

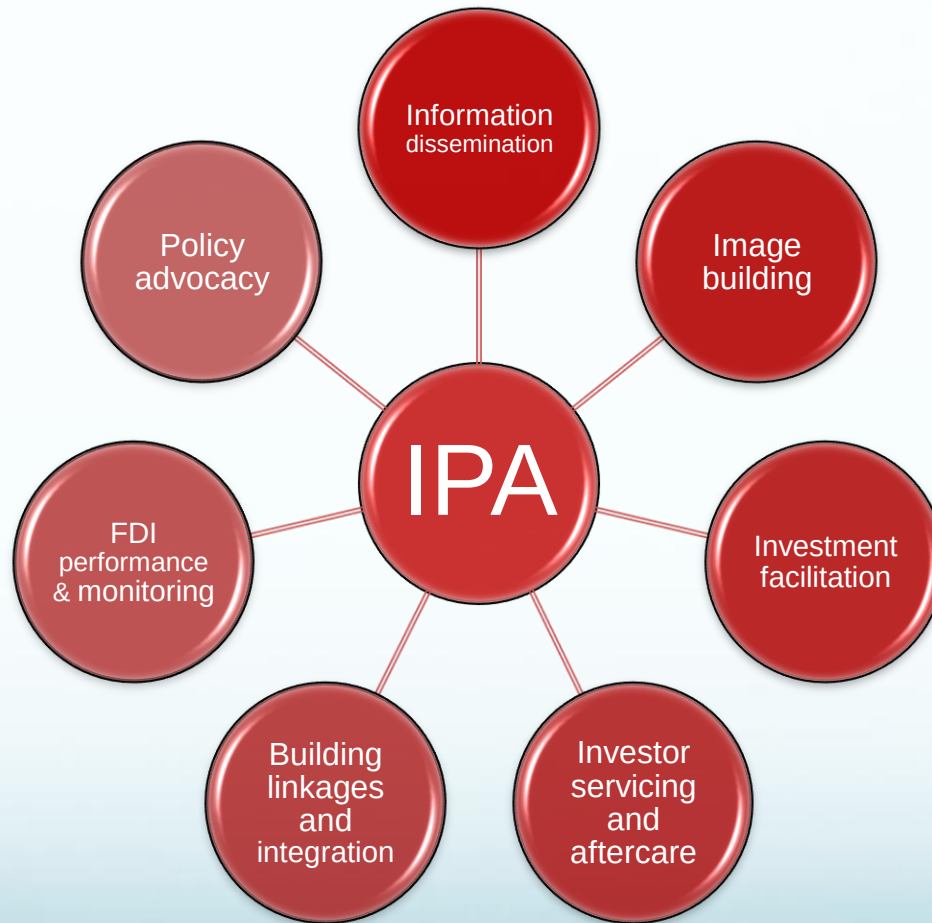
Does FDI promotion still matter?

Robert Hejzak
OECD /TEPAV Capacity Building Workshop
Istanbul (28 January 2014)

