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Innovations in Foreign Direct Investment Attraction

Integration and Trade Sector

Henry Loewendahl

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INNOVATIONS IN FOREIGN DIRECT INVESTMENT ATTRACTION

Henry Loewendahl[1]

Abstract

Attracting foreign direct investment (FDI) is an important pillar of economic development policy, and most countries in the world have established national investment promotion agencies (IPAs) with the mandate to attract FDI. The technical note highlights best practices in investment promotion and presents several innovative and in many ways replicable programs from around the world, which could fill the gaps in current investment promotion activities of IPAs in Latin America and the Caribbean. It outlines key implementation issues and serves as a practical policy guide for IPAs across the region to enhance their capability to attract and retain FDI.

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Key words: Foreign Direct Investment, Economic Development, Promotion Agencies, Investment Promotion, Investment Attraction

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ABBREVIATIONS AND ACRONYMS

APD	The Parana Development Agency
BPO	Business Process Outsourcing
CEI-RD	Export and Investment Center of the Dominican Republic
CINDE	Costa Rica Investment Promotion Agency
DCI	Development Counsellors International
EDO	Economic Development Organization
EIU	Economist Intelligence Unit
EU	European Union
FDI	Foreign Direct Investment
FIAS	Facility for Investment Climate Advisory Services
GDP	Gross Domestic Product
GIS	Geographic Information Service
GO-Biz	Governor's Office of Business and Economic Development
HR	Human Resources
ICCI	Invest Canada Initiatives
IDA Ireland	Industrial Development Authority Ireland
IFC	International Finance Corporation
IP	Internet Protocol
IPA	Investment Promotion Agency
JV	Joint Venture
LAC	Latin America and the Caribbean
LED	Louisiana Economic Development
LG	Lead Generation
M&A	Mergers and Acquisitions
MNE	Multinational Enterprise

NAFTA	North American Free Trade Agreement
NFI	New Forms of Investment
NFIA	Netherlands Foreign Investment Agency
OECD	Organization for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
PR	Public Relations
PROBE	Promotion of Business Excellence
R&D	Research and Development
SCAT	Supply Chain Assessment Tool
SEDB	Singapore Economic Development Board
SEO	Search Engine Optimization
SME	Small and Medium Enterprise
SWFs	Sovereign Wealth Funds
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UKTI	UK Trade and Investment
UNCTAD	United Nations Conference on Trade and Development
URL	Uniform Resource Locator

EXECUTIVE SUMMARY

The present technical note focuses on best practices and innovation in investment promotion, providing practical advice on how investment promotion agencies (IPAs) from Latin America and the Caribbean (LAC) could improve their activities to attract foreign direct investment (FDI).

The LAC region is very diverse, from small Caribbean islands to vast continental countries. FDI flows by country range from tens of billions of dollars annually in Brazil and Mexico, to less than one hundred million dollars in many Caribbean countries. The level of economic development also varies considerably, as do the sources of economic development, ranging from reliance on commodities, to tourism and finance, as well as manufacturing and services. Because of these differences, FDI strategies and IPA capabilities, resources and needs also vary considerably across LAC.

Certain countries, such as Costa Rica and Colombia, have advanced IPAs (CINDE and Pro-Colombia, respectively) whose innovative policies are already considered global best practices. Many other countries in the region, however, are still developing their IPAs and, in this regard, have the potential to increase FDI inflows.

Countries could improve their institutional structure and strategy for attracting FDI, making them more coherent, focused as well as flexible enough to adapt to fast changing conditions in global markets. Another area where improvements can be made is responding to investor inquiries, which needs to be well-managed, with clear ownership and coordinated involvement of appropriate stakeholders. Countries can furthermore work on establishing efficient "one-stop-shops" to facilitate new investment projects, need to review the process of negotiating incentives for FDI, particularly greenfield projects, as well as focus on aftercare services to retain and expand investment. Finally, a key aspect for a successful IPA investment promotion program is having a system to accurately monitor and evaluate activities and results.

With a view to presenting best practices in areas of interest and which could be adopted by IPAs in LAC, the note identifies six examples of innovative approaches in attracting foreign investment from outside the region. Each case is followed by specific recommendations on how IPAs in LAC could incorporate aspects of best practices into their own investment promotion activities.

The first case is on innovation in developing an inward investment website. Survey evidence indicates that a website is the most effective and highest-impact marketing tool for IPAs. The website of the Netherlands Foreign Investment Agency (NFIA) has several innovative features – such as automatic content adjustment based on the country IP address from which the website is accessed – and can provide many lessons for other IPA websites.

The second case examines an emerging trend in investment promotion, whereby IPAs increasingly target not only the end-user (e.g. multinational enterprises, MNEs), but

also organizations and key individuals ("intermediaries") who advise and influence MNEs on the investment location. Some IPAs in LAC, such as CINDE in Costa Rica, have already developed a "multiplier strategy" to engage with such intermediaries, whereas for most IPAs in the region this is a new approach to attracting FDI. The successful multiplier strategy of UK Trade and Investment (now called Department for International Trade) is described, together with practical suggestions on how IPAs from LAC could develop a similar strategy.

The third case focuses on the importance of the subnational level for investment promotion and examines the Invest in Canada Bureau, which has an innovative approach in supporting investment promotion by co-funding in investment promotion capacity building, strategy development, marketing materials, and lead generation activities at the subnational level. Lessons from the case study in supporting regions and cities in investment promotion and facilitation are likely to be particularly relevant in larger countries in Latin America.

The fourth case looks at the importance of supply chain development and linkages, which can help embed foreign investors into the local economy and create a multiplier impact on additional FDI. Two examples are provided. The first is of North East England, which pioneered the world's first comprehensive supplier development program and was a model for other countries, including the Czech Republic. The case of CzechInvest shows how the use of a website and specialized sector databases can help in linkages with local suppliers and increase the capability of local SMEs to enter supply chains. A ten-point action plan for developing a supply chain program in LAC IPAs is presented.

The fifth case looks at the issue of skills and training, which is critical for investors in many industries, particularly in export-oriented and knowledge-based services and in manufacturing. The example of the "Faststart" program of Louisiana Economic Development (LED) is provided, which focuses on four key issues for investors: understanding a company's skills and training needs; assisting with recruitment; assisting with pre-hiring; and assisting with training.

The final sixth case looks at how to track FDI and measure performance in attracting it. Presented is the case of Dubai, the world's second leading location for FDI projects (after London). Dubai FDI has developed an innovative approach in real-time tracking of FDI, which has enabled it to promote Dubai more effectively as a location, and to provide efficient facilitation and aftercare services to investors. Specific recommendation on how to develop a FDI tracking program for IPAs in LAC is provided.

INTRODUCTION

Attracting foreign direct investment (FDI) is an important pillar of economic development policy, and most countries in the world have established national investment promotion agencies (IPAs) with the mandate to attract and grow FDI. Foreign direct investment contributes to economic development through its direct impact on increasing capital investment, job creation, exports, foreign exchange, and tax revenues and through its indirect impact on local suppliers, technology transfer, productivity, innovation, and good governance. Investment promotion activities play a key role not only in attracting the initial FDI but also in enhancing the long terms benefits for the host country.

The technical note highlights investment promotion best practices and presents some of the most innovative and in many ways replicable investment promotion programs from around the world, which could fill the gaps in current investment promotion activities of IPAs in Latin America and the Caribbean (LAC). It outlines key implementation issues and serves as a practical policy guide for IPAs across the region to enhance their capability to attract FDI.

The technical note begins with a brief overview of the concepts of investment promotion and the main elements of best practice, before presenting six innovative approaches in investment promotion from outside of LAC that can be considered as best practices in their respective areas of activity. Each is followed by recommendations on how IPAs in LAC can incorporate the main aspects into their own investment promotion activities. A brief conclusion is presented at the end of the note.

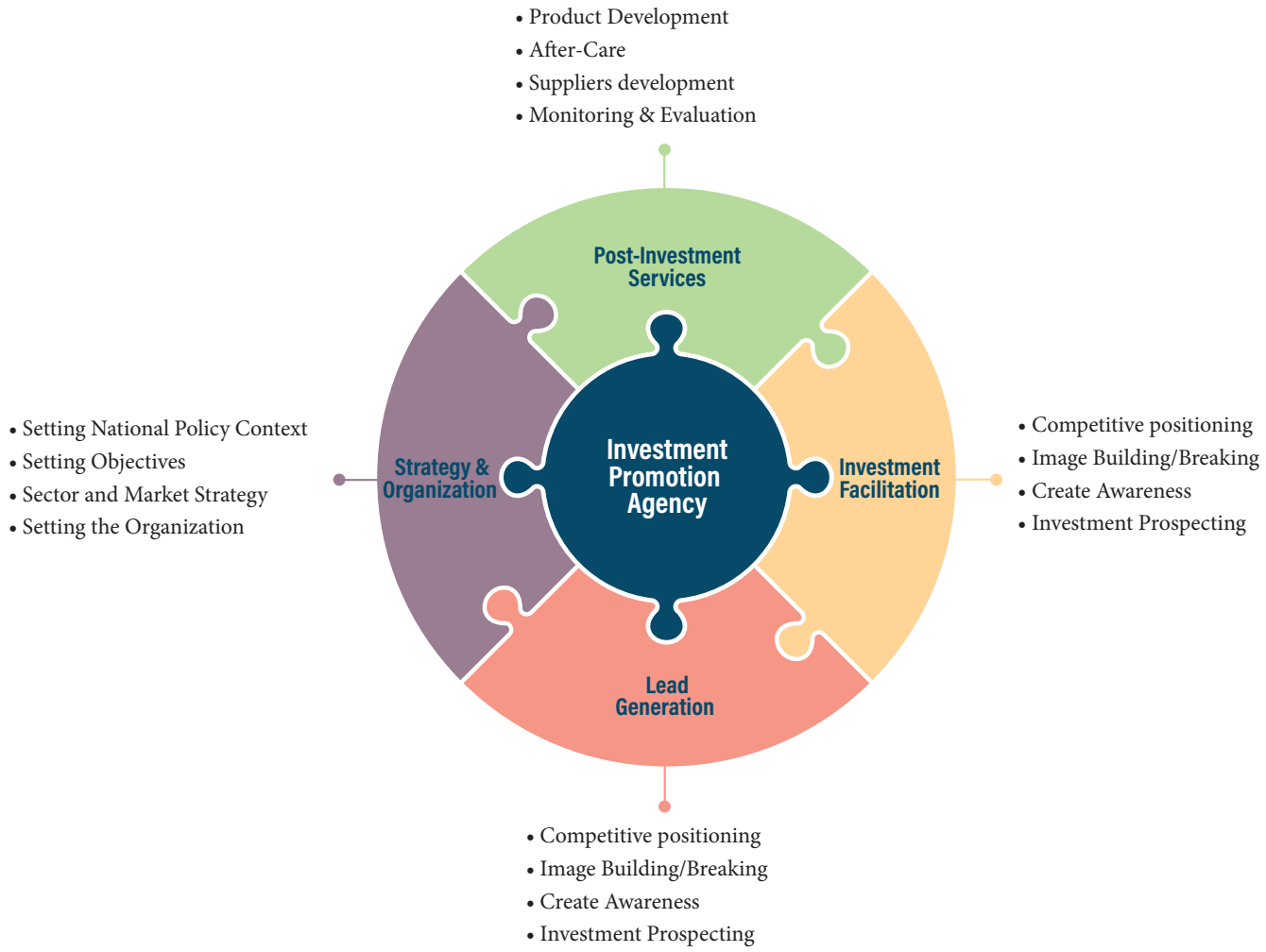
1. IMPORTANCE OF INVESTMENT PROMOTION

The following sections provide a framework for understanding the different activities of an investment promotion agency and why investment promotion can increase the quantity and quality of FDI a country attracts.

1.1 WHAT IS INVESTMENT PROMOTION?

Investment promotion refers to all the activities that economic development organizations (EDOs) and investment promotion agencies (IPAs) undertake to attract FDI to their jurisdiction and encourage foreign investors to continue to invest and expand. The activities of an investment promotion agency can be categorized into four main areas, as Figure 1 shows.

FIGURE 1. Framework for Investment Promotion



Source: Loewendahl, H. 'A Framework for Investment Promotion' *TNCs,* UNCTAD (April 2001).

1.2 WHY DOES INVESTMENT PROMOTION WORK?

1.2.1 Getting a Location on the Investor's Map[2]

Image, brand awareness, and perceptions are major factors influencing the location of FDI. Companies make investment location decisions based on their information pool and understanding of an area's location "offer".

When deciding where to locate, the information base of MNEs is often imperfect, and the decision-making process can be subjective and biased.[3] It is often a bureaucratic process, which may be affected by imperfect competition, distorted risk perceptions and political rivalry between affiliates of MNEs.

The implication, as the International Finance Corporation (IFC) argues, is that: "Most companies consider only a small range of potential investment locations, many other countries are not even on their map."[4]

Studies have found that investment promotion was most effective when it: [5]

- Overcame information asymmetries;
- Compensated for the imperfect functioning of international markets, which makes parent companies (and their corporate location advisors) reluctant to consider new production sites; and
- Led to differentiation of the host country as a location for targeted activities.

