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# INVESTMENT CLIMATE



## Global Investment Promotion Best Practices 2012

Seizing the Potential for Better Investment  
Facilitation in the MENA Region

Investment Climate | World Bank Group



In partnership with





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# Acronyms

AMDI	Agence Marocaine de Développement de l'Investissement (Morocco)
EAP	East Asia and the Pacific
ECA	Europe and Central Asia
EIAI	Espace d'Information et d'Accueil des Investisseurs
EIU	Economist Intelligence Unit
FDI	foreign direct investment
FIAS	Foreign Investment Advisory Service
FIPA	Tunisia's Foreign Investment Promotion Agency
GAFI	Egypt's General Agency For Investment
GDP	gross domestic product
GIA	Yemeni General Investment Authority
GIPB	Global Investment Promotion Best Practices
IFC	International Finance Corporation
INSEAD	Institut Européen d'Administration des Affaires (European Institute for Business Administration)
IPI	investment promotion intermediary
ISO	International Organization for Standardization
JIB	Jordan Investment Board
KFIB	Kuwait Foreign Investment Bureau
LAC	Latin America and the Caribbean
MIGA	Multilateral Investment Guarantee Agency
MENA	Middle East and North Africa
OECD	Organisation for Economic Co-operation and Development
PE	private equity
PIPA	Palestine Investment Promotion Agency
PwC	PricewaterhouseCoopers
SA	South Asia
SSA	Sub-Saharan Africa
UNCTAD	United Nations Conference on Trade and Development
UNWTO	United Nations World Tourism Organization
WTTC	World Tourism & Travel Council

# Executive Summary

## The “Arab Spring” negatively affected foreign direct investment into the Middle East and North Africa region, but prospects may be more positive for the medium term assuming a return of political stability

The drop in foreign direct investment (FDI) flows to the Middle East and North Africa (MENA) region over the past three to four years<sup>1</sup> stems in part from the aftermath of the recent global economic crisis, and in part from the uncertainties created by the political and social changes in the region that have characterized the so-called Arab Spring. Most recently, probably due to some extent to the continued uncertainty in parts of the region, FDI data show that the number of private sector investment projects announced for the MENA region has dropped further, by one fifth during the first nine months of 2012 compared with the same period in 2011.<sup>2</sup> These more recent trends suggest strongly the need for the region to regain stability to underpin recovery in FDI attraction.

However, the medium-term outlook may be more positive as greater governmental transparency and less cumbersome business environments are expected to foster FDI, stimulate entrepreneurship, and create jobs. As stability is critical for persuading investors to resume investing, FDI prospects will depend on the speed of resolving the political situation in various countries in the region.

## Effective investment facilitation: A critical element in attracting FDI into the region

Once it regains political stability, the MENA region has the potential to become an attractive destination for foreign investment. Besides the ability of the region’s governments to improve the investment climate, investment promotion intermediaries (IPIs) can play a significant role in helping to win such investment, but only if they are willing to significantly “improve their game,” adopt best practices to present their countries’ image as a safe investment destination with a level playing field for investors, and facilitate prospective new foreign investment. Nevertheless, it should be noted that this will

be a significant challenge for a region whose institutions are known more often for their bureaucratic handling of investors in the past.

Among the different functions that IPIs perform, the provision of information to support and influence investor decision making, commonly known as investment facilitation, will be important to catalyze potential investor interest and lower perceived country risk—investors’ perceptions of risk are heightened when there is limited information. Therefore, providing information on both investment opportunities and key competitiveness factors, along with regular and credible updates on the evolution of the operating environment that are backed by success story testimonials, will make potential investors more comfortable and more likely to consider MENA countries as investment locations.

The Global Investment Promotion Best Practices (GIPB) 2012 report presents well-timed and useful insights into the capacities of IPIs to perform their investment facilitation function. Thus a careful analysis of GIPB findings can be important in helping MENA IPIs introduce targeted improvements that will enable them to increase FDI flows into the region. A recent study by the University of Oxford confirms this point by demonstrating that IPIs’ facilitation performance, as measured by GIPB, has a positive and statistically significant influence on FDI flows into a country.<sup>3</sup>

GIPB replicates the decision-making process commonly followed by foreign companies at the first stage of a possible location-screening process, a practice known as “long listing.” Through an objective and rigorous methodology (described in Box 1.3 of Chapter 1), GIPB evaluates the two most important sources of information provision at the long-listing stage to assess the extent to which countries are maximizing their chances of staying on investors’ “short lists”—namely, IPI Web sites and their ability to handle investor inquiries. The GIPB assessment is presented as an index with a value between 0 and 100 percent, and is a simple average of the two components.

<sup>1</sup> According to the United Nations Conference on Trade and Development (UNCTAD), in 2011, total FDI inflows in the region declined by more than 35 percent, from US\$66 billion to less than US\$43 billion (see UNCTAD, *World Investment Report 2012: Towards a New Generation of Investment Policies*, Geneva, 2012).

<sup>2</sup> Data on FDI announcements obtained from fDi Markets database at [www.fdimarkets.com](http://www.fdimarkets.com).

<sup>3</sup> T. Harding and B. Javorcik, “Investment Promotion and FDI Inflows: Quality Matters,” *CESifo Economic Studies*, 2012.

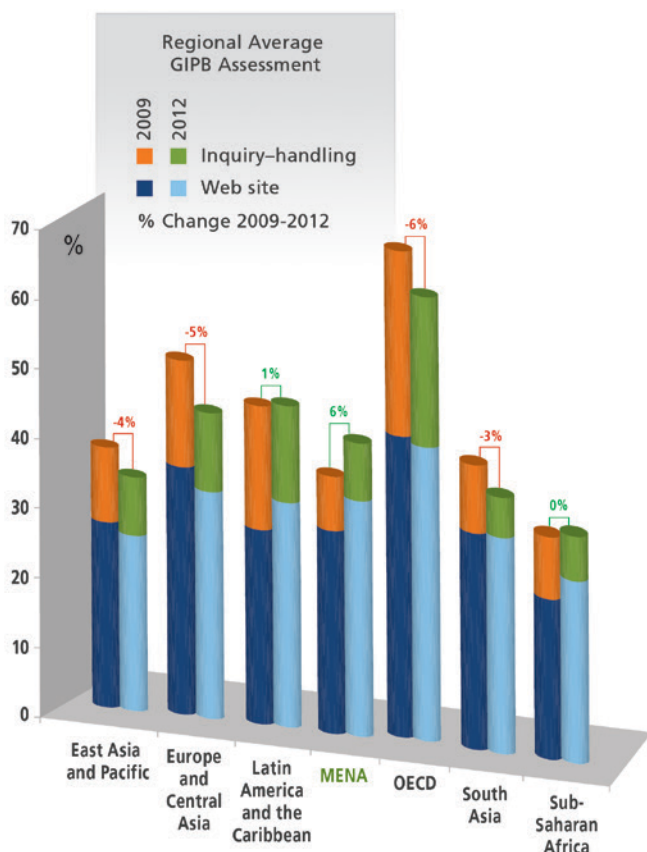
Web sites and inquiry responses are categorized as follows in order to identify good and best practice examples as well as key areas for improvement:

- Best practice 81–100 percent
- Good 61–80 percent
- Average 41–60 percent
- Weak 21–40 percent
- Very weak 0–20 percent

### GIPB 2012: MENA IPIs fared better despite the difficult times, but still lag behind in meeting potential investors' information needs

The timing of the GIPB 2012 exercise, which ran between February and July 2011, coincided with some of the most critical events of the Arab Spring for a number of MENA countries. Nevertheless, on average, IPIs in the MENA region show improved facilitation performance as measured by GIPB relative to IPIs in other regions, as illustrated in Figure 1.

Figure 1: GIPB 2012—MENA is the Only Region Recording a Real Improvement since 2009



The MENA region shows an overall gain in performance of 6 percentage points since 2009, an exception to an overall

downward global trend. However, this increase is almost entirely driven by improvements in Web site performance, with only negligible improvements in inquiry handling from a very low level.

Overall, no good or best practice IPIs have yet emerged in MENA, and the gap between MENA performance and the top-performing region (the OECD high-income economies) remains significant in terms of both Web site and inquiry-handling components (19 and 27 percentage point gaps, respectively).

The situation looks even less positive for IPIs in resource-rich MENA countries. In most of MENA's oil-exporting countries, which attract the bulk of FDI inflows to the region, IPIs made little progress in making their Web sites really informative tools, and lack adequate facilitation services to attract new investments. This translates into a missed opportunity to diversify their economies and create more jobs through the attraction of non-resource-based investment. Conversely, however, IPIs in countries lacking large natural resource endowments have shown more progress in enhancing the promotional value of their Web sites to attract FDI in a range of different sectors.

Nevertheless, there are outstanding opportunities to improve the quality of facilitation services offered to prospective investors in the short term, driven, not least, by the pressures to regain investor confidence following the upheavals of the Arab Spring.

### MENA IPIs run functional, above-average Web sites, but they provide little sector-specific information online

All IPIs in the MENA region have a properly functioning English version of their Web sites, easily identifiable from an Internet search. Since GIPB 2009, Web sites have become easier to navigate and read; with texts better suited for Web format and more effective use of visual contents, most of the region's IPIs have increased their Web site performance. In fact, MENA has achieved the largest regional improvement (9 percentage points) of all regions since 2009. More than two-thirds of the region's IPI Web sites are now in the good or best practice category (based on the performance bands described above).

However, most of the region's IPIs do not seem to recognize that investment location decisions worldwide are primarily influenced by sector or business line-related factors. There is evidence that sector-targeting IPIs are the most successful promoters.<sup>4</sup> Global trends notwithstanding, IPI Web sites in the MENA region have largely failed to provide the detailed, up-to-date, and credible sector-specific business information required by potential foreign investors. The situation has even worsened over time.

<sup>4</sup> Celia Ortega and Carlos Griffin, "Investment Promotion Essentials: What Sets the World's Best Facilitators Apart from the Rest," *Investment Climate IN PRACTICE* note, no. 6, Investment Climate Advisory Services, World Bank Group, Washington, D.C., September 2009.

Only a slight majority of the region's IPIs have clearly identified priority sectors on their Web sites and developed relevant information for each sector. Furthermore, IPI claims of sector prioritization are not matched by the provision of good quantitative and qualitative sector information. In fact, only four MENA IPIs offer an adequate amount of well-researched information at sector level on their Web sites. Without good-quality sector information, investors will generally opt for other locations where better information is available.

In short, since investors are likely to begin their research for potential investment locations on the Internet, if the Web site does not provide credible, sector-specific, and up-to-date information, it may well fail to capture the interest of potential investors without the IPI ever knowing about the lost opportunity.

### **MENA IPIs often do not respond, or respond very poorly, to investor inquiries**

On average, inquiry-handling performance for IPIs in the MENA region has been assessed as very weak, and no IPI assessed as any better than a weak performer, primarily because of the lack of substantive responses. The timing of the GIPB assessment may have had an effect on performance—investor inquiries were submitted between March and June 2011, a critical transition period for some of the MENA countries most affected by the Arab Spring. However, only a minority of IPIs will have been affected in this way and it is clear that the region's IPIs will have to make much greater efforts to meet the information needs of foreign investors in the future.

Out of the 19 IPIs contacted in GIPB 2012, only three provided responses to both inquiries. Another six responded to only one of the two inquiries, while 10 IPIs did not respond at all to either inquiry. The rate of IPI responsiveness does not improve even for those IPIs that prioritize the two sectors on which the GIPB inquires focused—tourism and agribusiness, suggesting that sector prioritization may be a hollow claim. As inquiries represent a source of zero-cost leads to prospective investors and the acquisition of services, this finding translates into an alarmingly high share of projects potentially lost from unresponsiveness. Moreover, in the few instances where IPIs did respond, replies failed to properly address all questions raised and were rarely customized to the investor's needs.

The GIPB 2012 assessment also detected a number of procedural hitches, such as difficulty in contacting an IPI or a relevant project manager in spite of repeated attempts, failure to provide acknowledgment of inquiry receipt, and problems locating investor e-mails. All of these impediments—which are not difficult or costly to resolve—convey a sense of poor professionalism and are likely to discourage potential investors and risk losing their interest.

## **Conclusions and key recommendations**

Following the recent upheavals experienced in the region, MENA IPIs should take full advantage of the outstanding opportunities offered by online and offline communication tools to mitigate investors' risk perceptions and influence their decisions through the provision of accurate and up-to-date information on the investment location.

To improve the quality of their investor facilitation services, and thus to increase the region's prospects for attracting more FDI, MENA IPIs are strongly encouraged to adopt the following main recommendations (more detailed recommendations are presented in the main chapters of this report):

- **Focus on a select number of sectors:** Government development of a national investment strategy that identifies sectors in which countries have competitive advantages is encouraged. Based on this national strategy, IPIs should then forge well-crafted value propositions to attract investors into those sectors.
- **Be serious about sector priorities—develop sector Content:** Building on the previous recommendation, MENA IPIs should consider the development and strategic use of sector-specific information for targeted sectors a top priority. Many IPIs in the region clearly lack such information, as evidenced by the GIPB 2012 results.
- **Develop partnerships to gather key information:** IPIs should seek to form partnerships and join forces with other government agencies, private sector associations, specialized promotional agencies, and technical bodies in order to help source some of the necessary sector-specific information.
- **Make the Web site the key promotional and Facilitation Tool:** It is better to reach many investors simultaneously at one low cost than to approach each one individually and incur the high costs of foreign travel. This is what an IPI achieves by effectively presenting crucial and up-to-date information on the Web site.
- **Prepare responses to obvious Investor questions in Advance:** To increase the capacity to provide high-quality responses in a timely manner, IPIs should have on hand preprepared materials on key issues for investors, such as labor costs, the regulation and competition environment, and the advantages of their investment location.
- **Be accessible to investors:** On a more practical note, it is imperative that investors be able to reach IPI staff easily and that every inquiry from a legitimate investor be processed and promptly answered in the form of a tailored response matching the investor's specific needs and highlighting the location's advantages. This is even more important for inquiries in priority sectors. To minimize the risk of losing potential investments because of inquiries left unanswered, setting up internal inquiry-handling systems should be a priority for IPIs.



# Chapter 1: Overview of MENA Results

## MENA region has had difficulties recently in attracting foreign direct investment

The global financial crisis starting in mid-2008 abruptly halted the unprecedented upward surge of foreign direct investment (FDI) inflows that had begun in 2004 and peaked in 2007 at US\$1.97 trillion worldwide. After the dramatic decline recorded in the 2008–09 period, global FDI inflows increased moderately in 2010, and exceeded US\$1.5 trillion in 2011. UNCTAD estimates that while FDI will continue to rise marginally in 2012, with flows leveling off at slightly below US\$1.6 trillion, the possibility of matching the 2007 level remains distant because of the fragility of the global economic recovery.<sup>5</sup> As political leaders and policymakers, especially in emerging economies, have long recognized that FDI brings with it capital, jobs, technology, and know-how, the competition to attract foreign capital has intensified worldwide.

In recent times, the Middle East and North Africa (MENA) region<sup>6</sup> has been at a disadvantage in this global competition to attract FDI. In 2010, the postponement or cancellation of a number of large-scale projects, particularly in Saudi Arabia and Qatar (the major FDI recipients in the region), largely explained the 14 percent decline in FDI inflows in the region. However, the situation has deteriorated further since late 2010; the MENA region has experienced a period of unparalleled political and social change that originated in the wave of popular protests demanding more social equity and stronger economic development.

Following the events in Tunisia and the Arab Republic of Egypt, social unrest spread rapidly to several other countries in the region. The pro-democracy movements that characterized the Arab Spring resulted in varying degrees of political change in different countries and culminated in the resignation of the ruling presidents of both Tunisia and Egypt, and the overthrow of the regimes in Libya and the Republic of Yemen. As of mid-2012, the situation remains critical in some countries, for example the Syrian Arab Republic, and the progress of transition processes in some other countries far from determined.

<sup>5</sup> UNCTAD, *World Investment Report 2012*.

<sup>6</sup> According to the World Bank's 2011 geographic classification, the MENA region includes 19 countries: Algeria, Bahrain, Djibouti, Arab Republic of Egypt, Iraq, Islamic Republic of Iran, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Tunisia, West Bank and Gaza, United Arab Emirates, and Republic of Yemen.

FDI inflows to countries most directly affected by the events of the Arab Spring largely dropped because of diminished confidence by foreign investors, which translated into the postponement or the cancellation of investment deals and their subsequent relocation to perceived safer destinations. In 2011, according to UNCTAD data, Tunisia suffered a 24 percent decline, while in Egypt and Libya (the two major FDI recipient countries in the North African subregion) the level of FDI inflows fell dramatically to negligible levels. Other less-affected countries, such as Saudi Arabia and Qatar, still suffered when project finances dried up following the global financial crisis and new uncertainties about global economic prospects. The rise in uncertainty associated with Arab Spring transitions has also affected FDI inflows in many other countries in the region. All in all, in 2011, total FDI inflows to MENA are estimated to have declined by more than 35 percent, from US\$66 billion to less than US\$43 billion.

## Foreign investors remain cautiously confident in MENA and there is some long-term optimism assuming a return of political stability

On a more positive note, a number of studies carried out in 2011 and 2012 reveal a confident attitude among many foreign investors toward the MENA region. A survey of 316 senior executives from multinational enterprises investing in developing countries performed between June and August 2011 by the Multilateral Investment Guarantee Agency (MIGA) and the Economist Intelligence Unit (EIU) revealed the remarkable resilience of investor interest in the region despite recent challenges. Although it confirmed that the upheavals in MENA had a negative impact on FDI inflows—over 10 percent of investors cancelled plans for future investments, with an additional 18 percent reconsidering investing in the region<sup>7</sup>—it also suggested that the majority of corporate investors interviewed had either not changed their investment plans (about one-third) or had adopted a “wait and see” approach (one quarter) over the following twelve months, opting to cancel their investment plans only if political instability intensifies or persists.

<sup>7</sup> Multilateral Investment Guarantee Agency (MIGA), *World Bank's World Investment and Political Risk Survey*, Washington, D.C., 2011. The survey focused on developing countries; accordingly, it did not cover MENA region high-income countries, namely, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Box 1.1: MENA—An Extremely Heterogeneous Region

The rough portrait of the region depicted in the above text obscures important cross-country differences. High-income oil exporters receive the bulk of FDI inflows (Figure 1.1), and large disparities exist across individual countries in terms of both GDP per capita (from about US\$1,000 to US\$60,000) and population size (fewer than 1 million to around 80 million people) (Figure 1.2).

