



Unleashing Investment Potential

Effective Approaches and Principles for Attracting Investments to Industrial Parks

12 July 2023



Agenda

- 1. Global investment trends***
- 2. Policies impacting FDI***
- 3. Tapping into new sources of investment***
- 4. Engaging with international investors***
- 5. Mastering the art of aftercare***

About me

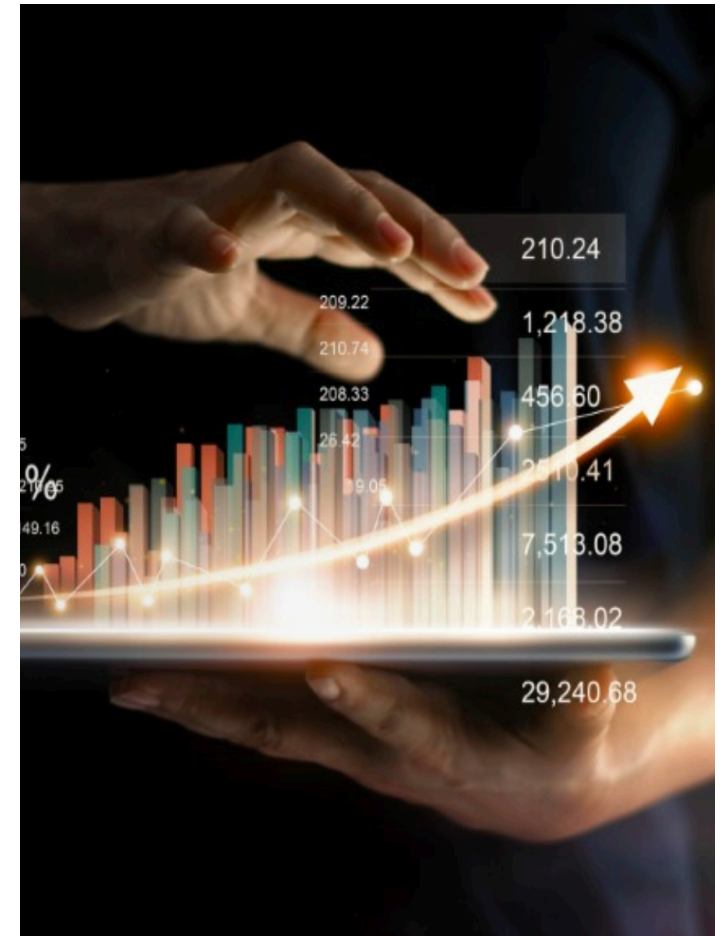
- Founder and principal of Fingar Direct Investment, a consultancy providing FDI advisory and strategic communications services
- Former Financial Times journalist
- Senior adviser (Europe and communications) for the World Association of Investment Promotion Agencies (WAIPA), the world's largest organization representing IPAs
- Have visited, supported and worked with several dozen special economic zones, in every major region of the world



Global investment trends

Macro trends impacting FDI

- Covid chaos and aftermath
- War
- Supply chain disruptions
- Automotion
- Remote working
- ESG initiatives
- The race to net zero
- Protectionism
- Regionalization (de-globalization)



