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PRIVATE SECTOR ASSISTANCE PROJECT



# Guidelines for Developing an Investment Promotion Strategy

**Canada**

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IN PARTNERSHIP WITH



**WAVTEQ**  
Data | Technology | Consulting



## **Guidelines for Investment Promotion Strategy Development**

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WAVTEQ is a global consulting and technology company focused on helping governments worldwide attract foreign direct investment (FDI) which will contribute to the United Nations Sustainable Development Goals.

### **About the TPSA Project**

The Canada–Indonesia Trade and Private Sector Assistance (TPSA) Project is a five-year, C\$12-million project funded by the Government of Canada through Global Affairs Canada. The project is executed by The Conference Board of Canada, and the primary implementation partner is the Directorate General for National Export Development, Indonesian Ministry of Trade.

TPSA is designed to provide training, research, and technical assistance to Indonesian government agencies, the private sector (particularly small- and medium-sized enterprises, or SMEs), academics, and civil-society organizations on trade-related information, trade policy analysis, regulatory reforms, and trade and investment promotion by Canadian, Indonesian, and other experts from public and private organizations.

The overall objective of TPSA is to support greater sustainable economic growth and reduce poverty in Indonesia through increased trade and trade-enabling investment between Indonesia and Canada. TPSA is intended to increase sustainable and gender-responsive trade and investment opportunities, particularly for Indonesian SMEs, and to increase the use of trade and investment analysis by Indonesian stakeholders for expanded trade and investment partnerships between Indonesia and Canada.

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# Abbreviations

<b>ASEAN</b>	Association of Southeast Asian Nations
<b>BKPM</b>	Badan Koordinasi Penanaman Modal (Indonesia's Investment Coordinating Board)
<b>CRM</b>	Customer relationship management
<b>EDO</b>	Economic development organization
<b>ESCAP</b>	Economic and Social Commission for Asia and the Pacific
<b>FDI</b>	Foreign direct investment
<b>GDP</b>	Gross domestic product
<b>IPA</b>	Investment promotion agency
<b>IPP</b>	Investment promotion proposal
<b>IPS</b>	Investment promotion strategy
<b>IPZ</b>	Investment promotion zone
<b>IT</b>	Information technology
<b>JV</b>	Joint venture
<b>JVAP</b>	Joint venture, alliances, and partnership
<b>LQ</b>	Location quotient
<b>KPI</b>	Key performance indicators
<b>M&amp;A</b>	Mergers and acquisitions
<b>MNE</b>	Multinational enterprises
<b>NFI</b>	New forms of investment
<b>NEM</b>	Non-equity modes
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PPP</b>	Public-private partnerships
<b>PR</b>	Public relations
<b>RCA</b>	Revealed comparative advantage
<b>RCA-FDI</b>	Revealed comparative advantage in foreign direct investment
<b>ROI</b>	Return on investment
<b>R&amp;D</b>	Research and development
<b>SDG</b>	Sustainable development goals
<b>SEO</b>	Search engine optimization
<b>SIC</b>	Standard industrial classification
<b>SME</b>	Small and medium-sized enterprise
<b>SWOT</b>	Strengths, weaknesses, opportunities, and threats
<b>TNC</b>	Trans-national corporation
<b>U.K.</b>	United Kingdom
<b>UN</b>	United Nations
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>U.S./US</b>	United States
<b>USP</b>	Unique selling proposition or point





# Investment Promotion Strategy Framework

## What Is the Prime Function of Investment Promotion Agencies?

The prime function of an investment promotion agency (IPA) is to develop and implement an effective investment promotion strategy (IPS) for a given country or region. This also applies to the inward investment function of broader economic development organizations (EDOs).

In order to do that, the IPA requires a clear and comprehensive understanding of both the national and international policy contexts and how these affect the country's potential to attract the desired quality and quantity of foreign direct investment (FDI), as set by policy. It also requires the identification of key sectors to target for inward investment.<sup>1</sup>

## What Is an Investment Promotion Strategy?

An IPS is essentially active investment promotion, targeting, and facilitation of a country or region by an IPA or EDO.

The content of the IPS revolves around the question of what to promote and depends on the balance between the country's business competitiveness and attractiveness to investment opportunities on the one hand, and the perceptions and investment intentions of investors on the other hand.

The goal of an investment promotion strategy should be to specifically outline how much FDI, of what type, in what sector, and in what location (in accordance with certain quality criteria, including sustainability) should be attracted within a certain time period. Ideally, the goals of the IPS should link to the country's overall investment-policy goals, which in turn link to general development goals.

An IPS is not the same as an investment policy, and the goals of each are at different levels. Investment policies generally aim to improve the overall investment climate, while IPSs have more quantifiable goals that refer to the amount of FDI the country or region aims to attract within a certain time limit. In other words, an IPS does not cover policies; rather, it looks at concrete modalities and tools to promote, attract, and facilitate FDI.<sup>2</sup>

A successful IPS consists of 10 key components.<sup>3</sup> The chapters in this guideline are organized around these key components:

1. vision and mission statement
2. strategic objectives
3. benchmarking and image-building
4. sector and market strategies
5. marketing and promotion
6. product development: activities to improve the local investment climate
7. budgets and resource allocation

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<sup>1</sup> Loewendahl, "A Framework," 5.

<sup>2</sup> ESCAP, *Handbook on Policies*, 205.

<sup>3</sup> ESCAP, *Handbook on Policies*, 204.

8. organization of resources: organizational diagram showing each department with functions and staff members and their responsibilities
9. key performance indicators (KPIs) for monitoring and evaluation
10. action plan: short-, medium-, and long-term actions required to meet each target and goal, outlining investment promotion tools and budgets

Once the IPS is formulated, it is then used within the IPA/EDO organization.







# Vision and Mission Statement

Each IPA/EDO should carefully create a **vision** statement for its organization and/or location. A vision should be a concise, clear statement of what the organization intends to become and to achieve at some point in the future. Most vision statements refer to sustainable economic development goals and the expected benefits that FDI will have for the people of the country or region.

The **mission** statement should be an inspiring statement about how the vision will be achieved. A mission statement can also refer to a particular set of higher-level goals that need to be achieved in order to realize the vision. Ideally, mission statements should be simple, short, concise, clear, and known to all employees of the IPA/EDO. As much as possible, they should reflect the uniqueness of an organization.

Here are two examples of vision and mission statements:<sup>4</sup>

- **Malaysian Investment Development Authority (MIDA)**

*Vision:* The best partner to investors distinguished by the integrity and professionalism of its people.

*Mission:* To ensure Malaysia achieves its goal in economic transformation and its aspiration of a developed nation by 2020.

- **Board of Investment of Sri Lanka**

*Vision:* To make Sri Lanka the most preferred destination for sustainable investment in Asia.

*Mission:* Attract and secure sustainable investments for optimum utilization of resources and talents, through vigorous promotion and excellent investor facilitation, whilst preserving harmony with the natural environment as a significant contributor in the development of the national economy.

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<sup>4</sup> ESCAP, *Handbook on Policies*, 170.



# Strategic Objectives

## Goals and Objectives

**Goals** are general statements about what the IPA/EDO wants to achieve. As such, they need to be integrated with the IPA/EDO's vision and mission. Goal-setting is the major outcome of strategic planning, after all necessary information has been gathered.

Goals should be:

- **suitable:** aligned with the vision and mission statements
- **acceptable:** a good fit with the values of the IPA/EDO/government and the employees
- **understandable:** stated simply and easy to understand
- **flexible:** can be adapted and changed as needed

**Objectives** are specific, quantifiable, time-sensitive statements about what is going to be achieved and when it will be achieved. They are milestones along the path to achieving the goals.

Objectives should be:

- **specific:** precise about what must be achieved
- **measurable:** clear on how to measure the achievement of the objective
- **agreed or achievable:** realistic expectations
- **relevant:** to the organization and to whom they are assigned
- **time-based:** clear indication of start and finish date

Here is an example of investment goals and objectives:<sup>5</sup>

### Board of Investment of Sri Lanka

- Foster and generate economic development.
- Widen and strengthen the base of the economy.
- Encourage and promote investment, specifically FDI.
- Promote interdisciplinary interaction and collaboration.
- Help existing enterprises in dealing with macro socio-economic challenges and help in their transformation.
- Diversify the sources of foreign exchange earnings and increase export earnings.
- Promote innovation and the adoption of new technologies and generate new employment.
- Establish Investment Promotion Zones (IPZs) throughout the country, especially through public and private partnership.
- Promote Sri Lanka as a trading hub.

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<sup>5</sup> ESCAP, *Handbook on Policies*, 172.



## The Client Charter

A **client charter** is a kind of letter of engagement that informs potential investors about the IPA/EDO's standards and the delivery of products and services. It also indicates what the IPA/EDO, in turn, expects from its clients in order to meet its commitments to them and sets targets for service delivery.

In particular, the charter sets out:

- what the IPA/EDO will do for investors
- how it proposes to do it
- on what timeline

The charter is a way of ensuring that:

- The IPA/EDO creates and maintains a client focus.
- It communicates effectively with clients.
- It maintains levels of service above predetermined service expectations.
- Its program and service portfolio are tailored appropriately to client needs.

The following is an example of a typical client charter:<sup>6</sup>

### Malaysian Investment Development Authority

We are committed to provide services in a professional, efficient, and ethical manner to industrialists and potential investors in the manufacturing and services sectors by:

- responding to all investment enquiries in a prompt and courteous manner;
- disseminating accurate and up-to-date information on investments;
- assisting investors in the implementation of their projects.

We are committed to answer relevant enquiries, and to complete the evaluation of applications from the date of complete information received, within the stipulated time frame as follows:

- enquiries received via website: two working days
- manufacturing license:
  - normal track: four weeks
  - fast track: seven working days
- incentives: six weeks
- tax exemption from custom duties: four weeks
- principal hub: six weeks
- regional office and representative office: four weeks
- expatriate posts:
  - normal track: four weeks
  - fast track: seven working days

## Economic Development Objectives of Attracting FDI

The economic development objectives will help determine the sectors, types of company, and types of FDI the IPA/EDO will be tasked with attracting. (See Table 1.) It is expected that the mandate of IPAs will increasingly focus not only on traditional capital-investment and job-creation targets, but also on FDI that will contribute to the country achieving the United Nations (UN) Sustainable Development Goals (SDGs) relevant to their location—what WAVTEQ calls an “SDG target-driven FDI strategy.”<sup>7</sup>

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<sup>6</sup> ESCAP, *Handbook on Policies*, 173.

<sup>7</sup> See [www.wavteq.com/sias](http://www.wavteq.com/sias).



**TABLE 1**

**OBJECTIVES AND IMPLICATIONS**

Objective of attracting FDI	Implications for investment promotion strategy
Job creation	Focus on greenfield FDI projects in labour-intensive sectors
Capital investment	Focus on capital-intensive industries and countries specializing in these industries
Foreign exchange/financing	Focus on large-scale greenfield FDI, mergers and acquisitions (M&A), new forms of investment (NFI) projects, and headquarters/offshore operations
Exports	Focus on greenfield FDI in export-oriented industries
Import substitution	Focus on greenfield FDI in sectors that can replace imports with local production
Technology	Focus on tech sectors and companies contributing to local technology absorption through different types of FDI
Infrastructure development	Focus on major foreign investors with likely key focus on NFI (contracts/PPP projects)
Productivity gains	Focus on high-productivity companies, which can be achieved via greenfield FDI and M&A
Wage premium	Focus on high-wage sectors and companies, most likely through greenfield FDI
Regional development	Focus on sectors that have mobility to invest in less-developed regions through greenfield FDI and M&A
Supply-chain development	Focus on sectors and companies with the strongest potential to source locally and support local firms
Sustainable development goals	Focus on sectors and specific companies that will provide economic, environmental and social benefits

Source: WAVTEQ.

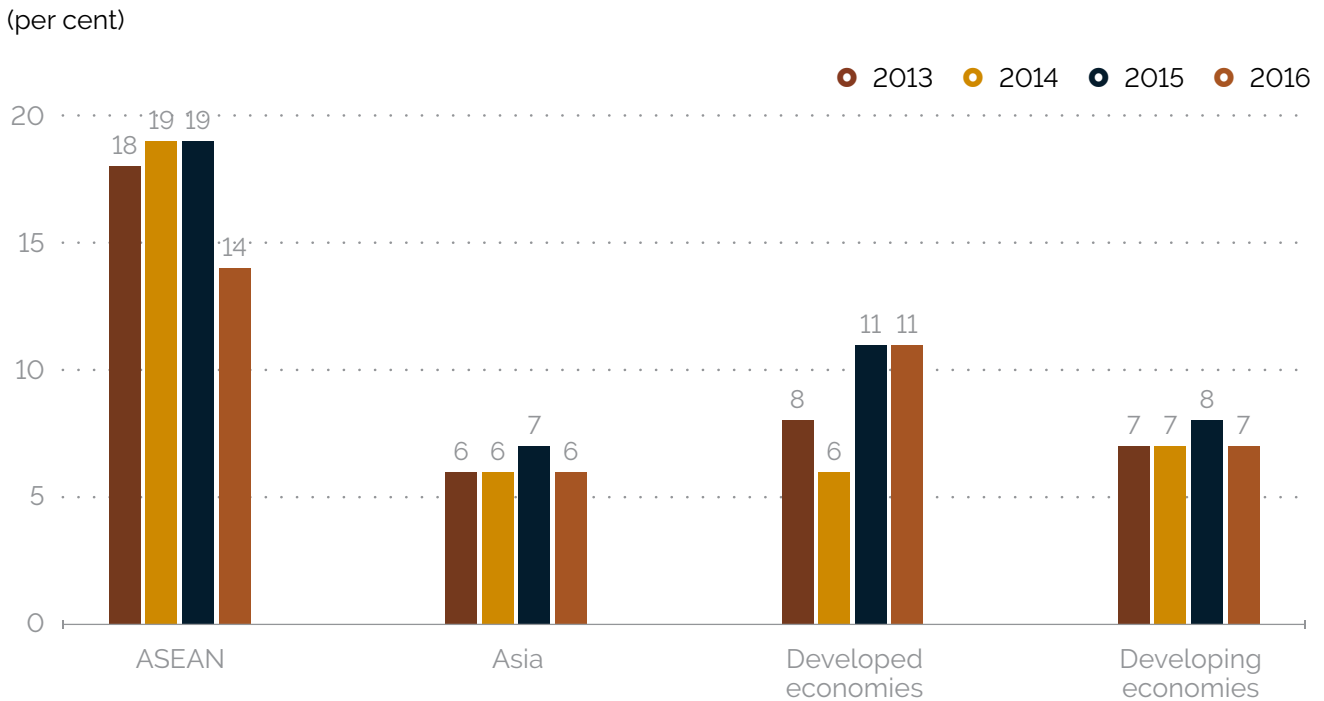




## Importance of FDI to Capital Investment

While Chart 1 should only be taken as a barometer of the role of FDI (because not all FDI inflows will necessarily increase capital formation, e.g., M&A), it does indicate that FDI is relatively more important for the Association of Southeast Asian Nations (ASEAN) region as a source of capital formation.

**CHART 1**  
**FDI INFLOWS AS A SHARE OF GROSS FIXED CAPITAL FORMATION**



Source: UNCTAD, *World Investment Report*.

## Role of FDI as a Source of External Finance

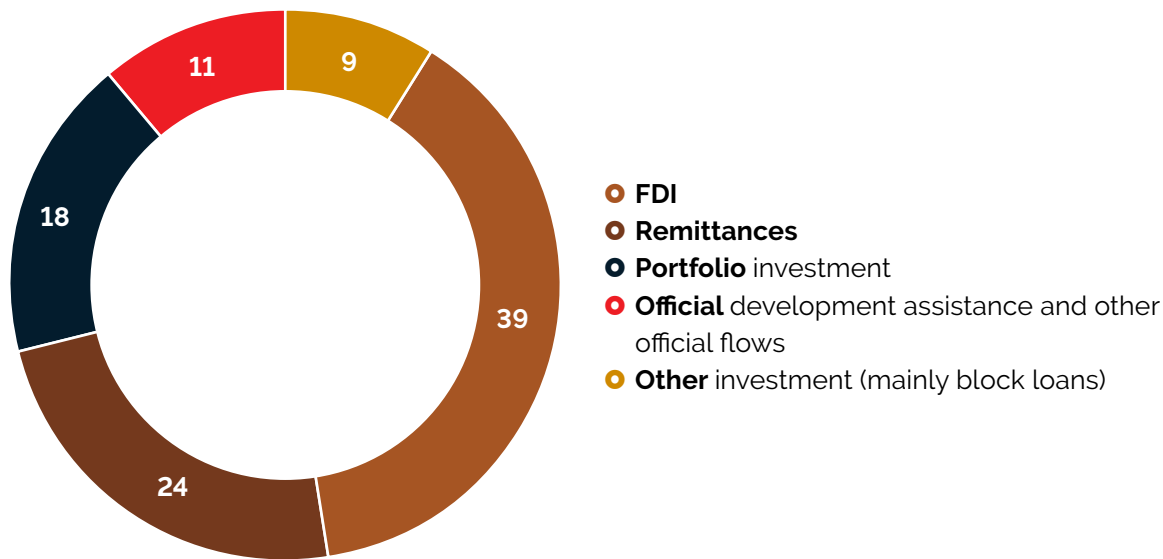
As Chart 2 displays, FDI has become the most important source of external finance for countries. In 2017, FDI accounted for 39 per cent of external finance for developing economies, which was about the same importance as remittances and official development assistance combined (35 per cent) and more than double that of portfolio investment (18 per cent).





## CHART 2 SOURCES OF EXTERNAL FINANCE, DEVELOPING ECONOMIES, 2013–2017

(share of total, per cent)

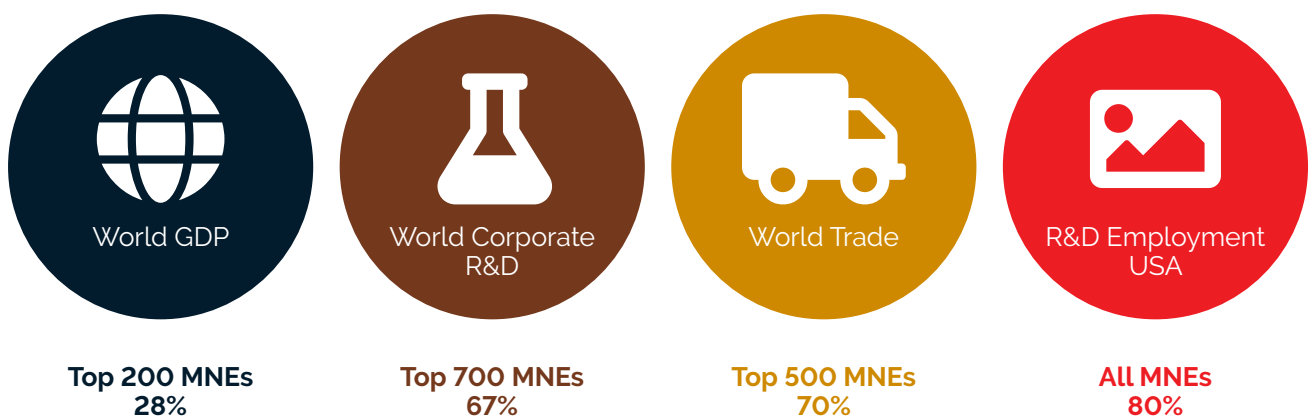


Source: UNCTAD, *World Investment Report 2018*, 13.