Figure 1.1: The Largest Share of FDI Goes to Resource-Rich Countries

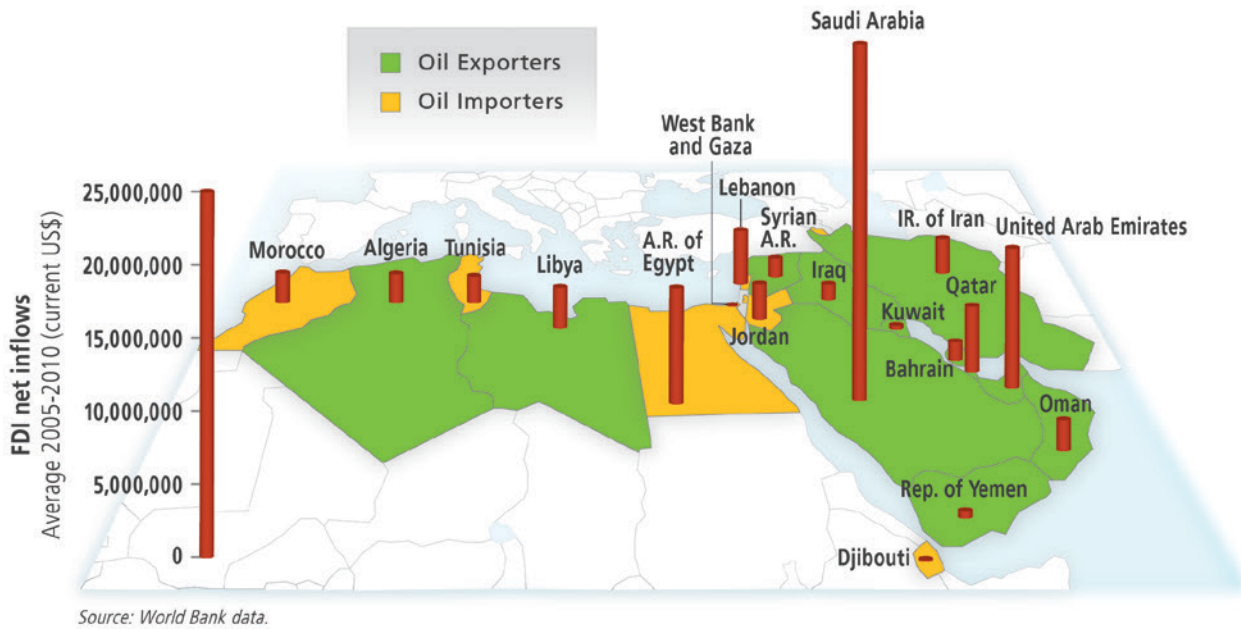
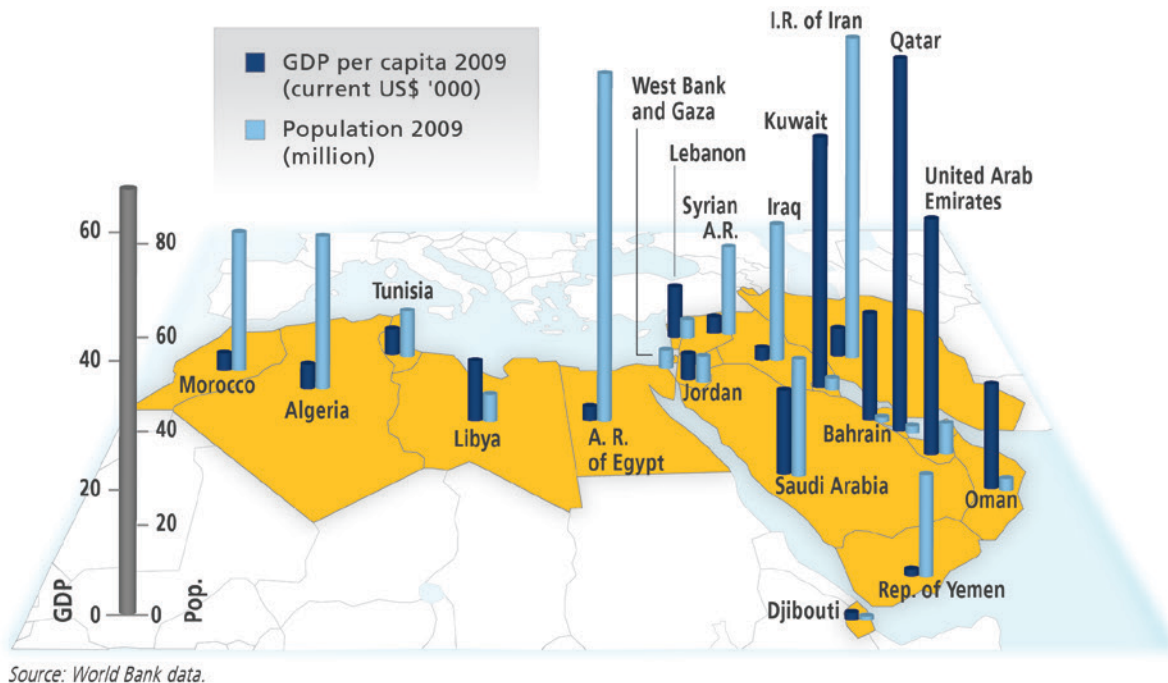


Figure 1.2: Huge Disparities in Terms of GDP Per Capita and Population





A similar, high level of investor confidence was found in another 2011 study jointly conducted by INSEAD and PricewaterhouseCoopers (PwC) that aimed at assessing the short-/medium-term outlook for the private equity industry in the region.<sup>8</sup> Assuming a gradual political stabilization, general partners from leading private equity firms investing in the MENA region reported that they plan to resume investing as early as possible. Such a confident attitude was more recently confirmed by the Deloitte Private Equity Confidence Survey carried out in 2012. The results of this survey reveal a bounce back in confidence among the private equity community from 2010; over 75 percent of respondents expected investment activity to increase in the region over the next 12 months.<sup>9</sup>

These studies suggest that, in the medium and long term, economic and demographic factors—an average GDP per capita of some US\$5,500 and a combined population of about 370 million people (almost twice the size of Brazil)—will continue to attract foreign investors (see Box 1.1). Moreover, the medium-term outlook for the region looks brighter in light of the expected changes in governance and regulatory frameworks. Investors interviewed in the INSEAD/PwC study anticipate that more equitable wealth distribution and greater transparency will relax the key constraints to growth and pave the way for further FDI, entrepreneurship, and job creation. Indeed, almost 80 percent of the interviewees strongly or moderately agreed that, while the current regional political instability will have a short-term negative impact, it will benefit the region's economy over the next five years. These expectations are largely corroborated by a body of accepted research<sup>10</sup> highlighting the sizable positive economic returns typically associated with the establishment of better and more accountable institutions as well as with deep regulatory reforms.<sup>11</sup>

Prospects for the immediate future, however, are less encouraging. Data from FDI Markets, an online database tracking cross-border greenfield investment announcements covering all sectors and countries worldwide, suggests that the number of investment projects announced during the first nine months of 2012 dropped by 21 percent compared with those announced during the first nine months of 2011 (656 new investment announcements between January and September of 2012 compared with 826 announcements during

the same period in 2011). The drop in the investment value of these projects was slightly larger (28 percent) during this same period.<sup>12</sup>

In summary, in recent times the region has undergone a series of momentous events likely to have a considerable bearing on the fortunes of its countries' economies and societies. Whatever its fluctuations and setbacks, the effects of the Arab Spring have the potential to act as a catalyst for economic expansion in the long term, based on an expectation of improved governance systems and less cumbersome business environments. FDI prospects will depend on the speed of resolving the political situation, as stability is critical for persuading investors to resume investments.<sup>13</sup>

### Investment Promotion Intermediaries (IPIs) have a key role to play

Assuming that the region regains political stability, unleashing its potential and recasting the region as an attractive destination for foreign investment will depend on two main factors. First is the governments' ability to improve the overall investment climate by addressing regulatory uncertainties and constraints. The second factor is how well IPIs can influence foreign investor decisions. IPIs have a crucial role to play both in building the region's image as a safe investment destination with a level playing field for investors, and in facilitating prospective new FDI that matches developmental priorities in their countries.

Investment promotion can be defined as "activities that disseminate information about, or attempt to create an image of, the investment site and provide investment services for the prospective investors."<sup>14</sup> This definition highlights the importance of IPIs' role in communicating and disseminating information. IPIs must be able to provide not only information on investment opportunities and key competitiveness factors, but also regular and credible updates on the evolution of the operating environment, backed by success story testimonials. These data will make potential investors far more comfortable and prone to considering a country as a potential investment location: investors' perceptions of risk are heightened when information is limited, especially in the risk-adverse atmosphere that prevails today.

<sup>8</sup> P. Balze and S. Mezias (INSEAD Abu Dhabi), and Y. Bazian (PwC), *The Next Five Years: MENA PE*, September 2011.

<sup>9</sup> Deloitte, *MENA Private Equity Confidence Survey 2012*.

<sup>10</sup> See, for instance, D. Rodrik and R. Wacziarg, "Do Democratic Transitions Produce Bad Economic Outcomes?," *American Economic Review*, Papers and Proceedings 95, no. 2 (2005): 50–55; E. Papaioannou and G. Siourounis, "Democratization and Growth," *Economic Journal* 118 (October): 1520–51; and C. Freund and L. Mottaghi, "Transition to Democracy," World Bank, Washington, D.C., 2008, unpublished.

<sup>11</sup> As the MENA region is not homogeneous, the general commentary applies in varying degrees to individual countries. For a detailed analysis and growth forecasts in MENA countries, please refer to World Bank, Middle East and North Africa Region, *Economic Developments & Prospects, September 2011, MENA Investing for Growth and Jobs*, Washington, D.C.

<sup>12</sup> Data obtained from FDI Markets database at [www.fdimarkets.com](http://www.fdimarkets.com).

<sup>13</sup> The importance attributed to political stability and security among factors influencing companies' site selection in the global arena has been pointed out by several studies in past years. For instance, a 2002 MIGA survey found a stable social and political environment to be the second most-cited factor, while a similar survey by UNCTAD and the World Association of Investment Promotion Agencies in 2007 found that CEOs reported macroeconomics and political stability were the most important factors. See also Stephan Dreyhaupt, Ivan Nimac, and Kusi Hornberger: "Political Risk: The Missing Link in Understanding Investment Climate Reform?," *Investment Climate IN PRACTICE* Note, no. 20, Investment Climate Advisory Services, World Bank Group, Washington, D.C., March 2012.

<sup>14</sup> Louis Wells and Alvin Wint, "Marketing a Country, Revisited," *FIAS Occasional Paper*, no. 13 (2001).

IPIs commonly perform a wide range of activities to attract FDI, including focused advertising and public relations events aimed at influencing investors' perception of a country, the organization of direct investor forums, individual presentations to targeted investors, the provision of information and assistance to prospective and current investors, and policy advocacy to improve the quality of the investment climate. While all of these actions are important for IPIs to perform well, this report specifically focuses on one critical function of IPIs: the provision of information to facilitate and influence investor decisions, commonly known as investment facilitation.

The case of the Tunisian Foreign Investment Promotion Agency (FIPA) clearly illustrates not only the range of supportive initiatives an IPI can implement to improve the country's image and attract investment during a difficult period, but, more specifically, the role that information can play (Box 1.2).

### GIPB 2012: A timely, useful source of information

Timely provision of credible and well-crafted information in the location-selection process plays a key role not only in lowering investor perceptions of country risks and transaction costs, but also in achieving a competitive advantage over other locations. The time is ripe for MENA IPIs to evaluate their activities in this regard and, if necessary, to rethink their strategies in order to be in a more positive position in the fierce, global competition to attract FDI.

The Global Investment Promotion Best Practices (GIPB) 2012 report presents well-timed and useful insights into the capacities of IPIs to perform their investment facilitation function—providing information and assistance needed by potential investors to make an informed location decision. To evaluate how IPIs provide information and manage investor relationships, GIPB replicates the decision-making process commonly followed

#### Box 1.2: FIPA (Tunisia)—Multifaceted Support During a Challenging Period

Tunisia built its growth strategy on low-skilled sectors that rely on inexpensive labor. Accordingly, its national *Code d'Incitations aux Investissements* (the Investment Incentives Code), which dates back to the early 1990s, gives priority to supporting sectors with low technology content but high employment potential (for unskilled workers). However, even if the level of education of the labor force has substantially increased over the last decade, this fundamental change has not yet been matched by a similar trend in the demand for skilled labor. Indeed, the high rate of youth unemployment, especially among university graduates, lay at the heart of the recent protests.

As a result, Tunisia's FIPA is seeking to spur economic growth and address the problems of high youth unemployment by targeting and channeling FDI into high value-added sectors. FIPA has undertaken various promotional initiatives to attract foreign investors to sectors such as the aerospace supply chain and offshoring/nearshoring, including the posting of dedicated sector profiles on its Web site of what the country has to offer.

From an operational point of view, changes to FIPA's promotion strategy include: (i) an expansion of the scope of direct promotional efforts (*démarchage direct*); (ii) the targeting of a few, select investor countries that are less likely to be discouraged by uncertainty in Tunisia based on their comprehensive knowledge of the country (staffing of FIPA offices in the three priority countries—France, Germany, and Italy—has doubled); and (iii) the implementation of a communication and information campaign aimed at changing negative perceptions held by foreign investors and restoring confidence in the level of security and stability of the country.

Testimonials by well-known investors with reassuring, positive messages were featured during country presentations, as well as on the FIPA Web site.

The Agency's communication campaign has managed to turn apparent threats into credible opportunities with effective slogans (for example, "The Tunisian revolution has succeeded thanks to the mobilization of a young and dynamic Tunisia..."); moreover, it is backed by hard data (for instance, by highlighting the high ranking of the national education system). FIPA also emphasized the new, emerging system of values, based on fighting corruption and nepotism, which will finally allow a level playing field and thereby unlock the country's full potential.

According to the latest data disclosed by FIPA, these efforts seem to have been rewarded. Indeed, despite the recent upheavals experienced by the country, the amount of FDI in the service sector increased by 11.5 percent in 2011.



by foreign companies at the first stage of a possible location-screening process, a practice known as “long listing.”

At this stage, investors cut down a long list of potentially suitable investment locations to a considerably shorter list of the most appealing by collecting information; they do so through online research and direct requests for information from relevant investment promotion bodies. Through an objective and rigorous methodology described in Box 1.3, GIPB evaluates the two most important sources of information provision at the

long-listing stage to assess the extent to which countries are maximizing their chances of staying on investors’ “short lists.” These sources are IPI Web sites and their handling of investor inquiries.

While the importance of such an institutional assessment of the IPIs’ strengths in investor facilitation is self-evident, a recent study by the University of Oxford confirms the point by demonstrating that IPIs’ facilitation performance, as measured by GIPB, has a positive and statistically significant influence on

### Box 1.3: GIPB—Key Facts and Methodology

Issued triennially since 2006, GIPB provides a detailed and quantified assessment of IPI effectiveness in the early information-gathering stages, as foreign investors screen locations while seeking to expand their business abroad. Over time, the geographical coverage of GIPB has expanded significantly. In 2012, GIPB assessed 189 national IPIs, including those of all 19 MENA countries.

In practice, GIPB evaluates IPI capacity to provide investor information both online (via their Web sites) and offline (in response to direct inquiries). More specifically:

- 1. Web Site Assessment** (accounting for 50 percent of overall performance) aims at evaluating how IPIs present country and sector information to prospective foreign investors online. IPI Web sites are tested and assessed according to four key “themes,” namely: (i) information architecture, (ii) design, (iii) content, and (iv) promotional effectiveness; these themes are, in turn, broken down into 17 “subthemes” for a more granular assessment.<sup>15</sup>
- 2. Inquiry-Handling Assessment** (accounting for 50 percent of overall performance) aims at measuring how effectively IPIs respond to inquiries from potential foreign investors. On behalf of an unnamed potential investor, requests for information are submitted in English to IPIs regarding two “real” investment projects (the so-called “mystery shopper” approach)—one in the agribusiness sector, and one in tourism in GIPB 2012.<sup>16</sup> IPI responses are evaluated for the quality of information provided and for the IPI’s management of relations with foreign companies according to four key “themes”: (i) availability and contactability, (ii) responsiveness and handling, (iii) quality of response, and (iv) customer care; the themes are further broken down into 13 “subthemes.”<sup>17</sup>

The GIPB assessment is presented as an index with a value between 0 and 100 percent for ease of comparison. The assessment treats each component as a combination of the above-mentioned themes and subthemes, using a weighting system aimed at reflecting their importance from the investor’s perspective (based on survey and focus group evidence). Web sites and inquiry responses are categorized as follows in order to identify good and best practice examples as well as key areas for improvement:

- Best practice: 81–100 percent
- Good: 61–80 percent
- Average: 41–60 percent
- Weak: 21–40 percent
- Very weak: 0–20 percent

GIPB comprises two types of reports: (i) publicly available global and regional reports, providing an analysis of the global and regional results, regional trends, and best practice examples from top performers<sup>18</sup> and (ii) a customized, confidential evaluation report for each IPI assessed, with insights into their performance and tips for improvement.

<sup>15</sup>For the complete list of “subthemes” related to the Web site assessment, see Appendix A.

<sup>16</sup>For more detailed information about investor inquiries submitted to IPIs, see Appendix B.

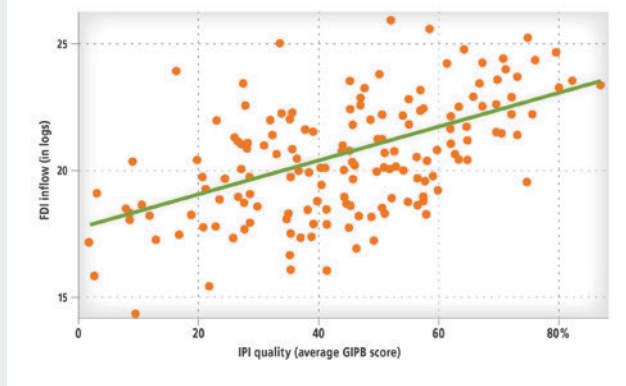
<sup>17</sup>For the complete list of “subthemes” related to the inquiry-handling assessment, see Appendix A.

<sup>18</sup>For the complete list of “subthemes” related to the Web site assessment, see Appendix A.

**Box 1.4: Investment Facilitation Performance and FDI Inflows—A Positive, Empirically Proven Link**

A 2012 study carried out by the University of Oxford compares average annual FDI inflows from 2000 to 2010 in 156 countries with the average GIPB performance obtained in the three editions of GIPB.<sup>19</sup> The study found a strong, positive, and statistically significant correlation between the quality of IPI facilitation performance and the level of FDI inflows, as illustrated by Figure 1.3. This means that a 1 percentage point increase in GIPB performance leads to a 1.5 percentage point increase in FDI inflows. In other words, an economy whose IPI is assessed at 60 percent on GIPB receives on average 25 percent more FDI than an economy whose IPI is assessed at 45 percent. The study controls for average level of GDP per capita, GDP growth, population size, inflation, political stability, and quality of the business climate.

**Figure 1.3: The Positive Correlation between FDI Inflows and GIPB Assessments**



<sup>19</sup>T. Harding and B. Javorcik, "Investment Promotion and FDI Inflows: Quality Matters," *CESifo Economic Studies*, 2012.

FDI flows to a country (see Box 1.4). Therefore, a careful analysis of GIPB findings can contribute to a better understanding of how IPI facilitation services can be an effective way to increase FDI inflows into the MENA region.

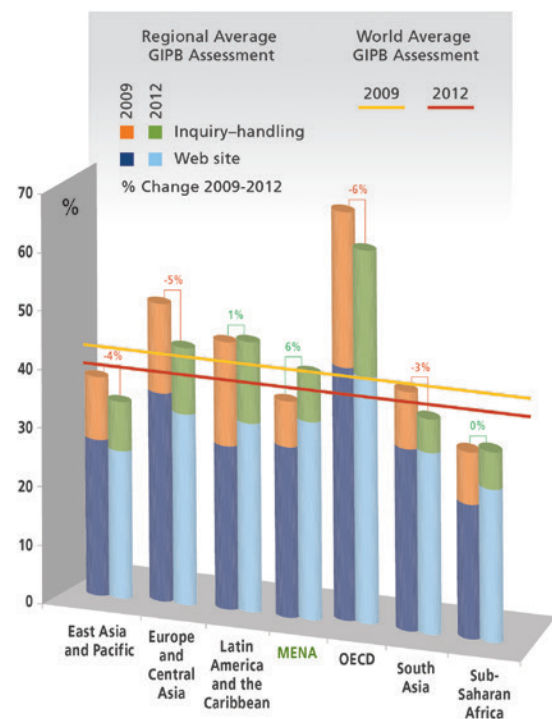
For the purpose of this report, the analysis of GIPB data has been complemented with qualitative and quantitative information collected through a survey of MENA IPI institutional and operational characteristics ("the IPI Characteristics Survey"), including a number of in-depth telephone interviews with selected IPIs across the region. This survey proved particularly useful for an enhanced understanding of IPI operating conditions and adopted procedures, with particular reference to

providing information to potential investors and gauging future trends.<sup>20</sup>

**Improvements in GIPB performance against all odds**

The timing of the GIPB 2012 exercise, which ran between February and July 2011, coincided with critical events associated with the Arab Spring for a number of MENA countries. In spite of this, the region's IPIs managed to improve their overall GIPB performance by 6 percentage points relative to GIPB 2009, as illustrated in Figure 1.4. Even more interesting is the fact that this positive trend represents an exception to the global trend, as all other regions either remained almost stationary (in Latin America and the Caribbean, as well as in Sub-Saharan Africa, where improvements in Web sites were offset by poorer inquiry-handling services), or they showed a net deterioration of their performance (between -3 and -6 percent in South Asia, East Asia and Pacific, Europe and Central Asia and OECD high-income countries).<sup>21</sup>

**Figure 1.4: GIPB 2012 MENA is the Only Region Recording a Real Improvement since 2009**



<sup>20</sup> The survey was carried out in February 2012; 12 out of 19 MENA IPIs participated. Key findings as well as the adopted methodology are presented in Appendix C.

