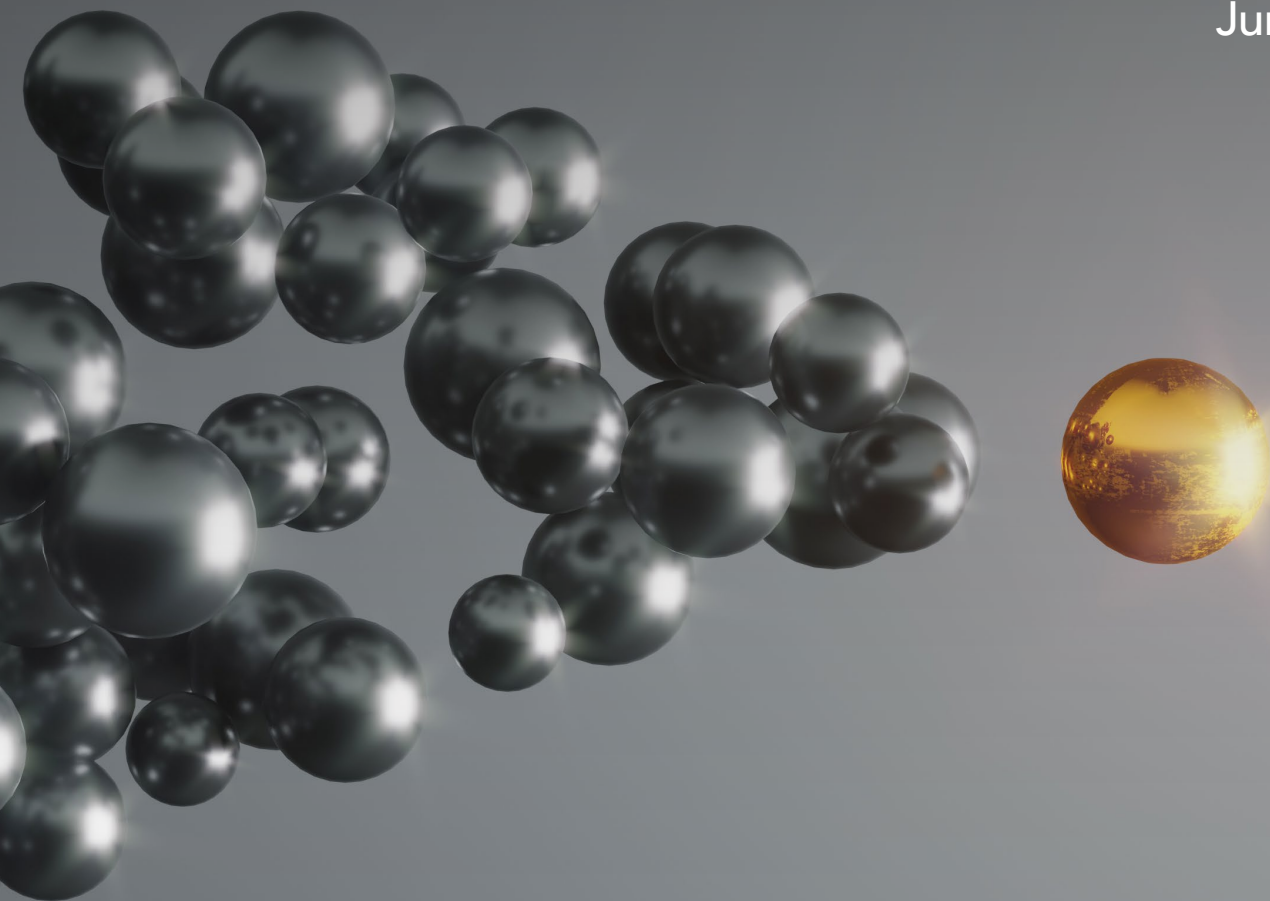


OCO GLOBAL

OCO Global Innovation Index for  
Investment Promotion Agencies  
June 2021



## Foreword from the CEO

OCO are excited to launch a new annual IPA Innovation Index. With the arrival of the global coronavirus pandemic, IPAs (along with every other business) had no choice but to adopt new ways of working, and new approaches to communicating and transacting with clients.

Our analysis shows that IPAs are beginning to adopt new approaches and embrace digital tools and process to reflect practices that have been embedded in their clients for some time.

Although new project volumes were down, expansion and retention work tested the capabilities of many IPAs in account management and stress tested CRM. It also demonstrated that sacred cows such as remote working being less productive were myths. And most importantly the whole client journey became digital and in some cases more effective as a result.

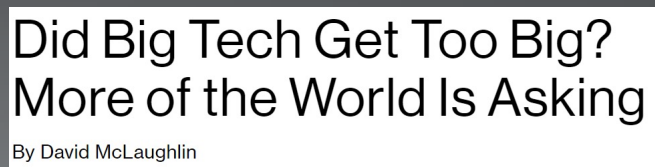
The top 2 innovation awards go to IPAs from emerging economies (India and Abu Dhabi) which demonstrates the level of ambition and importance of FDI for these countries, and fires a shot across the bows of the more established and complacent status quo. These organisations were already well advanced in respect of digital tools, sustainable sectors of the future and recognise that success is about liveability as well as well as economics.

We are grateful to all of the IPAs who took part in the study and look forward to tracking progress and further proving out the relationship between innovation and success.

Mark O'Connell  
Founder & CEO

# Global economies undergoing a period of unprecedented change

The coronavirus pandemic has accelerated changes in business practices and government policy...



## Companies are used to innovating in periods of downturn, but are Investment Promotion Agencies (IPAs)?

“ Developing an innovation strategy that reacts to or even anticipates a downturn, doesn't just weather the storm but creates a competitive edge for the future. We looked at 30 Fortune 1000 companies that accelerated during 2008 and all of them invested in new growth options instead of just cutting costs. Bain & Company came to a similar conclusion after analysing 5,000 companies over 10 years.

