

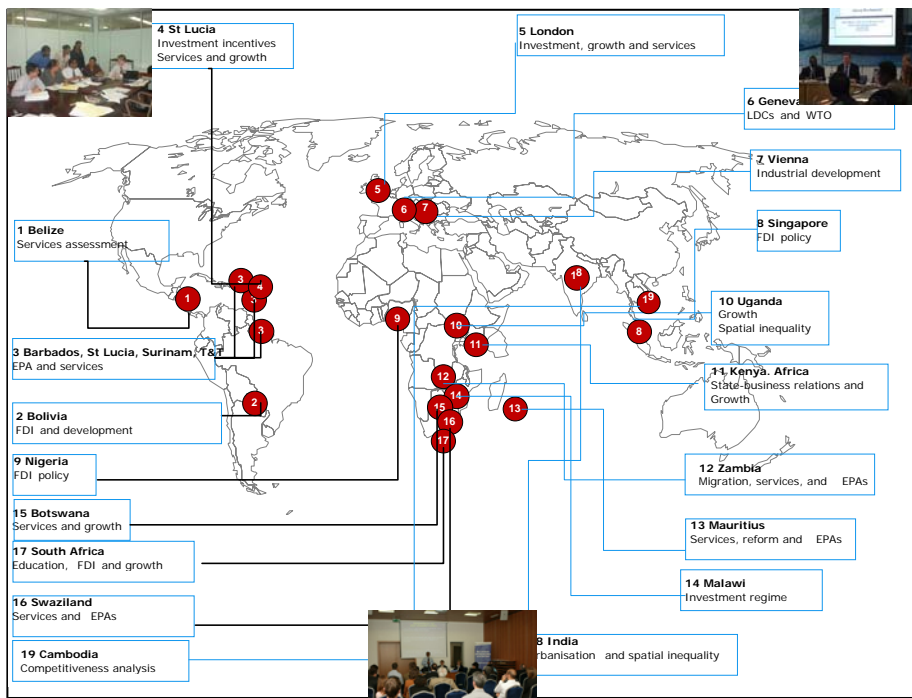
ODI's programme on

Investment and Growth

Research, policy advice and public affairs around the world

Overview

July 2008



Programme leader: Dr Dirk Willem te Velde
dw.tevelde@odi.org.uk

Introduction

The Investment and Growth (I&G) programme at the Overseas Development Institute provides an independent voice on growth issues in both developing and developed countries by locking together high-quality research, relevant policy advice and effective public affairs. It seeks to understand what drives growth and investment and how the public sector can actively support growth. It aims to inform developing country policy makers (economic policy makers, trade negotiators, etc), donors, researchers and the development community including business and NGOs in London and elsewhere. It uses innovative research and communications techniques and promotes the use of growth-research related networks in the developing world.

Economic growth is crucial for delivering the economic freedoms and capabilities for sustained human development. But achieving and sustaining growth is not easy – researchers know very little about the causes of growth or what has caused growth after a growth episode has been observed.¹ The central message of a cross-country World Bank study is that “there is no universal set of rules” which can inspire pro-poor growth within a particular country.² While we know a lot about what is generally good for growth (e.g. macroeconomic stability, property rights, a welcome investment climate, well functioning factor markets, good quality infrastructure and education) leading to long lists of helpful government action, much less is known about what exactly needs to happen next at a country level as this is context specific.³ A prioritisation of economic policies backed up by growth empirics is often lacking⁴ and there has been little attention to how evidence-based growth policies are adopted.

Growth has moved up the development agenda and ODI has made an impact on this agenda. We have written key papers on growth for the Commission for Africa in 2005⁵, guided the donor community through paying more attention to the supply side and productive sectors in ODI’s pioneering research on Aid for Trade⁶, provided platforms for business, NGO and academic speakers on growth issues⁷, helped public sector officials appreciate the importance of services in the economy, e.g. for small economies, and kick-started innovative research on state-business relations and economic growth.⁸

¹ Presentation by Nobel Laureate, Michael Spence at the London consultations of the Growth Commission; see also Hausmann, R., L. Pritchett, and D. Rodrik, (2004), *Growth accelerations*, http://ksghome.harvard.edu/~drodrik/growth_accelerations_aug05.pdf

² World Bank et al (2005), *Pro-Poor Growth in the 1990s: Lessons and Insights from 14 countries*, Washington DC: World Bank.

³ World Bank (2005), *Economic Growth in the 1990s: Learning from a Decade of Reform*, Washington DC: World Bank.

⁴ See e.g. Driscoll, R, Z. Kizilbash Agha, M. Cali, D.W. te Velde (2007), ‘[Growth and Trade in Africa's Second Generation Poverty Reduction Strategies - Final Report](#)’, report for DFID.

⁵ The Investment and Growth Programme was referenced 20 times in the Commission for Africa Report.

⁶ See <http://www.odi.org.uk/IEDG/aid4trade.html>

⁷ http://www.odi.org.uk/events/growth_series/080331/index.html

⁸ See <http://www.ippg.org.uk/>

The recently launched “Growth Report, Strategies for Sustained Growth and Development” by the Commission on Growth and Development argues that

‘It is relatively easy to identify the shared characteristics of the high-growth cases and easy to appreciate their collective importance. But it is hard to know how to replicate these characteristics.’ ... ‘Policy makers learned by example; case studies had a pronounced influence; demonstration effects were surprisingly important. It is said that Deng Xiao Ping was strongly influenced by his first encounters with Singapore and New York City, on a visit to the United Nations.’⁹

Many researchers and international organisations examine growth and investment issues, but there is a need for an independent and critical voice which is also based on empirical testing of relevant economic and other theories, and which engages in wide-ranging networking. ODI provides a unique platform to fulfil this role. The combined strength of researchers at ODI embodies a critical mass to provide policy advice to developing and developed countries on investment and growth, see box 1.