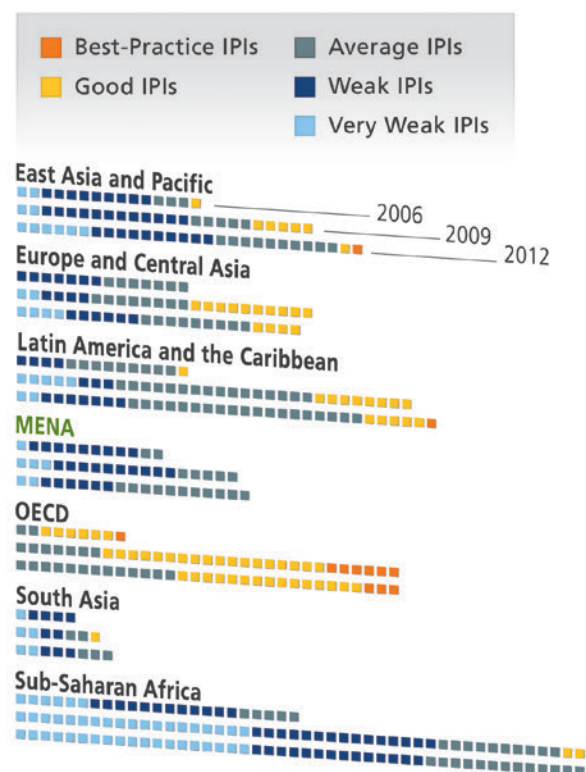
<sup>21</sup>For the purpose of regional comparison, GIPB groups IPIs into seven categories. In addition to MENA, regions include East Asia and Pacific (EAP), Europe and Central Asia (ECA), Latin America and the Caribbean (LAC), South Asia (SA), Sub-Saharan Africa (SSA), and OECD high-income countries (OECD). For a complete list of IPIs assessed in each region, please see Appendix C of the GIPB 2012 Global Report available at [www.globalinvestmentpromotion.com](http://www.globalinvestmentpromotion.com).

As a result of this improvement, the GIPB 2012 MENA assessment closed the gap with regard to the world average IPI performance.<sup>22</sup> Yet the distance to the top-performing group, the OECD high-income economies, remains significant in relation to both the Web site and the inquiry-handling component (19 and 27 percentage points, respectively).

Although MENA was the only region that improved its IPI performance for both Web site and inquiry handling since 2009, this improvement was not balanced between both components, thus widening the gap between online and offline facilitation performance.

Indeed, significant gains were particularly notable in terms of Web site performance (9 percentage points); the majority of MENA IPIs performed at good or best practice levels. While improvements in inquiry handling were much more modest (only 1 percentage point overall, albeit from an already very low level in 2009), and the overall situation remains rather critical, on average, performance was very weak, and no single MENA IPI provided competent inquiry-handling services.

Figure 1.5: Steady Improvement, but Best Practice IPIs Yet to Emerge in the MENA Region



<sup>22</sup>All region-wide averages have been calculated on the basis of the scores of national IPIs only.

### Box 1.5: Turkey—A Good Practice IPI Just Beyond MENA Boundaries

Given the progress that has been made by MENA IPIs from a low base, opportunities clearly exist for further improving the provision of facilitation services to prospective investors in the short term. These are driven, not least, by the pressures that each IPI will experience in needing to distinguish itself from its region's competitors and to regain investor confidence following the upheavals of the Arab Spring. Toward this end, lessons can be drawn from successful case studies elsewhere, including the case of the Investment Support and Promotion Agency of Turkey, just beyond MENA boundaries.

Currently, Turkey's investment promotion intermediary has one of the top 10 IPI Web sites in the world.<sup>23</sup> In addition, in terms of inquiry handling, when contacted, the IPI provided a comprehensive and highly credible response to both of the GIPB sector inquiries.

IPI effectiveness in investment facilitation services—coupled with the shift of an FDI promotion policy toward a more sector-specific approach aiming directly at high value-added, high-tech, and export-oriented projects—have paid off. In 2011, Turkey recorded a strong recovery of FDI; inflows rose by more than 75 percent, from US\$9 billion to almost US\$16 billion.

<sup>23</sup>For more information, see Chapter 2 of the GIPB 2012 global report and visit the IPI Web site at [www.invest.gov.tr](http://www.invest.gov.tr).

As shown in Figure 1.5, and based on the performance bands shown in Box 1.3, GIPB 2012 found that the number of MENA IPIs with average performance more than doubled (rising from 5 to 11) compared with 2009, while the number of weak or very weak performers significantly diminished (from 13 to 8).<sup>24</sup>

Most of the IPIs have achieved moderate progress, and a majority of them are now providing at least a reasonable level of investment facilitation services to prospective investors.

Nevertheless, two key aspects need to be highlighted. First, no good or best practice IPIs have yet emerged in MENA, although significant improvement is indeed possible, as shown by the case of neighboring Turkey (see Box 1.5). Second, what looks like a fairly uniform GIPB performance across the region masks important intraregional differences, attributable to

<sup>24</sup>Since the first round of GIPB, the number of national IPIs surveyed has increased from 96 in 2006, to 181 in 2009, to 189 in 2012. This trend is visually illustrated by the growing bar charts above. For comparison of performance across the three different rounds of GIPB, this report follows the World Bank Group's 2011 regional classifications, whereby a number of economies (namely, Estonia, Israel, Poland, and Slovenia) that were previously classified by their geographic region have now been included in the OECD high-income group.

huge disparities in terms of the IPIs' different organizational and operating modalities, as will be discussed in the next two sections.

### IPIs in MENA resource-poor countries do better at investment facilitation

In geographical terms, a distinctive pattern has emerged since the first GIPB assessment in 2006: IPIs from resource-poor countries outperform IPIs from resource-rich countries, and the gap between these two IPI groups has continued to widen over time (the difference now stands at around 10 percentage points—see Table 1.1). Since 2009, IPIs from oil-importing countries have improved, particularly in their online investment promotion. They have achieved an almost best practice average for Web site assessment (76 percent) and outpaced IPIs from oil-exporting countries (which have an average performance of about 60 percent) by 16 percentage points. As far as inquiry handling is concerned, the difference is much less marked (a few percentage points only), suggesting that significant work is still needed to service investment inquiries professionally in both subgroups.

For resource-rich countries, ignoring the potential benefits of winning additional, non-resource-based investments may prove to be shortsighted. This would especially be the case for economies seeking to diversify their economic base into newer, perhaps high-technology or job-rich sectors such as manufacturing or services.

### A few, increasingly adopted key features characterize best-performing IPIs in the MENA region

IPIs in the MENA region are a diversified group. They include a very old ministerial organization established in the mid-1970s (the Organization for Investment Economic and Technical Assistance of Iran) and a brand new agency with just three years of service-life (the *Agence Marocaine de Développement des Investissements*). There are large organizations with a staff of over 200 employees and a budget in excess of US\$20 million, as well as much smaller entities with around 50 employees and budgets at or below US\$2 million. The small size and heterogeneity of the MENA IPI sample makes it hard to establish clear links between their structural characteristics and GIPB performance. Nevertheless, this kind of analysis corroborates the following findings of previous studies conducted by the World Bank Group on a much larger scale.<sup>26</sup>

Table 1.1: Evolution of GIPB for MENA Subregions

SUBREGIONS	GIPB 2006	GIPB 2009	GIPB 2012	CHANGE FROM GIPB 2006	CHANGE FROM GIPB 2009
IPIs from resource-poor countries	31%	39%	47%	+16%	+8%
IPIs from resource-rich countries	31%	31%	37%	+6%	+6%
MENA average	31%	35%	41%	+10%	+6%

The importance of natural resource availability as an FDI determinant in developing countries is well known. In the MENA region, the appeal of natural resources largely explains the historical, uneven breakdown of FDI across the region. The resource-rich countries, whose revenues are virtually all generated by hydrocarbon resources, have secured on average more than 75 percent of FDI inflows to the region over the past decade.<sup>25</sup> Accordingly, GIPB results seem to suggest that this may have reduced incentives for IPIs in these countries to set up promotional and informative Web sites and provide adequate facilitation services to attract investments that would have come in any event (for instance, six out of seven Web sites featuring no sector profiles are run by IPIs located in oil-exporting countries). Conversely, IPIs lacking large natural resource endowments have worked harder to enhance the promotional nature of their Web sites by offering a large assortment of useful investment-related information in order to attract foreign investments in a different range of prioritized sectors.

- **Fully dedicated investment promoters provide superior facilitation services.** The large majority of MENA IPIs carry out a wide range of functions in addition to investment promotion including, in most cases, the management of a one-stop shop and, to a lesser extent, the administration of other regulatory procedures, such as granting fiscal and parafiscal exemptions. Only two MENA IPIs can be regarded as fully focused on investment promotion, and both of them are among the top five GIPB performers in the region.
- **Autonomy is generally a precondition to effective operation.** While all MENA IPIs are public bodies, as indeed is the case around the world, the majority of them enjoy financial and administrative autonomy. Only a tiny minority of the region's IPIs are ministerial subunits and these IPIs invariably performed less effectively.
- **Private sector skills are important in assisting foreign investors.** The ability to understand the needs of private companies, as measured by the share of internal staff

<sup>25</sup> UNCTAD, *World Investment Report*, Geneva, various years.

<sup>26</sup> Ortega and Griffin, "Investment Promotion Essentials."

with prior private sector experience, is associated with better GIPB performance. Indeed, MENA IPs that have a greater percentage of employees with private sector experience (above 30 percent, on average) tend to perform comparatively better.

A number of governments in the region already seem to be well aware of good practices in institutional design and have taken, or are now taking, significant steps in these directions:

- In **Morocco**, the *Agence Marocaine de Développement de l'Investissement* (AMDI) was established in February 2009 as a financially autonomous public institution to replace the Investment Directorate. Its board of directors includes representatives of business associations, such as the *Fédérations des chambres professionnelles* and the *Confédération générale des entreprises du Maroc*.
- In **Kuwait**, at the time this report was produced, the cabinet was considering the draft of a new law for foreign investments, which includes the establishment of an independent investment promotion agency.
- Finally, comprehensive changes have also recently been introduced in **Yemen** following the enactment of a new investment law, as discussed in Box 1.6.

#### Box 1.6: Yemen—Translating Recommendations Into Practice

The new Investment Law, passed in August 2010, has strengthened the main functions of the Yemeni General Investment Authority (GIA) to attract strategic investment, set aside regulatory functions, and separate actual investment incentive policies from core activities. The new law gave the GIA broad authority and independence, both financial and administrative, to carry out its tasks, and it introduced a significant change in the board of directors. Previously for ministers only, 40 percent of the board of directors now comprises members from the private sector.

In addition, the law established an ad hoc human resource policy. This policy will ensure both a higher margin of flexibility and competitive wages and salaries that will help the GIA attract talented resources from the private sector. Article 24 of the new investment law states: "GIA shall have, under this law and with respect to specialized and qualitative positions, a special cadre system based on competitive recruitment. This system shall enjoy flexibility in recruitment, selection of the staff, and a human resources management system. Such a system shall include technical standards and criteria for performance assessment to set wages and termination of contracts. The special cadre system shall be enacted by a decree from the Prime Minister after the approval of the Board of Directors."

However, it remains to be seen what will be the effects on GIA operations of the events that have swept the country throughout 2011 and 2012.





# Chapter 2: Analysis of IPI Online Facilitation Services across the MENA Region

## MENA IPI Web sites heading to the top

In the context of increased competition for FDI, emerging economies can no longer neglect the outstanding opportunities that online communication provides for reaching potential investors around the globe and closing information gaps in a cost-effective manner. Information provision is crucial, especially for countries perceived as high-risk investment destinations. As argued in the previous chapter, risk perceptions in the MENA region are high and will remain so in the short term as a result of Arab Spring events. IPI Web sites are a major means to channel accurate information, which can help correct misperceptions, reduce uncertainty, and increase a country's chances of being considered a viable investment destination.

Since investors are likely to begin their research for potential investment sites on the Internet, the presentation of a country on an IPI Web site plays a critical role in shaping investors' perceptions. Web sites that do not use in-depth information, credible data, and eye-catching elements to clearly highlight the advantages of a location may well fail to capture and hold the interest of

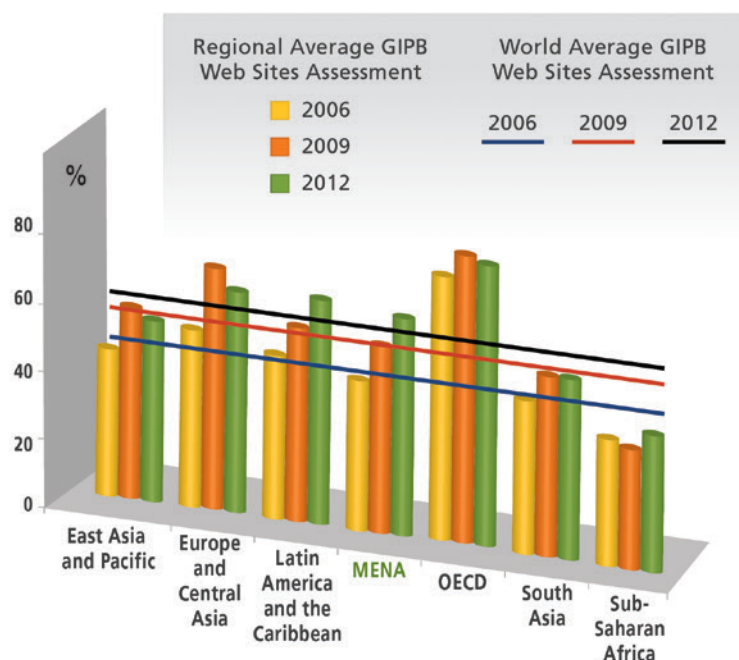
potential investors. Today it is standard practice across the world for an IPI to run a Web site that provides a first look at the country as an investment target. GIPB 2012 found that more than 95 percent of the 189 IPIs assessed hosted a Web site.

As illustrated in Figure 2.1, since 2006, MENA IPIs have consistently increased their capacity to operate functional and informative Web sites. In 2012, MENA IPIs recorded the largest regional improvement globally since 2009 (9 percentage points), and, for the first time ever, achieved an overall good Web site assessment.

Worldwide, IPIs in OECD high-income countries continue to lead the pack, but the MENA region has managed to reduce the gap considerably (by 11 percentage points since 2009, and by 15 percentage points since 2006).

In the last three years, MENA almost caught up with the performance of the LAC and ECA regions, respectively ranked as second and third best-performing regions in the world. MENA is now only 1.9 percentage points behind LAC and 0.4 percentage points behind ECA.

Figure 2.1: MENA Web Sites above the Global Average



**Box 2.1: AMDI (Morocco)—Most Improved Web Site in MENA Region in GIPB 2012**

Established in February 2009, Morocco's new investment promotion intermediary, AMDI, has made outstanding progress in its Web site performance. At the beginning of 2011, as part of the intensive effort to become an effective investment promotion agency, AMDI developed a brand new Web site. It adopted two main approaches: (i) an in-depth review of IPI best practice Web sites both within and outside the MENA region was undertaken and used as a template, and (ii) recommendations included in the previous version of the GIPB report were largely factored in.

AMDI's new Web site was upgraded from a site that was previously unavailable in English to an effective promotional instrument with rich content, presenting visitors with a detailed overview of the investment environment in Morocco. The overall design and navigability were completely changed, and the entire content was rewritten. A large set of materials and tools was added, including downloadable newsletters (keeping investors up-to-date on what is happening in their preferred location), promotional videos, and an interactive map displaying national infrastructure that allows for the visualization of detailed information on specific investment zones—all at the click of a mouse. The site is updated almost daily based on the research activities conducted by six of its staff.

AMDI's efforts have paid off: the new Web site provides an invaluable promotional tool that is attracting around 300 foreign visitors per day.

Since 2009, the number of best practice Web sites in the MENA region increased from three to five, while good Web sites doubled from four to eight (as detailed in Figure 2.2).<sup>27</sup> As a result, over two-thirds of the region's IPIs are now in the good or best practice category.

Figure 2.2: MENA Web Sites Make Breakthrough to Best Practice



The outstanding improvements in Web site performance seen in Yemen and Morocco (see Box 2.1)—an increase of over 60 percent between 2009 and 2012—were the most significant recorded in MENA. Other examples of best practice Web sites in the MENA region are detailed in Table 2.1.

Conversely, poor Web sites have almost disappeared from the region. In GIPB 2012, there is no MENA IPI Web site in the very weak category.

Table 2.1: Best Practice Web Sites in the MENA Region

IPI LOCATION	WEB ADDRESS	SELECTED AREAS OF BEST PRACTICE
Egypt, Arab Rep.	www.gafinet.org	<ul style="list-style-type: none"> <li>Data and statistics fully sourced and dated</li> <li>Downloadable information in PDF format, also for targeted sectors</li> </ul>
Jordan	www.jordaninvestment.com	<ul style="list-style-type: none"> <li>Interactive, user-friendly Web features</li> <li>Thorough detail on the location, including data and statistics</li> </ul>
Saudi Arabia	www.sagia.gov.sa	<ul style="list-style-type: none"> <li>Simple Web site with attractive graphics enhancing user experience</li> <li>Clear presentation of IPI assistance to investor and provision of live online support</li> </ul>
Tunisia	www.investintunisia.tn	<ul style="list-style-type: none"> <li>Web site available in eight international languages</li> <li>Detailed sector information, including success stories and potential business opportunities</li> </ul>
Yemen	www.giay.org	<ul style="list-style-type: none"> <li>Testimonials by sector, including quotations from investors</li> <li>Contact details of relevant staff (e-mail addresses and telephone numbers in international format)</li> </ul>

<sup>27</sup>Since the first round of GIPB, the number of national IPIs surveyed has increased from 96 in 2006, to 181 in 2009, to 189 IPIs in 2012.

**Despite general improvements, some key areas need further attention**

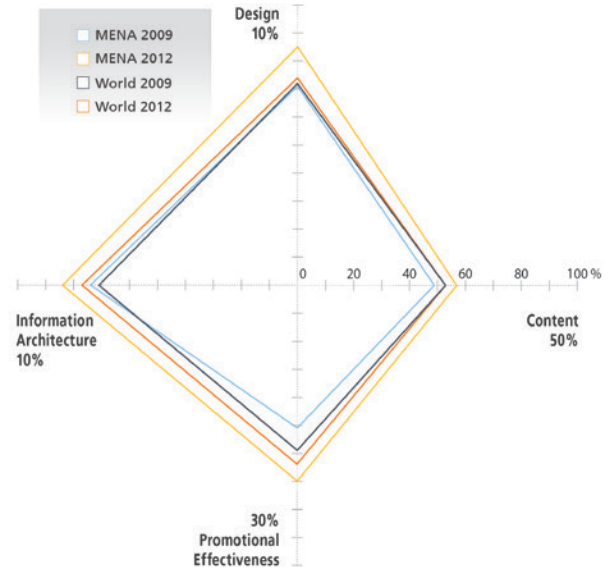
The analysis of GIPB results, using the main themes of the Web site assessment, reveals that IPIs now run well-designed and highly functional Web sites in almost all regions of the globe (with the exception of Sub-Saharan Africa). In 2012, MENA IPIs surpassed global performance on all four assessment themes.<sup>28</sup> Nevertheless, notable differences in performance persist across themes.

As illustrated in Figure 2.3, GIPB 2012 assessed MENA IPI Web sites very positively in terms of their design and information architecture. All MENA IPIs have a properly functioning English version of their Web sites, easily identifiable from an Internet search. Web sites have become easier to navigate and read, with an improved use of images and graphics.

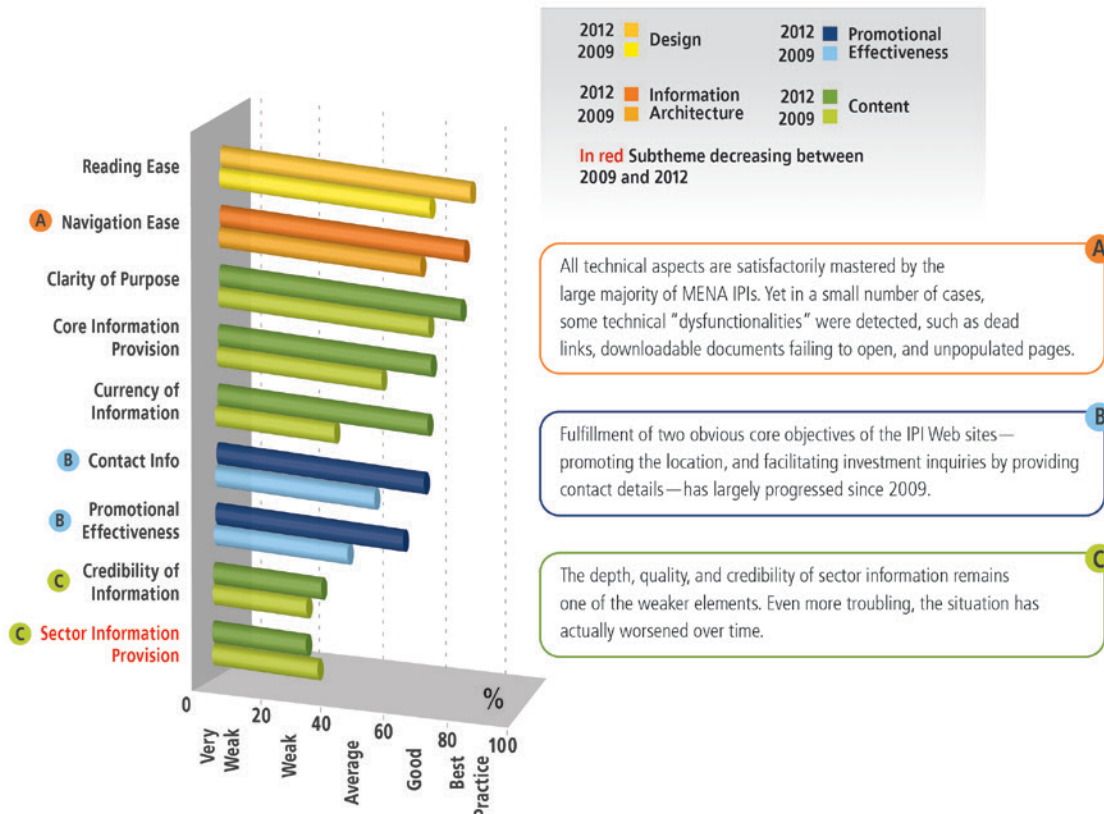
Significant areas for improvement include both content (the most heavily weighted theme) and, to a lesser extent, promotional effectiveness (the second most heavily weighted).

