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POST-COVID-19: INVESTMENT PROMOTION AGENCIES AND THE “NEW NORMAL”

H I G H L I G H T S

- ❖ The current COVID-19 crisis has brought to light the critical role of investment promotion agencies (IPAs). They have shown agility and reactivity in supporting the evolving needs of investors during the pandemic and have been instrumental and valuable to governments as intermediaries between the public and private sector.
- ❖ In the past months, IPAs have continued to strengthen their online presence. 77% of national IPAs worldwide have provided COVID-related information and services online as they developed specialized virtual platforms and tools.
- ❖ The response, however, has been asymmetric and differentials in digital capacity, culture, and resources between IPAs have surfaced. While developed countries are multiplying their digital channels of communication on COVID-related business issues for investors, 44% of national IPAs from developing countries provided no or little information for investors on the pandemic on their websites or social media channels.
- ❖ The offering of investment facilitation and aftercare services by IPAs has expanded, with an increased focus on strengthening linkages between foreign companies and the local economy. The enhanced role of IPAs as troubleshooters and business support institutions will likely remain post-pandemic.
- ❖ After focusing almost exclusively on providing retention and aftercare support to existing investors during the past few months, IPAs are now promoting investment to help restart economies. The new focus is on traditional as well as emerging opportunity areas linked to renewed national priorities and a growing demand in sectors such as health, food and agriculture and tech-related sectors.
- ❖ IPAs are investing in data to strengthen their functions, including a more robust policy advocacy role.
- ❖ It is a “make or break” moment for IPAs. They are expected to do more with less, and differently. How they perform during these critical times and how relevant they are seen by their governments and the investment community may determine their future post-pandemic.

1. INTRODUCTION

This special issue of the IPA Observer provides an updated overview of the measures that IPAs have taken in response to the crisis and highlights emerging trends and challenges. It draws from an updated UNCTAD survey of the online response of over 180 national IPAs¹ worldwide as well as a series of webinars organized by UNCTAD devoted to IPAs and the pandemic.² It provides an update of the latest special issue published in mid-April, which focused on the initial response by IPAs and includes strategic considerations for IPAs towards a post-COVID-19 “new normal”.³

The economic disruptions triggered by the COVID-19 pandemic are enormous, with global GDP projected to contract sharply in 2020, and global trade predicted to fall drastically. The severity of the economic fallout will depend largely on how long the outbreak lasts as well as the effectiveness of policy responses. There are also big differences between countries with structurally weak, vulnerable and small economies particularly affected.

The decline in global foreign direct investment (FDI) flows is broad-based. UNCTAD’s latest projections predict a 40% fall in global FDI. This represents the largest decline in the past decade and is affecting both developed and developing countries, cutting across almost all sectors. All components of FDI have been affected, particularly equity and re-invested earnings and, to a lesser extent, intra-firm loans as some parent companies injected capital into their ailing affiliates. In terms of modes of entry, both greenfield investment and mergers and acquisitions have been hit hard and this has been coupled with a reduction in capital expenditures by companies, affecting in turn expansion and retention activities in host countries.⁴

The investment policy response has been mixed and varied, even within countries. Vast rescue packages and government support programmes across the world, but particularly in developed countries, sought to protect the private sector. These often included a mix of investment facilitation activities and investment liberalization measures. At the same time, the COVID-19 pandemic has resulted in intensified screening of foreign investment for national security reasons, including measures that aim at safeguarding and strengthening domestic capacities relating to healthcare, pharmaceuticals, medical supplies and equipment.⁵

Going forward, IPAs will need to keep abreast of investment mega trends as well as policy evolution and understand their implications for investment promotion. These should feed into the re-strategizing process of IPAs as their focus evolves from crisis support and relief, towards recovery and, ultimately, reform. In addition, IPA strategies should reflect the changes that are taking place in the global value chains of multinational enterprises (MNEs) as they are being restructured with increased emphasis on resilience, re-shoring and regionalization.

¹ IPAs discussed in this paper are national agencies unless otherwise indicated.

² These webinars included a “High-level Brainstorming on Investment Promotion and Facilitation: Challenges and Actions in Times of Pandemic Crisis” (7 April 2020) and two regional webinars entitled “Post-COVID-19: IPAs Adapting to the New Normal”. The first one held on 27 May 2020 for the East African Community and the Southern African Development Community (box 2) and the second on 30 June 2020 for the Caribbean region. More information available on sustainablefdi.org.

