



# Leveraging WAIPA to Facilitate Private Sector Linkages

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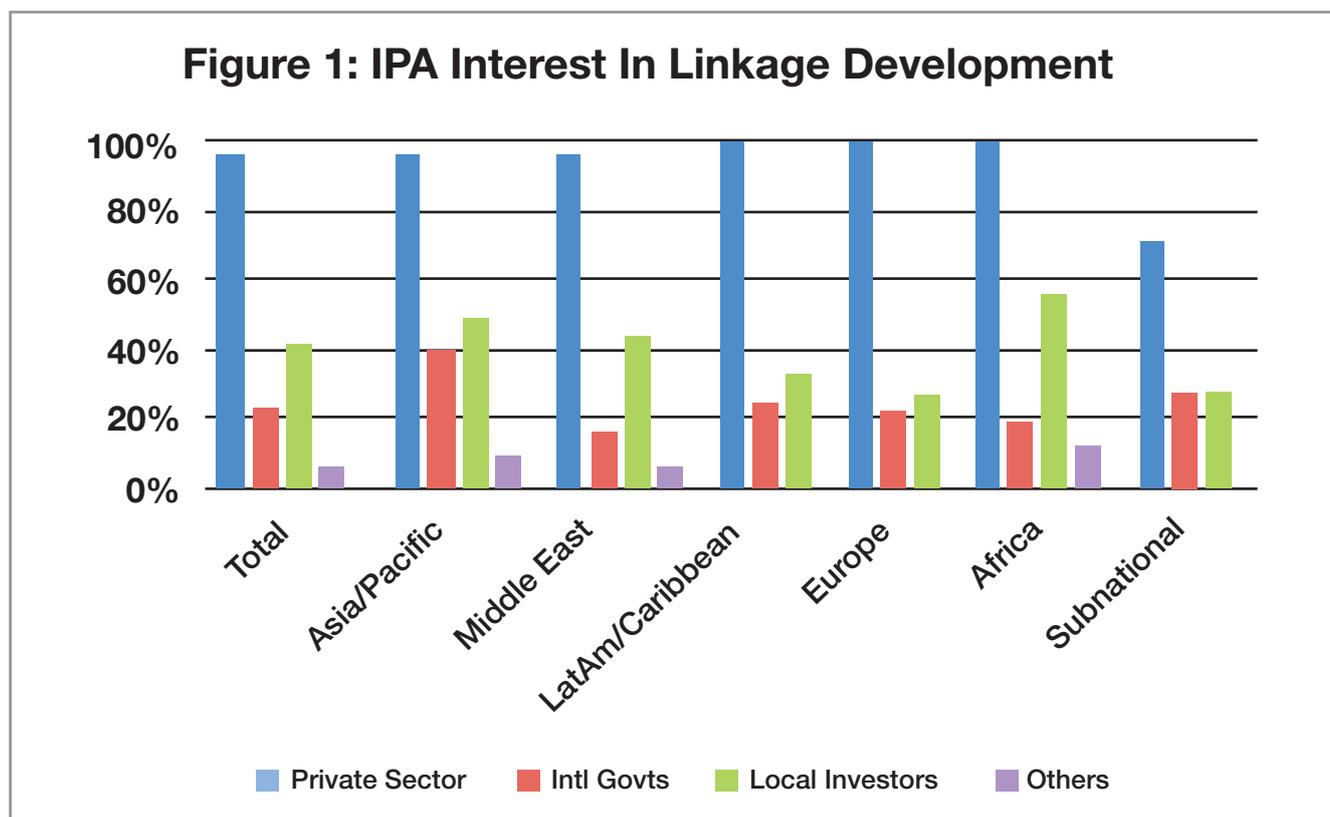
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How can IPAs better cultivate productive linkages to the private sector? Analysis of recently collected member survey data reveals this question is of primary importance to WAIPA members. Survey responses also indicate IPAs need assistance in developing better tools for managing their interactions with the private sector. Drawing on insights from firm surveys and World Bank research, this note outlines how comprehensive approaches to investor network programs can enhance IPAs’ value addition to investing firms. The note concludes by introducing WAIPA’s new Investment Policy and Promotion training program, designed in collaboration with a world-renowned development organization.