Gartner, 2020

”



GE Financial Services was founded post the Great Depression as a channel to sell its refrigerator and washing machine products to consumers.



Airbnb was founded in the financial crisis of 2008 as increasing number of cost-conscious consumer and business travellers sought alternatives to hotels.



Over 1/3 of bank branches in Europe have closed in the last 10 years, owing to business model change brought about by financial crisis. An example, in Q3 2020 80% of all Santander UK sales and customer transactions were conducted via digital channels.

## The OCO Innovation Index examines how effectively IPAs are adapting to the challenges of Pandemic recovery, sustainability and digitisation.

The OCO Innovation Index, aims to:

- identify and assess those changes initiated by IPAs, in light of the challenges raised by the Covid pandemic, and
- assess how IPAs are positioning themselves for the post Covid investment landscape

### Two elements to this study

A quantitative survey covering a series of 3 key topics spanning IPA innovation in the past 12 months

Supported by a series of in-depth qualitative interviews with IPAs to expand upon the key themes emerging from the quantitative survey, illustrating best practice and highlighting key examples of innovation

## Methodology: The Innovation Index Explained

The OCO Innovation Index broken down: 10 categories across 3 areas (Strategy, Operations & Technology). Scored on whether the IPA made a change or not in response to Covid-19 and new strategic opportunities.



### OPERATIONS

- New Sectors
- New Markets
- New Services

### STRATEGY

- New/updated Plan
- Proactive M&A
- Engagement VC/JV
- Account Mgmt Focus

### TECHNOLOGY

- CRM/Tools Upgrade
- Virtual events/Conferences
- Virtual Tours

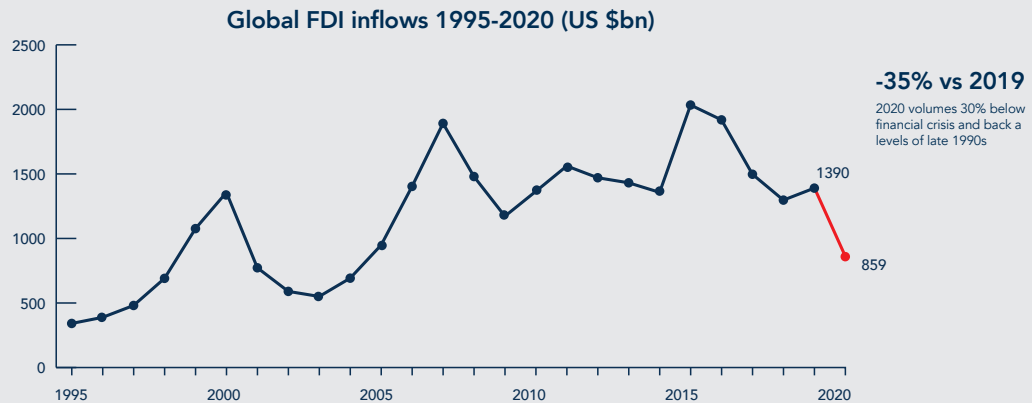
Findings are based on 20 responses covering a broad geographical spread of IPAs



- |  |  |   |
|--|--|---|
|  Abu Dhabi Investment Offic       |  Dubai FDI              |  Invest in Holland             |
|  Austrade                         |  IDA Ireland            |  Invest in Spain               |
|  Bahrain EDB                      |  Invest Hong Kong       |  Invest India                  |
|  Business France                  |  Germany Trade & Invest |  Invest Trinidad & Tobago      |
|  Invest in China                  |  Invest in Lithuania    |  Italian Trade Agency          |
|  CINDE Costa Rica                 |  Invest in Denmark      |  Switzerland Global Enterprise |
|  UK Dept. for International Trade |  Invest in Finland      |  ABA Austria                   |

# The Global FDI market collapsed in 2020

And whilst there are signs of recovery in certain sectors, the outlook overall is uncertain.



Latest UNCTAD Investment monitor report published last week shows global FDI flows falling from \$1.5 trillion in 2019 to \$1 trillion in 2020.

## Types of Investment

\$ value  
2020 vs 2019

**35% decline in Greenfield**  
**10% decline in M&A**

## Geographic Mix

Greenfield \$ valu  
2020 vs 2019

**15% decline in Europe**  
**29% decline in USA**  
**38% decline in Asia**

## Outlook

- US picture expected to improve under new administration
- M&A H2 recovery in Tech and Life Sciences seen as positive indicator for these sectors
- Industrial / Manufacturing: slow recovery expected as value chains re-configured over time

Source : UNCTAD Investment Monitor

## Some sectors have fared better than others...

### RESILIENT



Renewables

✓ 14%



Medical Devices  
& Biotech

✓ 15%

### NEUTRAL



Food & Drink

✓ 29%



Technology

✓ 30%

### EXPOSED



Financial Services

✓ 39%



Automotive

✓ 55%



Hotels & Tourism

✓ 70%



Aerospace

✓ 69%







Adv. Manufacturing

✓ 35%

However the short term impact is only part of the story; more relevant is how the pandemic and its aftermath shapes business models in both the resilient and exposed sectors; from the latter we expect acceleration of innovation (eg EVs in Automotive) and new investment environment to emerge.