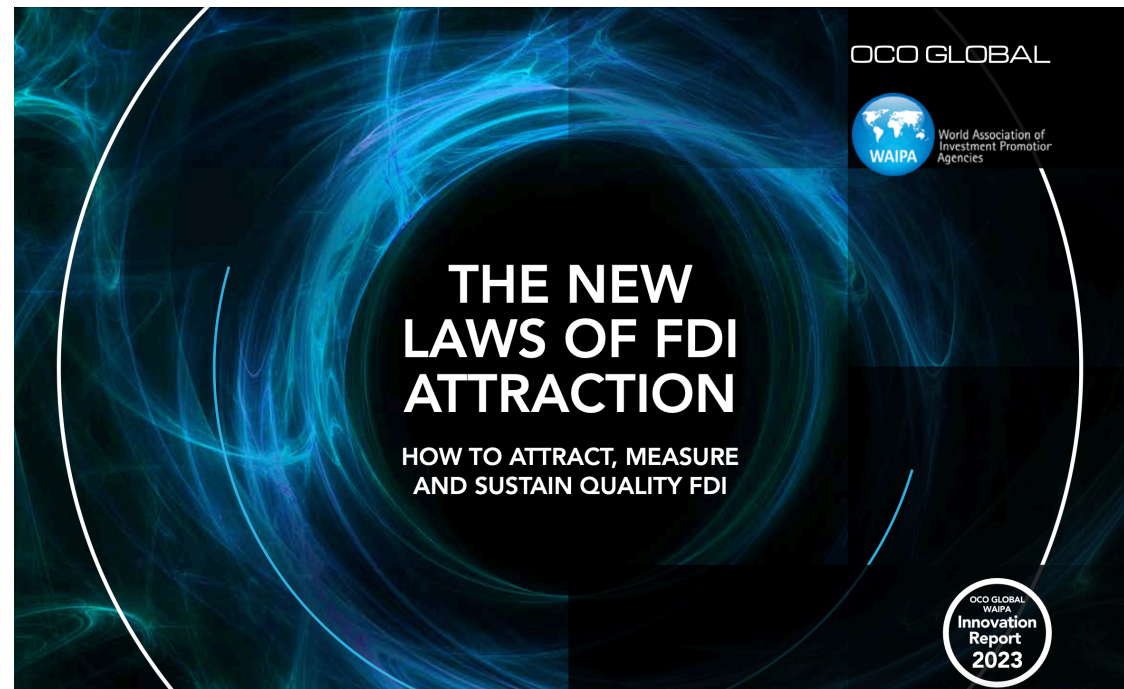
Current challenges of investment promotion

Survey of 74 IPAs worldwide found:

Global uncertainty is damaging investor confidence and slowing down or delaying FDI plans (29%)

IPAs organisational structure and FDI strategy need a refresh, sometimes a reset (27%)

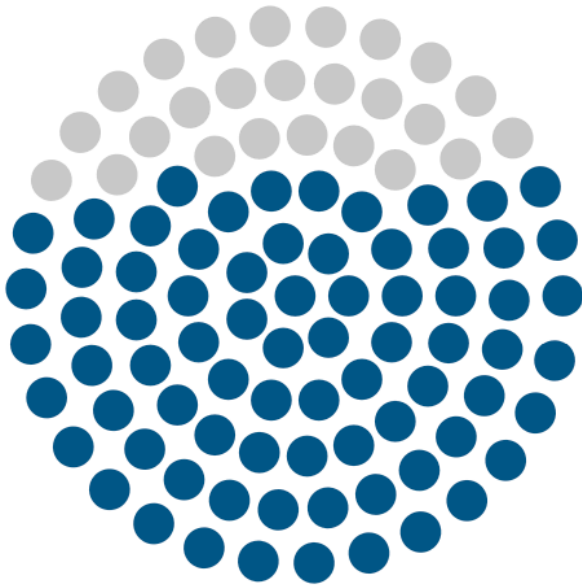
Limited resources prompt a **need for innovative marketing and promotion strategies** and tools (23%)



Source: OCO Global-WAIPA Innovation Report 2023

A strategic shift towards quality FDI

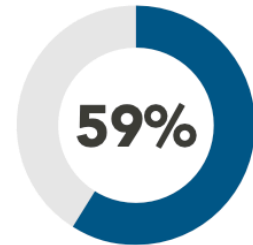
Have you developed a specific strategy to attract quality FDI projects vs just quantity?