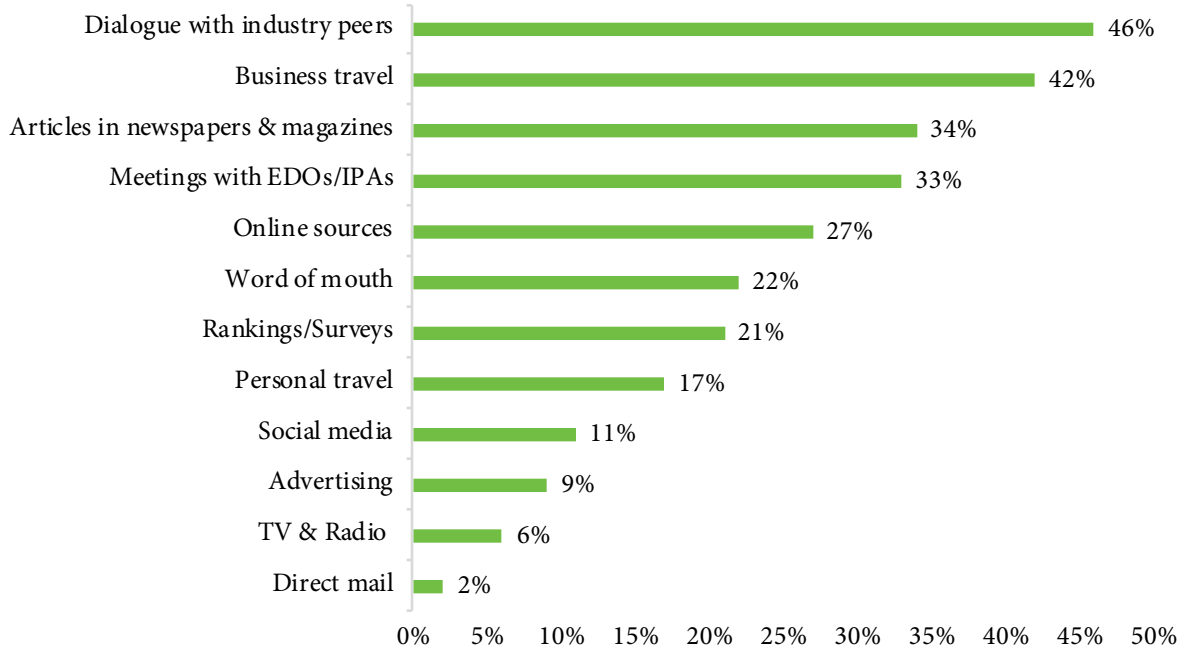
The importance of the activities of EDOs and IPAs can be seen in recent investor surveys. A survey by Development Counsellors International (DCI)[6] of 356 corporate location decision makers found that articles in newspapers and magazines and meetings with EDOs and IPAs were two of the four most important factors influencing executive's perceptions of an area's business climate for inward investment, as Graph 1 shows. This demonstrates the importance of marketing and lead generation activities to get a location on the investor's map.

1.2.2 Facilitating Investment Projects

Time is money for an investor and setting-up a new enterprise in a foreign country can be a complex and time-consuming process, especially in many emerging markets. For very large or strategic investment projects, governments at the national and local levels are involved in the approval and investment process in almost all countries.

2 This section is based on Loewendahl, H. 'A Framework for Investment Promotion', Transnational Corporations, April 2001, UNCTAD.
3 UNCTAD (1999) *World Investment Report 1999: Foreign Direct Investment and the Challenge of Development.*
4 International Finance Corporation (IFC) (1997). "Foreign direct investment", *Lessons of Experience,* Volume 5 (Washington D.C.: International Finance Corporation).
5 Wells, L. T. and A. G. Wint (2000). "Marketing a country: promotion as a tool for attracting foreign investment", FIAS Occasional Paper No. 13 (Washington, D.C.: Foreign Investment Advisory Service).
6 Development Counsellors International (2014) "Winning Strategies".

GRAPH 1. Leading Sources of Information Influencing Executives' Perceptions of an Area's Business Climate (Percentage)



Source: Development Counsellors International (2014) "Winning Strategies".

Foreign investors therefore need to engage with governments and very often, in order to help make their investment project happen and to mitigate risks, want to have a good relationship with national and local governments.

According to a 2015 Economist Intelligence Unit survey of 155 senior corporate executives in companies worldwide, 51% of corporate executives relied on resources provided by local government and chambers of commerce to establish operations overseas. Based on the survey results, the Economist Intelligence Unit concluded that: "Governmental support for corporate overseas expansion plays a crucial role across all key areas".[7]

7 Economist Intelligence Unit (2015) "Corporate overseas expansion: Opportunities and barriers".

2. GOOD PRACTICES IN INVESTMENT PROMOTION

The following sections provide good practice scorecards for organizational strategy, inquiry handling, investment facilitation, incentives, aftercare, and monitoring and evaluation activities of an investment promotion agency.

2.1 ORGANIZATIONAL STRATEGY

The organizational structure and strategy for attracting FDI are fundamental to success. The scorecard below emphasizes that there should be a clear institutional structure for attracting FDI with high levels of coordination and government commitment. The FDI strategy should be clear, coherent and focused, as well as flexible to adapt to fast-changing global markets.

Organizational Strategy Good Practice Scorecard

A. Organization	1. Is there a clear mandate to attract FDI? 2. Who has this mandate? 3. Is there sufficient status and visibility? 4. Is there control over strategic and executive functions? 5. Are the relevant skills/staff in place?
B. Coordination	1. Is there effective co-ordination and networks? 2. Coordination at national and regional levels? 3. Is there access to expertise?
C. Commitment	1. High-level government mobilization? 2. Strong role and value system? 3. Can the inward investment organization influence decisions and have an active role in government policy?
D. Strategy	1. Is there a clear and coherent, focused approach? 2. Is the agency agile and flexible enough?

Source: WAVTEQ based on Loewendahl (2001) "Bargaining with Multinationals".

2.2 INQUIRY HANDLING

Most IPAs can generate FDI leads and opportunities, but many IPAs fail when it comes to effective and professional handling of investor inquiries. The scorecard below outlines key issues regarding good practices in handling investor inquiries. Most important is efficient project management, effective research and timely provision of information requested by investors (this is where many IPAs fail), and effective site visit handling.

Inquiry handling is critical to success. Once the investor has confirmed interest in a location, the decision to invest will be influenced by the quality of service pro-

vided by the IPA. Investors often expect a response to an enquiry within 1-2 days, in accordance with private sector practice. As the EIU survey cited in section 2.2.2 emphasized, governmental support for corporate overseas expansion plays a crucial role across all key areas. The better the quality of inquiry handling, the higher the "conversion rate" will be (i.e. the percentage of project leads that result in actual investments). Best practice IPAs typically aim for a 20% conversion rate, with a 10% conversion rate considered average. But many IPAs struggle to achieve more than 5% conversion, a key reason being weak inquiry handling.

Inquiry-handling Process Good Practice Scorecard

A. Ownership	1. How many agencies/departments are responsible/involved in project handling? 2. Is there one point of contact for the investor? 3. Is there clear ownership of a 'project'? 4. How is the process managed? 5. Are all the stakeholders involved, understand the process and committed? 6. Are there key performance targets for handling investor inquiries?
B. Investor requirements	1. Is an attempt made to understand investor requirements ('project brief')? 2. Is there effective research and timely information provision to the investor?
C. Visit handling	1. Who has ownership of the visit? 2. Are senior officials involved? 3. Is there a well-planned process? 4. Is the investor satisfied?

Source: WAVTEQ based on Loewendahl (2001) "Bargaining with Multinationals".

2.3 INVESTMENT FACILITATION

Effective facilitation is very important when the investor needs to secure permits, licenses and approvals to establish operations in the country. Typically, developing countries have many more procedures for investors than developed countries, and the IPA plays a key role in assisting investors to facilitate their projects. Many IPAs have established a "one-stop-shop" to provide all the approvals and clearances needed.[8]

Investment Facilitation Services Good Practice Scorecard

A. Permits and licenses	1. What permits and licenses do investors need to apply for? 2. What do investors think about these? 3. How do they compare to competing locations?
B. Application	1. Is there a clear roadmap for navigating the procedures and making the application? 2. Is technology used to make the process efficient?
C. Process	1. Is the process predictable and transparent? 2. Is the process politicized? 3. Who has responsibility for the process?

8 For example, see IMF (2006) "Establishing a Successful One Stop Shop: The case of Egypt" and OECD (2006) "Policy Framework for Investment: Review of Good Practices".

D. Approval	1. Is there a clear evaluation framework for authorizations? 2. Is there a target timeframe for approvals? 3. Is there a key point of contact for the investor?

Source: WAVTEQ based on Loewendahl (2001) "Bargaining with Multinationals".

2.4 INCENTIVES

Most countries offer financial incentives for investment projects, which foreign investors can apply for. Incentive policies vary considerably across countries and within the LAC region (for data on incentives in the region see www.incentivesmonitor.com). In most developing countries, the primary investment incentives are tax and other benefits from investing in an economic zone (e.g. a free trade zone), while in most developed countries incentives are typically discretionary investment packages offered to a specific investor for a specific project. Within LAC, some countries such as Brazil, Chile and Mexico also offer negotiated incentives packages to investors. The scorecard below outlines key issues in good practices in incentives policy, negotiations/processing of incentives applications, approvals, and post-approval practices.

Incentives Policy and Negotiation Good Practice Scorecard

A. Incentives policy	1. What are the objectives of incentives? 2. What types of incentives are on offer? 3. Are incentives aligned to the needs of different sectors? 4. Are they linked to performance targets? 5. Do these meet the objectives? 6. Are the incentives clear to investors?
B. Negotiation / Processing	1. Who can get the incentives? 2. Who allocates/awards the incentives? 3. Is the negotiation process predictable and transparent? 4. Are the incentives needed to win the project? 5. What will be the return on investment?
C. Approval	1. What is the process for awarding incentives? 2. Is it politicised? 3. How speedy and fair is the process?
D. Post-approval	1. What happens after approval? 2. Is there monitoring of performance targets? 3. Do investors receive the incentives? 4. Are there effective "claw back" mechanisms if investors do not meet targets?

Source: WAVTEQ based on Loewendahl (2001) "Bargaining with Multinationals".

2.5 AFTERCARE

Aftercare refers to the post-investment services provided to investors to encourage them to expand and deepen their operations in the location. The scorecard below provides a checklist for good practices in aftercare covering policy, techniques and resources.

Aftercare (Business Retention and Expansion) Good Practice Scorecard

A. Aftercare policy	1. Is there an aftercare strategy for keeping in contact with investors once they make the investment? 2. What are the objectives of aftercare (expansions, marketing, supply chain linkages, upgrading of plants etc.)?
B. Aftercare techniques	1. What aftercare techniques are used? 2. Do these meet objectives? 3. Who are the stakeholders in aftercare?
C. Resources	1. Are adequate resources and skills available for aftercare? 2. Is there a dedicated aftercare team? 3. Are resources used effectively?

Source: WAVTEQ based on Loewendahl (2001) "Bargaining with Multinationals".

2.6 MONITORING AND EVALUATION

Best practice in investment promotion includes an accurate system to monitor and evaluate investment promotion activities and results. As the scorecard below shows, key elements include clear targets for attracting and measuring FDI and its economic impact, qualification that investment takes place and measuring the role of the IPA in securing FDI, and evaluation of the performance and return on investment of the IPA.

Monitoring and Evaluation Good Practice Scorecard

A. Monitoring	1. Are there clear investment promotion activity targets (e.g. number of prospects, meetings, site visits, conversion rates)? 2. Are there clear FDI results targets (e.g. number of FDI projects, jobs, capital investment)? 3. Is there systematic and continuous tracking of new and existing foreign investors in the location and their economic and social impact? 4. Are investors willing to cooperate and share information and support the FDI strategy? 5. Is information gathering through monitoring activities used effectively within the organization and with other stakeholders and the public?
B. Evaluation	1. Are the investment promotion and FDI targets properly monitored and considered realistic and effective? 2. Does the evaluation of the investment promotion process include metrics to qualify that the FDI is actually taking place and the involvement of the IPA in securing FDI? 3. Is the return on investment of investment promotion activities evaluated to encourage value for money and performance improvement?

Source: WAVTEQ based on Loewendahl (2001) "Bargaining with Multinationals", and Loewendahl (2015) "A new foreign direct investment accounting methodology for economic development organizations" (Columbia FDI Perspectives. No. 165, January 18, 2015).

3. INNOVATION IN INVESTMENT PROMOTION

The following sections provide the latest evidence on the most effective methods to attract FDI and based on methods most relevant to LAC investment promotion agencies, identify six case studies of innovation in investment promotion practices from outside of the LAC region.

3.1 IDENTIFICATION OF BEST PRACTICE CASE STUDIES

3.1.1 What's working in investment promotion?

Surveys of corporate location decision makers by Development Counsellors International (DCI)[9] have found that investors rate the internet/website as the most effective marketing technique for attracting inward investment, followed closely by direct visits to corporate executives, and media relations/publicity.

TABLE 1. Most Effective Marketing Techniques in Investment Attraction (Percentage rating of 4 or 5 on a 5-point scale)

Technique	2017	2014	2011	2008	2005	2002	1999	1996
Internet/Website	74%	67%	55%	56%	53%	34%	37%	18%
Planned Visits to Corporate Executives	66%	64%	57%	55%	54%	53%	46%	53%
Media Relations/ Publicity	51%	48%	33%	52%	50%	21%	19%	19%
Hosting Special Events	51%	46%	35%	45%	49%	37%	42%	49%
Trade Shows*	39%	38%	35%	--	33%	32%	45%	39%
Advertising	32%	17%	16%	15%	20%	21%	19%	19%
Direct Mail	23%	14%	15%	19%	23%	33%	25%	25%
Telemarketing	17%	6%	4%	4%	6%	4%	6%	7%

Source: Development Counsellors International "Winning Strategies" (2017), based on 331 corporate executives.

Surveys by the Financial Times asked a similar question, but this time surveying IPAs. The survey results in Table 2 below show that IPAs rate aftercare services as the most effective technique to attract FDI, followed by sales representatives overseas and outsourcing lead generation (LG) to consulting firms.