### Role of MNEs in the World Economy

Multinational enterprises (MNEs) are the vehicle through which most FDI takes place and bring most of the economic development benefits. As Exhibit 1 shows, MNEs play an extensive role in the world economy: The world's top 500 companies control 70 per cent of world trade and the top 700 companies account for two-thirds of corporate research and development (R&D) spending worldwide.

## EXHIBIT 1 THE ROLE OF MULTINATIONAL ENTERPRISES IN THE WORLD ECONOMY



Source: Adapted by WAVTEQ from multiple sources.





## The Indirect Economic Development Benefits of FDI

FDI can have positive benefits for an economy. The indirect, spillover, or multiplier impact of FDI is primarily achieved through supply-chain linkages, increased consumer purchasing power, and increased tax revenue associated with FDI, all of which create additional economic stimuli. The following indirect impacts of FDI are based on WAVTEQ's review of the evidence and what is typical:<sup>8</sup>

- \$1 in FDI leads to \$1 in domestic investment
- one manufacturing FDI job creates three indirect jobs in the local economy
- outsourcing projects have a bigger multiplier impact on the economy

The actual indirect impact of FDI is company-, project-, and location-specific, and will be strongly influenced by host-country government policies that encourage foreign investors to do more in the country.

## Three Main Types of FDI

The OECD states that:

*"Foreign direct investment reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10 per cent or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship."*<sup>9</sup>

International businesses are engaged in many types of FDI and often consider multiple types at the same time when considering how to enter a new market. Using a broad definition, the types of FDI are:

- greenfield and expansion:
  - new physical operation
  - brownfield (on existing site, typically by a new company)
  - expansion/reinvestment (of an existing operation)
- equity investments:
  - mergers and acquisitions (M&A)
  - joint ventures (JVs)
- new forms of investment (NFI) or non-equity modes (NEM):
  - subcontracting, licensing, production-sharing
  - franchising, management, and turnkey projects

## What Type of FDI Should Be Targeted?

The general consensus is that greenfield FDI delivers the most economic development benefits. The OECD notes:

"It is generally considered that cross-border investments in the form of M&As will not involve significant changes in the performance of economic variables such as production, employment, turnover, etc., unless the acquired enterprise is subject to significant restructuring. On the other hand, new investments, greenfield investments, and extension of capital are likely to add new dimensions to the economic performance of the host economy and to the earnings of the direct investor."<sup>10</sup>

<sup>8</sup> WAVTEQ based on several studies, including Driffield and Hughes, *Foreign and Domestic Investment*, and Richards and Schaefer, *Jobs Attributable to Foreign Direct Investment*.

<sup>9</sup> OECD, *OECD Benchmark Definition*, 48–49.

<sup>10</sup> OECD, *Benchmark Definition*, 87.



## Economic Development Benefits by Type of FDI

While the OECD suggests that greenfield FDI is likely to bring more benefits than the M&A type of FDI, each type does have the potential to generate significant economic development benefits. The type of FDI an IPA/EDO should target depends on their prioritization of economic development benefits, which may also vary across industries and regions within a country. Table 2 shows each type of FDI and its associated desired benefits.

**TABLE 2**

### FDI TYPES AND BENEFITS

Type of FDI	Job creation	Fixed capital formation	Technology	Access to export markets	Foreign exchange earnings	Long-term finance
FDI flows	Medium	Medium	Medium	Medium	High	High
Greenfield FDI	High	High	High	High	High	High
M&A	Low	Low	Low	High	High	Medium
NFI/NEM	Medium	Medium	High	High	Low	Low

Source: WAVTEQ.

The type of FDI to target also depends on:

- the sectors in the economy (e.g., the R&D and tech sectors are driven more by M&A and NFI/NEM types of FDI);
- the existence of local firms both suitable for, and with a clear desire for, engaging in M&A and/or NFI/NEM transactions with foreign investors;
- the impact on achieving the UN Sustainable Development Goals (e.g., licensing of a technology to increase energy, water, and waste efficiency may have a large impact on sustainable development while not directly creating new jobs or capital investment);
- the capability of the IPA/EDO to promote and facilitate non-greenfield types of FDI.



## IPA Perspectives on the Type of FDI to Target

Table 3 provides a breakdown of the various types of FDI and their associated benefits as well as the associated costs or risks. This is a non-comprehensive, high-level summary intended to provide a brief overview to quickly analyze the differences between the types of FDI that can be targeted.

**TABLE 3**

### TYPE OF FDI TO TARGET: COST-BENEFIT ANALYSIS

Type of FDI	Benefits	Costs/risks
Greenfield	<ul style="list-style-type: none"> <li>Jobs and capital investment</li> <li>Business rates and tax revenue</li> <li>Increased competition leading to more innovation</li> <li>Local linkages and spillover benefits</li> <li>First mover &amp; halo effects</li> <li>Good PR for the location and the IPA</li> </ul>	<ul style="list-style-type: none"> <li>A lot of IPA time but low conversion rate versus working with local and existing businesses</li> <li>Over-selling the location—reality may be different</li> <li>Misunderstanding of local practices</li> <li>Foreign investors bargain hard for incentives</li> </ul>
Mergers and acquisitions (M&A)	<ul style="list-style-type: none"> <li>Foreign exchange inflows to the country</li> <li>Management expertise</li> <li>Access to new markets</li> <li>Safeguards jobs</li> <li>Brings in established brands</li> <li>Opportunity for reinvestment—aftercare/business retention and expansion</li> </ul>	<ul style="list-style-type: none"> <li>Streamlining and asset-stripping</li> <li>Loss of decision-making control to another country</li> <li>Risk that the M&amp;A integration will fail</li> <li>Public perception risk, if a homegrown brand is lost</li> <li>IPAs can help with matchmaking but need professional services firms to do the deal—the IPA has limited influence on making the deal happen</li> </ul>
Public-private partnerships (PPP)	<ul style="list-style-type: none"> <li>Can attract very high level of capital investment</li> <li>Projects can be financed that may not go ahead otherwise</li> <li>Improved perception as pro-business and government-business relations</li> </ul>	<ul style="list-style-type: none"> <li>Long-term costs of paying the investor</li> <li>Model of PPP may not be ideal as external factors change (e.g., rapid decline in renewable-energy prices makes PPP in nuclear energy less attractive)</li> <li>Government requires very strong expertise in PPP and high transparency, which it may not have</li> <li>Public perception risks</li> </ul>
Joint ventures, alliances, and partnerships (JVAP)	<ul style="list-style-type: none"> <li>Easier market entry for foreign investors</li> <li>Promotes sector strengths</li> <li>Develops links into other countries</li> <li>Knowledge and skills bought in</li> <li>Short lead time</li> <li>Low risks to jobs</li> </ul>	<ul style="list-style-type: none"> <li>Failure of the partnership</li> <li>Finding the right partner</li> </ul>

Source: Based on the responses from over 30 IPAs at the International Investment Promotion Workshop, September 30, 2016, Financial Times Ltd./WAVTEQ.



## Key Learnings

- FDI has the potential to bring many direct and indirect economic development benefits to a country.
- To develop an IPS, the IPA/EDO should have a very clear understanding of its objectives in attracting FDI.
- The economic development objectives of attracting FDI will be a key determinant of which sectors, companies, markets, and types of FDI to target. For example:
  - If the focus is job creation, then targeting greenfield FDI in BPO, textiles, tourism, agribusiness, and other labour-intensive sectors is likely to be a key part of the IPS.
  - If the focus is capital investment, then the IPS will likely target manufacturing and resource-based sectors.
  - If the focus is foreign exchange and external finance, then the IPS will usually demonstrate an openness to the M&A type of investment.
  - If the focus is on R&D, technology sectors, or achieving UN Sustainable Development Goals, then the IPS will generally focus on NFI/NEM FDI.
- Different types of FDI have different economic development benefits—and risks. The services provided by the IPA/EDO will also be influenced by the type of FDI being targeted.
- It is therefore essential that the IPS defines the key objectives in attracting FDI and the type of FDI to be targeted.





# Benchmarking and Image-Building

## Why Conduct Location Benchmarking?

Competitive positioning entails:

- understanding your region's strengths, weaknesses, opportunities, and threats;
- more importantly, understanding your region's relative strengths vis-à-vis competing regions (i.e., differentiators);
- understanding where your region is lacking so that you can ensure that these aspects are avoided or de-emphasized or, more importantly, prepare a carefully crafted rebuttal in advance. All regions have drawbacks; it is about how you sway the investor toward the positive and provide a suitable answer so that they do not focus on the negative, but rather on the opportunity and the positive aspects.

Location benchmarking is a key technique used to assess the competitive position of an area. It mirrors the corporate location/site-selection process that companies use when analyzing a long list of location candidates. Exhibit 2 shows how a location benchmarking approach can be used by EDOs and IPAs.

### EXHIBIT 2 LOCATION BENCHMARKING APPROACH

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Evaluate the sectors and subsectors in which a location has a strong competitive position and therefore potential to attract inward investment



Identify unique selling points and develop sector-specific value propositions and marketing materials for promoting inward investment in a specific sector



Handle investor enquiries by providing investors with high-quality comparative data aligned to their location selection criterion

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Source: Loewendahl and Barklie, *How to Identify*, 17.





## How to Benchmark Location Competitiveness for FDI

Exhibit 3 shows a step-by-step explanation of the typical methodology used by major companies and site-selection firms to compare location candidates for an FDI project and develop a short list of preferred locations. It is usually only after the short-listing phase (which may include only one or two locations) that the company makes site visits, requests meetings with IPAs, and conducts more detailed due diligence.

### EXHIBIT 3

#### METHODOLOGY FOR BENCHMARKING LOCATION COMPETITIVENESS FOR FDI



Source: Based on Loewendahl and Barklie, *How to Identify*, 14.





By mirroring the corporate location-benchmarking methodology, IPAs can understand from the investor's perspective their competitive position for FDI and identify their key strengths (and weaknesses) for FDI in different sectors compared with competitor locations. It is also recommended that IPAs benchmark their competitiveness against key source countries for FDI, which companies also often do in order to provide a baseline benchmark.

The methodology for benchmarking location competitiveness for FDI not only facilitates strategic decisions on which sectors to target and how to position the location for FDI, but also enables IPAs to provide companies with value-added comparative data highlighting their key relative strengths aligned with companies' FDI project requirements. When this is provided as part of a proactive lead-generation/investor-outreach program, it can help get the location added to the investor's long list. When it is provided reactively, following inbound enquiries from companies or their site selectors, it can help get the location on the short list. It is therefore essential for every IPA to conduct location benchmarking.

### Step 1: Identify Key Location Determinants

To conduct a location benchmarking study, the first step is to identify the key determinants that will be used to benchmark a potential location. This includes identifying the project parameters, such as the sectors and project types being evaluated. Note that location determinants can include both cost and quality factors.

The example in Exhibit 4 is for a consumer electronics plant. The head count, job functions, utility requirements, and key location determinants have all been defined. The example is a generic model; the project specification will vary depending on which countries/regions the investor is looking at and will also be company specific.





## EXHIBIT 4 EXAMPLE PROJECT SPECIFICATION FOR A CONSUMER ELECTRONICS PLANT

### Consumer electronics manufacturing plant

Tooltips ?

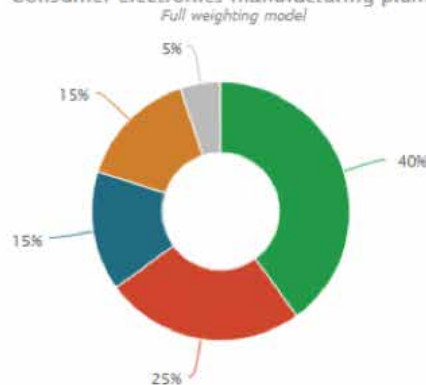
Companies in this industry manufacture audio and video equipment for use in homes and motor vehicles. Products include amplifiers, blue-ray/DVD players, car stereos, household appliances, portable stereo systems, speakers, r.. more +

Add to report

#### ★ Quality model

Navigate through the weighting model by clicking the Tier 1 and Tier 2 elements in the chart and table below.

Consumer electronics manufacturing plant



Tier 1	Weight
+ Labour Availability and Quality	40 %
+ Industry Cluster	30 %
+ General Business Environment	15 %
+ Infrastructure and Accessibility	10 %
+ Living Environment	5 %

[manage quality weights](#)

#### ★ Key data points (Top 10 by overall weight)

1. Employment in Electronics Manufacturing
2. Consumer goods (inward FDI)
3. Companies in consumer electronics
4. Proportion of employment in Electronics Manufacturing
5. Company specialisation in consumer electronics
6. Population
7. Unemployment rate
8. Employment in Manufacturing
9. Tertiary education
10. GDP (PPP, estimated)

#### 👤 Employees

The employees and the corresponding head counts applied to this profile. Head counts can be modified to suit any specific requirements. The current total head count for this sector profile is **210**.

Job title	Head count
Production Operative (Unskilled)	80
Production Operative (Skilled)	55
Production Operative (Highly Skilled)	25
Warehouse and Distribution Operative	20
Engineer	10
Senior Warehouse Operator	6
Quality Control Specialist	5
Quality Control Manager	3
Facilities/Office Services Specialist	2
Production Manager	2
Business Unit Manager	1
Head of Manufacturing	1

[add / edit head counts](#)

#### 🏠 Property

Current property type and size applied to this profile. You can add/edit property details to suit your specific requirements.

Type	Size
Industrial space	25,000 m <sup>2</sup>
Office space	2,000 m <sup>2</sup>

[add / edit property](#)

#### ⚡ Utilities

Current utilities and usage applied to this profile. You can add/edit utilities to suit your specific requirements.

Type	Usage
Electricity	150,000 Kilowatt hours
Industrial gas	50,000 m <sup>3</sup>

Source: WAVTEQ customized fDi Benchmark model from the Financial Times Ltd., 2018.



## Step 2: Identify Key Competitor and Comparator Locations

The second step is to identify the key locations to benchmark. These will generally be the major countries the IPA is competing against for FDI in the sector. Adding key source countries for FDI in the sector can also be considered.

Generally, key competitor countries are located in the same region as the IPA, especially if they are a member of a regional free trade agreement. Most FDI projects serve national and regional markets. In certain sectors (e.g., medical devices) companies do establish global production and R&D operations, and competition can be global in some cases.

It should also be noted that, in addition to country-level benchmarking, companies also typically benchmark cities and regions within countries, as access to markets, industry clusters, infrastructure assets, and labour force vary significantly within countries, as do cost levels.

## Step 3: Identify Key Data Points

Once the project specification and key locations being benchmarked are determined, the next step is to identify reliable and comparable data to benchmark the locations. Typically, 50 to 100 or more data points will be used to benchmark locations for a specific sector.

Depending on the region of the world, companies will benchmark countries first and then drill down to cities within their short list of countries. (In developed economies, companies mostly benchmark at the city level in the first phase, as the national investment environments are all pro-business and high-quality.)

The Financial Times benchmarking model for a consumer electronics plant includes 130 quality competitiveness data points to benchmark countries. Table 4 below shows the top 10 data points (ranked by their overall weight in the FDI decision) for a consumer electronics plant. These are essentially the most important data points for comparing the quality competitiveness of locations.

**TABLE 4**

### TOP 10 QUALITY COMPETITIVENESS DATA POINTS

Data point name	Data point location sector
1. Household final consumption expenditure	Proximity to consumers
2. Mobile cellular subscriptions	Proximity to consumers
3. Personal computers	Proximity to consumers
4. Manufacturing, value added	Size of industry
5. Consumer goods (inward FDI)	Track record
6. Employment in industry (per cent of total employment)	Experienced industry-specific staff
7. Companies in consumer electronics	Size of industry
8. Labour force (estimate)	Overall size of labour market
9. Availability of scientists and engineers	Experienced industry-specific staff
10. Overall infrastructure quality	Quality of local infrastructure

Source: WAVTEQ customized fDi benchmark model from the Financial Times Ltd., 2018.



#### Step 4: Weighting of Data Points

Each data point is then weighted based on its importance in the location decision. The table below shows data points for Indonesia and its ranking against the other four locations in this study (Malaysia, Philippines, Thailand, and Vietnam). The table also shows the weights attached to each data point. Indonesia ranks first on the number of personal computers, the number of mobile cellular subscriptions, and the size of its labour force.

**TABLE 5**

#### INDONESIA'S GLOBAL RANKING

Data point	Rank*	Data	Unit	Year	Weight %	Global rank**
Employment in industry (per cent of total employment)	4	21.72	Per cent	2017	7.35	49
Household final consumption expenditures	1	538	US\$ billions	2016	6.40	16
Consumer goods (inward FDI)	3	95	Projects	2017	5.40	19
Personal computers	1	39	Basic unit value (millions)	2012	3.20	14
Manufacturing, value added	1	191	US\$ billions	2016	3.20	10
Mobile cellular subscriptions	1	459	Millions of subscriptions	2017	3.20	3
Companies in consumer electronics	5	337	Companies	2018	2.40	41
Quality of port infrastructure	3	3.99	Out of 7	2017	2.40	61
Labour force (estimate)	1	126	Millions of people	2017	2.10	4
Availability of scientists and engineers	2	4.5	Out of 7	2017	2.10	32
Labour force, forecast growth (per year)	3	1.252	Per cent	2018	2.10	35
Exports of consumer electronics manufacturing	4	1262	US\$ millions	2017	2.00	18
Overall infrastructure quality	2	4.13	Out of 7	2017	1.80	57
Gross enrolment ratio, secondary, both sexes (per cent)	3	86.0	Per cent	2016	1.80	70
Total tax rate (per cent of profit)	2	30.1	Per cent	2018	1.80	25
Household final consumption expenditure annual growth (per cent)	4	5.04	Per cent	2016	1.60	19



Data point	Rank*	Data	Unit	Year	Weight %	Global rank**
Household final consumption expenditure per capita annual growth (per cent)	4	3.9	Per cent	2016	1.60	22
Manufacturing, value added (per cent of GDP)	3	21.3	Per cent	2016	1.60	15
Quality of air transport infrastructure	3	4.8	Out of 7	2017	1.60	48

\*Rank among Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

\*\*Global rank among 98 countries in fDi Benchmark (covers all major economies).