More light can be shed on the remaining areas for improvement by looking at the evolution of the most important subthemes that constitute the foundation for the overall Web site

**Figure 2.3: A Closer Look at MENA IPI Web Site Performance Over Time**



**Figure 2.4: MENA IPI Web Site Assessment by Subtheme**



<sup>28</sup>See Appendix A for more detailed information on themes and the weighting system.

assessment.<sup>29</sup> Figure 2.4 shows MENA IPI performance at subtheme level in descending order of performance by comparing GIPB 2012 and GIPB 2009.<sup>30</sup>

### Sector content is the key remaining gap

While general country information is important, investment location decisions worldwide are primarily influenced by sector, or business line, related factors. Yet MENA IPI Web sites generally fail to provide the amount of detailed, updated, and credible sector-specific information required by potential foreign investors. The situation has deteriorated over time: more than half of MENA IPIs performed worse regarding the provision of sector information in 2012 compared with that in 2009.

Only a slight majority of the region's IPIs (12 out of 19) have clearly identified priority sectors on their Web sites along with pertinent information for each sector. Such a situation often reflects the lack of a well-defined national development plan; this would include identification of the strategic economic sectors for development and investment promotion based on an in-depth benchmarking of the country's actual and potential competitiveness. Since sector-specific information is required to convince investors of the region's suitability for their projects, these shortcomings are likely to turn even the best-designed IPI Web sites into ineffective promotional tools.

Sector categorization varies greatly between MENA IPIs, ranging from the extremely generic "industry and manufacturing" sector to very detailed lines of business/products, such as solar energy or salt production. Overall, MENA IPI Web sites portray information on over 25 different sectors, or lines of business. The average number of priority sectors per MENA IPI is 10, a figure that seems high for these typically low-capacity IPIs, given the significant resource and attention that prioritized sectors require.

Both the quality and the quantity of sector information vary significantly among the region's IPIs, with most sector profiles offering only basic information on a few structural aspects. All in all, only four out of 19 MENA IPIs offer an adequate amount of well-researched information at sector level on their Web sites; that is, they achieved a score for the "sector information provision" subtheme above 60 percent. A huge margin for improvement region-wide remains. Some useful lessons in providing sector information can be drawn from Tunisia's FIPA Web site (see Box 2.2).

### Generating and maintaining high-quality content requires committed resources and appropriate internal procedures

Populating Web sites with in-depth, updated information is a more challenging task than Web site design and maintenance, which can be easily outsourced,<sup>31</sup> but even the best-designed Web sites will be useless promotional tools without it. The collection, generation, and updating of high-quality content requires a heightened focus and dedicated resources to analyze and systematize country and sector information. Indeed, the IPI Characteristics Survey suggests that all IPIs with best practice Web sites have at least five people performing market research to gather information that will help investors in their decision-making process. Although not specifically devoted to carrying out Web site content development activities, these resources contribute to enhancing the quality of sector-related information on the Web site.

In the case of the Yemeni GIA, the IT department includes, among other staff, a Webmaster and an IT expert responsible for routinely retrieving information in collaboration with staff from other departments. One employee within each of the four sector departments is assigned to update and collate relevant materials periodically to be uploaded on the Web site. The same applies to other IPI departments (Marketing & Events, Information Research, and Statistics & Studies), which provide relevant information concerning market trends, events, and best practices/news from around the world. This approach has produced the desired results. Since the revamping of the Yemeni GIA Web site and the adoption of these procedures, the number of Web site visits and inquiries submitted has grown by close to 40 percent.

### Promotional effectiveness is improving, but more can be done

Since 2009, IPIs in the MENA region have taken important steps to send clearer messages to potential investors concerning: (i) the location advantages of their country as an investment destination, and (ii) the kind of support investors can expect to receive from the IPI. The vast majority of IPI Web sites now comprise: (i) a "Why [Country name]?" page, providing a snapshot of the key advantages of setting up a business in a given country, ranging from a concise list of "13 reasons to invest" in Djibouti, to a comprehensive drop-down menu allowing navigation through a range of advantages for those establishing a business in Saudi Arabia; and (ii) a page labeled "About [IPI name]," summarizing the services offered to investors.

<sup>29</sup>See Appendix A for more detailed information on subthemes and the weighting system.

<sup>30</sup>Figure 2.4 shows only the 9 (out of 17) most important subthemes, namely, those with a weight of at least 5%.

<sup>31</sup>"Credibility of information" and "Sector information provision" are by far the worst-assessed subthemes at the global level, with an average score of 33% and 38%, respectively.

## Box 2.2: Tunisia's FIPA—A Best Practice in Providing Sector Information

FIPA's strong performance regarding sector content can largely be attributed to the sector-based promotion strategy adopted since the early 2000s. The agency's Web site features content in eight different languages (Arabic, Chinese, English, French, German, Italian, Japanese, and Spanish) and offers several tiers of specific information about doing business in the country. These include details on incentives, operating costs, existing investors, and profiles for a limited number (6) of carefully selected, prominent sectors (food, mechanical, leather & shoes, electronic/electric, ICT, and textiles).

Sector profiles outline industry-related factors and reflect the agency's deep understanding of the range of costs and conditions important to investors in specific industries. For instance, an investor engaged in software development learns that Tunisia ranks 38th on the Network Readiness Index, a much higher position than, for example, Italy and China. More specifically, for each of its six priority sectors, FIPA has developed a profile structured in four areas.

**③ Number of production plants**

The electrical, electronic and electric household appliances industries (IEEE) comprise 347 firms employing 10 workers and more. Among them, 217 are exporting firms.

→ Breakdown of the firms by activity and system

Activities	EXP	OEXP	Total
Electrical products	146	65	211
Electronic products	81	40	121
Household appliances	5	36	41

Agency for the Promotion of Industry (API), 2008

**④ Employment**

The sector employs more than 65 100 people (that is 13% of all the labor force in manufacturing industries) 86% of which are hired by totally exporting companies.

A snapshot presentation of the sector includes key hard data and figures (production level, employment, FDI, exports, and so on).

**⑤ Comparative costs**

Reasonable salary costs

→ Annual income in electric industries in Euros

Country	Advanced technician	Engineer
Tunisia	6,260	11,610
Romania	7,800	13,490
Morocco	10,280	16,790
Hungary	14,110	20,650
Italy	30,900	43,910
France	37,610	55,450

Study on "Tunisia's knowledge-based economy and its attractiveness as a site for FDI" Ernst&Young, 2007

A summary list of key advantages of the location (the "assets") emphasizes the competitiveness of Tunisia when compared with other possible investment destinations. These advantages are based on different critical factors, such as operating costs or suitability of the regulatory framework, which make use of hard data provided by both national and international sources.

**⑥ Société Tunisienne des Industries Pneumatiques « STIP » (Tunisian Tire Industries Company)**

<b>Location</b>	MSAKEN (Governorate of Sousse) and Menzel Bourguiba (Governorate of Bizerte)
<b>Creation Date</b>	1980
<b>Activity</b>	Tire manufacturing and marketing
<b>Legal form</b>	limited company
<b>Employment</b>	831 including 10 contractuel (as of 31/08/2009)
<b>Capital</b>	TND 12.623 million
<b>Capital structure</b>	- Public shareholding and public companies: 51.59 % - Foreign private shareholding: 30 % - Other private shareholding: 18.41%
<b>Assets</b>	TND 133.774 million (in 2007) and TND 118.993 million (in 2008)
<b>Liabilities</b>	TND 181.399 million (in 2007) and TND 185.087 million (in 2008)
<b>Business Revenue</b>	TND 87.654 million (in 2007) and TND 78.079 million (in 2008)
<b>Operating expenses</b>	TND 95.066 million (in 2007) and TND 83.592 million (in 2008)
<b>Brand Licenses</b>	Pirelli is not only a STIP capital shareholder but it also provides its technical assistance and its label. The STIP/Pirelli partnership was consolidated in February 2001 with a new partnership agreement which allowed acquiring and developing the "All steel" technology in manufacturing.
<b>Privatization method</b>	Total public divestiture (51.59% of the capital).

An online inventory alerts potential investors of investment opportunities existing in different business lines and market niches, including links to privatization projects.

**Testimonies**

**⑦ LAFUMA**

« We haven't had a strike. Everything is going well and we are considering to establish a second factory»  
**Jean-Luc Vicent**

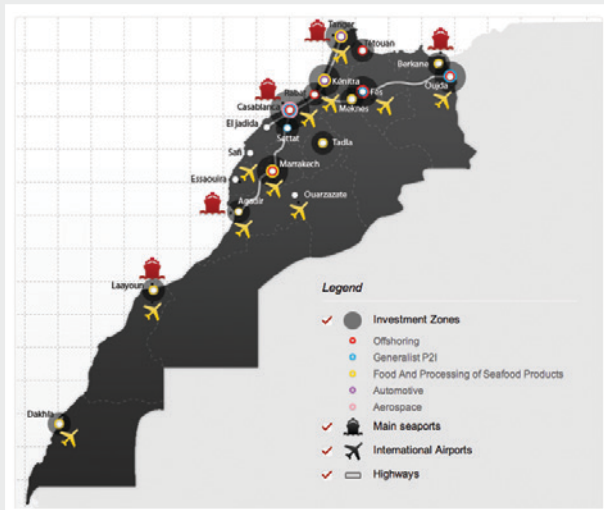
**⑧ JAL GROUP**

«In Tunisia, we have found a supportive environment and encouragement for the development of an industrial activity: stability, social peace, available labor, a cautious administration and specific laws.»  
**Danielle Fogagnolo**

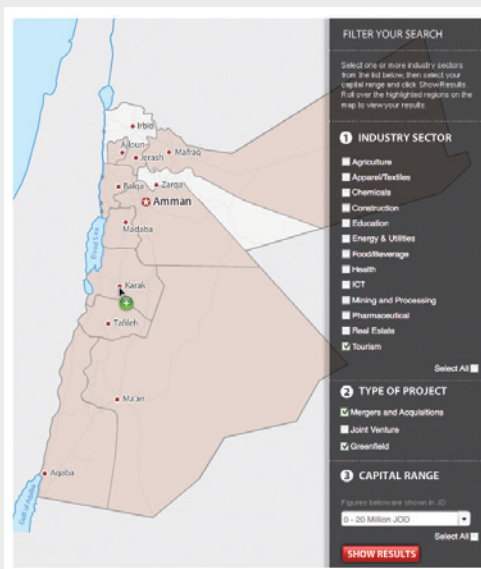
A list of all major investors currently present in the country is also included, with a direct link to quotations highlighting some positive features of the national operating environment.

### Box 2.3: Interactive Investment Maps

The Web site of the Moroccan IPI (AMDI) includes an investment map that allows access with the click of a mouse to key information on various investment zones (including agropoles), such as the zone manager, the sector, and the overall surface.



On the Jordan Investment Board (JIB) Web site, an investment map tool allows for the identification of potential project opportunities by sector, business model, and value of investment. Project opportunities can be identified from three main sources: (i) a database of joint venture opportunities; (ii) a list of potential (around 150) investment project ideas and 75 prefeasibility studies developed by JIB; and (iii) governmental entities and development zone projects available for investments.



Despite this progress, MENA IPIs can improve their capacity to “sell the location” by making better use of investor testimonials. For an IPI to credibly demonstrate the investment track record of a location, third-party endorsements from companies play a significant role in attracting foreign companies into the country.

The Yemeni GIA provides a good example of how to successfully promote a location. More specifically, the GIA Web site: (i) lists all recent successful projects in each sector, including the invested amount and the investor name; (ii) provides direct contact references for sector experts within the organization, thereby allowing potential investors to get in touch with the most appropriate person; and (iii) reports positive comments from investors explaining how GIA helped them in different sectors.

Name of Company	Name of Official	Testimonial
 Albustan Real Estate	 Mr. Awad Al-Wahish (Gen. Mgr.)	We noticed an increased demand in hotel services and a high improvement in investments to satisfy that demand. Through our studies and research in these investments, we noticed a luxury gap in the Hada area desired by foreign companies, telecommunication companies, foreign agencies and businessmen. We therefore started our first establishment in 2007: Albustan for Exclusive Hotel Suites (5 stars). The Hada area is one of the most stylish areas in Sana'a and has the largest residential community of large and medium villas inhabited by the elite such as government officials, diplomats, foreigners, political figures, businessmen, embassies and international and regional organizations' offices.

Another example is that of Morocco, where AMDI has made extensive use of foreign testimonials to conduct a “*veille positive*” by posting, for example, favorable messages from the chairmen of foreign chambers of commerce and foreign ambassadors to minimize the concerns of potential investors. Following the restoration of the political situation, investor testimonials should be adopted more broadly across the region. Together with the online provision of accurate and updated information on the operating environment, these will be crucial in mitigating investors’ risk perceptions.

In addition, MENA IPIs could, if resources were available, further enhance the promotional effectiveness of their Web sites by using interactive Web features, such as online mapping tools, which facilitate the investors’ retrieval of specific information. These, however, can be costly innovations and the number of IPIs in MENA using such IT solutions is still limited. Nevertheless, the following examples from Morocco and Jordan illustrate what is possible (see Box 2.3).

### Summary: Key recommendations for improving online investment promotion

In an increasingly competitive arena with an uncertain global economic outlook, more IPIs are hunting for a shrinking number of investment projects. IPIs that post well-crafted, carefully researched and relevant information on their Web sites stand a better chance of attracting the interest of potential investors. MENA IPIs have made progress in this direction, but to reach a higher level of competency, they should take the following steps:

- **Make the Web site the key promotional and facilitation tool.** The presentation of up-to-date investor information on the Web site offers outstanding opportunities to attract many investors simultaneously at low cost. IPI Web sites can help correct misperceptions, reduce uncertainty, and increase chances of a country being considered a viable investment destination. An IPI Web site visit is often a foreign investor's first interaction with the country, and if the site is weak or out of date, it could also be their last.
- **Develop and maintain high-quality, sector-specific content matching investors' information needs.** Detail on the crucial factors of cost and quality in key sectors, as well as information on the location's comparative advantages, are at the forefront of investment decisions. However, the majority of MENA IPIs provide only limited or outdated information at the sectoral level online.
- **Form information partnerships.** To gain access to a large set of relevant information matching the needs of foreign companies, IPIs should establish partnerships with both public entities (such as relevant ministries and sector-specific promotion agencies), and private organizations (for instance, chambers of commerce and sector associations).
- **Commit resources to Web site maintenance.** An IPI Web site is not a one-off effort that can be outsourced to consultants. IPIs need to allocate dedicated resources to building in-house capacity for gathering and fashioning business and promotional information into an appealing sales proposition, as well as for tailoring and updating it as necessary.
- **Addressing the few remaining technical problems,** such as dead links or downloadable documents failing to open. These failures could be regarded as signs of a lack of professionalism by Web site visitors. First impressions are important. Therefore, these technical problems must be resolved immediately, especially given the relatively low marginal costs to do so.
- **Upgrading the promotional effectiveness of the Web site,** by making more extensive use of case studies and investor testimonials, possibly grouped by sector of activity.
- **Adopting more innovative Web features,** such as interactive maps, cost calculators, project databases, and so forth. These IT solutions deliver messages quickly and effectively to the visitor.
- **Making the most of the customized GIPB 2012 reports,** which include detailed analysis of IPIs' online performance and suggest specific steps for improvement.

With the possible exception of the development of new interactive web features, the majority of the other recommendations can be undertaken very cost-effectively. In fact, none of them is particularly expensive, involving potentially a few hundreds of US\$ equivalent of expenditure and some dedicated staff time to work through the needed improvements. What is more important are the time and effort expended by dedicated IPI staff to make improvements and to make sure upgrades are maintained. One common problem is that IPIs often make a short-lived effort to upgrade their Web site, and then fail to maintain the improvements, which go out of date very quickly.

Specifically for MENA IPIs, taking a few quick steps to showcase the location online more effectively could pay dividends in convincing investors that this location deserves a second, deeper look, namely, by:





# Chapter 3: Analysis of IPIs' Direct Interactions with Potential Investors across the MENA Region

**IPIs worldwide are doing poorly in handling investors' inquiries, but the IPIs of the MENA region may not be seizing this opportunity to catch up**

First impressions often shape long-term perceptions and relationships. Handling initial investor inquiries as professionally and effectively as possible helps IPIs create a positive and lasting reputation with investors. In an environment characterized by limited and decreasing public funds and by the omnipresence of the Internet, “reactive” inquiries—that is, those direct requests for country and sector information that IPIs receive from investors—represent an increasingly common source of low-cost investment leads. They are much more efficient than more traditional, costly, proactive activities (such as organization of promotional inbound and outbound missions and advertising campaigns). However, the fact that IPIs are not managing these first interactions with prospective investors as effectively and competitively as they should is evidenced worldwide.

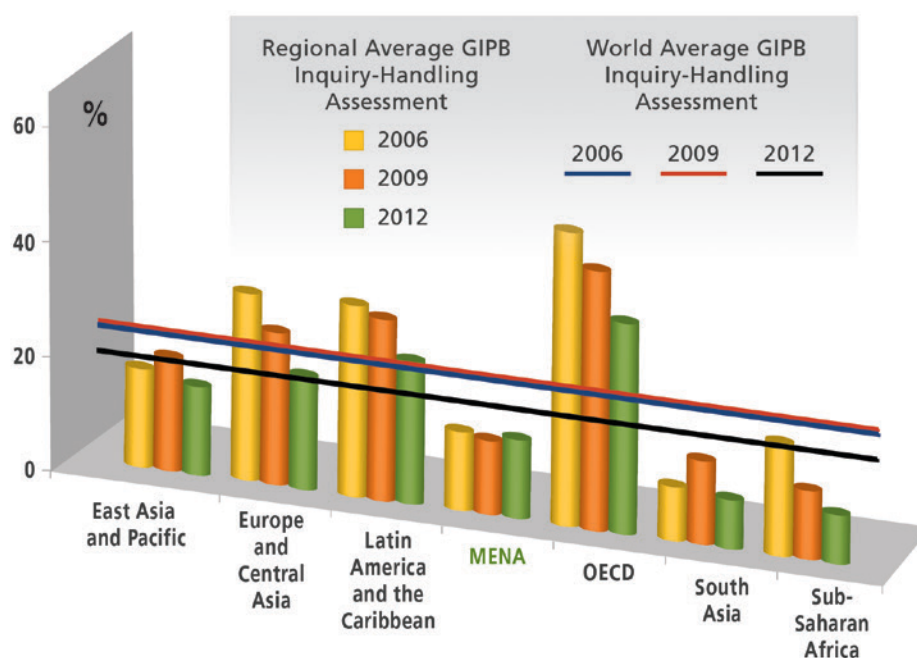
As illustrated in Figure 3.1, globally, most IPIs have seen their inquiry-handling performance weaken over time. According to GIPB 2012 results, global inquiry-handling performance deteriorated by 6 percentage points since 2009 (from 28 percent to 22 percent).

MENA is the regional exception to this downward trend, although the improvement is marginal (only 1 percentage point) and from a very low base.

Indeed, GIPB 2012 found that MENA IPIs achieved a very weak average inquiry-handling score of only 16 percent, well below global performance and significantly less than half the performance of IPIs from OECD high-income economies. This finding suggests that an alarmingly high share of projects may be lost from a lack of responsiveness by the region's IPIs.