Current research interests in the Investment and Growth programme include:

- What is the role of the service sectors in growth and how can this be promoted;
- What are the effects of Aid for Trade on growth;
- Trade and growth diagnostics in small states;
- How do FDI and DFI affect growth and what policies affect their impact;
- What type of state-business relations are good for growth;
- What is the relationship between productivity, energy efficiency and the promotion of green growth;
- In what way inequality across space affect the growth trajectory;
- What are the effects of urbanisation for patterns of economic development.

⁹ Singapore in turn depended on external advice. An industrial strategy was designed under the capable leadership of Lee Kuan Yew (prime-minister from 1959 until 1990) and Goh Keng Swee (economics minister) which was prepared by Albert Winsemius, an external advisor with a long standing relationship with Singapore.

Box 1 Current and recent applied, multidisciplinary research on growth across ODI

Sectors:

- *Agriculture:* ODI is part of the Future Agricultures Consortium (FAC) together with IDS Sussex, SOAS, and Southern partners including the Ethiopian Economic Policy Research Institute (EEPRI) and the Kenya Institute for Public Policy Research and Analysis (KIPPRA). Through stakeholder-led policy dialogues on future scenarios for agriculture, informed by field research, the Consortium aims to elaborate the practical and policy challenges of establishing and sustaining pro-poor agricultural growth.
- *Tourism:* ODI's work in this area focuses on tourism's contribution to development and poverty alleviation and looks at the various types of pro-poor interventions available to policy makers and governments. It works with communities, private sector and researchers from different backgrounds.
- *Services:* We consider the role of regulatory reform in the services sector and the likely impact of deregulation and liberalisation on growth and development with a view to advising developing country governments on how to promote their service sectors and on what policies to implement to maximise the developmental impact of these sectors.
- *Industry:* We analyse the drivers of industrial development (e.g. UNIDO) and look at how industry affects growth, and we have worked with major clothing sourcing companies.
- *Natural Resources:* ODI has modelled the economic effects of natural resource booms and patterns of trade across Asia, Africa and Latin America.

Policies

- *Pro-Poor Growth and Inclusive Growth* which includes work for the DAC network;
- *Infrastructure* financing for growth, work which includes contacts in development finance institutions;
- *Education* on how skills and training help to position countries in the face of globalisation;
- *Climate Change / Green Growth* issues: how to promote environmentally friendly growth and how climate change policy affects developing countries' growth strategies;
- *Investment Policies* on the role of incentives in attracting investment, directly for developing country governments;
- *Trade* including on regional integration and growth and WTO and EPA assessments for government policy makers in developing countries.
- *Aid for Trade* on the importance of directing external assistance towards the productive sector as well as on the effectiveness of such assistance on trade-related outcomes.

Institutions and actors

- *Institutions and Pro-Poor Growth* on how state-business relations and agriculture institutions promote growth and firm productivity in African countries, as part of the RPC on Institutions and Pro-Poor Growth;
- *Political Incentives and Growth* which will provide an analytical framework to determine which aspects of the growth policy, derived from Growth Diagnostic approach, are likely to carry a high level of political support. This combines political science and economic backgrounds;
- *Business and Development* on how to measure and improve the development impact of business in developing countries;
- *Value Chains* on how firms interact along the value chain.

Investment and Growth Work streams

Growth is about progress¹⁰, challenging and overcoming vested interests in favour of new and sometimes unknown avenues, and embracing new solutions to old and new problems. The growth process often involves the loss of economic power of traditional players while new players gain market share. Traditional sectors may diminish in importance and are overtaken by new ones (e.g. from sugar to textiles to knowledge-based services in Mauritius). Inefficient firms exit the market and are replaced by more efficient firms. New technologies replace old technologies.

A key consideration of the growth programme is how progressive growth can be supported (box 2).

Box 2 Progressive growth strategies

There are important challenges at the heart of future research on progressive growth strategies:

- Growth strategies need to consider new global realities including intensified relationships amongst developed and developing countries (in areas such as trade, investment and technology flows), the rise of big developing countries and new physical limits to growth.
- Growth strategies need to consider new sources and drivers of growth such as technological change and innovation, new roles for traditional drivers (such as appreciating the role for all types of education and blended finance for infrastructure) and new sources of growth such as new sectors in new locations.
- Growth strategies need to acknowledge that while growth is essential, technological progress can introduce new inequalities in the absence of complementary economic and social policies and institutions. Growth is crucial in driving poverty reduction and helps to reduce conflict. But growth alone may not be sufficient for human development and cleverly designed safety nets and labour standards are key components of progressive growth.
- Growth strategies need to appreciate the changing roles of state and non-state actors. There are new roles for the state in promoting growth and private sector development by removing market and co-ordination failures in areas such as environment, technology and skills. Capable governments can make the difference between countries that promote human development on the basis of commodities or countries that suffer from a resource-curse. Promoting growth involves fostering good relations between state and non-state actors such as business and NGOs, building on value chains and promoting new ways of corporate social responsibility.

An overriding concern for all the work is whether developing country governments can have a tailored progressive response to new policy issues or whether they should withdraw from active involvement and promote a neutral set of established development policies and rules, and if so what either of these might look like under which type of circumstances. The activities of I&G are divided into four broad areas (see annex 2 for a list of projects).

¹⁰ This is based on the suggestion by Andres Velasco, the finance minister of Chile.

1 Causes of growth

We examine vertical drivers (e.g. sectors) and horizontal drivers (e.g. finance, globalisation) of growth, and relate this to standard and new growth theory and empirics.

The role of sectors in growth. There is renewed interest in the macro economic effects of natural resource exploitation in natural resource rich developing countries. We have examined the effects of copper prices on Zambia¹¹ and high oil prices on developing countries generally. But what are the conditions under which natural resources based growth can be sustained? What are the effects of resource riches on incentives such as entrepreneurship? How should policy-makers respond to natural resource booms? For instance, what is an optimal fiscal policy? A niche for I&G is to understand what we can learn about the appropriateness of active and selective policies from existing experiences in dealing with a natural resources boom.



