

Lessons from Experience: Effective Organization for FDI

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FIAS

THE MULTI-DONOR INVESTMENT
CLIMATE ADVISORY SERVICE
OF THE WORLD BANK GROUP

Overview

- FIAS – about us
- Why focus on institutions?
- IPA Performance Review – Global results & lessons
- IPA Performance Review – Costa Rica
- Getting the basics right
- Key Success Factors

FIAS – a little bit about us

- FIAS is a multi-donor service of IFC, the private sector arm of the World Bank Group; the Multilateral Investment Guarantee Agency (MIGA); and the World Bank.
- FIAS advises governments of developing and transition countries on how to improve their investment climates for domestic and foreign investors.
- FIAS focuses on:
 - regulatory simplification,
 - industry-specific investment climate issues, and
 - investment policy and promotion.
- Since its establishment in 1987, FIAS has assisted over 130 countries in increasing the level and impact of private investments through more than 680 projects

Why focus on Institutions?

- There are 195 countries in the world and each - to some degree or another - is seeking FDI
- Most small nations, like Costa Rica, are seeking FDI in an extremely competitive segment of the market (export oriented – mobile FDI)
- Wells and Wint: Marketing a Country
 - Link: [Original 1990](#)
 - Link: [Revised 2000](#)
- Sustained success is achieved through hard work and consistency over time – and someone or something must take responsibility to keep the focus
- Vital in downturns to preserve market share
- FDIcenter.com (registration is free)

Developing Country IPAs: A Health Care Crisis

Primary causes of death or debilitation:

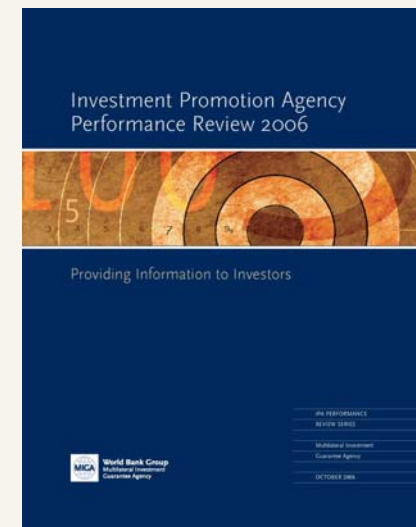
- **Dementia:** Government forgets the purpose of the IPA and begins to see the beauty of “invisible hands”
- **Anorexia:** IPA tries to get the Government’s attention by becoming skinny or simply making do with less – bingeing may also occur if given the opportunity
- **Paranoia:** IPA wonders whether it will survive - loses its mind and internal effectiveness as it begins to spend more and more time justifying its existence and wonders who else is “out to get it”
- **Split personalities:** as a survival mechanism takes on additional roles to save itself and buries its real personality under layers of alter egos

Risk Factors for small country IPAs:

- **Premature birth:** policy environment not prepared or no internal capacity
- **Inappropriate diet:** Focuses only on promotion “junk food” – ie. fairs and shows
- **Traumatic events:** Passing of a political sponsor and/or elections
- **Overdose:** killed by its own success
- **Blindness or loss of vision:** by birth or over time due to lack of strategy and/or M&E

IPA Performance Review

- **MIGA IPA Performance Review 2006 (114 agencies)** builds on 2005 pilot (102 agencies), with additional components:
 - second investor inquiry handling assessment
 - assessment of IPA website
- **Refines website methodology** for evaluating promotion websites
- **Develops inquiry handling methodology** related to rating IPA's responses to investor inquiries



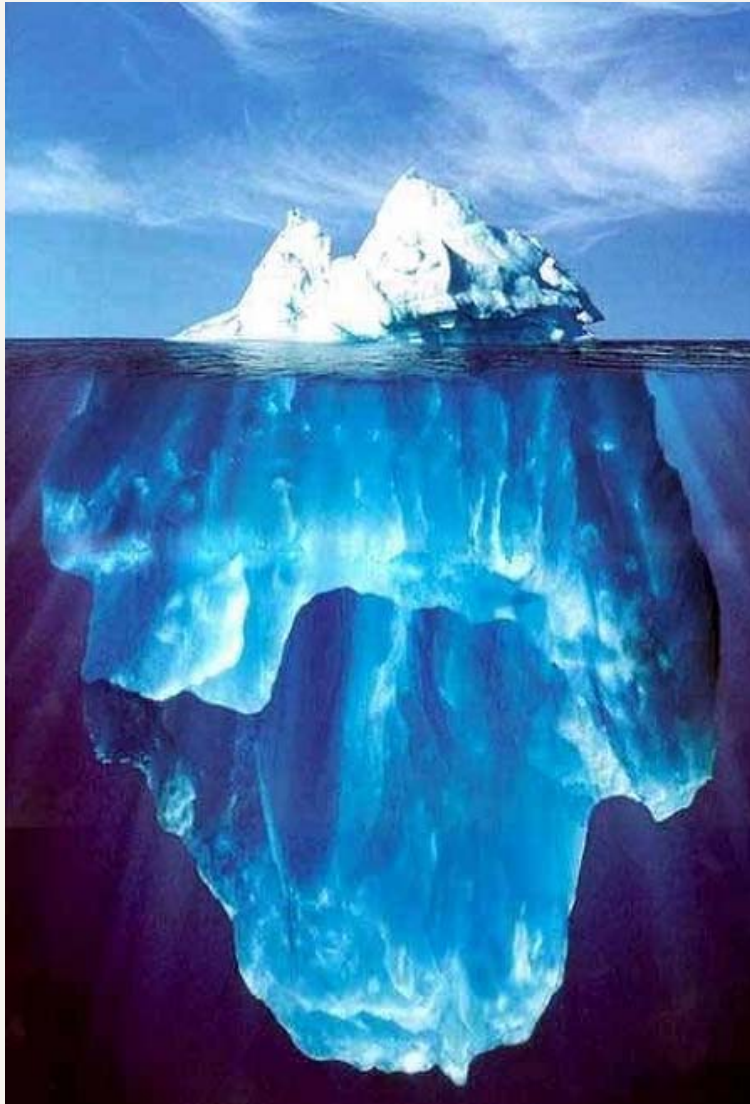
Methodology

- Pragmatic approach to assessing agencies
- From the investor's perspective
- Website assessments from the point of view of investors' site selection needs
- Used "mystery shopper" approach to compare performance of IPAs' handling of investment inquiries against regional and global benchmarks using Key Location Factors (KLFs)
- Reviewed 114 developing country IPAs - at national and sub-national levels
- Benchmarked these results against a selection of 'world's leading agencies in investor servicing (see list)
- Link: [The Public Report](#)