Even though the global trend has been declining over time, the gap between MENA and other regions remains significant (for example, 13 percentage points below

Figure 3.1: MENA Inquiry-Handling Performance—The Situation Remains Critical



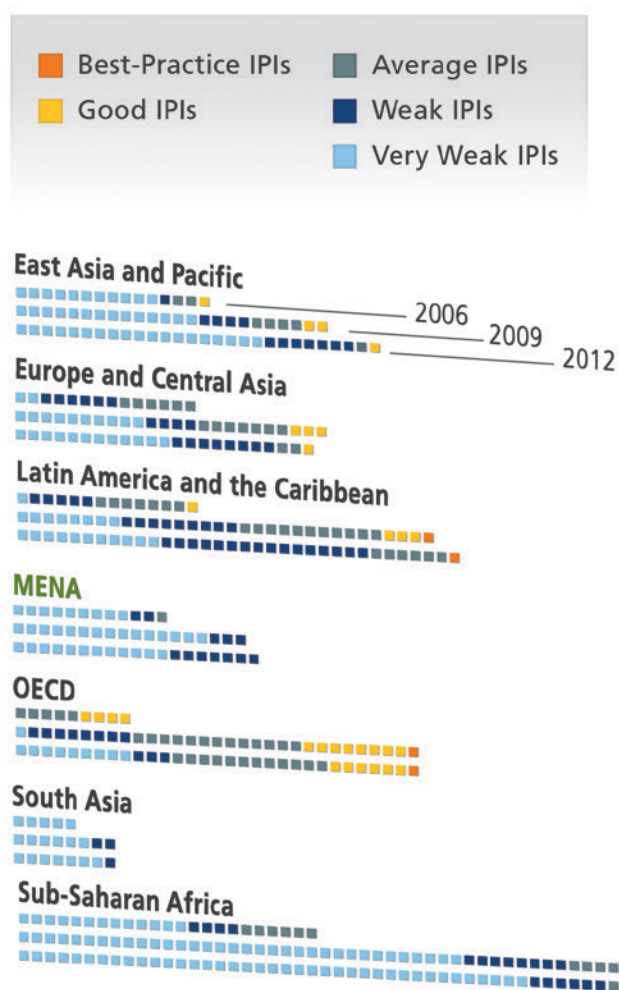
LAC and 7 percentage points below the ECA region). Major improvements are needed for the MENA region to catch up.

The slight positive change recorded in the MENA region since 2009 is a story of two parts: good improvements by five IPIs (between 13 and 20 percentage points) were largely offset by the worsening performance of others.

Nevertheless, because the improvements achieved by the region's IPIs start from a very low base, their comparative performance remains poor; all MENA IPIs remain in the weak or very weak categories (as defined in Box 1.3)—see Figure 3.2.<sup>32</sup>

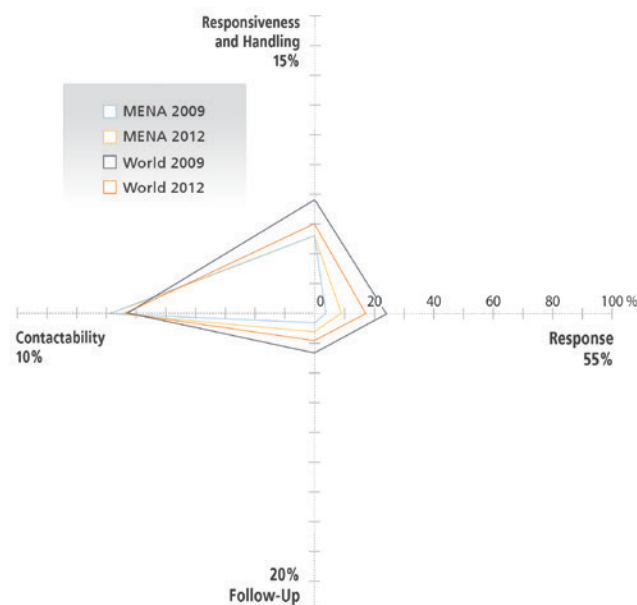
In this regard, MENA IPIs are a particularly negative case. While most regions cluster their scores in the very weak category (0–20 percent), some examples of good or best practice can be found in all regions except MENA, SA, and SSA. This means that there are no regional peers from which IPIs can learn.

Figure 3.2: MENA Inquiry-Handling Performance—All IPIs Remain in the Two Lower Categories



<sup>32</sup>Since the first round of GIPB in 2006, the number of national IPIs surveyed has increased from 96 in 2006, to 181 in 2009, to 189 in 2012.

Figure 3.3: A Closer Look at MENA IPI Inquiry-Handling Performance over Time



### Inquiry-handling performance: Much more to do in all respects

A deeper analysis—examining the evolution of themes and subthemes that constitute the foundation for the inquiry-handling assessment—reveals a number of specific areas for improvement; see the breakdown provided in Figures 3.3 and 3.4.

Across the MENA region, the general underperformance in inquiry handling is mainly attributable to the high concentration of very weak performers in two of the most heavily weighted assessment themes, namely: (i) quality of response (9 percent, against a world average of 17 percent), and (ii) the extent to which the IPI took action to follow up on the information sent to potential investors (3 percent, against a world average of 9 percent).<sup>33</sup>

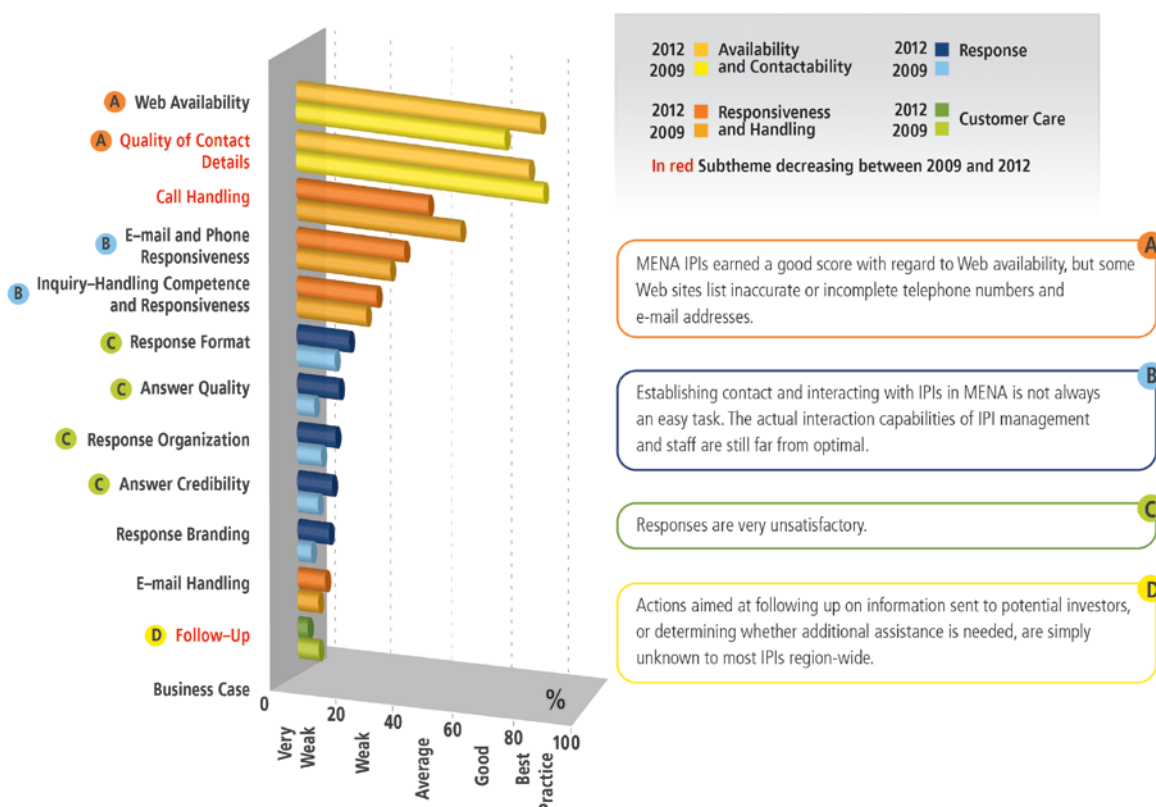
Below-average performance was also found in responsiveness and handling, which measures how well IPIs interacted by telephone and e-mail with the potential investor.

By contrast, MENA IPIs were favorably assessed regarding how available and easy to contact their officers were from a client perspective, a performance in line with that achieved globally.

**Responsiveness and Handling:** In many cases, contacting an IPI and/or a project manager took repeated attempts over several days. Nevertheless, the attitude displayed by frontline staff was helpful, and language barriers (where IPI staff was not able to speak in English) were detected only in a limited number of cases. However, getting in touch with a project

<sup>33</sup>See Appendix A for more detailed information on themes and the weighting system.

Figure 3.4: MENA IPIs' Inquiry-Handling Assessment by Subtheme



manager was often problematic and, even when available, only a few project managers knew the targeted sector well enough to discuss investment projects in detail. Many e-mail addresses also proved to be dead ends as they almost invariably produced no reply (only a handful of inquiries were acknowledged within 24 hours).<sup>34</sup> Even more troubling, IPIs lacked proper internal systems to receive and process investor inquiries effectively. In most cases, for instance, IPI staff could not confirm receipt of the e-mail and requested it be re-sent to a different address.

**Responses:** Any time an investor knocks at the door, an IPI should stand ready to provide an answer. But this appears not to be the case in the MENA region. Out of the 19 IPIs contacted in GIPB 2012, only three provided responses to both inquiries. Another six IPIs responded to only one of the two inquiries, while 10 IPIs did not respond to either inquiry. Poor performance, and outright failure, in responding to potential opportunities are even harder to understand in light of the results of the IPI Characteristics Survey, which reported that English-written e-mail spontaneously sent in by potential

investors represented by far the major source of investor inquiries (see Box 3.1).

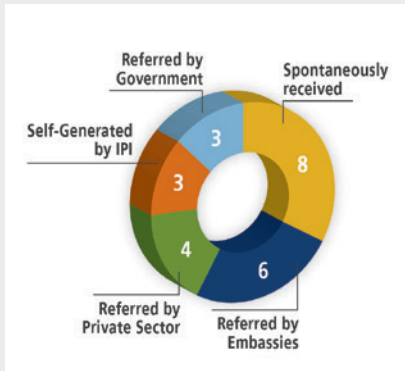
Furthermore, in those rare cases where MENA IPIs answered a GIPB-initiated investor inquiry, they failed to provide a satisfactory, professional response. On average, those who responded scored 40 percent for quality of answer and 31 percent for answer credibility. IPIs in MENA often responded by way of a short e-mail, failing to properly address all questions raised and rarely customizing responses to the investor's specific needs. The general impression this conveys is that MENA IPIs are not committed to undertaking active research in response to investor inquiries.

**Follow-up:** In the very few instances where MENA IPIs did provide information to investors, only one IPI actually followed up on its reply. This occurred regarding an agribusiness inquiry when the IPI checked to see whether the response had been received and whether further information or assistance was needed. Again, lack of follow-up can be a lost opportunity to engage investors further and persuade them to visit the country.

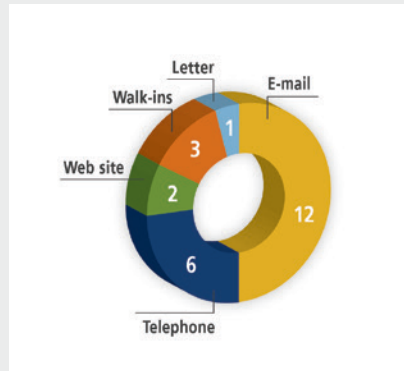
<sup>34</sup> It is interesting to note that one of the few IPIs that provided an immediate answer, the Yemeni GIA, stated that this positive attitude is largely attributable to the "silent-consent" provision of the previous investment law, which states: "The Authority shall decide acceptance or rejection of investment project applications within (15) days following the date on which the application was presented complete with all documents and information required. Lack of a reply within the periods specified shall be considered approval" (art. 38, Investment Law #22 of 2002).

### Box 3.1: GIPB Approach Reflects How Foreign Investors Actually Send Inquiries to MENA IPIs

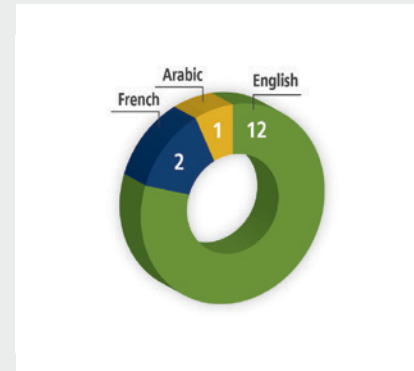
The IPI Characteristics Survey investigated the most common sources of inquiry, the preferred communication channels, and the language used by potential foreign investors when contacting IPIs in the MENA region. Overall, 12 MENA IPIs out of 19 participated in the survey.



Spontaneous inquiry from foreign investors is the most common source of an initial information request. When asked to indicate the two main sources of inquiries from potential foreign investors, MENA IPIs declared that inquiries are spontaneously received from investors in two-thirds of the cases (8 IPIs), followed by those referred by embassies (6 IPIs) or the private sector (4 IPIs). In a few cases, inquiries are self-generated by the IPI (3 IPIs) or referred by other government bodies (3 IPIs).



Foreign investors prefer using e-mail for communicating with MENA IPIs. For all 12 IPIs responding to the IPI Characteristics Survey, e-mail is one of the two most important channels through which IPIs receive inquiries from potential foreign investors. Half of IPIs also receive inquiries by telephone. In only one-fourth of cases, requests are submitted directly by walk-in investors (3 IPIs). While, for only two IPIs, requests are submitted through the IPI Web site.



English is the global language of business. All IPIs surveyed report that English is the language used most often in the investor inquiries they receive. Only 3 IPIs indicated other foreign languages, namely, French (2 IPIs) and Arabic (1 IPI).

### Despite poor inquiry-handling assessments, some MENA IPIs report having adequate internal systems in place to assist potential investors

The poor performance in inquiry handling indicates that MENA IPIs are struggling to come to grips with how to effectively and consistently respond to investors. However, somewhat at odds with these findings, information recently collected through the IPI Characteristics Survey and in-depth interviews with selected IPIs seems to suggest a somewhat different situation.

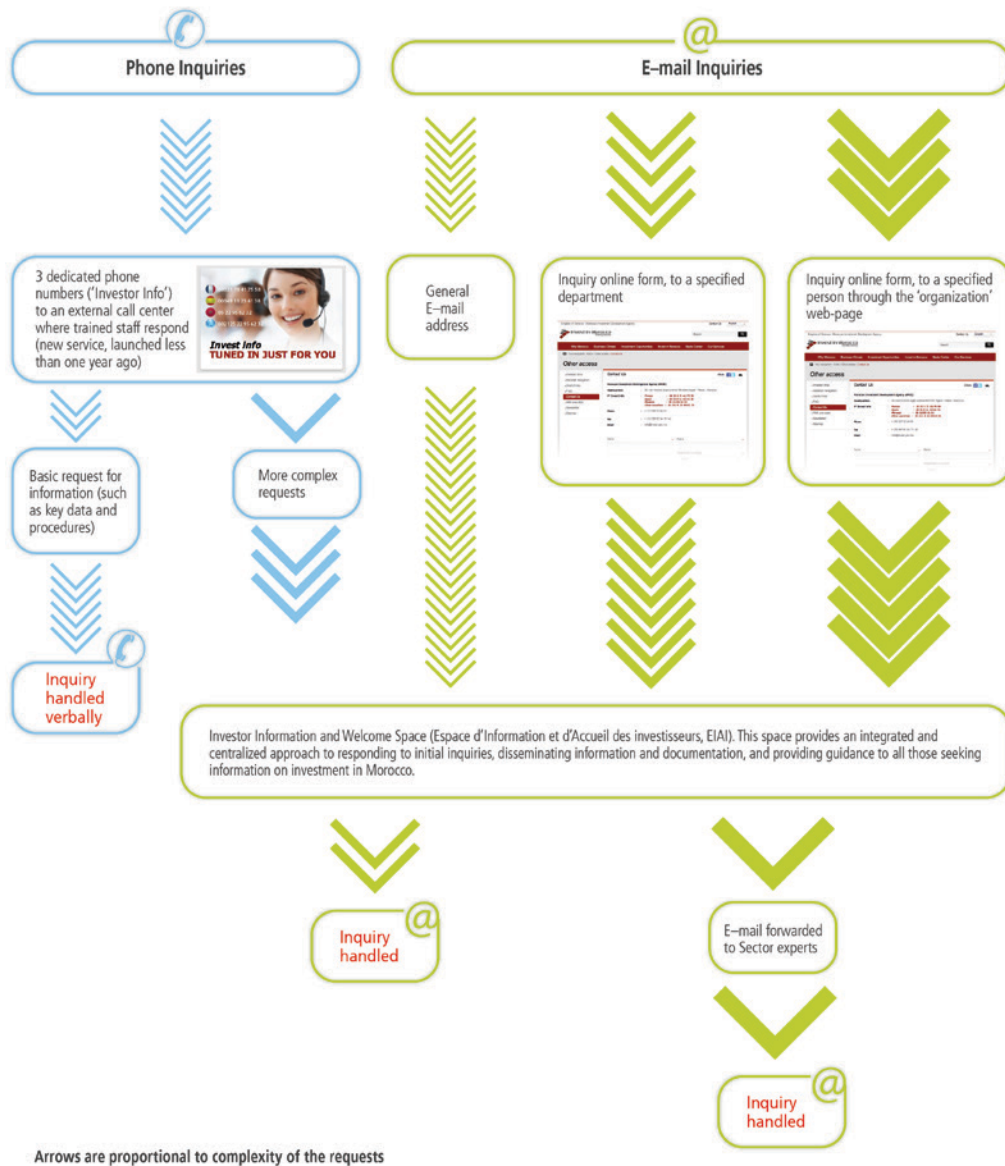
Many of the region's IPIs reported a widespread application of detailed procedures for swift inquiry handling; for instance, all 12 IPIs that participated in this side survey indicated that they follow fixed-time parameters for the submission of inquiry responses. IPIs also reported having a sizable and well-trained staff employed in this critical function, and several IPIs indicated that internal staff had undergone training in customer service and/or investment facilitation services in the last few years. Moreover, in-depth interviews conducted with selected IPIs

revealed that some have more or less sophisticated internal systems to effectively provide offline information to potential investors:

- The **Tunisian FIPA** has been certified ISO 9001 since 2003. ISO certification implies that strict and standardized procedures for quality management must be followed by all departments and for different types of services provided. These procedures range from the collection of standardized evaluation sheets from foreign investors participating in promotional events, to the preparation of activity plans by each department setting targets and objectives at the beginning of the year.

They also apply to inquiry-handling activities. Indeed, FIPA is attempting to apply a dedicated customer care approach by: (i) assigning a single investment officer to assist investors from the pre-decision phase all the way through to the implementation of investment projects, and (ii) setting different fixed-time parameters to address external inquiries,

Figure 3.5: The AMDI Centralized Inquiry-Handling System



Source: Consultant's elaboration based on Web site, AMDI Annual Report 2010, and telephone interview.

depending upon the nature of the e-mail (for example, requests for land and premises, and interest in participating in outbound promotional missions).

Regarding requests for general or sector information, Tunisia's FIPA sets a maximum of two days to send an initial reply acknowledging receipt of a request and five days to send a final and detailed reply. In line with FIPA's sector-based organization, inquiries are handled directly by 20 *cadres sectoriels*, grouped into four different teams that are charged with all promotional activities falling under their sectors/lines of business. All answers sent via e-mail by internal staff are copied to a Central Registry (*Bureau d'Ordre Central*) for archiving purposes.

- In **Morocco**, AMDI developed an integrated approach to handling investor inquiries, which entails a centralized management of all requests for information received through a dedicated structure (*Espace d'Information et d'Accueil des Investisseurs—EIAI*), whose functioning is summarized in Figure 3.5. AMDI also adopted written procedures, specifying fixed-time parameters for all steps of the handling process (as learned from best practices that other IPIs applied). In 2010, AMDI handled on average 40 requests for information per month. Three out of four came from foreign investors, mainly from France and Spain. To ensure the highest quality of service, AMDI set up a documentary database drawing on a targeted collection of published materials and specialized studies.

## GIPB 2012 coincided with challenging times for MENA

The discrepancies between the negative inquiry-handling performance shown by MENA IPIs in GIPB 2012 and the countervailing information collected on the resources devoted to and the procedures adopted in answering investor inquiries need further investigation. One obvious explanation is that IPIs do not apply these procedures consistently—in other words, the inquiry-handling system is not watertight.