We have examined the role of textiles and clothing industries in growth strategies in developing countries suggesting that these industries contribute significantly to incomes, but country institutions, policies and economic conditions, and policies are crucial. In other research we examine market failures in industrial development and the role of public goods in overcoming these.

We have also researched the role of services in growth strategies. With economic growth rates at 7%, Africa's economic outlook is looking rosy. Some argue high commodity prices are the cause, casting doubt about the sustainability of current growth rates. However, there is more to current African growth than high commodity prices. African countries are slowly undergoing structural change, with services being an increasingly crucial component of growth (half of GDP *growth* in the past 10 years can be attributed to services directly); better service sectors also lead to growth indirectly by addressing growth constraints on agriculture and manufacturing, improving country-wide productivity and promoting a diversified economy. Successful African growth strategies will increasingly rely on appropriate services strategies¹².

Global economic processes and growth. We have paid a significant amount of effort into this topic (see e.g. Globalisation and Education¹³, Regional Integration and Poverty¹⁴, Regional Integration and Growth¹⁵) which has

¹¹ Cali, M. and D.W. te Velde (2007), Is Zambia contracting the “Dutch Disease”?, ODI Working Paper 279.

¹² <http://www.ippg.org.uk/PDF/Forgotten%20Issues%20S.pdf>

¹³ <http://www.id21.org/education/e3dvt1g1.html>

¹⁴ http://www.odi.org.uk/IEDG/projects/ec_prep.html

¹⁵ <http://www.sussex.ac.uk/Units/caris/conf2008/04p.%20Te%20Velde%20-growth%20and%20convergence.doc>

included work on the effects of WTO rules and international trade on growth (e.g. dynamic effects), effects of migration (including WTO rules) on development and the effects of FDI, on growth and institutions (broadly defined). We have examined what would be a good development package at the WTO.¹⁶ We have also examined the role of migration (and Mode 4 in particular) on growth and development in sending countries.¹⁷

Growth diagnostics. This is a new area of work, which aims to identify the binding constraint to growth. We build on our previous work on growth for the Commission for Africa (box 3).

Box 3 Growth research for the Commission for Africa

We advised the Commission for Africa with a number of case studies on growth and investment in sub-Saharan Africa. The papers are on the CfA website (http://www.commissionforafrica.org/english/report/background/tevelde_et_al_background.pdf) and were used intensively in the preparation and final version of the CfA report.

Velde, D.W. te (2004), 'Developed Country Support for growth and investment in Sub-Saharan Africa', *report for UK Commission for Africa*

Velde, D.W. te, M. Warner and S. Page (2004), 'Growth and investment in Sub-Saharan Africa: case studies', *report for UK Commission for Africa*

There are a variety of tools to understanding the most binding constraints to economic growth in an economy. There are subjective ways of understanding the binding constraints (rankings of long lists of constraints in enterprise surveys; or asking existing actors involved in state-business relations); there are more systematic empirical / statistical approaches (growth diagnostics, cost/benefit analyses), and there are more theoretically based approaches (e.g. moving from low productivity to high productivity activities, innovation and "endogenous" growth in the *long-run* depend on good quality education, infrastructure investment, entrepreneurship etc, whatever the short-run constraints may have been). Binding constraints have different meanings for different groups, time periods and dimensions of growth. Constraints also depend on each other, not just consecutively, for instance when solving co-ordination failures. We need to address the various gaps in existing growth diagnostics, such as the role of policy options, political incentives, as well as uncertainties such as the relationship with trade diagnostics.

¹⁶ <http://www.odi.org.uk/iedg/publications/what-do-developing-countries-want-from-doha-17072008.pdf>

¹⁷ Cali, M. and D.W. te Velde "Temporary migration and development: a review of the evidence and policy options" forthcoming in a Commonwealth Secretariat reader.

2 The relationship between investment and the patterns of growth



The programme has examined in detail the relations between foreign direct investment and poverty, inequality and labour intensity of growth (see book on the left). We are currently aiming to understand two further linkages between investment and the various patterns of growth.

First, *spatial patterns of growth*. Is there a systematic variation in the returns to factors of production across space (e.g. regions)? Why is this so, and if so, does such a spatial pattern affect the prospects of growth nationally? We have addressed these questions for returns to education in Uganda. Another important spatial dimension of growth relates to the role of urbanisation (in particular urban concentration) in the growth process and to what extent the growth of an economy is associated with expanding spatial inequalities including between rural and urban areas.

Second, there is increased emphasis on the *resource intensity of growth*. For instance, the relationship between trade, investment and energy efficiency (and environment more widely) has an important bearing on discussions on climate change and global warming. This area of green growth is likely to become more important over time (box 4).

Box 4 The micro foundations of green growth

Green growth, i.e. growth that is sufficiently efficient in its use of energy, has become a hotly debated issue in development. The use of energy depends on the level of economic activities, the sector distribution of energy use, and energy efficiency at the firm and household level. In a preliminary note we examine key aspects of energy efficiency in China which has potentially important implications for the debate on green growth. Using an econometric analysis of a sample of 2000 firms, it shows that productive firms are also more efficient in their use of energy, so that private sector development policies and ICT and technology adoption policies that promote productivity growth can also promote green growth.