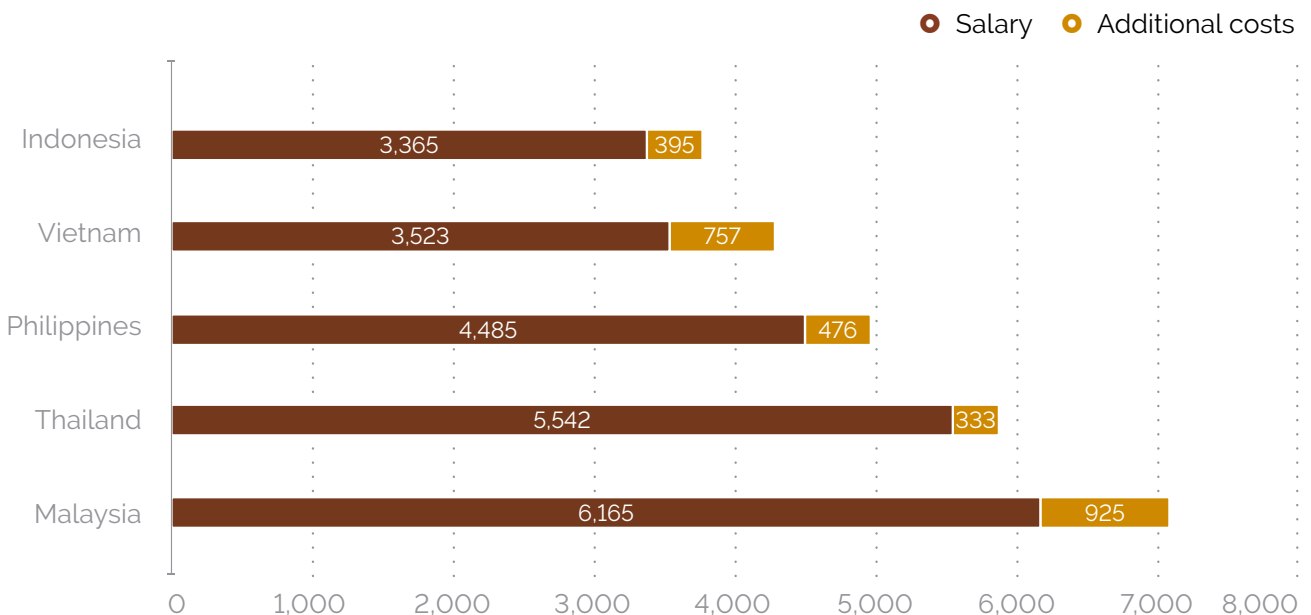
Source: WAVTEQ customized fDi Benchmark model from the Financial Times Ltd., 2018.

### Step 5: Understand the Operating Costs

As well as assessing the quality competitiveness indicators of a country aligned to the location determinants of a consumer electronics plant, companies will also benchmark cost competitiveness. Key cost inputs are shown in Exhibit 4. Chart 3 shows an example of the annual labour costs for a skilled production operative. These costs include salary and additional costs such as statutory social security costs. Indonesian skilled production operatives have the lowest costs among the six comparator countries and therefore would be ranked in first place.

**CHART 3**  
**ANNUAL LABOUR COSTS FOR A SKILLED PRODUCTION OPERATIVE, 2017**

(US\$)



Sources: fDi Intelligence based on Willis Towers Watson Global Remuneration Planning Report 2017/18 and national statistics.



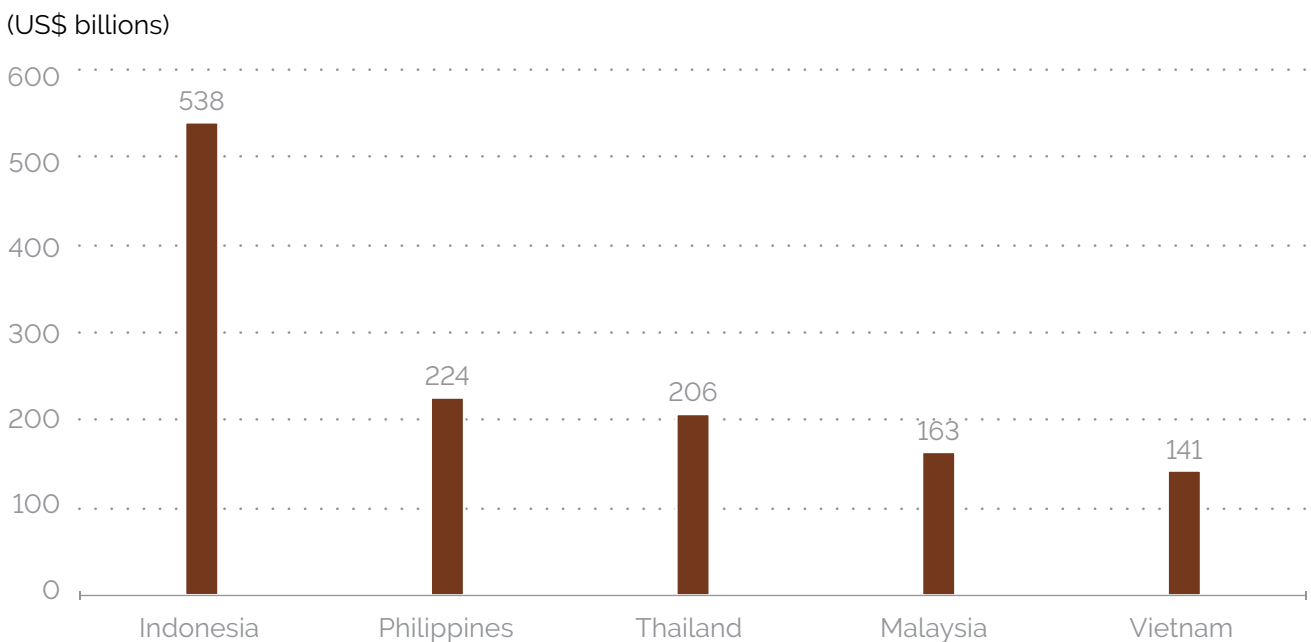


### Step 6: Benchmark the Comparator Locations

Below are example data points for benchmarking Indonesia against four major ASEAN countries for a consumer electronics plant. The example data points are aligned to the key location determinants for FDI in the sector as shown in Exhibit 4.

**Industry cluster/proximity to customers:** Proximity to customers has the highest weight in the location model because consumer electronics companies invest to serve large national and regional markets. Chart 4 reveals that Indonesia has a very large domestic market, with over \$500 billion in household expenditures, and is ranked first among the comparators (16th in the world).

**CHART 4**  
**HOUSEHOLD FINAL CONSUMPTION EXPENDITURES, 2015**



Source: World Bank World Development Indicators.

Large and growing household expenditure is reflected in the size of the consumer electronics market. Chart 5 shows the example for mobile cellular subscriptions, with Indonesia having over 400 million mobile cellular phone subscribers, the highest among the comparator countries (ranked in third place globally).

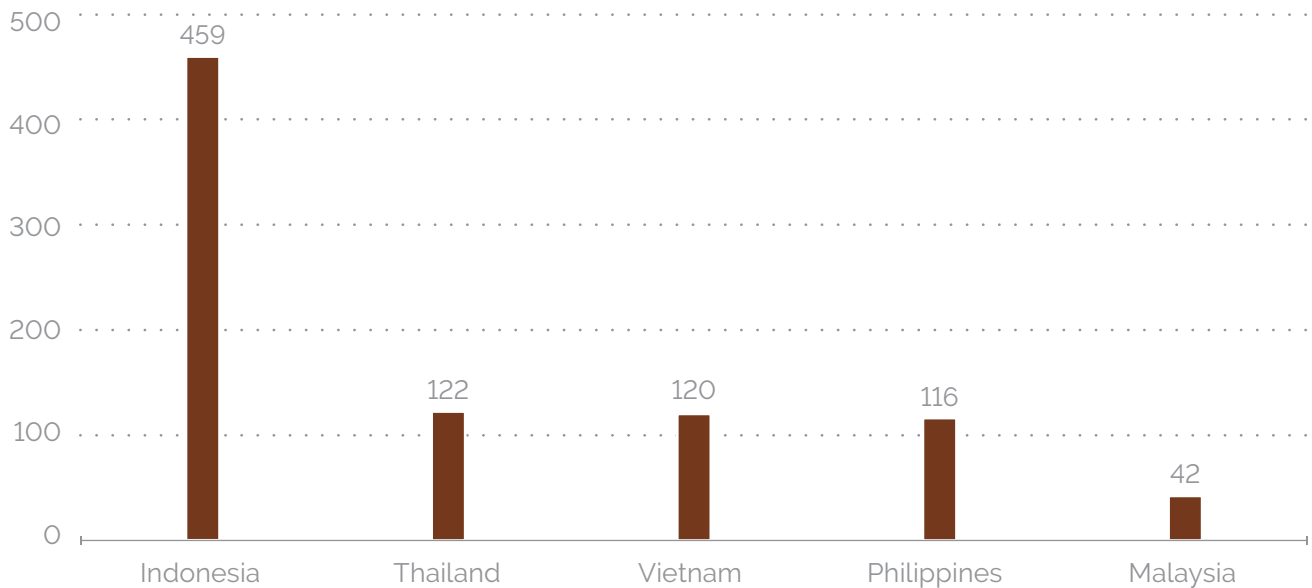






**CHART 5**  
**MOBILE CELLULAR SUBSCRIPTIONS, 2017**

(millions of subscriptions)

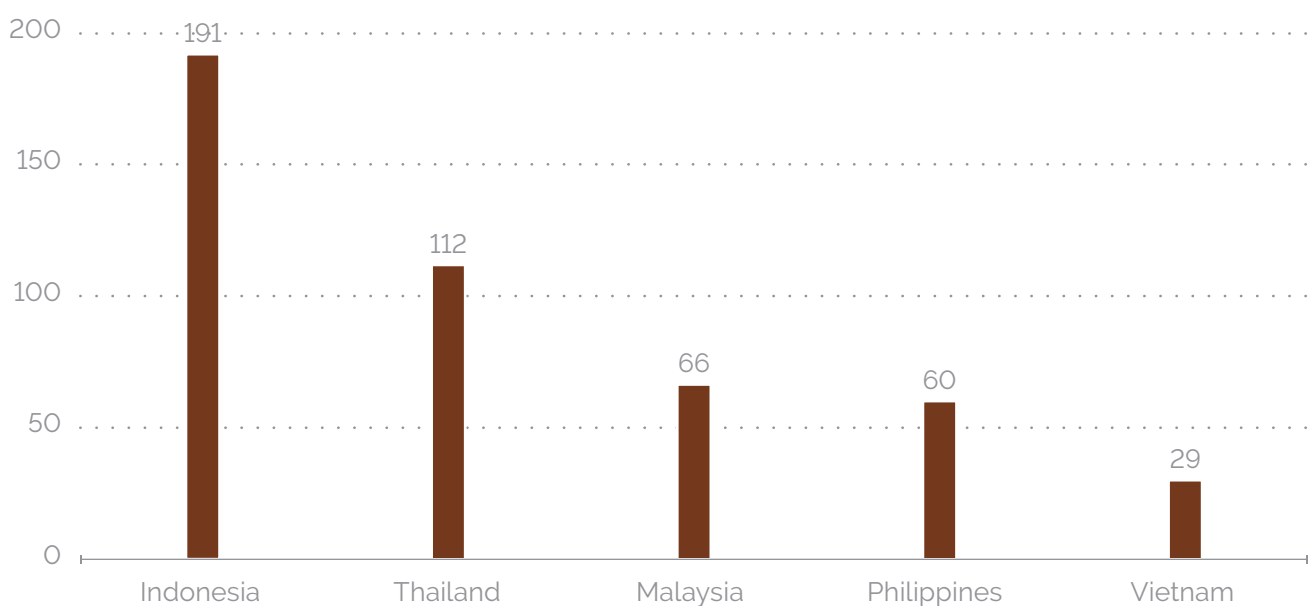


Source: International Telecommunication Union.

**Industry cluster/size of industry:** The size of industry has a high weight in the location model, with consumer electronics investors looking to invest in a location with a strong manufacturing sector. Chart 6 shows that Indonesia has the largest manufacturing sector among the comparator countries (ranked in 10th place globally).

**CHART 6**  
**MANUFACTURING VALUE ADDED, 2015**

(US\$)



Source: World Bank World Development Indicators.

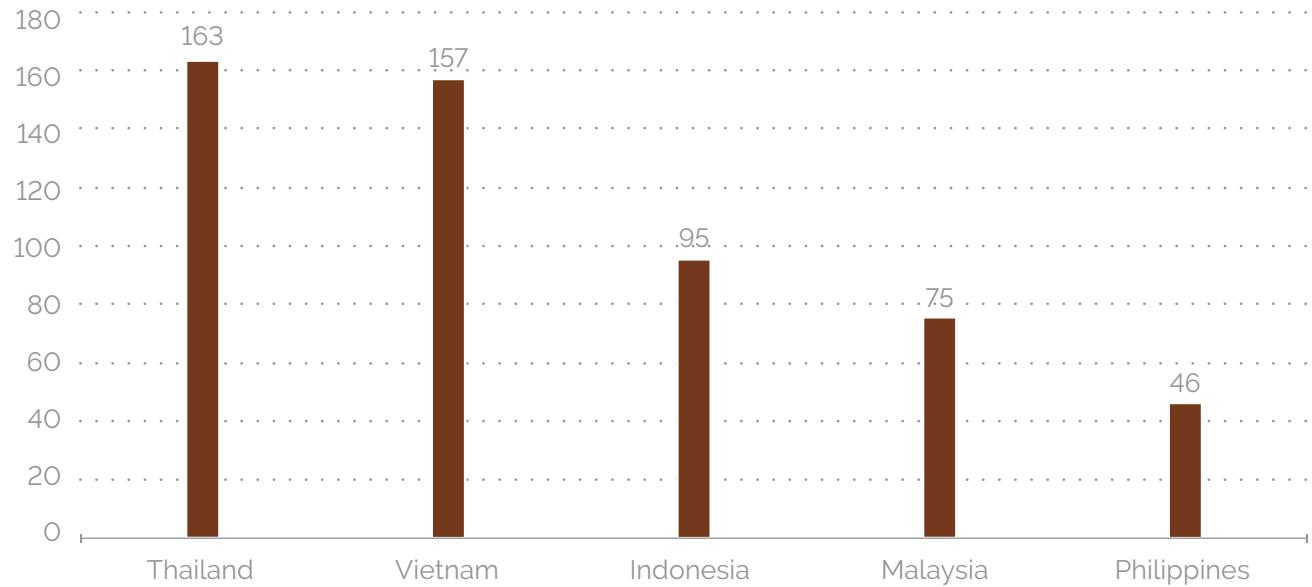




**Industry cluster/track record:** Track record has a high weight in the location model, with consumer electronics investors looking to invest in countries with a good track record of attracting FDI. Chart 7 shows that Indonesia has a very strong track record attracting FDI in consumer electronics, ranking third among the comparator countries in its performance in attracting FDI in the sector (ranked in 19th place globally).

**CHART 7  
CONSUMER ELECTRONICS FDI, 2003–2017**

(number of greenfield FDI projects)



Source: fDi Intelligence using fDi Benchmark.

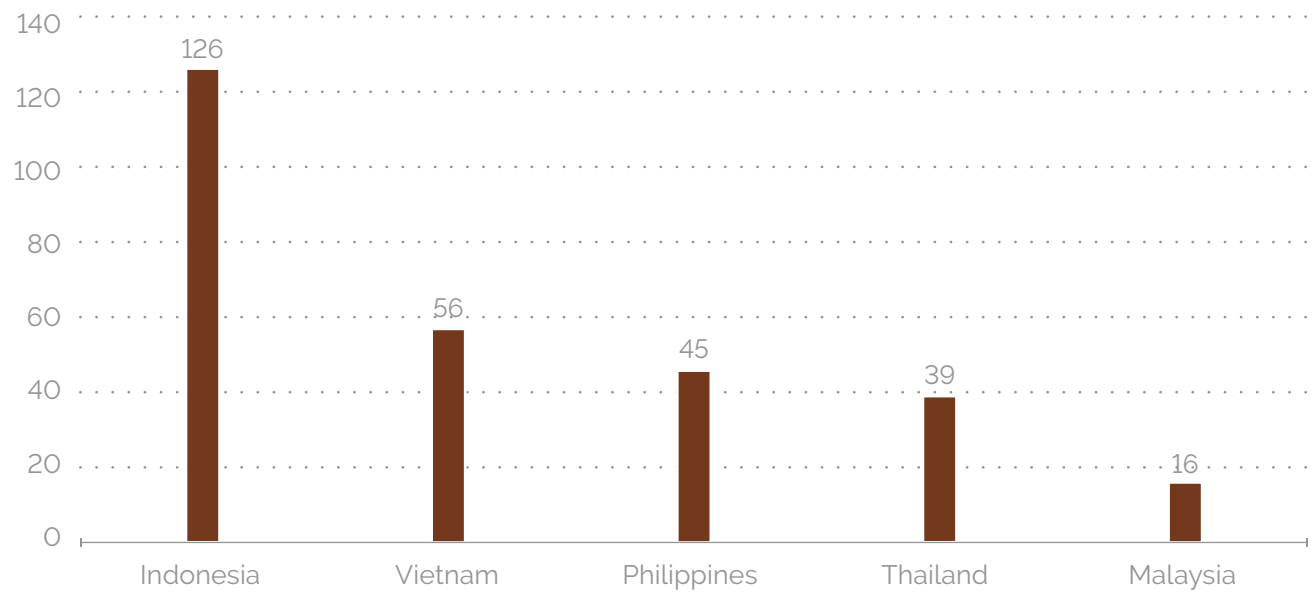
**Labour availability and quality/size of labour force:** This is an important location determinant for a consumer electronics plant, as these are typically labour-intensive operations requiring a large workforce. Indonesia has the largest labour force in ASEAN and the fourth-largest in the world. When combined with the large size of the manufacturing sector, Indonesia is in a strong position to meet the labour-force requirements of an FDI project in the sector.





## CHART 8 LABOUR FORCE, 2017

(millions of people)

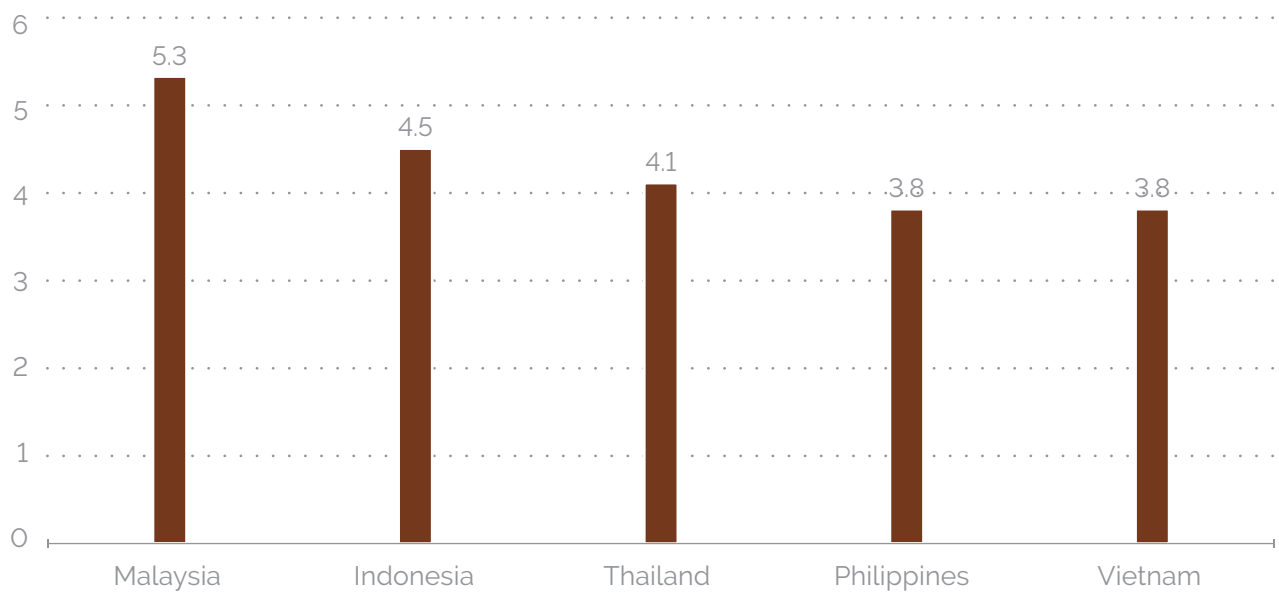


Source: fDi Benchmark from the Financial Times Ltd.