Another important issue, however, relates to the timing of the GIPB 2012 survey. The GIPB inquiries were submitted to MENA IPIs between March and June 2011, a critical transition period for some MENA countries most affected by the Arab Spring (see Box 3.2). During such a difficult period it seems likely that IPI capacity to respond to investors' inquiries may have been affected. While most IPIs managed to remain operational, their attention was largely diverted to other priorities—among others, the provision of assistance to existing investors. For instance, in Tunisia, the Ministry of Investment established a crisis group charged with promptly handling priority problems that high-level investors active in the country faced. This may partly explain the poor performance in a handful of countries most affected by the Arab Spring.

GIPB 2012 noted a significantly larger gap between the Web site and inquiry-handling performances of MENA IPIs (a 50 percentage point difference) when compared with those of other regions. This gap was broader than that reported in GIPB 2009. Such an evolution suggests two considerations. First, IPIs in the MENA region have been paying more attention to online facilitation than to direct interactions with prospective investors. Such a short-sighted approach may translate into losing investment opportunities and wasting the efforts deployed to make their Web sites effective promotional tools. Second, it seems to corroborate the fact that the timing of GIPB 2012 may have negatively affected the inquiry-handling performance of some IPIs, especially those receiving an extremely positive Web site assessment. Indeed, 42 percent of global IPIs that achieved

best practice Web site performance were proved “average” in the inquiry-handling assessment. Conversely, all five best practice providers of online information in the MENA region were assessed as weak, at best, in terms of offline information provision.

## Work in progress to improve responsiveness, benefits may be expected soon

The cross-analysis of GIPB results with the information collected from the IPI Characteristics Survey helps identify some interesting aspects regarding IPI capacity to handle investor inquiries. First, a larger staff is not always associated with a higher rate of responsiveness to inquiries. Second, the larger the volume of foreign inquiries received, the more difficulties the IPI encountered to properly manage them. MENA IPIs that achieved a comparatively more positive assessment of inquiry handling from GIPB typically received a fairly limited number of requests for information from potential foreign investors, two to three on a weekly basis. This fact is perhaps surprising in that one would have thought that a larger volume of requests would have led to a better practical approach to handling them.

All of the evidence underlines the urgency for MENA IPIs, especially those coping with a large number of investor inquiries, to set up internal inquiry-handling systems, rather than simply seeking to increase the number of dedicated staff. If the system of information management is well designed, it could ensure that the data gathered to respond to one inquiry is easily accessible by staff responding to the next.

Interestingly, some MENA IPIs seem to have recently realized the importance of “reactive” promotional actions, and they are introducing substantial changes to seize these opportunities. Indeed, both the Egyptian and Kuwaiti IPIs are gradually getting on the right track to cope better with the significant number of inquiries (between 9 and 14) received weekly from foreign investors (see Box 3.3).

### Box 3.2: Yemen—Unfortunate Timing for an Assessment

Since the late 2000s, the Yemeni GIA has been undergoing a substantial institutional-strengthening project, benefiting from the advisory and capacity-building support extended by development partners (the World Bank, International Finance Corporation, Investment Climate Department, Department for International Development, and *Gesellschaft für Technische Zusammenarbeit*). Many positive results have been achieved, such as the preparation of the National Investment Promotion Strategy and the revamping of the Web site. However, the envisaged improvements of investment promotion techniques—including the preparation of an operating manual clearly defining the Authority's modus operandi under different areas, inquiry handling included—could not be initiated when external support was temporarily suspended in the political and security upheaval. As clearly explained by Mr. Salah Mohamed Al Attar, the chairman of GIA: “The timing of the crisis was even more unfortunate as it happened in the middle of the agency's transition period as a result of the new law and institutional strengthening project, leaving the agency in a sort of vacuum.”

### Box 3.3: Inquiry-Handling System in the MENA Region—Steps in the Right Direction

In **Egypt**, GAFI has undergone a full reorganization of the staff responsible for handling inquiries since early 2011. The 19 people previously responsible for replying to investor inquiries were reallocated under the responsibility of three team leaders supervising specific regions (Africa, Asia, and Europe). When a foreign investor contacts GAFI (either by telephone or e-mail), the inquiry is forwarded to the dedicated team leader. If the team leader is not in a position to answer the request directly, he/she either gathers additional information with the help of other staff members or, in case of very specific or technical requests, contacts GAFI's research department; the department, in turn, collects the requested information (if necessary, with the support of other institutions, such as ministries or relevant business associations).

In **Kuwait**, at the time of writing the KFIB was in the process of setting up an Investor Services Centre. As a first step, the process involved the transformation of the telephone switchboard with only two operators into a call center with more adequately trained personnel. It also included introducing a mechanism for forwarding calls after business hours to ensure 24/7 coverage. Furthermore, the KFIB set out to have staff dedicated exclusively to the handling of investor inquiries received via e-mail. The launching of the Investor Services Centre was planned for mid-2012; gradually both the call center and dedicated staff responding to e-mail inquiries will be transferred under its responsibility.

### Summary: Key recommendations for handling inquiries more effectively

The inquiry-handling performance of MENA IPIs has been assessed, on average, as very weak. Essentially, the region's IPIs seem unable to effectively respond to investor inquiries. Performance may have been affected by the timing of the GIPB 2012 inquiries, which coincided with a critical transition period for some MENA countries during the Arab Spring upsurge. Nevertheless, there is little doubt that the region's IPIs need to dedicate much greater effort to meeting the business expectations of foreign investors. Key preconditions to attracting and retaining investor interest at the long-listing stage include:

- **Ensuring that the IPI is easily reachable** and that an appropriate project manager can be contacted with no effort. This means posting correct and complete contact information on the Web site, including sector-specific contacts, making it easier for potential investors in priority sectors to be in touch with the most relevant staff. Evidence collected during GIPB 2012 shows clearly that establishing contacts with MENA IPIs is not always an easy task. And yet,

there should be no excuse—an IPI that is hard to contact by investors is clearly failing in a most fundamental way.

- **Ensuring that every inquiry is processed and receives a response.** To minimize the risk of losing potential investments because of unanswered inquiries, setting up internal inquiry-handling systems should be a priority for most MENA IPIs. This is especially true of IPIs dealing with large volumes of inquiries from foreign investors (over 10 per week). The introduction of efficient internal systems should also help IPIs solve other procedural hitches detected by the GIPB 2012 assessment. These include failure to provide acknowledgement of inquiry receipt, as well as difficulty in locating investor e-mails (as required, for instance, at the follow-up stage). These problems convey a sense of poor professionalism; more important, they hinder the provision of a complete answer within a given timeframe.
- **Tailoring the response to investor needs and answering all questions fully, with supporting evidence.** Having efficient internal systems to manage incoming inquiries is not a guarantee of a good-quality response. According to GIPB 2012, no single reply from MENA IPIs answered all questions in good detail, and only two responses provided by different IPIs were assessed at an average level; all others fell in the weak or very weak categories. Poorly drafted and noninformative replies are likely to discourage potential investors; MENA IPIs must make substantial efforts to provide replies that incorporate project-specific information and benchmarked data, and that clearly show the locational advantages. In order to increase the capacity to provide quality responses in a timely manner, it is crucial for IPIs to have on hand prepared materials on the key issues for investors, such as labor costs, the regulation and competition environment, and the advantages of their investment location.
- **Following up any information submission** to check that responses have been received and to verify whether or not additional assistance is required. On the one hand, this action ensures customer satisfaction and generates useful feedback on the information and support provided; on the other hand, it gives IPIs the opportunity to facilitate the investor's transition to the next step—be it an in-person meeting, a site visit, or an introduction to key officials.

As with the recommended improvements for the Web sites, these recommendations can be addressed in a very cost-effective manner. The development of an internal system to ensure that all inquiries get answered can be as simple as allocating clear responsibilities to staff for key functions (such as receiving and acknowledging incoming inquiries, drafting replies, following up with the investor). Introducing professional business standards (for instance, promised response times, telephone answering, and e-mail drafting) is neither costly nor does it require external assistance.





# Chapter 4: MENA IPI Facilitation Services at Sector Level

## Sector targeting is crucial to attract FDI

As implied in previous chapters, investment promotion efforts tailored to the needs of investors operating in a particular sector are more effective than broad attempts to target all potential investors. Countries can not, and should not, try to compete in all sectors indiscriminately. Indeed, while certain general factors in host countries—market size, growth prospects, resource and infrastructure availability, and political stability—consistently determine which countries attract the most FDI, what determines the most suitable investment location differs significantly across economic sectors.

A highly targeted investment promotion strategy that concentrates efforts on sectors where countries have a clear comparative advantage and a strong value proposition is regarded as best practice among investment promotion professionals. This view has been recently confirmed by a study aimed at verifying whether sectors explicitly targeted by IPIs received more FDI than nonpriority sectors during the same period.<sup>35</sup> The results suggest that sectors targeted by IPIs receive on average more than twice as much FDI as nontargeted sectors. A “back-of-the-envelope” calculation of FDI inflows against IPI budget by researchers at the University of Oxford indicates that spending US\$1 on investment promotion raises FDI inflows by US\$189.

The decision on which specific sectors to target should flow from a national economic development plan. IPIs should never pick sectors in isolation from such national priorities; indeed, these organizations are tools for the effective implementation of a national investment strategy. The adoption of an investment strategy that targets carefully selected sectors closely matching national development priorities can also maximize the potential benefits associated with FDI inflows. This consideration appears extremely relevant to MENA countries. Indeed, according to a recent World Bank study, while the majority of FDI received in the MENA region between 2003 and 2011 flowed into the real estate and mining sectors, most

of the FDI-related jobs in the region (55 percent) are generated in the manufacturing sector, which attracted only about one-fifth of total FDI inflows.<sup>36</sup>

This chapter investigates how effective IPIs in the MENA region were in providing online and offline information that matched the needs of potential investors in the two specific sectors on which GIPB 2012 focused: tourism and agribusiness. Tourism and agribusiness are generally considered to be sectors where developing countries have competitive niches and opportunities that enable them to gradually move to more lucrative activities and markets. Tourism is among the world’s top job creators accounting, both directly and indirectly, for around eight percent of the global workforce. For its part, agribusiness, by combining agriculture and industry, creates both downstream and upstream linkages that may engender multiplier effects in job creation. On average, overall GDP growth originating in agriculture has proven to be two to four times as effective in raising incomes of the poor as growth generated in nonagricultural sectors.<sup>37</sup>

## Agribusiness and tourism, key sectors for the MENA region

Over the last decade, the MENA region has been the fastest-growing tourism destination in the world; in 2010, it welcomed over eight percent of total tourist arrivals worldwide (close to 79 million). However, in the last year, while the demand for international tourism continued to rebound from the crises experienced in 2008–09 and international tourist arrivals grew by 4.6 percent worldwide (up to 983 million), MENA was the only region to record a decline in arrivals. Passenger movement suffered an eight percent fall because of recent political tensions deterring tourism. According to the United Nations World Tourism Organization (UNWTO), important North Africa tourist spots such as Egypt and Tunisia experienced a more than 30 percent drop in arrivals. In the Middle East, the situation was more balanced, as large drops experienced by destinations directly or indirectly affected by social and political upheavals—Syria

<sup>35</sup>Torfinn Harding and Beata S. Javorcik, “Roll Out the Red Carpet and They Will Come: Investment Promotion and FDI Inflows,” *Economic Journal* 121, no. 557 (December 2011).

<sup>36</sup>World Bank, Middle East and North Africa Region, *Economic Developments & Prospects*.

<sup>37</sup>World Bank, *World Development Report 2008: Agriculture for Development*, Washington, D.C., 2008.

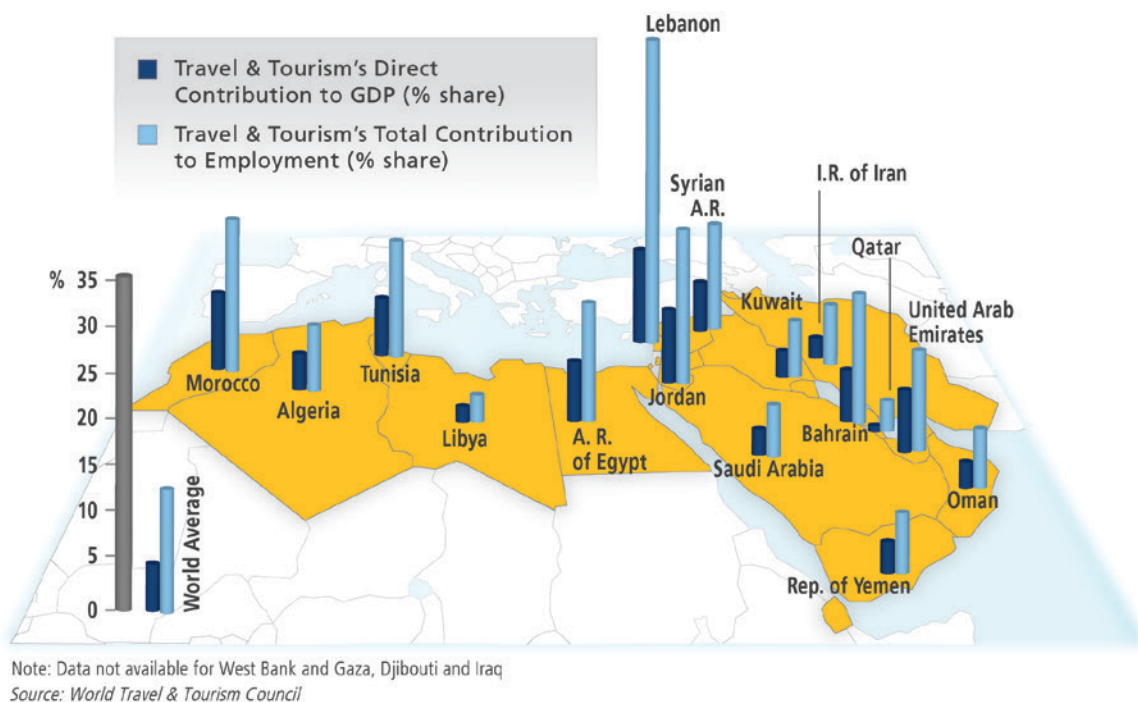
(-41 percent), Lebanon (-24 percent), and Jordan (-13 percent)—were largely offset by the growth recorded by Saudi Arabia (+60 percent) and, to a smaller extent, by the United Arab Emirates (+9 percent). According to the UNWTO World Tourism Barometer,<sup>38</sup> the situation significantly improved in the first half of 2012, and particularly promising results were recorded between January and May by both Egypt (+29 percent) and Tunisia (+48 percent).

These signs of recovery are particularly important since tourism represents a major source of employment and revenue for a number of MENA countries, where it has been a key driver of economic growth over the past decade. As illustrated in Figure 4.1, one out of three Lebanese works in the tourism sector, and the total contribution of the travel and tourism industry to employment accounts for more than 10 percent in many other countries of the region, such as Bahrain, Egypt, Jordan, Morocco, Syria, Tunisia, and the United Arab Emirates. In almost half of the countries, the sector accounts for more than five percent of national GDP (that is, above world average) and, in a few cases, it nears 10 percent. These countries have a great potential for developing their international tourism industry further, given their tourist attractions and geographical proximity to the European and Gulf Cooperation Council markets. Promoting new investment opportunities and restoring international investor confidence are key challenges that must be met by MENA IPs in order to fully unleash this potential.

Regarding the agribusiness sector, MENA is the most food-dependent region in the world, importing approximately 50 percent of regional food consumption. The situation is expected to worsen as a result of the widening gap projected between sagging supplies, challenged by severe natural resource constraints, and increasing demand. By 2050, the MENA population is estimated to almost double, and the demand patterns are shifting from staples to higher value products. However, this broadly painted picture masks important intraregional differences. Some countries have important national agribusiness sectors that account for a sizable share of GDP (from 5 percent in Lebanon to over 25 percent in Syria) and represent a major source of employment (in Morocco, an estimated 60 percent of the population live directly or indirectly on agriculture).

Accompanied by a strong domestic demand for agribusiness products, these conditions translate into higher odds for MENA to become a global player in attracting more FDI to the sector. Indeed, drawing in more foreign investments is a key priority in the new agroindustrial strategies recently adopted by some MENA countries; these countries focus on developing competitiveness initiatives that are geographically concentrated, such as agroindustrial parks and agro-based clusters. A much smaller emphasis is placed on the sector by most of the Gulf Arab States, however. Endowed with limited resources for agricultural production, this subgroup of countries is instead

Figure 4.1: Tourism’s Economic Impact in the MENA Region, 2011



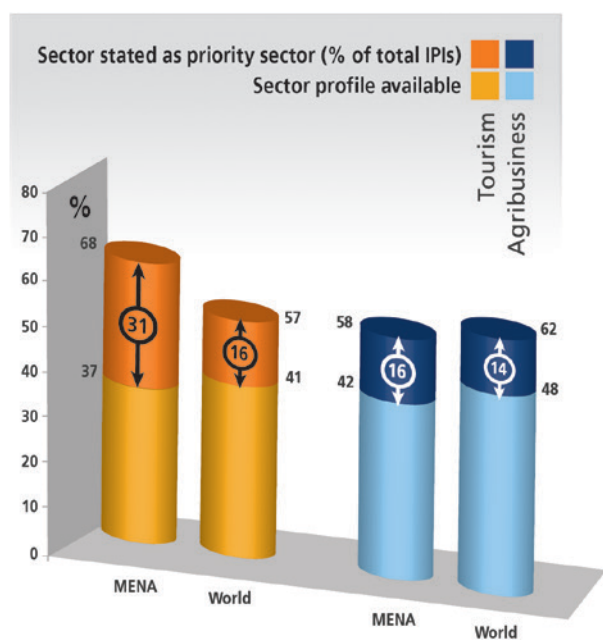
<sup>38</sup> UNWTO, *World Tourism Barometer*, vol. 10 (July 2012).

promoting outward FDI in the agriculture sector to address food security.<sup>39</sup>

### Despite the high relevance of the tourism and agribusiness sectors, MENA IPIs offer little sector-specific information

IPIs in the MENA region have a key role to play in the development of the tourism and agribusiness industries, as growing international competition makes investment promotion a crucial tool in attracting foreign investors to these sectors. Consistently, the majority of the region’s IPIs claim to prioritize tourism (68 percent) and agribusiness (58 percent); a significant number of IPI Web sites rank either or both sectors as “vital” or “priority.” Nevertheless, an assessment of the sector profiles of these Web sites reveals that claims of high sector prioritization are not matched by the provision of quantitative and qualitative online information.

Figure 4.2: Few Sector-Prioritizing IPIs Provide Sector Profiles on Their Web Sites



Indeed, as illustrated by Figure 4.2, only a narrow majority of those MENA IPIs indicating tourism as a priority showcase a sector profile for tourism on their Web site. In the case of agribusiness, of 11 MENA IPIs claiming to prioritize this sector, as many as eight feature a dedicated agribusiness sector profile.

This is a worrisome shortcoming when compared with IPIs elsewhere in the world, and especially in the OECD high-income countries, which invariably provide a sector profile for each sector targeted.

An examination of the information contained in these sector profiles reveals that most IPIs in the MENA region do not possess sufficient sector-specific market knowledge. For instance, tourism profiles available from MENA IPI Web sites typically describe a host of opportunities across various sector segments, ranging from ecotourism (beaches, deserts, islands) and historical tourism (archaeological sites), to business and health tourism (therapeutic mineral water baths, for example). However, the sites commonly fail to provide information crucial to foreign investors, neglect to back up information with reliable data from accredited sources, or else do not update their content regularly; this results in information that is intermittent or dated (see Table 4.1).

Table 4.1: Sector Profiles Provide Little Information

	INFORMATION ON KEY STRENGTHS	SECTOR-SPECIFIC STATISTICS	INFORMATION REGULARLY UPDATED	DATA SOURCED AND DATED
Tourism	57%	57%	29%	14%
Agribusiness	88%	75%	38%	13%

Given the rapidly evolving situation in the MENA region, failure to display regularly updated information and statistics at the sectoral level represents a glaring omission and a missed opportunity for reducing risk perceptions. For instance, providing recent statistics highlighting the notable rebound of international tourist arrivals experienced by some countries would help restore confidence in the region.

To build a strong case for investment in the tourism sector, an IPI should be able to demonstrate investment opportunities by providing evidence of: (i) a largely untapped market segment, as shown by high occupancy rates or the unmet demand of latent segments (backed by credible statistics); (ii) an adequate land tenure system and a number of potentially available and preidentified sites; and (iii) a large reservoir of credible local contractors and service providers (for example, by supplying contacts and an assessment of relevant local contractors, construction companies, and architects).

Similarly, in the case of agribusiness, specific information on land issues is of crucial importance to potential investors; these issues encompass land rights, ownership and dispute resolution mechanisms, land purchase and leasing procedures, and securing of water rights for agricultural production. Apart from land and water, other important agricultural inputs include seeds, chemicals, fertilizer, and machinery, all of which, in many cases, must be imported. Therefore, potential investors are likely to look for information on import and export procedures, transport infrastructure, and local supply.