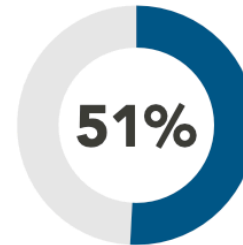
YES 75%

NO 25%

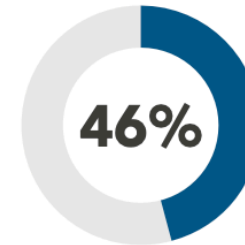
How do you define quality? (Top responses)



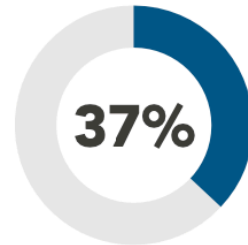
Innovative FDI projects with a strong technology element



FDI project creating quality jobs



FDI projects in strategic sectors for the country or region



FDI projects filling a gap in the local value chain

Not enough monitoring of ESG, however

**Are you monitoring the ESG
impact of your FDI projects?**

Linked with the shift to quality FDI, more than half of IPAs surveyed said they had shifted their strategies to adhere to SDGs

But only a third are monitoring the ESG impact of the projects they attract

This shows a major gap between IPA strategy and FDI market trends as well as investor priorities



Source: OCO Global-WAIPA Innovation Report 2023

An increasingly divided FDI world

- Geo-economic fragmentation (caused by supply chain disruptions and geopolitical tensions) is reshaping the geography of FDI
- FDI flows increasingly concentrated among geopolitically aligned countries
- Developing economies are highly vulnerable to FDI relocation, given their reliance on FDI from geopolitically distant countries and heightened restrictions from advanced economies

2020 - 2022

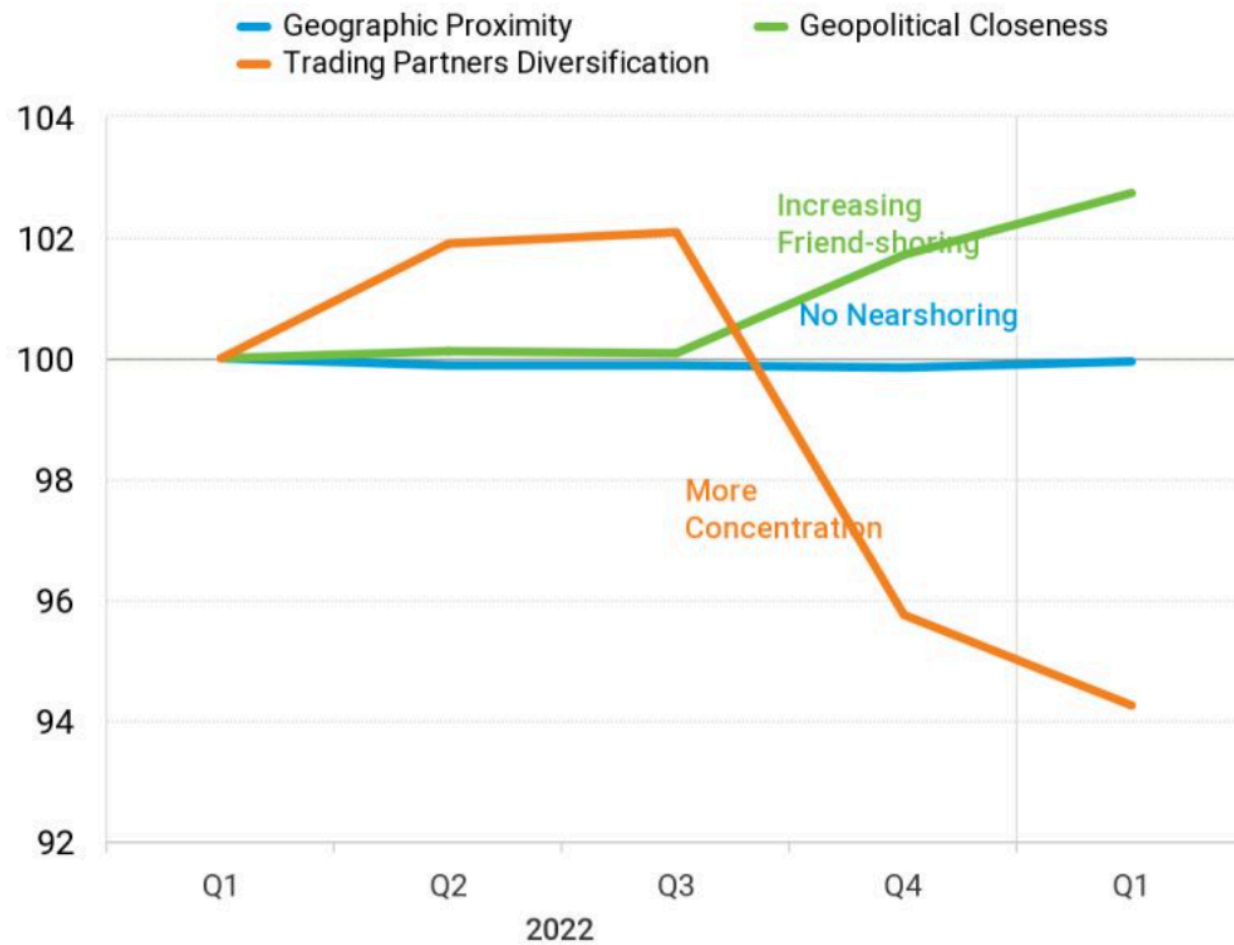
US FDI to China -40%
US FDI to India +20%