**Labour availability and quality/experienced staff:** Consumer electronics firms are also looking for a skilled workforce. Chart 9 shows that Indonesia is rated highly by firms for availability of scientists and engineers.

## CHART 9 INDEX OF THE AVAILABILITY OF SCIENTISTS AND ENGINEERS, 2017

(1 = non-existent, 7 = widely available)



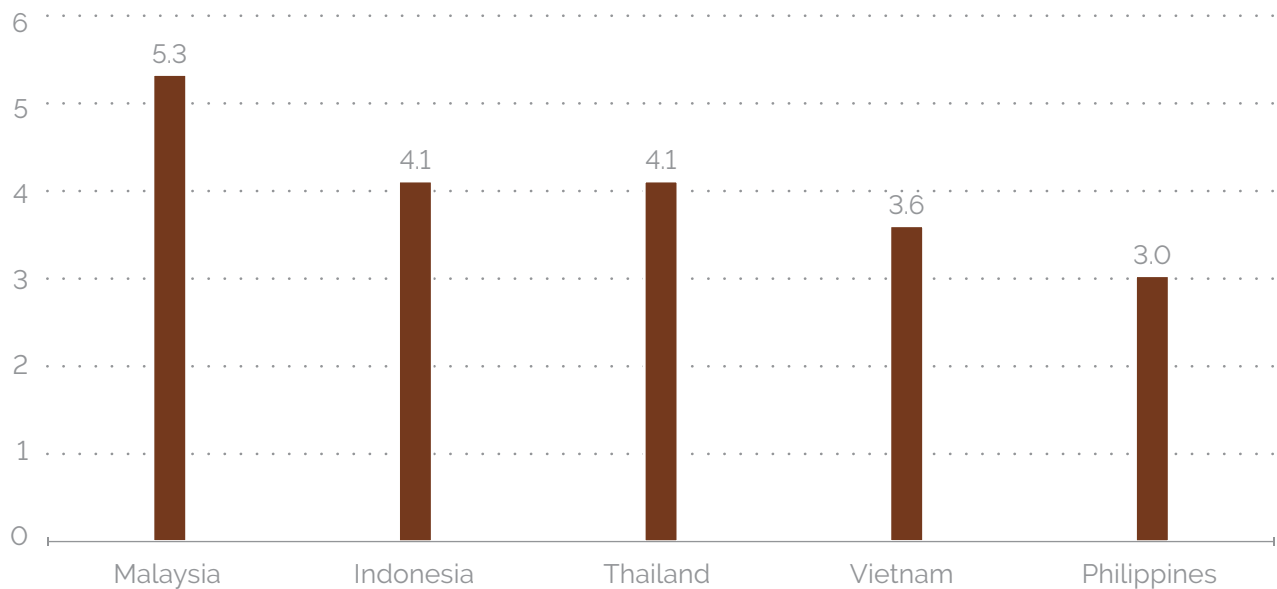
Source: fDi Intelligence using fDi Benchmark.



**Infrastructure and accessibility/quality of local infrastructure:** The quality of infrastructure is an important requirement for consumer electronics investors to enable efficient importing of components, exporting of finished goods, and distribution of finished goods within the country. Chart 10 shows that Indonesia is tied for second place with Thailand among the comparator counties for quality of infrastructure.

**CHART 10**  
**INDEX OF OVERALL INFRASTRUCTURE QUALITY, 2017**

(1 = extremely underdeveloped; 7 = extensive and efficient by international standards)



Sources: World Economic Forum, *Global Competitiveness Report*.

### Step 7: Evaluate the Competitive Position

To evaluate the competitive position of locations, major companies and site-selection firms typically present the results as a matrix showing the cost differences between locations compared with the quality differences. This enables companies to see the trade-offs between cost and quality for short-listed locations.

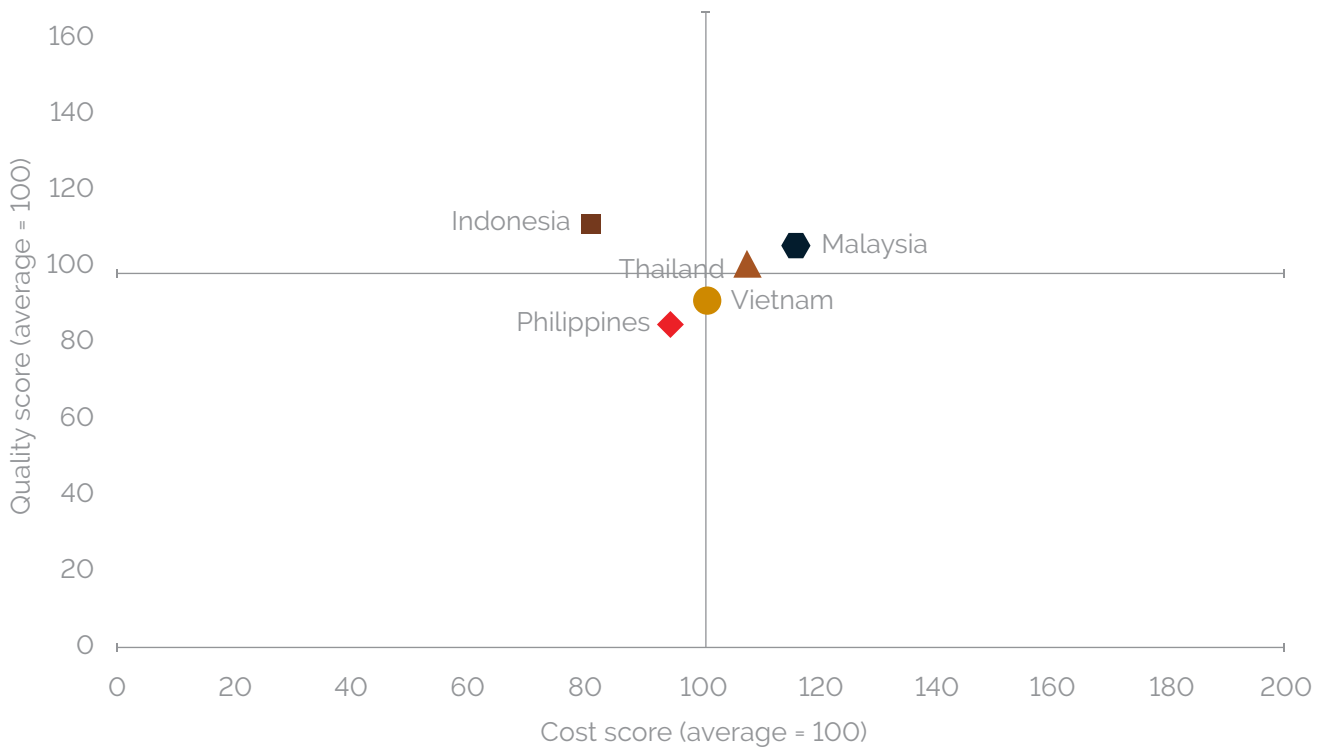
Chart 11 shows such a matrix for the consumer electronics plant. The average cost and quality score is 100 across all five locations. The matrix is based on the cost model and quality model for the consumer electronics plant. The cost model shows the primary cost inputs for the operation and the quality model identifies the most important location determinants for the project. The cost and quality scores are calculated using real data on all the locations, with weights attached to each data point are applied. In our example for the consumer electronics plant, we can see that Indonesia is located in the ideal upper-left quadrant, which indicates a combination of high quality and low cost.





**CHART 11**  
**COMPETITIVE POSITION MATRIX FOR A CONSUMER ELECTRONICS PLANT, 2018**

(cost and quality scores)



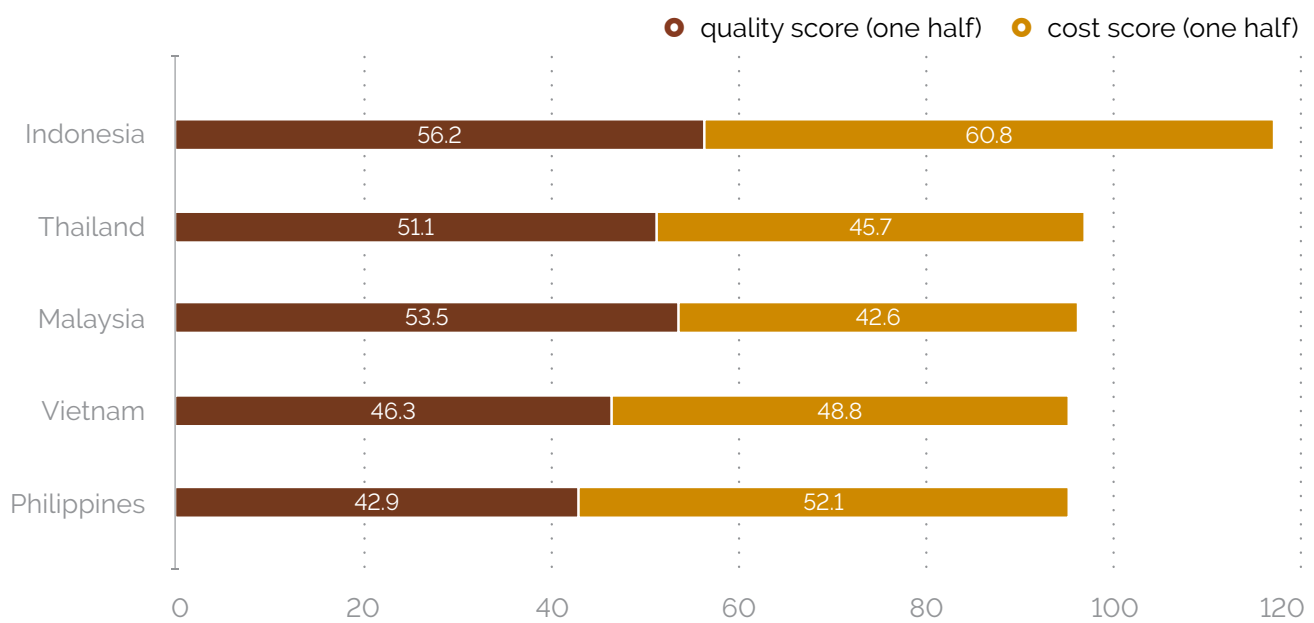
Source: fDi Intelligence using fDi Benchmark based on WAVTEQ customized model for an ASEAN consumer electronics plant.

If we assume, in the case of the consumer electronics plant, that 50 per cent of the FDI location decision is based on the quality of the location and 50 per cent is based on the cost, Chart 12 shows that Indonesia would be ranked the most attractive FDI location.





**CHART 12**  
**FDI COMPETITIVENESS RANKING FOR A CONSUMER ELECTRONICS PLANT, 2018**



Source: fDi Intelligence using fDi Benchmark based on WAVTEQ customized model for an ASEAN consumer electronics plant.

### The Need for Image-Building

Over 70 per cent of all clients of site-location consultancies put together a short list of location options before the site-selection professional is even contacted;<sup>11</sup> over 50 per cent of companies use external resources to help them choose an overseas location;<sup>12</sup> and over half of U.S. companies are planning to outsource site selection.<sup>13</sup>

When a company draws up a long list of location candidates for a project, the process is often based on the personal perceptions of the corporate location executives in the company as well as those of their location advisors.

Investors will typically review locations:<sup>14</sup>

- where they have invested before
- where their competitors have already invested
- where major customers or suppliers have a presence
- that appear in location-attractiveness rankings
- about which they have read positive reports in the business press and media
- where they have visited on business trips or vacations
- where they have family roots

Even when investors are aware of certain locations, their perceptions may be either right or wrong, but are rarely accurate.

<sup>11</sup> ESCAP, *Handbook on Policies*, 206.

<sup>12</sup> Lawlor, *Corporate Overseas Expansion*, 20.

<sup>13</sup> DCI, *Winning Strategies*, 34.

<sup>14</sup> Millennium Cities Initiative and the Vale Columbia Center on Sustainable International Investment, *Handbook for Promoting*, 22.







## What is Image-Building?

An investment promotion program must include image-building: the communication of the true characteristics of a host country/location that matter to investors. Image-building may include positive reinforcement of investor perceptions or removal/correction of negative bias based on incorrect investor perceptions of a location.

A location benchmarking study and investor perception study are critical components in developing an image-building and investment promotion strategy. These are needed in order to develop compelling sales messages and proposition-based marketing materials and tools.

IPAs/EDOs need to adopt a strategic approach over time to improve the image of the country or region vis-à-vis other locales for investment by facilitating investment at all stages, servicing investors, and acting as an effective intermediary in all relevant areas. Effective IPAs/EDOs should react to complaints from existing investors and advocate for changes that lead them to reinvest and disseminate a positive image of the country's investment climate.

Image-building is a foundational step in the process of attracting FDI. Its role is primarily that of focusing investor interest on the location and overcoming negative perceptions, rather than directly persuading an MNE to invest.

Image-building is particularly important for countries that are new to investment attraction and are undergoing rapid political and/or economic reform, countries that are looking to promote investment into new industries, or countries that have faced violence or terrorist acts (directed either at themselves or at neighboring countries). It is equally important for small countries that receive little international media coverage.

Successful image-building may require considerable, well-targeted expenditures over time, but spending is not enough to make an investor decide on a particular country or location as an investment destination. At the image-building stage, the basic tools of marketing are applied to promote the country or region to the general investor, but also to targeted investors. Techniques include the following:

- segmenting markets
- direct marketing
- telemarketing
- investment exhibitions
- missions and seminars
- direct selling, where individual companies represent a key target audience

## Image-Building Activities and Objectives

Some common and effective international image-building activities include:<sup>15</sup>

- inviting foreign financial media on a tour at least once in a calendar year;
- ensuring regular interface between senior IPA/EDO officials and foreign media;
- disseminating information and materials electronically and through mailings;
- participating in international trade and industry fairs;
- appointing members from overseas chambers of commerce or other business associations as honorary investment ambassadors;
- organizing investment seminars in key overseas markets.

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<sup>15</sup> ESCAP, *Handbook on Policies*, 204–205.



The objectives of image-building include:

- controlling the narrative by focusing on the details most relevant to attracting FDI;
- educating prospective investors on what the region actually offers versus their assumptions;
- ensuring the investor enters the conversation with a positive image of and interest in the region;
- helping the region to stand out positively against its competitors;
- ensuring that the perception of the region is not left up to chance.

Location benchmarking is a key technique to identify what the region offers versus its competitors:

- It provides "apples-to-apples" data so that regions can be objectively compared.
- It enables ranking of a region and positioning against competitors to develop key selling messages.
- It identifies quality and cost factors aligned to the key location determinants of investors in a quick and easy-to-read format so that image-building can focus on comparative advantages.

## How to Identify Investor Perceptions

To establish the key elements of an image-building strategy, it is necessary to first identify what potential investors think about a location.

Investor perceptions can be measured in a number of ways:<sup>16</sup>

- Review **publicly available reports** on a location and its investment climate. A variety of organizations produce these reports, including multilateral institutions and both governmental and non-governmental sources. Such organizations include the World Bank, UNCTAD (*World Investment Report*), and investment guides developed by private consulting firms.
- Perform **online searches** of the archives of leading newspapers and specialized reports/magazines/periodicals. Examining online country reports and news articles will reveal how influential government and media sources commonly portray a country. These portrayals frequently shape investors' general perceptions of a location and will likely vary from sector to sector. If a location already receives investment from a particular sector, investors from that sector are likely to possess better-than-average information about that location. The converse is also true.
- **Undertake surveys and distribute questionnaires** among existing and potential investors about their perceptions of the location. Whether the target audience comes from sectors already investing in a country or not, it is essential to know how specific aspects of a location are perceived.<sup>17</sup>
- Information provided by **commercial and tourism websites of major governments** also has a major impact on perceptions of a location and FDI interest.<sup>18</sup>

## Basic Steps of Image-Building<sup>19</sup>

**Step 1:** Ensure that the necessary information is available, that senior officials within and outside of the IPA/EDO are committed to image-building, and that the IPA/EDO's staff have the required competencies to undertake all parts of the image-building campaign.

**Step 2:** Define the target audiences for the image-building campaign, including existing and prospective investors, people who influence public opinion, and other targets.

**Step 3:** Clearly define the content of the image-building message. It should contain a unique selling proposition or point (USP), which is a statement highlighting a characteristic that sets the location being promoted apart from its competition as an investment location. The USP is developed based on location benchmarking and SWOT (strengths, weaknesses, opportunities, and threats) analysis and should be

<sup>16</sup> ESCAP, *Handbook on Policies*, 206.

<sup>17</sup> See Loewendhal and Gutierrez, *Investor Perception Survey*, for an example investor perception survey.

<sup>18</sup> For example, the U.S. Department of State has a website with investment information on various countries. The page for Jamaica is <https://www.state.gov/e/eb/rls/othr/ics/2017/wha/270080.htm>.

<sup>19</sup> ESCAP, *Handbook on Policies*, 209–210.



accurate and truthful. If the location is not able to develop a meaningful USP, it should instead develop a phrase that clearly spells out the location's advantages for investors, even though other locations may have equal competitive advantages.

**Step 4:** Set clear goals and priorities for the image-building campaign, such as overcoming particular negative images or creating awareness of new or little-known positive features of your location. Determine the priority attached to each objective and consider dropping low-priority goals or objectives. Set targets, including interim targets, with clear time frames to achieve each goal or objective. This enables monitoring and motivates team members.

**Step 5:** Identify and develop the main strategic activities by which you will convey the message to the target audiences. Some key elements of an image-building strategy are:

- Identify the marketing theme, including USP, targeted messages, and promotional materials for investors. Ensure that the marketing theme fits your goals.
- Continually develop and update relevant public relations materials.
- Use a broad spectrum of media to convey the message, and continuously build and develop media contacts.
- Position the local IPA as the best source of information for the media on investment-related issues (i.e., build its credibility), and work to position the head of the IPA as a regular spokesperson for the organization.

**Step 6:** Before launching the campaign, coordinate with everyone involved, including potential partners, to ensure there are no conflicting commitments or overlapping programs and activities and that there is adequate time to execute the campaign. Two major mistakes in public-relations programming are not knowing what others have planned and not allowing adequate time to execute your plan.