Typical key location factors (KLFs)

Manufacturing	Office-Based Services	Research & Development
<ul style="list-style-type: none"> ▪ Economic & political stability ▪ Regulations on treatment of foreign-owned firms (and profits) ▪ Market size ▪ Market growth ▪ Presence of suppliers ▪ Presence of competitors ▪ Utilities supply (power, ICT, water etc) ▪ Property availability ▪ Transport infrastructure ▪ Labor force skills & availability ▪ Labor costs ▪ Utility costs ▪ Transport costs ▪ Property costs ▪ Intellectual infrastructure and intellectual property rights ▪ Import & export conditions & trade treaties ▪ Business support 	<ul style="list-style-type: none"> ▪ Economic & political stability ▪ Regulations on treatment of foreign-owned firms (and profits) ▪ Labor force skills & availability ▪ Market size ▪ Market growth ▪ Presence of competitors ▪ Utilities supply (power, ICT) ▪ Property availability ▪ Air connectivity ▪ Labor costs ▪ Property costs ▪ Utility costs ▪ Business support 	<ul style="list-style-type: none"> ▪ Economic & political stability ▪ Regulations on treatment of foreign-owned firms (and profits) ▪ Labor force skills & availability ▪ Intellectual infrastructure and intellectual property rights ▪ Market size ▪ Market growth ▪ Utilities supply (power, ICT, water etc) ▪ Air connectivity ▪ Property availability ▪ Labor costs ▪ Property costs ▪ Utility costs ▪ Business support

What the investor should see



The ultimate aim of IPAs is to attract FDI above and beyond that which the economy could expect through natural or organic growth.

To do this the IPA has to be client-facing & responsive to the market as well as being active in the market.

However up to 80% of an IPA's effort can go into other activities:

- Internal organization and systems
- Responsibilities to Ministers, Parliament etc. Sometimes the political can get in the way.
- Policy responsibilities & role across govt for FDI
- General business processes
- Gathering research for use in investment promotion & business cases.
- Administering investment programmes & grants, etc.

What the investor too often sees

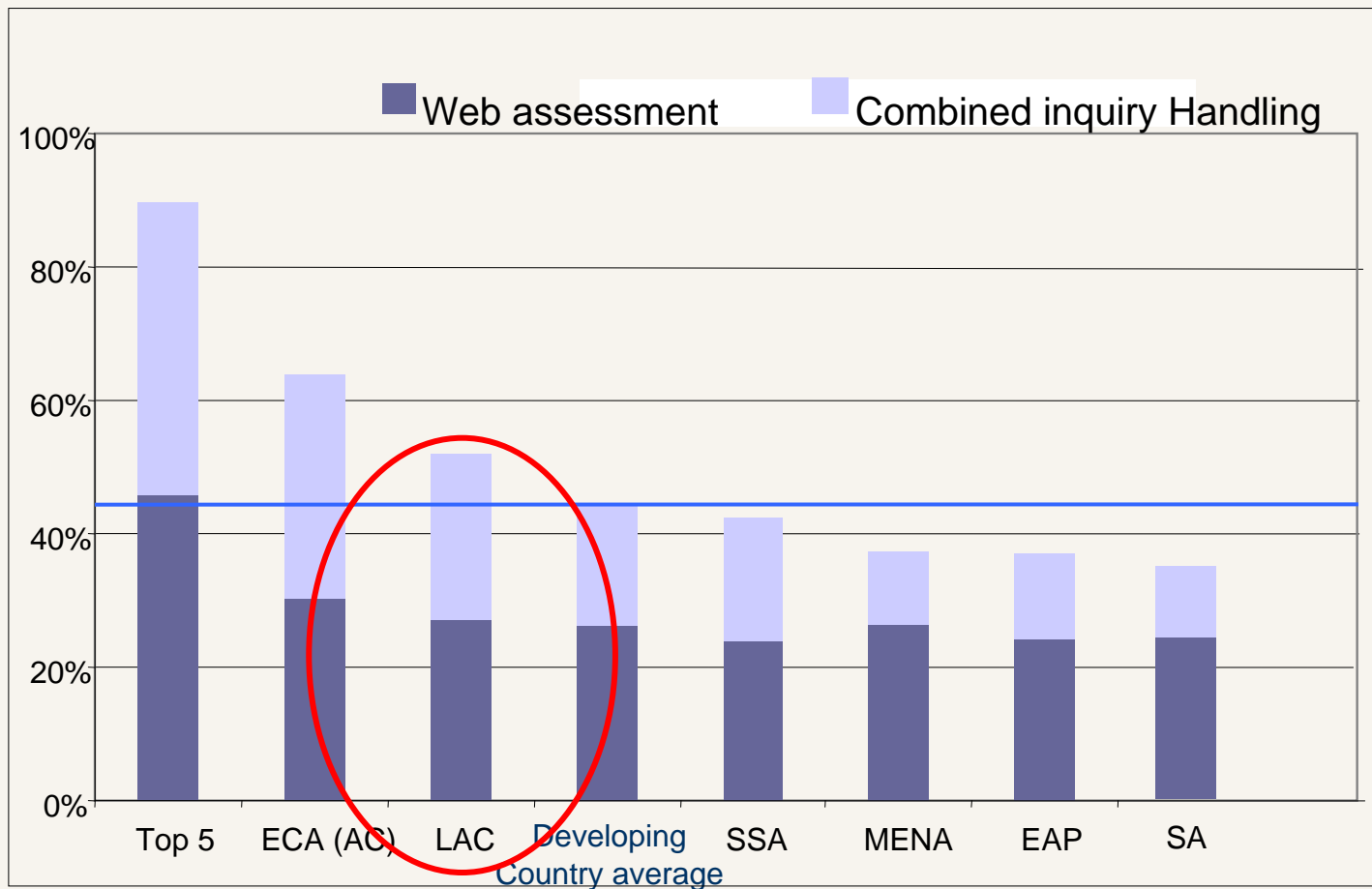


- Can't get hold of them, poor contactability
- Not aware that the role is to sell the location
- 'Invest in Anywhere' marketing
- Lack of detail in the proposition
- Lack of finesse in communicating with clients
- Lack of drive for customer service
- Front line staff unable to answer basic questions- but project managers good.
- Too much 'back office' activity evident to clients.
- Assume that clients have limited choice.
- Clients running into bureaucracy before they get the sales message.