³ UNCTAD (2020). The IPA Observer, Special Issue 8, *Investment Promotion Agencies: Striving to Overcome the COVID-19 Challenge*, available at: https://unctad.org/en/PublicationsLibrary/diaepcbinf2020d2_en.pdf.

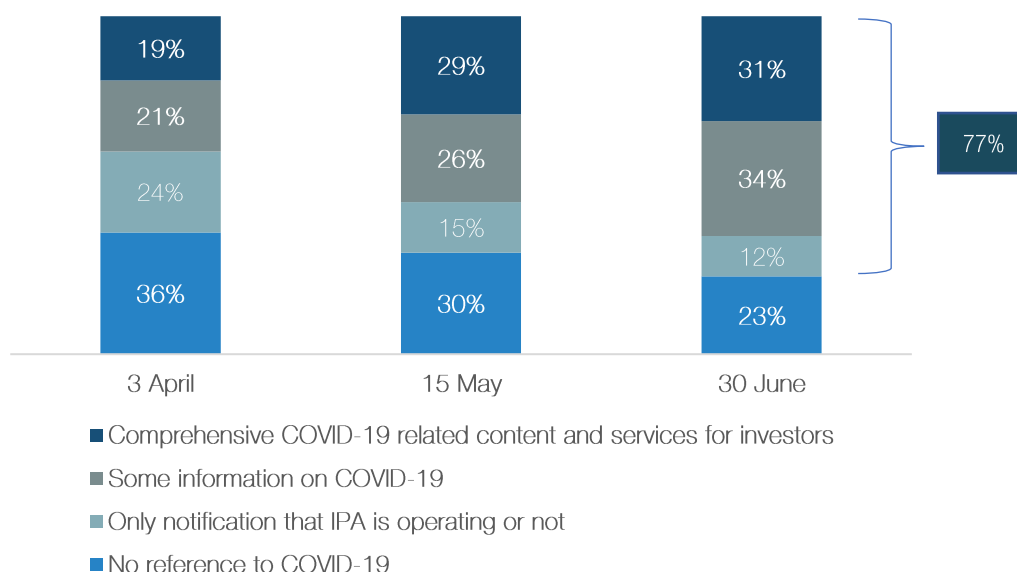
⁴ UNCTAD (2020). *World Investment Report 2020: International Production Beyond the Pandemic*, available at: https://unctad.org/en/PublicationsLibrary/wir2020_en.pdf.

⁵ UNCTAD (2020). *Investment Policy Monitor, Special Issue No.4, Investment Policy Responses to the COVID-19 Pandemic*, available at: https://unctad.org/en/PublicationsLibrary/diaepcbinf2020d3_en.pdf.

2. ONLINE RESPONSE BY IPAs: RESULTS FROM AN UNCTAD SURVEY

Most IPAs (77%) now have an online reference to COVID-19. Of these, 31% provided comprehensive COVID-19-related content and services for investors on 30 June, up from 19% in early April (figure 1).

Figure 1. IPAs continue to strengthen their online response to the pandemic (survey of online presence of 180 national IPAs between 31 March and 30 June 2020).⁶