Source : fDi Markets, no. projects, 2019 compared to 2020





Sometimes it takes a crisis....IPAs have been forced to adapt strategies, file operating models and embrace technology to maintain relevance

<p>01 <b>Time for an Update</b></p>  <p>By happy coincidence for some IPAs the turn of the decade heralds the 5 year strategy update, and for all others a rewrite has been necessitated by the pandemic</p>	<p>02 <b>Innovative Upstarts</b></p>  <p>Some of the more resilient strategies (that required little update) belong to younger IPAs in emerging markets like Dubai, Trinidad, and Costa Rica rather than the more mature economies</p>	<p>03 <b>Regional Dispersion</b></p>  <p>The exodus from the cities and success of remote and homeworking has opened up new possibilities for regional dispersion and deeper regional engagement features in a number of IPA strategy updates</p>	<p>04 <b>Yes Minister</b></p>  <p>Investment attraction has gone up the political agenda both in terms of security, and as a stimulus for recovery so we can expect more senior political engagement and not all of it positive!</p>
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Operationally, there has been a pivot to resilient sectors & different modes of investment, whilst IPAs are keeping faith with their historical source markets

<p>05 <b>Double down on existing clients</b></p>  <p>With diminished new business pipelines all respondent IPAs have been righting an historical imbalance of support for aftercare and account management, versus new investment</p>	<p>06 <b>Sector Refresh</b></p>  <p>IPAs have pivoted to resilient sectors such as fintech, health tech, renewables, food and drink, while tourism, retail and manufacturing has consolidated. Sustainability/Green growth is a new and recurring theme</p>	<p>07 <b>Sector Markets</b></p>  <p>No discernible shift in global footprints but IPAs beginning to question the need for such expansive overseas offices and less might be more in a virtual world. China, India and Gulf rising in priority</p>	<p>08 <b>Open-to-all Investments</b></p>  <p>Some reactive positions moving to proactive on M&amp;A with pitchbooks, distressed cos and supply gap filling, while all IPAs now recognise value of Venture Capital as an channel to market</p>
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Digitisation used to extend to the website & social media activity, now it is pervasive across the value chain of operations for many IPAs

<p>09 <b>New Products</b></p>  <p>Family Offices Incentives for green investment, Special Economic Zones, and 'special access' for most significant investors are common, and some near shoring, homeworking products by IPAs close to the US</p>	<p>10 <b>Virtual Efficiencies</b></p>  <p>Virtual tours, use of drones and Zoom allows investors to visit geographically dispersed sites in a morning as opposed to a 3 day fam tour and opportunity to showcase regions more inclusively</p>	<p>11 <b>Lean IPA Processes</b></p>  <p>The linear investment process from first contact to deal closure has become 'lean'. More effective early stage zoom meetings with key decision makers, tighter agendas and disciplined follow up has shortened sales cycles</p>	<p>12 <b>CRM Engagement</b></p>  <p>Building deeper relationships with fewer but better investors requires sharper intelligence and co-ordination. Many IPAs have upgraded their contact relationship management tools (CRMs)</p>
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All of our respondents have either launched a new 2020-2025 strategy or updated their existing one in response to the Pandemic

## Key Findings

- From March – August 2020, most IPAs pivoted efforts to existing investors, initially to help navigate government assistance schemes and address supply chain, travel and social distance/remote working issues.
- Later in the year, with depleted pipelines, many IPAs doubled down on retention and expansion strategies, and many discovered that their knowledge of the existing investor base and their CRMs were not up to the task.
- Those who updated their strategies redeployed resources and targets to account management, focusing on supply chains, upgrading and better connectivity to regional partners.

## Examples

- Green growth is a common theme of these strategy updates as is digitalisation and mobility.
- France Relance, UK Zero Carbon and Green shipping (HK) are all good examples of this shift to more sustainable investment future.

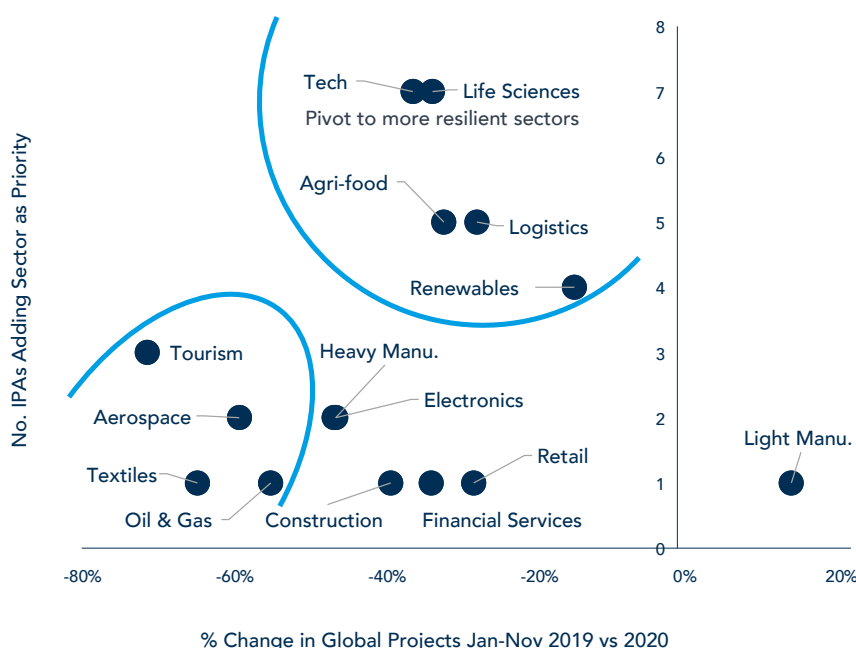
**67%**

### Average Score of Pillar No.1; STRATEGY

This means that 64% of IPAs have developed a new or developed an existing strategy to deal with pandemic

i.e; new plans, AM focus, M&A, VC/JV

Some evidence that IPAs have pivoted their sector focus towards the more resilient sectors



- Several IPAs are looking to target niches that have been unaffected or seen a surge as a result of Covid-19
- New subsector targets:
  - Cybersecurity
  - AI
  - Blockchain
  - Fintech
  - Disposable medical products
  - Cleantech
  - Agritech
  - E-Commerce
- Only two sectors were removed by IPAs as targets: 3 removed Tourism and 1 removed Retail

Source: fDi Markets



## M&A still a bit too hot to handle for most IPAs, but much wider engagement and facilitation of JV and active engagement with VC

### Key Findings

- Pent up demand for deals coupled with a global wall of idle capital and market uncertainty presents the perfect storm for a tidal wave of M&A in 2021.
- IPAs have recognised the value of VC as a key channel to tech investors of the future and are mobilising initiatives to get closer to VC community in key markets. Asian IPAs have built on established schemes in this space. Nordic IPAs have been a first mover in the est.

