

The Role of the Investment Promotion Agency & UNCTAD's Capacity Building Programme

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Why Promote FDI?

Strong case for government support for foreign direct investment promotion...

- ***Business case for investment promotion:*** To improve the country's image, to corrects market failures that prevent the host economy from fully realizing its FDI potential
- ***Economic development case for investment promotion:*** Benefits from FDI are not automatic and may require targeted interventions to maximize positive spill-overs
- Studies show that **advice and help to potential investors can influence company location decisions**
- Studies show **correlation between FDI Promotion and FDI flows in targeted sectors**

FDI Promotion is Still on the Rise

- 81% of countries in the world have a national Investment Promotion Agency (IPA)
- All OECD countries have an IPA. 78% of developing countries have a national IPA
- There is a fast increase of IPAs at the subnational level estimated at over 300 - promoting regions, provinces and cities
- **However: Few IPAs meet investors' needs**

Costa Rica's FDI Success Story in a Nutshell

- Costa Rica was once thought of as a '**Banana Republic**'
- **Vision: FDI a leading factor** in its transformation
- 1990s attracted **impressive flows of FDI which transformed its economy**
- Culmination 1997: **Intel Campus** planned investment \$300m resulted in \$770m
- Costa Rica **built on success to become a high-tech cluster and upgrade and sustain FDI flows**
- **Political consensus for FDI Promotion across three decades**

CINDE, the Investment Promotion Agency

- A best practice IPA recognized worldwide
- CINDE brings together a group of high-skilled professionals from the private and public sector
- High-level integration between government agencies and CINDE
- Presidency highly engaged and supportive

CINDE's functions:

1. Target Companies matching CR Offer
2. Provide technical expertise in investment decision
3. Assist in the project implementation process
4. Help investors to grow and expand