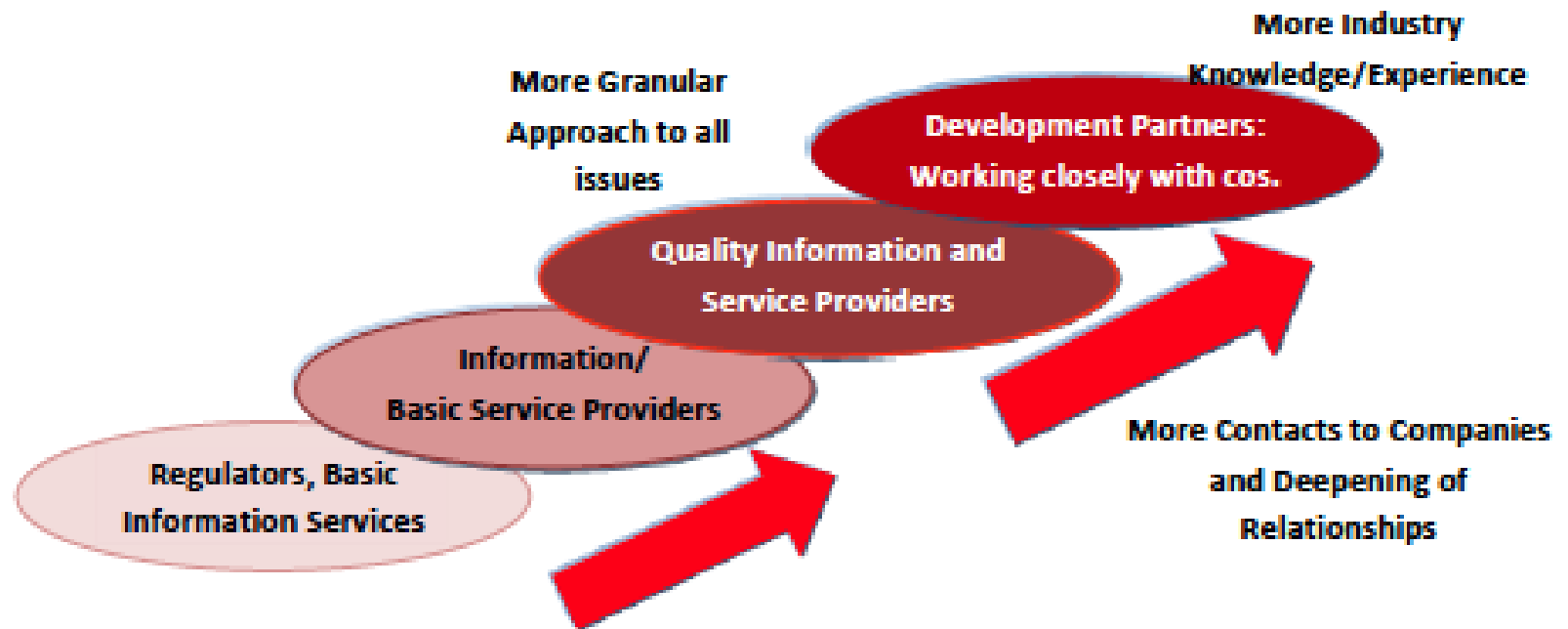
FDI promotion boom



IPAs core function



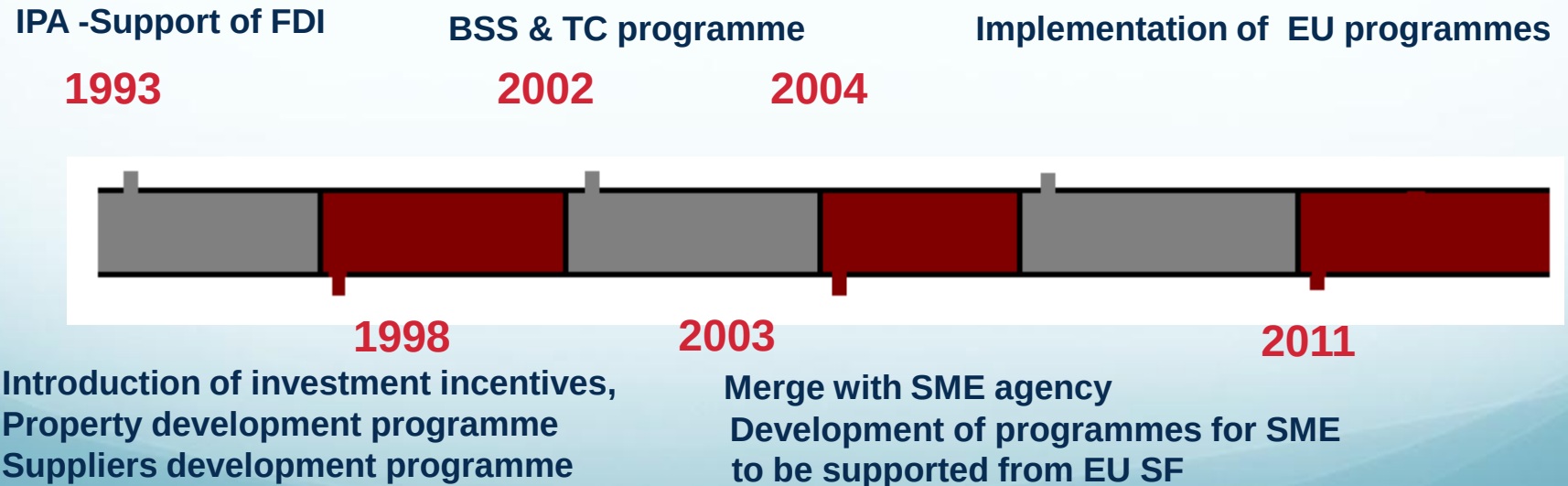
IPA development path



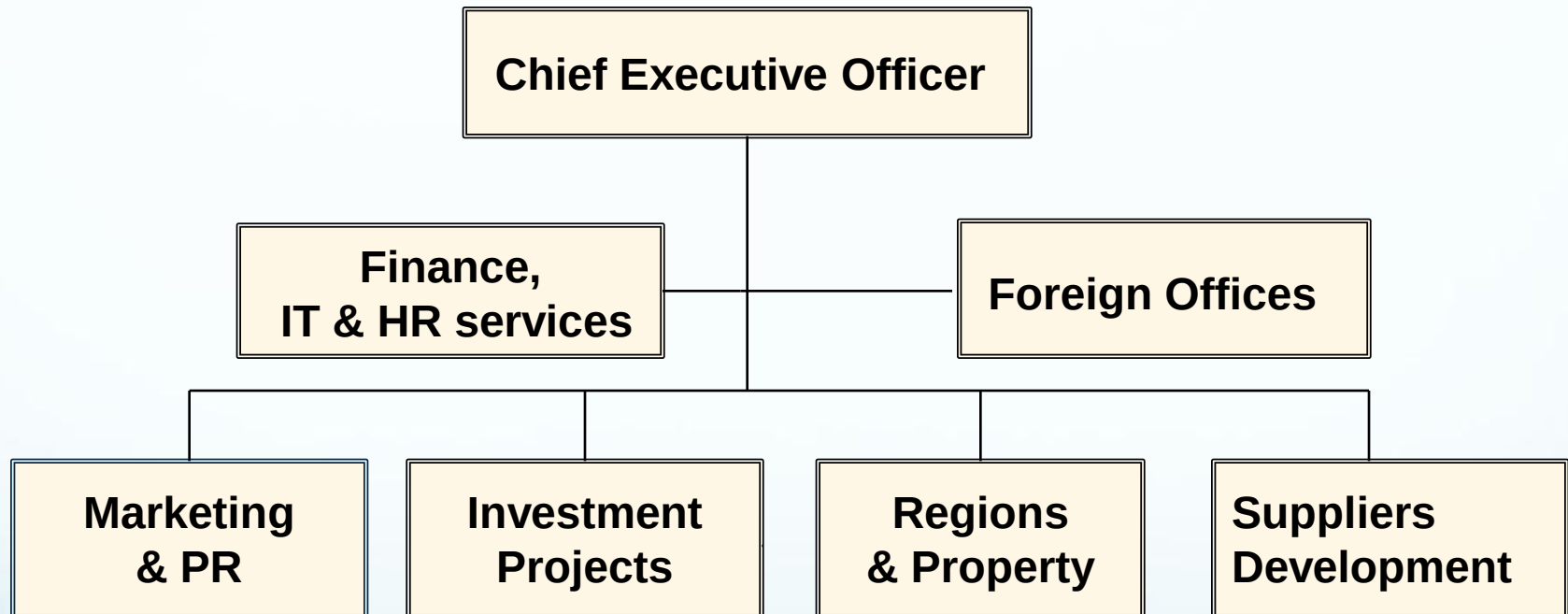
CZECHINVEST

- Investment and Business Development Agency
- State contributory organisation of the Ministry of Industry and Trade of the Czech Republic