TABLE 2. Most Effective Investment Promotion Techniques to Attract FDI (0-5, 5 = most effective)

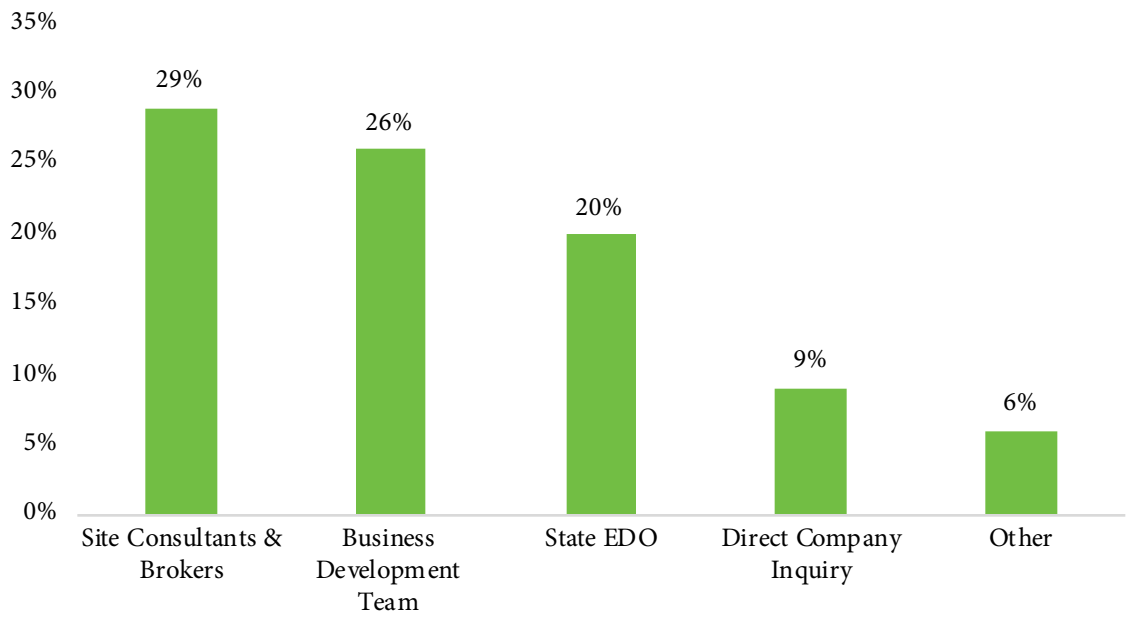
Technique – most effective	% Agencies using	Average score of effectiveness (5=most)
After-care services for existing firms	100%	4.1
Sales representatives overseas	75%	4.0
Outsourcing LG to consultancy firms	50%	3.5

9 Source: Development Counsellors International (2017) "Winning Strategies".

Diaspora inward investment targeting	13%	3.5
Conferences, seminars	100%	3.4
Inward Investment website	100%	3.3
Inward FDI missions	63%	3.3
Outward FDI missions	63%	3.3
Referrals from the national IPA	38%	3.3
Conventions, exhibitions	100%	3.1
Direct mail to targeted companies	63%	3.0
Outward trade missions	38%	3.0

Source: Financial Times (2008) International IPA Survey, "Most Effective Investment Promotion Techniques".

GRAPH 2. Source of Inward Investment Project Leads for US Economic Development Organizations (2016, percentage)



Source: Development Counsellors International (2016) Survey of Major US EDOs, "What's working in Lead Generation".

3.1.2 Implications for Selection of Case Study Areas and IPAs

Table 3 below identifies six key areas of investment promotion based on the survey evidence presented in section 4.1.1, the good practices in section 3, and the relevance to IPAs from the LAC region. Identified best practice and innovative IPAs are also shown.

TABLE 3. Key Areas of Investment Promotion and Selected IPAs for Case Studies

Area of investment promotion	Importance	Relevance to IPAs from LAC	Best practice case study IPA
1. Website	One of the most effective techniques to market a location according to both investors and IPAs	Critical for all IPAs to be up-to-date with latest innovations – few IPA websites from LAC are international best practice	Netherlands Foreign Investment Agency website identified as highly innovative and among the best in the world
2. Multipliers	Site selectors, the media, and other location multipliers have a major influence on FDI decision making and location selection and are a key source of inward investment project leads	While location multipliers are increasingly important in FDI and corporate location, very few IPAs from LAC have developed a multiplier strategy	UK Trade and Investment identified as developing a comprehensive multiplier program
3. Sub-national investment promotion	Surveys of MNEs have shown that investment facilitation services at the local level are of high importance to investors. To attract FDI, overseas representatives, outsourcing lead generation and meeting face-to-face foreign investors are ranked amongst the most effective methods to attract FDI	Subnational IPAs in LAC typically are not well resourced and need support and capacity building for investment facilitation and investment promotion	Invest in Canada identified as developing an innovative program to support sub-national IPAs to attract FDI, which has been running successfully for several years
4. Aftercare (supply chain development)	Aftercare is stated by IPAs as the most effective method to attract FDI and can play a key role in embedding investors and maximizing local benefits	Most IPAs in LAC have a small aftercare team but do not provide comprehensive post-investment services	North East England and Czech Invest identified as pioneers in developing supply-chain aftercare programs and Louisiana Economic Development identified as best practice in skills & training aftercare
5. Aftercare (skills & training development)			

6. FDI Tracking & Evaluation	Monitoring and evaluation is a key area of investment promotion especially important given that official data on greenfield FDI is not collected in most countries. Tracking performance also feeds through into media/publicity which is one of key methods to market a location	While some IPAs in LAC do have strong monitoring and evaluation there is very limited data published on the performance of the IPA and country in attracting FDI	Dubai FDI identified as the pioneer in developing robust FDI monitoring and using it to market Dubai more effectively to investors as well as to support investment facilitation and aftercare

3.2 INNOVATIVE IPA CASE STUDIES

3.2.1 Netherlands Foreign Investment Agency - Website

Importance of the website

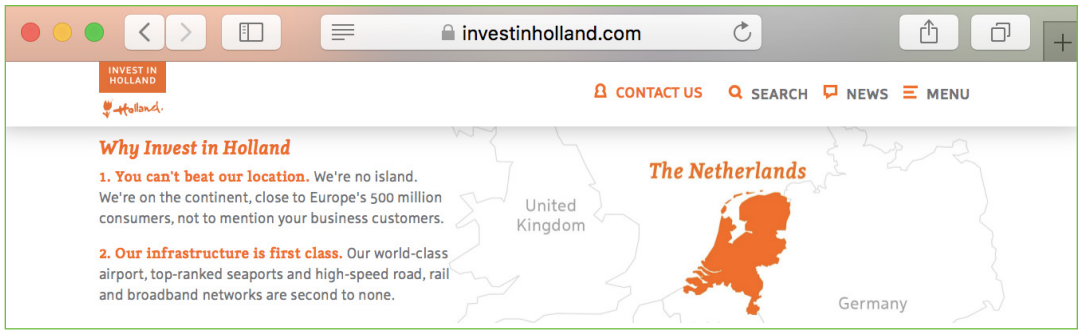
A location's website is ranked by investors as the most important marketing technique to attract inward investment. According to Development Counsellors International, nearly two thirds (66%) of executives and location advisors are likely to visit an economic development organization's website during their next site search - an increase of 18% since 2011. IPAs from LAC should ensure their website is effective in marketing and providing information on their location to generate FDI inquiries and leads. Improving the inward investment website is a cost-effective activity that IPAs can undertake to increase their performance in attracting FDI.

Case study: Netherlands Foreign Investment Agency (NFIA)

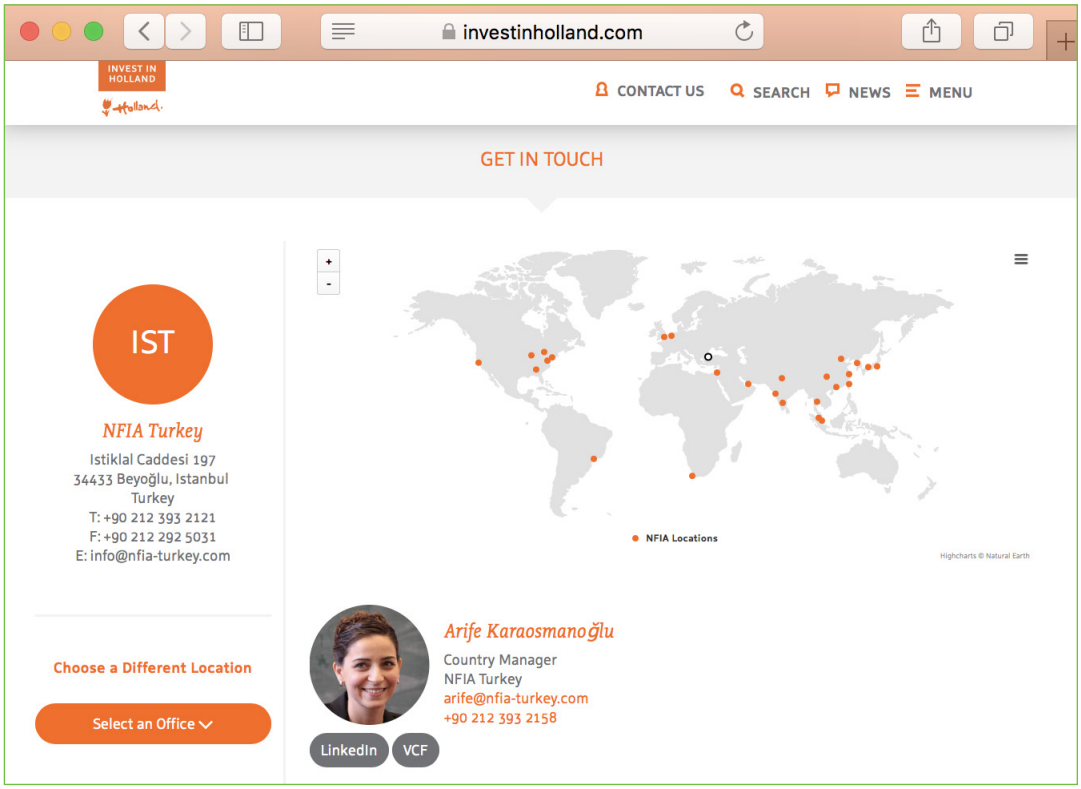
The Netherlands Foreign Investment Agency (NFIA) has developed a new, innovative website for attracting FDI that represents a global best practice, and is considered one of the world's best IPA websites. The NFIA is an operational unit of the Dutch Ministry of Economic Affairs, with its key services including: organizing fact-finding missions; arranging meetings with relevant partners; and providing personalized guidance and counsel on tax, government and permit procedures, location options and business solutions. NFIA also has an Investor Relations team providing policy advocacy to the Dutch and EU governments.

In 2015, NFIA launched its new www.investinholland.com website. Key innovative and best practice features of the website include:

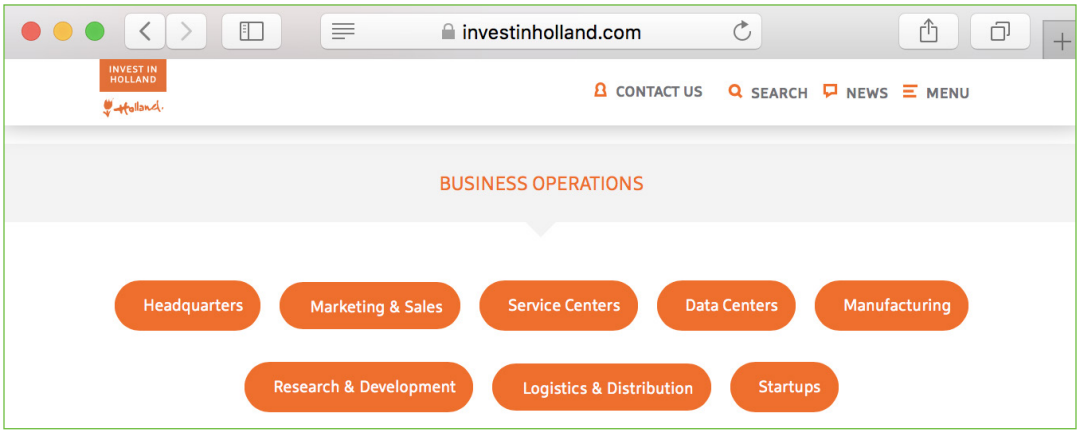
1. Adaptive content based on IP address: The content on the website automatically adjusts based on the country IP address that one accesses the website from. The example below shows the home page of the website when accessing the site from Turkey. The fourth bullet for "Why Invest in Holland" has content automatically adapted to a Turkish potential investor by listing the major Turkish companies that have invested. The website clearly says it is "optimized for Turkey", so that the user can change the country if necessary.



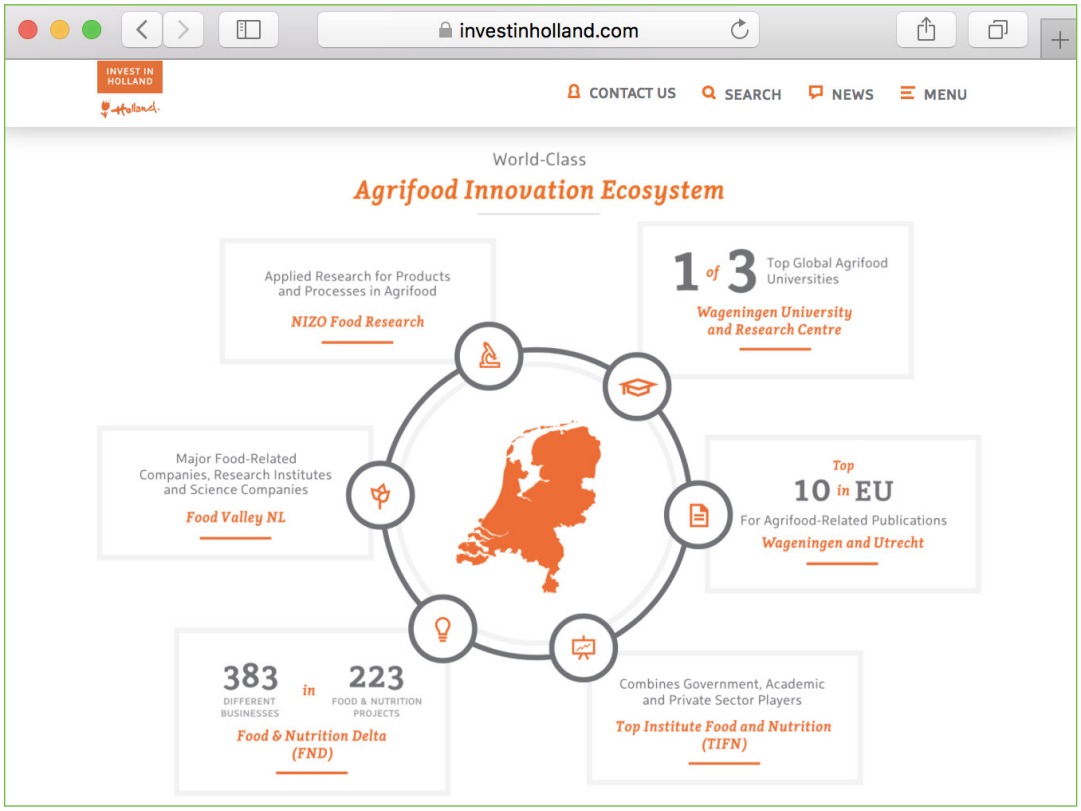
2. Focus on lead generation: The website is very user-friendly in being able to quickly identify relevant contacts in NFIA and how to get in touch with them via e-mail, telephone and social media. The use of photos also makes the website more human and engaging – increasing the likelihood the investor will contact NFIA. There is also a very clear call to action, with a large "Request a Meeting" button to encourage the investor to engage with NFIA. NFIA also uses advanced website technology to capture intelligence on users of its website to support lead generation



