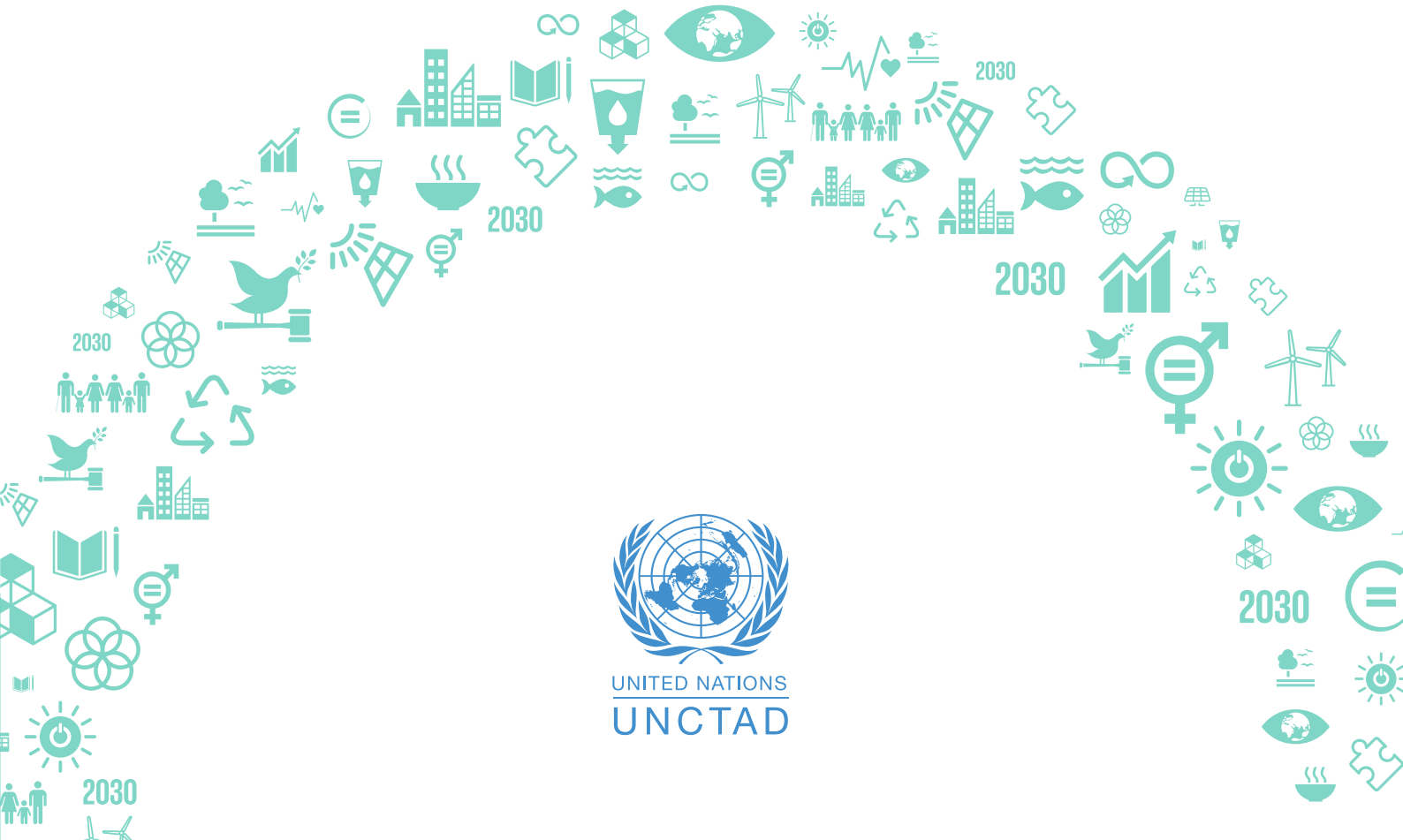


INVESTING IN THE SUSTAINABLE DEVELOPMENT GOALS

The Role of Diplomats





INVESTING IN THE SUSTAINABLE DEVELOPMENT GOALS

The Role of Diplomats

Background

Governments worldwide have long encouraged foreign direct investment (FDI) to support economic growth and development objectives. They do so through improvements in their investment regimes, marketing of their locations and targeted promotion efforts towards investors. National investment promotion agencies (IPAs) naturally play a central role in these efforts; they coordinate and implement investment promotion programmes and advise governments on how to improve the business climate. But many other ministries and public and private sector entities are also involved.