China FDI to US -22%
China FDI to Europe -18%

Europe FDI to China -20%

Friend-shoring and increasing concentration of global trade

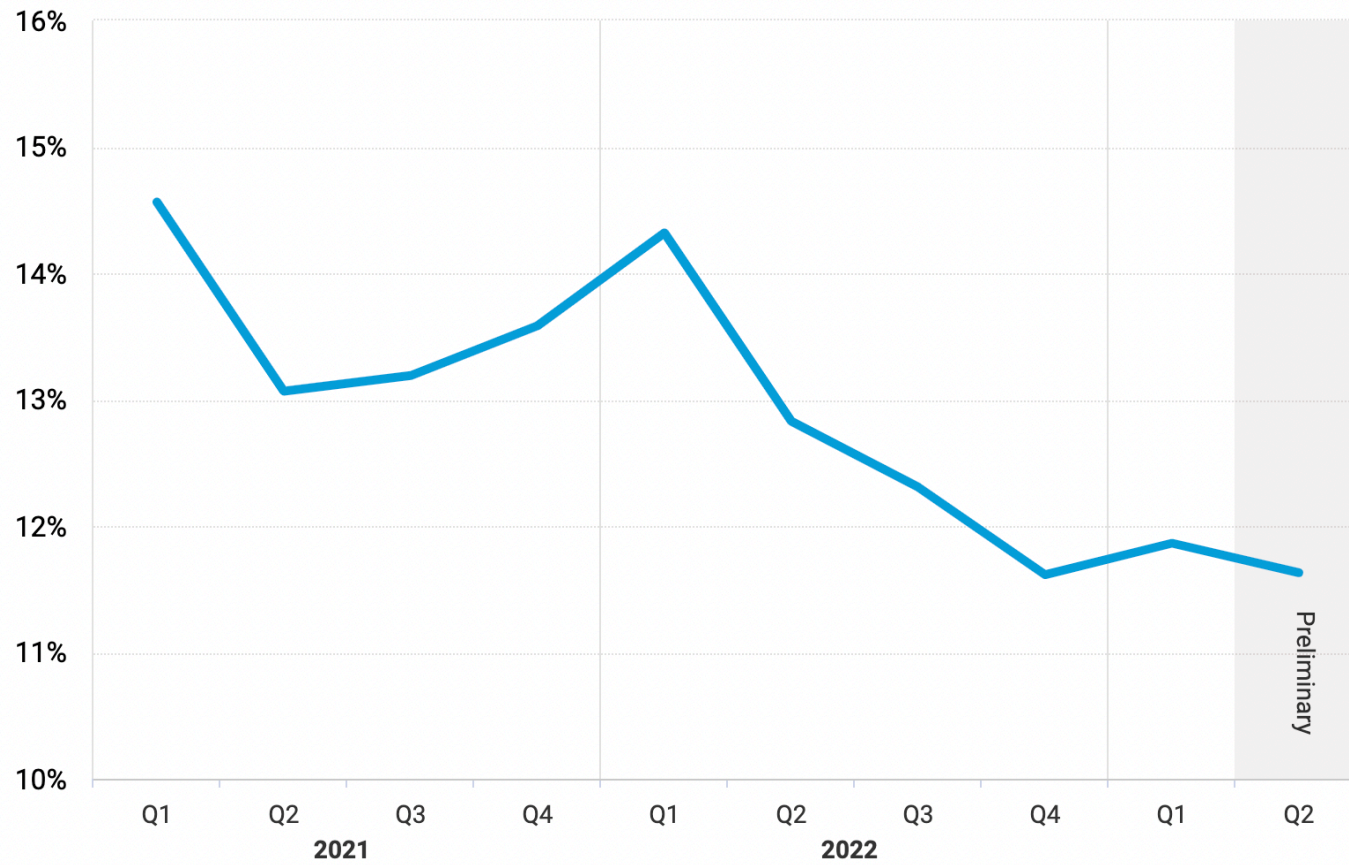
Index: Q1 2022 = 100



Source: UNCTAD

Decoupling: US-China trade is declining

Trade interdependence
2021 - Q2 2023



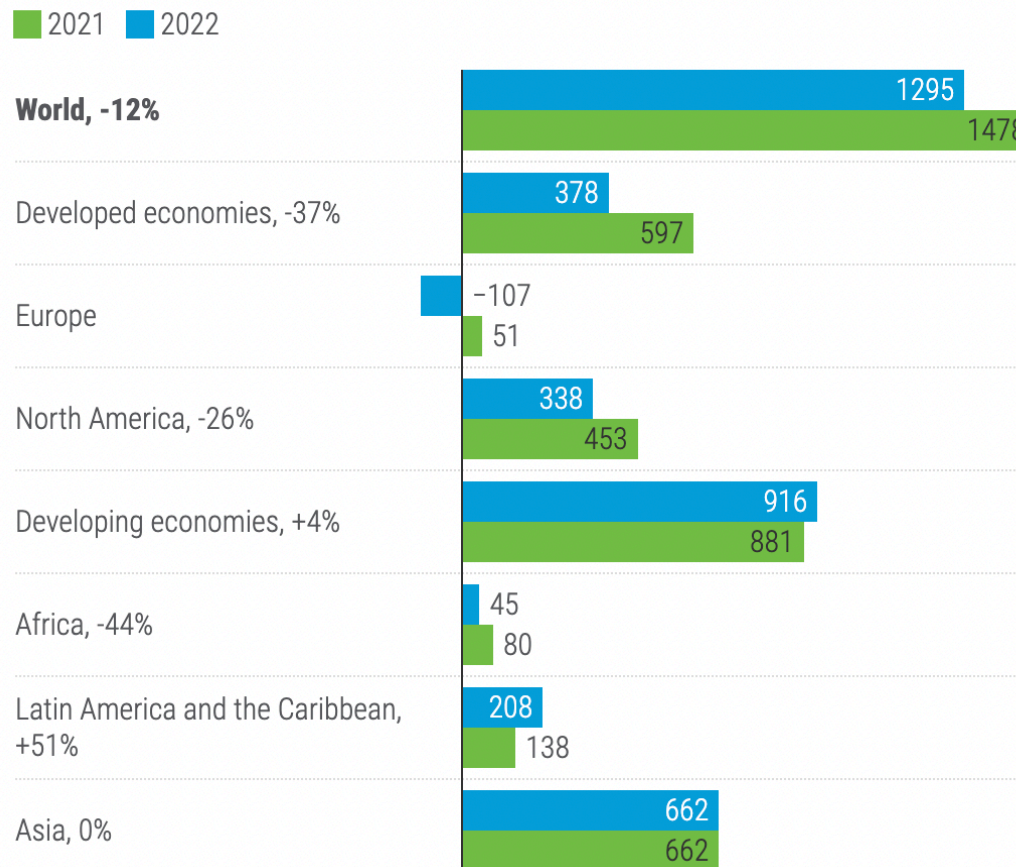
Source: UNCTAD

**Latest data trends
for global FDI**



Global FDI volumes fell -12% in 2022

