



INVESTMENT PROMOTION AGENCIES BENCHMARKING STUDY

OCTOBER 2018

OCO

FOREWORD

This comparative benchmark study was prepared against the backdrop of unprecedented turbulence in geopolitics when globalisation is under siege, and nativism is high on many political agendas. Several of the respondents expressed acute interest in the findings of this study.

The scope of IPA services offered among contributors is growing against a backdrop of fewer projects, more competition and declining shares. Many are working harder for less. A common response has been a pivot to SME and start up initiatives recognising that talent and tech are increasingly mobile.

There is a clear correlation between high performing IPAs and those that focus on FDI rather than combining trade and investment in one agency. The one exception is where aftercare extends to connecting FDI clients with export programmes and relationships can be leveraged for both agendas.

Agencies are increasingly working with private sector, regional and city partners and centres of excellence to extend their reach, specialisms and capacity in areas such as Start ups, M&A and VC. Business development support for investors is also a growing trend and is more demanding for IPAs to deliver, so again Chambers and private sector partners can support.

In a more challenging FDI market with fewer inbound projects, IPAs are investing in sales training and upskilling to adopt a more proactive targeting approach to investment. This approach also necessitates better pitchbooks and performance incentives.

Digital strategies are still relatively early stage for many IPAs and while there is plenty of noise and activity, how much is generating pipeline or enduring relationships with existing investors remains to be seen.

Insight on clients, disruptive policies and sector trends are of heightened priority in an uncertain and unstable world, and many IPA clients are recognising that an effective business intelligence or knowledge management system can offer a first mover advantage.

The themes of Brexit, Trump and sluggishness in mature Asia markets were common to many established Western IPAs, but interestingly Asian and Middle East IPAs are focused on emerging markets and are less exercised by these developments.

The future for FDI seems uncertain, and the court of public opinion seems divided on the value of foreign companies especially in developed economies. According to the leading academic Richard Florida three 'T's or conditions needed to win FDI 4.0 will be access to technology, talent and tolerant social policies.



MARK O'CONNELL
CEO OCO GLOBAL

TOPICS COVERED: SPANNING ENTIRE IPA OPERATING MODEL



COVERING A BROAD SAMPLE OF BEST PRACTICE IPAs

The following 15 agencies were selected, all of which show significant good practice behaviours.





All but the IPAs of Luxembourg, Ireland and Singapore were interviewed directly in developing this publication.

- | | | | |
|--|---|--|--|
| 01  INVEST IN HOLLAND | 05  IDA Ireland | 09  SWITZERLAND GLOBAL ENTERPRISE | 13  PARANÁ DEVELOPMENT AGENCY |
| 02  FLANDERS INVESTMENT & TRADE | 06  Department for International Trade | 10  BUSINESS SWEDEN
THE SWEDISH TRADE & INVEST COUNCIL | 14  INVEST KOREA |
| 03  Wallonia.be | 07  GERMANY TRADE & INVEST | 11  InvestHK | 15  الهيئة العامة للاستثمار
General Investment Authority |
| 04  LUXEMBOURG TRADE & INVEST | 08  BUSINESSFRANCE | 12  EDB singapore | |

