisms seem to be the exception rather than the rule, which the OECD also found in 2006.[9] Evaluations would help to assess the effectiveness of the instruments vis-à-vis their claimed objectives, such as attracting additional investment and contributing to Millennium Development Goals and poverty reduction. Especially as positive effects of FDI are much more likely to occur, and negative effects for developing countries are easier to avoid, when it is embedded in the right policies for a particular country, sector and even foreign investor.

According to a selection[10] of investment promotion mechanisms provided by the OECD, UNCTAD, UNIDO and the World Bank, where evaluations do exist, they focus principally on the extent to which governments of host countries were able to reform their investment environment to the benefit of foreign investors. For example, the Investment Reform Index is an evaluation tool of the OECD and provides an assessment of reforms, institutional settings and achievements in key policies within a country to improve the investment climate for foreign investors and allow comparisons with other countries. The Supply Chain Development Programme (SCDP) of UNIDO has been evaluating results in terms of increases in turnover and productivity, safer production methods and better use of existing machinery and equipment, within supply chains. While workers might have received healthier working conditions by way of this programme, the evaluation

focuses on the productivity benefits that suppliers of multinationals gain, rather than on the benefits to the host economy, the workers and the host country as a whole. The most recent available evaluation of the effectiveness of the Foreign Investment Advisory Service (FIAS) of the World Bank Group, carried out in 1998[11], applied the following criteria: increased private sector investment, job growth and increased savings for the private sector. These criteria still mainly focus on the macro-economic impacts, and not all the criteria related to the 'quality of foreign investment' are included, such as the transfer of technology, let alone specific social and environmental aspects.

None of the Investment Promotion Mechanisms analysed in this paper focus on the social and environmental effects of the instruments or the FDI they attract, which means that the consequences for the social and environmental development of the country are not monitored. As an example, while the job growth created through the use of FIAS is evaluated, it does not look at the social and environmental aspects of this job creation such as wages, health insurance and maintenance of livelihoods. To achieve this, aspects such as the quality of the created jobs and the labour conditions that apply to the job should be monitored as well.

As FDI can have many social, political and environmental consequences in the host countries, it is important that the evaluation of the investment promotion instruments examine these aspects. In the next session, the negative impacts that FDI can have on developing countries will be described. These impacts should be taken into account when evaluating the success of investment promotion.

The costs of promoting FDI

Financial costs

Little attention is paid to the financial costs of the described investment promotion instruments. The money spent for the operation of these instruments should be offset against the financial benefits of FDI inflows and put together with the amount of outgoing FDI flows. In fact the international institutions themselves display little transparency regarding the amount of money used to finance the instruments and regarding the costs for developing countries when using these profuse instruments. To the extent that public information is available, the FDI promotion instruments are financed by donor countries/ODA and other financial funds, mainly through voluntary contributions. Because of this lack of financial data, it is difficult to assess how efficient these instruments are. In Africa for instance, even countries that spend a lot of resources to open up and improve their investment regime, they are not able to attract much investment outside the extractive industry. This is due to factors such as small markets, low purchasing power, lack of skilled labour and lack of infrastructure.

There are, however, other costs of the use of these investment promotion mechanisms and the investment they attract that need to be taken into account.

Incentive related costs

The political and international focus on the importance of FDI for developing countries has resulted in many developing countries giving incentives to foreign investors that are often not provided to domestic investors. Examples include tax reductions or holidays, tax breaks on imports and exports, and the construction of expensive infrastructure that particularly benefits foreign investors.
The advice for investment regime reforms by the international investment promotion instruments often leads to the introduction of regulations that allow the free transfer of capital by foreign investors (e.g. FIAS, Policy Framework on Investment). In addition, Doing Business Indicators and FIAS[12] are agencies that are in favour of low corporate taxes. This allows investors to easily transfer capital and profits abroad, without investing it in the country where it was created, which can even lead to currency or financial stability in the country.

These incentives, policies and regulations can result in less government income or higher government costs, at the expense of national budgets for public services and services for the poor. Another example of potential losses for the public budget concerns the advice to sign investment agreements such as Bilateral Investment Treaties (BITs), as a means of demonstrating a predictable investment environment. The signing of these investment agreements increases the costs of governments who are not able to comply with the rules of the agreements. Argentina, for example, faced more than 30 dispute settlement claims from foreign investors based on BIT rules. This happened after Argentina introduced measures to overcome the financial crisis, which were claimed to be in contravention of BITs. If Argentina loses all the cases, it will have to pay more than US$ 80 billion, a sum the country would be better off using to combat the financial and food crisis.