Velde, D.W. te (2008) "Promoting green growth – evidence from firm level analysis in China", *Preliminary note – July 2008*

3 The role of government policies in promoting growth

There is a difference between what the academic literature on growth suggests might be good for promoting growth and what some recent policy documents suggest is practical. This needs to be clarified through empirical work at the country level. Whilst the academic literature suggests a specific role for public sector (e.g. solving specific market and co-ordination failures), rooted e.g. in new trade theories, policy documents on growth focus on the rules of the game (broad investment climate) which imply more neutral policies for promoting growth suggesting that more specific vertical policies do

not work in practice and ignoring them.¹⁸ The table below proposes a way to diagnose constraints to growth and formulate policy responses at the country level, by policy area and sector. In some cases horizontal policies e.g. supporting infrastructure, may be good to promote sector growth, but in other cases more specific support will be needed, e.g. removing the bias of education systems against new services sectors. Progressive growth strategies recognise that the state can do more than introduce neutral growth enhancing policies, and that under country specific circumstances vertical policies work (e.g. industrialisation policies in some East Asian countries). The contents in the shaded area in the table will vary from country to country, and the timing, sequence and level of emphasis matters too (e.g. in Uganda infrastructure seems to have priority over capital markets, though both might need attention).

Table 1 Diagnosing growth constraints and formulating growth policies at country level
Country wide and sector specific issues

	Overall economy	Agriculture	Trade and Industry	Services		
				Tourism	Other traded	Other non-traded
Labour markets and education						
Capital markets and credit						
Infrastructure						
Science and Technology						
Rules (incl trade), regulations, institutions.						

An assessment of whether *sectoral policies* are necessary and more efficient for growth than promoting horizontal policies, rules and institutions or withdrawing altogether lies at the heart of the I&G research. For instance, what types of sectoral policies are effective and what are wasting resources? Are there any public policies' biases against the service industries vis-à-vis other sectors? Should different categories of countries have different type of sectoral policies. We are building on our expertise on (trade in) services and *how to develop service sectors* (box 5). We are also doing a competitiveness analysis in Cambodia using this logic.

¹⁸ It is interesting to note that UK DFID's white paper in 2006, a UK House of Commons report on private sector development in 2006 did not use the word "industrial policy", the WB's 2005 WDR on Investment Climate used it 8 times (only in the references), but UNCTAD's 2006 trade and development which was based more on theoretical considerations report 113 times.

Box 5 ODI's work on identifying binding constraints in services growth

Based on case study work, the programme has developed a method to analyse the performance of the services sector. It involves analysing the three main types of constraints to service exports (capabilities, regulatory and external). We have already applied our methodology successfully to countries ranging from Belize, St Lucia to Zambia, Botswana, Mauritius, Malawi and Swaziland. We have undertaken a number of service related projects in Mauritius. In a 2006 report we suggested Mauritius establishes an air access unit, streamlines visas for students and skilled immigrants, improves co-ordination of regulating education institutes, and establishes study placements in the ICT sector. The 2007 budget contained all of these measures.

Velde, D.W., te (2006). 'Developing Trade in Services, Are the constraints, economic, regulatory or external?' In S. Page (ed.), Trade and Aid: Partners or Rivals in Development Policy

We have undertaken a number of projects on *investment incentives* in countries such as Belize, St Lucia, Malawi, Ireland and Singapore and have conducted a review of SADC incentives. The effectiveness or otherwise of active intervention (incentives) has been a major concern of I&G: can specific investment policies work to attract more investment conducive to growth?

Does the type of *state-business relations* matter for growth? Effective SBRs should lead to a more optimal allocation of resources in the economy, including an increased effectiveness of government involvement in supporting private sector activities and removing obstacles. But what is the empirical evidence on it? Our programme leads the cluster on state-business relations and economic growth in the context of the Research Programme Consortium on Institutions and Pro-Poor Growth, which involves a number of case studies in African countries and India (see box 6).

Box 6 Our work on state-business relations and economic growth

IPPG papers on State-Business Relations:

- “Estimating the impact of trade liberalisation on returns to factors of production across Ugandan districts” (Kunal Sen, Dirk Willem te Velde, Steve Wiggins & Massimiliano Cali) (<http://www.ippg.org.uk/PDF/Quantitative%20Analysis%202.pdf>)
- “Measuring State-Business Relations in sub-Saharan Africa” (Dirk Willem te Velde) (<http://www.ippg.org.uk/PDF/State-business%204.pdf>);
- “Whither business regulation? Institutions and private sector development” (Dirk Willem te Velde). (<http://www.ippg.org.uk/PDF/Whither%20business%205.pdf>);
- “State Business Relations and economic performance in sub-Saharan Africa” (Kunal Sen and Dirk Willem te Velde, IPPG working paper 8);
- “State Business Relations and firm performance in Zambia” (Mahvash Qureshi and Dirk Willem te Velde), IPPG working paper 5, see <http://www.ippg.org.uk/PDF/Firm%20Performance%20Zambia%205.pdf>);
- “State-Business Relations, Investment Climate Reform and Firm productivity in Sub-Saharan Africa” (Dirk Willem te Velde and Mahvash Qureshi), IPPG working paper 6
- “The Economics and Politics of State-Business Relations in Africa: Preliminary Findings” collection of papers on state-business relations, edited by Adrian Leftwich, Kunal Sen and Dirk Willem te Velde.

IPPG meetings and seminars on State-Business Relations reviewed in this paper:

- Seminar presentations at DFID (November 2006), University of Manchester (November 2006), University of Reading (January 2008)
- Lunch-tine seminar at ODI London (May 2008, see [here](#)),
- Workshop at the ABCDE – World Bank / Slovenia (May 2007, see [here](#))
- IPPG workshops in Kenya

4 What can donors do to support growth and investment?

In this vast area of research, we focus on three issues. First, we are mapping *donor instruments* onto investment and growth in developing countries and are currently assessing private sector development strategies of donors in Africa, most recently in the context of Malawi. We also examine developed countries’ trade policies, e.g. in the area of services, where the UK government was influenced by our study.¹⁹

Our work on *Aid for Trade* examines what (aid for trade) support can help countries to trade and grow, and proposes ways in which growth issues can get a higher profile in development strategies. ODI has been at the forefront of research on Aid for Trade²⁰. Our programme has also undertaken several projects. Programme activities have analysed past flows of aid for trade and proposed potential solutions for the Aid for Trade architecture. It has also developed a robust methodology to quantify aid for trade, and test its impact on trade, growth and investment climate indicators (see Box 7). We also aim to quantify the relative trade-related needs of developing countries empirical by using growth modelling and trade unit cost analyses.

