Capacity Development Programme for Investment Promotion Agencies of Least Developed Countries

Phase II

Project Proposal	
Intended period of implementation	3 years
Starting date	2023
Estimated project budget	$2,000,000
Target countries	All least developed countries
Implementing entities	ITC-ILO, UNCTAD, UNIDO, UN-OHRLLS, World Association of Investment Promotion Agencies (WAIPA)
Other collaborating partners	LDC Technology Bank, UNECA, UNESCAP, WHO, World Bank
Short project summary	ITC-ILO, UNCTAD, UNIDO, UN-OHRLLS and WAIPA as well as the Enhanced Integrated Framework (EIF) have come together to establish a targeted programme aimed at actively assisting investment promotion agencies (IPAs) from least developed countries (LDCs) by providing tailored capacity building activities, taking into account the diverse needs of the various LDCs with respect to foreign direct investment (FDI) attraction and facilitation during this unprecedented challenge of the COVID-19 crisis. This project represents Phase II of the joint-agency initiative that caters to the immediate needs of LDCs as assessed in Phase I of the project and takes into account lessons learned.
Project endorsement by	Endorsed on 2 July 2021 by Mr. Talha Mahamat from the Permanent Mission of Chad to the United Nations Offices in Geneva as Coordinator of the LDC Group to the WTO.

Background

Foreign direct investment in least developed countries

FDI is an important potential source of development finance for LDCs.[1] Broad evidence suggests that international investment, together with trade and integration into global value chains, can be a vital driver of economic growth, technological transformation and productive diversification.

The COVID-19 pandemic had grave effects on the global economy and an immediate impact on FDI. In 2020, international investment declined by 35% and reached its lowest value since 2005.[2] Sustainable Development Goal (SDG)-related investment, particularly in developing countries, has fallen as well – putting at risk the achievement of the 2030 Agenda for sustainable development. FDI flows to LDCs were particularly affected, as the pandemic amplified existing structural weaknesses.

A lot needs to be done to make LDC economies successful competitors for FDI projects, particularly in the industrial and services sectors and in a post-COVID global economy with more competition for less FDI projects. As governments and investors around the world are considering how to “build back better” in the post-COVID 19 global economy, it is vital to support LDCs to adapt quickly to this new investment climate.

The role of IPAs

Across the board, IPAs in LDCs need to be strengthened. They need to improve their capacity to provide relevant, accurate and timely information to potential investors and should be able to target investors, facilitate investments, undertake aftercare services and embark on policy advocacy. IPAs can thus become focal points for broader regulatory reforms. LDC IPAs need to play a growing role in creating a positive investment environment to achieve the SDGs and in actively promoting investment in SDGs.

Since the COVID-19 crisis, IPAs in LDCs are struggling to redefine how their daily activities can be conducted virtually and have difficulties in establishing a dynamic online presence. Digitalization is impacting the operations of IPAs throughout the world and across the investment promotion cycle and many LDC IPAs are suffering from a widening digital divide between agencies in developed and developing countries.[3]

There is an increased focus on investment facilitation and aftercare that requires agencies to keep abreast of policy developments while at the same time understanding the evolving needs of investors, e.g., through ad hoc online surveys providing the empirical evidence on how existing investors assess the business outlook in the aftermath of the crisis and identify and mitigate concrete risks of significant downscaling or re-shoring.

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1. The United Nations System recognizes 46 LDCs: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People’s Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Yemen and Zambia. See: https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf.
2. UNCTAD (2021) World Investment Report: Investing in Sustainable Recovery.
3. UNCTAD (2020). “Post-COVID-19: Investment Promotion Agencies and The New Normal” IPA Observer. Special Issue 9.

Project Description

The overall objective is to improve institutional capacity and integration of trade and investment in LDCs to attract investment that contributes to sustainable development, particularly in SDG-related sectors that LDC governments are paying particular attention to post-pandemic.

The project focuses on the role that IPAs can play in contributing to the growth and accumulation of sustainable FDI. It also aims to strengthen regional and interregional cooperation between IPAs from LDCs and increased collaboration of LDC IPAs with relevant international organizations. Finally, the project considers the impact of the COVID-19 pandemic on global investment trends and inflows into LDCs, and related challenges and opportunities.

The project is expected to make significant contributions to the capacities of LDC IPAs and the technical knowledge of their staff. In addition to capacity building activities on FDI fundamentals, the project will also seek to strengthen interregional cooperation for investment promotion and facilitation by bringing together relevant decision makers with colleagues from experienced IPAs from developed and emerging economies, sharing know-how and best practices and thus assisting IPAs from LDCs to adopt tested practices in attracting investment for sustainable development.

Phase I

Phase I of the project began in the 4th quarter of 2021, with a duration of 24 months and is targeted to 20 LDCs[4] with the following outcomes:

1. Improved awareness among LDC government officials of investors' perceptions with respect to investment climates and conditions in LDCs and a better understanding of the current needs and priorities of IPAs and relevant ministries in LDCs, including in the context of the COVID-19 crisis.
2. Increased capacity and know-how of IPA staff and other government officials in 20 LDCs to promote international investment into sustainable development and COVID-19 related sectors.

To achieve these outcomes, phase I of the project includes three outputs: (i) a summary report of the findings of two online surveys conducted on the investment climates of LDCs, (ii) the development of the Executive IPA College; a comprehensive, virtual platform to provide capacity-building and serve as a repository of investment promotion resources for LDCs and (iii) the development of a training programme for the IPA Executive College.

Phase II

Phase II of the project would build on the achievements of phase I, incorporate lessons learned and have a broader reach, targeting all LDCs. It will also aim for a broader range of outcomes that include:

1. Strengthened institutional frameworks for investment promotion in LDCs and establishing a closer nexus between institutions in charge of investment and export/trade promotion.
2. Enhanced LDC IPA capacities for FDI performance and impact measurement and monitoring in relation to competitive value chains, for SDG-related investment project appraisal in promising value chains.
3. Increased awareness of government officials and IPA staff in LDCs of the importance of implementing policies and regulatory frameworks to maximize the decent work and inclusive economic growth impacts of FDI, including job creation, skills development, gender equality and respect for workers' human rights.

4. Afghanistan, Djibouti, Eritrea, Gambia, Haiti, Kiribati, Liberia, Madagascar, Malawi, Mozambique, Myanmar, Sao Tome and Principe, Senegal, Somalia, South Sudan, Sudan, Timor Leste, Togo, Tuvalu and Uganda.

Project Description

To achieve these outcomes, the project will build on the main outputs of Phase I, including through the incorporation of the findings from the survey report that assesses the immediate needs of IPAs and the perceived weaknesses of the investment climates and effectiveness of IPAs in LDCs. It will also continue the IPA Executive College and its multi-agency training programme, that will be expanded to all LDCs and to more participants per country. Additional training modules will be developed, both in-person and online and in English and French, and both regional workshops and country-based activities will be organized.

Each of the implementing agencies will build on their area of focus in phase I, that corresponds with their area of expertise, as follows:

- ✓ **Investment promotion and facilitation in SDG and COVID-19 related sectors (led by UNCTAD, supported by UN-OHRLLS).**
- ✓ **SDG-related investment project appraisal in promising value chains (led by UNIDO).**
- ✓ **Investment for decent work and inclusive economic growth (led by ITC-ILO).**
- ✓ **Effective investment promotion networks and partnerships for sustainable development (led by WAIPA).**

Implementing & Funding Agencies (Phase I)

ITC ILO International Training Centre

UNITED NATIONS UNCTAD

UNIDO

UN-OHRLLS

WAIPA

EIF Enhanced Integrated Framework