To reach out to potential investors and to build relationships that can help persuade them to make sizeable long-term commitments it can be helpful for IPAs to have a permanent presence in strategic locations abroad. Some IPAs have overseas offices for this purpose, but many countries, particularly low-income countries, do not have the resources to maintain such networks.

In the absence of overseas IPA representations, diplomats and commercial attachés can act as liaisons to facilitate links with potential investors, particularly when they are posted to locations where their home countries are eager to target investors. An increasing number of countries follow this approach and UNCTAD regularly receives requests to train diplomats in investment promotion. For this training, UNCTAD developed a course and published a handbook on investment promotion for diplomats in 2011.¹ To date, training has been provided to hundreds of diplomats, including from Benin, Egypt, Ethiopia, Ghana, Indonesia, Jordan, Peru and Thailand. In some cases, training has been carried out in overseas locations, bringing together diplomats from multiple duty stations. In others, training has been offered in capitals as part of induction courses for junior diplomats and commercial attachés.

The emphasis on the need to attract foreign investment for development has been amplified by the adoption of the 2030 Agenda for Sustainable Development, which underscores the substantial investment requirements to advance the Sustainable Development Goals (SDGs).² Over the last few years, UNCTAD has engaged with IPAs on how to promote and facilitate investment in specific SDG-relevant sectors, which include power, infrastructure, telecommunications, water and sanitation, food and agriculture, climate change mitigation and adaptation, ecosystems and biodiversity, health, and education. As a result of this work, it has become clear that the differences in approach and emphasis compared to the traditional investment promotion process (focused on industrial sectors) also have implications for the involvement and activities carried out by the diplomatic service.

Therefore, UNCTAD has decided to update its training course and handbook on investment promotion for diplomats. The update will not only reflect the latest developments in general investment promotion, but specifically cover the promotion of investment in SDG-relevant sectors and projects. It will look particularly at the changes that the promotion and facilitation of such projects bring with respect to tools and practices and the network of stakeholders that diplomats need to develop.

¹ UNCTAD (2011). *Investment Promotion Handbook for Diplomats*, Investment Advisory Series A, number 6.

² To meet the SDGs by 2030, an annual funding gap of at least \$2.5 trillion needs to be bridged in developing countries alone. UNCTAD (2014). *World Investment Report 2014. Investing in the SDGs: An Action Plan*, p. xi.

