

7th OECD IPA Network Meeting

Investment promotion & facilitation for sustainable regional development

Summary report

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OECD Conference Centre
Paris, France

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On the 17th of October 2022, the OECD organised a workshop on **Investment Promotion & Facilitation for Sustainable Regional Development**. It was the seventh meeting of the OECD Investment Promotion Agency Network and the first in-person event in three years. The event featured participants from OECD and partner countries, including senior representatives from national and subnational investment promotion agencies (IPAs) as well as policymakers and representatives from the private sector, civil society, academia and international organisations.

MAIN TAKEAWAYS

- Attractiveness factors strongly shape the geography of FDI in the OECD, causing investment levels to vary considerably across regions. Agglomeration effects have led FDI to be highly concentrated in a few hubs. Regional disparities in FDI per capita are much larger than disparities in GDP per capita in the OECD. They also vary considerably across countries.
- Better harnessing FDI to support regional development is a growing priority of governments and IPAs. Almost all national investment promotion strategies have a regional dimension and over 90% of IPAs have the mandate to promote and facilitate FDI in support of regional development.
- Creating local ecosystems for FDI in regions, providing adequate information and focusing on an educated workforce and infrastructure should be top priority actions. National and subnational IPAs can play a critical role on the ground to facilitate and retain investment, including by using digital tools and engaging in policy advocacy.
- The institutional architecture for investment promotion and facilitation can be complex and multi-layered. Different models exist across OECD countries but adequate governance and efficient coordination mechanisms with subnational partners are essential.
- Well-crafted FDI prioritisation and monitoring & evaluation systems are central to ensure that IPA activities support sustainability and inclusion-related objectives, such as those relating to regional development. An increasing number of IPAs use sustainability scoring mechanisms to capture these additional attributes of investment projects.
- There are also several other tools available to IPAs – using more and less advanced analytical methods – that allow agencies to assess the extent to which they assist firms with certain sustainability-related characteristics, and if impact is higher in such cases.

CONTEXT

Geographic aspects are essential for understanding inequalities in investment opportunities and people's living standards. Regional disparities – notably the situation in remote or lagging regions – have been receiving growing public attention in many OECD countries. The effect of regional inequality has become a source of increasingly visible public discontent and a driver of political polarisation. The COVID-19 crisis further accentuated these disparities and moved the issue higher up on the policy agenda.

Foreign direct investment (FDI) can play a major role in supporting regional development by creating jobs, fostering productivity, enhancing skills and innovation, and supporting digital and low-carbon transitions. At the same time, it can exacerbate existing regional disparities, as investors are often attracted to leading regions with larger markets and better infrastructure and services. Attracting investment outside of the main economic hubs is thus a major challenge for many governments and IPAs. Using FDI as a catalyst to promote sustainable regional

development depends on the pertinence and coherence of investment promotion strategies and institutional settings. The institutional architecture for investment promotion is often multi-layered and highly diversified from one country to the other. Better understanding these dynamics can help IPAs and policymakers to be better equipped to attract investment in less developed regions and ensure FDI promotes sustainable regional development.

The OECD IPA Network supports peer-learning and evidence-based dialogue for informed and coordinated responses (see box below for more information on the Network).

HIGHLIGHTS

The meeting was chaired by **Achim Hartig**, Chair of the OECD IPA Network and Managing Director at Germany Trade and Invest. The workshop was held in person at the OECD Conference Centre in Paris, France. In the morning, IPAs and policymakers from OECD and partner economies as well as representatives from the private sector, civil society, academia and international organisations attended a plenary session to discuss investment promotion and facilitation for sustainable regional development. In the afternoon, focus sessions allowed IPA practitioners from OECD members to exchange in a smaller and more technical setting. The second session addressed the strategies, governance and coordination mechanisms used by IPAs to support regional development, while the third session focused on strategic FDI prioritisation and tools for monitoring & evaluation with a specific focus on sustainability scoring mechanisms. The workshop concluded with a final session that discussed the relevance, visibility and financial sustainability of the Network.

SESSION 1: FOREIGN DIRECT INVESTMENT IN SUPPORT OF REGIONAL DEVELOPMENT: OPPORTUNITIES, CHALLENGES AND THE ROLE OF INVESTMENT PROMOTION & FACILITATION

The morning was dedicated to discussing how FDI can support regional development and the role of investment promotion and facilitation. The wide range of participants brought perspectives from different countries and backgrounds. The session was divided into two parts. The first part addressed trends and perspectives on FDI distribution across regions while the second part allowed IPAs to share their perspective and experiences on FDI and regional development in their countries and their role as facilitators of FDI in regions.