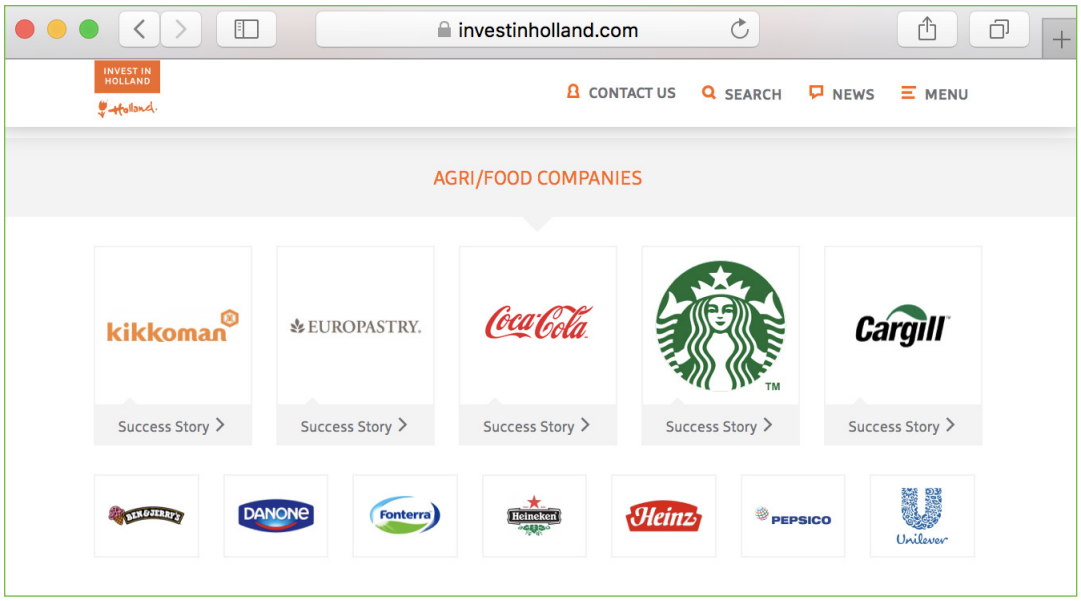
3. Propositions for key activities as well as sectors: NFIA recognizes that FDI decision-making is driven as much by the type of operation or activity of the investment project as by the industry sector. NFIA is one of the first IPAs to develop very effectively its online investment propositions around key activities or "business operations" using the terminology used in the NFIA website as well key industry sectors. The web-interface is very user friendly and intuitive for investors to select an operation type or a sector and are then presented with a high impact tag line to raise their interest. In the example below for the agrifood sector, the tagline is "The Netherlands is the #2 agrifood exporter in the world", which should get the investors' attention.



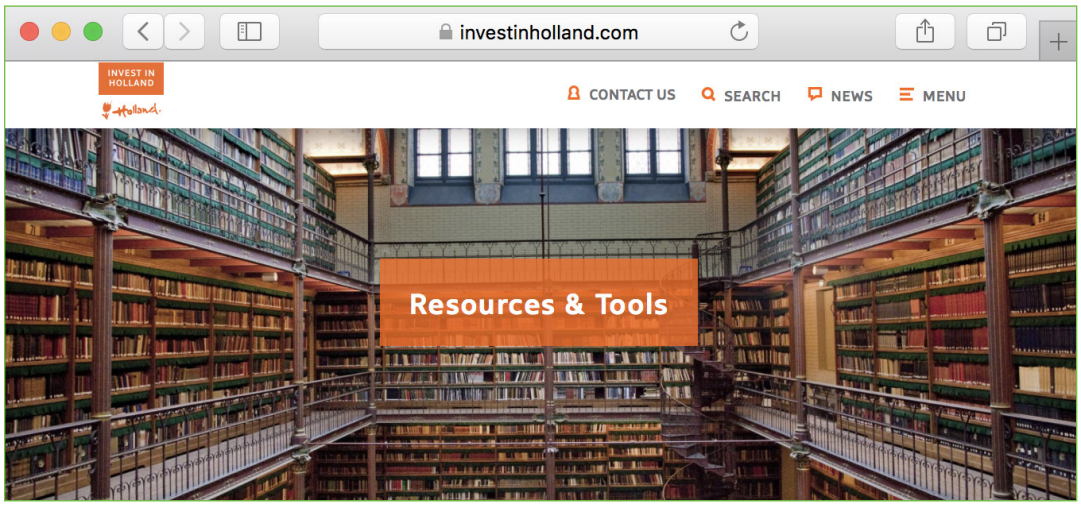
4. Effective use of info-graphics: The NFIA website is designed in a very modern template and uses info-graphics to present information to investors. The example below shows high impact info-graphics for the agri-food sector.



5. Use of high impact investor case studies: NFIA recognizes that investors are most interested in what other companies have invested, especially global peers in their sectors. NFIA provides investor case studies for each type of operation (activity) and sector, which are presented by the logo of each investor with a case study that can be accessed. The example below shows investor case studies for a Service Center.



6. Access to resources and tools for investors: The NFIA website has a section on resources and tools which is clearly accessible and provides downloads of all documents relevant to investors.



Guidelines for IPAs from LAC

For IPAs from LAC to develop a best practice website, the following guidelines should be taken into consideration:

1. The website should provide targeted content to suit the audience/reader;

2. Use unique and descriptive keywords when preparing the website to grab attention of web visitors and search strings;

3. Use images and infographics – people process visual information 60,000 faster than written information;

4. Keep things short and sweet – visitors stay on a page an average of 15 seconds;

5. The inward investment website should be highly visible, not hidden away in a wider ministry, economic development or commercial department website. 'Invest in location X' is the most used URL for inward investment websites;

6. Sponsor search engine ad words that can raise awareness significantly;

7. The website design should at a minimum cover:

a. Information on the home country

b. IPA services

c. Economic overview of the location

d. Sectoral and business opportunities

e. Investor network (for investor development)

f. News and publications

g. Incentives

h. Contacts

i. Inquiry form

8. Advanced inward investment website features may also include:

a. Searchable, interactive "Investment Map" using Geographic Information Service (GIS) Mapping to show existing investors and location advisors in the country/region

b. Real estate database of sites and properties

c. Partner database of suppliers and business partners

d. GIS mapping to analyze different location and site options

e. Live Chat feature

9. Web stats should be tracked frequently (e.g. monthly), including the number of unique visitors, areas of the website visited, time spent on each page, downloads made, country of origin of visitors, number of inquiries made through the website. IPAs should also consider using advanced website lead generation technologies to capture information on specific companies and individuals using the website; and

10. The results of website inquiries should be tracked, including number of enquiries, qualified leads, active cases, investment successes and conversion rates.

According to Development Counsellors International, best practices to make sure

the inward investment website is at the top of its game include:[10]

1. Keeping demographic data up-to-date: Site selectors, executives and other decision makers want to know if the location has the workforce needed to support their business. That's why it's important to include the most recent data sourced from a third party. For best results, it should be easily accessible (1-2 clicks) from the homepage;

2. Highlighting key industries: Location advisors want to know what the host region does best. The website should promote top industry sectors with a dedicated page for each; clearly identify the sector strategic advantages and list or provide success stories for the top employers in the region to demonstrate a robust industry network;

3. Showcasing leading employers: Showcasing the location's leading employers is a great way to show decision makers, not only that other major companies are already thriving there, but that strong business and industry networks exist in the area. Include a dedicated page for leading employers and provide additional information (i.e. description of company operations and current employment) on at least five of the top employers. Include links to company success stories;

4. **Providing comprehensive contact information:** If a contact form or general email is the only way to contact the organization, the location could be missing out on big opportunities. Location advisors and corporate executives are most likely to contact an IPA for the first time following the development of a shortlist in order to request specific information or to arrange a visit. When they are ready to make that call, a decision maker wants to be able to get on the phone with the right contact - ideally with the phone number easily found within one click from the homepage. It is important to provide comprehensive contact details (direct phone, e-mail, title) for key members along with a photo, so that site visitors know exactly who they are talking to;

5. Putting incentives front and center: Information on incentives is the single most important feature of an inward investment website. It should provide a comprehensive overview of state and local incentives - again, ideally within 1-2 clicks from the homepage;

6. Providing GIS for available sites: Information on available sites is something every comprehensive inward investment website should have - whether it is a dedicated page or a link to a separate provider. Ideally, this should include a GIS component, so site selectors can visualize exactly where the available property falls in the area;

7. Sharing the latest news: Keeping visitors updated on regional developments by posting announcements, events and accolades; posting at least one update per month (if not several) and making sure external news (i.e. company relocations and expansions) outweigh internal news;

8. Considering user experience: The "1-2 clicks" should be a pattern. As an exercise, a peer who is unfamiliar with the site should do a test to see if he or she can find everything a site selector might need within 1-2 clicks of the homepage. If not, the site

10 http://aboutdci.com/2015/08/10-best-practices-for-economic-development-websites/.

could be causing visitors unnecessary frustration and a navigation makeover may be something to consider. Another absolute must for a successful inward investment website is responsiveness across mobile devices. The "1-2 clicks" exercise should work from a smartphone;

9. Keeping design modern and fresh: While this best practice may be considered somewhat subjective, there are a few good rules of thumb for making sure the site is looking its best. For one, using large, crisp images is a great way to dress up any site. Increasingly, "retina-quality" images—roughly 300 or more pixels per inch—are becoming the web industry standard. High-quality images, balanced with an appropriate amount of "white space," bold colors and text is a great recipe for modern, fresh web design;

10. Not letting the content get lost: It is widely accepted that if one is not in the top two or three Google search results (in this case, when a user enters a community followed by "economic development"), it is losing out on site viewers. That is why search engine optimization (SEO) is arguably one of the most important aspects of web design. One can enter the website URL into HubSpot's Marketing Grade for an SEO check-up.[11]

The resources required to develop or update an inward investment website depend on many factors, including the scope of services of the IPA (e.g. will the website need a partner search database and GIS mapping of property and sites?) and the databases and content the IPA already has access to (e.g. does the IPA subscribe to leading data sources that can be used as content for the website?). As a rough guide, to develop a basic inward investment website, following the above best practices, is likely to require a budget of US$25,000-US$50,000 while to develop an advanced inward investment website, including most of the key features highlighted in the best practices above, is likely to cost US$50,000-US$100,000, depending on the content already available.

3.2.2 UK Trade and Investment – Multiplier Strategy[12]

Importance of a multiplier strategy

Intermediary organizations such as site selectors, real estate brokers, consultants, accountants, banks, legal firms, HR firms, business associations, government departments, and media organizations influence the location decisions of thousands of companies.

The Economist Intelligence Unit 2015 global survey of MNEs found that 43% of corporate executives outsource all or part of the set-up process to external service providers.[13] The survey by Development Counsellors International of US corporate executives, found that 40% of companies are planning to outsource site selection.[14]

11 https://website.grader.com/.
12 Note that in 2016 UKTI changed its name to Department for International Development.
13 Economist Intelligence Unit (2015) "Corporate overseas expansion: Opportunities and barriers".
14 Development Counsellors International (2014) "Winning Strategies".

Intermediaries can thus play a key role in advising companies on where and how to invest. In the US, as shown in Section 4.1.1, site selectors and brokers are now the most important source of inward investment project leads (29% of leads) for major US EDOs.

Corporate executives are also strongly influenced by the media. As shown in Section 2.2.1, articles in newspapers and magazines are the third most important factor influencing corporate executives' perception of an area's business climate, after dialogue with industry peers, and business travel.

Governments in many countries provide finance for FDI, such as Export Development Canada, and international organizations, like the International Finance Corporation (IFC) are also important in financing FDI in developing countries (including high middle income countries). Many resource and capital rich countries also have state-owned Sovereign Wealth Funds (SWFs) which make billions of dollars of FDI every year, most notably SWFs from the Gulf countries. Home country governments are a key intermediary. In most countries, business and industry associations also influence their members' perceptions of different locations through their research and overseas activities.

Because of the importance of both private sector and public sector intermediaries, IPAs are increasingly developing a "Multiplier Strategy" to identify and build relations with key intermediaries both in their country and globally.

The term "multiplier" is used in the sense that one intermediary can advise or influence the location decisions of many companies. For example, the "Big 4" accounting and consulting firms and global real estate firms advise thousands of companies each year on corporate location, so by engaging with key individuals in a small number of intermediaries, the IPA can get their location "on the map" of a potentially very large number of companies. Likewise, by getting a key journalist in a leading media organization to publish an article on a location, this can influence the perception of many thousands of corporate location decision makers.

Most IPAs in LAC do not have the resources to directly reach out and meet thousands of companies each year to find those that have a project that will consider their location. Most IPAs do not have sufficient budgets for advertising and PR to create global awareness of the location. A full-page advert in an international business newspaper can cost up to US$100,000, and TV and other campaigns can run into millions of dollars. Even if the IPA has the budget, such activities may not deliver a high enough return on investment and may not be the best use of limited resources.

A multiplier strategy is a low-cost and effective method of lead generation and awareness creation for IPAs. Some of the IPAs that have developed a successful multiplier strategy include CINDE from Costa Rica and Wesgro Cape Town from South Africa, getting their location on the map of advisors to multinational enterprises. Uruguay XXI also proactively engages with intermediaries as part of its overseas mission and conference program.

For the world's leading IPAs, including IDA Ireland and Singapore EDB, a multiplier strategy is considered essential to build business networks globally, especially in emerging markets, where IPAs do not have decades of corporate contacts and

relationships and where outward FDI is a recent phenomenon, and most of the companies from these emerging markets do not (yet) have a direct presence in either Ireland or Singapore.

One can see a clear trend of IPAs developing a multiplier strategy as a key pillar of their FDI promotion activities to gain business referrals from advisors, promote their location to key influencers, and build global business networks.