Key Drivers of Investment in Costa Rica

Strategic vision - proactive and coordinated approach

- Attraction of FDI
- Interagency execution

Sound business environment

- Political and economic stability
- Export processing zone regime

Solid export platform

- WTO + 12 PTAs
- Robust air transportation network

Educated work force

- Quality of educational system - 1st in LA (WEF)
- Cost competitive

Privileged geographical location

- Middle of the Americas
- Proximity to US market

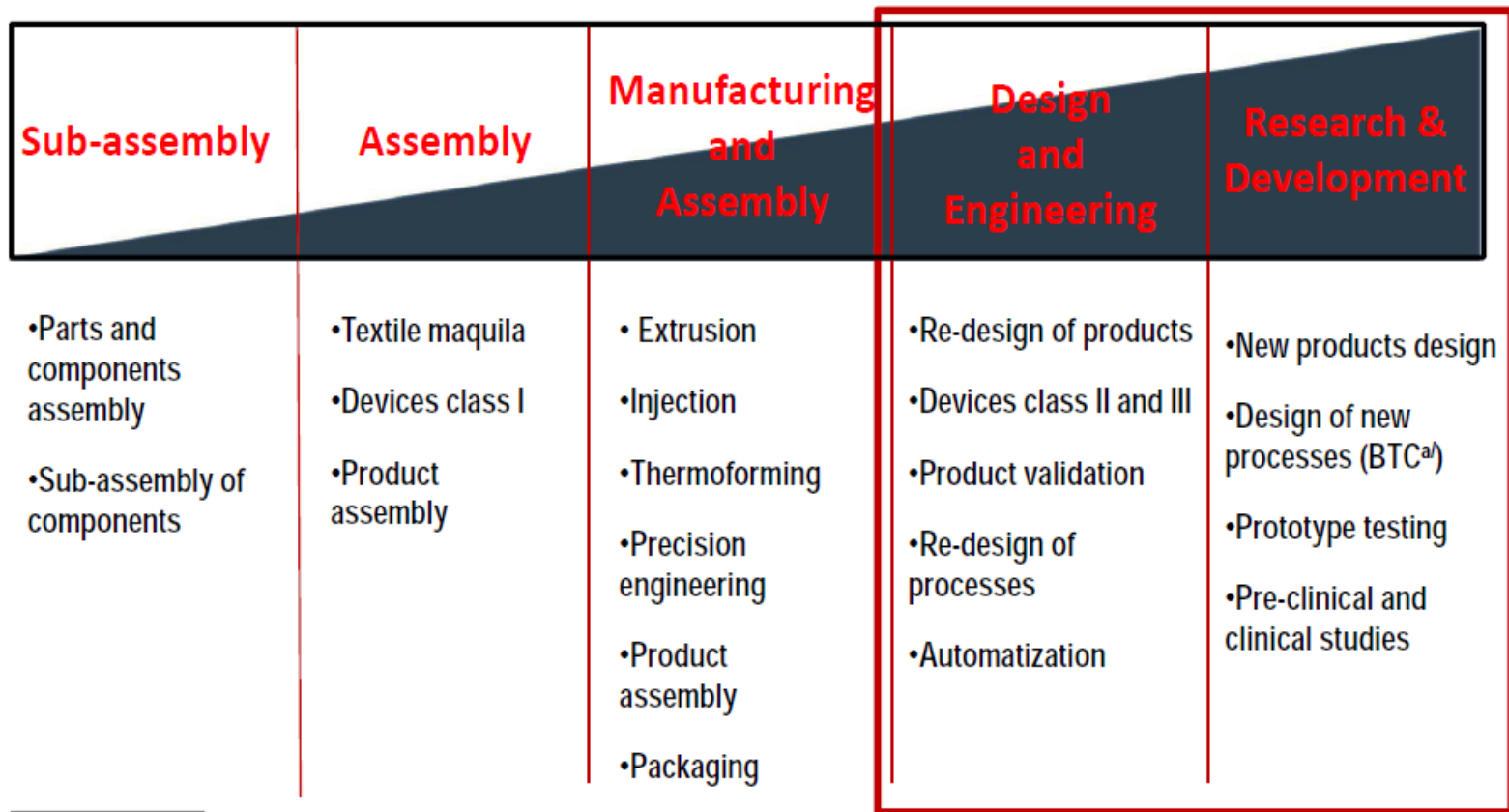
Economic Development Vision

Over the last 30 years, Costa Rica's strategy for integration into global markets has been based on:

- Export promotion as motor of development and growth
- Export diversification
- FDI Promotion in general – Bring in '**Big Fish**'
- Selective FDI Promotion – Anchoring and Upgrading FDI