**Step 7:** Communicate with team members and other stakeholders throughout the planning and implementation stages.

**Step 8:** Prepare a written plan, including clear deadlines and allocation of tasks, for consideration by the IPA/EDO's advisory board or board of directors. A detailed project plan helps to communicate objectives, resource requirements, schedules, and milestones.

## Image-Building Tools<sup>20</sup>

- **News releases, features, and articles** provide an opportunity to control the narrative in the media and should contain impactful, relevant information that will draw the attention of investors or other media that could influence investors. Note that such releases and articles may not always be placed in well-established newspapers or relevant business journals, and offer very little editorial control to the IPA/EDO. In addition, for a news release to be effective, it should be picked up by more than one news outlet and contain a persuasive message.
- **Introductory brochures** should be well-designed, accurate, and truthful, include brief, to-the-point information, and provide a summary of expected services for investors. The brochure should convincingly answer the question: Why should an investor choose to invest in this location?
- **Fact sheets** should provide a brief, simple list of data that are relevant to the investor, including general economic and industrial data, trade statistics, indicators of investment climate, incentives, labour and skills availability, principal laws and regulations, taxation, costs of doing business, quality of life, and the role of and services provided by the IPA/EDO. Testimonials from existing investors can also be included.

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<sup>20</sup> ESCAP, *Handbook on Policies*, 211.



- Brochures and fact sheets can be published on the IPA/EDO's **website and social media** networks, such as LinkedIn and Facebook.
- **A promotional video** provides a quick way to reach the target audience and stimulates their interest through multiple senses. After Google, YouTube is the second-biggest search engine in the world, so videos should be linked to or made available on YouTube. (Note that professionally produced videos are relatively expensive and can become outdated quickly.) Videos should be brief, focused, and interesting, and should not contain lengthy statements by politicians about how wonderful the region is. An emerging trend in 2018, facilitated by advances in video technology, is creating **video site-selection tours** of a location. This is very attractive for investors, as they do not need to make a resource-intensive site visit to check out a new location. It is also attractive for IPAs, as they can show companies what it is like on the ground in their country, correct misperceptions, provide value-added insights to companies, and encourage them to make an actual site visit if they are impressed by what they see in the video.
- Well-timed and well-placed **advertising campaigns** can be extremely valuable. It is important that they be conducted in investor home countries for a targeted audience. Such campaigns should be run in relevant journals and newspapers and can also take the form of brief commercials on major television channels. However, be aware that advertising campaigns not produced in-house can be expensive, and that advertising campaigns lack credibility and should therefore contain testimonials from established investors with international reputations. A specialized advertising/public relations firm can be recruited for this purpose if the IPA/EDO's budget allows.
- **Infomercials for TV** can be effective if shown repeatedly. They are very costly in terms of development and placement, but give the IPA/EDO total control over their content.
- **Promotional conferences, fairs, seminars, and roadshows** aimed at targeted audiences should be well-prepared with high-quality speakers, including established investors who can act as ambassadors for the location. It is important to ensure a lot of press coverage of these events. Large fairs should only be conducted after the development of a specific sector or launch of an image-building campaign, and are probably better used as an investment promotion tool, rather than as an image-building tool.

## Key Learnings

- Location benchmarking is an activity every IPA/EDO should regularly undertake in order to:
  - understand the location's competitive position for FDI overall and in key sectors;
  - provide comparative benchmarking data to identify key location strengths to help develop value propositions and marketing materials;
  - collect data to facilitate high-quality investor enquiry handling.
- Location benchmarking and competitive positioning provide the messages and evidence to support image-building.
- An image-building strategy should also involve:
  - a review of news stories about the region (in both mainstream and business media);
  - a review of rankings and competitiveness studies;
  - a review of how major governments portray the location;
  - investor-perception surveys.
- Investor-perception surveys of both potential and existing investors are very useful for investment promotion strategy development.



# Sector and Market Strategies

## Why Develop a Sector Targeting Strategy?<sup>21</sup>

Identifying target sectors for FDI attraction is critical to success and should drive the overall investment promotion strategy. The sector strategy identifies the key sectors to target for inward investment attraction.

Most IPAs/EDOs build teams with sector-specific expertise to help companies invest and expand their operations in the location and create local linkages with SMEs, research institutions, skills and training centres, and other entities.

Sector strategy informs proactive investment promotion and lead-generation activities: which trade shows and events to attend, which overseas missions to make, which partnerships to create, and, most importantly, which specific companies to target are all driven by the sector strategy. It also has a major influence on print and digital marketing strategies (e.g., which sector brochures and propositions to develop) and on international strategy (e.g., which source countries to target for inward investment).

When identifying sectors, it is essential to be as focused as possible. Most IPAs/EDOs have sector strategies that are far too broad, making it difficult to proactively target companies. Targeting the food sector, IT sector, or renewable-energy sector is insufficient for an investment promotion strategy; specific subsectors and individual product areas must be identified.

The sector targeting strategy of IPAs/EDOs may not fit standard industry-classification systems. For example, cyber security, artificial intelligence, and big data are among the hottest subsectors for FDI but fit no standard industry classification. Furthermore, many IPAs/EDOs are actually targeting business activities that are sector-agnostic. For example, an IPA/EDO may target business process outsourcing (BPO) operations, which can come from multiple industry sectors.

## Framework for Identifying Target Sectors

WAVTEQ has developed a Three Force Model for creating sector strategies (see Exhibit 5) that evaluates sectors according to the following factors:<sup>22</sup>

- **Economic development objectives:** Is the objective job creation, capital investment, wage upgrading, R&D, export development, supply-chain and cluster development, or sustainable investment? Which sectors should be targeted to achieve the desired economic development objectives?
- **Competitive position:** The IPA/EDO will be more successful in targeting inward investment in sectors where they have a genuine competitive position and strong value proposition relative to competing locations for FDI in these sectors. Location benchmarking is a key technique.
- **Market demand:** There can be sectors that meet economic-development objectives and where the location has a strong competitive position, but where there is limited greenfield inward investment. Examples include genetics, which is driven by strategic partnerships and M&A rather than greenfield cross-border investment, or certain agricultural products, which are often an export play rather than an inward investment opportunity. The size and growth of the FDI market for each sector needs to

<sup>21</sup> Loewendahl and Barklie, *How to Identify*; Loewendahl, "A Framework," 10–13.

<sup>22</sup> Loewendahl and Barklie, *How to Identify*, 5.



be carefully considered and aligned to the economic development results being targeted and the services being provided to investors.

## EXHIBIT 5 WAVTEQ THREE FORCE MODEL OF TARGET SECTOR IDENTIFICATION



Source: WAVTEQ.

### Methods for Identifying Target Sectors

In 2018 WAVTEQ published a comprehensive guide entitled *How to Identify Target Sectors for Inward Investment*. The guide outlines five key quantitative methods to help identify target sectors for FDI:

1. location quotients (LQs)
2. revealed comparative advantage (RCA) in exports (RCA-Exports)
3. location benchmarking and competitive positioning
4. FDI demand-side analysis
5. revealed comparative advantage in FDI (RCA-FDI)

The following sections provide a summary of each method (other than location benchmarking and competitive positioning, which were covered in the previous section). A combination of these methods is recommended when identifying target sectors for FDI.

As well as applying the above methods to conduct a quantitative analysis of sectors to target for FDI, a qualitative approach is also recommended, focusing on:

- specific investment opportunities for foreign investors (e.g., a new shovel-ready site or property for an investor(s) in a specific sector, PPP opportunities, or JV opportunities);
- specific investment assets in a location that can be used to leverage FDI (e.g., a research centre specializing in a specific sector/subsector; a rare or high-value natural resource that can be commoditized; a major foreign investor providing supply-chain opportunities; or a cluster of start-up companies specializing in a specific subsector that could attract foreign investors).





### Location Quotient<sup>23</sup>

Location quotients (LQs) are used in economic development to identify industries where a geographic area is relatively strong, with the LQ measuring how concentrated or dominant an industry is in an area compared with a larger region (e.g., a state or national average), typically using employment data. LQs are normally used to analyze industry strengths at the sub-national level rather than the country level.

The formula for LQ for industry "x" in a particular sub-region is:

$$LQ = \frac{\left( \frac{\text{Sub-region employment in industry x}}{\text{Sub-region total employment}} \right)}{\left( \frac{\text{Region employment in industry x}}{\text{Region total employment}} \right)}$$

An LQ score greater than one indicates the area has a larger proportion of employment in a particular industry than would be expected. A score of less than one indicates the area has a smaller proportion of employment in a particular industry than would be expected.

An LQ provides a measure of the degree of industry specialization within an area. A high LQ in a specific industry may translate into a competitive advantage in that industry. Economic development opportunities may exist for additional growth of exports or related industries due to the presence of an existing skilled-labour pool or other resources such as suppliers, facilities, or transportation hubs in the region.

Changes in an LQ score over time are useful in identifying industries that are growing or declining: If a sector's score is increasing over time, this is likely to indicate the area is becoming more competitive in that sector.

Careful investigation is needed to understand why a location has a high or low LQ and how that translates into the area's competitive position for inward investment, taking into consideration how up-to-date the available data are and what may have changed since the last data were published.

### Revealed Comparative Advantage in Exports (RCA-Exports)

The theory of Revealed Comparative Advantage (RCA) is similar to that of LQ; the difference is that RCA focuses on export data while LQ focuses on employment data. RCA identifies the industries where a country has a comparative advantage in exports, which underlies explanations for the observed pattern of inter-industry trade. The RCA-Exports formula has been used in international economics for decades to calculate the relative advantage of a country in specific products or services, using data on trade flows to calculate the RCA.

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<sup>23</sup> Loewendahl and Barklie, *How to Identify*, 6.





The formula for RCA-Exports for product or service “x” in a particular country is:

$$\text{RCA-Exports} = \frac{\left( \frac{\text{Country exports of products/services } x}{\text{Country total exports}} \right)}{\left( \frac{\text{World exports of products/services } x}{\text{World total exports}} \right)}$$

A score greater than one implies that the country has a revealed comparative advantage in exports of the product or service. If the value is less than one, the country is said to have a revealed comparative disadvantage in exports of the product or service.

The RCA-Exports score is very useful in quickly identifying the competitive sectors in a country. The method can be applied worldwide, as comparable export data is available for most countries. Data are also updated annually, allowing for accurate time-series analysis, and very detailed sector- and product-level analysis is also possible using standard industrial-classification systems. Furthermore, export data is available for free from many international sources, making it attractive to use.

As with LQs based on employment statistics, export data in most countries cannot differentiate at a sector level between exports by domestically-owned and foreign-owned companies, and therefore the RCA-Exports score cannot determine whether an RCA is an export-development (trade) opportunity, an inward FDI opportunity, or both.

The RCA-Export scores for Indonesia reveal the following key facts:

- Of 97 products, Indonesia has 30 products (31 per cent of all products evaluated) with an RCA greater than one. (See Table 6.) This means Indonesia has a revealed comparative advantage in exports of those products. These are mainly agricultural products, natural-resource-based products, textiles, and several light-manufacturing sectors.
- Indonesia has a revealed comparative disadvantage in exports of 67 products (69 per cent of all products evaluated). These are mostly medium- and high-tech manufactured products, chemicals-related products, and certain agricultural products. (See the appendix for a list of the commodities for which Indonesia has a revealed comparative disadvantage.)

**TABLE 6**

**PRODUCTS FOR WHICH INDONESIA HAS A REVEALED COMPARATIVE ADVANTAGE, 2017**

Product	Indonesia's value of exports, 2017	World value of exports, 2017	Indonesia's share of world exports, 2017 (per cent)	RCA
Tin and articles thereof	1,595,191	4,807,112	33.2	23.93
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	22,965,596	87,312,944	26.3	18.96
Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles ...	441,377	1,816,775	24.3	17.52





Product	Indonesia's value of exports, 2017	World value of exports, 2017	Indonesia's share of world exports, 2017 (per cent)	RCA
Vegetable plaiting materials; vegetable products not elsewhere specified or included	145,207	762,324	19.0	13.73
Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	71,398	420,094	17.0	12.25
Musical instruments; parts and accessories of such articles	554,435	3,861,906	14.4	10.35
Man-made staple fibres	2,063,672	18,683,035	11.0	7.96
Footwear, gaiters and the like; parts of such articles	4,911,846	61,899,470	7.9	5.72
Rubber and articles thereof	7,743,062	125,917,879	6.1	4.43
Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...	2,426,018	43,371,630	5.6	4.03
Coffee, tea, maté and spices	1,965,354	37,824,451	5.2	3.75
Man-made filaments; strip and the like of man-made textile materials	950,289	21,544,277	4.4	3.18
Nickel and articles thereof	646,656	15,595,599	4.1	2.99
Articles of apparel and clothing accessories, not knitted or crocheted	4,146,456	102,453,376	4.0	2.92
Fish and crustaceans, molluscs and other aquatic invertebrates	3,271,469	83,676,311	3.9	2.82
Wood and articles of wood; wood charcoal	4,004,286	103,120,776	3.9	2.80
Articles of apparel and clothing accessories, knitted or crocheted	3,735,543	97,959,736	3.8	2.75
Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	931,698	25,228,454	3.7	2.66
Tobacco and manufactured tobacco substitutes	1,139,600	34,122,628	3.3	2.41
Cocoa and cocoa preparations	1,120,764	33,931,309	3.3	2.38



Product	Indonesia's value of exports, 2017	World value of exports, 2017	Indonesia's share of world exports, 2017 (per cent)	RCA
Paper and paperboard; articles of paper pulp, of paper or of paperboard	3,799,573	121,223,263	3.1	2.26
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	36,866,865	1,289,144,264	2.9	2.06
Miscellaneous chemical products	3,894,805	141,070,532	2.8	1.99
Cotton	819,007	33,997,639	2.4	1.74
Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial ...	1,059,455	45,479,062	2.3	1.68
Lac; gums, resins and other vegetable saps and extracts	94,715	4,569,276	2.1	1.49
Ores, slag and ash	3,769,649	184,655,747	2.0	1.47
Miscellaneous edible preparations	1,025,568	51,702,405	2.0	1.43
Copper and articles thereof	2,060,357	115,726,609	1.8	1.28
Preparations of cereals, flour, starch or milk; pastrycooks' products	972,480	54,659,322	1.8	1.28

Source: WAVTEQ calculations based on UN COMTRADE statistics.

### FDI Demand-Side Analysis<sup>24</sup>

The key objective of FDI demand-side analysis is to identify and evaluate sectors based on quantitative evidence about the size and growth of FDI into the country, region, and globally. The track record of a country in attracting FDI can inform which sectors to target because of:

- **Follow-the-leader strategies:** These are very common in corporate location decision-making. When an area attracts its first flagship investor, the global investor community takes note, and a halo effect is often observed, with other major investors in the same or related sectors also locating in the area.
- **Supply chains and value chains:** If an area attracts a major investor, this often leads to inward investment being made by supporting and related industries (a clustering effect).
- **Skilled workforce and talent pool:** Inward investment increases the skilled workforce and talent pool in an area through the training and experience employees gain, through related training and research institutions that expand to meet the needs of inward investors, and through the attraction of skilled workers to the area due to new job opportunities. As long as the labour market does not become too tight, these agglomeration effects make the location more attractive to other inward investors.

Understanding FDI trends in the wider region and globally enables IPAs/EDOs to see the size and growth of the contestable market for inward investment in different sectors (i.e., locations where the IPA's

<sup>24</sup> Loewendahl and Barklie, *How to Identify*, 19.



location could realistically have been a candidate for the investment). This is made possible by databases like [www.fdimarkets.com](http://www.fdimarkets.com) from the Financial Times and [www.investmentmap.org](http://www.investmentmap.org) from the International Trade Centre.

There are some important caveats with FDI demand-side analysis:

- **Niche-sector strengths:** An area may have a strong competitive position for FDI in a niche sector. Even if the FDI volume is currently low, it could still be attractive to target due to the higher probability of success, and also because the sector could be high value-added and/or help develop related and supporting industries.
- **Data coverage:** Commercially available FDI databases cannot achieve 100 per cent coverage or accuracy due to companies not releasing public information on their projects, small projects being difficult to track, difficulty in qualification of investments, or because no database tracks all the modes of inward investment a company can make.
- **Forecasts:** While real-time data on sector and subsector FDI trends are readily available, forecast data are still not available.

Table 7 shows an example of major industrial clusters for global greenfield FDI, which can be used to identify the major sectors to target for FDI and to cross-reference target sectors against sector potential.

**TABLE 7**

**INDUSTRY CLUSTERS RANKED BY GLOBAL GREENFIELD FDI, 2017**

Industry cluster	Capital investment in greenfield FDI projects (US\$ billions)	Direct job creation in greenfield FDI projects (number of jobs)	Number of greenfield FDI projects
ICT and electronics	96.7	260,235	2,272
Energy	84.3	36,322	271
Transport equipment	78.5	340,776	1,426
Construction	62.8	231,619	504
Retail trade	54.3	296,754	2,486
Environmental technology	52.6	39,532	454
Physical sciences	45.2	61,241	364
Food, beverages, and tobacco	39.1	131,016	931
Transportation, warehousing, and storage	36.2	111,118	775
Industrial	30.7	111,811	1,145
Financial services	26.4	77,108	1,155
Tourism	23.1	60,679	349
Professional services	22.7	74,080	1,185





Industry cluster	Capital investment in greenfield FDI projects (US\$ billions)	Direct job creation in greenfield FDI projects (number of jobs)	Number of greenfield FDI projects
Wood, apparel, & related products	21.0	105,364	334
Life sciences	20.1	62,330	766
Consumer goods	14.9	98,541	534
Creative industries	10.3	38,646	909
<b>Total</b>	<b>719.0</b>	<b>2,137,172</b>	<b>15,860</b>

Note: Data includes estimates on capital investment and job creation.  
Source: fDi Markets from the Financial Times Ltd.

The data in Table 7 show that ICT and electronics is the leading industry cluster for greenfield investment and the second-leading cluster for the number of greenfield projects. Retail trade is the leading cluster for the number of greenfield projects. Transport equipment is the leading cluster for job creation. The table also shows that certain high-value-added sectors such as life sciences have a relatively low volume of FDI. A similar analysis can be conducted at a regional (e.g., ASEAN) or country level as well as for specific sectors and subsectors.

### RCA for FDI

WAVTEQ has developed a new model of revealed comparative advantage. This method identifies target sectors based on the RCA of countries for FDI rather than exports.

The formula for RCA-FDI for sector "x" in a particular country is:

$$RCA-FDI = \frac{\left( \frac{\text{Volume of FDI into country in industry x}}{\text{Volume of world FDI in industry x}} \right)}{\left( \frac{\text{Volume of FDI into country}}{\text{Volume of world FDI}} \right)}$$

The formula can be adapted to focus on a region (e.g., ASEAN) instead of the world.