Provided below is a description of UK Trade and Investment, renamed Department for International Trade as of mid-2016. UKTI has been at the forefront of innovation in investment promotion for several decades since the IPA was created in the 1970s as the national IPA of the United Kingdom. UKTI developed one of the world's first Global Partnership Programs to facilitate New Forms of Investment (NFI) and has established the strongest nationwide key account management system for providing aftercare to existing investors. UKTI has also been at the forefront in developing a multiplier strategy.

Case study: UK Trade and Investment (UKTI)

UKTI initially began its intermediary strategy in 2011, as it became increasingly clear that foreign investors were coming into the UK via channels other than with UKTI's direct support. UKTI then fully launched the initiative and established a dedicated Investment Services intermediary division – named "Commercial Partnerships" at the beginning of 2012.

UKTI found that many intermediaries were often burdened with questions and tasks from their corporate FDI clients that they couldn't necessarily help with. This provided further opportunity for UKTI to step in to support investors directly with issues such as market intelligence, introduction to other government departments as well as signposting investors to other intermediaries for direct support in areas such as recruitment, real estate, legal advice and setting up bank accounts.

The key objective of UKTI's Investment Services team's intermediary program was and remains to provide a new channel of FDI leads to bolster the existing inward investment pipeline, to realize new investment successes from new and existing UK foreign investors, alongside creating and retaining jobs for the UK economy. This program also provides a way to access existing inward investors in the UK, which currently have no relationship or connection to the UK local or national government.

A further objective is being able to match FDI clients with key advisors to support them on their entry to the UK or their growth within. The Intermediary team receives approximately 3 to 4 emails per day from the international post (embassy) network requesting advice and help for their FDI project clients.

Building an intermediary network also enables UKTI to support mergers and acquisitions (M&A). Whilst UKTI cannot directly support acquisitions of UK-domestic firms, it can pass investors through to an advisor to help source potential targets. By maintaining the relationship with the investor via the advisor, UKTI can subsequently get involved once the deal has completed as the UK-company then becomes foreign-owned and is therefore eligible to the full range of support to all FDI clients and

would then be placed on a UKTI account management ("aftercare") list to ensure the new owners retain and hopefully grow their new investment in the UK.

The intermediary team began with a team of three people growing to 10 people as of 2016, operating on a UK regional basis. In the beginning the team was solely focused on working with intermediaries to uncover new FDI leads. This has now evolved as the team is also tasked with attending key industry events to outreach to existing and potential new foreign investors in the UK which previously had no relationship with UKTI. These companies are often sourced via intermediary channels as multipliers will often share lists of their existing clients operating in the UK.

Since 2012, over 1,200 new FDI project leads from both entirely new and existing UK investors have been uncovered. This has resulted in around 300 realised investment successes for the UK. An example is a well-known, US-based women's retailer which had been introduced to UKTI via one of the UK's largest banks. They wished to open 3 stores in London, including a European flagship. UKTI helped provide links to commercial real estate advisors to source prime real estate in central London. This retailer has since expanded to operate 8 stores across the UK.

For UKTI, all types of intermediaries within the FDI supply chain are targeted, both UK and foreign-owned. This includes: banks, accountants, lawyers, business set-up consultants, recruitment agencies, real estate agents, HR advisors, IT consultants, business & trade associations, local and foreign chambers of commerce and business networks (FETPO), foreign IPAs. UKTI Investment Services Team has live and nurtured relationships with around 200 intermediaries. In total, over 500 individual intermediary contacts have been connected with since the programme started in 2012.

The best yielding intermediaries for FDI leads tend to be the foreign chambers of commerce, other foreign investment promotion agencies and the top-level site selectors and big consultancy firms. Where UKTI can add the most value to leads is also via these channels as generally the UK will still only be on a long or short list for the investment and there is a lot of "selling" and proposition development that UKTI can offer at this stage. Banks, legal and accountancy also provide good sources of FDI leads although these tend to be projects or investments that are coming to the UK anyway, so it is more a case of investor handholding rather than supporting or selling the benefits of the UK. There is however, a sales pitch for UK cities and regions. The latter aims to help a client with their to-do list, giving them a soft landing in the UK.

When the team started in 2012 there was some cold-calling to introduce UKTI and its services; however, the most widely used and best form of outreach to intermediaries was made via networking and events. These included events such as the British American Business, other foreign association events and key industry conferences. Word-of-mouth was also widely used - for example many advisory firms would tend to have partnership relationships with other complimentary services providers, such as legal and accountancy. Relationships with intermediaries are maintained via meetings on a regular basis - monthly or quarterly meetings, joint seminars, round tables, the sharing of market and economic intelligence from UKTI and the sharing of business opportunities for the intermediaries from UKTI's FDI clients.

Establishing a partnership between UKTI and private sector intermediaries has helped

demystify working with government with a view to demonstrating how government can support instead of hindering business in the UK. This has been particularly useful considering recent events where intermediaries and their investor clients have been able to have a direct link with the government to discuss issues or opportunities associated with Brexit.

There is a small suite of promotional materials aimed at intermediaries to support both entirely new investors to the UK and existing investors promoting how government support can benefit the investor directly as well as keeping an intermediary's client happy and generating more business all round. The main, direct marketing technique used is UKTI-hosted intermediary events and roundtables. These events can be both dedicated advisor events, i.e. UKTI will host at the intermediary's office internal personnel only - this is often for big banks and law firms - or by holding external events hosted at UKTI offices for a range of service providers. There tends to be at least one external roundtable held per quarter with around 20 advisors attending each.

Guidelines for IPAs from LAC

The first stage in developing a Multiplier Strategy is to determine the scope of the strategy, in particular:

1. What are the objectives of the strategy? Key objectives can include: generating investment referrals from advisors, creating and promoting awareness, and facilitating projects more effectively;

2. What is the geographic coverage of the Multiplier Strategy? The focus can be just on targeting intermediaries in their own country for investment referrals and as facilitation partners or also targeting intermediaries in overseas markets;

3. What type of intermediaries will be engaged with? The types of intermediaries that can be targeted vary from specialist site selection consultants to real estate companies, major accounting, consulting and law firms to journalists, data and media organisations that influence corporate perceptions. Business associations and government institutions can also be targeted; and

4. What will be the level of engagement with intermediaries? A "marketing program" would be where engagement is primarily through marketing and desk-based interaction with intermediaries, typically through an initial e-mail and telephone follow-up and "drip-feeding" of updates on the location such as via a regular IPA newsletter and through news and blogs on the IPA's website and social media, including Twitter and LinkedIn news updates. An IPA can also consider a more proactive "business development program" for intermediaries, where the IPA conducts regular direct visits to meet key intermediaries and incorporates intermediaries into their wider sales activities, such as inviting them to attend investment seminars or to come on site visits to the country.

The second stage is to determine the resources and capabilities needed to implement the strategy:

1. Data resources to identify target intermediaries: The IPA can do its own research to identify intermediaries or utilize at relatively low-cost ready-made databases of in-

termediaries, such as FDI Professionals;[15] and

2. Human resources to engage with intermediaries: The biggest consideration for most LAC IPAs will be what staff resources can they utilise to implement the Multiplier Strategy. A key question will be which departments within the IPA will be involved. This is likely to depend on the types of intermediaries being targeted and the scale of the engagement plan. If one of the objectives is to raise awareness and journalists and related organizations are targeted, then it is likely the marketing, communications and PR teams in the IPA need to be strongly involved. If one of the objectives is to focus on gaining business referrals from intermediaries based already in the country, then the investment services or facilitation teams are likely to be involved. If advisors in overseas markets are being targeted, then the business development teams and any IPA overseas offices are likely to be needed. It is recommended that at least one member of staff is appointed as the "Intermediaries Manager" to manage the program and coordinate the different teams likely to be involved, and the team can grow over time as results are achieved.

Once the multiplier strategy is being implemented, clear monitoring and evaluation of results are recommended. Key performance metrics include:

- **Activities:**
  - » Number of intermediaries targeted
  - » Number of intermediaries agreeing to refer opportunities to the IPA
  - » Number of intermediaries agreeing to be a facilitation partner of the IPA
  - » Number of newsletters sent out to intermediaries
  - » Number of news stories, including social media, disseminated to intermediaries
  - » Number of meetings conducted with intermediaries
  - » Number of intermediaries attending IPA events
  - » Number of intermediaries coming on site visits
- **Results:**
  - » Number of FDI inquiries generated from intermediaries
  - » Number of active cases generated from intermediaries
  - » Number of announced FDI projects generated from intermediaries
  - » Number of (free) articles or news on the location published by intermediaries

The resources and budget required to develop and implement a Multiplier Strategy depend on the scope of the program. At a minimum, a budget of around US$10,000

15 www.fdiprofessionals.com

to acquire databases and intelligence on intermediaries is recommended, in addition to appointing a full-time intermediaries' manager. Part of the engagement with intermediaries can be conducted by existing marketing and business development teams with a proportion of their time allocated to the Multiplier Strategy an ensuring they visit key intermediaries when they travel overseas.

Over time, having a dedicated marketing officer and business development officer for intermediaries is recommended as results from the program start to be achieved. The importance of a Multiplier Strategy and resources needed will vary across IPAs in LAC, depending on how important intermediaries are for advising and influencing FDI in their location and on the size of the country or region the IPA covers. For LAC IPAs, it is recommended that around 5-20% of the IPA sales and marketing budget and resources be allocated to the multiplier strategy.

3.2.3 Invest Canada – Subnational Investment Promotion

The importance of subnational investment promotion

The capability of regions and cities within a country to promote and facilitate foreign investment is very important to the success of the country in attracting FDI as well as to embed foreign investors into the local economy to deliver the strongest possible economic development benefits from FDI. There are three key reasons why the subnational level is important for FDI and investment promotion:

1. The local level is critical for site selection decisions: While investors may conduct an initial country-level screening to identify countries to consider for investment, the investor will quickly drill-down to the local level, as it is at the local level that the availability of land, property, skills, infrastructure, customers and suppliers will be assessed by investors. In most countries, incentives are also not standard across the country but depend on which location within the country the company invests. The quality of investment facilitation services provided at the local level can be critical to securing FDI. Once the investor makes an investment, investment aftercare services are also ideally provided at the local level, especially in medium and large sized countries, to be able to meet investors regularly and provide on the ground support and networks. The local level is also very important for securing re-investment projects by working closely with local management;

2. The local level is critical for economic development: It is the level were supply-chain linkages, cluster development, and skills development take place[16] and

3. Each subnational region has unique strengths to promote: Most countries, except the smallest ones, have diverse economic regions with strengths in different sectors, with specific investment opportunities for investors, and often with different economic development objectives reflecting the economic and social situation of each region. It is challenging, if not impossible in large countries, for a national IPA to have comprehensive and constantly updated information on every region and investment opportunity across the country and to be able to promote all the regions

16 For example, see https://hbr.org/1998/11/clusters-and-the-new-economics-of-competition.

and opportunities to potential investors. Typically, most national IPAs tend to promote their strongest regions and those that align with their national sector targeting strategy, as this will secure the strongest results for the IPA. Very few national IPAs have specific targets for the regional dispersion of FDI (one of few examples would be IDA Ireland). Regions and cities within a country therefore often need their own investment promotion capacity to be able to complement the activities of the national IPA and directly promote their location to investors.

A challenge for most national IPAs and governments is how to support regional and local IPAs to promote and facilitate FDI. The success of the country in attracting FDI and maximizing the benefits of FDI may depend on the capacity of regional and local IPAs.

Case study: Invest Canada

Invest in Canada Bureau, part of Global Affairs Canada, has the most comprehensive program to support subnational IPAs, with a federal level program to support investment promotion capacity at the local level called the "Community Initiatives Program".[17]

The Invest Canada-Community Initiatives (ICCI) program was established by the Government of Canada to provide support to Canadian communities seeking to improve their capacity to attract, retain and expand FDI in order to create jobs, support innovation and increase exports. The focus is on attracting greenfield FDI.

The program supports non-profit and public-private partnerships at the local community level. The initiatives supported by the program must focus on attracting, retaining and expanding FDI through specific activities. Non-repayable contributions range from C$3,000 to C$300,000, and agreements are made for a one-year period, from January 1 to December 31. ICCI provides reimbursement of up to 50% of eligible expenses. If an applicant accesses other federal government support, the total federal support cannot exceed 50%.

Since 2006, the program has supported over 416 municipalities and community organizations through 1,253 projects valued at C$42.2 million. In 2016, 87 organizations across Canada received more than C$3.7 million in funding.

Applications are evaluated based on their FDI attraction and retention strategies, project components, performance measures, capacity, work plan and the level of public-private sector partnership. The program prioritizes initiatives that focus on seven key target sectors and 23 target countries, to coordinate national and local activities.

The objectives of the program are:

- To enhance the capability and effectiveness of Canadian communities to attract employment - creating FDI by aiding communities in developing FDI attraction, retention and expansion initiatives;

17 http://tradecommissioner.gc.ca/funding-financement/icci-icic/index.aspx?lang=eng

• To help build business cases that will make foreign investors aware of the proven advantages of expanding into and within Canada;

• To encourage and promote the pursuit of excellence in the development of investment programs by allocating funds on the basis of competition that is judged on clear, long-term planning principles and demonstrated cooperation between the private sector and municipal governments;

• To help Canadian communities become more effective in dealing with FDI aftercare and support for specific foreign investment promotion initiatives; and

• To encourage intergovernmental cooperation, promote partnerships with the private sector and demonstrate federal commitment to encourage FDI and retention.

The focus is on supporting four main types of investment promotion activity, as shown in Table 4 below.

TABLE 4. Activity Categories of the the Invest Canada-Community Initiatives (ICCI) Program

FDI Training	FDI Strategic Planning and Analysis	FDI Tool and Material Development	Lead Generation and Meetings with Potential Investors
Examples: • FDI training (course, webinar)	Examples: • FDI strategy/framework • Business retention and expansion plan for FDI • Best practices/bench-marking studies • FDI action plan • SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) • Market studies • List of key sectors as investment attraction targets	Examples: 1. Business case 2. Development or redesign of FDI website 3. Addition of significant architecture or functionality on website for FDI attraction 4. Economic database analysis/ acquisition 5. Region/community economic profile 6. Labor force profile 7. Sector-specific fact sheets 8. Design and layout of promotional material 9. Site selection criteria for potential investors/site selectors	Examples: • List of prospective investors/targeted company research • Meetings in Canada with potential foreign investors • Meeting with potential pre-qualified foreign investors overseas

Guidelines for IPAs from LAC

Invest in Canada Bureau provides an innovative case of how national IPAs in LAC could support subnational investment promotion, which can be adapted based on the specific needs and circumstances of each country.