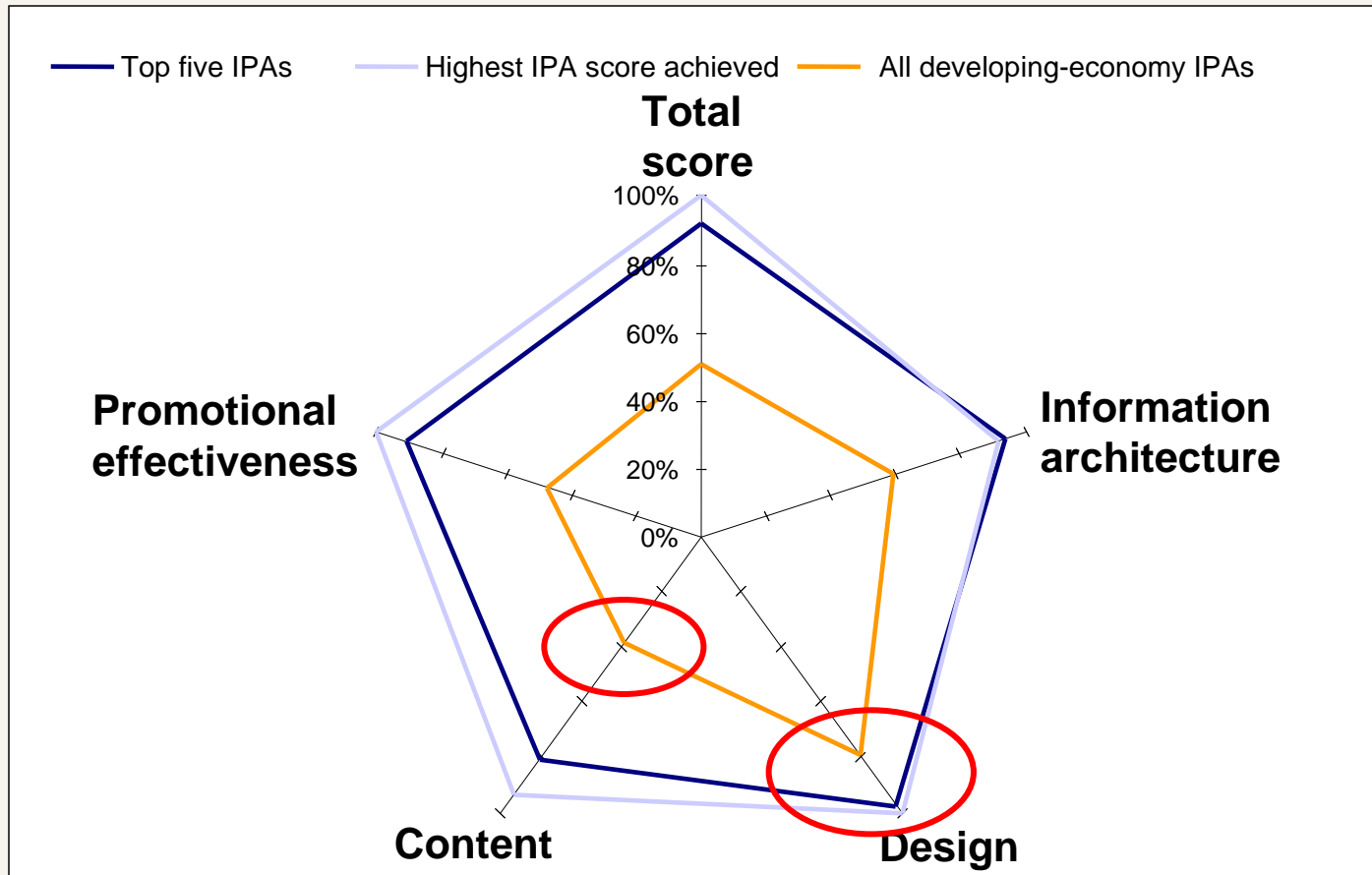
Interpretation of Results

- **Results have substantial practical value:**
 - unique comparative data on IPA performance as it relates directly to investor information servicing
- **However, it is important to remember that the study:**
 - benchmarks investor information, not every investment promotion dimension
 - does not take into account comparability of resources
 - human, financial, technical – across IPAs, regions
- **Interpretation of the results should always consider these limitations**

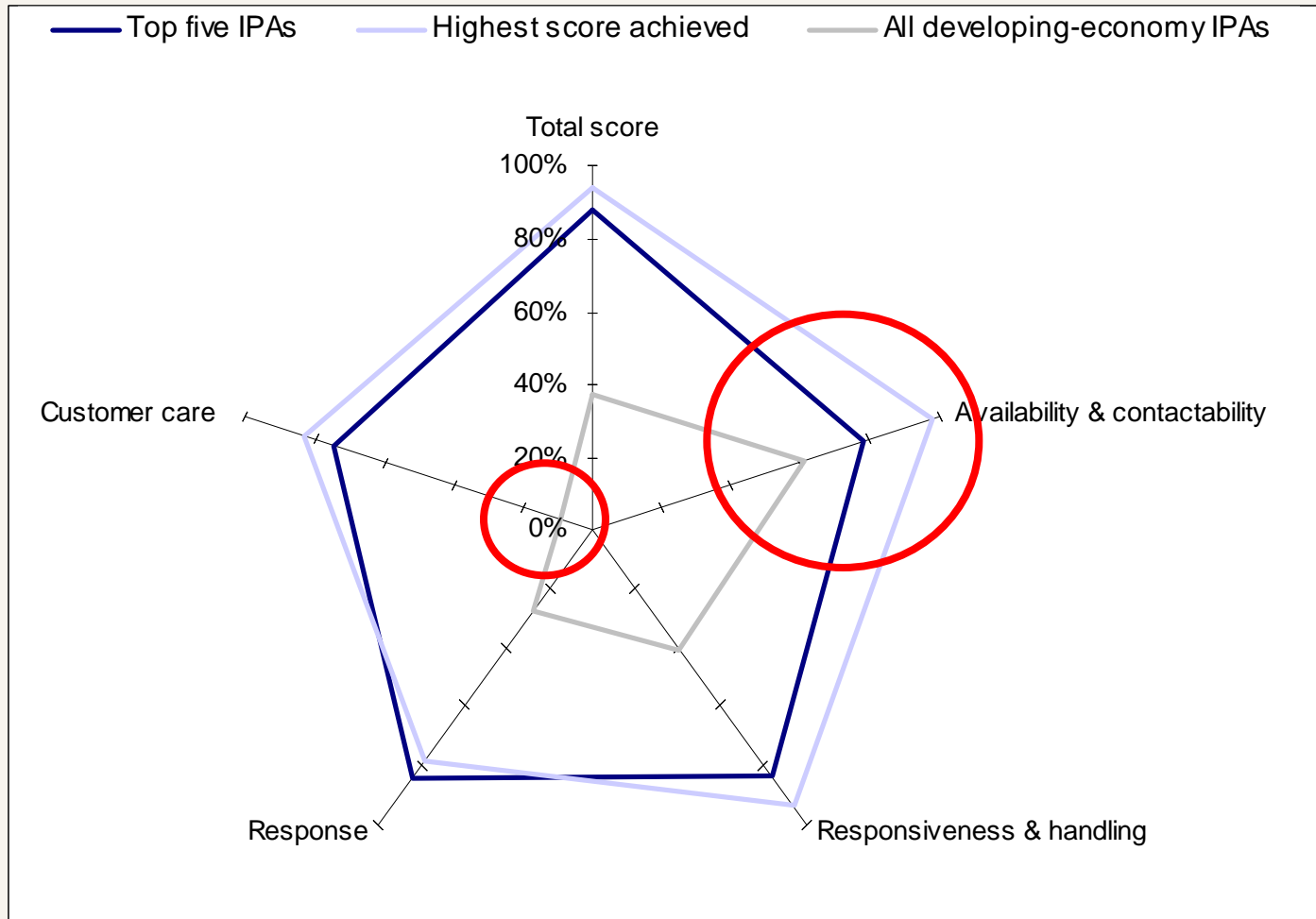
Average overall indexed scores – by region