Political costs

The various benchmark tools, such as Doing Business Indicators (World Bank) and the MENA-OECD Initiative and Investment Map (OECD), are designed to compare the investment regimes of different developing countries. They have encouraged an unhealthy competitiveness between host countries. Many governments base their investment regime reforms for the most part on these identical indicators in order to improve their ranking, focusing on removing perceived barriers to foreign and

local investors, which include almost no specific social, human rights and environmental objectives to be achieved. In general, many policy decisions of governments in the South have become influenced by a fear of scaring off foreign investors. For instance, governments make sure that exchange rates are not too variable in order not to harm foreign investors, often with negative consequences for the national economy and domestic businesses.

As a consequence of governments of host countries following the benchmark indicators and the advice of the investment promotion instruments described above, policy space is lost. The room for manoeuvre of governments in enacting policies and laws that are beneficial to their countries' and their populations' development is being reduced. For instance, adoption of 'non-discrimination' rules are often incorporated in the indicators and in the advice given, including to sign Bilateral Investment Treaties (BITs) or Free Trade Agreements (FTAs). These rules include 'national treatment' provisions, under which domestic companies cannot be treated less favourably than foreign companies (while the opposite is allowed!). This undermines governments' options for adopting special measures geared to promote or protect domestic SMEs, in order to develop its own private sector.
Another example is the principle of indirect expropriation included in BITs. This has resulted in governments being sued at the international dispute settlement panels for introducing new laws that harmed the operations of multinational companies, such as environmental laws which limit companies' options.

Social and environmental costs

Many of the investment promotion instruments do not provide governments with tools and measures to deal with social and environmental problems related to foreign investment, to protect the population or workers against negative aspects of foreign investments, nor to evaluate the impact of FDI on workers rights and income, social security, gender or the livelihoods of communities living around foreign investments. Most of the measures recommended for attracting FDI give foreign investors protection (in a similar way as takes place through BITs and FTAs) without responsibilities being imposed on investors.
This lack of responsibility and rules on foreign investors can seduce investors to engage in a 'race to the bottom', resulting in ever lower social and environmental norms.

A significant proportion of the investment promotion tools do not make a clear differentiation between the different sectors for which FDI is being attracted. As a consequence, host countries are ill-equipped, or ignore the negative effects and costs they have to deal with in different sectors. Examples include:

- In labour-intensive sectors such as mining, textiles, garments and tourism, unregulated foreign investment can result in poor labour conditions, manifested by low wages, overtime and poor working conditions. The lack of regulation can also lead to environmental damage or other negative impacts on communities, such as health problems and loss of arable land. Governments and donors might have to bear the costs for such health and environmental harm, as well as for the low wages and remaining poverty that results in low purchasing power.

- Foreign investors are much larger players on the market than their domestic competitors in the host country. Because of this and the inability of governments to protect national companies due to 'national treatment' rules, SMEs – which are the main creators of employment - are often pushed out of the market with the arrival of foreign investors. For example, large powerful foreign retailers that invest in developing countries are able to force prices of suppliers down, even until prices barely cover costs, and exclude small farmers and other small suppliers from their supply chain. In addition, local small producers are not able to compete with the large international players and may be forced to close down.

- In the service sectors, foreign investors tend to miss out the poor in order to be able to maximise profits. For example, foreign banks are not always interested in providing credit to small local companies and farmers, and demand high fees for deposits from poor clients. The same goes for the supply of electricity or water. Because the costs of supplying these services in poor areas are often higher (i.e. because the water and electricity mains are poorly maintained or non-existent), less profit can be made there. The result can be reduced access to basic services by the poor, or the costs of servicing the poor may have to be borne by domestic governments and donors.

Conclusion

Aid effectiveness questioned

The wide range and sheer number of investment promotion instruments employed by the OECD, UNCTAD, UNIDO and the World Bank described in this briefing paper raise questions about their effectiveness, the coherence of their contents and potential overlap. Given the lack of transparency about the actual budget spent and the evaluations of these instruments, there is an urgent need to assess whether the 15 to 20% of ODA that is spent by OECD countries on instruments to attract investment, is spent according to the new focus on the effectiveness of aid.