Key steps in developing a subnational support program include:

1. Determining the objectives of the program: In the case of Invest in Canada it is to attract greenfield FDI to Canada by co-funding capacity building, strategy development, tools and materials development, and lead generation activities of subnational IPAs. In the LAC context, the specific objectives are likely to vary considerably across countries. For example, in small countries it may not be necessary for subnational IPAs to have lead generation capability, so the focus may be more on research capability and investment services and facilitation while in large diverse countries, marketing resources and lead generation capability are likely to be much more important for subnational IPAs;

2. Determining the resources available for the program: The Canada example shows how the national IPA co-funds subnational investment promotion initiatives, which is an innovative model that could be considered by LAC IPAs. As well as a dedicated budget, the national IPA would need a program manager in place and a panel to review applications for funding and decide which initiatives are to receive funding;

3. Developing the project templates for the program: Templates should be developed to implement the program, most important of which are the "Application Form" to bid for funding and the "Evaluation Form" to report on the results;[18] and

4. Monitoring and evaluation of results: The national IPA should require a post-project report from each subnational IPA that receives funding to monitor and evaluate the results, which will also influence the allocation of future funding.

A program such as Invest in Canada is relatively straightforward to develop once a budget has been made available to support subnational investment promotion and the templates have been developed for the eligibility criteria and application process.

The budget needed will depend on many factors including the objectives of the program and the number of subnational IPAs. In small countries, a relatively small budget could make a major difference while in large countries a significant budget will be needed to make an impact. We would recommend a minimum annual budget of US$100,000 and a maximum annual budget of US$1 million for the largest countries in LAC. If the Invest in Canada 50:50 funding model is adopted, the impact on new funding allocated to investment promotion at the subnational level would be double the program budget.

3.2.4 North East England/Czech Invest – Aftercare and Supply Chain Development

The importance of supply chain development aftercare programs

Research shows that a $1 increase in FDI leads on average to at least an additional $1 in domestic investment, and 1 direct FDI job leads to 1-2 additional domestic jobs through production linkages between FDI and local sectors.[19] Recent research in the US has also shown that 1 direct FDI job creates 1 additional job.[20] IFC research shows that the multiplier impact for manufacturing investment is $3 for $1 of FDI, but that

18 For an example see: http://tradecommissioner.gc.ca/funding-financement/icci-icic/how-document.aspx?lang=eng.
19 Kurtishi-Kastrati, Selma (2013) "The Effects of Foreign Direct Investments for Host Country's Economy" http://www.ejist.ro/files/pdf/369.pdf.
20 Julian Richards and Elizabeth Schaefer (February 2016) "Jobs Attributable to Foreign Direct Investment in the United States" Office of Trade and Economic Analysis.

the impact varies considerably across different countries and is project specific. The multiplier impact can be even higher in other sectors.[21]

The economic development impact of FDI can therefore be much bigger than the direct impact on jobs, investment, taxes, exports and foreign exchange earnings. The contribution that foreign investors make to the economy is strongly influenced by government policy. Supply chain linkage and development programs are key to maximizing the spill over and multiplier benefits of FDI.

Policies to encourage local linkages are aimed at increasing local content and other indirect benefits and to "embed" foreign investors into the local economy, so that they have more to lose from relocating their operations at a future date. As Thomas Jefferson noted over 200 years ago, in 1806, *'Merchants have no country. The mere spot they stand on does not constitute so strong an attachment as that from which they draw their gain'*. Multinational enterprises are footloose and more mobile than ever in a globalized economy. Embedding MNEs into the local economy should be a key policy objective of IPAs to increase their "attachment" to the host country.

Investment promotion agencies cannot expect MNEs to automatically embed themselves into the local economy and generate multiplier impacts for the domestic economy. As Peter Dicken, one of the definitive authorities on globalization and development, explains: *"Local embeddedness is a double-sided coin: it reflects both the choices of the transnational corporations and the existence of appropriate firms with which they can interact.'"*[22] Through supply chain linkage and development policies, IPAs focus on increasing the availability of "appropriate firms" and supporting and facilitating MNEs to "interact" with the local firms.

Supply chain linkage and development programs are critical to maximizing the indirect, multiplier impact of FDI on economic development and to embedding MNEs into the local economy.

Provided below are two case studies of supply linkages and development programs. The first is the North East of England, which pioneered the development of investor development and supply chain programs at the regional level. The second is CzechInvest, which has developed a best practice program at the national level.

Case study: North East England[23]

The North East of England pioneered the development of aftercare and supply chain programs in the 1990s and has served as a model for IPAs in other regions and countries. The North East of England IPA, the Northern Development Company (now called Invest North East), developed the world's first comprehensive supply chain and investor development program. Because of the program, domestic investment resulting from supply chain programmes was equivalent to 50% the value of the inward investment. In other words, the impact of FDI on investment in the economy was doubled.

The IPA created two new programs: (1) Investor Development (aftercare); and (2) Stra-

21 https://www.ifc.org/wps/wcm/connect/f0be83804f7cdf68b7deff0098cb14b9/chapter3.pdf?MOD=AJPERES.
22 Peter Dicken (2000, 7th edition 2015) "Global Shift: Mapping the Changing Contours of the World Economy".
23 Loewendahl, H (2001) "Bargaining with Multinationals: The Investment of Siemens and Nissan in North-East England".

tegic Supply Chain Development (SCD). The Investor Development Program identified 430 existing investors of which 100 were key accounts, i.e. were existing investors designated of special importance and assigned a key account manager from the IPA. The supply chain program recruited a team of 8 supply chain managers, all with a procurement and production engineering background, to interface between major investors and the SME sector.

The aim was to upgrade the quality of local suppliers, so they could supply and increase the local content of major investors and embed foreign investors more into the local economy so there would be less risk of closure or relocation. By upgrading the capability of local SMEs to become first tier suppliers, the region would also be able to attract more foreign investors looking for a strong local supply chain.

Each supply chain manager was tasked with understanding the supply chains of 10 major investors (OEM manufacturers or major first tier suppliers only) and to identify 20 potential regional suppliers and profile their capability. The IPA worked with a university and national agencies to utilise a Supply Chain Assessment Tool (SCAT) and Promotion of Business Excellence (PROBE) management tool to assess each supplier's business across:

- **Company strategy:** Vision, business planning, market position;
- **Management:** Financial outputs, organization, structure, planning and human resources;
- **Process:** R&D, new product introduction, manufacturing quality, sales and marketing; and
- **Metrics:** Measurement of performance, quality, delivery and cost.

Weaknesses identified were passed onto the local enterprise support and training agencies to assist the local suppliers.

The IPA allocated around half of its resources to investor development and supply chain development, which contributed more than new FDI to the regional economy – about £1 billion two years after the programs were launched.

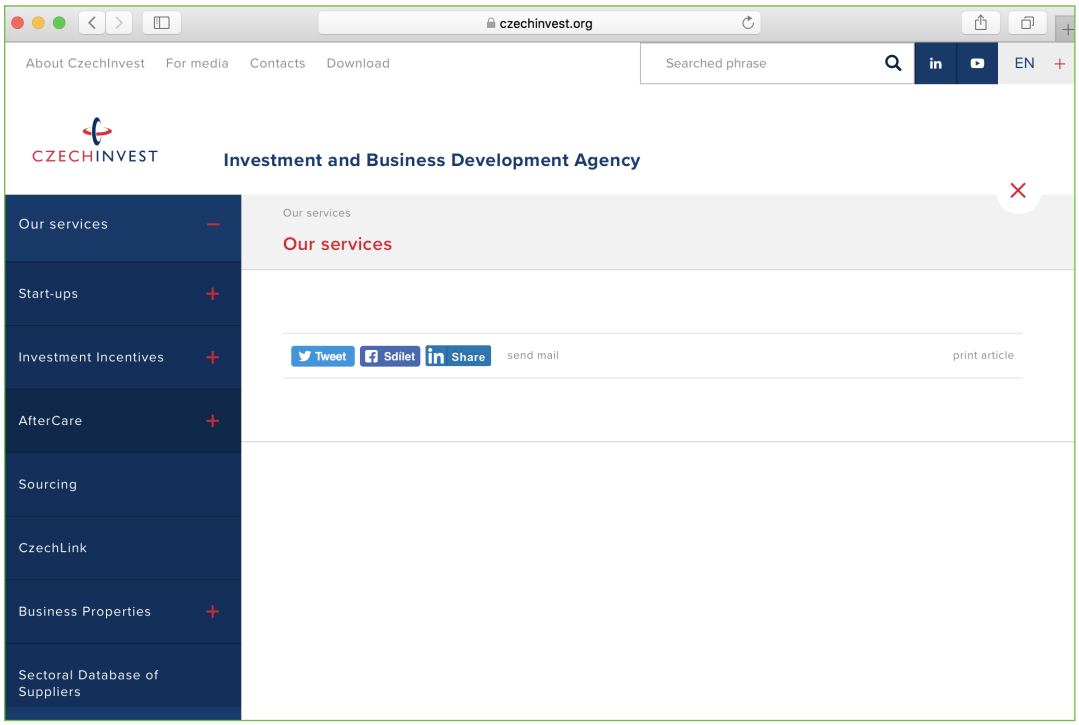
Case study: CzechInvest[24]

CzechInvest is the national IPA of the Czech Republic, a country with a population of 10.5 million. CzechInvest was founded in 1992 and is part of the Ministry of Industry and Trade. Its mission is to:

- Support FDI
- Develop local companies
- Implement business-development programs
- Improve the business environment

24 http://www.czechinvest.org

The IPA has won many awards including best IPA website in the world (World Bank) and best European IPA of the year. In total, Czechinvest has secured over 1,500 approved FDI projects creating nearly 250,000 new jobs and US$34.5 billion of FDI from 1993-2015. CzechInvest is at the forefront of best practice and innovation in investment promotion, offering one of the widest portfolios of FDI services of any IPA in the world, as shown below.

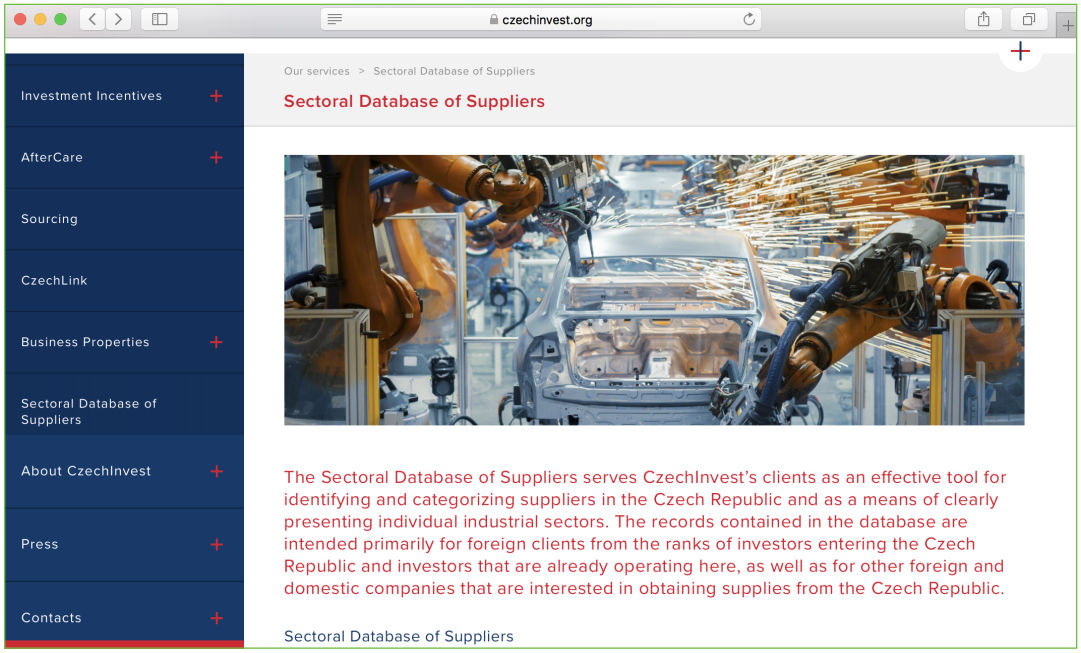


CzechInvest launched a pilot Supplier Development Program in 1999 and merged with the SME agency in 2003, which created stronger capacity to improve the capability of SMEs to work with MNEs investing in the Czech Republic. The CzechInvest Supplier Development Program used the North East of England as a best practice example of how to develop the program, and investment officers from the North East of England IPA were seconded into CzechInvest to help develop the program.