Web site assessment results, by theme



Combined Inquiry-handling assessment results, by theme



Conclusions (1)

Room for Improvement

- Many IPAs are not yet providing the levels of service and information that investors expect (even though it is the most basic service to be offered).
- As a result, many developing-economy IPAs are receiving less contact and attention from investors than they could receive if they performed better.
- IPAs that are not able to provide investors with good service and relevant information are unlikely to be called upon to assist with investment projects.

Technology is Not Enough, by Itself

- IPAs performed relatively more strongly in the Web site assessment than in the inquiry-handling assessments. This seems to indicate that the IPAs have many have made initial investments in communication technologies
- But, organizational systems and skills needed to successfully interact with and support inward investors remain weak - IPAs need to balance their adoption of technology with the development of organizational and client-facing skills.

Conclusions (2)

Know Your Product

- There was also a fundamental lack of marketing sophistication. IPAs often failed to demonstrate how the *assets* of their locations translate into *advantages* for specific investors.
- Many IPAs exhibited weak or nonexistent systems for receiving, handling, and responding to investor inquiries.
- In many cases, whether the investor received a response or not often seemed to depend on factors such as whether the right person was available on the day the inquiry was received.
- To address this area, IPAs should audit the capabilities of their frontline staff and project managers and develop plans to enhance their capabilities in these areas.

Conclusions (3)

Systems fall short, leads fall through the cracks

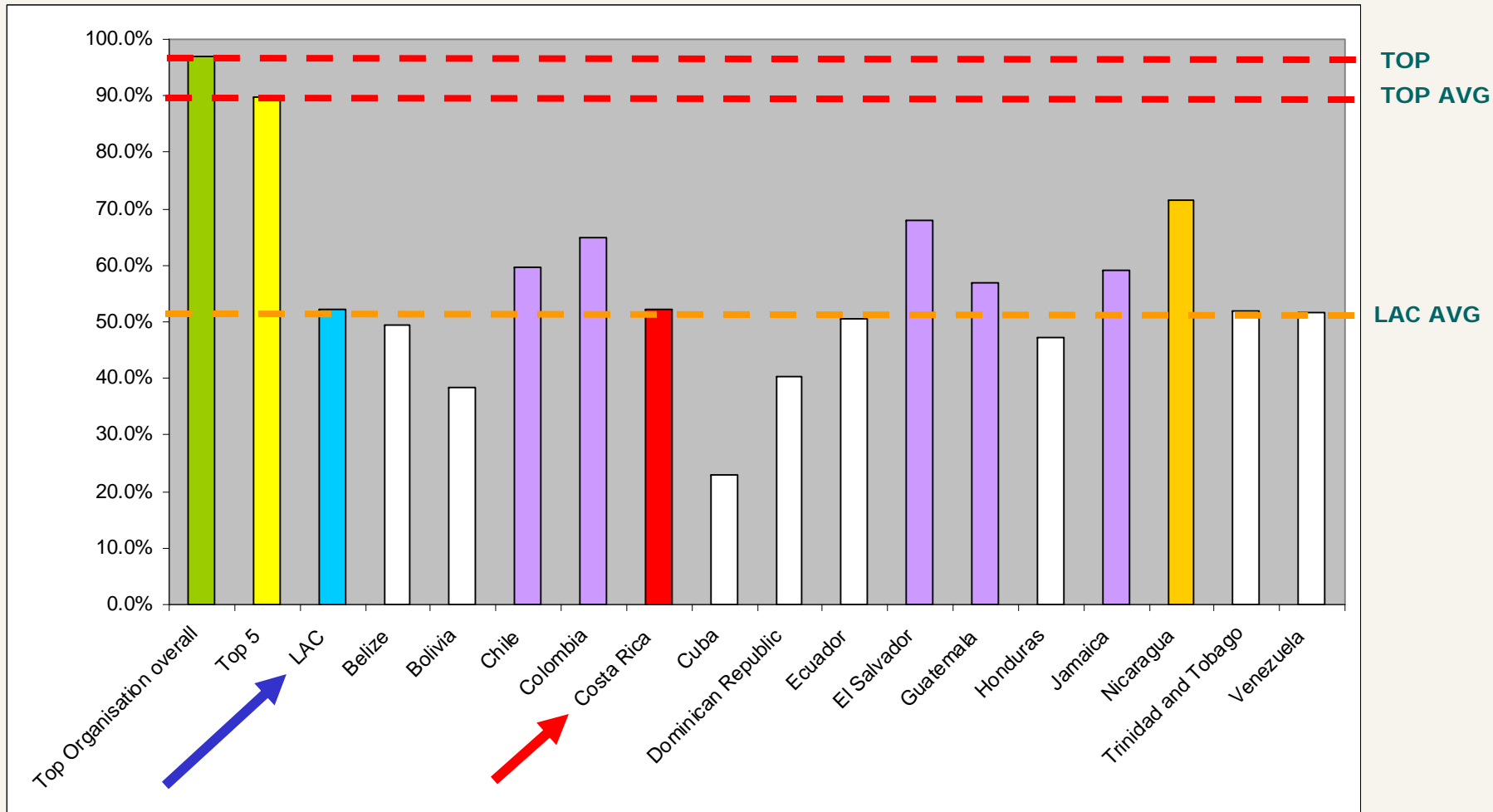
- Most of the surveyed IPAs did not appear to appreciate the need for an integrated inquiry-handling system. On too many occasions, the consultants were passed back and forth between teams and people within the IPA, a sign that the agency had no clear idea who should handle the inquiry.
- IPAs should aim to integrate their service offerings so they can be monitored and continuously improved in order to ensure better service for investors.
- Many of the IPAs surveyed exhibited a significant variation in performance between the two inquiries, another indication that the overall system for inquiry handling is weak or nonexistent. Investors should be able to expect a good level of service and response every time.