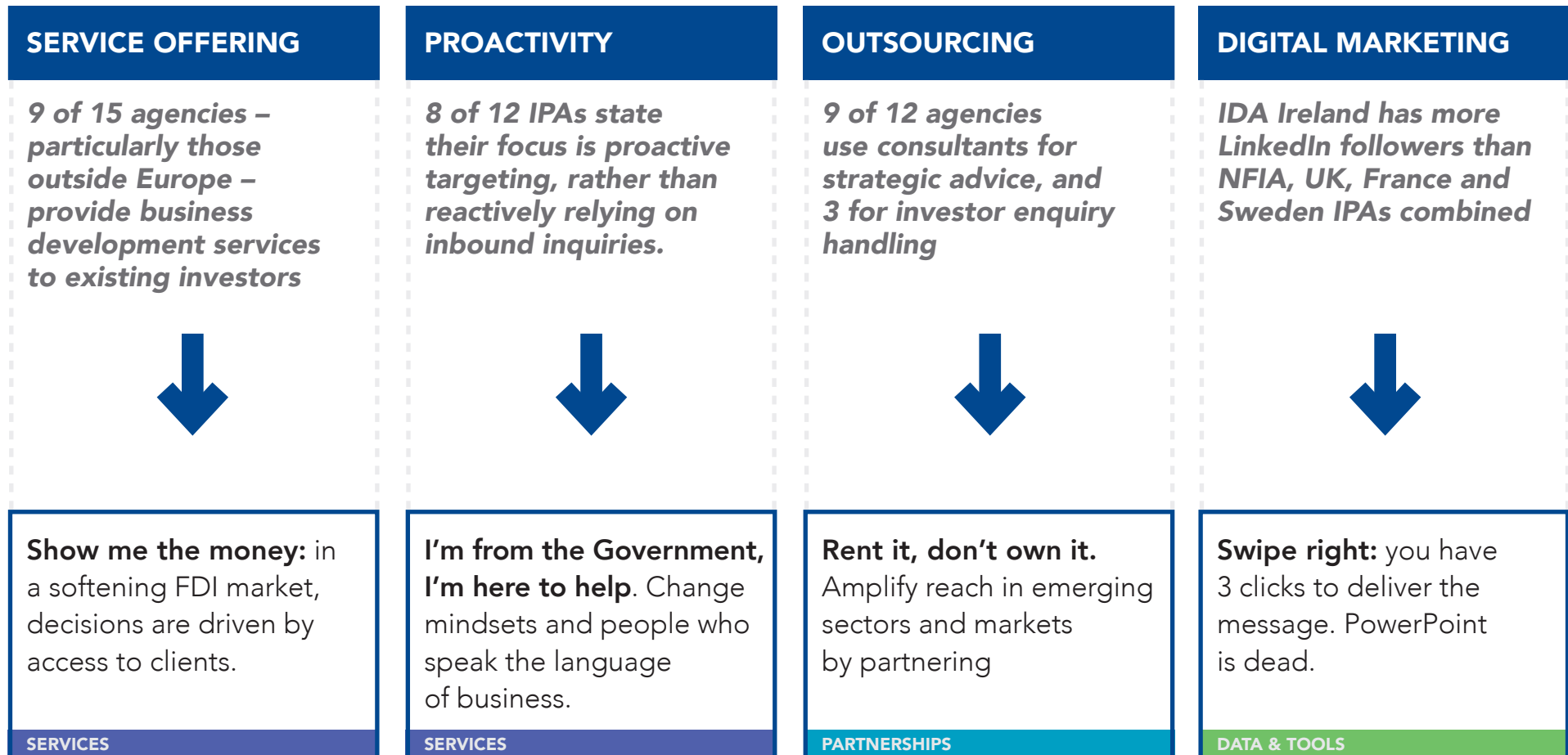


KEY FINDINGS

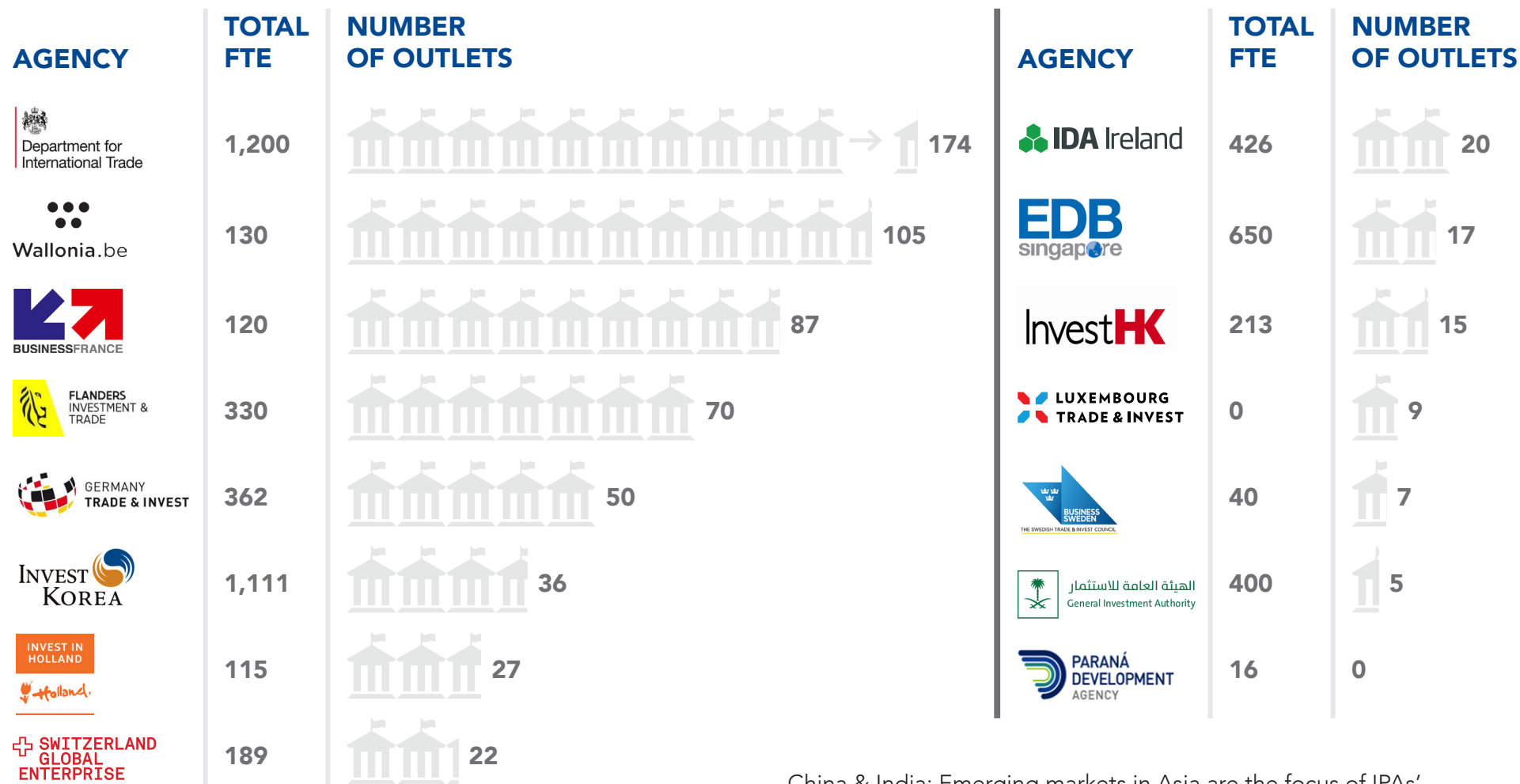
The future success on any Investment Promotion Agency (IPA) rests on differentiating its offer towards investors: the following nine topics point to the direction of investment promotion strategies across 15 leading agencies across the world. This in turn can inform how your IPA presents itself to an evolving FDI opportunity.

PERFORMANCE	EMERGING MARKETS	TARGETED INVESTORS	PRIVATE SECTOR
<i>Volatility in FDI attraction – 8 of 15 countries have seen flows decrease from 2017 compared to 2014</i>	<i>US, UK, Germany lead, but China and India increasingly important</i>	<i>7 of 11 agencies do not actively target joint ventures or M&As, but will engage post transaction</i>	<i>6 of 15 agencies studied receive some level of private funding</i>
			
If you don't like the conversation, change it. More from projects to GVA	Fool's Gold: Double down on established markets and pivot. Same offer in emerging M&A.	Moneyball: Capital investment is resilient and counter cyclical. Build an offer.	Where eagles dare: leverage private sector in areas where Government is conflicted – M&A, business development etc.
STRATEGY & PERFORMANCE	STRATEGY & PERFORMANCE	STRATEGY & PERFORMANCE	STRATEGY & PERFORMANCE

KEY FINDINGS



VARIANCE BETWEEN LARGE 'EMBASSY' FOOTPRINTS AND SMALLER NETWORKS OF DEDICATED OFFICES



Note: Staff numbers relate to investment function only. For agencies that operate a trade function, the staff numbers have been excluded.