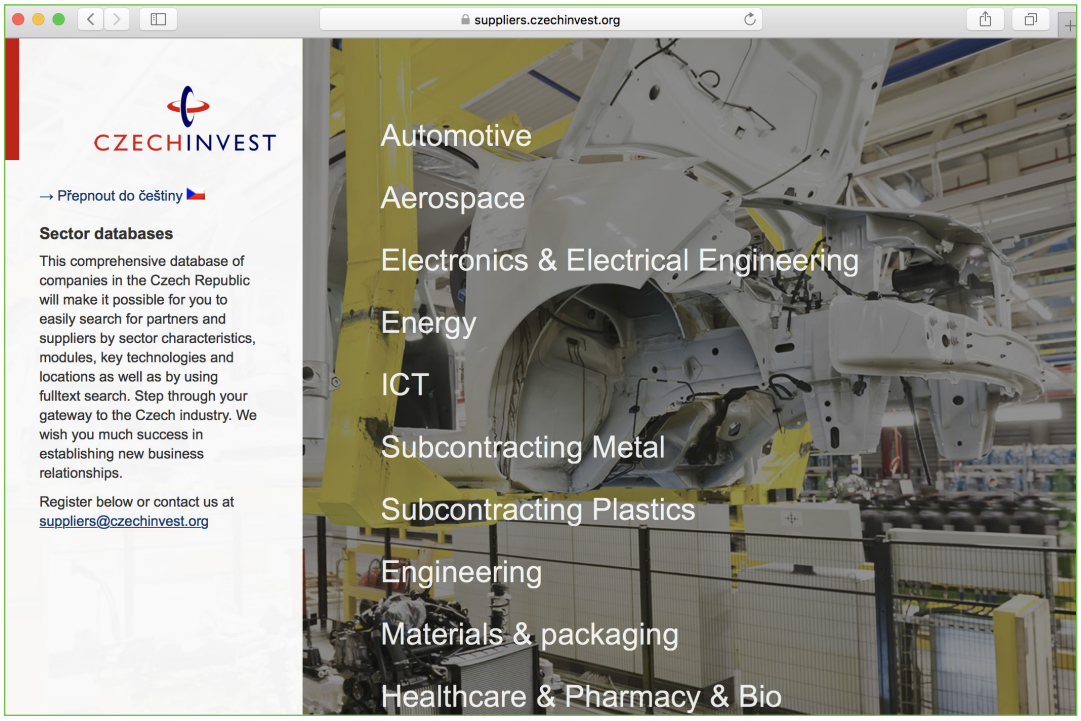
CzechInvest provides the following services to MNEs to help create linkages with suppliers:

- Recommending suitable suppliers and business partners based on the specification provided by MNEs;
- Facilitating contacts with Czech companies and meetings with business partners, including to explore JV and M&A opportunities;
- Preparing visits to selected Czech companies;
- Organizing business-trip itineraries;
- Providing a CzechInvest project manager to accompany business trips; and
- Arranging meetings with potential suppliers in the form of supplier forums.

The services that CzechInvest provides to MNEs to source suppliers are shown below.



CzechInvest has created a specialized sector database covering the automotive, aerospace, electronics & electrical engineering, ICT, engineering, subcontracting plastics, subcontracting metal, materials & packaging healthcare and energy industries. The databases are freely available on their website and make it possible for MNEs to search for partners and suppliers by sector characteristics, modules, key technologies and locations as well as by using full text search. The database is used by companies such as: Siemens, LG Electronics, BMW, Cisco, BASF, Jaguar Land Rover, Robert Bosch, Magna, Würth, Foxconn and many others. A summary of the database is provided below.



To link foreign investors with potential suppliers, CzechInvest organizes **supplier days**. At these events, MNEs can communicate their supply needs. Suppliers, in turn, have an opportunity to offer their products and services. CzechInvest has experience with organizing both larger events for 15 multinationals and 200 potential suppliers as well as smaller meetings between a foreign investor and a few suppliers.

The possibility of organizing supplier days is offered to all MNEs operating in the manufacturing industry. In practice, representatives of MNEs explain what they need from a supplier, including technical parameters of the required components, and suppliers have the possibility to offer their products and services. Suppliers are invited to these meetings based on MNE's specific requirements. A case study is shown on the next page.

Case Study: Jetro and Czechinvest join forces to connect suppliers with Japanese customers

In September 2015, the Japan External Trade Organisation (JETRO) and Czechinvest jointly organised the third Reverse Trade Fair, which successfully built on the previous editions of the event held in 2003 and 2005.
"In cooperation with Czechinvest and other partners, the Japan External Trade Organisation held a Reverse Trade Fair on 16 September 2015. Under the name Japanese Component & Material Buyers "Exhibition, the event took place in connection with the international Engineering Fair in Brno. Exhibitors presented components and materials that they were interested in purchasing from local suppliers. Czechinvest assisted with the selections of suitable suppliers and, through its professional team, chose and subsequently advised a suitable local supplier. Fifteen exhibitions (Japanese firms operating in Europe) took part in the trade fair along with 43 registered local suppliers, of which thirty were from the Czech Republic. In total, 131 business meetings between exhibitors and local suppliers were held during the event.
JETRO is prepared to continue in its successful cooperation with Czechinvest and looks forward to doing so in the future."

CzechInvest has clear annual targets for attracting FDI and for supply chain development across the following key performance evaluation metrics:

- Value of investments facilitated by CzechInvest;
- Number of investment projects facilitated by CzechInvest;
- Number of direct and indirect jobs created;
- Number of companies supported;
- Value of sourcing (supply chain) contracts facilitated;
- Volume of greenfield sites development;
- Volume of industrial and commercial space developed;
- Volume of brownfield sites redeveloped; and
- Ratio of government and non-government funding used in business development (min. 1:5).

Since 2001, CzechInvest has mediated supplier contracts worth US$250 million.

The supplier development program takes place as part of a wider after-care program, which provides the following key services:

1. Support to expansion, re-investment and the development of research capacities;

2. Assistance in seeking suitable industrial zones and business properties;

3. Advising how to draw investment incentives and project co-financing from EU structural funds;

4. Seeking suppliers in the relevant region;

5. Providing support in the human resources area;

6. Promoting cooperation between investors and secondary schools, vocational colleges and universities;

7. Providing for negotiations with local authorities, state administration bodies and public institutions;

8. Ensuring that investors' proposals to amend legislation are submitted to the Czech Government; cultivating the Czech business environment; and

9. Organizing specialised workshops, working breakfasts with top officials, round tables and social events.

Guidelines for IPAs from LAC

The following action plan is recommended for developing a supply chain program:

1. Identify the most important sector(s) in the country so the supply chain program can be developed on a sector basis for investors. Sectors should be identified based on the size and potential for local sourcing – either with local SMEs and/or attracting foreign suppliers in. It is recommended to start the program as a pilot project with one sector;

2. Identify a long-list of existing investors with potential to build a local supply chain;

3. Understand the supply needs of existing investing through conducting detailed consultations with existing investors to understand their company, operations, supply chain policy, current local sourcing, potential for local sourcing and/or attracting foreign suppliers, and issues they currently have with localizing the supply chain;

4. Develop an annual supply chain program and action plan based on understanding the common supply-chain needs of investors in key sectors being targeted and opt-in from key inward investors;

5. Identify local suppliers which can be targeted to supply the foreign investors;

6. Identify potential foreign suppliers which could invest in the country to supply

the existing investors;

7. Understand the capabilities of local suppliers through consultations and a clear framework for evaluating potential suppliers for specific investors and sectors as well as targeting foreign suppliers to invest in the country to fill gaps in the supply chains where local SMEs do not have the capability;

8. Raise the capability of local SMEs so they meet the standards required by foreign investors, which can be done in partnership with other organizations (e.g. an SME development agency or export development agency) or by recruiting specialist skills into the IPA, as was the case in the North East of England and CzechInvest;

9. Broker meetings between investors and SMEs, which can be through 1:1 meetings and/or matchmaking events to create linkages between pre-screened and qualified investors and potential suppliers; and

10. Put in place clear targets regarding the number and value of supplier contracts to secure and foreign investors in the supply chain to attract and monitor and evaluate the success of the program and how it can be further improved.

The budget and resources required to develop a supply chain program can be significant, depending on the scope of the program and whether the program is focused only on matchmaking or whether it also includes SME capability development.

The IPA resources needed also depend on whether the IPA decides to develop the program fully in-house or partner with other institutions to provide the service. At a minimum, it will be essential for the IPA to employ senior supply chain experts with significant industry experience in the sectors being targeted for supply chain development.

The scale of the program also depends on the existing foreign investors a country or region has already attracted. For example, if the location has a strong base of automotive manufacturing or tourist resorts, then the opportunity should be very high for supply chain development, while if a location is primarily focused on business services then the opportunities and therefore resources to be allocated will likely be far lower. The sectors and absolute volume of FDI already attracted will be a strong determinant of the resources an IPA should allocate to supply chain development.

It is recommended that for a location with a strong existing base of investors with high potential for supply chain linkages, 15-30% of the IPA budget and resources be deployed for supply chain linkages and development. For locations with either a focus on sectors with more limited opportunities for supply chain linkages, or which have attracted a low volume of FDI, 5-15% of the IPA budget and resources are to be allocated.

3.2.5 Louisiana Economic Development – Aftercare and Skills & Training

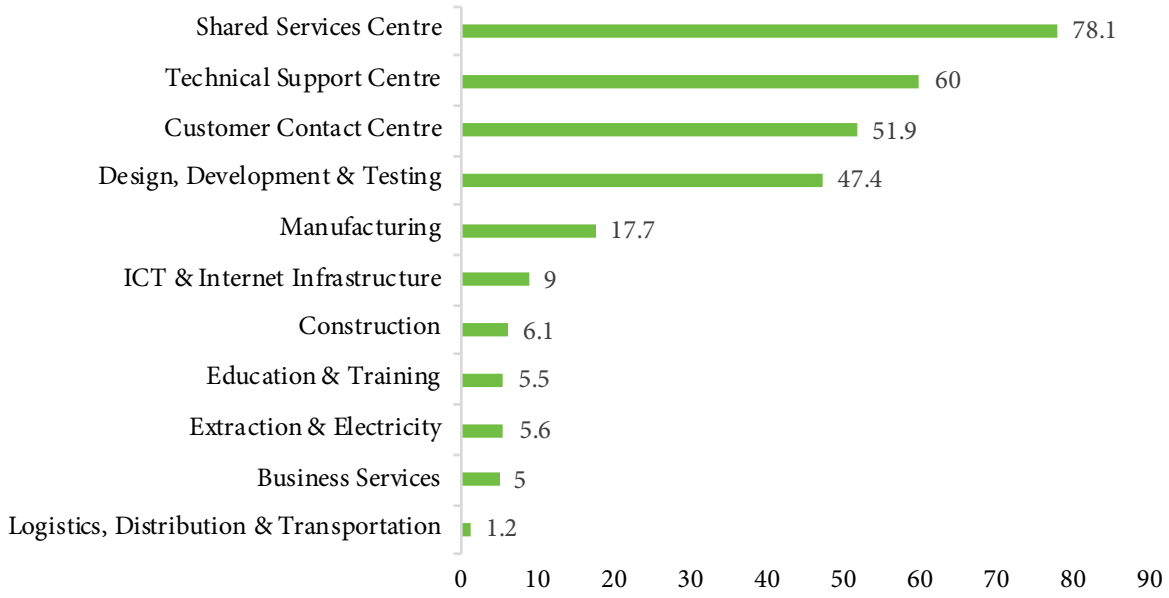
Importance of skills and training aftercare programs

The availability of a skilled workforce is a key location determinant for foreign investors. According to data from fDi Markets, skilled workforce availability is the third

most important location determinant for FDI in LAC after market size and access, and the regulatory and business climate.

Graph 3 below shows in more detail the importance of skilled workforce availability for different types of operation. The data shows that skilled workforce availability is especially important for BPO type operations and R&D type operations, which are driven by access and availability of specialized skills. Nearly 80% of shared services centers in LAC cited availability of a skilled workforce as a location determinant.

GRAPH 3. FDI projects in LAC citing skilled workforce availability as a key location determinant (percentage)



Source: fDi Markets. Based on 2,300 FDI projects in LAC from 2003-September 2016.

The support that investors receive to help recruit a skilled workforce can therefore be a critical factor in determining which location is selected for investment, in particular for export-oriented services (as the graph above shows), but also for manufacturing investors, where skilled workforce availability is the third most important location determinant for investors according to fDi Markets data. Investors also assess the availability of training services and support, so that once they recruit their workforce they can provide the necessary training to ensure the highest productivity levels. The training services and support available is also a key factor influencing the expansion and upgrading of operations over time.

From an economic development perspective, providing support for skills development and training is one of the most important economic development policies as not only can such policies attract new investors and facilitate the re-investment and subsidiary upgrading of existing investors, but it increases the productivity of the workforce and the economy, which is the basis for sustained economic growth and development. Furthermore, if the investor closes their operation, the country has a higher skilled workforce that can attract new investment.

Many economic development organizations in the US and EU thus provide financial

and non-financial support for skills and training development as one of their key investment attraction and economic development services. The case study of Louisiana Economic Development (LED) is provided below, which has been ranked as having the best training program for investors in the US in each of the last 7 years.

Case study: Louisiana Economic Development[25]

Louisiana Economic Development (LED) developed a dedicated workforce training initiative called "FastStart" to support inward investors in Louisiana. FastStart has been ranked the best training program in the United States for seven years running by both The Economist and Business Facilities Magazine.

FastStart delivers training in quality, leadership, lean manufacturing, animation and other critical areas, and covers a wide variety of industries such as advanced manufacturing, aerospace, digital media and pharmaceuticals.

FastStart services are designed and tailored exclusively for each company, with no preconceived notions about the best approach and no bias regarding the use of existing training programs or facilities. FastStart starts working immediately without requiring an application or cumbersome approval forms. Every FastStart project focuses only on each company's target performance measures rather than the number of classes taught or hours trained.

FastStart has developed a reputation for creating custom, and often high-tech, recruitment and training products for companies that agree to bring more jobs to Louisiana. These products range from 3D animated training videos that give step-by-step instructions to new hires to targeted recruitment campaigns on social media that get the word out about new jobs in Louisiana's expanding knowledge economy.

To date, FastStart has worked on 147 different projects in every region of the state. The services are offered at no cost to the company and are part of the incentives package negotiated by LED. To qualify for FastStart services, a company must first commit to creating a net of at least 15 new, permanent manufacturing jobs, or a net of at least 50 new, permanent service-related jobs.

FastStart has a dedicated team of skills and training experts providing the following four key services to investors:

1. Understanding a company's skills and training needed: Training experts, with experience in the key sectors being targeted, analyse the company's current processes to understand the company's operations and needs before they invest in Louisiana. A document is prepared outlining the analysis which is to be signed-off by the investor. A comprehensive assessment includes the areas below:

a. Behavioural Skills;

b. Business Analysis;

c. Competencies Review;

25 See: https://www.opportunitylouisiana.com/faststart.

d. Core Skills;

e. Cultural Analysis;

f. Needs Analysis;

g. Process Documentation;

h. Recruitment and Relocation;

i. Staffing Plans;

j. Technical Analysis; and

k. Technology Transfer

2. Assisting with recruitment: Following the company analysis, the skills and training team determines the employee competencies and behaviours that match the cultural and technical abilities needed by the company. Recruitment services provided by FastStart include:

a. Alumni Outreach;

b. Campus Visits;

c. Company Websites;

d. Corporate Recruiter Services;

e. Social Media Campaigns;

f. Recruitment Videos; and

g. Targeted Career Fairs.