## What Kinds of Capacity Building do WAIPA Members Need?

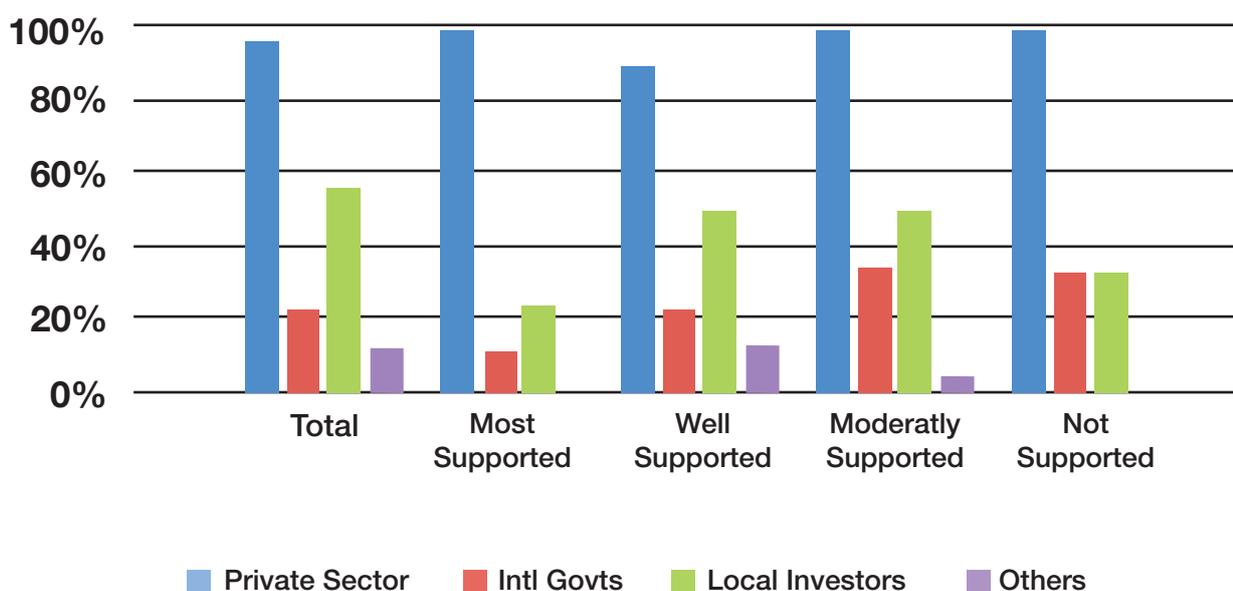
WAIPA’s most recent survey reveals its members are particularly keen to develop greater capacity to attract potential investors. Indeed, 44 percent of survey respondents identified “reaching out to potential investors” as the part of the investment promotion process over which their IPA most needs to develop best practices. Respondents’ focus on training programs in investment facilitation (70 percent), and their desire to have WAIPA hold international FDI conferences in their countries’ capitals (60 percent), reflects this broad interest for WAIPA to do more to assist members in establishing IPA capabilities in investor outreach.



As Figure 1 illustrates, WAIPA members overwhelmingly report that developing stronger linkages to private sector investors is of primary importance to their development strategy, followed next by increasing their connections with local business. This is true across all regions, although with some important variations. African IPAs have the highest reported need to cultivate more linkages with both foreign and local investors. IPAs in the Asian Pacific report the smallest gap in importance of Private Sector (80%) and Local Investor (50%) linkages. At the other end of the spectrum, European IPAs see engagement with foreign private sector investors as far more important than developing relationships with local investors.

Figure 2 demonstrates that IPAs' perceptions about what types of linkages they most need to cultivate depends in part on how well supported they are by their national government. While all IPAs report a need to develop stronger connections with foreign private investors, the degree of government support conditions the importance of relationships with other stakeholders. The most well supported IPAs report little need to liaise either with international governmental organizations or with local investors. Less supported IPAs report a higher need to develop relationships with local investors and also with international governmental organizations. In fact, strong relationships with international groups such as WAIPA are a particularly important source of networking and skill development for IPAs that do not receive sufficient local government support.

**Figure 2: IPA Interest In Linkage Development**



Despite IPAs' stated objectives of increasing linkages with the private sector, only 70 percent of WAIPA members surveyed maintain a database of current and potential investors. Moreover, where such databases exist, they are often small in size. Almost 70% of members who report maintaining a database also say their database contains fewer than 5,000 contacts. Only three members reported maintaining databases of over 10,000 business contacts. Surprisingly, the likelihood that an IPA maintains a business database is not driven by support from the government. It seems that IPAs across all regions, of all sizes, and with all variations of relationship with their central government need more support in building and maintaining investor contact databases that can help them form better business leads and connections with the broader community of private sector investors.

## Developing Investor Networks to Better Serve Client Needs

WAIPA members clearly recognize the need to invest more resources to cultivate relationships with current and potential investors. They also overwhelmingly request that WAIPA expand its ability to share investor information and best practices on collecting data on potential and realized investors with its members. Capacity building around investor tracking is particularly necessary given that more than half of all WAIPA members report that their agency does not use any software to collect and analyze data on investors.