China & India: Emerging markets in Asia are the focus of IPAs' widening office network, although developed countries are still of key importance

PRIVATE SECTOR, AS A SOURCE OF FUNDING, BECOMING MORE COMMON

More IPAs are accessing **private funding streams** – some US agencies are even 100% private. At the same time, the private sector is playing an increasing role in influencing IPA governance.

There are benefits both ways to IPAs and the private sector working closer together to attract investment, which reflects the **unique interface** that IPAs have with the private sector.

SOURCE(S) OF FUND

GOVERNMENT



9 of 15 (60%)

GOVERNMENT & PRIVATE



+



6 of 15 (40%)

GOVERNANCE

GOVERNMENT



8 of 15 (53%)

PRIVATE



1 of 15 (7%)

AUTONOMOUS AGENCY OR SIMILAR



+



6 of 15 (40%)

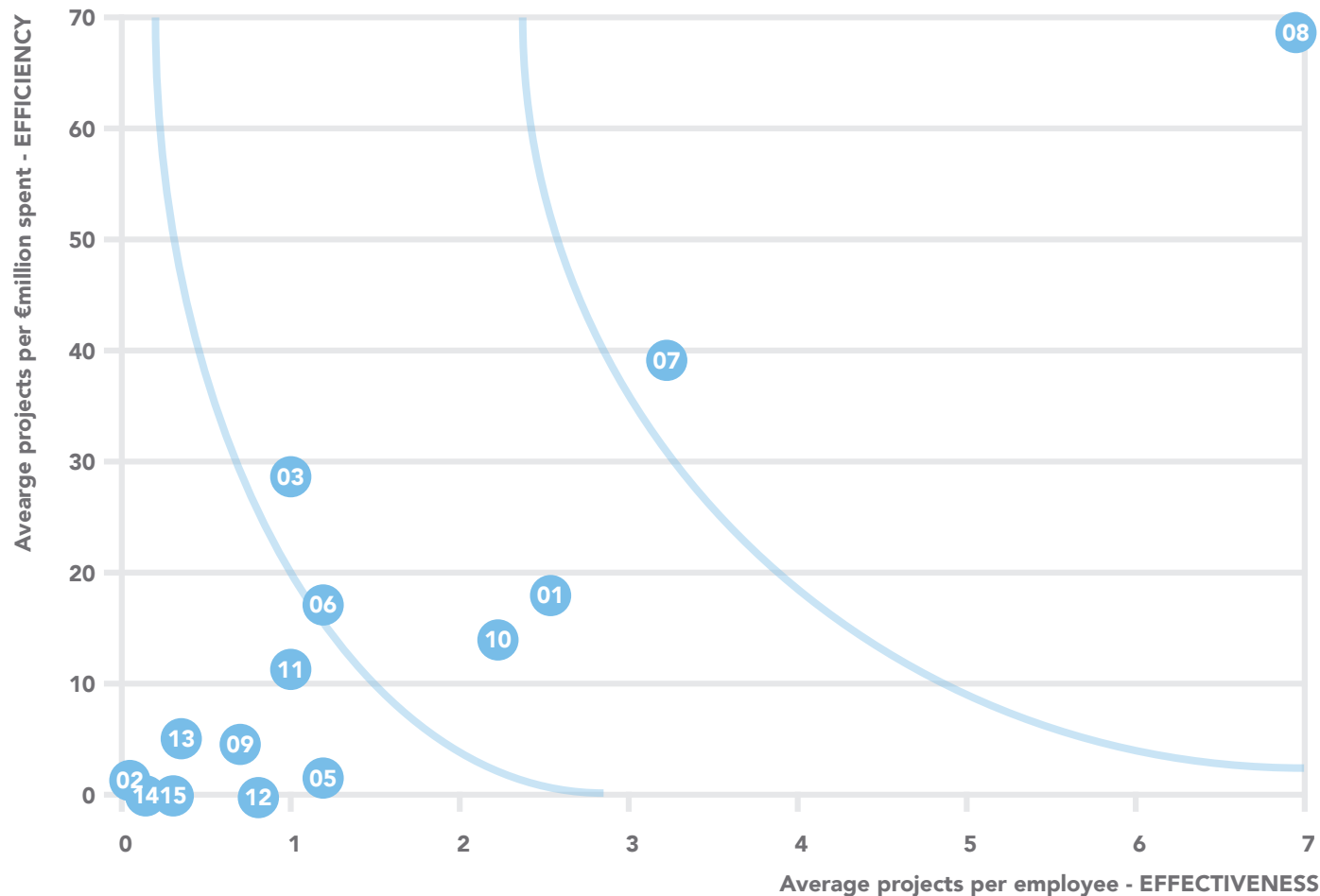
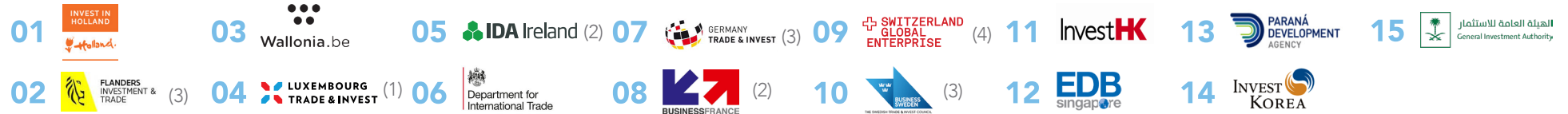
FDI LANDSCAPE SHIFTING: HISTORIC FDI HOTSPOTS LOSING SHARE

To establish an overall view of the benchmark country economies, FDI stocks and flows were compared for 2014 and 2017.