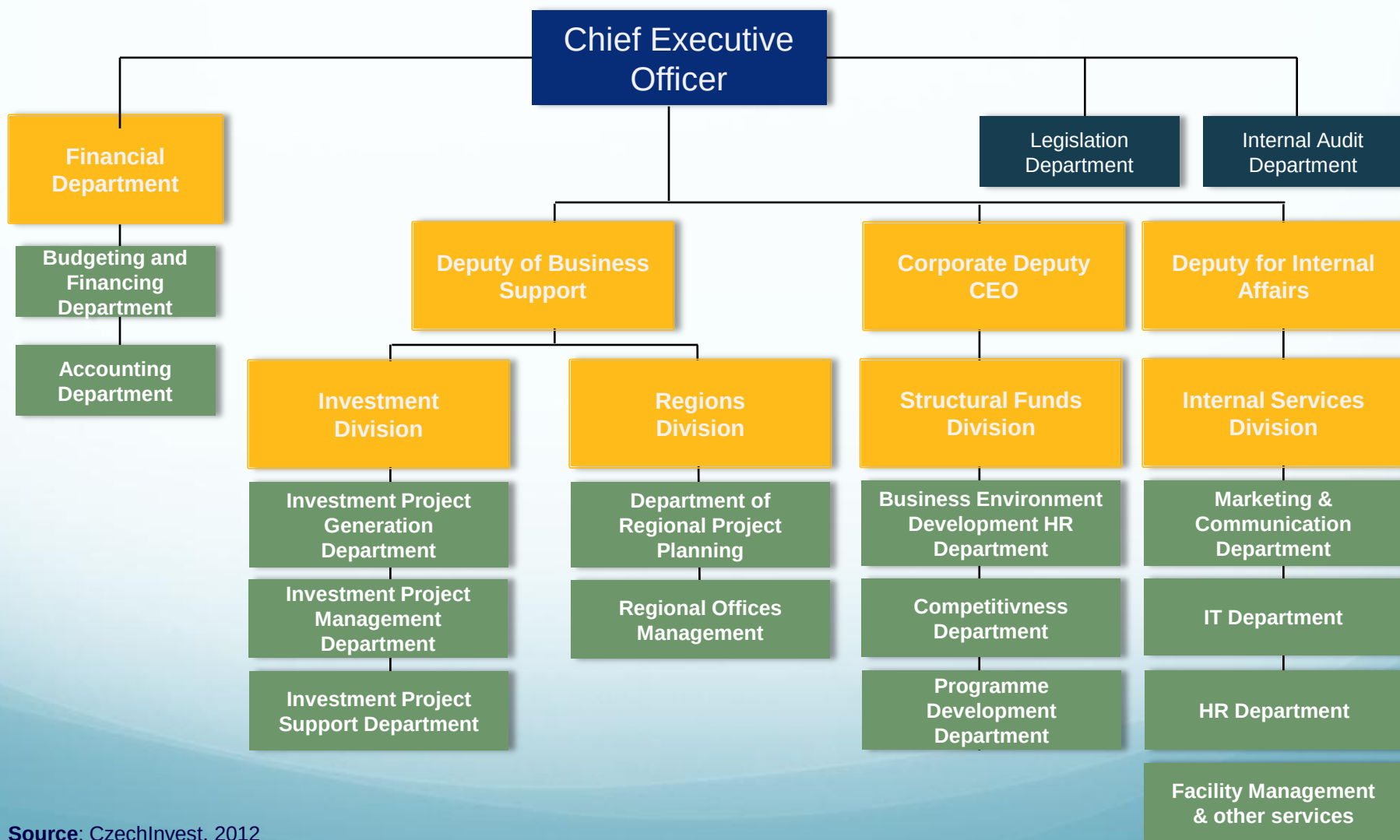
Historical development:



CZECHINVEST 1996



CZECHINVEST 2012

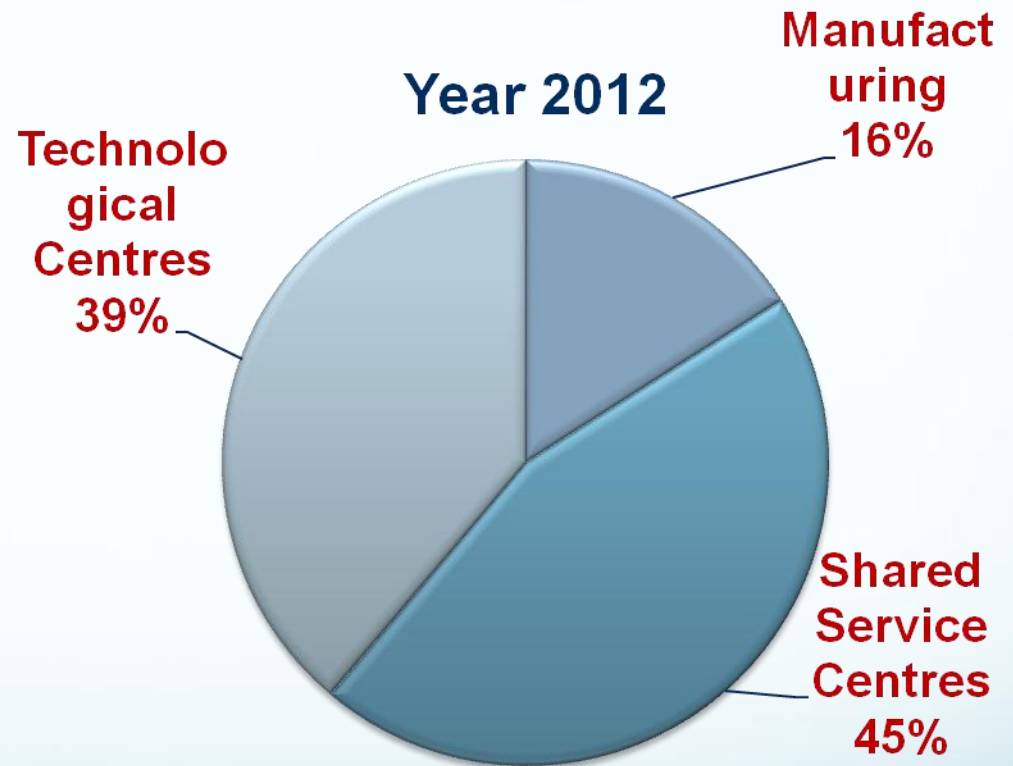


More Projects with Added-Value

Year 1993



Year 2012



Industrial Property Development Programme

- Development of Greenfield Sites
- Regeneration of Brownfields
- Stimulation of Development of Speculative Business Units
- Certification of Industrial Zones

