



International  
Trade  
Centre

REMARKS BY

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PROMOTING FDI TO LLDCS  
LUNCHEON AT THE WIF 2018

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Good afternoon and thanks for inviting ITC to take part in this important gathering.

The previous remarks by Mukhisa and esteemed representatives of Paraguay, Malawi, Nepal and Zimbabwe have offered great insights into ways to act upon constraints imposed by geography to promote and facilitate FDI to LLDCs.

To offer a different perspective, I would like to focus on ITC's experience working with 4 key LLDCs: **Ethiopia, Rwanda, Uganda** and my own home country of **Zambia**.

## **General Background**

ITC is currently implementing two large investment projects in Africa, SITA (Supporting Indian Trade and Investment for Africa) and PIGA (Partnership for Investment and Growth in Africa).

SITA is a trade and investment project to increase the value of business transactions between India and five East African countries – Ethiopia, Kenya, Rwanda, Tanzania and Uganda - by identifying and promoting trade and investment across value-chains such as textiles and apparel, leather, spices, edible oil and pulses..

PIGA is a pure-play investment-related project with the aim to increase exports, jobs and local development through FDI and business partnerships between Chinese investors and selected African suppliers, in light manufacturing and agro-processing.

As with most ITC projects, we achieve our goals by working on three levels – with the policy makers, institutions and with private businesses (and investors). The important learning from SITA and PIGA talks to the shifting importance from investment generation to investment facilitation.

I am pleased to say that to date SITA has USD 91 million worth of investment deals in various stages of catalysation, while PIGA has generated USD 33 million in investment leads.

### **How did we get there**

While the types of challenges in FDI remain consistent with other countries, their magnitude in LLDCs is a lot more due to their landlockedness, resulting in their their reliance on neighbouring countries for transit; add to this the information and perceptual asymmetries that result in LLDCs becoming a “harder-sell”.

To surmount these challenges both SITA and PIGA designed and rolled out a series of products, activities and services that I am pleased now to share.

In addressing information asymmetry the most important product were the roadmaps (sector and country-specific) designed by national stakeholders from the public and private sectors. These was the first step towards the articulation of a national level strategy to improve national, sector-level, competitiveness and to set the ground for improving investment attractiveness – while also increasing coordination, cooperation, and aligning the messaging and discourse between policy makers, institutions (including National IPAs), and the national business sector.

An equally important product were Investment Profiles – again at sector-and-country-level – designed with National IPAs as the owners went a long way in aligning investor perceptions with reality - the Sanctity and Credibility of information was enhanced given the national ownership. The exercise also built capacity for investor-targeting, advocacy, and client management among IPAs since the profiles were bespoke and targeted specific investor demographics through taking in to account cultural, business, political sensitivities (e.g. Chinese investors in PIGA project; and Indian Investors in the case of SITA).

Validation of information at the highest level, nationally, through outbound ministerial and senior official level delegations for investor targeting have had a signal effect in increasing the comfort levels of potential investors, who then reciprocated with visits to investee countries where their interactions went beyond IPAs and government officials, and entailed engagement with businesses – both domestic and foreign operating in the country – sector-level institutions, other Trade and investment support institutions; and in some cases civil society organizations.

These visits (both outbound and inbound) provided national interlocutors with opportunities to know their clients (potential investors) better thereby being able to assess and respond better to their investors’ needs and connect with them by “speaking their language” - showcasing opportunities for profitable growth, putting on display their national business environment, providing assurances of safety and security etc.). The need for providing unabated access to information was also an important learning for policy makers and institutional representatives from investee countries.

For potential investors, the information products followed up by the face-to-face interactions, intermediation, and access to authorities, turned out to be important factors in building comfort and confidence levels.

For the investee countries knowing their potential investors better have brought about changes in behaviour that range from the willingness to be flexible in communicating and interpreting their policies to attract investors – minor exemptions can beget major returns is the bottom-line here. We have observed that Investors - particularly bigger ones – sometimes require leeway in policies that may include ‘authorized investor’ benefits such as faster processing times, less documentation requirements, additional work permits for first 10 years of operations, etc. The much needed behaviour change from a control mindset to a facilitative one is also being observed in some country contexts.

I would also like to state that improvements in investment climate should not be looked at in isolation. These need to go hand in hand with other related reforms which are important to investors when making investment decisions. Here allow me to remind us all that these reforms and changes should include:

Enhancing Regional Integration - Despite the many RECs, particularly in Africa, regional integration needs more support especially for harmonization of procedures in the areas of trade and investment; and

Improving Trade Facilitation - TF indicators are an important consideration for large multinational corporations when making investment decisions.

Finally, Ladies and Gentlemen, in going forward, as a key technical assistance agency in the work of investment facilitation, as acknowledged in Astana Statement on Investment Facilitation for Development recently, ITC will

continue to work with our beneficiary countries, particularly LLDCs, to overcome their challenges and become favourable destinations for FDI.

Thank you and bon appetit.

DRAFT