		BRAZIL	KOREA	SAUDI ARABIA	GERMANY	FRANCE	FINLAND	DENMARK	UNITED KINGDOM	SWEDEN	BELGIUM	NETHERLANDS	SWITZERLAND	IRELAND	SINGAPORE	HONG KONG	LUXEMBOURG
STOCK	Population (million)	207.7	51.2	32.3	80.6	67.1	5.5	5.7	64.8	9.9	10.1	17.1	8.2	5	5.9	7.2	0.6
	Inward stock per capita, 2017 (\$)	3,719	4,523	7,050	11,341	13,001	15,567	18,808	23,541	33,799	49,602	57,215	124,476	184,843	225,077	267,302	305,162
	Direction	↗	↗	→	↗	↗	↘	↗	↘	→	→	↗	↗	↗	↗	↗	↘
FLOW	Inward flow % GDP, 2017	3.0	1.1	0.2	0.9	1.9	0.5	-1.0	0.6	2.9	0.1	7.0	6.0	8.7	20.0	30.5	10.8
	Inward flow Value, 2017	62,713	17,053	1,421	34,726	49,795	1,328	- 3,115	15,090	15,396	57,957	740	40,986	28,975	62,006	104,333	6,623
	Direction	↘	↗	↘	↗	↗	↘	↘	↘	↗	↗	↗	↗	↘	↘	↘	↘

Source: UNCTAD

REGIONAL NETWORKS AMPLIFY THE FDI IMPACT OF NATIONAL IPAs



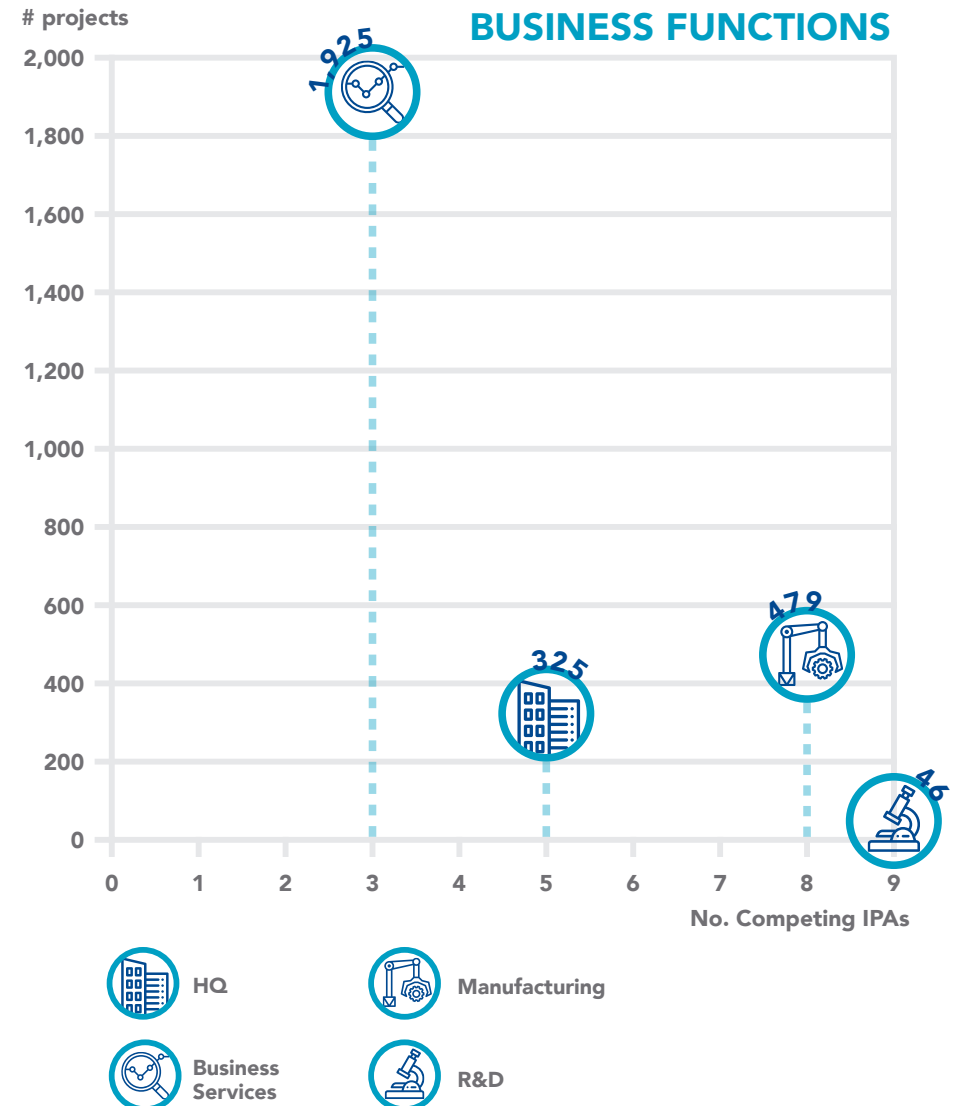
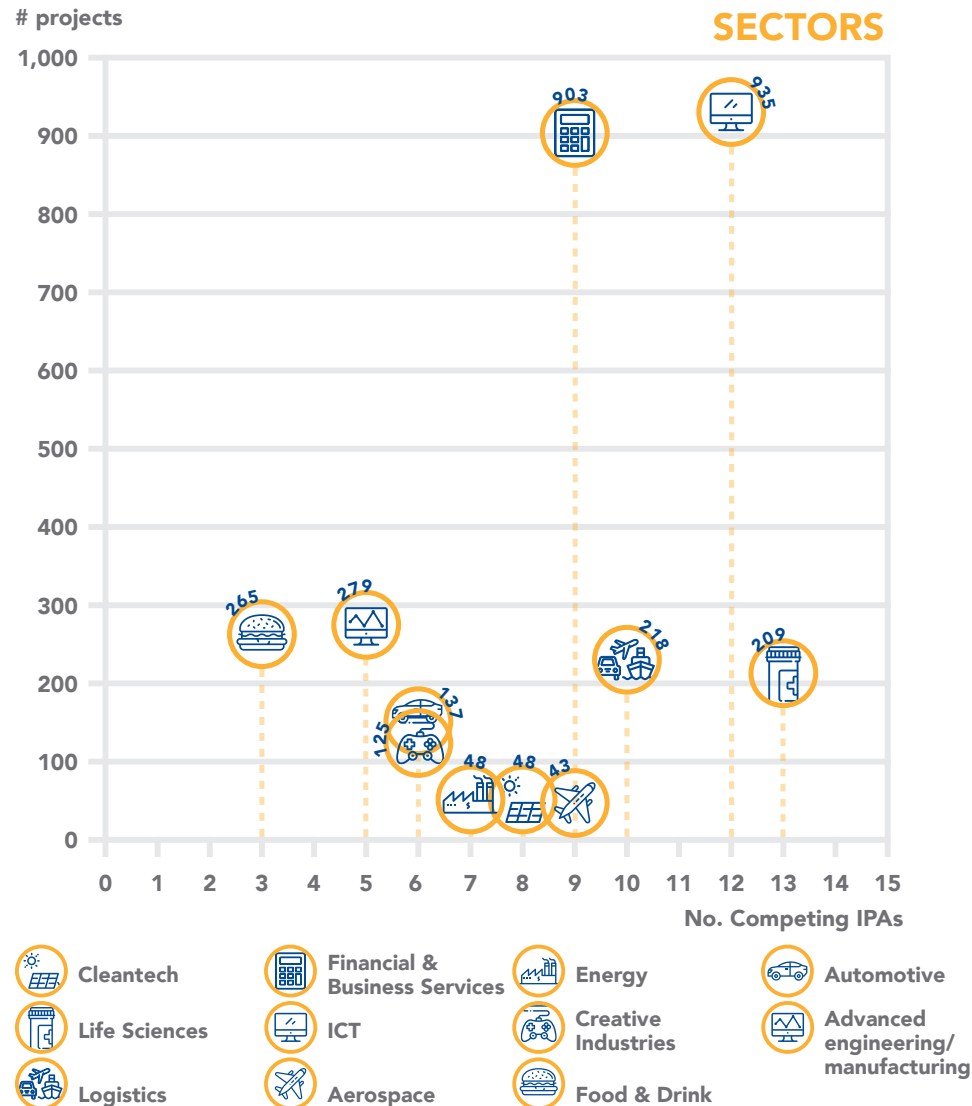
(1) the NFIA, Holland's national IPA, joined forces with regional economic development agencies and several large cities under the Invest in Holland label in 2015. These regional partners in the Netherlands are not included in the NFIA resources and results benchmarked in this report