Supplier Development Programme

- Linking domestic suppliers to foreign investors
- Improving management and technological capacities of Czech suppliers
- Database of Czech suppliers
- Matchmaking events

Investment Incentives

- Act on Investment Incentives No. 72/2000 Coll., as amended

Supported activities

- **Manufacturing industry** - Starting or expanding production facilities
- **Technology centres** - Establishment or expansion of R&D centres
- **Business support services centres** - Establishment or expansion of shared service centres, SW development centres or high-tech repair centres

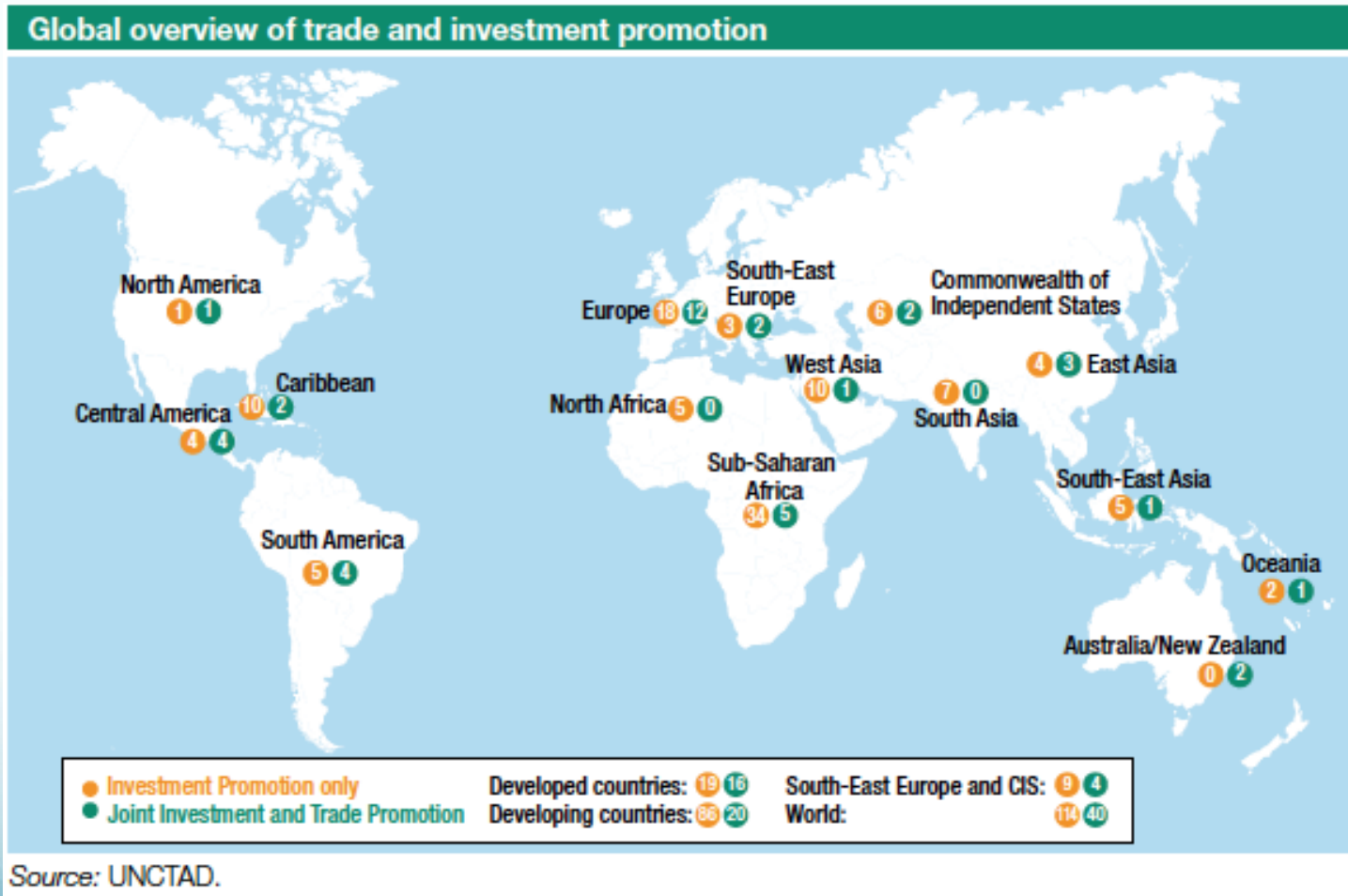
Types of Incentives (granted up to the ceiling of state aid)