Developing best practices around investor engagement and tracking provides a crucial opportunity for IPAs to better assess investor needs across all stages of the investment life cycle. Therefore, a well designed investor database along with thoughtful data collection and maintenance procedures can yield impressive results. For example, Costa Rica's export promotion agency, PROCOMER, has had great success from its matchmaking services. From 2002-2009, PROCOMER traced its matchmaking services as influential in generating first-time purchase orders worth USD 17 million – a return on investment of USD 784 for each dollar spent in its linkages department.<sup>1</sup>

Many IPAs primarily value investor databases as a leads-generation resource. However, more comprehensive programs to build and maintain private sector networks can also help IPAs:

- Increase domestic value addition by cultivating localized supply chains,
- Retain existing investors, and
- Identify areas to improve in order to close more leads

Rather than conceptualizing industry network programs as products that benefit

<sup>1</sup> Douw, Willem. "Improving FDI Linkages And Domestic Value-Addition". 2017. Presentation.

their internal operations, IPAs should think of such tools as providing value to their most important clients – that is, foreign investors.

Investor network development can help solve problems that frequently lead to forgone investment, failed projects, and multinational exit. Among multinationals engaged in FDI for efficiency-seeking purposes, a key impediment to entering a new location is the underdevelopment of local supply chains and service providers. IPAs that view private sector networking primarily through the lens of developing lists of leads are not well positioned to assist potential investors in identifying and cultivating local supplier relationships. However, IPAs that maintain as part of their investor network program curated contacts with an array of highly qualified local suppliers and service providers can help solve this investor problem, and, by doing so, close more investment deals.

Well-developed investor network programs also provide IPAs with contact management software that makes it easier for IPAs to anticipate investors' needs and fix problems before they become disputes. According to a 2013 survey of multinational firms conducted by MIGA and EIU, political risk is the second most important constraint for investors<sup>2</sup>. The types of political risks that worry investors the most, and are most likely to lead to investment withdrawal or cancellation, concern government conduct: regulatory changes, breach of contract, transfer and currency restrictions, and expropriation. Strong linkages to investors make it easier for IPAs to track and monitor investor grievances before they escalate to disputes. This allows IPAs to work with their governments to help resolve investor grievances before disagreements degenerate. Doing so not only avoids potentially costly and lengthy investor-state arbitration, but also makes it more likely that current investors will expand their presence locally. Retaining existing investors has high payoffs since 60 percent of inward FDI accrues through reinvested earnings.

Finally, well-developed investor network programs provide IPAs with opportunities to think beyond the needs of the investors they have already succeeded in attracting to build an enabling environment that will attract and retain investors they would most like to entice. By cultivating these broader networks, IPAs can more easily use their contact lists to conduct regular surveys and interviews of firms that are invested locally and also firms that the IPA has yet to successfully woo to the country. These surveys and open-ended interviews provide IPAs with valuable information about what primary barriers firms face when attempting to invest locally, and can therefore help IPAs devise strategies for assisting firms in overcoming these challenges. Essential here is using investor network data to reach beyond firms that are already invested in the country to ensure the IPA also considers the perspective of firms that have refrained from establishing a local presence.

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<sup>2</sup> MIGA-EIU Political Risk Survey, 2013.

## Converting Strategy to Action

Overwhelmingly, WAIPA members recognize the importance of investing in comprehensive tools and procedures to better develop networks of private sector investors. This note has also outline why best practices require IPAs to think of investor network programs as ways to add value to current and potential investors rather than as merely a lead generation tool. The logical next step is converting a comprehensive investor network program into action.

To better serve the needs and aspirations of member organizations, WAIPA is excited to announce that it will soon offer a new Investment Policy and Promotion (IPP) certification program in collaboration with a world-renowned development organization. The IPP program will provide participants with cutting-edge knowledge and training over recent developments in best practices for strategies targeting foreign investment for sustainable development; and, more specifically, how to best implement a successful investment promotion program. Central to the IPP approach is the recognition that attracting, retaining, and growing high quality investments requires IPAs to move beyond an “investment attraction” mindset and to instead attend to all six stages of the investment promotion life cycle.

Participants in the IPP certification program will receive training in multiple, practical components of a successful investment promotion program. Participants will also gain access to essential tools for higher quality service provision such as contact management systems and other tracking tools to better identify potential investors, provide value to these investors as clients of their local IPA, and to assist in managing and deescalating investor complaints before such concerns become disputes.

The IPP certification program will cover key components of the investment life cycle, and participants will learn practical strategies for implementing best practices in their home organizations. These life cycle components include: Vision and Strategy, Investment Attraction, Investment Entry and Establishment, Retaining Investment, and Linkages. Central to the life cycle approach is the need to develop clear, tailored, and targeted priorities for the local IPA, the importance of guiding the investor through each stage of the investment process – including aftercare support, and the benefits of gathering data throughout the investment life cycle that can help generate new and follow-on investment leads.

WAIPA is proud to soon offer this exciting and valuable new training tool to its members. Please contact WAIPA for additional information.



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