¹⁹ Velde., D.W. te (2005) Offshoring of services: Policy responses in the European Union’, *background paper, for UNCTAD 2005*.

²⁰ See <http://www.odi.org.uk/IEDG/aid4trade.html>

Box 7. Quantitative evidence on the effectiveness of aid for trade

There are a number of pathways through which aid for trade can have a positive effect on trade by tackling both market and governance failures. These pathways include for instance improving trade policy co-ordination, developing standards to improve access for exports, bringing skill formation more in line with the economy's need.

Using data for 120 developing countries, we find that aid for trade reduces the costs of trading, an important investment climate indicator and one which is particularly relevant for importing and exporting.

Using country and sector specific data over the period 1973-2006, we also find that aid for trade fosters exports, although the relationship is non-linear.

These findings add to the literature on the impact of aid on growth and help to make the case for the importance of aid for trade and that more and additional aid as called for by the WTO Task Force under the Aid for Trade initiative could indeed be effective in promoting development.

Source: Cali, M. and D.W. te Velde (2008), Towards a quantitative assessment of aid for trade, *Commonwealth Secretariat Economic Paper forthcoming*

We also have examined the effectiveness of *development finance institutions*, looking at the role of DFI subsidies in infrastructure (box 8) and the role of bilateral development finance institutions in the DFI architecture, but will continue the work on how DFIs contribute to growth.

Box 8 Development Finance Institutions: project briefing for DFI shareholders

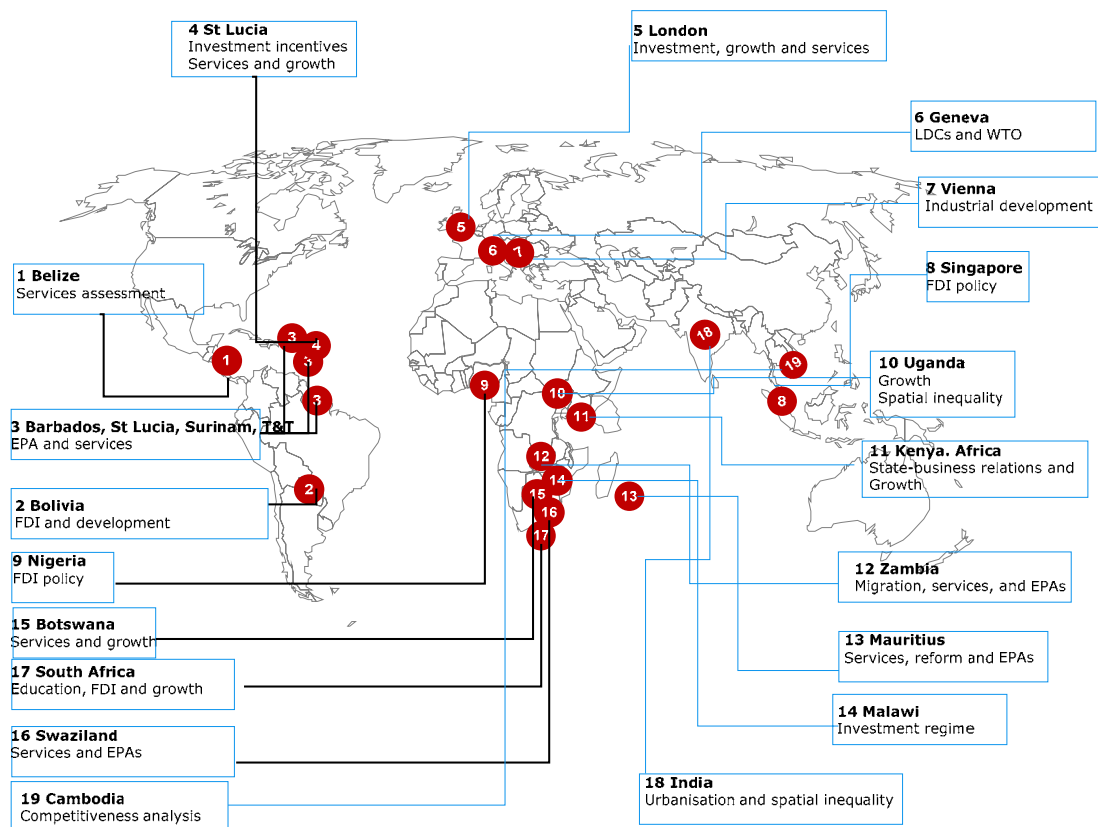
- Donor governments “subsidise” a large variety of development finance institutions (DFIs – such as the IFC, EBRD, CDC, FMO and others) by providing, in differing degrees, large levels of paid-in capital; additional ‘callable’ capital; exemptions on dividends and corporation tax; state guarantees used to obtain cheap borrowing, and grant co-financing.
- In 2005, these subsidies allowed the main DFIs to invest USD 21 billion in developing country private sector projects (and of this amount USD 7.5 bn in infrastructure) and to provide at least USD 200 million worth of technical assistance (TA) activities.
- DFIs are asked to use subsidies to address market failures and provide long maturity loans and guarantees and take equity in poorer, higher risk, countries and sectors, to grow markets and improve the investment climate, and to demonstrate positive investment experiences. They are also required to mobilise private capital, price products to generate commercial returns and build companies able to attract private capital in the future.
- We suggest this exposes a conundrum: it might not be possible to concurrently secure commercial rates of return, mobilise additional private investment and move into areas where the private sector prefers not to go. DFIs have not taken on more risks recently despite their high levels of capital in the balance sheet, potentially denying investment in poorer countries and risky sectors with high economic rates of return.
- We further suggest that the DFI sector would benefit from more transparency in 1) the DFI sector in general; 2) the terms under which they invest; 3) the volumes and terms of TA funds under the control of DFIs and 4) the way grant aid and DFI finance are mixed.