Based on an understanding of the key issues investors will most likely ask about, IPIs should gather, and make available online,

<sup>39</sup>Within this framework, it is interesting to note that some Gulf countries have in recent years launched investment funds (such as the AgriCapital Fund) targeting the farming sector and related areas on a global scale.

#### Box 4.1: Egypt's GAFI—Good Practice in Providing an Agribusiness Sector Profile

The downloadable profile for the agribusiness sector on GAFI's Web site stands out on several levels. It outlines industry-related factors and reflects the agency's understanding of both the sector's core features and the information needs of potential investors. One section of the profile is dedicated to explaining why Egypt's agribusiness sector is worth investing in. This section delves into the sector's strengths and untapped potential. It describes the sector's core areas of investment and their respective added value in terms of, for example, diversity, climate, preferential access, location, infrastructure, and the local workforce. This profile is a well-organized presentation of key information sought by sectoral investors.

Over and above the standard information categories investors would look for (namely, those relating to costs, workforce size, and potential for exports), the sector profile displays inputs with high value added. Notable is the section on New Ventures, which sheds light on expected sector developments based on already existing foundations. In addition, there is a list of core sector drivers, their outlook in Egypt, and what's in it for investors.

Sector Drivers	Egypt's value proposition	Investor Benefits
Labor Force	Egypt's agribusiness labor force makes up 30.2% of the country's total workforce.	Large local workforce that is eager, skilled and growing rapidly.
Labor Support Infrastructure	Ongoing and planned construction of labor communities and educational facilities in close proximity to production areas. State-of-the-art laboratories teaching cutting edge cultivation techniques.	Infrastructure projects ensure access of agribusiness to labor, and maintain skills and competitive edge of the labor pool.
Large International Market	Egypt has a total cultivated area of 2.86 million hectares, which is especially attractive to countries in the GCC, where agricultural resources are minimal.	With GCC countries looking for "branded" agricultural products, the time for investment partnerships with established local companies and new "mega farm" projects has never been better.
Infrastructure	The Suez Canal and numerous shipping ports on the North Coast and along the Red Sea make Egypt a global hub for trade and export.	Flexible export options, ease of transport, excellent infrastructure to cut down on time between production and export.

A separate section of the profile ("Leading Agribusiness Firms Working in Egypt") comprises a list of the multinational operators already active in the sector, giving prospective investors a picture of the potential partners and competitors they are likely to face. The sector profile ends with a selection of five testimonials. Thus, in addition to "hard data," GAFI successfully integrates the real-life, first-hand experiences of past investors with whom prospective investors can relate.

Leading Agribusiness Firms Working in Egypt
Altria <a href="http://www.altria.com">www.altria.com</a>
Dina Farms <a href="http://www.dinafarms.com">www.dinafarms.com</a>
EgySwiss Foods <a href="http://www.egyswissfood.com">www.egyswissfood.com</a>
Farm Frites Egypt <a href="http://www.farmfrites.com">www.farmfrites.com</a>
General Mills <a href="http://www.generalmills.com">www.generalmills.com</a>
Givrex Frozen Foods <a href="http://www.givrex.com">www.givrex.com</a>
Groupe Danone <a href="http://www.danone.com">www.danone.com</a>
Halwani Bros. <a href="http://www.halwani.com">www.halwani.com</a>
Kraft <a href="http://www.kraft.com">www.kraft.com</a>
Magrabi Agriculture (MAFA) <a href="http://www.magrabi-agriculture.com">www.magrabi-agriculture.com</a>
Nestle <a href="http://www.nestle.com">www.nestle.com</a>

information on relevant topics, such as land access (ownership, transfer, titling, and leasing), the labor force, cost factors, and infrastructure. Regrettably, there is little evidence on the Web sites of MENA IPIs that they have conducted sufficient research on these topics. Information on supporting infrastructure, cost data, and sector-relevant legislation were almost completely absent in IPI Web sites. Lists of companies that have already invested in the sector, information on how to access land, taxes, incentives, and grants, are included in only a minority of sector profiles (between one-fourth and roughly two-fifths, depending on the topic and the sector covered). Among the very few MENA IPIs that include a strong agribusiness sector profile on their Web sites, Egypt's GAFI stands out as a good practice example (see Box 4.1)

#### Without the required sector information, the chances of satisfactory handling of investor inquiries are few

The sector-specific market presentations of MENA IPIs are far below foreign investors' expectations. This fact is illustrated in Table 4.2, which compares the information available in the sector profiles of IPI Web sites and the project-specific information requested through the GIPB 2012 inquiries.

This mismatch suggests that even in the sectors that they showcase, IPIs are poorly prepared to adequately respond to investor inquiries. Only one out of all MENA IPIs answered all questions for each investor inquiry. In the case of the tourism inquiry, no more than two IPIs answered the question on regulatory aspects, and the information offered was not complete. A slightly higher number of IPIs (between five and seven) provided answers on the other three topics, although only a few IPIs answered in good detail. Only one answer included some benchmarking data. As for agribusiness inquiries, the situation is even more negative—a maximum of four IPIs offered answers to one of the four questions (specifically, operating costs)—but even for this question, all answers were partial. As for the remaining three questions, only between two and three IPIs gave answers, and in half of these cases, answers were incomplete.

Market intelligence must not only be expanded, but also fully mastered by IPI staff responsible for managing incoming inquiries. Indeed, as illustrated by Box 4.2, it seems that, in some instances, the IPI inquiry-handling performance was also negatively affected by the limited capacity of IPI staff to effectively deliver the available information.

#### Sector prioritization is not backed up by inquiry-handling performance

In light of the above analysis, only very limited differences in inquiry-handling performance were detected between IPIs specifically targeting the sector concerned and those not prioritizing it. Actually, in the case of agribusiness, MENA IPIs that did not indicate it as a priority sector scored comparatively

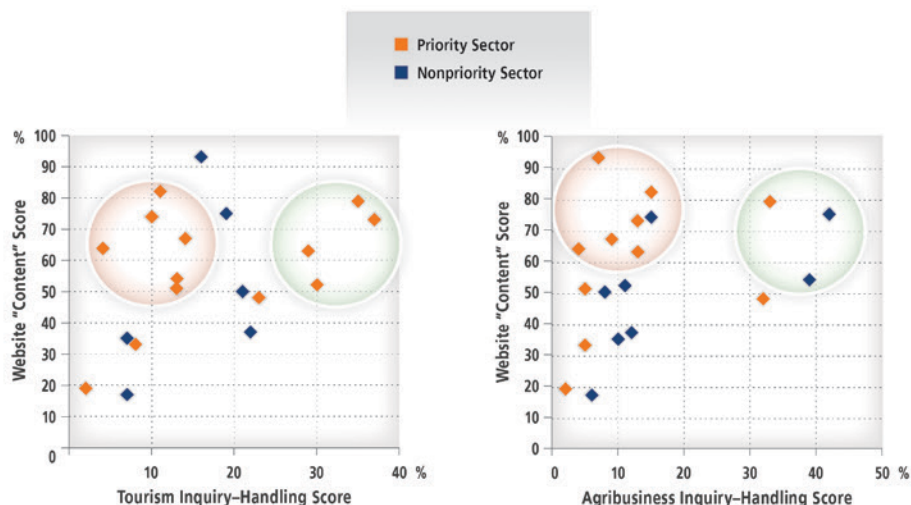
Table 4.2: GIPB Inquiries and IPI Sector Profiles—An Information Gap

	STRUCTURAL DATA	POTENTIAL SITES	COSTS / OPERATING ENVIRONMENT	REGULATORY FRAMEWORK
GIPB 2012—Requested Information (Tourism)	Macro- and sector-level key data (such as GDP, FDI flows, tourism-related statistics)  A list of major local hotels and specialized construction companies	A list of potential locations for the project, including information on associated development incentives (if any)	Labor cost for the hospitality sector and utilities, regulations or quotas for expatriate workers, taxes in the hospitality sector	Construction regulations, process for obtaining permits
GIPB 2012—Requested Information (Agribusiness)	A list of potential local partners (farmers and cooperatives)	A list of potential locations for the project, including the average cost of land  Information on the availability and average cost of water for direct use on the land	Availability and estimated salaries of technical staff (either local or foreign) and manual workers	Overview of the intellectual property rights legislation and regulatory trade restrictions  Information on process for securing land (for example, purchase, rent, concessions, or other customary means)
MENA IPI Web Site—Available Information	Some sector data are generally available, but both level of detail and frequency of updating vary widely  Only a few Web sites provide a list of leading firms in operations	There are practically none, but, in a few cases, investment maps are included	Information about labor costs is generally available, but rarely for different professional profiles and/or for different sectors	Limited information is available on the above regulatory aspects, especially in the case of land tenure system and construction permits

Box 4.2: A Wealth of Information Cannot Make Up for Poor Inquiry Handling

As illustrated in Figure 4.3, all IPIs recording comparatively better inquiry-handling performance (in the green circles) have already accumulated a substantial amount of data and information on key aspects of the location, from macroeconomic data to labor market statistics. Indeed, these IPIs are almost invariably assessed as good practice in terms of the GIPB Web site “content” theme. While the existence of a wealth of information is a precondition for providing timely, informative answers to potential investors, it is not always sufficient. Many IPIs with content-rich Web sites have performed very weakly with regard to sector-specific inquiry handling (in the red circles), suggesting that they fail to make good use of the information they make available online. This weakness represents a major missed opportunity, especially for those countries attaching a high priority to the development of the tourism and agribusiness sectors.

Figure 4.3: Correlation Between Inquiry-Handling Performance and Assessment of Web Site Content



better in inquiry handling, even if their overall performance remained poor. In other words, prioritization seems to mean little to MENA IPIs given their poor inquiry-handling performance in priority sectors. As a consequence, MENA IPIs are likely losing investors' interest even in sectors identified as priorities.

### Summary: Key recommendations for improving investment promotion in targeted sectors

Given the importance of industry-specific location factors in swaying investment decisions, and the fierce competition to attract FDI, sector targeting is regarded as best practice for core investment promotion. IPIs in the MENA region do not appear well positioned to compete in this race. Indeed, sector prioritization does not seem to be a focus for most MENA governments, as evident from: (i) the small number and the overall low quality of sector profiles included in IPI Web sites, and (ii) the poor management of investor inquiries by IPIs, even when concerning targeted sectors. To improve this situation and increase their capacity to attract FDI in sectors identified as priorities, MENA IPIs are strongly encouraged to adopt the following recommendations.

**Improve understanding of key evaluation criteria for investment location and specific market conditions in selected sectors.** To effectively promote their locations as FDI destinations, national governments should develop national economic development strategies that focus on attracting FDI into sectors for which their countries offer competitive advantages vis-à-vis the requirements of international investors. Identifying these sectors requires in-depth research and analysis of costs and conditions relative to competing locations. The efforts and resources required to fill this information gap are not negligible, and IPIs have a key role to play in gathering the necessary information. The resulting wealth of information is crucial and a precondition to developing well-crafted value propositions for potential investors.

In addition, the information resulting from such research and analysis will: (i) allow IPIs to develop comprehensive sector profiles, incorporating benchmarking data, to highlight the location's comparative advantages, and (ii) raise IPIs' ability to respond effectively to direct inquiries from investors in a timely manner, provided that the staff responsible for managing incoming inquiries is adequately trained to locate and make effective use of sectoral intelligence.

**Expand resources and foster partnerships to develop sector-specific knowledge.** To satisfy the above recommendation as well as to offer constantly updated sector knowledge to potential investors, IPIs should expand their range of information sources. Specifically, MENA IPIs should: (i) exploit external data sources, such as the United Nations' Food and Agriculture Organization and the World Tourism & Travel Council; (ii) establish collaborations with national, regional, and local governments and communities to identify appropriate land and ensure that proper procedures are followed for land

transfers or leases; and (iii) join forces with private sector associations (chambers of agriculture, hotel associations), promotional agencies (tourism boards), and technical bodies to source specific information about the sectors.

**Maintain contacts with sector promotion agencies,** preferably establishing long-term collaborations with them, in order to guarantee world-class customer service for foreign investors. For instance, in the case of Tunisia, responsibility for attracting investors into the tourism and agriculture sectors is in the hands of the *Office National du Tourisme Tunisien* and the *Agence de Promotion des Investissements Agricoles*, respectively. While the presence of these two bodies clearly reduces the responsibility of the IPI, it should not be a justification for limited effectiveness in handling inquiries. Indeed, even for nonprioritized sectors, an IPI should be able to offer professional assistance, at least in terms of disclosing preliminary information, establishing direct contacts with people within relevant sector agencies, and following up with potential investors to verify whether or not they actually received the required assistance from the relevant sector agencies.

**Consider joining efforts to restore confidence in the region.** In addition to the cost and quality of sector-specific factors, political stability and security are two of the most important issues influencing site selection. Some commentators argue that the severe image problems created by Western media through news reports on the MENA region have had a very negative impact on FDI flows, especially in the tourism sector. In the face of this challenge, individual IPI efforts to modify foreign perceptions may only be partially effective, according to officials at AMDI, the Moroccan IPI. In a phone interview, one official stated, "French and Spanish investors, who have [long familiarity with] Morocco were easy to convince about the stability of country conditions, whereas investors from other countries tended to consider all Arab countries as a single, insecure investment destination."

While investment promotion remains a fundamentally competitive business, and there is a limit to how far IPIs might collaborate, there would still appear to be scope for some kind of joint regional or, more likely, subregional marketing efforts to address the current image difficulties. Earlier experiences in the Western Balkans, following a prolonged period of war in the 1990s, suggest that there may be benefits for all from such an approach. For example, a regional investment forum could be an effective launching pad to encourage increased flows of FDI into tourism, and an efficient way of promoting sustainable growth in the sector. By identifying and highlighting specific national assets and opportunities, such a forum could well improve the region's image abroad.

# Appendices

## APPENDIX A: ASSESSMENT METHODOLOGY FOR WEB SITES AND INQUIRY HANDLING

The assessments of IPI Web sites and of IPI responses to inquiries were conducted by a professional site selection company on behalf of the Investment Climate Department of the World Bank Group. Both the Web sites and the inquiry responses were evaluated, in English, against a fixed list of objective, best practice features. These features fall under various themes, which are weighted for relative importance and combined to produce a single Web site assessment and a single inquiry-handling assessment for each IPI.

Web sites were judged for their technical strength, design quality, promotional effectiveness, and supply of information needed by investors when they are first compiling a long list of possible investment locations.

The assessment methodology is unchanged from GIPB 2009. While GIPB 2006 did employ a slightly different methodology, GIPB 2006 results cited in this edition have been adjusted according to the current weighting. The assessment themes are listed below with their share of the total assessments noted in parentheses:

### WEB SITE ASSESSMENT THEMES

- 1 Information architecture (10%)—the layout and organization of information in a Web site and the extent to which the site was designed using a consistent and logical structure that allows users to quickly identify key pieces of information**
  - 1a Web-friendly structure (1%)—home page setup and appearance on standard PC screens and whether extensive scrolling is required to see information
  - 1b Navigation ease (7%)—whether the site uses navigation bars or prompts and whether it is easy to move from page to page
  - 1c Web site functionality (2%)—whether the site signposted key topics, is downloadable in a standard time, and whether its graphics and links worked
- 2 Design (10%)—the general appearance and readability of a site.**
  - 2a Look and feel (1%)—industry terminology for the visual appeal and visual consistency of pages
  - 2b Use of graphics (3%)—whether the site uses graphics that enhance the IPI's image for business, and the use of maps to showcase key infrastructure in the location
  - 2c Reading ease (6%)—whether the choice of color or text supports readability, whether font sizes are consistent and headings short and “web friendly”
- 3 Content (50%)—the extent to which the site contains content that is relevant, accurate, current, and easily accessible to potential investors**
  - 3a Clarity of purpose (7.5%)—whether the Web site sets out its location as a destination for foreign investment and the IPI's services for investors on the home page
  - 3b Core information provision (10%)—provision of key information for foreign businesses that is both relevant and useful
  - 3c Sector information provision (17.5%)—provision of sector information online and whether this information is consistent in terms of its depth and quality across multiple target sectors
  - 3d Credibility of information (5%)—use of statistics to support claims and whether these statistics are well sourced, dated, and from credible origins
  - 3e Currency of information (5%)—use of up-to-date information on business events and investor-related news
  - 3f Downloads (2.5%)—ability to download investor reports or presentations from the site and the comprehensiveness of this information for inward investors

3g International accessibility (2.5%)—use of English and other frequently used (relevant) business language options that are accurate and consistent in terms of the level of information provided in each language option

**4 Promotional effectiveness (30%)—the extent to which the Web site is effective in its primary aim of selling the location and IPI services to inward investors**

4a Web prominence (4.5%)—whether the Web site was easy to identify from an Internet search

4b Corporate roles and support (4.5%)—whether the Web site clearly sets out the role of the organization and the services provided, including clear methods for accessing further information and advice

4c Contact information (7.5%)—whether the Web site clearly sets out a good range of detailed contact options for site visitors

4d Promotional effectiveness (13.5%)—the effectiveness of the Web site at selling the location to business, and use of comparative data

Inquiry handling was judged for IPI contactability, responsiveness and handling of communications, information quality, and follow-up, each theme representing a part of the typical experience that an investor goes through when contacting an IPI for more information to assist their more detailed short-listing evaluations. Each component is sequenced to reflect the chronological order of the steps to contact an IPI. Because of the sequenced nature of the inquiry-handling assessment themes, an IPI being assessed as zero for a particular stage would normally be assessed as zero for every stage thereafter. For example, an IPI that is not contactable cannot handle communications, provide a response, or follow up.

The assessment themes are listed below with their share of the total assessment noted in parentheses:

INQUIRY-HANDLING THEMES	
<b>1</b>	<b>Contactability (10%)—defined as the extent to which an investor can identify the IPI and officers within the IPI that they can contact in their search for information and also whether the IPI was easy to contact from a client perspective.</b>
	1a Web site availability (3%)—whether the IPI had a Web site and the ease of finding that Web site
	1b Quality of contact details (7%)—the level of contact details available to a potential inward investor from the Web site, including whether they were clearly set out, easy to identify, and accurate
<b>2</b>	<b>Responsiveness and handling (15%)—defined as the ease with which an investor can communicate with an IPI and the IPI’s ability to engage with the investor in a professional and informed manner</b>
	2a E-mail and phone responsiveness (6%)—whether the IPI had good internal systems at first contact level for dealing with investor inquiries from the Web site, and whether it was effective at handling clients who contacted the organization directly
	2b E-mail handling (1.5%)—the way in which the IPI responded to initial e-mail inquiries to the Web site, and whether e-mail correspondence was well linked to the original client project inquiry and projected a clear and professional image of the IPI for the client
	2c Call handling (1.5%)—whether the IPI demonstrated that their first-level communication channels and project officers were competent and thorough at taking client inquiries
	2d Inquiry-handling competence and responsiveness (6%)—whether the IPI showed that their project officers were aware of the original client e-mail inquiry and were willing and able to provide a timely inquiry response. Also, whether they provided good coordinated management of the inquiry and completed work to deadline
<b>3</b>	<b>Response (55%)—refers to the actual response that the IPI provided to the investment inquiry</b>
	3a Response format (2.75%)—whether the IPI provided a final response that was presented in a clear manner, preferably as one document in an appropriate business software package
	3b Response branding (2.75%)—whether the response was well branded, ensured good consistency, and projected a strong image to the client
	3c Response organization (2.75%)—whether the response included a cover letter as well as a contents page, introduction, and other relevant headings relating to the project, and whether the IPI addressed each of the issues the client raised
	3d Answer quality (30.25%)—whether the IPI addressed each client issue in turn and customized their response to the client’s particular needs, thereby providing information that has real value in the long-listing process
	3e Answer credibility (5.5%)—whether the response made good use of comparative data, relevant and well-referenced case studies, and testimonials. Also whether the IPI response was accurate in terms of grammar and spelling
	3f Business case (11%)—whether the IPI set out why their location was good for the client project
<b>4</b>	<b>Follow-up (20%)—the extent to which the IPI took action to follow up on the information sent to the client as well as to establish whether they could offer more help or arrange to move the project on</b>



## APPENDIX B: DESCRIPTION OF THE INQUIRIES SUBMITTED TO IPIS

GIPB created typical investor inquiries for an agribusiness investment and a tourism investment, each with a description of the project size and purpose and a list of information requested. To ensure the realism of the inquiry and its response, the inquiries were designed with the help of sector-expert focus groups. The agribusiness focus group included Syngenta, Monsanto, Pannar, Higgins, and Bayer, while the tourism focus group included The Rezidor Hotel Group, HTI Consulting, KnightConsult, DGA Business Development, W Hospitality Group, Marriott Hotels, Mövenpick, Serena Hotels, and DTZ.