A score greater than one indicates that the country has a revealed comparative advantage in the sector for inward FDI. A score less than one indicates that the country has a revealed comparative disadvantage in the sector for inward FDI. Table 8 shows an RCA-FDI analysis for Indonesia. This is based on an analysis of the number of greenfield FDI projects in Indonesia and ASEAN. The same analysis can also be conducted using different FDI metrics where data are available (e.g., capital investment, job creation, or FDI flows). The RCA-FDI analysis can also be conducted at the sub-national level (e.g., to identify sectors where regions within Indonesia have a revealed comparative advantage for FDI).







**TABLE 8**

**INDONESIA'S RCA-FDI IN ASEAN BY SECTOR**

(based on the number of greenfield FDI projects over the period January 2014–March 2018)

Sectors where Indonesia's RCA index for FDI is greater than 1	RCA score	Sectors where Indonesia's RCA index for FDI is less than 1	RCA index
Beverages	2.71	Transportation	0.94
Coal, oil, & natural gas	2.29	Plastics	0.91
Hotels & tourism	2.24	Industrial machinery, equipment, & tools	0.88
Ceramics & glass	2.12	Pharmaceuticals	0.87
Metals	1.82	Electronic components	0.83
Warehousing & storage	1.72	Software & IT services	0.81
Wood products	1.56	Leisure & entertainment	0.81
Building & construction materials	1.52	Aerospace	0.70
Food & tobacco	1.40	Business services	0.64
Consumer products	1.38	Financial services	0.58
Consumer electronics	1.31	Textiles	0.55
Chemicals	1.30	Medical devices	0.43
Automotive components	1.29	Biotechnology	0.41
Renewable energy	1.28	Semiconductors	0.25
Healthcare	1.23	Paper, printing, & packaging	0.23
Non-auto transport	1.21	Engines & turbines	0.00
Automotive	1.21		
Minerals	1.13		
Real estate	1.04		
Space & defence	1.02		
Business machines & equipment	1.00		
Communications	1.00		

Source: WAVTEQ based on fDi Markets data from the Financial Times Ltd.

Table 8 reveals that Indonesia has a comparative advantage in over half of the sectors. Indonesia generally has a comparative advantage in natural-resource-based sectors and low-technology manufacturing and a comparative disadvantage in medium- and high-technology sectors.





## Identifying Key Source Countries for FDI

Identifying a country to target for FDI is based on many factors, such as the geographic location of that country (countries that are geographically close to you and have a shared or similar history, language, and culture are more likely to invest), the history and track record of that country's investment into your country/region (size, growth, and type of FDI), and whether that country is a major investor in your target sectors. An analysis of global FDI trends can identify the leading countries to target for FDI. Table 9 shows a snapshot of six FDI metrics in 2017. The table shows that the U.S. was the world's leading source of FDI across five of the six metrics. China and the U.K. were ahead of the U.S. on the value of M&A FDI.

**TABLE 9**

### LEADING SOURCE COUNTRIES FOR FDI, 2017

	FDI flows (2017)	Capital investment (2017)*	Direct job creation (2017)*	Number of FDI projects (2017)*	M&A FDI by value (2017)	M&A by number of deals (2017)
1	U.S.	U.S.	U.S.	U.S.	China	U.S.
2	Japan	Germany	Germany	Germany	U.K.	U.K.
3	China	China	Japan	U.K.	U.S.	Canada
4	U.K.	Japan	France	France	Canada	France
5	Hong Kong	Russia	China	Japan	Japan	Japan
6	Germany	U.K.	U.K.	China	Germany	China
7	Canada	France	South Korea	Switzerland	France	Germany
8	British Virgin Islands	South Korea	Spain	Spain	Hong Kong	Sweden
9	France	Italy	Italy	Netherlands	Switzerland	Hong Kong
10	Luxembourg	Spain	Switzerland	Italy	Russia	Switzerland
11	Spain	Netherlands	Netherlands	Sweden	Singapore	Netherlands
12	Russia	Switzerland	Sweden	Canada	South Korea	Singapore
13	South Korea	Taiwan	Taiwan	India	Australia	Australia
14	Cayman Islands	Saudi Arabia	India	Australia	Luxembourg	Luxembourg
15	Singapore	Singapore	Hong Kong	Denmark	Denmark	Spain

\*Greenfield FDI only.

Source: WAVTEQ based on data from UNCTAD and fDi Markets.

The U.S., Japan, China, Germany, the U.K., and France are the overall leading sources of greenfield FDI, with Hong Kong being a major source of FDI flows (including significant round-tripping with mainland Chinese FDI being put through Hong Kong<sup>25</sup>) and Canada a major source of M&A FDI.

<sup>25</sup> Loewendahl, Deng, and Fraser, *How to Attract FDI*, 6.

Global FDI trend analysis can also be conducted on a sector basis. Table 10 ranks countries for different sectors in terms of their volume of greenfield FDI projects overseas. This shows that the countries to target for FDI also depends on the sectors the IPA/EDO plans to target.

**TABLE 10**

**RANKING OF TOP SOURCE COUNTRIES FOR GREENFIELD FDI IN SELECTED SECTORS**

(greenfield FDI projects, January 2014–August 2017)

Source country	Construction industries	Creative industries	Energy	Renewable energy	Food, beverages, & tobacco	ICT & electronics	Life sciences	Physical sciences	Professional & financial services	Tourism	Transport equipment	All sectors
U.S.	5	1	1	2	1	1	1	2	1	1	3	1
Germany	9	7	8	4	2	6	2	4	10	11	1	2
Japan	3	5	6	9	5	4	4	5	7	10	2	3
China	1	4	2	1	4	5	6	1	14	7	4	4
France	6	3	5	5	7	8	5	9	3	4	5	5
U.K.	7	2	4	7	3	7	3	3	2	3	7	6
South Korea	11	11	14	12	10	3	13	7	12	14	6	7
Taiwan	13	14	16	11	16	2	15	16	16	15	10	8
Singapore	2	6	9	15	12	12	8	10	13	6	15	9
Switzerland	12	13	13	13	6	13	7	8	6	12	12	10
Spain	16	9	11	3	11	15	12	14	5	2	13	11
Italy	15	16	7	6	13	14	14	15	15	16	11	12
Hong Kong	8	15	15	10	14	10	16	11	11	8	14	13
Canada	10	8	3	8	8	11	11	6	8	9	9	14
India	14	10	12	14	15	9	9	12	4	13	8	15
UAE	4	12	10	16	9	16	10	13	9	5	16	16

Source: WAVTEQ based on data from fDi Markets.





It is also recommended that you compare global and regional FDI data with the official data on FDI into the country. Table 11 shows FDI into Indonesia in the first half of 2017 by the top 30 countries of origin. The data reveal that Singapore, Japan, China, Hong Kong, and the U.S. were the top five investors. This aligns with the global FDI trends data, other than Singapore. The top ranking of Singapore for FDI into Indonesia reflects low distance costs, with Singapore and Indonesia in the same geographic region and trading bloc, and that a significant volume of FDI from Singapore is round-tripping from companies from other countries using Singapore as a regional hub for their FDI (the same applies to countries such as Hong Kong, Mauritius, the Netherlands, and the British Virgin Islands).

**TABLE 11**

**INDONESIA INWARD FDI BY TOP 30 COUNTRIES OF ORIGIN, JANUARY–JUNE 2017**

Rank	Country	Investment (US\$ millions)	Number of projects
1	Singapore	3,661.4	4,359
2	Japan	2,845.6	2,254
3	China	1,955.1	1,243
4	Hong Kong	1,019.5	812
5	United States	968.8	442
6	South Korea	901.3	1,984
7	Malaysia	559.0	1,117
8	Mauritius	516.9	175
9	The Netherlands	490.2	527
10	United Kingdom	448.8	405
11	Switzerland	375.9	147
12	British Virgin Islands	362.5	740
13	Taiwan	294.8	330
14	Australia	206.0	524
15	Germany	182.3	234
16	France	131.8	319
17	Seychelles	122.7	86
18	Belgium	105.8	90
19	Thailand	70.7	169
20	Luxembourg	59.8	69
21	Cayman Islands	55.3	68
22	Canada	30.5	82

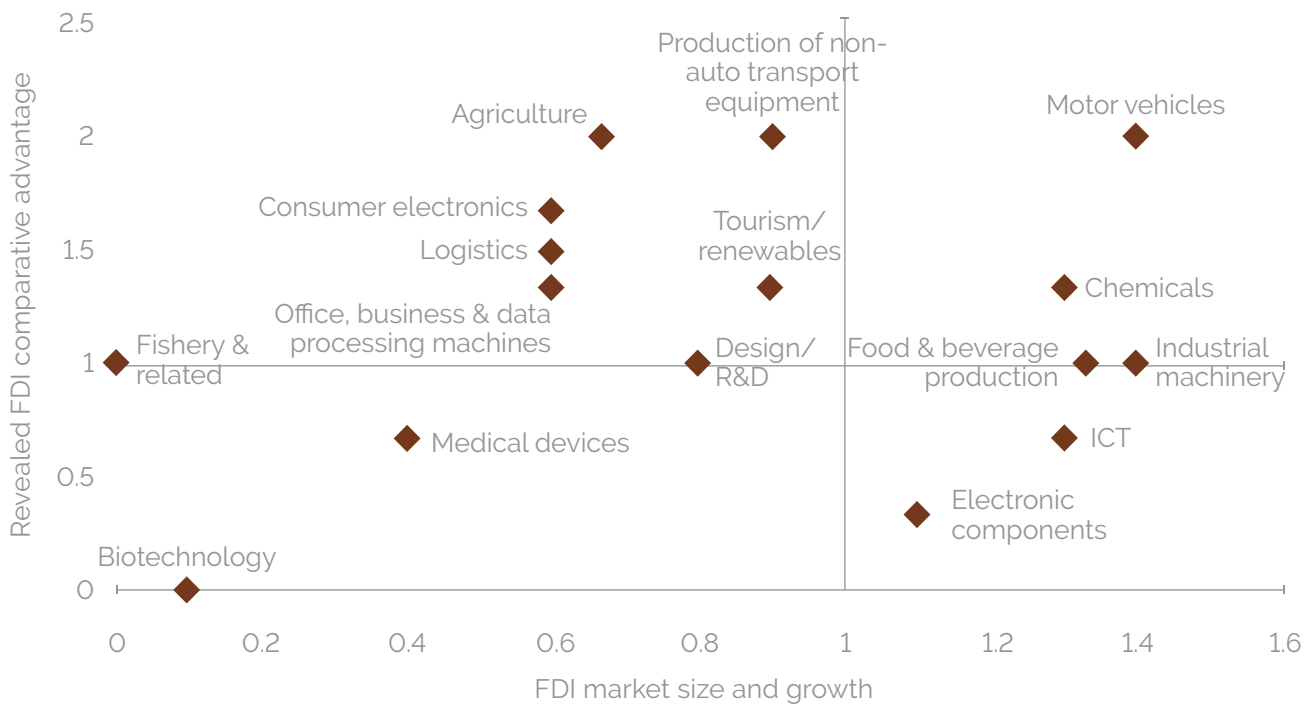


Rank	Country	Investment (US\$ millions)	Number of projects
23	Philippines	22.0	26
24	India	19.2	324
25	Channel Islands	14.8	7
26	Brazil	14.3	13
27	Italy	13.2	145
28	Iran	11.3	17
29	Sweden	9.4	40
30	United Arab Emirates	8.1	43

Source: BKPM.

An example of the application of RCA-FDI combined with FDI demand analysis (i.e., FDI market size and growth) is shown in Chart 13. This example is for Izmir, a large industrial city in Turkey, but can also be applied at the country level.

**CHART 13**  
**REVEALED COMPARATIVE ADVANTAGE FOR FDI COMPARED TO FDI MARKET SIZE AND GROWTH**



Source: WAVTEQ Investment Promotion Strategy for Izmir Development Agency (2011).

The upper right quadrant shows sectors where the location has both a revealed comparative advantage for FDI and where FDI market opportunities are strongest. These four sectors would be key target sectors.





## Factors to Consider in Identifying Target Countries for FDI

For **image building and investment facilitation**, the target countries influence the languages you publish your marketing materials in and the country specialists you recruit to handle investor enquiries and site visits.

For **marketing and lead generation**, the target countries influence where you do lead generation, where you hold seminars, which trade shows you go to, where you go on sales trips, and the focus of your marketing activities (advertising, PR, social media campaigns etc.).

### Key Learnings

- Developing a sector strategy is critical, as it will drive most of your investment promotion strategy.
- There are many quantitative techniques that can be used to identify the strongest sectors in an economy to help inform which sectors to target for FDI. Key techniques include:
  - location quotients
  - revealed comparative advantage in exports
  - location benchmarking
  - FDI demand analysis of FDI trends in the country, region and globally
  - revealed comparative advantage in FDI
- A combination of quantitative techniques is recommended.
- A qualitative sector assessment should also take place to identify key specific investment opportunities and assets in the economy that can be used to attract FDI.
- Your sector targeting strategy will have a major impact on which countries to target for FDI, as different countries specialize in different sectors for outward FDI.
- Target markets for FDI should also take into consideration the track record of FDI in the country, distance costs, and the size, growth, and composition of FDI.







# Marketing and Promotion

## Marketing Strategy: Materials

IPAs need a range of materials as part of their marketing strategy.<sup>26</sup> Examples include:

**Sector profiles:** Good sector profiles do not merely describe the features (e.g., natural resources, production levels) of a sector in a location, but also highlight any advantageous cost factors or competitive advantages compared with other locations. Exhibit 6 shows an example of a sector profile for Indonesia's air transportation sector.

### EXHIBIT 6 EXAMPLE OF A SECTOR PROFILE FOR INDONESIA'S AIR TRANSPORTATION SECTOR



Source: WAVTEQ. (See [www.wavteq.com/publications/#presentations-workshops](http://www.wavteq.com/publications/#presentations-workshops) to download all nine sector flyers).

<sup>26</sup> ESCAP, chapter 7.



**Brochures:** A brochure should contain, at minimum, an overview of all the key information an investor needs to know, such as the services provided by the IPA/EDO, statistics on investment, the main selling points of the location, cost benchmark data, macroeconomic data, and contact information. The brochure should answer the question: *Why should an investor choose to invest in this location?*

**Opportunity profiles:** Most IPAs/EDOs also produce opportunity profiles to steer investors towards tangible investment opportunities. In some cases, opportunity profiles present the details of a single project opportunity, while in other cases a set of brief profiles might be included in one document. For both types, the following information should be contained for each project:

- name and contact information of project initiator;
- description of the project and financing estimates;
- estimated return on investment and expected payback period;
- form of cooperation (e.g., lease, joint venture, etc.);
- any relevant incentives offered by the government.

**Investment project proposals (IPPs):** IPPs are specific defined projects in particular sectors or industries that foreign investors can invest in. These can pave the way for direct FDI or matchmaking opportunities between domestic and foreign firms. A good example of a list of investment project proposals is the one provided by the Board of Investment of Sri Lanka at [www.investsrilanka.com/images/publications/pdf/Structured\\_Projects\\_Proposals.pdf](http://www.investsrilanka.com/images/publications/pdf/Structured_Projects_Proposals.pdf).

There are four main sections in an IPP:

- **Market context:** Briefly elaborate on project promoters, current market conditions, growth forecasts, and sector overview for the specific investment opportunity.
- **The investment opportunity:** This is a concise business case with information on market orientation, project capacity parameters, business processes, competitors, etc.
- **Description of technical requirements:** This includes a brief overview of technical requirements (e.g., project engineering, production process requirements) and an overview of current business costs (e.g., labour costs, utility costs, etc.).
- **Expected benefits for the investor:** You should elaborate on incentives (e.g., tax breaks) and other specific benefits.

## Marketing Strategy: Online

One of the most important investment promotion tools for an IPA is a **well-developed website**. But simply creating the website and posting it on the Internet is not enough. The website must be registered with the leading search engines to make sure it is included in their retrievals when a user conducts a search. This is referred to as search engine optimization (SEO).

The website should contain lead tracking and some form of customer relationship management (CRM) system to capture those investors who are interested in learning more about the host country or potential investment location. Examples of lead tracking software include [A1WebStats](#), [Leady](#), and [Lead Forensics](#).

**An e-newsletter** is an important marketing instrument for communicating with existing and potential investors, stakeholders, and the wider investment community. It can be prepared and distributed bimonthly or quarterly. The contents of the newsletter may include:

- trends in investment, e.g., an annual or quarterly data stream;
- sector-related items and events;
- new infrastructure plans and developments;
- major companies announcing new investments or reinvestment projects;



- major changes in the policy environment;
- case studies and testimonials;
- interviews with subject-matter experts;
- activities of the agency, e.g., trade shows, new staff, etc.;
- new sector studies or benchmark studies on the host country;
- headline news about the host country;
- findings from international studies on the host country or its main regions;
- interviews with investors and other stakeholders;
- international press about the host country.

## Marketing Strategy: Public Relations, Advertising, and Events

**Public relations (PR)** is an important part of most investment promotion campaigns, and includes establishing relationships and contacts with key people in the media, providing information, success stories, and testimonials, hosting visiting journalists, and systematically monitoring media coverage (especially the publications read by targeted investors) and assessing the results.

**Advertising** is another form of investment promotion. This is an extremely expensive promotional tool. If used, it should be closely monitored to determine whether it is an effective use of resources. The best way to determine if an advertising campaign has been accurately targeted and is having the desired effect on the intended audience is to ask members of that audience. Reply cards, surveys, and direct consultations are all effective ways of doing this. Online advertising makes it much easier to measure its impact.

**Seminars, investment forums and conferences, and presentations:** Other investment promotion activities include speeches, seminars, and presentations to business audiences; open houses or hospitality sessions hosted by the IPA/EDO; participation in trade or investment shows or forums or other business events; and briefings to key investor organizations and intermediaries. An IPA/EDO needs to monitor these activities to determine which produce the largest number of subsequent inquiries, because many of these activities can be expensive, particularly if they involve staff travel overseas. The most successful investment seminars or conferences are sector-based and include presentations by satisfied investors.<sup>27</sup>

## Investor Targeting and Lead Generation Strategy

Investor targeting involves the presentation of well-researched niche business opportunities in a given location to specific senior managers at the targeted companies. The major advantages of investor targeting are:

- It lets the IPA focus its efforts on the best prospects.
- It has the potential to greatly increase investor and broker (investment advisors) awareness.
- Investors respond best to material that is relevant to them.
- It can help develop local industry clusters.
- It is cost-effective (takes more time than money).
- It can be outsourced to specialist lead-generation firms, which can be more cost-efficient, effective, performance-based, and quicker to market.

Five key principles define investor targeting:

- Target industries and sectors first and then move to active identification of specific companies and investment projects.
- Carefully plan and manage investor-search programs.
- Investigate and analyze specific corporate priorities.
- Engage in confidential promotion to specific corporate executives.
- Maintain single agency leadership.

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<sup>27</sup> Loewendahl, "A Framework," 17.



When companies are first contacted by an IPA/EDO, it is unlikely that these companies will have immediate FDI projects ready that the host location can compete for. The key to successful investor targeting is staying in touch with the targeted companies on a sustained basis, so that when an investment project does arise, the IPA/EDO and location are well-positioned to be considered for the investment. This is called **lead generation**. Obviously, it is important that the targeted companies are in line with the host country/location's competitive advantages and with realistic opportunities that the host country/location can offer.