Source: <http://www.odi.org.uk/publications/briefing/project-briefings/pb2-0712-dfis.pdf>

The Programme in Action

We work in developed and developing countries. Chart 1 and the pictures below provide further details.

Chart 1 The Investment and Growth Programme in action on location, selected examples



Growth policy advice, St Lucia



Research meeting in Kenya



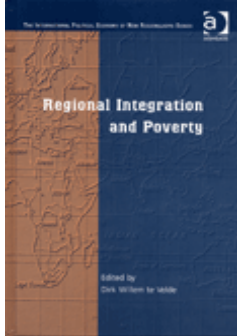
Annual Bank Conference for Development Economists, Slovenia



Public affairs, UK parliament

Collaboration in research

We work with different partners in different projects. We think it is important to build further links with researchers in other institutes (in developed and developing countries) working on similar issues. In past research we worked with researchers from developing countries (e.g. Malawi in 2007, Tanzania and Bolivia in 2005), and developing country organisations such as CUTS and ILEAP.



Our work on regional integration and poverty included commissioning of research from universities or research institutes in Bolivia and Tanzania. The combined effort resulted into a joint conference and book published by Ashgate (see book on left).

ODI has set up www.internationalgrowth.net, a growing network of researchers and research institutes working on growth. The research cluster on State-Business Relations and Growth of the Research Programme Consortium on Institutions and Pro-Poor Growth uses this network to share information and documents amongst more than 20 researchers in 7 countries.

Public Affairs

The Programme uses a number of products to reach out to various groups:

- Opinions and Briefings
- Blogs and Newspapers
- Conferences and workshops

Examples of ODI Opinion Pieces and Briefing Papers include

[Migration restrictions and the 'brain drain': The wrong response to an ill-defined problem](#) (2008):

[The Potential Effects of Economic Partnership Agreements: What Quantitative Models Say](#) (2006)

[From Brain Drain to Brain Gain: How the WTO can make Migration a Win-Win](#) (2005);

[Globalisation and Education](#), (2005);

[Regional Integration and Poverty](#), (2005);

Foreign Direct Investment. Who Gains? (2002):

Foreign Direct Investment and Development: the case of Bolivia', briefing paper see <http://www.grupointegral.bo/pdf/cifdi.pdf>.

Examples of Blogs and Media include

Debunking myths around the WTO

<http://blogs.odi.org.uk/blogs/main/archive/2005/12/08/98.aspx>

Growth in Africa: can it be sustained?

<http://blogs.odi.org.uk/blogs/main/archive/2007/11/08/5433.aspx>

The role of politics in investment climate: Some thoughts from the Bolivian experience

<http://blogs.odi.org.uk/blogs/main/archive/2006/07/19/610.aspx>

Is the WTO no-deal a big deal?

<http://blogs.odi.org.uk/blogs/main/archive/2008/07/30/5618.aspx>

Letters / commentary in Financial Times, Guardian, Daily Mail and other European newspaper (e.g. La Voce)

Examples of ODI Conferences and workshops

[The economics and politics of state-business relations and economic growth in Africa](#), 2 May 2008;

[Migration, economic welfare and development: Are migration policies right?](#), 22 April 2008;

[Aid for Trade: One Year On](#), 24 May 2007;

[Regional Integration and Poverty](#), 3 September 2004;

[Foreign Direct Investment, Income Inequality and Poverty](#), 28 February 2003.

Funders

Our funders include the Commonwealth Secretariat, DFID, Dutch Ministry of Foreign Affairs, JICA, European Commission, World Bank, Commonwealth Secretariat, private companies, EDFI, UNCTAD, UNIDO, ILO, DATA, Oxfam, Christian Aid and others.

Programme staff

The Investment and Growth Programme consists of a number of key researchers (Massimiliano Cali, Isabella Massa), supported by around five interns and research assistants per year, and also engages in joint projects with other ODI researchers.

Dr Dirk Willem te Velde is the programme leader of the Investment and Growth Programme. He has extensive research experience including for DFID's research window; the Research Programme Consortium on Institutions and Pro-Poor Growth, and has led teams providing policy advice in-country in sub-Saharan Africa (e.g. Malawi, Botswana) and the Caribbean, and has worked with and for business and NGOs. He has advised a wide variety of developing countries and UN agencies, the World Bank and the EC. He has written and edited four books, 15 journal articles and 20 book chapters related to growth, trade and investment issues. He has a PhD from Birkbeck College, University of London.

Massimiliano Cali is a Research Officer with the Overseas Development Institute. He has provided advice to a number of Ministries in developing countries (e.g. Rwanda, Botswana, Swaziland) as well as to international organisations, such as the World Bank, the Commonwealth Secretariat, the EC, the UN ECLAC. His research has been published in peer-reviewed journals, books and official reports. Prior to ODI, he worked as a consultant for the Asian Development Bank, as an economist in the Italian Embassy to Bolivia. He is currently completing a PhD in Economic Geography at the LSE.

Isabella Massa is a Research Officer at the Overseas Development Institute. She has policy-oriented research experience, in particular with respect to Egypt. Before joining ODI, she has worked as an intern at the International Monetary Fund within the Middle East and Central Asia Department, and has developed an extensive academic experience as research assistant and instructor in different international universities. Her research interests focus on financial development and economic growth. She has published in the *International Review of Financial Analysis* and in institutional working papers as well as occasional papers. She has submitted her PhD in Economics and Organization at Ca' Foscari University in Venice, Italy.

Annex 1: Investment and Growth Programme: selected books, book chapters and journal articles

Books

Qureshi, M. and D.W. te Velde (2008), *Growth strategies for small states in a globalising world: the role of Knowledge-based and Service Industries*, Book with the Commonwealth Secretariat, Stylus publishing.