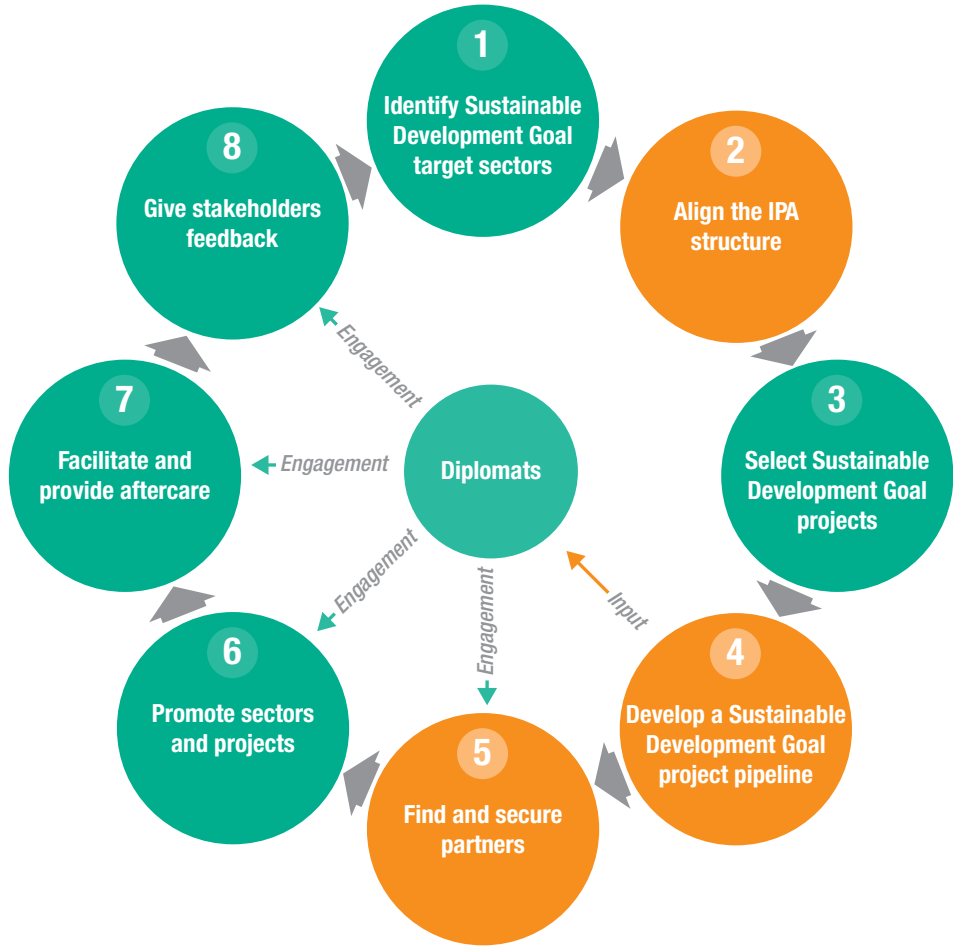
SDG-oriented investment promotion

In mainstreaming the SDGs at the different stages of the investment promotion process (figure 1), the selection of SDG-related sectors and projects and their marketing, facilitation, aftercare, and follow-on policy advocacy work do not differ markedly from standard approaches. However, the promotion of SDG projects involves steps that go beyond the traditional approach.³

- First, it requires *adjustments in the IPA organization*. This often entails assigning a dedicated team to promote and facilitate SDG projects and the development of expertise within the agency to prepare project proposals and related marketing material.
- Second, IPAs need to develop an *SDG project pipeline* with clear priorities. IPAs play an important coordinating role in this, working closely with ministries or institutions overseeing the different SDG sectors.

The primary responsibility for these two elements lies with IPAs, but it is critical that the diplomatic service is informed about the evolving investment promotion strategy as well as actual SDG project proposals to effectively target investors.

Figure 1.
Steps to mainstream Sustainable Development Goals in investment promotion:
The role of diplomats



■ Typical steps in investment promotion ■ Distinctive new Goal-related steps

Source: UNCTAD.

³ UNCTAD (2018). *Promoting Investment in the Sustainable Development Goals*, Investment Advisory Series A, number 8, p. 17.

SDG investment promotion and the diplomatic service

In general, diplomats and commercial attachés can be engaged at several stages of the investment promotion cycle:

- assisting in the implementation of the marketing strategy in the target market, helping to *build the image* of their country as an inward investment destination;
- *promotion*, targeting selected potential investors in the location where they are posted;
- *facilitation*, handling investor enquiries;
- *aftercare*, keeping abreast of post-establishment needs of companies; and,
- *policy advocacy*, acting as a channel for feedback from investors and other stakeholders about the investment climate of the host market.

A key distinction between investments in general industrial sectors and specific SDG-relevant investments – such as large infrastructure or renewable energy projects – is that the latter often involve a wider array of stakeholders. These might include multiple investors in the same project (rarely the case for industrial projects), financial institutions and investment funds, as well as outward investment agencies,⁴ donor agencies, impact investors and other potential sources of finance for SDG projects.

For diplomats, this distinctive characteristic of SDG investment promotion means that they need to *find and secure partners* among a much broader range of stakeholders, connecting relevant parties in the home country with their counterparts at home, and with the IPA as the coordinating entity. It also means that SDG investment aftercare requires diplomats to maintain communication channels with a broader set of stakeholders in the home and host countries.

The commitments made by governments with respect to Agenda 2030 can only be fulfilled through international cooperation and partnerships in which diplomats can play an important role. Effectively engaging diplomats and commercial attachés in the promotion and facilitation of sustainable investment needs adequate resources and encouragement, as well as training and support to build relevant networks of investment stakeholders at home and abroad.

Key messages for the effective engagement of diplomats in the promotion of SDG-related investments

- Ministries of Foreign Affairs and their diplomatic services have a real opportunity to support the promotion and facilitation of SDG-relevant investment in their country.
- Diplomats and commercial attachés benefit from meeting and sharing ideas with members of the investment promotion network before their deployment.
- Diplomats need training on the approach, methods and tools for the promotion of investment in their countries, paying particular attention to the specificities of promoting investment in SDG sectors.
- Standardized practices, such as individual action plans for diplomats and potential investor account plans at embassies, are key instruments for the coordination of investment promotion activities with IPAs.
- The promotion of investment in the SDGs requires that IPAs and diplomatic services build partnerships with a broad range of institutions, including outward investment agencies, investment funds, donor agencies and relevant international organizations.

⁴ Outward investment agencies are defined as institutions that carry out programmes to promote and service investment abroad. They include outward investment promotion agencies, development finance institutions and investment guarantee schemes. UNCTAD (2015). *Outward Investment Agencies: Partners in Promoting Sustainable Development*. The IPA Observer number 4, p. 2.