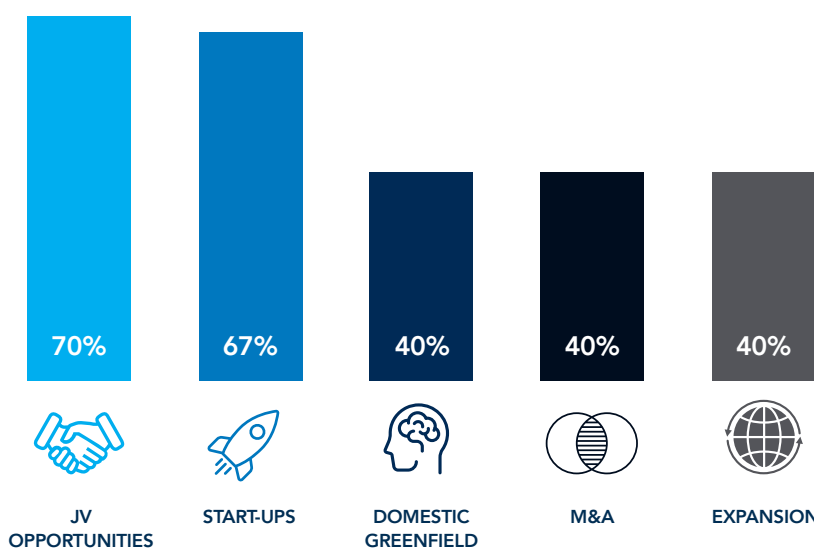
### Examples

- Business France, ICEX Spain and Austrade have launched initiatives to market investment opportunities in 'distressed' companies, while Trinidad and Tobago are focusing on attracting foreign capital into existing indigenous firms.
- The UK has established an Office for Investment to target foreign capital from SWF, Family Offices and High Net Worth individuals.
- Invest HK is piloting a new proposition to attract family offices to invest in innovation and tech funds in the region. ICEX is working to attract foreign capital into 100 'start-ups', and Switzerland is undertaking a similar programme.

## IPAs are pursuing starts ups and investment in starts ups more actively, although still targeting traditional forms of FDI

### Types of Investment

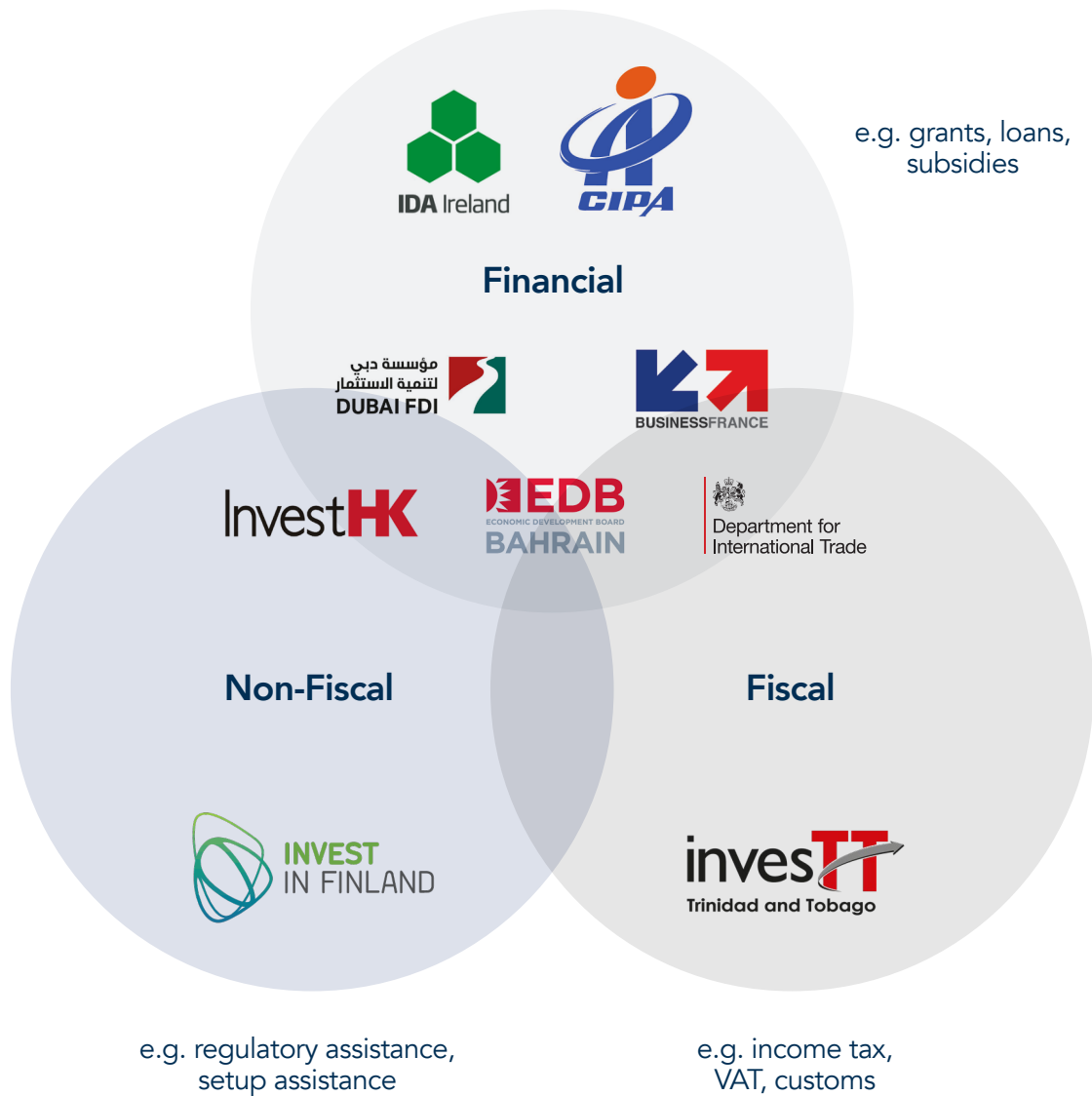
Only 5 of 20 added new investment types (although some were already targeting outside of Greenfield)