The session started with introductory remarks by **Antonio Gomes**, Deputy Director of the Directorate for Financial and Enterprise Affairs at the OECD, who welcomed participants. He stressed how the current economic context has affected investment flows across the world and made some key points on why FDI is critical to support sustainable regional development.

Achim Hartig, who moderated the morning sessions, opened by commenting on the importance of the reunion for sharing best practices among IPAs of like-minded countries. He then proceeded to introduce the panel of the first session.

Fares Al Hussami, Economist at the Investment Division of the OECD, presented the results of the first section of the OECD background paper *"The geography of foreign investment in OECD countries: how investment promotion agencies support regional development"* which provides comparative measures of regional disparities in FDI in OECD countries. He explained that FDI per capita disparities across regions remain high compared to disparities in GDP per capita, albeit, they have been declining in recent years. He also explained that the way FDI affects regional disparities depends on the qualities of the investment, i.e. its impact on development outcomes. He provided numbers showing how FDI impact on job creation can greatly vary across regions.

Riccardo Crescenzi, Professor of Economic Geography from the London School of Economics, presented three key points that IPAs should consider in relation to FDI. The first point is that IPAs should go beyond pure investment attraction and consider the impacts that FDI has on the labour market, both in the quality and quantity of jobs created. The second point addressed the architecture for promotion, describing regional and national IPAs as "institutional plumbers" that are effective at facilitating investment in less developed regions. The third point was related to misconceptions that IPAs usually have about FDI, notably that technological giants are not

always the best options to fully absorb the positive effects of knowledge spillovers or that such spillovers are not only generated from inward FDI, but also from outward FDI.

Martin Kaspar, Head of Corporate Development at Fränkische Industrial Pipes, provided insights from the private sector's perspective. He pointed out that businesses do not have regional development in their agenda, but that it is important to consider what makes the regions attractive to reduce the risks of companies' investments. He pointed out that IPAs can attract private investment into less developed regions if companies are provided with relevant information, buoyant ecosystems, and adequate conditions, such as good infrastructure and an educated workforce.

The floor was then open for discussion. Comments were made on how to avoid competition between regional IPAs from the same country, on the importance of coordination between the different layers of government, and on the role that incentives can play – or not – when attracting FDI into less developed regions.

The second part of the session began with the intervention of **Deepak Bagla**, President of The World Association of Investment Promotion Agencies (WAIPA) and CEO & Managing Director of Invest India. He talked about the importance of bringing together all investment actors with IPAs providing the platform for this communication and dialogue. In the same way, he highlighted that digitalisation, innovation and democratisation should be embraced by IPAs.

Hilde van der Meer, Commissioner of the Netherlands Foreign Investment Agency, presented the work done by Invest in Holland, a network through which different government agencies from different levels of government collaborate and share information and resources with the objective of promoting FDI into the Netherlands. She explained that by encouraging friendly relations between the agencies, they were able to foster trust between all the parties involved and avoid regional competition.

Next, **Martin D. Shanahan**, CEO of IDA Ireland, shared that regional development had become a central part of their strategy. He recalled the extent to which FDI had transformed Ireland into a modern economy and stressed the need for IPAs to promote equal distribution of FDI for all regions to provide economic prosperity for all citizens. He also made the point that while regional disparities in FDI can be high in many countries, FDI benefits the country as a whole, including less developed regions.

The Chair then gave the floor to **Tim Newns**, Managing Director for Levelling Up at the Department for International Trade of the United Kingdom. He mentioned that agglomeration is a key attracting factor for FDI. For this reason, national IPAs must strive for the development of coordinated policies across all government levels to develop the correct conditions to attract FDI into less developed regions. He explained how the UK established the Office for Investment, a joint unit reporting both to the Department for International Trade and the Prime Minister, which works across government to attract top-tier investment into the country.

Jihane Lmimouni, Head of the Investment Commission Department of the Moroccan Investment and Export Development Agency followed up by explaining how their high level of collaboration with regional IPAs allows them to better take care of new and current investment projects effectively. This collaboration is especially important in areas related to promotion strategies, aftercare services and legal advice.