FDI Strategic Evolution in Costa Rica

Towards increased sophistication of production processes



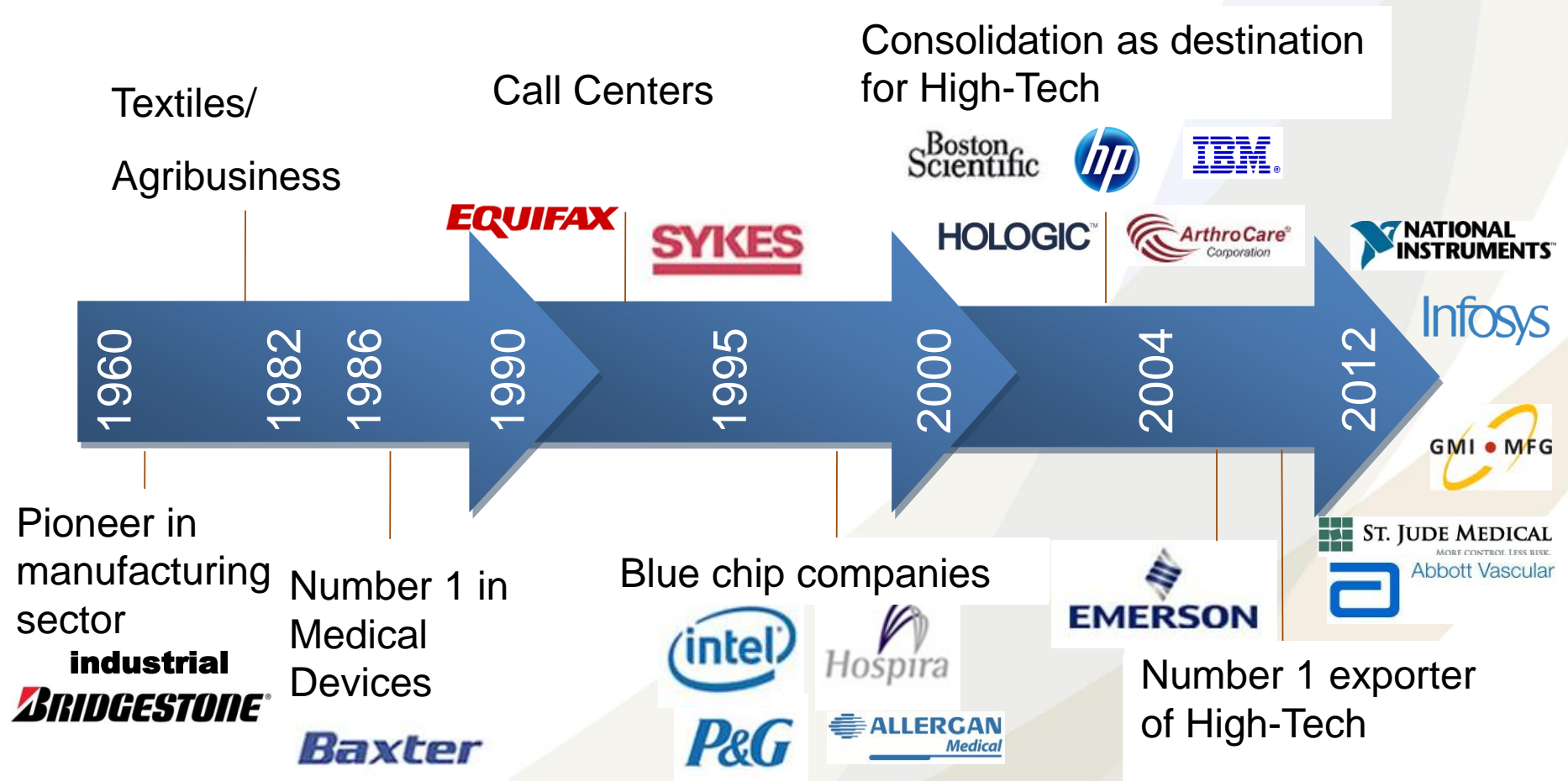
Low cost labor



Access to highly skilled labor pool

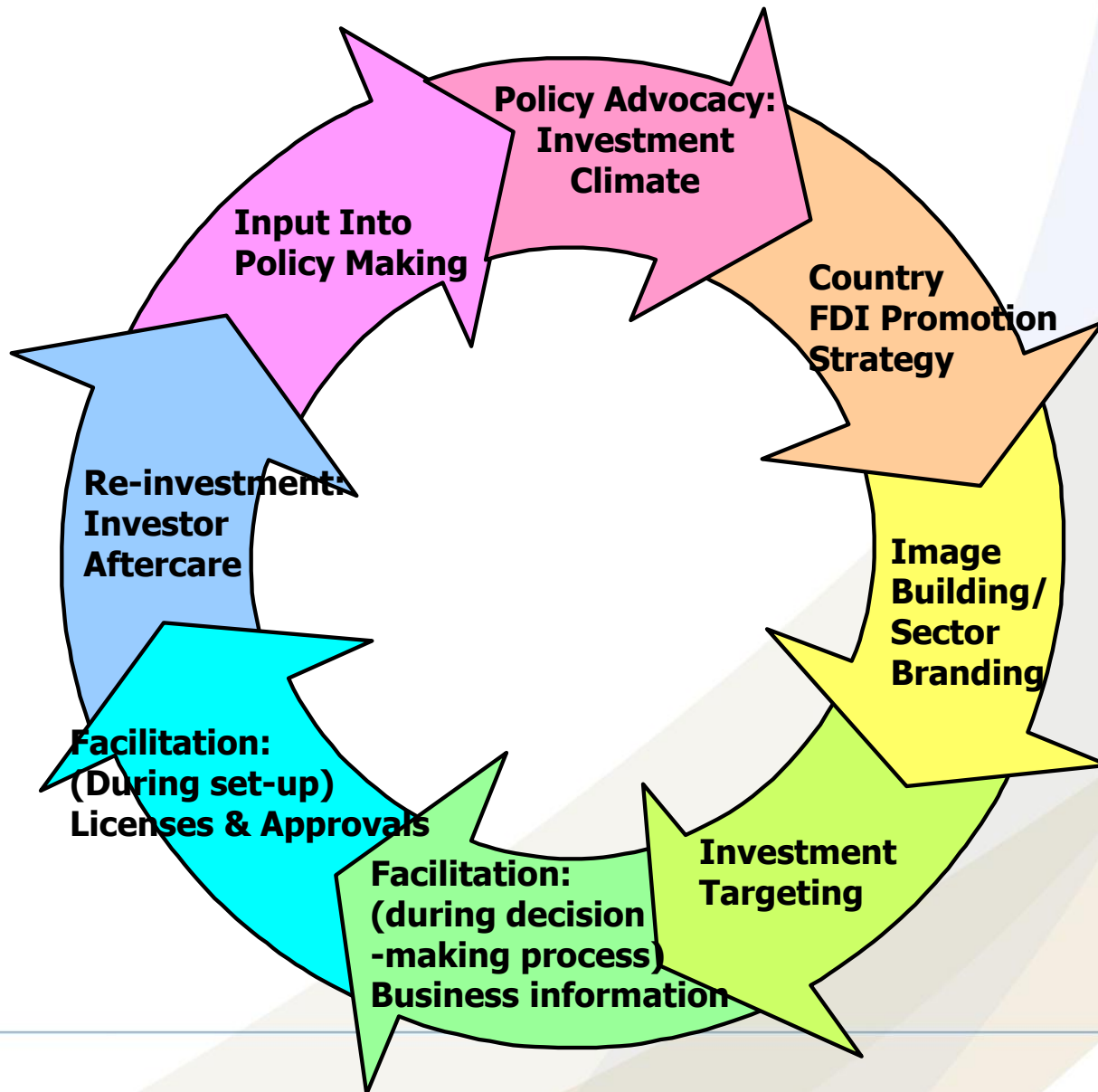
Source: CINDE

Over the last 30 years over 200 high-tech companies established operations in CR



Source: CINDE

The Role of the Investment Promotion Agency



UNCTAD Supports Capacity Every Step of the Way...

Investment Promotion

Policy-Making Investment Climate
Country/Sector Information
Investor Targeting/ Facilitation
Facilitation / Servicing (Project Establishment Entry/Operations)
Re-Investment / Aftercare
Local Linkages



Technical Assistance

Investment Policy Reviews (IPRs)
Investment Guides (eGuides)
Investment Promotion Advisory: Strategy & Institutional Capacity
eRegulations
Investment Promotion Advisory: Strategy & Institutional Capacity
EMPRETEC

UNCTAD is a Catalyst for Best Practice Exchange...

- Two decades of technical assistance work at country level
- Close cooperation in the set-up and successful launch of WAIPA
- The Investment Promotion Section regularly shares best practices through 3 Knowledge Products:
 - Investment Advisory Series
 - IPA Observer
 - Smart Promotion Network
- As well as regional peer-to-peer learning events and conferences: World Investment Forum (WIF)

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