(2) France operates a highly decentralised project delivery model - Business France can rely on an extensive network of regional partners who deliver the projects on their behalf. Enterprise Ireland has a mandate for targeting Food FDI, which IDA Ireland does not cover.

(3) includes Trade (agency cannot easily provide split)

(4) include Trade and Subsidies - S-GE: EUR 9 million excl. subsidies

IPAs COMPETING HARDEST IN THE HIGH GROWTH KNOWLEDGE INTENSIVE SECTORS



SCOPE TO EVOLVE THE SERVICE OFFER IN THE 'MIDDLE GROUND' OF INVESTOR JOURNEY

	General/ market sector research	Bespoke reports	Property solutions	Financial support	Links to industry/ academia/ government	Start-up support	Business development	Aftercare services	Financial solutions
 INVEST IN HOLLAND	<input checked="" type="checkbox"/>			<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
 BUSINESS FRANCE	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
 Department for International Trade	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 IDA Ireland	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 Wallonia.be		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
 FLANDERS INVESTMENT & TRADE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 LUXEMBOURG TRADE & INVEST	<input checked="" type="checkbox"/>			<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
 GERMANY TRADE & INVEST	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 SWITZERLAND GLOBAL ENTERPRISE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
 EURASIA BUSINESS CENTER			<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
 EDB singapore	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 INVEST KOREA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
 InvestHK	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 PARANÁ DEVELOPMENT AGENCY	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 الهيئة العامة للاستثمار General Investment Authority	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Specialised **support for start-ups** activities (9 of 14 agencies) seen in more and more IPAs, driven by technology.

Sectoral oriented support found to be more prevalent than regional oriented support.

A trend towards supporting investors with their **business development** activities (9 of 14 agencies), hence supporting expansion aspirations and exporting.

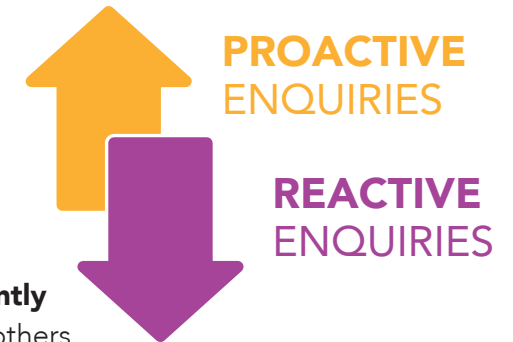
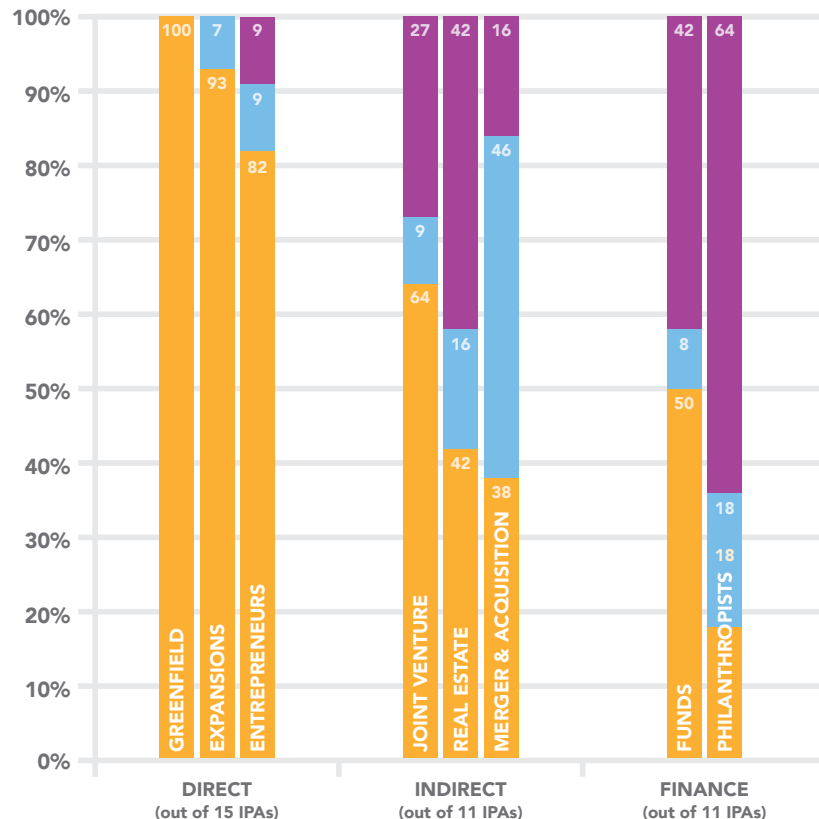
Services that IPAs are considering increasingly important:

1. Increasing focus on better sector expertise, to better support companies.
2. Start-up support becoming increasingly important, especially in technologies



A MORE PROACTIVE APPROACH BEING EMPLOYED... BUT GEARED TOWARDS TRADITIONAL INVESTMENT TYPES

A significant increase in providing support to **other forms of investments** beyond greenfield. In particular, 7 of 13 provide some form of support for M&As and 11 of 12 support Entrepreneurs (start ups).



When this survey was last conducted, only one agency stated it employed a **predominantly proactive strategy**, with all the others indicating a mainly reactive approach.

This year's survey results show that there has been a **major shift** in this, with more agencies stating a predominantly proactive approach than a reactive approach.

Agencies with an even split or mainly reactive approach also reported that they wanted to **move towards a more proactive** approach.

Some agencies will **vary in their approach** between different offices, with overseas offices often operating differently from HQ or local offices.

VERY PROACTIVE	MAINLY PROACTIVE	EVEN SPLIT	MAINLY REACTIVE	VERY REACTIVE
3	2	3	3	1

...UTILISING A WIDE RANGE OF PRODUCTS/INCENTIVES

Most agencies can **provide access to products** such as technology parks, which again reflects a trend towards attracting smaller, more innovative firms, given this is where future opportunity lies. However in many cases, the IPA provides referrals to these products, rather than managing them themselves - **more than half** for enterprise zones and soft landing schemes

Counted as "No" when the product/incentive is handled by a partner or a regional organisation, such as in Germany and Switzerland



Number of IPAs directly offering the following products / incentives



11 of 15
BUSINESS INCUBATORS



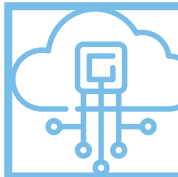
7 of 13 TRAINING OR
RECRUITMENT OF STAFF



10 of 15 INCENTIVES, R&D
GRANTS, TAX REBATES ETC



6 of 13
ENTERPRISE ZONES



12 of 14 TECHNOLOGY /
INNOVATION PARKS



6 of 13
SOFT LANDING SCHEMES

BEST PRACTICE EXAMPLES

Case Study: StartmeupHK



STRATEGY

Providing start-up support has become increasingly important for IPAs, given that tech companies can scale up faster than more traditional industries. Hence finding and supporting start-ups with high growth potential is now more important than ever. Invest Hong Kong started the StartmeupHK initiative, aimed at helping innovative and scalable start-ups from overseas to set up there.

EXECUTION

StartmeupHK provides a number of specialised services to start-ups, providing information about the Hong Kong ecosystem, numerous events to help create an overseas start-up community, and helping to foster a positive environment in which the start-ups can thrive. The events include weekend long events, sponsored events to connect the start-ups to larger companies (e.g. Microsoft) and live challenges and competitions.

StartmeupHK also helps to connect these start-ups with incubators and accelerators in Hong Kong, to provide further support to the companies.

OUTPUTS

This initiative has been highly successful, with Hong Kong seeing an increase of 24% in the number of start-ups, and a 41% rise in start-up staff in a single year. The majority of these start-ups (401 / 2,000) come from the IT/tech sector.

Source: Startmeup.HK

Case Study: Digital Hubs and Industries 4.0 – High-Tech Strategy 2020



STRATEGY

GTAI established its Digital Hub Initiative, in the aim of making itself the first-choice investment location for foreign investors. The Digital Hub Initiative works by bringing together the expertise of established companies and start-up concepts, across the whole country. This enables both national and international experts to better cooperate, and in doing so, bring more innovation.