Conclusions (4)

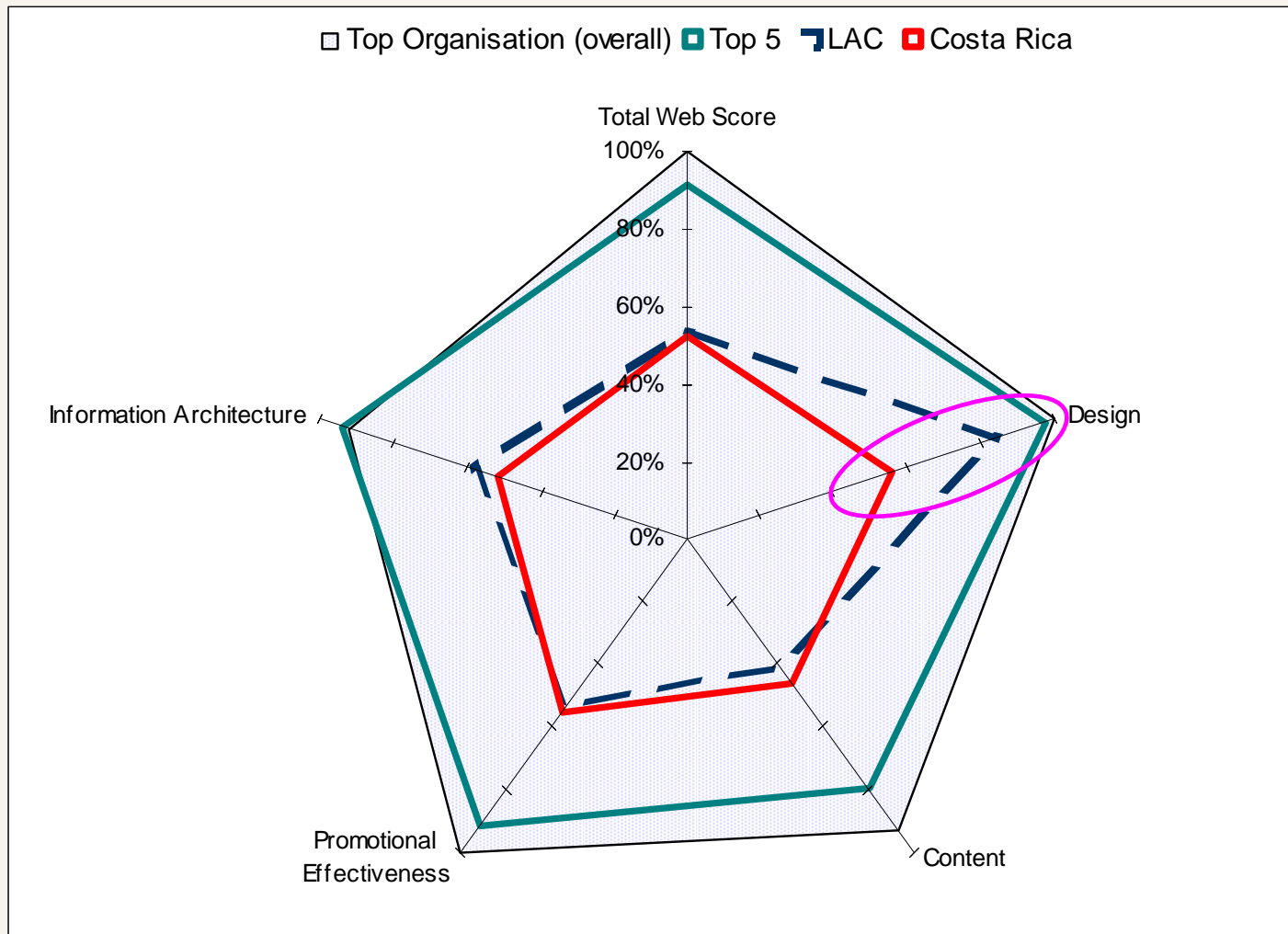
Work on Investor Contact Skills

- There is a need for capacity building in the “softer” aspects of inquiry handling: communications and customer care, internal investor handling systems, filing and records systems, preparation of responses, report writing, and so on.
- IPAs should audit the capabilities of their frontline staff and project managers and develop plans to enhance their capabilities in these areas.
- IPAs should review their inquiry-handling systems to identify the bottlenecks and constraints resulting in variable performance.

