



**Opinion piece: Investment promotion agencies must tread a fine line between the need for transparency in the use of public money, and the need to protect sensitive information. This informal blog discusses why.**

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## Why all the secrecy?

Transparency with public money is important, but FDI attraction remains a competitive sport.

When a sports team takes the field, they have some assets that are well known to everyone involved, including the skills and experience of players, their general fitness levels, the team dynamics, and the tactics that have worked well in the past. Opponents use this information to prepare for each game. In equally matched opponents, success will come from the delivery of a game plan that makes the best possible use of these assets. Winning depends on keeping this game plan secret.

On the first day of the second millennium, I signed up for a new job at a national Trade and Investment Promotion Agency. My work was with the Export team, but I was always intrigued by the shroud of secrecy that covered the work of my colleagues in Investment. My experiences in the decades since Y2K have taught me why.

We are all familiar with the usual factors that drive the decision by a multinational to invest in operations abroad – they seek access to scarce resources, access to markets, access to assets, and efficiency gains (including cheap labour). The decision about where to invest also has a broader set of drivers, including government stability and transparency, fiscal and other financial advantages, infrastructure and quality of life.

Most of these possible attributes of a host country are “baked in” to the geography, politics, or infrastructure of a country. There are also assets and attributes that countries can create: a release of new mining licences, increased port capacity, economic free zones. But of all these levers, the ones that can most easily be employed as incentives to attract a particular investment relate to special tax and financial deals.

These deals are both commercially and politically sensitive.

Today there are additional investment drivers in response to the interrelated global challenges of environment, climate, inclusion, social responsibility, geopolitical positioning and conflict, but the number of levers that Investment Promotion Agencies can adjust in the short term remain limited.

This situation can lead to an unintended negative consequence: the “race to the bottom”.

The race to the bottom occurs when several geographies compete for the same investment sector or individual investors. As soon as one country, region or city introduces a new tax regime, or an advantageous financial model for investors in a target sector, the competing location tries to beat the offer. Although this competition is of course advantageous to the potential investor, it means that the resulting benefits of the FDI are undermined. Keeping these negotiations under wraps until the FDI deal is done can prevent the worst of the benefits erosion.

Additional sensitivity comes from the strategic information about decisions to invest abroad, that, if released too early, will send signals to the competitors of a potential investor or shine unwanted attention on the movements of high-net-worth individuals. An Investment Promotion Agency must protect this sensitive information, or it can lose credibility.

If sensitive information is not protected, then there is also the risk of people using information about possible investment deals to their own unfair advantage, including buying land or investing in potential local suppliers. Limiting the number of insiders with access to this type of information means better control of this risk.

When spending public money, transparency is important and builds trust. Nevertheless, IPAs are right to keep quiet about their research into possible new sectors, multi-nationals or high-net-worth individuals that they may be targeting. They also need to keep quiet about any research underway to shape new investment friendly tax regimes or incentives. It is not always in the public interest for this information to be shared until the deal is done.

After the game is won, there may be no harm in sharing the game plan, but not before.

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