Development relevance not guaranteed

The focus of the investment promotion instruments on adopting policies and regulations that protect foreign investors' interests and remove barriers for foreign investors' profit-making strategies does not guarantee that the FDI promotion instruments contribute to the 'quality of FDI' and economic development. The flaws in advice, tools and support mechanisms to deal with the negative financial, political, social and environmental costs of FDI and their underpinning instruments, raises many doubts regarding the extent to which these instruments contribute to equitable and environmentally sustainable development. The result is a serious imbalance between the rights and responsibilities of investors and the rights and protection mechanisms for workers, the population, the environment and democracy in the host countries.

Recommendations

The discussions on the 'quality' of FDI , such as those at the UN Conference on Financing for Development, should implement measures beyond voluntary social responsibility codes of international investors and the social, human rights and environmental agreements signed by governments. All investment policies and all investment promotion mechanisms should include a cost–benefit analysis and advice to countries on how to make their own benefit analysis in order to assess how FDI will achieve sustainable development and poverty eradication. Proposals to design such a cost-benefit analysis include:

- Developing - inclusively with all stakeholders - balanced criteria to assess at the country level when foreign assessment can achieve sustainable development, with special attention to developing criteria that assess the social, labour and environmental costs, and the costs or impacts of the loss of policy space.

- Identification of sectors of foreign investment which are sensitive to unsustainable impacts. The identification of social and environmental problems that need to be dealt with in each sector should lead to better costs-benefit analysis, and the exclusion of investments in these sectors if the analysis is negative.

What needs to be corrected in the current discourse about the role of FDI for development and the investment promotion mechanisms is:

- Rebalancing the rights and responsibilities between foreign investors and host countries e.g. in investment laws and investment treaties. This should also result in responsibilities for and cooperation by the home countries to deal with social and environmental problems of investors originating from their countries. Investors' responsibilities should not only be based on voluntary 'corporate social responsibilities'.

- Refocusing the attention from attracting foreign investment to the promotion of national and regional sustainable investments that achieve poverty eradication. Priority should be given to assessing how sustainability and poverty eradication can be better achieved by national or regional investment rather than foreign investment.

Annex 1

Investment Promotion Mechanisms OECD, UNCTAD, UNIDO and World Bank

Target group	Target	Type	Instrument	Organisation
Governments	Direct policy advice	General	Policy Framework for Investment	OECD
		To host countries	Investment Policy Reviews	OECD
			Eurasia Competitiveness Programme	OECD
			Investment Compact for South East Europe	OECD
			MENA-OECD Investment Programme	OECD
			NEPAD-OECD Africa Investment Initiative	OECD
			Foreign Investment Advisory Service (FIAS)	World Bank
			Investment Policy Reviews	UNIDO
			Investment Policy Reviews	UNCTAD
			Advisory Services on Investment and Training (ASIT)	UNCTAD
			Blue Book Programme	UNCTAD
		To donor countries	Policy Guidance for Donors on Using ODA to Promote Private Investment for development	OECD
	Policy Support	Research and Publications	Industrial Statistics, INDSTAT 3 and 4	UNIDO, OECD
			Reports on trends and recent developments in FDI (annually)	OECD
			OECD Research on Incentives for Attracting FDI	OECD
			International Investment Agreements: Analysis	OECD
			Global Development Finance Reports (annually)	World Bank
			Global Economic Prospects Reports (annually)	World Bank
			Rapid Response	World Bank
			Industrial Demand-Supply Balance Databases	UNIDO
			Industrial Development Report	UNIDO
			World Investment Report	UNCTAD
			Transnational Corporations Journal	UNCTAD
			World Investment Prospects Survey (WIPS)	UNCTAD
			FDI Statistics	UNCTAD
			Publication of International Investment Agreements (IIAs) Tools: - Glossery of terms - Country lists of BITs - Country Lists of Double Taxation Treaties (DTTs) - Investment Instruments On-line database	UNCTAD
		Support programmes and tools	World Association of Investment Promotion Agencies (WAIPA)	World Bank, OECD, UNIDO, UNCTAD
			Framework for Investment Policy Transparency	OECD
			Checklist for Foreign Direct Investment Incentive Policies	OECD
			OECD Principles for Private Sector Participation in Infrastructure	OECD
			Foreign Direct Investment Promotion Center	World Bank
			World Bank's Private Sector Development Strategy	World Bank
			Africa Investment Promotion Agency Network (AfriPANet)	UNIDO
			UNIDO Supply Chain Development Programme (SCDP)	UNIDO