IPAs/EDOs can use additional criteria to target specific investments and companies. For example:

- sustainability (this should be a requirement): only target companies that implement recognized standards of responsible business conduct and have a proven track record in this regard;
- form of investment: greenfield, M&A, joint ventures;
- nationality of investors: Is any source country of FDI preferred? Do they prefer FDI from developed countries only? Or from other developing countries or regional partners?
- clusters/supply chain: companies that are related to or provide supply-chain-related products/services to companies already present in the host country;
- size of investors: large companies? SMEs? Related to cluster criteria.

Investor targeting, while more cost-effective than promotional marketing (PR and advertising), requires more dedicated resources and greater sector-specific and commercial understanding. In short, it takes more time than money. As it is very time-intensive to identify, contact, and build relations with potential investors, the main success factor of investor targeting is a selective approach to maximize use of limited resources.

The key to success is what the private sector calls “managing the sales pipeline.” This means that while one should always ensure a strong enough sales pipeline (i.e., a number of good-quality investment leads) that will help achieve the level of inward investment sought, at the same time the sales pipeline should not be bigger than the IPA/EDO can manage. If it is bigger, it will be counterproductive to securing projects.

## Customer Relationship Management (CRM) Systems

CRM is an essential part of a marketing and promotion strategy. Using CRM, an IPA/EDO can:

- capture all corporate intelligence (especially important with high staff turnover in many IPAs/EDOs);
- measure its FDI pipeline, performance, and results;
- evaluate performance across sectors, markets, and teams;
- conduct marketing campaigns.

Examples of three CRM systems are shown in Exhibits 7, 8, and 9.

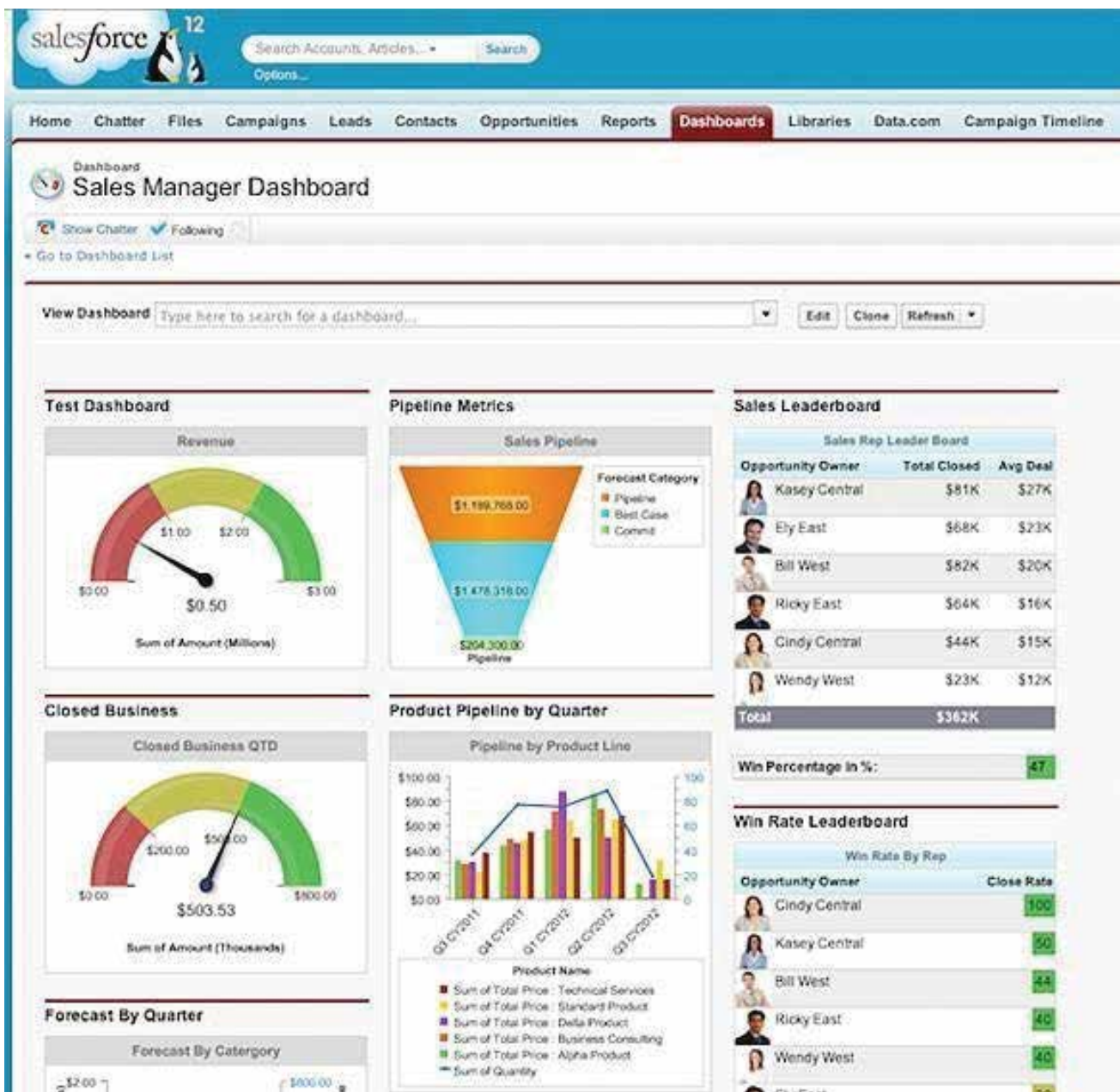




## EXHIBIT 7 SALESFORCE



**Salesforce** is a cloud-based CRM platform for sales, service, and marketing. It doesn't require IT experts to set up or manage; users can log in and start connecting to customers.

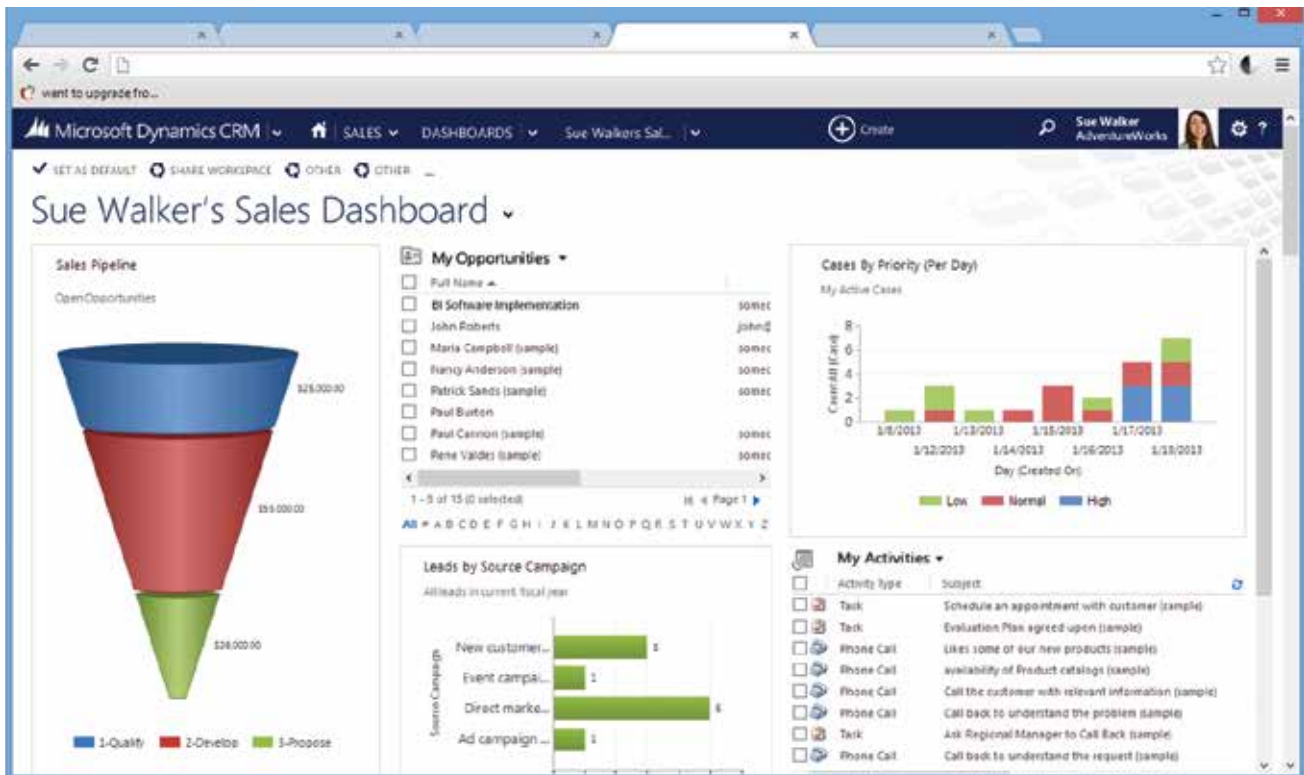




## EXHIBIT 8 MICROSOFT DYNAMICS CRM



Microsoft Dynamics CRM software helps sales, marketing, and service professionals improve processes and better manage the customer experience by allowing users to access their customer-facing activities (activities that interact or communicate directly with the customer) through a single interface.





## EXHIBIT 9 IPA CRM



WAVTEQ's **IPA CRM** is 100 per cent designed for the needs of IPAs with no customization needed to manage inward investment pipelines.

The screenshot displays the IPA CRM interface. At the top, there is a search bar and navigation tabs for Dashboard, Campaigns, Pipelines, Interactions, Companies, Contacts, and Shortcuts. The main content area is divided into several sections:

- Schedule:** Shows a calendar view for 25 Jan 2019 with a 'Google Hangout: Dean' event at 02:00 PM.
- Lead Generation:** A table listing campaigns with columns for Campaign, Companies, Lead, Prospect, Active Case, Project, and Interaction.
- Facilitation:** A table listing facilitation pipelines with columns for Campaign, Companies, Application, Sector Ministry, CII, Concluded, and Interactions.
- Updates:** A vertical list of recent updates, such as 'Yval Rice from A B Enterprise updated by Dean O Maloran'.

Key requirements of a CRM for FDI marketing and promotion include:

- cloud-based and mobile-compatible so it can be accessed anywhere;
- dashboard showing overall FDI pipeline and results;
- ability to manage and record the results of multiple marketing and promotion campaigns;
- structured so it can be used for promotion, facilitation, and aftercare;
- registration of company and contact information;
- step-by-step tracking of company interactions and communication;
- systematic lead classification and assessment;
- ability to track milestones in the investment project cycle;
- tracking services rendered to both potential and existing investors;
- value for money and excellent reliability, security, service, and support;
- built specifically for IPAs with minimal customization needed now or in the future, as this can be very expensive and time-consuming;
- **easy to use—otherwise it will be very difficult to get staff to use the CRM.**



## Key Learnings

- The investment promotion strategy should outline the key marketing and promotion activities to take place.
- Key marketing activities include:
  - creation of materials and value propositions;
  - use of online marketing tools;
  - public relations, advertising, and events.
- Key promotion activities focus on investor targeting and lead generation.
- It is essential to use a CRM specifically designed for EDOs/IPAs to help manage the delivery of marketing and promotion activities, monitor and evaluate results, and capture all corporate intelligence.



# Product Development



## Policy Advocacy Role of an IPA

IPAs/EDOs cannot always act on complaints from investors. However, they can play an important role in policy advocacy, which is directly linked to aftercare. UNCTAD defines policy advocacy as “IPA efforts to effect changes in regulations, laws, government policies, and their administration, pertaining to fields such as investment, trade, labour, immigration, real estate, taxes, infrastructure, technology, and education.”<sup>28</sup> The investment promotion strategy should have a policy advocacy component.

The immediate goal of this advocacy is to shape a climate conducive to attracting and benefiting from FDI. UNCTAD distinguishes three goals of policy advocacy:<sup>29</sup>

1. shaping the investment climate to attract greater inflows of FDI;
2. promoting policies that allow greater benefits to be extracted from FDI;
3. building national and/or regional competitiveness in the global economy.

According to UNCTAD, “IPAs have a combination of access and understanding of business and political stakeholders that may be unparalleled in most countries. This gives them a unique position not only to act as messengers between the private sector and government, but also as drivers of the changes needed for economic growth and development.”<sup>30</sup>

For the purpose of policy advocacy, UNCTAD proposes a four-step process:<sup>31</sup>

1. problem identification and agenda-setting, which requires frequent interaction and consultation with investors;
2. developing the most effective policy remedy based on established criteria (e.g., expected impact);
3. consensus-building through policy dialogues and public-private sector forums;
4. monitoring and evaluation.

## Key Learnings

- IPAs should establish a policy advocacy team to systematically catalogue feedback received from potential and existing investors on how to improve the business environment and location competitiveness.
- The IPA should have a clear mandate to provide policy advocacy to the government.
- Investor surveys can be used to support policy advocacy.

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<sup>28</sup> UNCTAD, *Handbook on Policies*, 1.

<sup>29</sup> UNCTAD, *Handbook on Policies*, 5.

<sup>30</sup> UNCTAD, *Handbook on Policies*, 5–6.

<sup>31</sup> UNCTAD, *Handbook on Policies*, 6.



# Budgets and Resource Allocation

The preparation of the budget for an IPA/EDO requires a clear understanding of the essential cost items.<sup>32</sup> These include:

- staff costs (including training);
- office costs (a nice office is essential for investor meetings and staff retention) and related overhead and utilities, including high-speed Internet access for all staff (essential, as so much IPA/EDO work is done online);
- computers/notebooks for all staff and tablets for business development teams traveling to meet investors;
- development and maintenance of an inward investment website;
- development and printing of marketing materials;
- company car for taking investors on site visits;
- telephone (local and international service is essential), postage, stationary, and printing costs;
- local travel costs to meet with investors and stakeholders;
- translation of important legal and promotional documents into English and other key languages as needed.

Other core cost items include:

- travel for overseas investment missions, international industry events, and FDI seminars;
- using specialist FDI firms for lead generation, website development, preparing marketing materials, data and company intelligence, and licensing a CRM.

The total annual budget outlay for an IPA/EDO can range from US\$250,000 for a very small organization to more than US\$10 million for a fully-fledged autonomous organization with 20 or more staff, able to compete internationally for investment and engage in all activities in the investment promotion cycle (including overseas representation and a dedicated aftercare unit).

A typical breakdown of the budget is:

- 60 per cent for staff expenses
- 20 per cent for program expenses
- less than 20 per cent for overhead
- 2 per cent for capital expenditures

Sources of funding for an IPA/EDO are typically the government budget, private-sector contributions, and resources from multilateral aid agencies. It is not advisable to charge investors a registration fee, as this defies the purpose of an investor-friendly IPA/EDO.

## Key Learnings

- IPAs should prepare a detailed budget, typically for a three- to five year-period, reviewed each year.
- The budget should include clear budget lines for proactive investment promotion activities, including:
  - recruitment of business development staff;

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<sup>32</sup> For more information see Linsi, *Less Compelling*, and ESCAP, *Handbook on Policies*.

- overseas travel to meet pre-qualified potential investors;
- attending carefully targeted trade shows to meet potential investors (note that a booth is not essential for this);
- organizing FDI promotion events (note that these are especially effective in Asia but less so in Europe or North America);
- appointing specialized lead-generation consulting firms to support overseas investor recruitment activities.





# Organization of Resources

## IPA Organizational Principles<sup>33</sup>

A government needs to create an effective IPA/EDO that is responsible for attracting inward FDI. Some best-practice organizational principles include:

- a clearly defined role and mandate;
- clearly assigned responsibilities and functionalities;
- access to expertise and information to allow for independence from third parties;
- strong linkages with both public and private stakeholders;
- coordination among subnational IPAs/EDOs and national-level government agencies and ministries to formulate a coherent and consistent policy approach to FDI.

In most countries, IPAs/EDOs are part of the government and are often placed within line ministries. However, given the coordinating role of IPAs/EDOs and the special nature of investment promotion, many agencies have requested a higher level of independence or autonomy. The most effective IPAs/EDOs are indeed those that enjoy independent status and report directly to the head of government or state. These IPAs/EDOs are also able to create high-performing corporate office cultures and attract staff from the private sector by offering competitive salaries.

There are four common ways to position IPAs/EDOs within the overall government institutional structure:

- as an integral unit of a major ministry (e.g. industry, trade, finance, planning, economic development, foreign affairs, etc.);
- as a unit within the prime minister's or president's office;
- as a separate ministry;
- as an autonomous agency.

## IPA Key Positions and Skill Sets<sup>34</sup>

At a minimum, the IPA/EDO should include the following key positions:

- chief executive officer: serves as head of office;
- investment promotion manager: handles investor inquiries and is responsible for generating new inquiries (investor targeting);
- investment facilitation manager: assists an investor with all the regulatory, permitting, legal, and operational issues of setting up a new operation in the country/region;
- marketing and research manager: provides the research and marketing collateral in order to promote the location and meet the information requirements of investors;
- aftercare manager: works with the major existing investors to retain and expand FDI.

While the specific skill sets needed will vary based on the job position within the IPA/EDO, key skills required include:

- excellent command of spoken and written business English and other languages spoken by the principal investors being targeted;

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<sup>33</sup> For more information see Linsi, *Less Compelling*, and ESCAP, *Handbook on Policies*.

<sup>34</sup> For more information see Linsi, *Less Compelling*, and ESCAP, *Handbook on Policies*.





- customer focused, to anticipate and satisfy investor enquiries;
- strong communication and relationship skills, to build trust with investors;
- ability to effectively and efficiently organize exhibitions, events, and seminars and develop and deliver high-quality presentations to investors;
- ability to effectively and efficiently identify potential investors and decision-makers and conduct direct outreach (relationship-building) with companies;
- understanding of business structures, corporate strategy, and forces of competitiveness;
- understanding of foreign investors' decision-making processes and business life cycle;
- understanding of sustainability issues, national development plans and priorities, and principles of responsible business conduct;
- ability to lobby and advocate for improvement in the investment climate;
- ability to use CRM systems and databases;
- ability to establish and manage local linkage programs;
- ability to network with local, national, and international partners and stakeholders, in particular national and local government ministries, agencies, business associations, chambers of commerce, etc.

## Key Learnings

- IPAs/EDOs need to have a strong mandate from government and a clear and visible institutional position in overall FDI attraction activities.
- IPAs/EDOs need to have the resources and skills necessary to deliver results.
- While IPAs/EDOs vary considerably in size, all IPAs/EDOs should have key people in positions of investment promotion, investment facilitation, marketing and research, and aftercare.
- For larger IPAs/EDOs, a key decision for the investment promotion and services department is whether to organize on a sector or geographic market basis:
  - If the main focus of the IPA/EDO is on investor servicing, facilitation, and aftercare (i.e., more reactive activities), having sector teams is likely to be the best model.
  - If the main focus is on investment promotion (i.e., more proactive activities), having market teams may be the best model, especially if FDI to the country as effective lead generation requires expertise of the countries being targeted (e.g., understanding of business culture, language, and networks in the country).
  - Many IPAs/EDOs organize their investment promotion teams on a geographic basis and their investor services/facilitation and aftercare teams on a sector basis.