We anticipate a number of factors will shape the post-Covid landscape and alter the mix of investment projects:

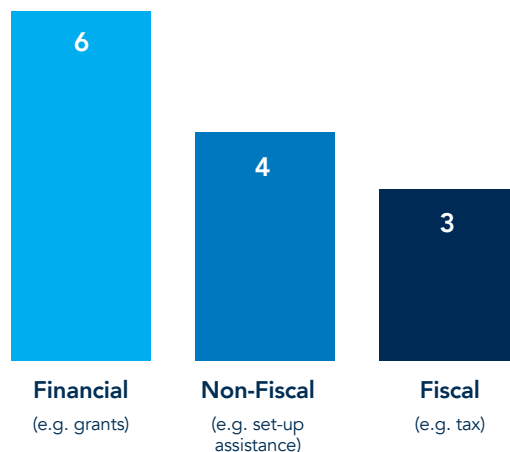
- Significant rise in innovation / tech-rich sectors
- A re-bounce in M&A activity
- A shortening of supply chains and an opportunity / need for domestic capabilities to populate value chains
- Increase in company failures creating expansion opportunities for strongest players

Governments and IPAs have introduced incentives to support existing investors, rather than designing offers that align with post Covid shifts



Only 8 of 19 have adjusted their incentives in response to Covid, and some countries have tightened FDI policies

(e.g. 4 cited new foreign ownership restrictions)...



## Unused travel and conference budgets are being redeployed on tech platforms, staff training and new marketing collateral

### Key Findings

- Remote working and virtual investment promotion has exposed the dependency on face to face meetings.
- IPAs have rushed to CRM providers to upgrade and improve their intelligence and insight on both existing investors and pipelines.
- Zoom, Teams and others have all been widely embraced for project collaboration and targeted events. It has also allowed more time for engagement of senior people in such events.
- Training and upskilling has also been a beneficiary of the pandemic, initially to help IPA executives in crisis management and more lately to upgrade skills in account management.
- Tools such as Velociti for investor insight and targeting, Proven to manage intermediaries and GIS Planning to inventories and showcase investment sites have all seen uptake by IPAs on their digital journey.

### Examples

Austrade and Invest India mentioned significant expenditure in CRMs and SGE have developed their own platform.

## 63%

#### Average Score of Pillar No.2; OPERATIONS

This means that 62% of IPAs have been agile, flexible and resilient in the way they dealt with operations.

i.e; new sectors, new markets, new services, etc.

## Market focus: None of our respondents have radically upended their market focus in response to the Pandemic

### Key Findings

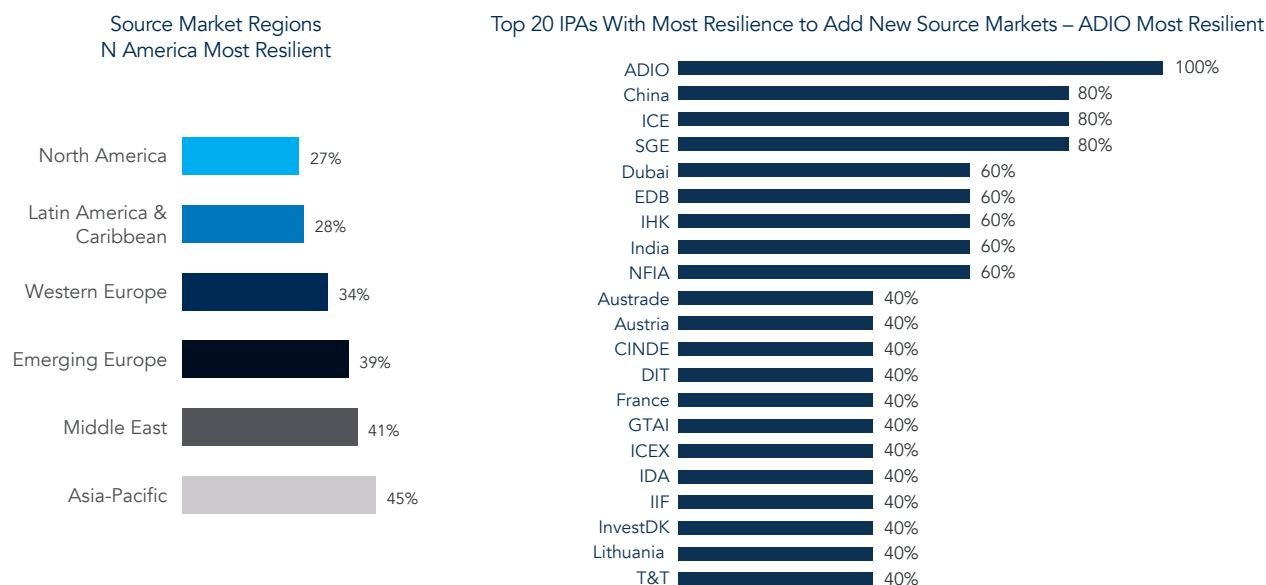
- Travel restrictions limited IPA participation in major overseas 'recruitment' and marketing events, increasing the reliance on other channels.
- Many IPAs remain committed and confident in the potential for FDI from Asia and have maintained and even expanded their presence in these markets.
- Brexit has forced many European agencies to reposition their offer to either UK companies.
- India and Middle East are attracting renewed attention, plus, we are seeing new initiatives across the Gulf and Indian States led by an emboldened Invest India.
- Many countries will be encouraged by the more internationalist policies of Biden in the US and the \$1.9tn stimulus.