Source: UNCTAD

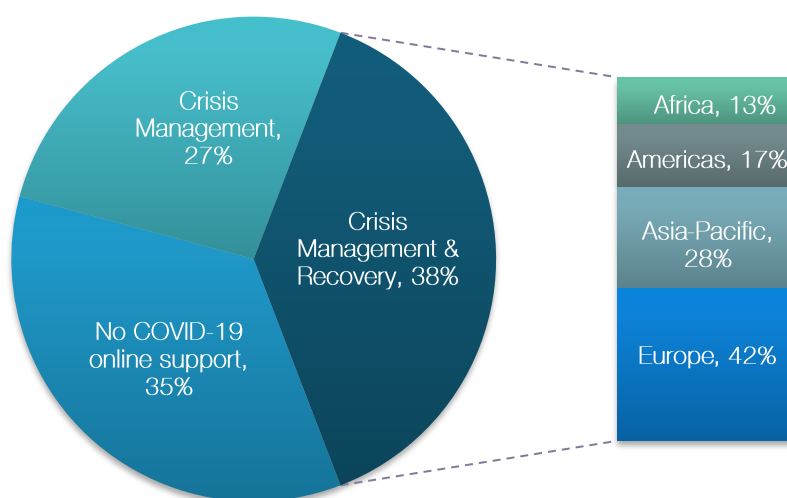
While the initial response of IPAs was to concentrate resources on crisis support, 38% oriented their online services and communication towards recovery and post-COVID preparedness. Lockdown restrictions are beginning to ease in most countries and businesses are reopening gradually. As a result, some IPAs are facilitating this process by developing guidelines for the reopening of certain sectors and providing up-to-date information as regulations evolve. They are also supporting the private sector to mitigate economic impact, identifying and promoting new opportunities and investing in preparedness post-pandemic (see annex). Of the IPAs engaged in recovery support measures, 42% are European and 28% from the Asia-Pacific region, where the easing of lockdown restrictions began relatively earlier than in other regions (figure 2).

IPAs across all regions have strengthened their online presence but developing country IPAs are lagging. 44% of developing countries still display no or little online information regarding the pandemic – either through their websites or social media channels – compared to only 10% of developed countries. This is problematic at a time when investors are desperately seeking information on quarantine and reopening measures, conditions and procedures of government business support, supply of essential goods and services and customs issues, among others. 68% of developed country IPAs provide comprehensive COVID-19-related content and services for investors, compared to 21% of agencies in developing countries.

⁶ A total of 190 national IPAs was reviewed, of which 174 had a functional website or social media account by 4 April, 178 by 15 May and 180 by 30 June 30.

The differences in online response of IPAs across regions reflect the digital divide. European IPAs continue to lead the way and are multiplying their digital channels of communication to investors. In addition to regularly updating their websites, European agencies are also very active on other digital platforms, including on social media, and through online events. On 30 June, 6 out of 10 provided comprehensive COVID-19-related information and services online, compared to less than 3 out of 10 agencies in other regions.

Figure 2. IPAs are moving from online crisis management towards online recovery services and information online (survey of online responses of 180 national IPAs on 30 June 2020).



Source: UNCTAD

3. EMERGING IPA TRENDS IN THE “NEW NORMAL”

IPAs have restarted their investment promotion activities, primarily online, and are adopting an increasingly strategic approach. After focusing almost exclusively on crisis management, notably investment retention and aftercare services to allow companies to continue to operate, IPAs are now restarting their investment promotion programmes. Their marketing activities have undergone a transformation. They focus on reassuring investors of a welcoming investment climate and on promoting specific sectors and investment opportunities. Examples include the *Investment Development Authority of Lebanon*, which produced an online document on “Innovation Triggered by the COVID-19 Crisis: Lebanese Success Stories” featuring initiatives steering innovation and production in critical sectors.⁷ Brazil’s IPA, the *Agência Brasileira de Promoção de Exportações e Investimentos* (APEX), hosts online talks by its staff on investment opportunities in the context of the pandemic in sectors such as agribusiness, oil and gas and health.⁸ *Austrade* is conducting a virtual forum focused on promoting opportunities in the country’s tech industry and “explores Australia’s ideal conditions for investment after the disruption caused by the global health crisis”.⁹ In a recent webinar,

⁷ <https://lebanonupdates.com/covid-19-measures/innovation-triggered-by-the-covid-19-crisis-lebanese-success-stories/>

⁸ http://coronavirus.apexbrasil.com.br/investidores/?utm_source=linkedin&utm_medium=social_apex&utm_campaign=coronavirus&utm_content=cv0008

⁹ <https://www.austrade.gov.au/event/accelerating-technology-summit-2020#/event>

Box 1. How IPAs are leveraging social media channels for investment promotion and facilitation during the pandemic.