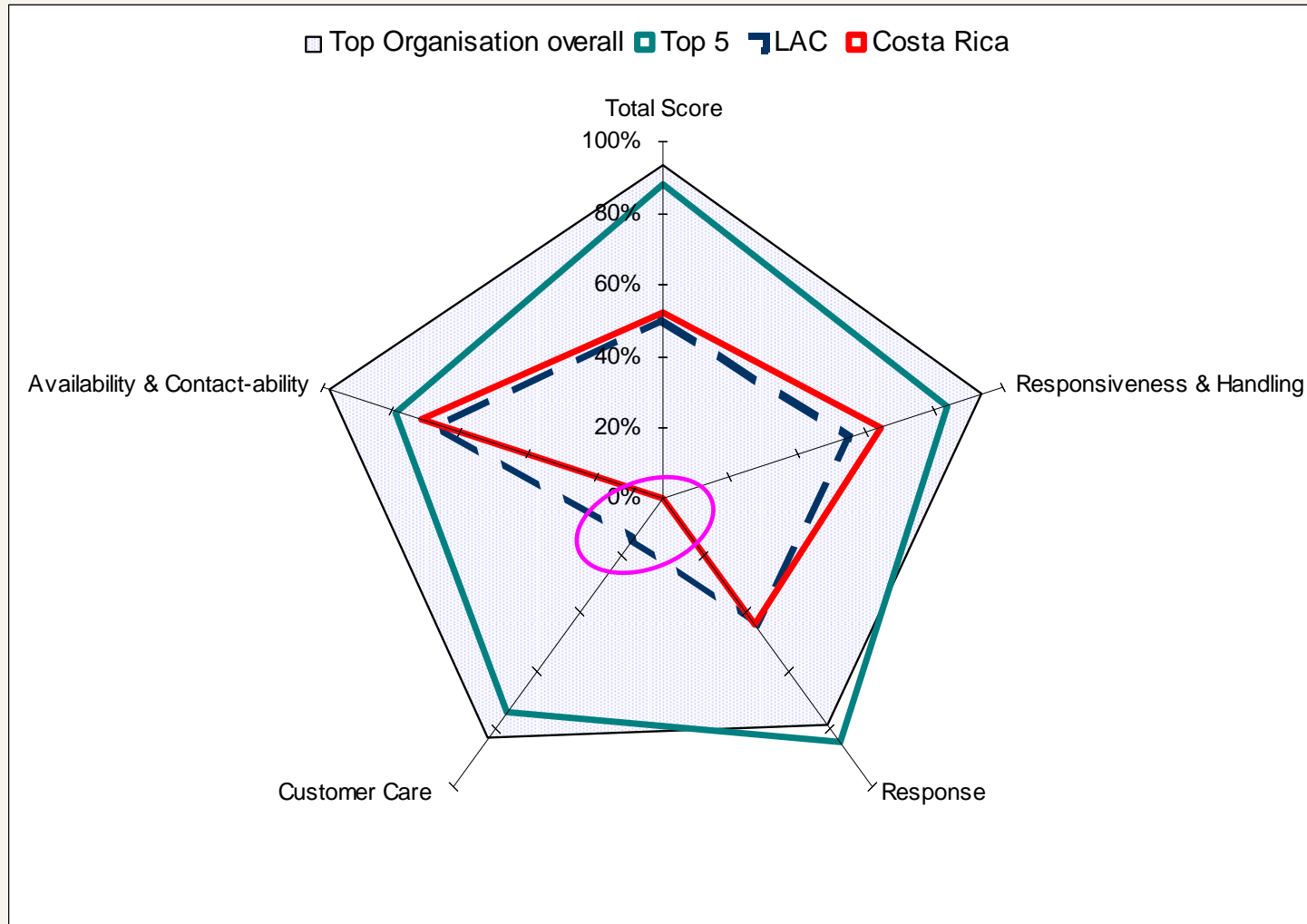
Costa Rica – Regional Perspective



Website Assessment



Enquiry Handling



Back to the Basics

- Don't get lost in:
 - Theory
 - Study tours
 - Case studies (the obvious lessons overlooked)
- Maintain focus
- Keep it corporate
- Never underestimate the power of marketing

Key Success Factors: the 4 P's of Investment Promotion

- People: there's no special widget
- Payment: there's no free lunch (in the long run)
- Performance: there's no future without results
- Policy: there's no substitute for action or leadership

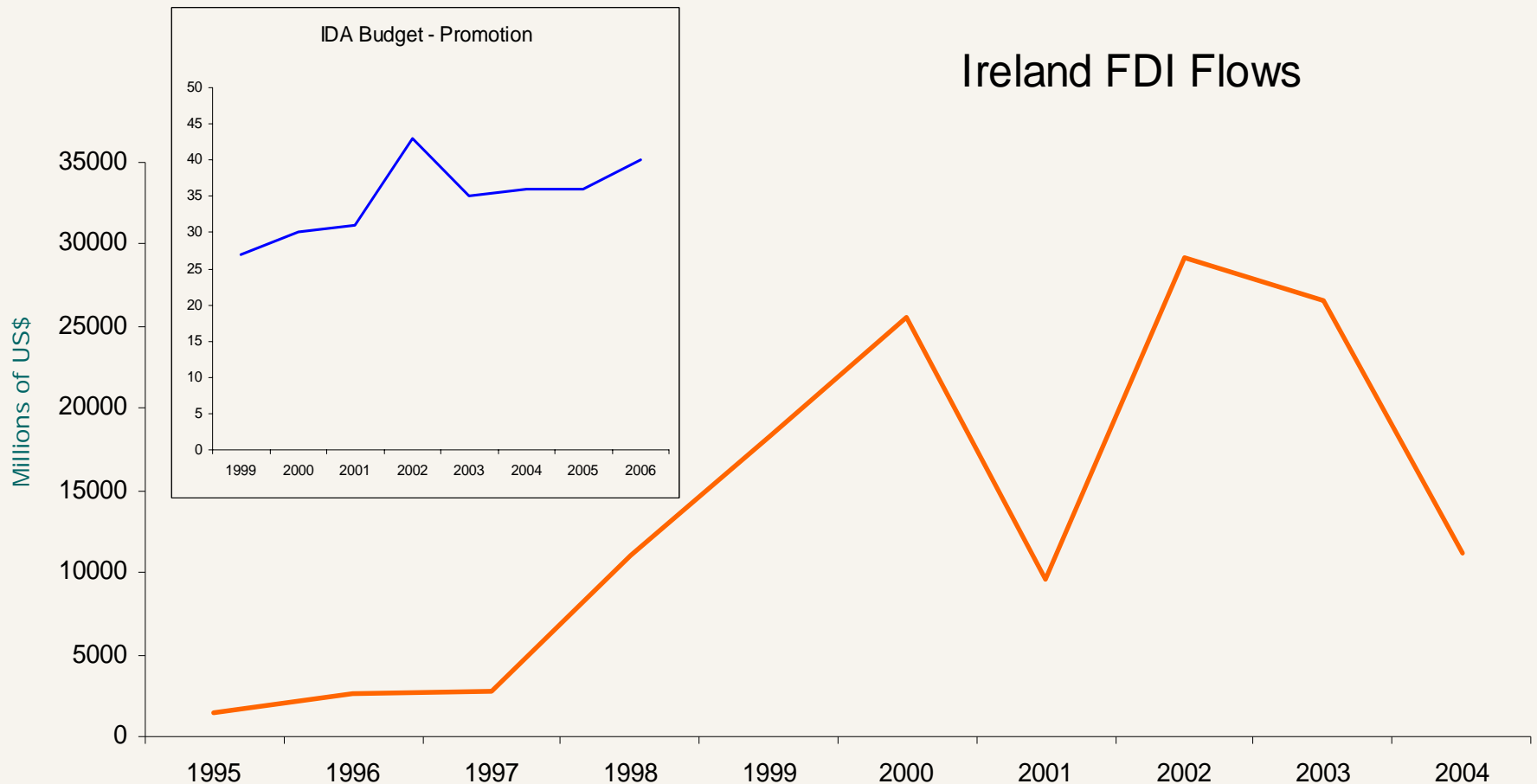
People

- Goldman Sachs as a case in point
- Highest correlation with IPA success:
 - Good Management
- Nothing more and nothing less than the people and the systems they utilize
- Business for the young (Link: [CzechInvest](#))
- Create the prestige – right of passage