### Examples

- Ireland, Netherlands and Belgium have all moved assertively to target the EU market seeking investors.
- Central American and Caribbean agencies like CINDE and Trinidad and Tobago have jumped on nearshore and remote working, plus are targeting US firms with solutions that are close, well regulated and highly cost effective.

...but that has not yet triggered a fundamental re-shaping of market focus...

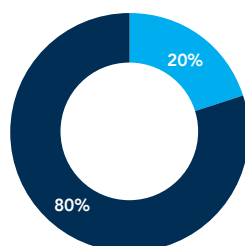
## % Reductions in Project Volumes from 2019 to 2020



If post Covid landscape is shaped by a re / near-shoring agenda and a shift in sector mix; likely that additional shaping of geographic focus will be required

## High Priority Source Countries

Only 4 of 20 amended their source market priorities



● Changed Source Countries

Additions as priority

● Germany – 3 IPAs

● France, Hong Kong, USA – all 2 IPAs

Most of the 'product offer' innovation is connected to sustainability agendas or new political priorities/alliances

### Key Findings

- A more regressive move across many countries is tighter screening and approval of investments in sensitive sectors and from sensitive places due to security and self sufficiency concerns.
- A number of IPAs (CINDE, IDA, NFIA) are working closely with existing investors to help them address remote working challenges as well as decarbonise their footprint and offer incentives and support to achieve this through wider national initiatives.

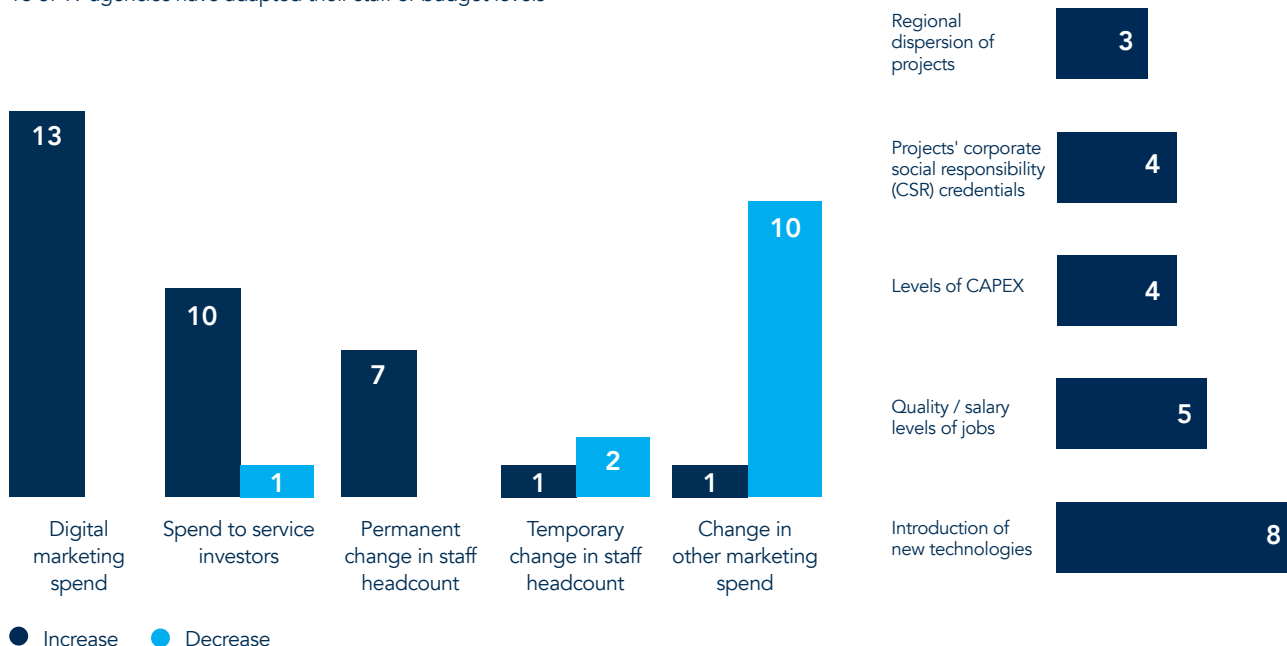
### Examples

- Notable examples are:
  - 8 new UK special economic zones with rates holidays and incentives for investors.
  - India's new 'Clearance Cell' and 'Investor Forum' to fast track strategic investments through government and regional bureaucracy.
  - France Relance with high level political support for recovery projects in automotive, aerospace and hydrogen sectors.
- Invest HK is developing a 'co-location' offer where investors can manufacture in mainland China but run administration, finance and HQ from Hong Kong.
- T&T and Costa Rica are offering special visas and relocation supports for businesses and workers who want to enjoy more remote working by the beach.