# Key Performance Indicators

## IPA/EDO Performance—What and How to Measure?

A considerable number of IPAs/EDOs lack clear key performance indicators (KPIs), including key indicators of staff performance and a baseline against which progress can be measured. Such indicators can be quantitative (e.g., number of investment projects, attracted capital, created jobs, tax revenues) or qualitative (e.g., priority or strategic types of industries and companies attracted, quality of created jobs), depending on what is being measured.

Most IPAs/EDOs evaluate the success of their actions on the basis of investment announcements rather than realized investment projects, as it can often take one to two years before an announced investment project is actually realized. In addition, IPAs/EDOs measure the direct job creation, safeguarded jobs, and capital investment of these projects.<sup>35</sup>

Table 12 shows sample KPIs for IPAs/EDOs. The most common KPIs used by IPAs/EDOs are number of FDI projects, number of jobs, and volume of capital investment.

**TABLE 12**

### SAMPLE KPIs FOR AN IPA/EDO

• Number of investments	• Policy or regulatory improvements in the investment environment
• Value of investment projects	• National or provincial growth rates
• Number of jobs created	• Sector growth rates
• Increase in tax revenue	• Quality of investments (e.g., moving up the value chain)
• Per capita income growth	• Sources of investment (greater diversity is better than reliance on one or two main sources)
• Number of successful linkages with domestic companies	• New spinoff industries
• Investors' perceptions of the location	• Sources of leads (forum, mailing, advertisement, etc.)
• Investors' rating of the IPA's services	• Number of trans-national corporation (TNC) headquarters established
• Retention and expansion rates of investment projects	• Number of R&D facilities established by TNCs

<sup>35</sup> Loewendahl, *A New Foreign Direct Investment*, 1.



- Conversion rates of:
  - contacts becoming leads
  - leads making site visits
  - site visitors becoming investors

Source: ESCAP, *Handbook on Policies*, 190.

## How to Measure FDI Results of the IPA/EDO

In order to help IPAs/EDO better evaluate their success in attracting greenfield FDI, the following standardized accounting method, which is based around eight key areas and complements investment-tracking systems, can be used:<sup>36</sup>

1. **company information:** company name, type (public/private), percentage of foreign equity, and origin country of the ultimate parent;
2. **project details and status:** project type (new/expansion/merger and acquisition/joint venture), project status (announced/opened), and description of the project;
3. **location and sector information:** location of the investment down to the site address, the International Standard Industrial Classification (SIC) sector code or similar for each project, and the business function;
4. **investment and employment:** total capital investment and jobs to be created within three years, and validation of investment and jobs over time;
5. **qualification that announced investments will happen:** evidence from investors that their projects will happen (project information, business plan, official press release, or written declaration) and/or that the investment process has started (company registration, proof of a real-estate transaction and recruitment);
6. **evidence of IPA/EDO involvement in securing the investment:** inbound enquiry from IPA/EDO marketing activities, meeting the companies and providing business-case information or an incentives package before companies announced their investments, organizing site visits for companies, and providing services to help facilitate their investment;
7. **quality of investment:** the technology level of each project (using international definitions), average salary levels, identifying strategic projects that are high-tech and have high levels of investment and job creation;
8. **return on investment:** key metrics are cost per project, cost per job, and the investment multiplier relative to IPA/EDO budgets. Return on investment of incentives should also be calculated.

WAVTEQ has developed the only specialized software tool to help IPAs accurately measure FDI and organization performance, called FDI Accounting.<sup>37</sup> An example of outputs from the tool can be seen on [www.dubaifdimonitor.com](http://www.dubaifdimonitor.com).

## How to Measure IPA/EDO Involvement

Some IPAs/EDOs go a step further and require investors to complete a questionnaire to validate and certify the role of the IPA/EDO in securing the project. An example from Invest in Sweden Agency is shown in Exhibit 10.

<sup>36</sup> Loewendahl, *A New Foreign Direct Investment*, 2–3.

<sup>37</sup> [www.fdiaccounting.com](http://www.fdiaccounting.com)



## EXHIBIT 10

### INVEST IN SWEDEN AGENCY INVESTOR QUESTIONNAIRE<sup>38</sup>

1. Contact details—investing company		2. Contact details—company in Sweden										
Name of company investing in Sweden		Name of company/entity in Sweden										
Contact person		Contact person										
Telephone no.		Corporate registration no.										
3. Type of investment (please choose one)												
<input type="checkbox"/> New establishment	<input type="checkbox"/> Joint venture	<input type="checkbox"/> Expansion (of existing business in Sweden)										
<input type="checkbox"/> Acquisition	<input type="checkbox"/> Franchise											
<input type="checkbox"/> Strategic alliance	<input type="checkbox"/> Venture capital	<input type="checkbox"/> Other										
4. Jobs at the entity in Sweden												
a) If acquisition, please indicate number of existing jobs at the acquired entity												
For any type of investment (incl. acquisitions) please indicate												
b) Number of <b>new</b> jobs created <b>at the time of</b> the investment												
c) Expected number of <b>new</b> jobs created <b>one year after</b> the investment (in total)												
d) Expected number of <b>new</b> jobs created <b>two years after</b> the investment (in total)												
5. Capital												
Approximate capital investment (SEK)												
6. Type of services provided by ISA												
<input type="checkbox"/> Advice and counseling in the decision process	<input type="checkbox"/> Information especially tailored to your needs	<input type="checkbox"/> Publications fact sheets										
<input type="checkbox"/> Contacts with regional and local authorities, companies and others	<input type="checkbox"/> Practical assistance in the actual establishment process	<input type="checkbox"/> Other										
7. Quality												
Overall quality of assistance	Poor	1	2	3	4	5	6	7	8	9	10	Excellent
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of publications fact sheets provided	Poor	1	2	3	4	5	6	7	8	9	10	Excellent
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. ISA participation												
To what extent did ISA contribute to your investment in Sweden	Not at all	1	2	3	4	5	6	7	8	9	10	Substantially
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The example shows the focus on capturing job-creation and capital-investment data, but questionnaires and surveys for existing investors can also be used to capture other economic impact data including wages, exports, R&D, supply-chain linkages etc.

<sup>38</sup> ESCAP, *Handbook on Policies*, 193–194.



## Publishing the Results of the IPA/EDO<sup>39</sup>

The overall objective behind monitoring and evaluating an IPA/EDO is to utilize the findings to improve the IPA/EDO's performance and enhance the local investment environment. By doing so, the IPA/EDO becomes more effective, while the location benefits from higher levels of employment, income, and an overall improvement in its socio-economic development.

There are various ways to disseminate the findings of evaluations:

- Upload evaluation reports and other knowledge products based on evaluations to the **IPA/EDO website**. Ensure that reports and knowledge products are written clearly and made available in the most commonly used languages, including English.
- Organize a **meeting with interested stakeholders**, i.e., investors, ministries, donors and sponsors, and IPA staff to discuss lessons from the evaluation(s). These meetings could be held on an annual basis.
- Incorporate evaluation findings and lessons learned in the **IPA/EDO's existing publications**, such as annual reports, newsletters, or bulletins.
- Develop a **brochure for the IPA/EDO's activities and accomplishments**.
- Develop a **brief with a concise summary** in plain language and widely circulate.
- Publish an **article for a journal** (business, economic, or academic) both in the country of the IPA and in the home country of main investors based on the evaluation findings.
- Present a **paper at a conference** related to the evaluation subject area. This could be a domestic investment forum or international investment conference such as the UNCTAD World Investment Forum or Dubai Annual Investment Meeting.

## Key Learnings

- It is best practice for IPAs/EDOs to have quantitative targets for attracting FDI, e.g., number of projects, number of new jobs, capital investment, etc.
- However, there needs to be a clear methodology to:
  - qualify that the FDI is definitely happening—what information is needed to be able to confirm an FDI project as a success?
  - measure the role of the IPA/EDO in securing the project:
    - Criteria should be put in place for measuring IPA involvement so that the FDI results can be attributed to the IPA/EDO's activities.
    - This can be very hard, as the IPA/EDO may have had an indirect impact through image-building and marketing activities.
    - It can be easier to measure cases where the IPA/EDO directly supported the investor in making their investment.
- The impact of FDI should be evaluated, including direct and indirect impacts. This will show that the IPA/EDO is making a much greater contribution to the country than the headline FDI data shows.
- The return on investment (ROI) of the IPA/EDO should also be assessed:
  - What is the investment multiplier (the amount of direct and indirect capital investment the IPA/EDO attracted relative to its budget)?
  - What is the cost per job (the amount of direct and indirect jobs the IPA/EDO attracted relative to its budget)?
  - The ROI calculation should be made both including and excluding incentives, as incentives given to investors are part of the costs of attracting FDI.

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<sup>39</sup> ESCAP, *Handbook on Policies*, 194.

# Action Plan



## Types of Action Plan

An IPS requires careful planning. It must ensure the following:

- Its activities are relevant to the strategy objectives.
- Its activities are physically achievable within the constraints of human resources, time, and budget.
- The activities it selects provide the best odds for ROI.
- Its activities are measurable, so that they can be monitored, reported on, scored, adjusted, and learned from.

An IPS action plan should contain or provide:

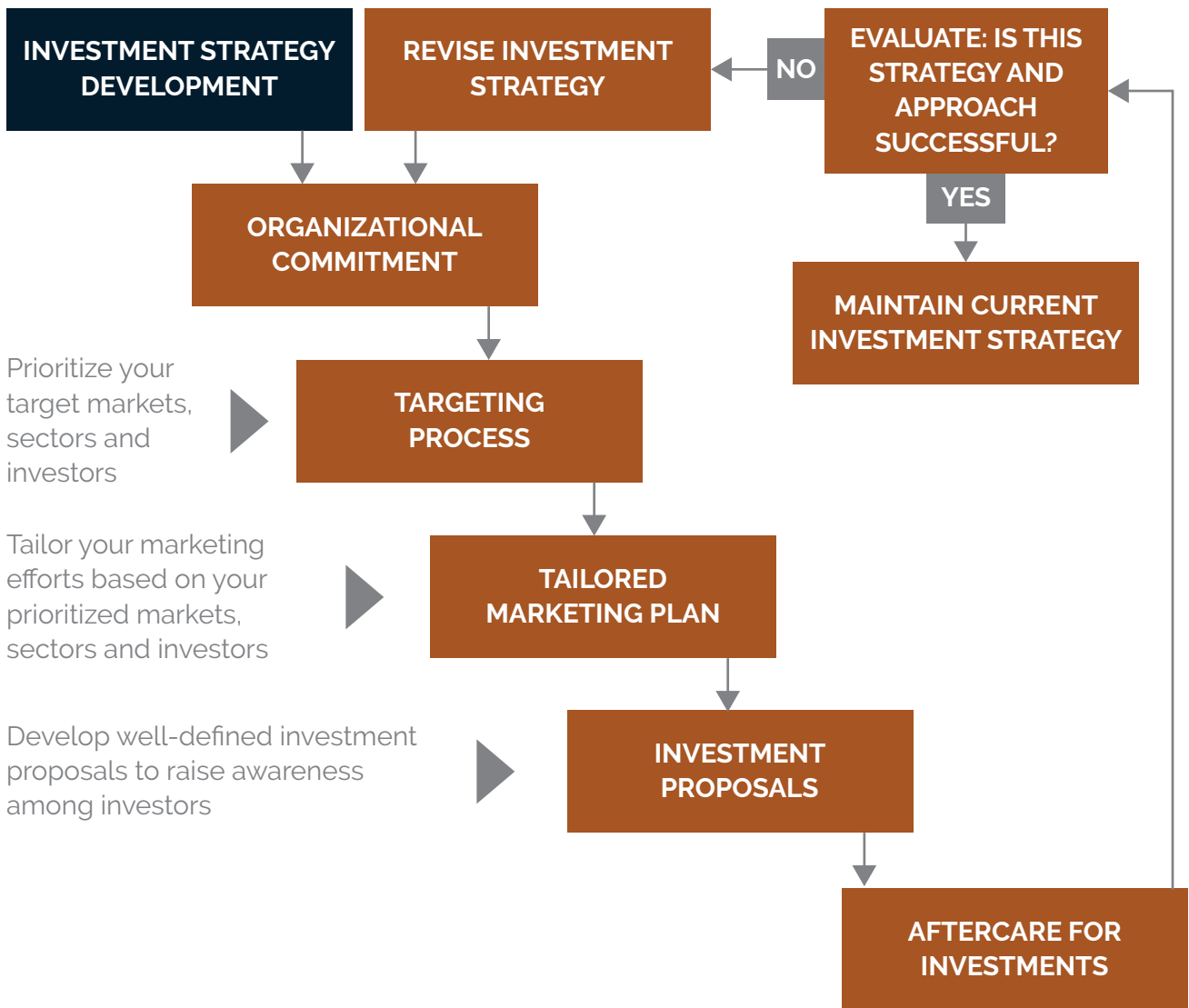
- a three-year strategic plan
- a one-year implementation plan
- a one-year business development plan showing the planning of lead-generation and marketing activities including:
  - identified sectors and markets to be targeted
  - strategic target investors
  - conferences/trade shows that will be attended
  - investment promotion seminars that will be held
  - roadshows that will be conducted
  - marketing and communication activities
  - social media activities
  - clear schedule of when activities and events will take place
- key performance indicators (KPIs)





Exhibit 11 shows a basic IPS action plan.

**EXHIBIT 11**  
**INVESTMENT PROMOTION STRATEGY ACTION PLAN**



Source: ESCAP, *Handbook on Policies*, 205.



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# Appendix



## COMMODITIES FOR WHICH INDONESIA HAS A REVEALED COMPARATIVE DISADVANTAGE, 2017

Product	Indonesia's value of exports, 2017	World value of exports, 2017	Indonesia's share of world exports, 2017 (per cent)	RCA
Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	460,209	33,584,245	1.4	0.99
Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	1,721,646	127,784,210	1.3	0.97
Headgear and parts thereof	42,731	3,331,940	1.3	0.92
Miscellaneous manufactured articles	368,917	29,511,871	1.3	0.90
Iron and steel	3,349,482	269,742,114	1.2	0.90
Organic chemicals	3,115,960	263,255,634	1.2	0.85
Ceramic products	338,744	28,862,692	1.2	0.85
Edible fruit and nuts; peel of citrus fruit or melons	935,952	85,435,055	1.1	0.79
Residues and waste from the food industries; prepared animal fodder	605,359	55,417,948	1.1	0.79
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	819,142	77,711,973	1.1	0.76
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	5,608,016	534,781,174	1.0	0.76
Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	173,213	16,801,682	1.0	0.74
Toys, games and sports requisites; parts and accessories thereof	464,552	46,241,254	1.0	0.72
Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable ...	141,833	14,632,665	1.0	0.70
Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	52,891	5,930,622	0.9	0.64



Product	Indonesia's value of exports, 2017	World value of exports, 2017	Indonesia's share of world exports, 2017 (per cent)	RCA
Fertilisers	285,757	32,134,666	0.9	0.64
Other made-up textile articles; sets; worn clothing and worn textile articles; rags	264,713	29,941,300	0.9	0.64
Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring ...	533,420	60,991,617	0.9	0.63
Carpets and other textile floor coverings	77,083	10,235,349	0.8	0.54
Essential oils and resinoids; perfumery, cosmetic or toilet preparations	716,229	95,287,870	0.8	0.54
Knitted or crocheted fabrics	102,173	13,811,929	0.7	0.53
Preparations of vegetables, fruit, nuts or other parts of plants	290,026	40,852,348	0.7	0.51
Salt; sulphur; earths and stone; plastering materials, lime and cement	209,705	29,654,039	0.7	0.51
Sugars and sugar confectionery	232,093	35,093,581	0.7	0.48
Glass and glassware	279,386	45,041,525	0.6	0.45
Plastics and articles thereof	2,396,579	401,160,697	0.6	0.43
Articles of iron or steel	1,067,964	185,665,889	0.6	0.41
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	6,835,398	1,228,127,966	0.6	0.40
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	8,466,667	1,529,964,014	0.6	0.40
Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...	315,631	61,741,702	0.5	0.37
Products of the milling industry; malt; starches; inulin; wheat gluten	66,663	13,183,519	0.5	0.36
Aluminium and articles thereof	555,050	118,175,546	0.5	0.34
Articles of stone, plaster, cement, asbestos, mica or similar materials	159,874	34,114,538	0.5	0.34
Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	8,465	1,834,136	0.5	0.33





Product	Indonesia's value of exports, 2017	World value of exports, 2017	Indonesia's share of world exports, 2017 (per cent)	RCA
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	5,873,438	1,412,680,886	0.4	0.30
Live animals	63,999	15,698,036	0.4	0.29
Raw hides and skins (other than furskins) and leather	84,994	21,270,481	0.4	0.29
Products of animal origin, not elsewhere specified or included	22,693	6,419,390	0.4	0.25
Lead and articles thereof	26,596	7,528,571	0.4	0.25
Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	10,304	2,958,681	0.3	0.25
Miscellaneous articles of base metal	121,685	40,758,150	0.3	0.22
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	254,659	87,979,782	0.3	0.21
Albuminoidal substances; modified starches; glues; enzymes	51,970	19,552,552	0.3	0.19
Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof	1,354	548,634	0.2	0.18
Ships, boats and floating structures	227,768	97,031,728	0.2	0.17
Edible vegetables and certain roots and tubers	104,425	45,221,593	0.2	0.17
Beverages, spirits and vinegar	179,348	81,400,177	0.2	0.16
Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	79,960	40,723,176	0.2	0.14
Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	17,637	9,863,177	0.2	0.13
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	594,875	424,178,747	0.1	0.10
Pharmaceutical products	557,698	449,320,099	0.1	0.09
Zinc and articles thereof	18,374	15,607,968	0.1	0.08





Product	Indonesia's value of exports, 2017	World value of exports, 2017	Indonesia's share of world exports, 2017 (per cent)	RCA
Printed books, newspapers, pictures and other products of the printing industry; manuscripts, ...	32,485	28,272,147	0.1	0.08
Other base metals; cermets; articles thereof	12,015	11,206,489	0.1	0.08
Railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures ...	20,909	22,972,707	0.1	0.07
Clocks and watches and parts thereof	19,436	39,967,125	0.0	0.04
Aircraft, spacecraft, and parts thereof	103,858	263,517,656	0.0	0.03
Works of art, collectors' pieces and antiques	9,503	25,142,361	0.0	0.03
Silk	262	762,967	0.0	0.02
Furskins and artificial fur; manufactures thereof	846	4,554,532	0.0	0.01
Meat and edible meat offal	18,278	106,848,124	0.0	0.01
Commodities not elsewhere specified	40,678	259,364,989	0.0	0.01
Cork and articles of cork	234	1,627,463	0.0	0.01
Wool, fine or coarse animal hair; horsehair yarn and woven fabric	1,063	10,531,356	0.0	0.01
Photographic or cinematographic goods	696	11,330,041	0.0	0.00
Cereals	4,350	87,431,925	0.0	0.00
Arms and ammunition; parts and accessories thereof	249	12,592,503	0.0	0.00

Source: WAVTEQ calculations based on UN COMTRADE statistics.



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