Social media platforms have become important tools for IPAs and most agencies across all regions have at least one social media account. Many IPAs have relayed relevant information to investors through social media during the pandemic on a regular basis, conveying messages of reactivity and support and instilling confidence during uncertain times. In addition to marketing activities, agencies are increasingly using social media to identify investors, engage with stakeholders, facilitate partnerships, and obtain feedback from clients. Below are some examples of IPAs that are using social media strategically:

- Some IPAs have networks of social media accounts that allow them to maximize outreach while also targeting communication to specific markets and stakeholders. For example, *Austrade* and the *Netherlands Foreign Investment Agency* have accounts for their overseas representation networks and their different target markets, while *Germany Trade and Invest* has a separate account for each target investment promotion sector, including health and green-tech. In addition, IPA staff in charge of investment promotion have individual accounts that regularly promote online events.
- In the Caribbean region, many IPAs are incorporating social media as an integral part of their investment promotion communication strategies. The *Caribbean Association of Investment Promotion Agencies* (CAIPA) organized a “LinkedIn Challenge” to encourage its members to make use of the social media platform to generate investment leads. It was won by the *Grenada Investment Development Corporation*, which has organized a range of online investment promotion activities including an upcoming virtual site-visit with Dubai. The *Centre de Facilitation des Investissements* (CFI) in Haiti has organized a series of “CFI Live events” with partners on a range of topics which have had 75,000 views on Facebook Live.
- The social media accounts of the *Bangladesh Investment Development Authority* show a wide range of bilateral online investment events that the agency has organized with many of its partner countries, often in collaboration with its foreign embassies abroad and chambers of commerce from partner countries.
- ProColombia* engages its partners through social media in investment promotion activities, relaying a message to “turn confinement into an opportunity for development” (*Cambiamos el aislamiento por alistamiento*) and “See you soon in Colombia.” It held an Instagram Live event on “Positioning Colombia’s Offer Internationally.” Its president posts videos on her social media accounts, including the promotion of the virtual Colombia Investment Roadshow in July 2020.
- The *Consejo Nacional de Inversiones* of Honduras recently shared its online consultations with the private sector on reformulating its investment promotion strategy across its social media accounts, in addition to using those platforms to host regular webinars on topics including digital transformation.
- As part of the comprehensive online strategy of *Invest India*, it engages in social media analytics, gathering information about what issues are of most concern to its stakeholders through their level of engagement in different social media posts.
- The overseas representation of the *Namibia Investment Centre* in the High Commission in the United Kingdom has facilitated a unique partnership that demonstrates the potential of social media networking. After reaching out to a United Kingdom-based 3D printing network through Twitter, the IPA organized an online workshop where the network shared knowledge about how to produce face shields with 3D printer owners in Namibia.
- The *Rwanda Development Board* has over 200,000 Twitter followers. As the agency is responsible for a range of areas including investment, exports, tourism and skills development, it holds daily online strategic meetings to prioritize and coordinate social media posts and manage engagement during the pandemic.
- The *Uganda Investment Authority* recently held an e-conference on “The Status of Investment during the COVID-19 Pandemic” with the objective of informing and promoting dialogue with local stakeholders. It was broadcast on television as well as through YouTube and Facebook Live and promoted through multiple social media channels.

Source: UNCTAD

Invest in Turkey promoted the country's manufacturing sector and positioned it in line with transformation trends in global supply chains, as companies seek to diversify their supplier countries.¹⁰

Agencies are promoting investment in traditional as well as new opportunity areas, notably linked to growing demand and renewed national priorities in the health, food and agriculture, and tech-related sectors. Governments are seeking to strengthen the resilience of their economies to future shocks by ensuring access to medical supplies and food security. As a result, IPAs are promoting investment opportunities directly in the health and food and agriculture sectors, particularly domestic manufacturing, as well as sectors linked the growing demand generated by them. Some countries are positioning their markets as regional logistics and manufacturing hubs for food and pharma supplies, with an emphasis on digital solutions. These include IPAs from big and smaller economies, like *Germany Trade and Invest* and the *Bahrain Economic Development Board* (see annex). The current crisis has also pushed some IPAs to tap into regional investment opportunities. For example, the *Uganda Investment Authority* recently facilitated the export of domestically produced antiretroviral drugs to South Africa, the first time a manufacturer from the East African Community has received such an approval.¹¹