Target group	Target	Type	Instrument	Organisation
Governments	Policy Support	Support programmes and tools	Integrated Programmes (IPs)	UNIDO
			Enterprise Development and Investment Promotion (EDIP)	UNIDO
			International Investment and Technology Arrangements	UNCTAD
			International Investment Agreements: Technical Assistance Advice	UNCTAD
			Global Investment Prospects Assessment (GIPA)	UNCTAD
			Investment Map, in partnership with WAIPA and MIGA	UNCTAD
			Investor Targeting Toolkit	UNCTAD
			Investment Gateway	UNCTAD
		Investment Instruments	Code of Liberalisation Of Capital Movements and of Current Invisible Operations	OECD
			OECD Declaration and Decisions on International Investment and MNEs Consisting of: - The Guidelines for Multinational Enterprises - National Treatment - Conflicting requirements - International investment incentives and disincentives	OECD
		Benchmarking	OECD Benchmark Definition of Foreign Direct Investment	OECD
			Investment Reform Index	OECD
			Enterprise Benchmarking Program from MIGA	World Bank
			Investment Promotion Toolkit from MIGA	World Bank
			Investment Compass	UNCTAD
Investors	Direct Support	Advice	Investment Promotion Agencies (IPAs)	World Bank, OECD, UNIDO, UNCTAD
			Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones	OECD
			FDI Network (FDI.net) and FDI Xchange from MIGA	World Bank
			Political Risk Insurance Center (PRI Center) from MIGA	World Bank
			Doing Business	World Bank
			Investment Promotion Units (IPUs)	UNIDO
			Centre for International Industrial Cooperation	UNIDO
			Subcontracting and Partnership Exchanges (SPXs)	UNIDO
			E-xchange	UNIDO
			Mediterranean E-xchange	UNIDO
			COMFAR	UNIDO
			Investment Guides	UNCTAD
		Technology Promotion	Network of Investment and Technology Promotion Offices (IPTOs)	UNIDO
			International Technology Centers (ITCs)	UNIDO
			International Investment Agreements: Technical Assistance	UNCTAD
	Dialogue promotion		International Investment Agreements: Intergovernmental discussions, input and dialogue	UNCTAD
	Financing and guarantee mechanisms		Private Equity and Funds from the International Finance Corporation (IFC)	World Bank
			IFC Syndication and Resource Mobilization from the IFC	World Bank
			Investment Guarantee Services from MIGA	World Bank

Endnotes

1 For all preparatory and other documents related to the first and second UN Conference on Financing for Development, see: <http://www.un.org/esa/ffd/>
2 See for instance paragraphs 108-113 of the Accra Accord, UNCTAD XII, 20-25 April 2008.
3 See for instance draft FfD document :'Mobilizing international resources for development: foreign direct investment and other private flows', 10 November 2008, < http://www.un.org/esa/ffd/doha/draftoutcome/ProposedCompiled_Ch2.doc>
4 UNCTAD website, Programmes, Investment and Enterprise, 'Foreign Direct Investment', no date, http://www.unctad.org/Templates/StartPage.asp?intItemID=2527&lang=1 (26-11-08).
5 OECD, Promoting private investment for development – The role of ODA, 2006, p. 12.
6 For example between UNCTAD and UNIDO, UNCTAD and OECD, and OECD and the World Bank
7 OECD, Policy framework for Investment, Annotations to Chapter 5 – Tax policy, paragraph 5.4.
8 http://www.oecd.org/document/27/0,3343,en_2649_201185_38941211_1_1_1_1,00.html
At the same time and approximately 3000 different types of tax exemptions were eliminated
9 OECD, Promoting private investment for development – The role of ODA, 2006, p. 7.
10 Two investment promotion instruments of the 4 mentioned institutions were looked at for their evaluation mechanisms, nl. ASIT and Investment map (UNCTAD), Investment reform Index and NEPAD-OECD Africa Investment Initiative (OECD), Supply Chain Development Programme and Africa Investment Promotion Agency Network (UNIDO), FIAS and Doing Business (World Bank).
11 http://lnweb90.worldbank.org/oed/oeddoclib.nsf/24cc3bb1f94ae11c85256808006a0046/9093cdd00fbde0de8525702c00729599/$FILE/fias_evaluation.pdf
12 See for instance the reformed 'Law of the Republic of Indonesia number 25 of 2007 concerning investments' (signed on 26 April 2007), chapter 10: the new was the result of FIAS direct engagement as analysed by Institute of Global Justice, Indonesia.

Colophon

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