By subregion, billions of US dollars, per cent, 2021 and 2022

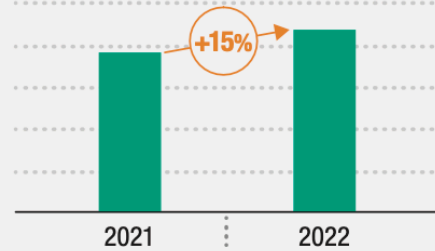


Source: UNCTAD World Investment Report 2023

Greenfield FDI project numbers increase while M&A declines

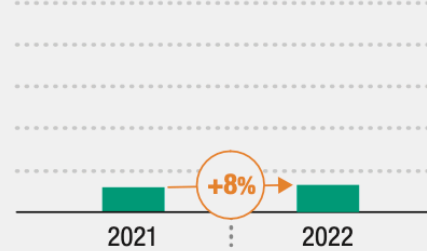
Greenfield projects

(Number)



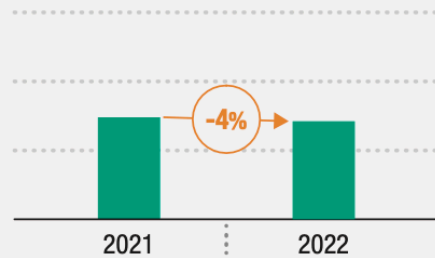
International project finance

(Number)



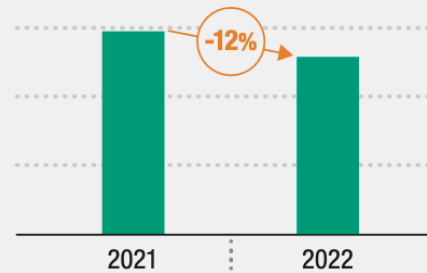
Cross-border M&As

(Value)