## Spending splurge on digitization, and some new performance measures

### Budgeting

16 of 19 agencies have adapted their staff or budget levels



\*2 IPAs noted that already measured some of these pre-Covid

## Remote working and travel restrictions have forced and accelerated adoption rates of technology platforms across the IPA value chain

### Key Findings

- Many IPAs were attached to traditional models of client engagement. They have been forced to evolve, and will likely remain post-pandemic.
- A poll of IPAs around digital adoption 18 months ago would have seen very few in the sphere of operations or delivery.
- Zoom meetings, remote working, virtual investment tours etc are now common practices among IPAs we interviewed, and many wish they had engaged with tech platforms earlier.
- It is possible to bring in heavy weight decision makers and politicians at an early stage. Investment Promotion has become 'Lean' and peripherality is less of an issue on a virtual tour. Drones don't complain of travel sickness!

### Examples

IDA Ireland, Invest India, Business France, SGE and Bahrain EDB described how the traditional sequential approach of initial overseas team targeting, outreach and introductions etc. had been condensed into one or two Zoom meetings where all the key actors could be present with clear agenda and next steps, and the elapsed time between first contact and investment significantly reduced.

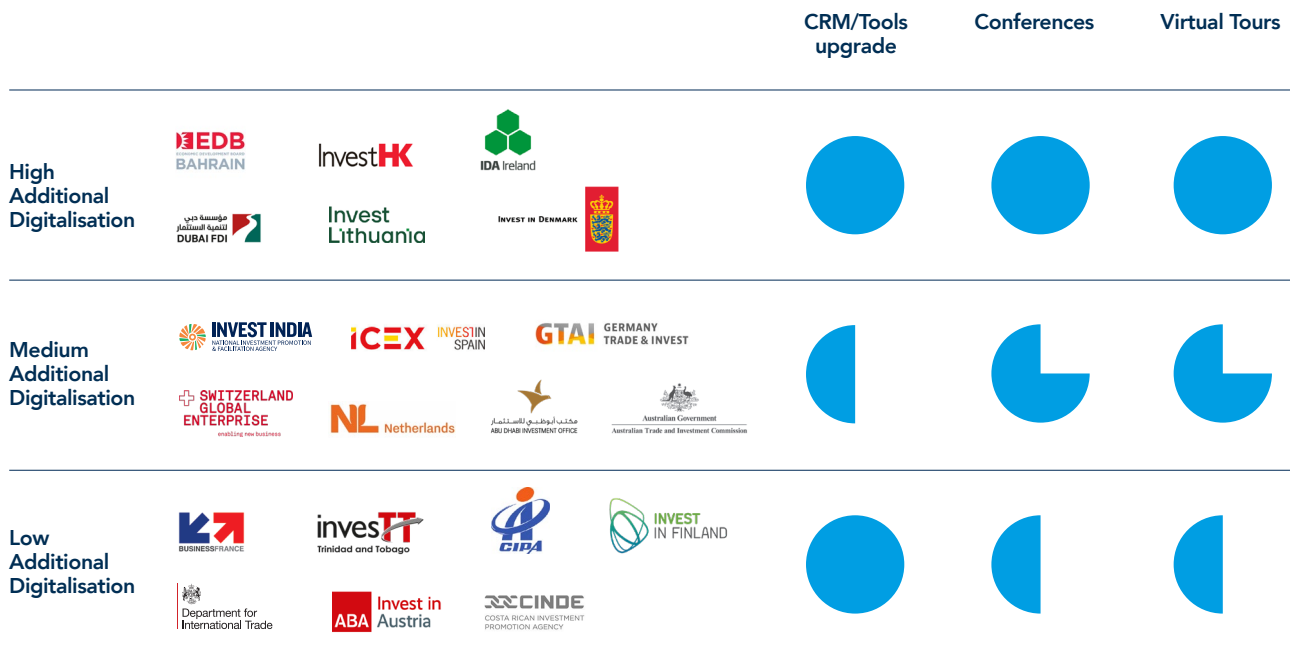
# 63%

**Average Score of Pillar No.3; TECHNOLOGY**

This means that 64% of IPAs have used technology under the just-right framework to win investments, facilitate it and promote it.

i.e; CRM/Tools upgrade, Conferences, Virtual Tours.

## Adoption and expansion of digital services has surged with 90%+ of respondents making some change



Note : Assessment shown is representative of each grouping

## Working from home used to be a slacker's charter, now some will never return to the office full tim

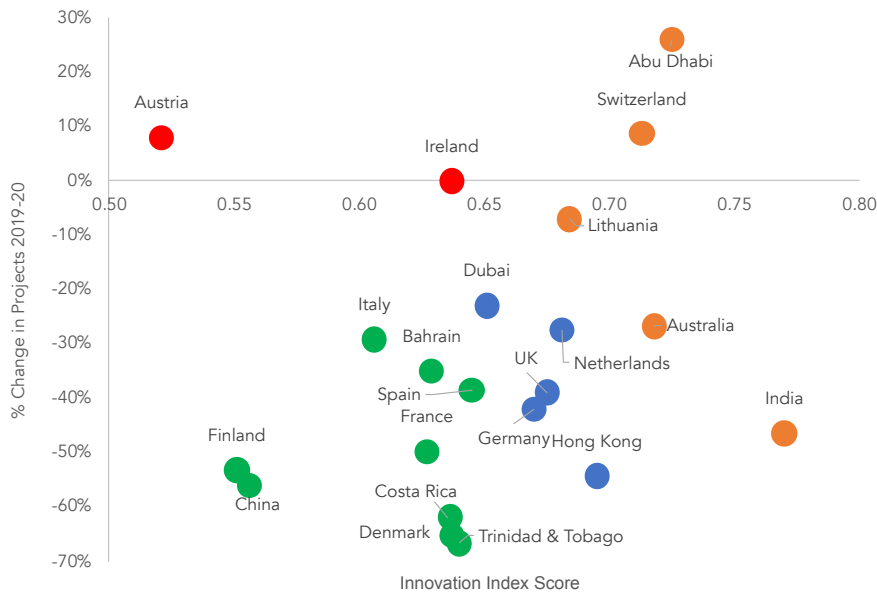
### Key Findings

- Government organisations are typically not well organised for remote working due to technology constraints, security and confidentiality, and less agile HR policies. A lot has changed in 12 months.
- Indeed many respondents cited productivity gains, better collegiate and collaborative behaviour and greater client impact.
- It is recognised that for larger strategic investments, site visits will always be essential, but for services and technology investors with limited capex, a project can be secured and mobilised without a client visit – IDA Ireland spoke enthusiastically about a virtual tour covering 3 locations taking 2 hours instead of 2 days.