- **Tax incentive** - corporate income tax relief for max.10 years
- **Job creation grants** - app. EUR 2,000 per each new job created - regions A only
- **Training and retraining grants** - 25 % of total training costs - regions A only
- **Discounted price of land**
- **Cash grant on capital investment** (in case of strategic investment only)





FDI and trade promotion



FDI and trade promotion – operational differences

	Trade promotion	Investment promotion
Funding	Public / private	Mostly public
Support	Full support of local industry	Partial support of local industries
Business intelligence	Country production & suppliers	Investment climate, operational conditions & suppliers
Staff skills	Sales and marketing officers	Location and industry advisers
Performance indicators	Export volume / access to new markets / number of clients	FDI volume / jobs / project numbers, type and sector

FDI and trade promotion – pros and cons of joint promotion

PROS	CONS
Better policy coherence and coordination with trade issues	Often different objectives and core investment activities/risk of focus loss
Shared support services and office space/business intelligence to feed strategy development	Coordination challenges/managing staff with different mindsets / risk of increased bureaucratization
Potentially one stop center for clients (export-oriented investors)	Quick export rewards tend to prevail over medium/long-term FDI promotion efforts
Potential synergies in some areas: overseas promotion and country branding	Different clients, staff skills, rewards, business intelligence and marketing needs
Common grounds for policy advocacy	Risk of less attention for investment policies/ promotion

A balanced approach to joint FDI / trade promotion

- Policy and strategy first
- Get buy-in from government and local businesses
- Realistically access cost savings and efficiencies (umbrella approach vs. separate technical functions)
- Avoid a quick fix, retain budget and internal flexibility
- Explore synergies in technical areas

Evaluating IPA

- Learn from experience (accountability) and improve future programs
 - “Doing the right thing” (existential evaluation)
 - “Doing the thing right” (performance evaluation)

Are there better ways of doing investment promotion?

Challenge of IPA evaluation

What is the role of IPA in FDI decision?

- What IPA should be doing but is not
- What IPA should be doing and is, but should do more or less or better
- What IPA should not be doing at all