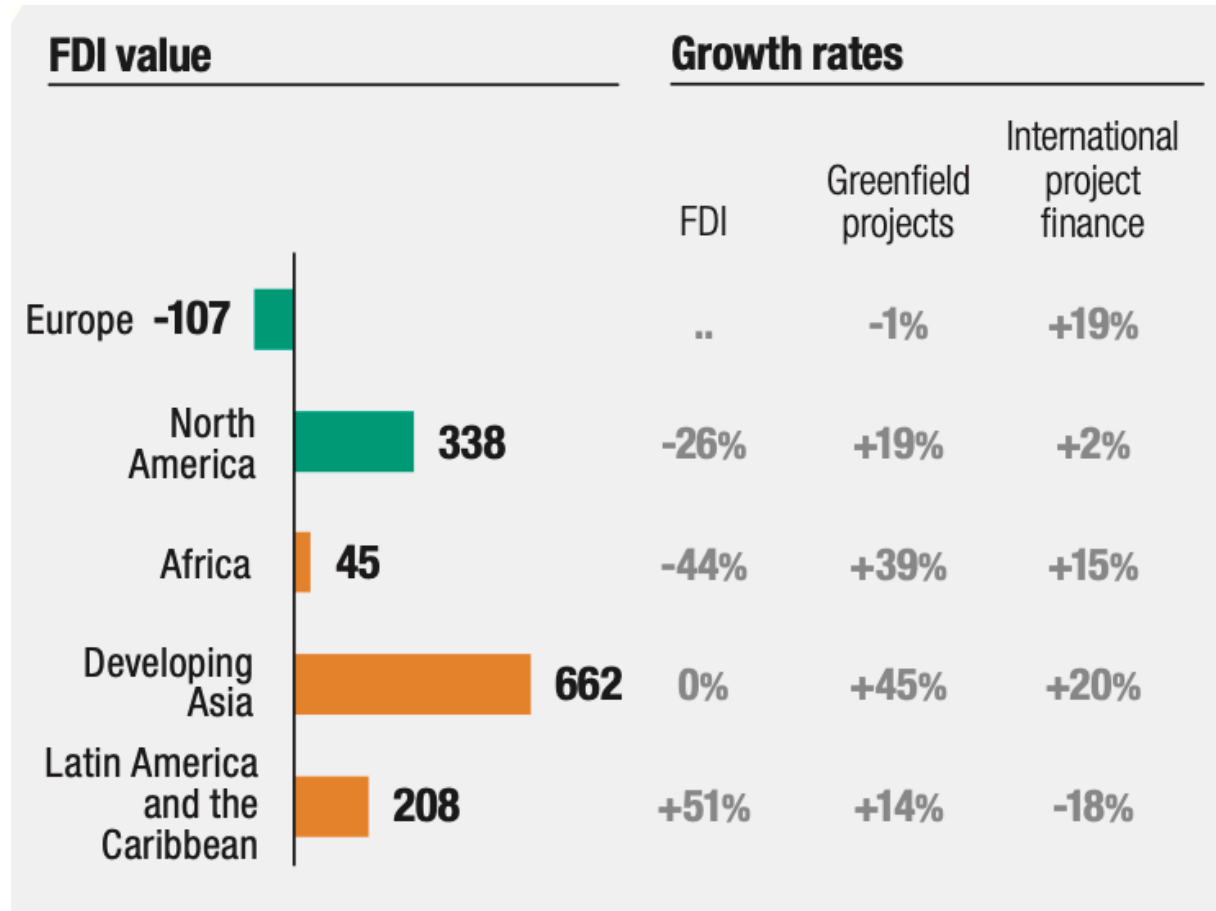
FDI

(Value)



Source: UNCTAD World Investment Report 2023

Healthy performance for Developing Asia



Source: UNCTAD World Investment Report 2023

Infrastructure, GVCs and chips drive FDI project activity

Industries

(Project numbers)