EXECUTION

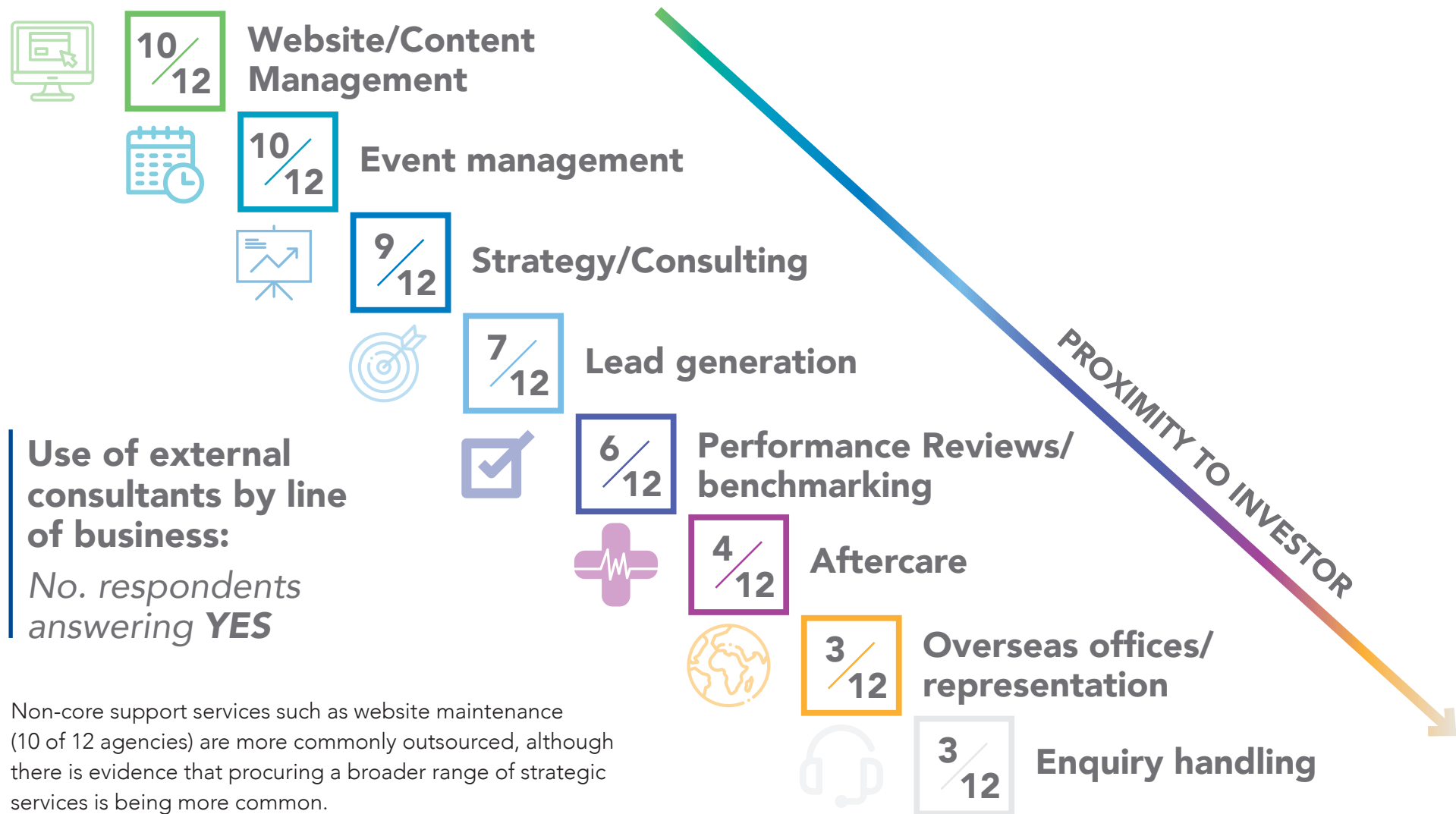
There are 12 hubs located across Germany, with each one representing a unique innovation. This helps to attract specific experts and grow the region's expertise. These hubs then share knowledge and developments with each other, to further accelerate innovation. This has helped to attract foreign digital companies and experts to Germany, in order for them to share in this knowledge pool, and accelerate their own growth.

OUTPUTS

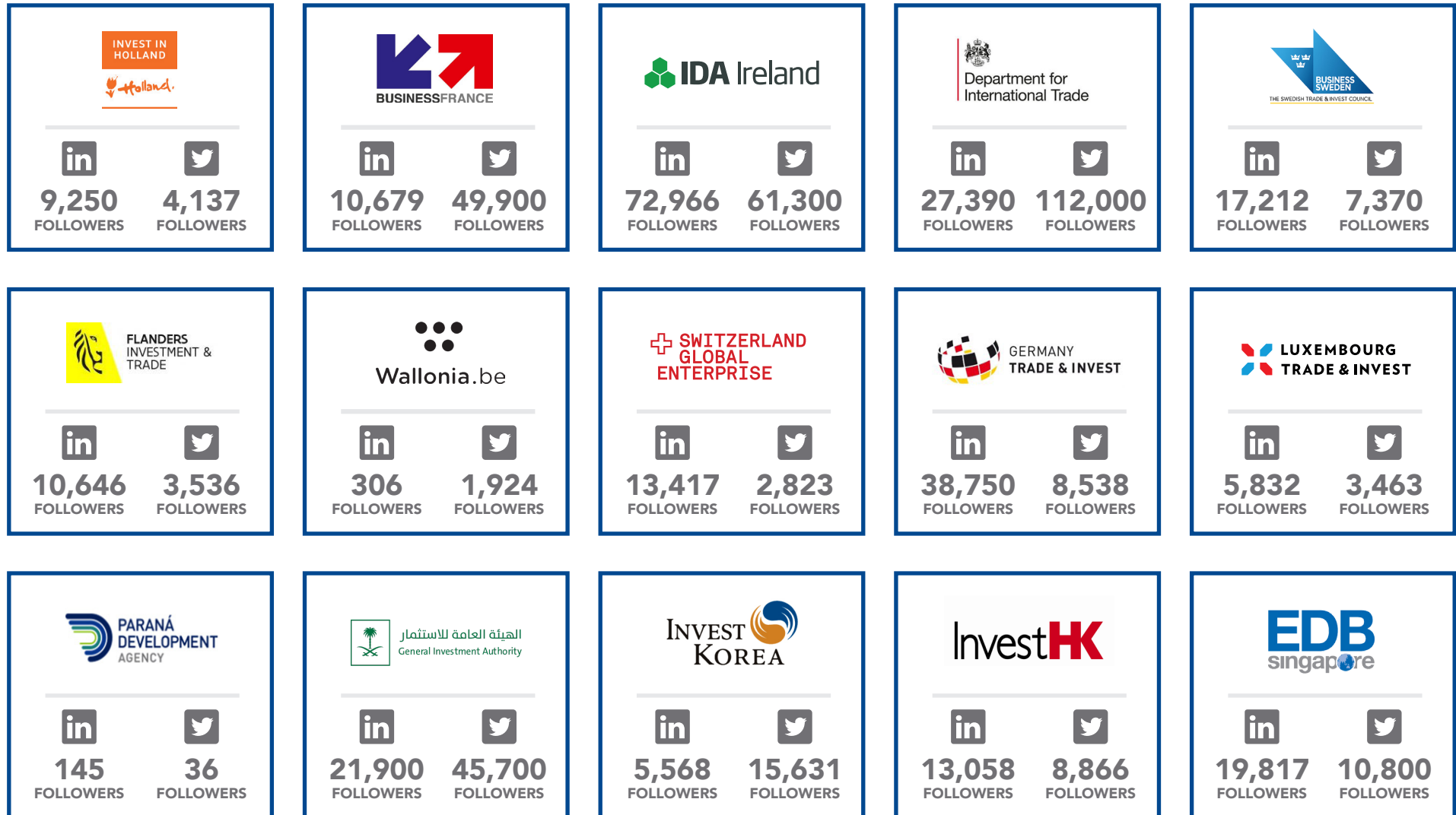
Industrie 4.0 is another part of GTAI's High-Tech Strategy, with the goal of bringing a new era of industrial manufacturing, combining high tech machinery and the IOT, to maximise resource efficiency and accuracy. This strategic initiative will help further increase Germany's reputation as a high-tech manufacturing leader, and attract a number of new companies to the country.