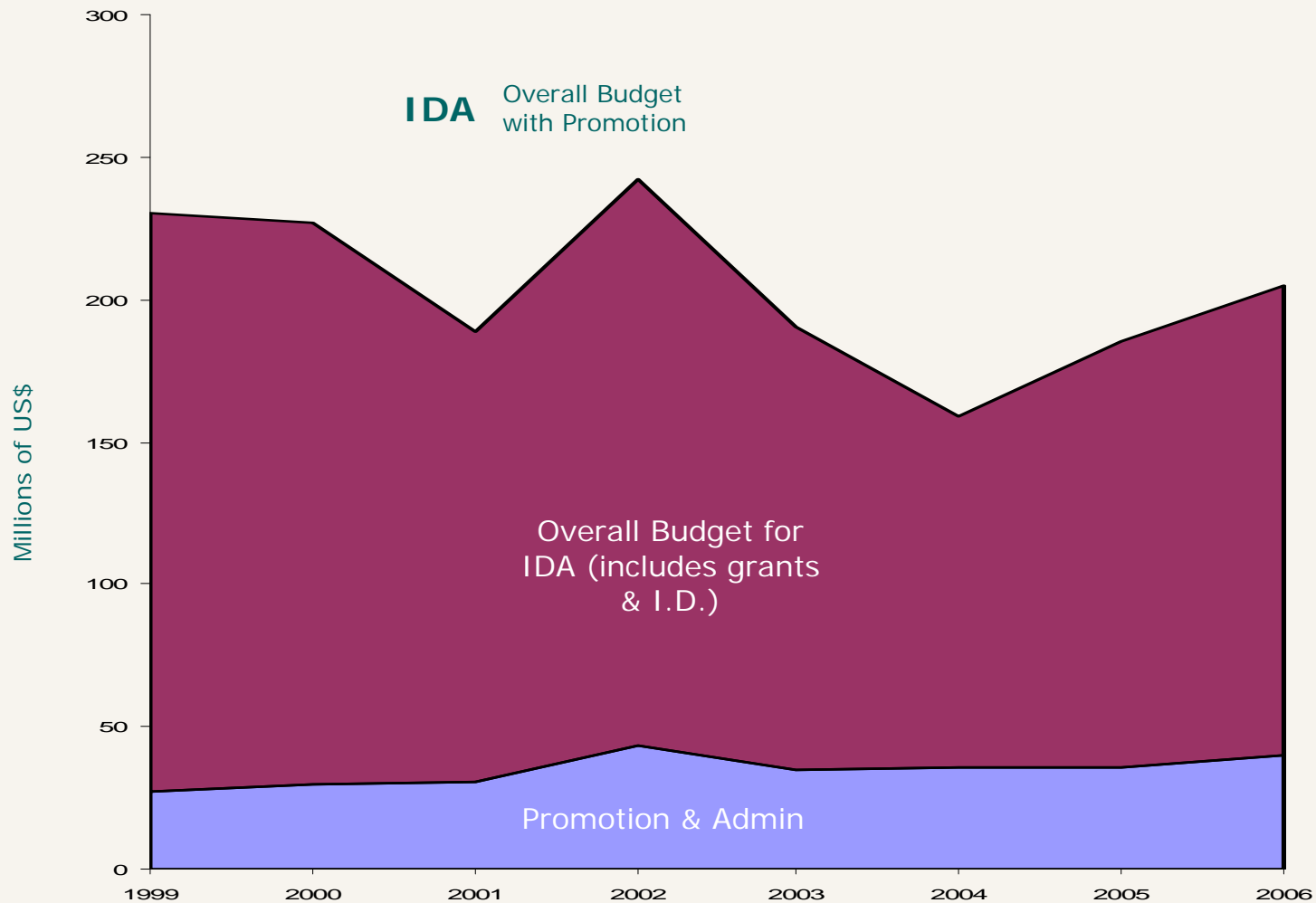
Payment (aka Budget) & Performance

- Best in class are well (and more importantly) consistently funded
- Budget's throughout the region of Central America – as a point of reference
- Results are tracked so that budget is fully supported by performance
- Importance of trustworthy M&E systems and faith in the work of the IPA
- Learn from corporate clients – the power of effective communications (eg. 2005 IDA Annual Report)