### Examples

- Some pointed to the success of their first time virtual annual staff conferences such as IDA Ireland, and NFIA.
- Business France have created a secure Extranet 'data room' for strategic investors to access their files remotely at any time and keep the projects on track.
- Invest India has been developing a national database of industrial sites which can be accessed remotely.

## Our preliminary Innovation Index scoring clusters around 4 groupings



### 4 Groupings

- Resilient Performers:** Limited change, with investment remaining robust
- Wait and See:** Limited changes, despite investment headwinds
- Reformers:** Initiating change, but (as yet) insufficient to counter the Covid effect
- Planning ahead:** Initiating significant reform and planning for the longer term

## IPA Innovation Winners

### Overall

1<sup>st</sup>   
77%  
Invest India  
(India)


2<sup>nd</sup>   
72.5%  
Abu Dhabi  
Investment Office  
(UAE)

3<sup>rd</sup>   
71.8%  
Austrade  
(Australia)

### Strategy

1<sup>st</sup> 86%   
Department for  
International Trade (UK)

2<sup>nd</sup> 84%   
Invest India (India)

3<sup>rd</sup> 82%   
Austrade (Australia)

### Operations

1<sup>st</sup> 82%   
Abu Dhabi Investment Office  
(United Arab Emirates)

2<sup>nd</sup> 78%   
Invest India (India)

3<sup>rd</sup> 76%   
Germany Trade & Investment  
(Germany)

### Technology

1<sup>st</sup> 80%   
Invest Lithuania (Lithuania)

2<sup>nd</sup> 75%   
Invest Hong Kong (Hong Kong)

2<sup>nd</sup> 75%   
Invest Denmark (Denmark)

2<sup>nd</sup> 75%   
Bahrain Economic  
Development Board (Bahrain)



## Innovation already in action: Selected Examples



Invest India have innovated intensely to improve connectivity to their States Industrial landbanks. They offer Investors access to a one stop shop and understand connectivity with R&D and centres of excellence. They have also built an Investment Clearance Cell to help foreign investors navigate state level bureaucracy. FDI Project development Cells have been embedded in 29 Ministries to reduce bottlenecks and improve the investor journey. Finally a new \$29bn incentives pool for manufacturing has been launched.



Dubai is positioning itself as a new East/West axis and promoting itself as a safe haven for retreating/reshoring manufacturers building on the 2030 Industrial Strategy. They also promote lifestyle and work/life balance in their positioning to investors. They are pushing the sustainability agenda, e.g. announcing flagship projects like world's largest solar park. Dubai has also migrated its entire service offer on line and can be accessed from anywhere by investors.



مكتب أبوظبي للاستثمار  
ABU DHABI INVESTMENT OFFICE

ADIO consciously chooses to focus on 5 target sectors within Knowledge Intensive industries aligned to the scale and make-up of the talent base in the region. These sectors are also aligned to the broader economic and social strategy of Abu Dhabi. In order to create competitive clusters in these areas, ADIO has a programme of financial supports aligned to innovative, fast growing companies (Series A, B) within these sectors where through a transparent set of financial rebates they can plan their market entry with certainty.

## Innovation already in action: Selected Examples



Department for  
International Trade

Earlier this year, the UK Office for Investment was launched within DIT, but jointly attached to the UK Prime Minister's Office

Its remit is clear – to lead and co-ordinate efforts across whole of government in attracting strategic inward investment.

The office comprises senior ex private sector 'deal enablers' working alongside experienced civil servants to offer a seamless investor experience.



As part of its recent 5 year strategy setting, NFIA will now work under a different targeting regime - where the primary investment targets will now be set on a 5 year basis vs the previous annual timeframe.

This will enable NFIA to maintain a clear focus on targeting strategic investment that delivers long term value and re-investment in priority sectors, and avoiding the 'chasing' of short term / lower value wins that inevitably distracts from the core mission.



Australian Government  
Australian Trade and Investment Commission

Austrade has a new focus on attracting VC into indigenous start ups to help them internationalise. The remote working and virtual tour opportunity has been a great leveller for Austrade with its remoteness. Austrade have also launched a new investment assessment tool throughout the project cycle to ensure quality and value is prioritised.

Back to where we started:  
How will innovation shape IPA 2025?

## IPA 2020

- Focus on R&D and high value activity
- Large international office footprint
- Organised by Sector
- Process largely delivered in-house
- 'All things Tech' as the priority
- Skills at the heart of proposition
- General PM facilitation capabilities
- 80% effort on new 20% AM
- Digital mainly for marketing
- Open for all investment
- Annual budgets and measures

## IPA 2025

- Focus on job creation
- Smaller deeper footprint in core hubs
- Organised by modes of investment
- Working in tandem with partners
- Shift to Green Economy and CSR
- Incentives and SEZs back in fashion
- Business advisory/deal making skills
- 80% focus on stock, 20% on new
- Digital investment process
- Tougher screening and approval regime
- Impact measured over med to long term