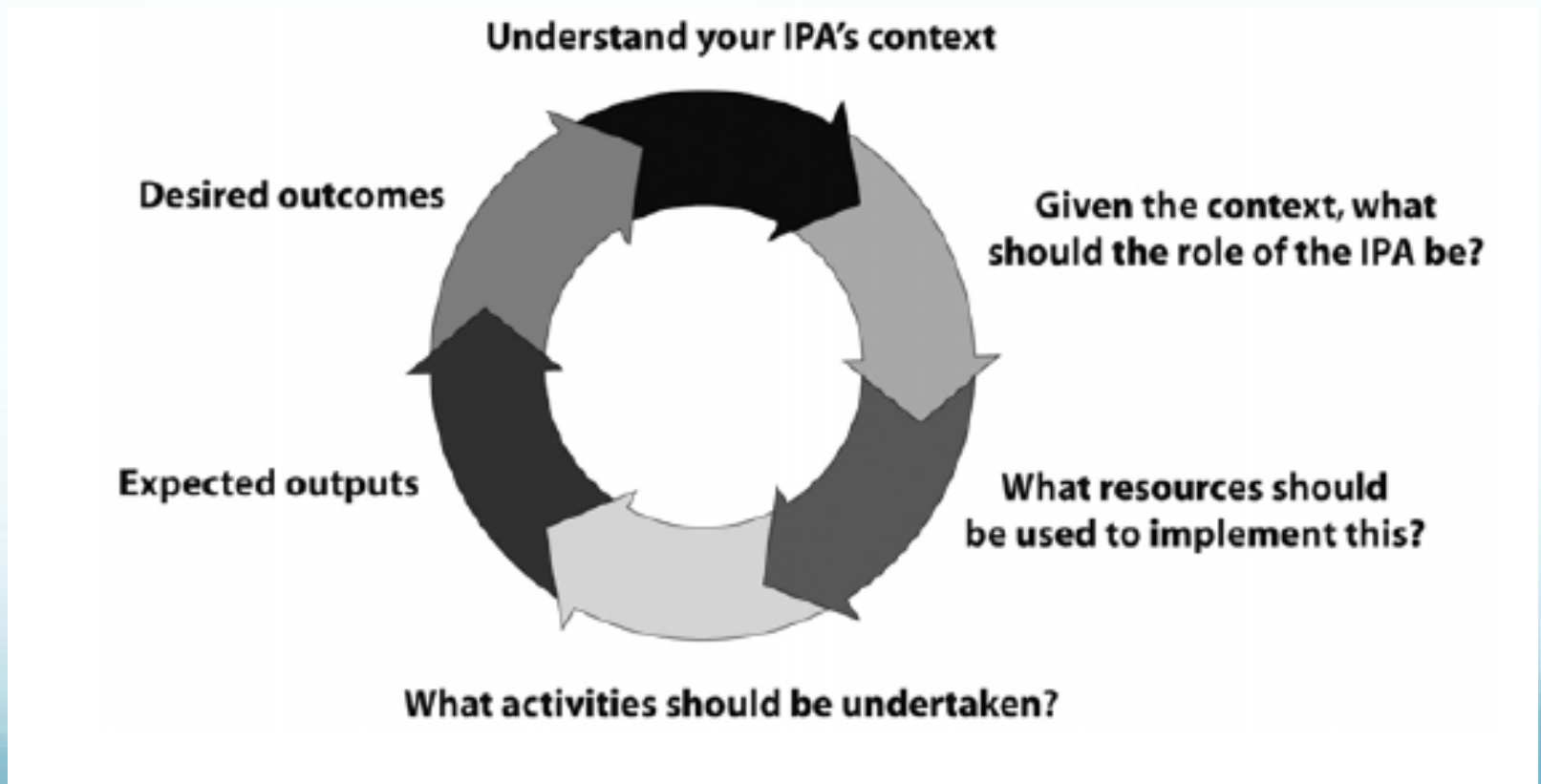
Data / info used for evaluation

- Stakeholders views
- IPA views
- Client / non-client feedback (case studies)
- Benchmarking
- Reports and documents
- Performance monitoring data

Challenge for low budget IPAs

“Doing the right thing”

- Rationale for funding IPA (market failures)