The service offering of IPAs has been enhanced and online investment facilitation is becoming the norm. Many IPAs have been at the forefront of efforts to facilitate incentives for companies to transform and expand their production, in line with the growing demand for health equipment to fight the pandemic. Towards this aim, IPAs are also supporting companies to manage, build and re-build their supply chains, sometimes leading efforts to obtain the necessary special permits and coordinating with stakeholders both domestically and abroad. As a range of authorizations were made available online to ensure continuity of essential services during the lockdown across countries, the Coronavirus-crisis tipped the scale in favour of online investor services. Examples include the *Mauritius Economic Development Board* that processes work access permit applications online¹² as well as South Africa's *InvestSA* that processes certificates to allow eligible companies to continue operations through its nine virtual one-stop shops.¹³ Companies can apply for COVID-19-related incentives directly through the website of Italy's *Invitalia*. Through its online portal, *IDA Ireland* facilitates business applications to receive support and consultancy services in the implementation of government guidelines to ensure business continuity during and post-pandemic.¹⁴ The *Bangladesh Investment Development Authority* recently held an online workshop with the National Board of Revenue to implement steps to reduce processing time to verify an investor's applications and integrate it within the IPAs' existing online one-stop shop.¹⁵

IPAs are emerging as "trouble-shooters" and are continuing to strengthen their aftercare activities... Since the beginning of the crisis, IPAs have shown their agility and reactivity in being able to provide solutions to the varying and sometimes unprecedented challenges faced by investors as these evolve. The needs of investors are shifting, from initially requiring assistance and information about lockdown and government support measures, to gradually seeking advice and assistance on restarting operations. Accordingly, IPAs are adapting their services. For example, the *Rwanda Development Board* prepared online guidelines for the re-opening of businesses in the hospitality sector during the pandemic.¹⁶ In addition, the IPA launched a public-private partnership in May 2020 to provide language and training skills online to the tourism and hospitality sectors.¹⁷

¹⁰ <https://twitter.com/InvestTurkey>

¹¹ <https://twitter.com/ugandainvest>

¹² <https://www.edbmauritius.org/>

¹³ <http://www.investsa.gov.za/one-stop-shop/>

¹⁴ <https://www.idaireland.com/how-we-help/covid19-support-and-updates>

¹⁵ <https://twitter.com/BangladeshBida>

¹⁶ Rwanda Development Board, *Guidelines for Hospitality Sector Business Re-opening During COVID-19* available at: <https://rdb.rw/wp-content/uploads/2020/05/GUIDELINES-FOR-HOSPITALITY-SECTOR-BUSINESS-RE-OPENING-DURING-COVID-19-...pdf>

¹⁷ <https://rdb.rw/rdb-mastercard-foundation-and-ef-education-first-partner-to-provide-language-and-skills-training-to-the-tourism-and-hospitality-industry-in-rwanda/>

... **with a stronger focus on fostering linkages between MNEs and the local economy.** The crisis has had a strong impact on the local private sector, notably micro, small, and medium-sized enterprises (MSMEs) with whom foreign investors often have backward supply and other types of linkages. IPAs are concerned with losing part of this domestic enterprise base, which is seen as an important asset and determinant in attracting and retaining investment. As a response, IPAs have been active in supporting domestic enterprises obtain access to government support measures, transition to e-commerce and strengthen their digital skills, so that they can continue doing business during and after the pandemic. Through matchmaking portals and other tools, IPAs are also supporting investors in finding new suppliers when existing ones have been unable to continue operating as a result of the crisis. The *Costa Rican Investment Promotion Agency* (CINDE), is facilitating linkages through its virtual platform that it developed in partnership with the Ministry of Tourism that brings together current job offerings available at MNEs based in the country with the objective to facilitate the relocation of jobseekers who have lost their jobs during the pandemic.¹⁸

More attention is being given to obtaining data that can support IPA functions, including a more robust policy advocacy role. IPAs' proximity to private sector networks has proven particularly relevant during the crisis. By proactively reaching out to investors on a regular basis and through different means, IPAs are able to obtain direct and quick feedback about the impact of COVID-19-related restrictions on businesses across sectors and regions, the effectiveness of government support measures and programmes, including incentives, and the nature of the challenges faced by business as they restart operations. They can keep track of what the evolving and urgent needs of the private sector are, including what help is needed and how to rescue businesses and save jobs. *Invest India* tracks and analyses investor queries as well as its social media engagement (box 1). More and more IPAs are undertaking investor surveys, including those in Belize, Bulgaria, Germany, Guinea, Madagascar, Moldova, the United Arab Emirates and the United Republic of Tanzania. IPAs whose mandate includes trade promotion, such as Brazil's *APEX* and the *Korea Trade-Investment Promotion Agency* in South Korea, have also undertaken surveys of exporters during the pandemic, while the *Japan External Trade Organization* (JETRO), which is in charge of both inward and outward investment promotion, has surveyed the activities of its outward investors. Finally, *CINDE* in Costa Rica is undertaking a pilot survey of MNEs to assess the impact of the pandemic on women employed by foreign companies, while in Côte d'Ivoire, the *Centre de Promotion des Investissements en Côte d'Ivoire* has established an exchange platform with women entrepreneurs to identify the particular challenges that they face.¹⁹