The session concluded with **Wojciech Tyborowski**, Director of Invest in Pomerania, a subnational IPA in Poland. He shared how benchmarking and peer-learning helped create and improve the regional IPA in Pomerania, a historically underdeveloped region in Poland. He also mentioned that, thanks to their work on workforce training, they were able to increase their level of attractiveness for FDI.

An exchange of views followed, where the consensus was that collaboration between the national and subnational IPAs, as well as with various levels of government, is key for the creation and implementation of successful regional FDI attraction and retention strategies. Collaboration should come in the form of information sharing and activity coordination.

In his closing remarks, **Achim Hartig** emphasised the importance of the OECD IPA Network as a peer learning platform. Then, **Dorothee Allain-Dupré**, Head of the Regional Development and Multi-level Governance Division at the OECD, presented the work done on regional development and underlined the need to bring the investment promotion and regional development communities closer to each other to further explore the relationship between FDI and regional development. Finally, **Ana Novik**, Head of the Investment Division at the OECD, thanked everyone for their diverse and relevant contributions.

SESSION 2: THE ROLE OF IPAs IN PROMOTING SUSTAINABLE REGIONAL DEVELOPMENT: STRATEGIES, GOVERNANCE AND COORDINATION MECHANISMS

This session was a continuation of the morning sessions with OECD IPA practitioners. It explored the strategic approach, governance settings and coordination mechanisms of investment promotion in support of regional development. It also discussed the results of the OECD survey on investment promotion and regional development.

The session was opened by the moderator **Eva Jungmannova**, Director of the Investment and Foreign Operations Division at CzechInvest. She provided introductory remarks on the Czech experience in terms of the integration of regional development in investment promotion initiatives and on the way these initiatives are coordinated at the subnational level. She explained that to achieve this, CzechInvest's regional offices have developed close links with local authorities.

Alexandre de Crombrughe, Economist & Manager in the OECD Investment Division, continued by presenting the results of the 2022 OECD survey on Investment Promotion and Regional Development and the main findings from the accompanying policy paper. The survey showed that promoting investment in support of regional development is a high priority for OECD governments and that most national IPAs have regional development in their mandates. Alexandre also pointed out that, while the architecture for investment promotion and facilitation is often multi-layered, national IPAs have an overall good relationship with subnational entities. He finalised by sharing the most relevant challenges and opportunities to attract FDI into less developed regions.

The first panellist, **Elizabeth Schaefer**, Director of Investment Research at SelectUSA, explained how the agency cooperates with economic development organisations (EDOs), the services it offers and the platforms it uses to optimise collaboration and make FDI work for regional development. She pointed out that, even though SelectUSA has a geographical neutral mandate and is a federal agency, it helps promote regional development through other means such as organising meetings for investors and providing information via online platforms.

Sabrina Losio, Head of Cooperation and International Promotion of Territories at Business France, provided insights on Business France's approach to regional development and how it cooperates with regional development agencies by elaborating common strategies and collaborative roadmaps with the regions. She also mentioned that being under the supervision of three different ministries allows for the work done by the agency to have a more holistic perspective.

The last panellist, **Adrian Blanco Estévez**, Head of the Funding Department at ICEX-Invest in Spain, shed light on the Spanish experience, particularly on the relationship between the national IPA and the subnational agencies, and the way coordination and complementarity are maximised. He shared the tools used to achieve this, such as the existence of an integrated communication software and the organisation of biannual meetings to develop image building programmes.

In the discussion that followed, speakers touched on how digitalisation, especially business intelligence platforms, can help with the identification and attraction of new clients. Participants mentioned that digital tools alone are not enough and that in-person meetings, improvement of internal processes and collaboration with other agencies are also key factors that come into play.

SESSION 3: STRATEGIC FDI PRIORITISATION AND TOOLS FOR MONITORING & EVALUATION ADDRESSING THE CHANGING GLOBAL FDI LANDSCAPE: NEW APPROACHES

This session centred on the reorientation of IPA investment prioritisation and monitoring and evaluation (M&E) strategies. In particular, the session featured the experience of IPAs that have introduced, or plan to introduce, a sustainability scoring mechanism to support their investment attraction as well as other relevant tools that help IPAs better measure sustainability of targeted and assisted investment projects.

Anna Hammarberg, Manager Investment Promotion from Business Sweden, moderated this session. She opened by providing introductory remarks on the Swedish experience in scoring investment projects and offered her thoughts on opportunities and challenges associated with better measuring sustainability. She has also outlined Business Sweden's approach to scoring investment projects as well as future plans on strengthening the sustainability-related component.