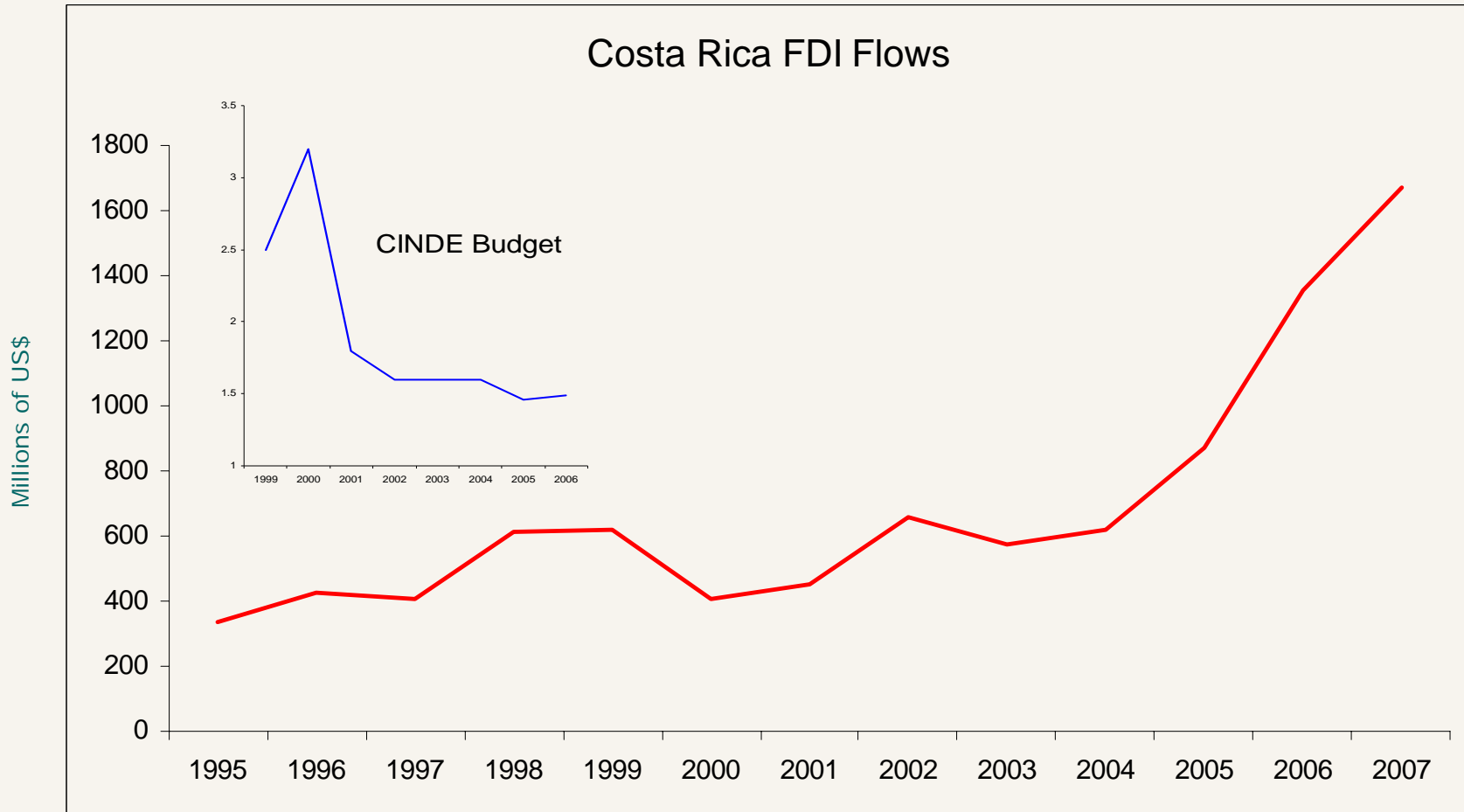
Promotion = Priority



Consistency over time

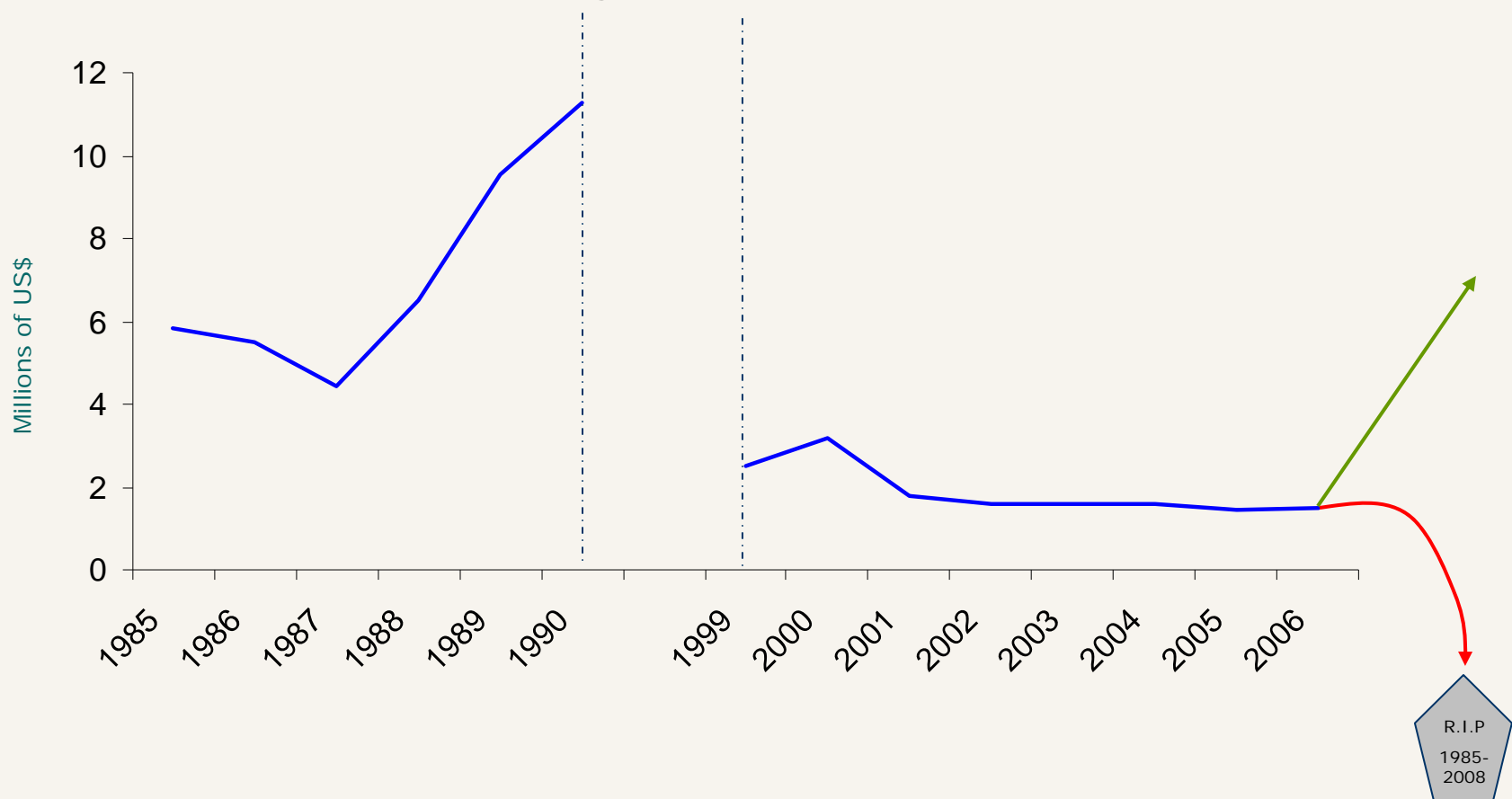


Promotion = Declining



Longer term view

CINDE Budget 1985-90 & 1999-2006



Policy

- Consistent leadership from Government to:
 - Understand what it takes to keep attracting FDI
 - Keep business environment competitive
 - Support institutional leadership of IPA
- Leadership from IPA to:
 - Provide continuity across administrations
 - Seek out “next” sectors
 - Develop and execute short and long term results-driven strategies (reactive, proactive & retention/expansion)
 - Policy advocacy with Government to maintain virtuous cycle of improvements and value-added

What Next

- Call to action
 - CINDE – to be or not to be
 - Funding Mechanisms (public – private)
 - Regional Leader or Lone Wolf (examples):
 - Tourism
 - Neighbors
- Strategy for the recession
 - Protection and growth (against the odds)
 - Pinning the bottom
 - Near shore versus far shore
 - Geopolitical (diversification?)

Thank you!

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