Each IPI was presented with the two inquiries by e-mail, using different site selection consultant names and organized differently to avoid suspicion that the same party was behind both. Inquiries needed to reflect high-end projects to pique the interest of IPIs, but they also needed to seem attainable for the level of development in each IPI's country. Therefore, two versions of each inquiry were developed, one for OECD high-income economies and the other for all other economies. Although the sophistication of the investment project varied, the information requested of IPIs was exactly the same in all cases.

Table B.1. Investment Projects Adjusted for Development Level

IPI	TOURISM	AGRIBUSINESS
OECD high-income	Luxury resort hotel development	R&D center, with small plot of land for testing
All other IPIs	Four star business hotel	Land for growing / production with small facility for scientific testing

The initial inquiries were submitted by e-mail, and, if no response was received after 48 hours, followed up by telephone. It was requested that complete responses be submitted by 12 days from the initial e-mail. Information requested included a sector profile, labor skills and availability, employment regulations, and potential sites.

When there was no reaction to the initial e-mail or the initial follow-up call, two final call attempts were made to allow for any temporary staff shortages or system failures. In those cases where an IPI indicated that the mandate for tourism or agribusiness was with another organization, the consultant sent the project inquiry to that alternative organization. GIPB methodology favors IPIs that are proactive in coordinating a dialogue between the contacting consultant and the third party.

Below are examples of the two project inquiries.

### Tourism Inquiry (OECD high-income version)

#### Project Details

The client is an investor from an emerging economy, who is currently in discussion with various hotel operators, all of which have in place a significant portfolio of international hotel developments, which include several high-profile luxury resorts.

It is estimated that the new ultra-luxury resort hotel will be around 120,000–200,000 square feet in size, providing approximately 300–400 deluxe rooms and suites, and offer a full range of leisure activities, amenities, and services. The hotel will generate a capital investment of US\$100–150 million. The market strategy of the hotel chain that will manage the property will focus on high-end, trend-conscious leisure travelers, while also providing business meeting and conference facilities.

#### Required Information

1. Background Macro Data. Provide data on the economy, demography, and the hospitality/hotel market in the city. Information should include, but not be limited to, GDP, FDI flows, tourism-related statistics (such as passenger volumes through local airports and average length of stay), and any recent infrastructural developments or any new drivers of demand that may have occurred in that city/region. In addition, provide a list of major local hotels and available information on new entrants to the local market that are either under construction or planned.

2. **Potential Sites.** Provide information on sites (greenfield, vacant, semivacant or distressed properties) that may be suitable for this project. In all cases these sites should be either close to a business demand generator or a tourist attraction. Indicate if there are any sites with associated development incentives including loan guarantees, tax incentives, waiving of import duties, and grants that might be available for training from the local/regional or national authorities. If your organization does not have information on sites, provide a profile on the best areas of your location to look for sites, based on current growth and urban development patterns, as well as contacts to other organizations, including brokers, that could provide site information.
3. **Costs / Operating Environment.** Provide an indication of the cost of labor for the hospitality sector and utilities (especially electricity). Indicate if there are special regulations or quotas for expatriate workers. Information on locally available training programs for the sector would be useful. In addition, provide a concise description of all the taxes that apply to the hospitality sector and a hotel project of these characteristics, as well as any fiscal incentives available.
4. **Construction.** Provide information on specialized local construction companies for the developer, including their availability and whether materials are readily available or need to be imported. Provide detail on construction regulations and the process for obtaining permits, as well as the support that your organization can provide in working through these processes with our client.

## Agribusiness Inquiry (non-OECD high-income version)

### Project Details

The client is a specialized agribusiness client interested in acquiring an area of arable land that would be complemented by a small research and development facility. The company wishes to develop a land facility for the growing and testing of new varieties of various non-genetically-modified root and tuber crops, with a view to examining their potential to produce higher-than-average yields, adapt to different climatic conditions, resist disease, and their suitability for markets in either an unprocessed or processed form. As part of this, there should be some laboratory space for further testing and possibly developing of these new varieties. It is estimated that the land area required would total approximately 80 acres, including a small storage space, with an annexed laboratory of up to 1,000 square feet. Our client is currently in the process of defining the staffing strategy for the investment, but they have initially estimated up to 50 seasonal workers to work on the land, plus up to 10 science staff focusing on the properties of each new variety grown, such that the client can understand those that have greatest commercial potential.

### Required Information

This stage of the process will focus on developing a list of potential locations with reference to a suitable cost profile, labor and land availability, and the permits and other legal procedures necessary for product development and export. Soil conditions will be evaluated in detail once a shortlist of sites has been identified, hence only general information on the quality of land is required at this stage.

1. **List of Potential Locations.** A list of potential locations for the project (space for a laboratory and suitable land for growing), including the average cost of land. It would be helpful to understand the process for securing the land (purchase, rent, concessions or other customary means, etc). Also include information on the availability and average cost of water for direct use on the land.
2. **Information on Labor.** In terms of the labor needs, we would be grateful for information on the availability and estimate salaries of technical staff (either local or foreign) and manual workers. It would also be helpful to know if there are any limits to extended stays for high-skilled foreign labor.
3. **Legal Framework.** Regarding the legal framework for a project with these characteristics, our client is especially interested in having an overview of the intellectual property rights legislation in your location. If there are any restrictions to the import of seeds, provide a brief description of these. Does your government provide any incentives for this type of project?
4. **Future Production.** As our client is a relatively small company, in order to better commercialize the new varieties for export and regional consumption, the company would like to work with local farmers and cooperatives. Therefore, provide a list of cooperatives and contract farmers close to the location that could work with our client as potential future production partners, and to understand the export procedures for unprocessed crops.

## APPENDIX C: THE IPI CHARACTERISTICS SURVEY

### Survey Design

In late 2011, the Investment Climate Department of the World Bank Group commissioned a survey on key characteristics of investment promotion intermediaries (IPIs) in the MENA region. The IPI Characteristics Survey was administered online to the region's 19 IPIs in February 2012. Based on a structured questionnaire originally developed by FIAS and utilized at global level in 2008–2009, the IPI survey was designed to provide a first-hand understanding of MENA IPI structural features and operating conditions, with particular reference to the provision of information to potential foreign investors.

The IPI Survey covered three main “areas” or “themes”:

- The structural features of IPIs (nature of organization, year of establishment, governance, areas of activity), which encompassed six questions;
- The availability of human, physical, technical, and financial resources, comprising six questions;
- The experience gained and the capabilities displayed in implementing investment facilitation services, which covered 18 questions.

### Survey Implementation

After a first round of telephone calls to inform IPIs about the upcoming survey and to identify the most appropriate person to answer the questionnaire, survey participants received personalized e-mail invitational messages providing information on the survey rationale and including the questionnaire. Out of the 19 IPIs contacted, 12 participated in the survey, with a response rate of more than 60 percent.

Immediately upon completion of the survey period, data were inspected to check for accuracy. Critical data were corrected or, when correction was not possible, clarifications were requested directly from the IPI through follow-up email messages or brief telephone calls.

### Survey Respondents

ECONOMY	IPI
Algeria	National Agency for Investment Development
Djibouti	National Investment Promotion Agency
Egypt, Arab Rep.	General Authority for Investment
Iraq	National Investment Commission
Jordan	Jordan Investment Board
Kuwait	Kuwait Foreign Investment Bureau
Morocco	Moroccan Investment and Development Agency (MIDA)
Oman	The Public Authority for Investment Promotion & Export Development
Syrian Arab Rep.	Syrian Investment Agency
Tunisia	Foreign Investment Promotion Agency
United Arab Emirates	Dubai Foreign Investment Office—Department of Economic Development*
West Bank and Gaza	Palestinian Investment Promotion Agency

\* GIPB 2012 assessed the Dubai Development and Investment Authority, but this organization was later replaced by the Foreign Investment Office, Department of Economic Development. This latter organization responded to the IPI Characteristics Survey.

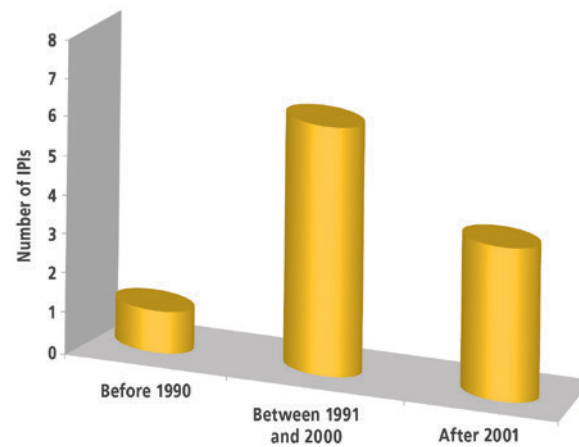
## Survey Results

Key results of the IPI Characteristics Survey are summarized below and illustrated in graphical format.

### Structural Features

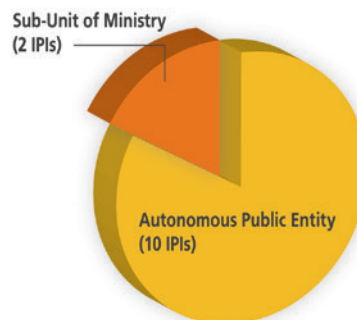
#### Year of Establishment

The majority of MENA IPIs were established between 1991 and 2000, while four new IPIs were set up in the region in the past decade



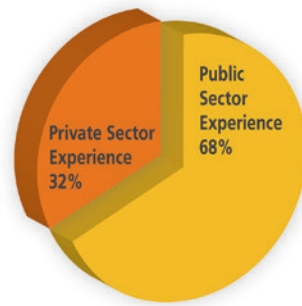
#### Legal Status

All MENA IPIs participating in the survey are governmental institutions.



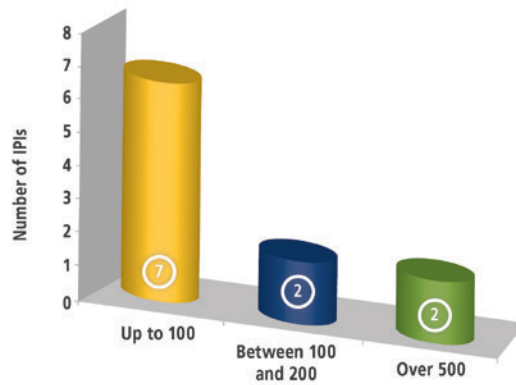
Management Board

Eleven out of 12 IPIs have a management board comprising mostly directors with public sector experience.



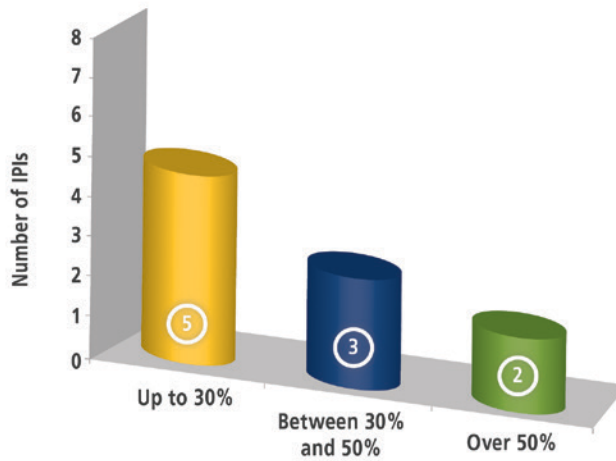
Total Staff (Full-time equivalent)

The majority of MENA IPIs' total staff ranges from 10 to 100.



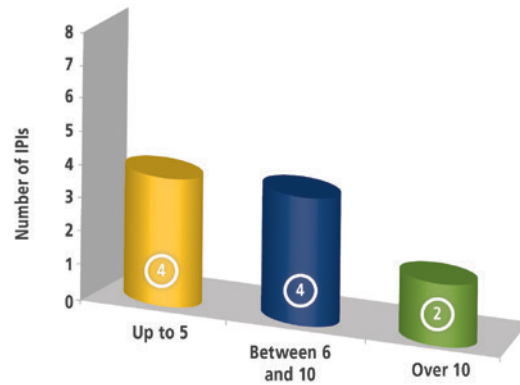
About 80 percent of staff members are responsible for operational activities (such as investment officers, assistants and researchers), the rest for support activities (cleaning and maintenance, chauffeurs, and so on).

Staff with Previous Private Sector Experience



**Staff Responsible for Market Research**

Almost all MENA IPIs have staff performing market research to gather information that will help investors in their decision-making process, but only in two cases is their dedication exclusive.



**Total Budget for FY 2011/2012**

The budget of MENA IPIs varies widely: from US\$276,000 to US\$120 million. However, the majority of IPIs have a budget falling between US\$2 million and US\$7 million.

**IT Equipment**

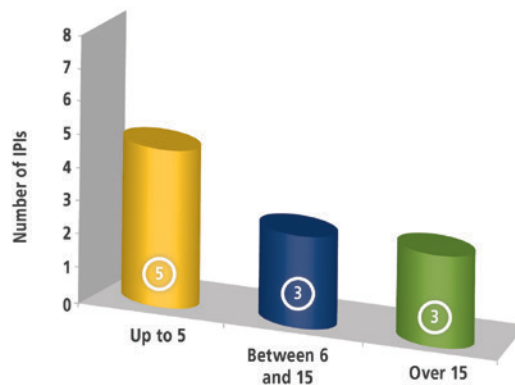
For each person employed, MENA IPIs have on average 0.8 computers with access to the Internet.

**Local & International Presence**

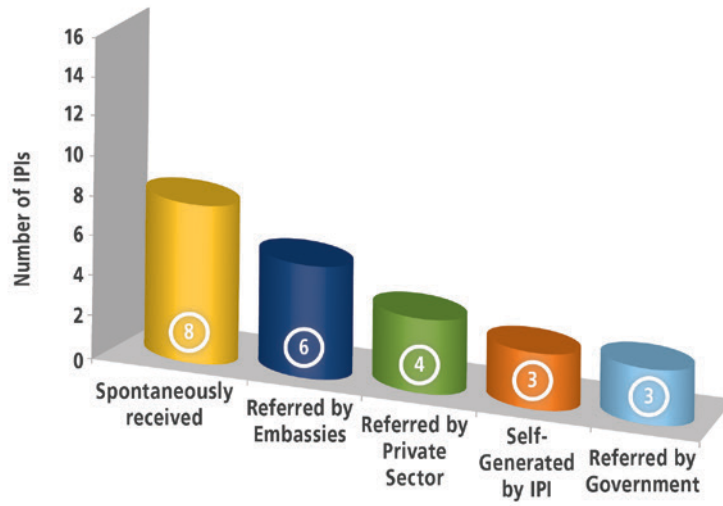
Although the majority of MENA IPIs have one single office, located in the country's capital/main city, there are five IPIs with a subnational network and four IPIs with overseas offices.

*Inquiry Handling*

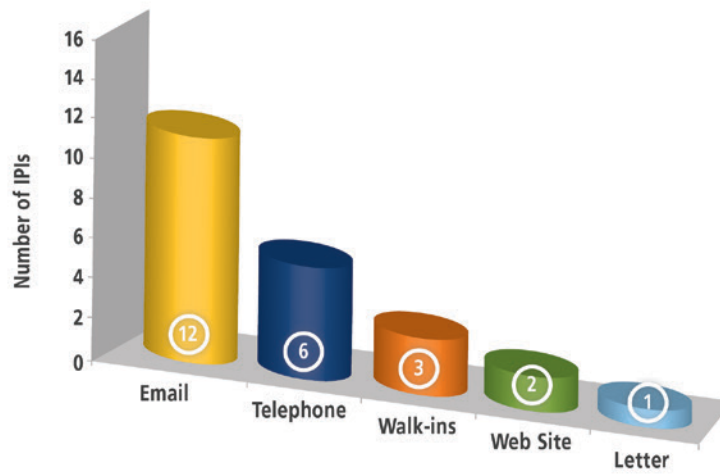
**Number of Inquiries from Foreign Investors in a Typical Week**



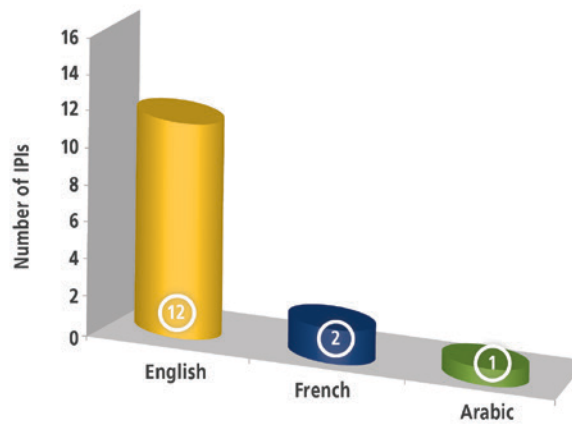
The Two Most Important Channels



The Two Main Sources of Inquiries



Language Used Most Often in the Investor Inquiries



**Staff Responsible for Inquiry Handling**

The majority of MENA IPIs have staff responsible for responding to Web-based and/or telephone inquiries from investors, although not in a full-time capacity. In only two cases, IPIs have two people exclusively dedicated to handling inquiries from potential investors.

**Training Sessions Delivered to Staff Responsible for Inquiry Handling**



**Average Salary of Staff Responsible for Inquiry Handling**

No MENA IPIs offer salaries competitive with the private sector. In 50 percent of the cases, average salaries are above those in the public sector, but below those in the private; in the remaining 50 percent, average salaries are at par with the public sector.

**Written Guidelines**

Half of MENA IPIs have written guidelines or procedures to respond to investor inquiries.



## APPENDIX D: LIST OF NATIONAL IPIS ASSESSED, MENA REGION

ECONOMY	IPI	WEB SITE
Algeria	National Agency for Investment Development	<a href="http://www.andi.dz">www.andi.dz</a>
Bahrain	Bahrain Economic Development Board	<a href="http://www.bahrainedb.com">www.bahrainedb.com</a>
Djibouti	National Investment Promotion Agency	<a href="http://www.djiboutinvest.dj">www.djiboutinvest.dj</a>
Egypt, Arab Rep.	General Authority for Investment	<a href="http://www.gafinet.org">www.gafinet.org</a>
Iran, Islamic Rep.	Organization for Investment Economic and Technical Assistance of Iran	<a href="http://www.investiniran.ir">www.investiniran.ir</a>
Iraq	National Investment Commission	<a href="http://www.investpromo.gov.iq">www.investpromo.gov.iq</a>
Jordan	Jordan Investment Board	<a href="http://www.jordaninvestment.com">www.jordaninvestment.com</a>
Kuwait	Kuwait Foreign Investment Bureau	<a href="http://www.kfib.com.kw">www.kfib.com.kw</a>
Lebanon	Investment Development Authority of Lebanon	<a href="http://www.idal.com.lb">www.idal.com.lb</a>
Libya	Libyan Investment Board	<a href="http://www.investinlibya.ly">www.investinlibya.ly</a>
Morocco	Moroccan Investment and Development Agency (MIDA)	<a href="http://www.invest.gov.ma">www.invest.gov.ma</a>
Oman	The Omani Centre for Investment Promotion and Export Development*	<a href="http://www.ociped.com">www.ociped.com</a>
Qatar	Ministry of Business and Trade	<a href="http://www.mbt.gov.qa">www.mbt.gov.qa</a>
Saudi Arabia	Saudi Arabian General Investment Authority	<a href="http://www.sagia.gov.sa">www.sagia.gov.sa</a>
Syrian Arab Rep.	Syrian Investment Agency	<a href="http://www.investinsyria.org">www.investinsyria.org</a>
Tunisia	Foreign Investment Promotion Agency	<a href="http://www.investintunisia.tn">www.investintunisia.tn</a>
United Arab Emirates	Dubai Development and Investment Authority	<a href="http://www.emiratesfreezone.com">www.emiratesfreezone.com</a>
West Bank and Gaza	Palestinian Investment Promotion Agency	<a href="http://www.pipa.gov.ps">www.pipa.gov.ps</a>
Yemen, Rep.	General Investment Authority	<a href="http://www.gjay.gov.ye">www.gjay.gov.ye</a>

\*Subsequently re-named the Public Authority for Investment Promotion & Export Development.



## Investment Climate Department of the World Bank Group

The Investment Climate Department of the World Bank Group helps governments implement reforms to improve their business environment, and encourage and retain investment, thus fostering competitive markets, growth and job creation. Funding is provided by the World Bank Group (IFC, MIGA, and the World Bank) and over fifteen donor partners working through the multi-donor FIAS platform.



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