Enhanced strategic partnerships and regional cooperation. IPAs are tapping into their networks, both domestically and abroad, and across all sectors to pool resources, find innovative solutions to challenges and to be able to take on their expanded service offering. Some sub-national IPAs, such as *Invest Durban* in South Africa, are leading recovery efforts from the bottom up in close collaboration with local partners. Together with the city's economic leadership, it developed the country's first metropolitan response plan to the pandemic in South Africa.²⁰ Some IPAs are partnering with a range of public stakeholders and foundations, among others, to develop COVID-19-related funds for innovation, and research and development, including *IDA Ireland*²¹ and the *Malta Enterprise Corporation*.²² IPAs are also increasing their engagement and strengthening their partnerships in the areas of capacity building and investment promotion, including with development partners. UNCTAD has organized online workshops targeted at investment promotion executives during the pandemic,

¹⁸ <https://www.cinde.org/en/news/press-release/cinde-and-ministry-of-tourism-relocate-jobs-via-virtual-platform-offering-950-open-positions>

¹⁹ http://www.cepici.gouv.ci/?tmp=single_actu&p=actualites&artcl=18347

²⁰ <https://www.invest.durban/>

²¹ <https://www.idaireland.com/how-we-help/update-on-covid-19>

²² <https://covid19.maltaenterprise.com/covid-19-rd-fund/>

most recently for IPAs in the East African Community (EAC) and Southern African Development Community (SADC) (box 2) and for the Caribbean region. Increasingly, IPAs are partnering with each other in joint online events. Recently, the agencies of the Czech Republic and Kazakhstan, *Czech Invest* and *Kazakh Invest*, organized a joint webinar in which they shared practices and discussed the implementation of common activities to attract investment.²³

4. TOWARDS POST-COVID-19: IPAs AT A CRITICAL JUNCTURE

The COVID-19 crisis presented IPAs with challenges beyond anything they had ever experienced. Within a very short time span, agencies were compelled to find ways to support national health efforts to combat the pandemic, deal with the local repercussions of an unfolding global economic crisis, transition to work from home while changing their *modus operandi* and undertaking an overhaul of their investment promotion and facilitation programmes.

A considerable number of IPAs have been successful in taking on these challenges... Many of these IPAs are from developed countries, particularly from Europe. Part of their success is likely due to their relatively greater capacity in terms of human and financial resources, their pre-existing sizeable online service offering and an organizational culture with widespread use of virtual and tele-working tools, compared to IPAs in other regions. Other factors may have also played a role, including strong partnerships with investment stakeholders, long-standing relationships with their clients and a strong commitment to serve them in times of crisis.

... and have emerged during the crisis with a renewed relevance in the eyes of both investors and the government. Agencies that are succeeding in providing meaningful support to their clients are reaffirming their role to investors in championing their interests and being responsive to their needs. In this way, they are also contributing to their country's value proposition as an investment location. The support that they provide during the crisis will also affect their relationship with government, including their involvement in strategic dialogue and processes as public planning, programmes and budgets are being "reset".

Agencies that are struggling during the crisis can learn from this experience. While many agencies are finding it challenging to move out of their comfort zones, the crisis can represent an opportunity to re-evaluate their core functions as well as their relations with investors and the government. In doing so, they should be informed by best practice observed in the region and beyond. For most IPAs, the new normal will entail a strategic reset with different programme activities, new outreach channels, an enhanced (virtual) service offering, and stronger online presence and engagement. It may also require agencies to explore new strategic investment opportunities linked to the Sustainable Development Goals to accommodate investment projects with a high sustainable development impact, including in the blue and green economies.

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