Source: HM Government, Enterprise Zones

IPAs 'OWN' THOSE ACTIVITIES CLOSEST TO THE INVESTOR



USE OF DIGITAL MARKETING



IPAs' RESPONSES TO AN EVOLVING LANDSCAPE

91%

of agencies surveyed have taken actions to reflect the changing sector landscape of FDI in their organisation & services.

How? Examples:



Strong focus on sector expertise, with staff trained for key sectors, and strategies often changing every year to reflect markets.



More focus on technology, use of partners in the field to keep up to date with developments.



Regular intelligence meetings and calls to communicate trends and signals.



Start-up specific support, especially in digital scene, staff with background in field.



Targeted campaigns and marketing materials.



Recognition that the investment and export agendas are inextricably linked.

55%

of agencies surveyed have taken actions to reflect the changing sector landscape of FDI in their organisation & services.

How? Examples:



71% of companies that took action mentioned China as key to their strategy.



Focus on ASEAN nations from Invest HK due to recent free trade agreement.



Korea now divides up its team into sectors instead of regions.



Close tracking of global and emerging source markets to allow for rapid adaptation and reaction.



82% of companies here have a Brexit mitigation plan



73% have made plans in relation to changing US government policies

IDENTIFIED THREATS & OPPORTUNITIES

COMMON THREATS

- Uncertainty around US policies and changes, potential to disrupt existing pipelines and partnerships.
- Protectionist policy globally could result in fewer companies considering international expansion.
- Local politics and changes to policy also threaten funding and support for IPAs.
- Brexit may lead to reduction in investment to and from the UK, and restrict both FDI and worker movement.
- Difficulties in attracting talent to IPAs, while low unemployment in locations given the same challenge to investors.

COMMON OPPORTUNITIES

- IPAs focusing on innovation are attracting new fast-growing companies
- Brexit and US policy shifts is creating opportunities for IPAs outside those regions, although they also come with perceived threats too.
- Exporting companies are also an opportunity, as they can foster new relationships with potential overseas investors.
- New free trade areas and tax agreements are creating opportunities, and encouraging companies to look at new regions.
- The digital revolution has led to companies growing faster, therefore investing more, as well as providing better tools for IPAs to communicate with them.

Note: For each of the above, more than one agency cited the issue.



APPENDIX

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THE OCO IPA SURVEY

In 2018, OCO Global conducted its second* review of good practice activities and strategies within Investment Promotion Agencies (IPAs). This publication is structured around 15 sections, which were studied using a combination of desk analysis and interviews with IPAs

KEY
STRATEGY & PERFORMANCE
FUNDING
PARTNERSHIPS
SERVICES
DATA & TOOLS

SECTION	DESCRIPTION
Overall Performance	Evaluation of results in terms of projects, jobs, capex and other measures
Prioritisation vs Targets	Priority sectors, and how these align with performance
Types of Investment Targeted	Beyond greenfield, other types of investment targeted
Perspective on the Competition	Key competitors identified by each IPA
IPAs' Responses to an Evolving Landscape	How IPAs are reacting to evolving opportunities
Threats & Opportunities	Views on what will affect the futures of each IPA
Size and Geographic Footprint	Looking at numbers of employees and overseas offices of IPAs
Funding & Governance	The level and source of funding of IPAs, and total budgets
Products/Incentives Offered	Products that can be directly provided the investor from the agency
Outsourcing to Consultants	What strategic services will agencies regularly procure?
Working with Local Partners	How IPAs interact with their partners at regional or city level
Services Provided by the IPA	Suite of services provided the potential and confirmed investors
Enquiry Management	Breakdown of reactive to proactive lead generation
Digital Marketing	Whether the agency has a strategy, particularly in terms of social media
Subscriptions and Tools	IT systems used

HIGHLIGHTING SPECIFIC SERVICES



- Supporting financial investments (e.g. VCs)
- Supporting talent and expats – *Welcome to France*
- New internal CRM



- Great: Digital platform to connect UK businesses with international buyers and investors.



- Start-up support through 12 hubs in Germany, to grow international markets.
- Very fluid approach to LG, with focus changing with markets e.g. big push for renewables this year.



- IKMP – Invest Korea Market Place actively matches SMEs with overseas investors.
- Outbound support only recently became part of their remit.
- Restructured into sectors instead of regions.



- Support for outward investment.
- Leveraging intermediaries: MOUs in place with Japanese companies to organise events in Tokyo.
- Use of WhatsApp has led to 25 leads and 2-3 projects in 6 months



- Start-up and fintech specialised support, with current upgrades being made to aftercare.
- Innovation in LG, new technologies being used, including social media.



- More emphasis on working with partners through *Vlaanderen versnelt* program.
- Custom screening tool for aftercare and retention. Predictive models for LG.



- Sector specialists to provide better support to potential investors.



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