Leftwich, A. K. Sen and D.W. te Velde (2008), *The Economics and Politics of State-Business Relations in Africa: Preliminary Findings* collection of papers on state-business relations, IPPG.

Velde, D.W. te (2006), (ed), *Regional Integration and Poverty*, Ashgate.

Velde, D.W. te (2004), (ed.), *Foreign Direct Investment, Inequality and Poverty: experiences and policy implications*, ODI London.

Book chapters

2008

Velde, D.W. te (2008), 'Financing International Public Goods A Framework to Address Aid for Trade' in D. Njinkeu and H. Cameron (eds) on *Aid for Trade and Development*, Oxford University Press.

Velde, D.W. te (2008), 'Regional aid for trade' forthcoming in D. Njinkeu and H. Cameron (eds), *Aid for Trade and Development*, Oxford University Press.

Velde, D.W. te (2008), 'Pro-Poor Globalisation', chapter 4.6, forthcoming in V. Dasai and R. Potter, *The Companion to Development Studies*

Calli, M. (2008), 'Scale and types of funds for aid for trade', in *Aid for Trade and Development*, Njinkeu D. and H. Cameron (eds.), Cambridge University Press: Cambridge.

2007

Velde, D.W. te (2007), 'Regional Integration and Poverty: how to assess the links' in W. Hout (ed), *EU development policy and poverty reduction*, Ashgate, Aldershot.

Velde, D.W. te (2007), 'The Development Dimension of Services Negotiations in the Cotonou Partnership Agreement', Chapter 25 in S. Bilal and R. Grynberg (eds), *Navigating New Waters: A reader on ACP-EU Trade Relations*.

2006

Velde, D.W. te (2006), "Developing trade in services: Are the constraints economic, regulatory or external?" in S. Page (ed.), *Aid and Trade: Partners or Rivals in Development Policy*, Cameron and May, London.

Velde, D.W. te (2006), "Aid for Private Sector Development?" in S. Page (ed.), *Aid and Trade: Partners or Rivals in Development Policy*, Cameron and May, London.

Andersen, Lykke E., Osvaldo Nina & Dirk Willem te Velde (2006) 'Reform, growth and poverty in Bolivia.' In Sharma, Kishor & Oliver Morrissey (eds.) *Trade, Growth and Inequality in the Era of Globalization*. New York: Routledge. Chapter 11, pp. 208-230.

2005

Velde, D.W. te (2005), 'Foreign Direct Investment', in *Encyclopedia for International Relations*, Routledge, edited by M. Griffiths

Velde, D.W. te (2005), 'Multinational Corporation', in *Encyclopedia for International Relations*, Routledge, edited by M. Griffiths

Velde, D.W., te and O. Morrissey (2005). 'Spatial Inequality for manufacturing wages in five African countries, in A. Venables and R. Kanbur (eds), *Spatial Inequality and Development*, Oxford University Press.

Velde, D.W. and S. Bilal (2005), 'Foreign Direct Investment in the Cotonou Partnership Agreement: Building on Private Sector Initiatives, in O. Barbarinde and G. Faber (eds.), *The European Union and the Developing Countries*, Martinus Nijhoff Publishers.

2004

Velde, D.W. te and O. Morrissey (2004), 'Foreign Ownership and Wages: Evidence from East Asia and Africa', in S. Perrin and F. Sachwald (eds), *Foreign Direct Investment in Developing Countries: Leveraging the role of multinationals.*, Agence Francaise de Developpement.

2003

Bilal, S, and D.W. te Velde (2003), 'FDI in the ACP-EU development cooperation: from Lome to Cotonou', in UNCTAD, *The Development Dimension of FDI: Policy and Rule-Making Perspectives*, Geneva.

Morrissey, O. and D.W. te Velde (2003), 'Trade, FDI and Equity in the Republic of Korea in the 1990s', in K. Sharma (ed.), *Trade Policy, Growth and Poverty in Asian Developing Countries*, London: Routledge.

Barrell, R. and D.W. te Velde (2003), 'German Monetary Union and lessons for EMU', in M. Baimbridge and P. Whyman, (eds.), *Economic and Monetary Union in Europe: Theory, Evidence and Practice*, Europe Edward Elgar publishers.

Velde, D.W. te (2003), 'Policies towards Foreign Direct Investment', in Wignaraja, G (ed.), *Competitiveness Strategy and Industrial Performance: A Manual for Policy Analysis*, London: Routledge.

2002

Morrissey, O. D.W. te Velde and A. Hewitt (2002), 'Defining International Public Goods: Conceptual Issues', in M. Ferroni and A. Mody (eds), *International Public Goods: Incentives, Measurement and Financing*. The Hague: Kluwer Academic.

Velde, D.W. te, O. Morrissey and A. Hewitt (2002), 'Allocating Aid to International Public Goods, An Empirical Analysis by Donor and Sector', in M. Ferroni and A. Mody (eds), *International Public Goods: Incentives, Measurement and Financing*. The Hague: Kluwer Academic.

Peer Reviewed Journals

Velde, D.W. te (2007), 'Understanding developed country efforts to promote foreign direct investment to developing countries: the example of the United Kingdom', *Transnational Corporations*, 16 (3), pp. 83-104

Velde, D.W. te and T. Xenogiani (2007), 'Foreign Direct Investment and International Skill Inequality', *Oxford Development Studies*, March 2007.

Brunner H-P and M. Cali, (2006) 'Dynamics of manufacturing competitiveness in South Asia: analysis through export data', *Journal of Asian Economics*, 17, pp. 557-82.

Velde, D.W. te and S. Nair (2006), 'Foreign Direct Investment, Services Negotiations and Development. The case of Tourism in the Caribbean', *Development Policy Review*, 2006, July.