Infrastructure +6%



GVC-intensive industries +5%



Semiconductors +26%



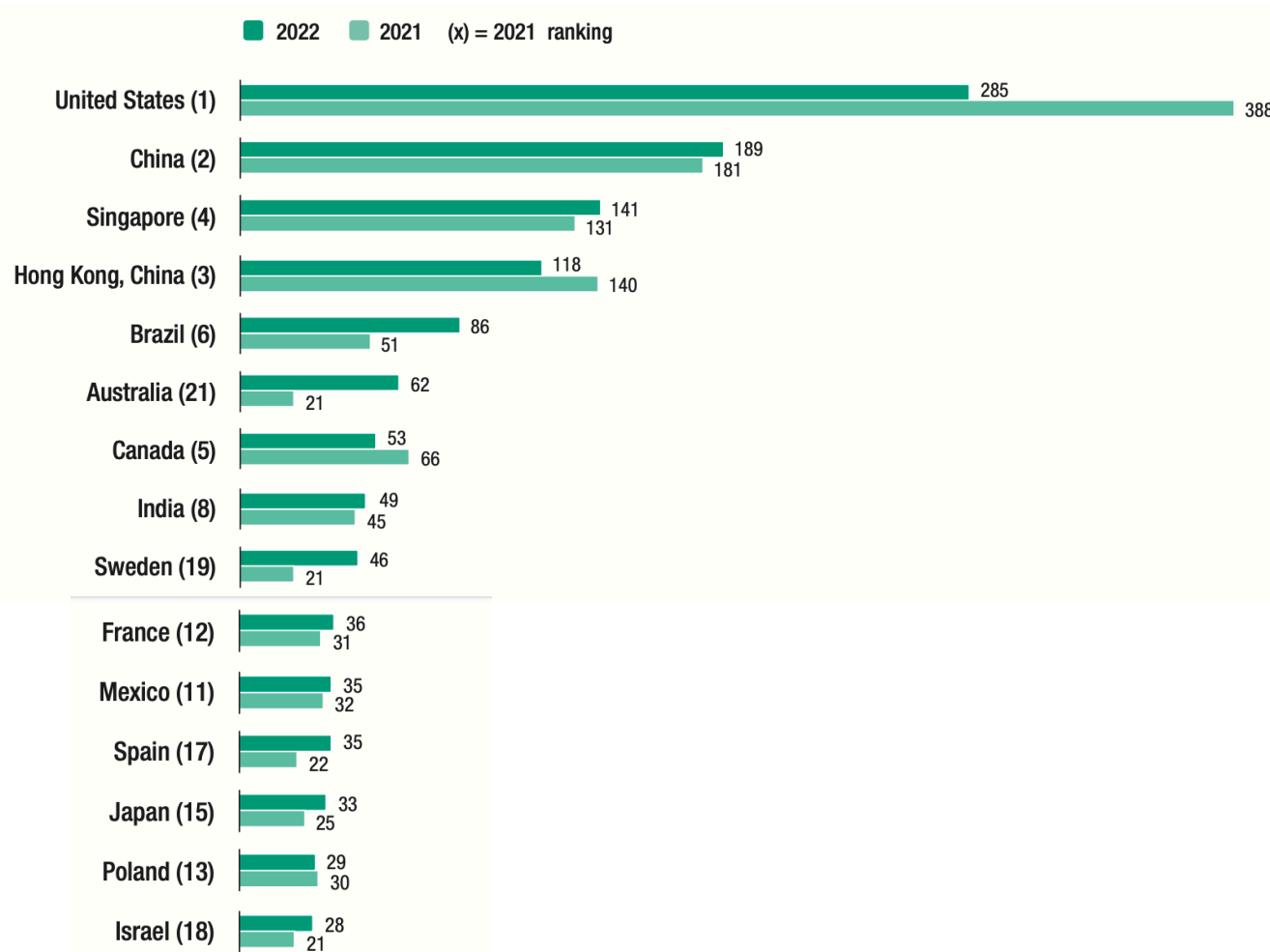
Digital economy -10%



Energy -1%