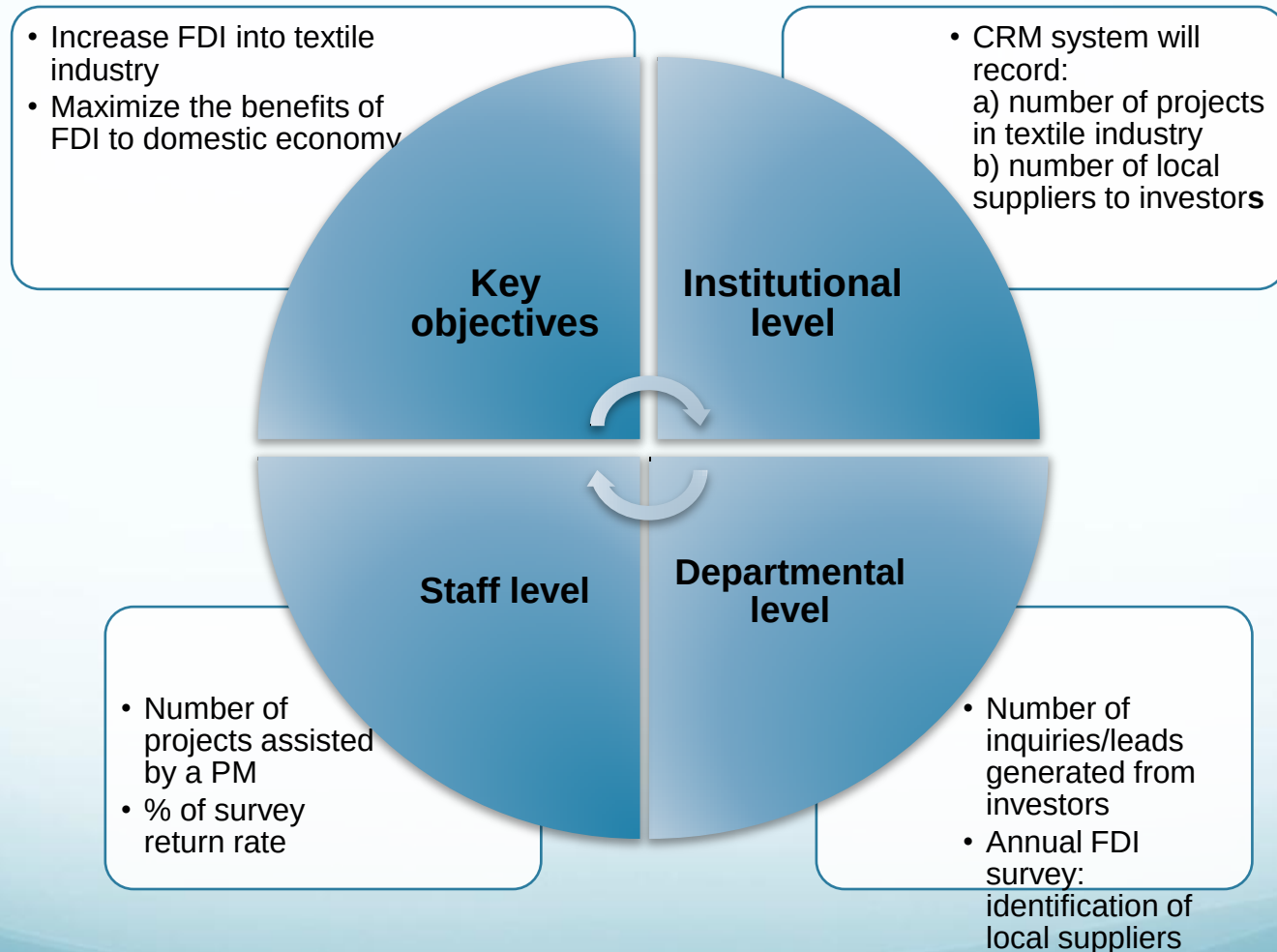
Case studies

- The London Development Agency
 - evaluation in 2007 / 70% deadweight
- Invest in Sweden
 - follow-up system (CRM – feedback questionnaire – evaluation of results by Audit Committee – annual perception system – scorecards for countries and sectors)
- CzechInvest
 - performance indicators (e.g. foreign offices: number of leads, conversion ratio leads/projects, home country economic impact)

“Doing the thing right”

- Funding
- Human resources
- Strategy
- Marketing
- Operations

Complex performance evaluation



Challenges to effective evaluation

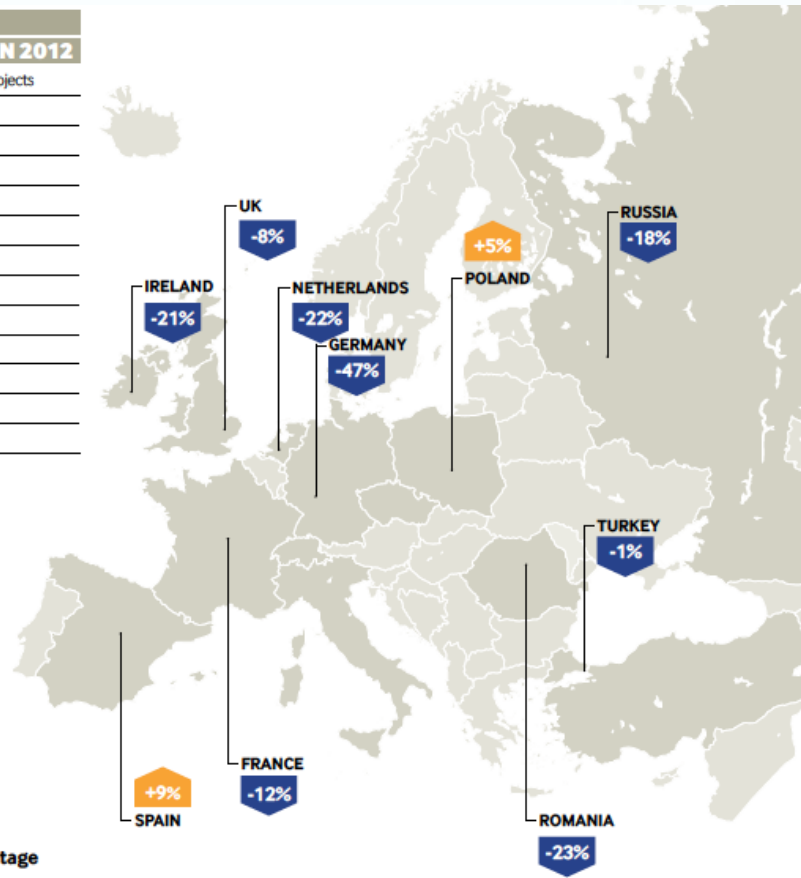
- Issues beyond IPA's competence
- Lack of capacity to register all evaluation factors
- Information is not readily available
- Lack of structured approach for data collection
- There is no evaluation standard
- Lack of sufficient funding to carry out effective evaluation
- **Evaluation is not considered a priority**

What is ahead of us?

TOP 10 DESTINATION COUNTRIES IN EUROPE IN 2012

Country	Number of projects
UK	812
Germany	410
Spain	278
Russia	265
France	244
Poland	237
Ireland	147
Netherlands	145
Romania	138
Turkey	133
Other	1082
Total	3891

Source: fDi Markets



► This map shows the percentage change on 2011

Source: fDi Markets

YEARS

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LESSONS LEARNED

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