Monika Sztajerska, Economist in the Investment Division at the OECD, provided a background presentation. It featured the results of the 2022 OECD survey on the use of sustainability scoring mechanism and insights from broader work on monitoring and evaluation of IPAs that aims to better measure the attracted investment's contribution to sustainable development. An important finding of the survey was that IPAs have been increasing the use of sustainability scoring mechanisms and more generally aiming to capture sustainability in their metrics. Alternative sources of data have also been shown to provide ideas for further reflection in this area.

The presentations began with **Antti Aumo**, Head of Invest in Finland at Business Finland. Antti explained Business Finland's use of an FDI project scoring for client selection and project prioritisation, and the application of dedicated sustainability-focused key performance indicators (KPIs). He has also explained how the metrics are used in practice in the work investment attraction team to assess specific opportunities. He also expanded on the agency's focus on treating sustainability as part of the whole investment promotion process.

Achim Hartig, continued by providing insights on Germany's introduction of sustainability scoring. Achim discussed the two parts of his agency's questionnaire that is used to rate both the long-term sustainability and resilience of each investment project. He also elaborated on their experience with its implementation and gradual adjustments over time to help better determine the economic value of possible investments. This involved, among others, a fine-tuning of sectoral targets combined with project-level criteria evaluated by the responsible teams.

To conclude the panel presentations, **Karolina Król-Skowyrska**, State Aid Expert from the Polish Agency for Investment and Trade, shared Poland's experience in using a scoring mechanism to support investment prioritisation efforts through public aid support. In particular, she shared information on the specific indicators related to economic sustainability and social development used to score investment projects that benefit from fiscal incentives under two different support schemes. She also provided insights on its planned future adjustments.

A general discussion followed the presentations from the panellists on how to tackle current challenges and expand the toolkit of IPAs related to measurement of sustainability in prioritisation and monitoring and evaluation. One question that emerged from the discussion has been how to reconcile the goals of attracting more FDI and ensuring attracted project meet desirable sustainability criteria. The attendees also mentioned that the growing interest of both the private and public sector, at the national and regional level, has been pushing IPAs to further develop their prioritisation strategies to better integrate sustainability objectives.

SESSION 4: THE WAY FORWARD – CONCLUSIONS & GOVERNANCE

The workshop concluded with a final discussion to take stock of the three sessions of the day and to share ideas and priorities for the future.

Participants notably discussed ways to increase the relevance, the visibility and the financial sustainability of the OECD IPA Network. Members mentioned the importance of maintaining a healthy exchange of information and high level of relevance of the activities. While a new

financial model could be proposed in the future, the Secretariat recalled that, for the time being, the OECD work on investment promotion and facilitation is financed by voluntary contributions and that all participants are invited to consider providing financial support to the activities of the OECD IPA Network. The 2022 Work Plan was supported financially by the IPAs of Costa Rica, Germany, Ireland, the Netherlands and the United Kingdom as well as the State Secretariat for Economic Affairs of Switzerland. Countries interested to support the 2023 Work Plan are invited to contact the OECD Secretariat.

The OECD IPA Network

The OECD contributes to global thinking and international co-operation on investment promotion and facilitation through comparative analysis and experience sharing. In 2016, the OECD IPA Network was created under the auspices of the OECD Investment Committee to bring together senior investment promotion practitioners and facilitate peer-learning on issues of common interest.

The Network's main objectives are:

- To bring together a community of like-minded investment promotion practitioners willing to engage in discussions, exchanges and experience sharing;
- To benefit from OECD expertise to gather, build and use knowledge and evidence-based analysis on investment promotion and related topics; and
- To engage with a broader community of policymakers and IPAs, including from regions and countries outside of the OECD area, and with other areas of OECD expertise.

The OECD IPA Network has established itself as an important forum for exchange and networking among practitioners from IPAs across the OECD area and beyond. The thematic discussions, which take place during annual meetings every October, advance collective understanding on issues of joint interest and facilitate exchanges on best practices.

The OECD IPA Network is chaired by Achim Hartig, Managing Director at Germany Trade and Invest, and closely advised by a Steering Group composed of the IPAs from Canada, Costa Rica, Czech Republic, Finland, Germany (chair), Ireland, Luxembourg, Netherlands and the United Kingdom.

More information and resources can be found at www.oecd.org/investment/investment-promotion-and-facilitation.htm.