3. Assisting with pre-hiring: The skills and training team can assist with evaluation of candidates to help ensure the investor recruits the right staff. Evaluation of candidates can take place through:

a. Behavioural interviews;

b. Job observations;

c. Situational role-playing; and

d. Pre-employment training and hands-on simulations.

4. Assisting with training: The skills and training team can assist in delivering technical, team-based and soft-skills training programs custom-designed, sequenced and delivered to engage new employees. Training programs can include:

a. Core Skills Training;

b. Customized Multimedia;

c. Interactive Training Modules;

d. Job-Specific Customized Training;

e. Mobile Learning Devices;

f. On-the-Job Training Guides;

g. Organization Development;

h. Quality Training;

i. Language Training; and

j. Regulatory Training.

Guidelines for IPAs from LAC

Currently, most of the IPAs in LAC offer assistance with skills and training but mainly by referring investors to other organizations rather than having a dedicated skills and training team. One exception is CEI-RD in the Dominican Republic, which has in-house capability to provide skills and training services to investors.

Skills and training services should be provided as part of the key account management strategy; not all investors should receive the same service. A basic service offering signposting to skills and training organizations can be provided to all investors while a more bespoke skills and training program could be considered for major investors to help them invest, expand and upgrade their operations.

Often a skills and training program starts with key investors in similar sectors before being rolled-out in other sectors. Many IPAs around the world started such programs with BPO investors, as their investments are so skills-driven and have high training needs given the volume of staff being recruited and because BPO investors are footloose and can easily relocate to a lower cost location, so continuous skills development and subsidiary upgrading are needed.

A skills and training program needs to be delivered by a dedicated team of training experts, either within the IPA or in a partner organization closely affiliated with and coordinated by the IPA. Key steps in developing a skills and training program include:

1. Identifying the key sectors to provide the skills and training program: The likely focus of a skills and training program are sectors where the labor force is a critical location determinant, in particular knowledge-based, export-oriented services and manufacturing sectors. A pilot skills and training program could be developed initially for one sector;

2. Understanding training and skills needs and services to be provided: The IPA should meet with key existing investors in the sector(s) being targeted as well as major potential investors considering FDI in the location, to conduct a needs assessment of the skills and training needs of each investor, and to inform of the key services to be provided;

3. Defining the eligibility criteria to participate in the program: The program should be selected and focused on investors that have the highest need for skills and training and where support will deliver the strongest economic development benefits. Clear eligibility criteria should be developed, typically based around key target sectors and activities and the size and potential of the investor's projects, as well as opportunities for re-investment and upgrading. As in the case of LED, IPAs should consider including the skills and training support service as part of the incentives package, as the program itself will be a key "incentive" for the investor to select their location;

4. Building the capability to implement the program: The program can be implemented either wholly through the IPA or in partnership with specialist skills and training bodies. The model adopted is likely to depend on the current institutions available to support the IPA and in the capability of the IPA to rollout a program internally. The IPA will need a skilled and training program manager and will need to recruit specialist skills and training experts if the program will be led by the IPA; and

5. Rolling out the program to selected investors: For key investors agreeing to participate in the program, the IPA should develop a customized skills and training program, to be provided for new and expansion projects they are working on. Clear monitoring and evaluation should take place to evaluate the success of the program.

The budget and resources the IPA will need to develop a skills and training program will depend on the number of investors the service will be provided for, the type and number of sectors to be covered, and the partnership organizations involved in delivery of the program. At a minimum, the IPA should recruit a skills and training expert to lead support for investors, even if it is more of a signposting and partnership driven approach. For IPAs seeking to develop in-house deliver capability, a team of training and skills specialists will be needed.

3.2.6 Dubai FDI – FDI Tracking and Evaluation

Importance of FDI tracking and evaluation

The key target for IPAs globally is to attract "greenfield" FDI due to the economic development benefits greenfield investment brings. However, with the exception of the United States (and only since 2016), there is no official data on greenfield FDI. The only data available is on FDI flows, which has issues as outlined in a recent paper from Columbia University titled "Beware of FDI Statistics."[26]

Major IPAs, such as Select USA, Business France, and UK Trade Investment (now Department for International Trade), compile their own data on greenfield FDI in their countries so that they can track the country performance in attracting FDI, conduct detailed and relevant FDI analysis to inform strategy, set their FDI targets, and monitor and evaluate their organizational performance and impact.

Given methodological issues with official FDI statistics and inability to analyze official FDI data by type of FDI and to drill-down to the project and firm level, invest-

26 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3089794.

ment promotion agencies need to have their own accurate data sources on which companies are investing in their location. This is critical information to:

1. Measure the greenfield FDI in the location;

2. Ensure announced investment projects are implemented;

3. Evaluate the FDI performance of the IPA;

4. Inform the FDI Strategy of the IPA based on FDI trends data;

5. Identify investors to provide aftercare services; and

6. Promote the location effectively to other investors.

Best practice IPAs have systems in place to track on a continuous basis FDI coming into the location including both "involved" investments (i.e. FDI projects where the IPA had a direct involvement in supporting the investor to locate in their country) and "non-involved" investments (i.e. FDI projects where the IPA did not have direct contact with the investor but where the IPA might have had an indirect role through general promotional and awareness creation activities).

By tracking FDI, the IPA can also report on the success of their location and their IPA in attracting FDI. Leading IPAs publish an annual report on FDI. In UKTI's most recent 2015/2016 Annual Report[27] it is stated:

"UKTI, with its partners, supported 1,731 out of the 2,213 recorded investment projects during 2015-16. This accounts for nearly 80% of the total number of investment projects recorded for the UK as a whole."

UKTI is tracking FDI in the UK, both involved and non-involved cases. In addition to publishing an annual report, which shows in detail its activities and results, UKTI provides a weekly newswire service to update the global investment community on the latest investments in the UK, which is a key promotional tool.

Case study: Dubai FDI[28]

While the major national IPAs from United States, France and UK cited above have large teams and budgets to track FDI, Dubai FDI has been the first IPA in the world to publish real time FDI data utilizing innovative, cost effective techniques and in doing so promote Dubai more effectively to foreign investors.

Dubai FDI is the IPA for Dubai and is part of the Department of Economic Development of the Government of Dubai. In 2015, Dubai FDI took the decision to systematically track FDI into Dubai with four key objectives:

1. To understand the role of FDI in the Dubai economy and, through the collection of FDI data, inform the investment promotion strategy of Dubai FDI;

27 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/559536/UKTI_annual_report_and_accounts_2016.pdf.
28 See: https://www.dubaifdimonitor.com/;http://www.dubaifdi.gov.ae/English/DataCenter/Pages/StudiesAndResearch.aspx; and http://www.emirates247.com/news/government/dubai-launches-first-ever-city-fdi-monitor-2016-04-11-1.626807.

2. Promote Dubai more effectively to potential foreign investors through the launch of "Dubai FDI Monitor LIVE", which is an online portal for real time FDI data on Dubai with GIS mapping tools (see www.dubaifdimonitor.com);

3. Create greater awareness among key stakeholders in Dubai of the importance of FDI, its impact on the Dubai economy, and raising the visibility of Dubai FDI; and

4. Directly engage with companies investing in Dubai to ensure their investments take place and to provide investment aftercare services as needed by investors.

To implement the initiative, Dubai FDI created a public-private partnership to draw on the technology and expertise of private sector FDI specialists and to enable the project to be implemented cost effectively and within a short timeframe. Through the partnership, Dubai FDI systematically records daily FDI taking place in Dubai and measures its economic impact, including measuring the technology intensiveness of FDI attracted, a key indicator of economic development.

The project also provides resources to identify companies investing in Dubai, to research and contact each company with a view to validating their investment plans and the support they may need from Dubai FDI, both pre-and post-investment. The FDI tracking is conducted in real time.

Dubai FDI expanded the tracking to also include M&A and New Forms of Investment as well as greenfield FDI, making Dubai FDI the only IPA in the world tracking systematically all types of FDI.

Guidelines for IPAs from LAC

It is recommended that every IPA put in place a system to track FDI in their location, to ensure that the investment is taking place, and to measure the involvement of the IPA in securing in the investment. This is best practice globally.

Developing such a program requires several key steps:

1. Agreeing on the type of FDI to be tracked: The IPA should define the type of FDI they would like to track. Most IPAs track greenfield FDI as this is the key mandate of almost every IPA in the world. But, as the case of Dubai FDI shows, there is also a clear trend in IPAs tracking M&A and New Forms of Investment to enable them to have a complete picture of FDI in their location, to provide aftercare services, and because IPAs increasingly recognize the economic development benefits of non-greenfield types of FDI;[29]

2. Developing a methodology to track FDI: The research method to track FDI in the IPA's location is likely to be multidimensional and includes projects the IPA is directly involved in, screening of desk sources to identify FDI in the location, engagement with key stakeholders with knowledge of inward investors (such as free zones, chambers of commerce, overseas consulates and embassies), and procurement of continuously updated databases tracking FDI worldwide;

29 See www.wavteq.com/publications/ January 2016 entry for studies reviewing the type of FDI being targeted by IPAs and how IPAs and other organizations compile FDI statistics.

3. Building a platform to record FDI: IPAs should develop or procure a secure, reliable and easy-to-use platform to record inward investment projects in their location so that the data can be captured, stored and analyzed, including contact information on existing investors;

4. Defining the key metrics to qualify FDI: IPAs should define what metrics they will use, first, to qualify that announced investments are realized, and second, to specify the role of the IPA in securing the investment. Example metrics are provided in a recent study published by Columbia University;[30]

5. Implementing the tracking program: It is highly recommended that the IPA conducts research on FDI in the location on a continuous basis, so a constantly updated dataset of investors is available, and because backdating of certain information sources can be difficult (such as media sources). Best practice would be that the IPA directly contacts every investor to validate the investment and to offer pre-and post-investment services;

6. Monitoring and evaluating results: The FDI tracking can be used to produce an annual report (or even quarterly reports as the case of Dubai FDI or a weekly newsletter as in the case of UKTI) of FDI, which will be a public document. The FDI tracking can also be used for internal purposes to evaluate the performance of the IPA in terms of FDI attracting, involved vs. non-involved projects, and the quality of investment attracted; and

7. Marketing the location: The example of Dubai FDI shows how FDI tracking can be integrated with a website to publish FDI data and promote the location more effectively to potential investors as well as provide the local and global FDI community with real time FDI data at their fingertips.

The resources and budget required to track FDI in a location depends on the type of FDI being tracked and the volume of FDI in the location. It also depends on the proportion of foreign investors that the IPA has an involvement with in helping to invest. In some countries, the IPA may be involved in a very high percentage of FDI projects (such as in small countries or countries where the IPA controls incentives or licenses and permits) so the IPA will already have comprehensive intelligence on who is investing, while in other countries the IPA may have a much more limited involvement, such as in countries where investors can go straight to the free zone authorities without being required to engage with the IPA. For most IPAs in LAC, having 1-2 senior researchers should be sufficient to track FDI in the location on a continuous basis. To procure databases and platforms to assist in tracking and recording FDI, a minimum budget of US$5,000 per annum should be allocated while to develop a website to publish FDI data would require a budget around US$30,000.

30 Loewendahl (2015) "A new foreign direct investment accounting methodology for economic development organizations" (Columbia FDI Perspectives. No. 165, January 18, 2015).

4. CONCLUSION

The current market conditions for attracting FDI are very challenging, with global FDI declining in since 2016. This is particularly important for the Latin America and Caribbean (LAC) region, which is more dependent on FDI as a source of capital investment than other regions of the world. Recession in certain countries in the region and declining commodity prices have dragged down FDI flows to LAC, while uncertainty over U.S. trade policy, Chinese outward FDI policy, and political unknowns in Europe further complicate global investment decisions.

In this context, it is particularly important that investment promotion agencies (IPAs) in LAC be as effective as possible in attracting FDI and in maximizing the direct and indirect benefits that FDI can bring.

This technical note provides an overview of relevant good practices in investment promotion and presents six examples of how IPAs from outside of LAC created innovative programs to attract FDI, and which have lessons that could be applied to many IPAs in LAC.

The technical note highlights two cost effective and high-impact activities to attract FDI: improving the IPA's inward investment website and developing a "multiplier strategy", by targeting intermediaries that advise companies on where to invest. Analyses of the Netherlands Foreign Investment Agency (NFIA) and UK Trade and Investment (now Department of Trade) illustrate how IPAs from LAC can improve their websites and benefit more effectively from multipliers.

As investors typically look at the subnational, local and city level when making site selection decisions, and given the diversity within many countries in the region, the technical note provides the innovative example of Invest in Canada Bureau to develop subnational investment promotion capabilities, in particular at the city level. This case should be of high interest to many IPAs in LAC, as national IPAs are often well-resourced and experienced in attracting FDI, while this is not the case for most city-level IPAs across the region. The case of Invest in Canada Bureau shows how the national IPA can play a catalyst role in raising investment promotion capability across the country.

Furthermore, two cases focus on the post-investment decision activities of an IPA, examining how IPAs can capture more of the supply chain locally and improve skills through training to meet the needs of inward investors. Analyses of the North East England and CzechInvest cases outline two of the most developed and successful supply chain development programs, while the case of Louisiana Economic Development discusses the skills and training program ranked as the best in the US for many years. Currently, most IPAs in LAC do not have the expertise and resources to put in place comprehensive supply chain development and skills and training programs. The cases should help IPAs in LAC justify additional resources to develop similar programs, given the large potential economic development impact they can bring.

The final case looks at the innovative approach of Dubai FDI to track FDI in Dubai on a real-time basis and publish annual FDI statistics at the city level – the first city in the world to do this. The case also shows how tracking FDI can improve aftercare services to investors as well as inform policy and more effectively promote a location, especially online. Every IPA in LAC should be tracking which companies are investing in their location.

In conclusion, a quote from Sanjaya Lall should serve as inspiration for IPAs in LAC to continue to innovate and develop investment promotion policies, to not only bring foreign investors into the country but to encourage and support them in making the maximum development contribution:

'In responding to free market forces, foreign investors would focus on activities that exploit a host country's given competitive advantages rather than those that could be developed with some additional effort'. [31]

31 Sanjaya Lall "Industrial Strategy and Policies on Foreign Direct Investment in East Asia" (UNCTAD) http://unctad.org/en/PublicationChapters/iteiitv4n3a2_en.pdf.

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