Velde, D.W., te and D. Bezemer (2006), 'Regional Integration and Foreign Direct Investment in Developing Countries', *Transnational Corporations*, Vol. 15, No. 2 (August 2006), pp 41-70.

Tripp, R. and te Velde, D.W. (2006) 'Civil society and economic growth', *Int. Journal of Technology and Globalisation*, Vol. 2, Nos. 3/4, pp.300–310.

Cali, M. (2004) 'First nature determinants in South American industrial and economic development', *Latin American Journal of Economic Development*, 3, pp. 183-203.

Velde, D.W., te and O. Morrissey (2004). 'Foreign Direct Investment, Skills and Wage Inequality in East Asia', *Journal of Asia and Pacific Economies*, pp. 348-369.

Velde, D.W., te and O. Morrissey (2003). 'Do Workers in Africa Get a Wage Premium if Employed in Firms Owned by Foreigners' *Journal of African Economies*, 12, pp. 41-73.

Velde, D.W. te (2003), 'Foreign Ownership, Microelectronic Technology And Skills. Evidence For British Establishments', *National Institute Economic Review*, 185, pp. 93-106.

Koopmans, C.C. and D.W. te Velde (2001), 'Bridging the energy efficiency gap: using bottom-up information in a top-down energy demand model', *Energy Economics*, 23, pp. 57-75.

Velde, D.W. te, (2001), 'Foreign Direct Investment and Factor Prices in US Manufacturing', *Weltwirtschaftliches Archiv*, 137 (4), pp. 622-643.

Barrell, R. and D.W. te Velde (2000), 'Catching-up of East German Labour Productivity in the 1990s', *German Economic Review*, 1, pp. 271-297.

Annex 2: Selected projects

Research Grants

- Part of the Research Programme Consortium on Pro-Poor Growth, DFID, 2005-2010
- Globalisation and Education, for DfID SSR, 2004/2005)
- Regional Integration and Poverty, for ECPREP, 2003 - 2005
- Foreign Direct Investment and Income Inequality in Latin America, for DfID SSR, 2002/2003.
- Foreign Direct Investment and Poverty, for DfID SSR, 2001/2002
- Making Openness Work: Policies towards Foreign Direct Investment in Developing Countries for DfID SSR, 2000/200.

Advisory work

- Growth strategies for small states: the role of knowledge industries and services, 2007/8 for the Commonwealth Secretariat, London.
- Political Incentives and Growth, for DFID, 2008.
- The Contribution of Services to Development and the Role of Trade Liberalisation and Regulation, for DFID, 2007/2008.
- Towards a quantitative assessment of the Aid for Trade, 2008 for the Commonwealth Secretariat, London.
- The quantitative effects of urbanisation on poverty reduction of surrounding rural areas across Indian districts, for CPRC, 2008.
- The impact of urbanisation on inequality and growth across Indian states in the Post-Independence period, for World Bank, 2007/08.
- Use of subsidies in infrastructure by development finance institutions, 2007, for DFID, London
- Assessment of the services sector in Swaziland and identification of the country's services-related interests in the EPA negotiations, for the EC, 2007
- The strengths and weakness of bilateral DFIs versus multilateral DFIs, for EDFI 2007/2008
- Growth and Trade in Africa's Second Generation Poverty Reduction Strategies - Final Report, for DFID, 2006/7
- Estimating the impact of trade liberalisation on returns to factors of production across Ugandan districts, for IDDRI, 2006/07
- A Review of Trade-Related Investment Legislation in Malawi, for the Commonwealth Secretariat and the Government of Malawi, 2006/2007
- Assessment of Botswana's Services Sector', for the BTPP/BIDP, 2006/2007
- Review of the structure and performance of investment incentive schemes in St Lucia for the Commonwealth Secretariat, 2004 / 2005.
- Supporting industrial development: overcoming market failures and providing public goods, for UNIDO, 2002 – 2004
- Foreign Direct Investment and Development An historical perspective', Background paper for 'World Economic and Social Survey for 2006
- Offshoring of services: Policy responses in the European Union', *background paper, for UNCTAD 2005.*
- Developed Country Support for growth and investment in Sub-Saharan Africa', *for the Commission for Africa, 2004*
- Growth and investment in Sub-Saharan Africa: case studies', *for the Commission for Africa*
- *Special and Differential Treatment in Post-Cotonou Services Negotiations*, final report for the Dutch Ministry of Foreign Affairs, see http://www.odi.org.uk/iedg/Projects/s&d_cotonou.pdf
- Case Study: OECD (UK & EU) Home Country Measures and FDI in Developing Countries: A Preliminary Analysis, *case study for DFID and World Development Report 2005: Investment Climate, Growth and Poverty.*
- *2006 and 2004 ODI Source book on project related trends*, report for DFID.

- Sustainability Impact Assessment Of Proposed WTO Negotiations Market Access With Particular Reference To Pharmaceuticals, Non-Ferrous Metals And Textiles And Clothing', for EC.
- Study on the link between trade policies and domestic policies in developing countries', report for the European Commission.
- Exposure to International Markets And Corporate Performance. A Literature Review', for the UK Department of Trade and Industry.
- Government Policies for Inward Foreign Direct Investment in Developing Countries: Implications for Human Capital Formation and Income Inequality', for the *OECD Development Centre*
- Aid for Trade for DFID, 2007
- Aid and Services Negotiations, for DFID, 2005
- Mode 4, for Zambia Ministry of Trade, Commerce and Industry, DFID Zambia, 2005
- Services Assessment of Belize for Commonwealth Secretariat, 2005
- Financing International Public Goods for World Bank 2000/2001
- Aid financing of international public goods, for UNIDO, 2006
- Sustainability Impact Assessment of Euro-Mediterranean Free Trade Area, for EC, 2004/2005.
- Rwanda: Trade in Services – Rwanda's Accession to the East African Community, for Government of Rwanda, 2006