Source: UNCTAD World Investment Report 2023

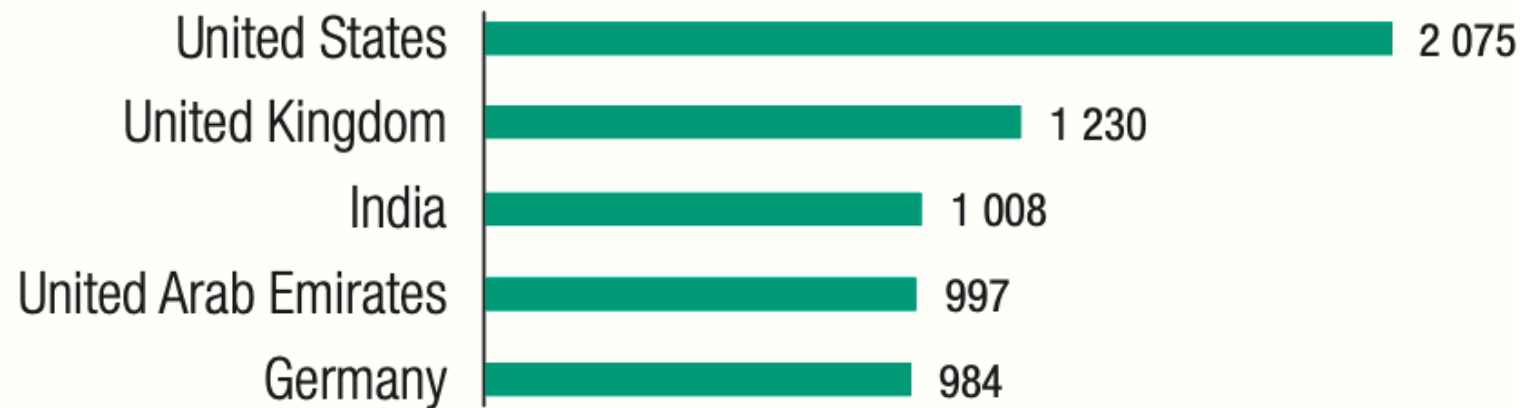
FDI flows, top host economies, 2021 and 2022



Source: UNCTAD World Investment Report 2023

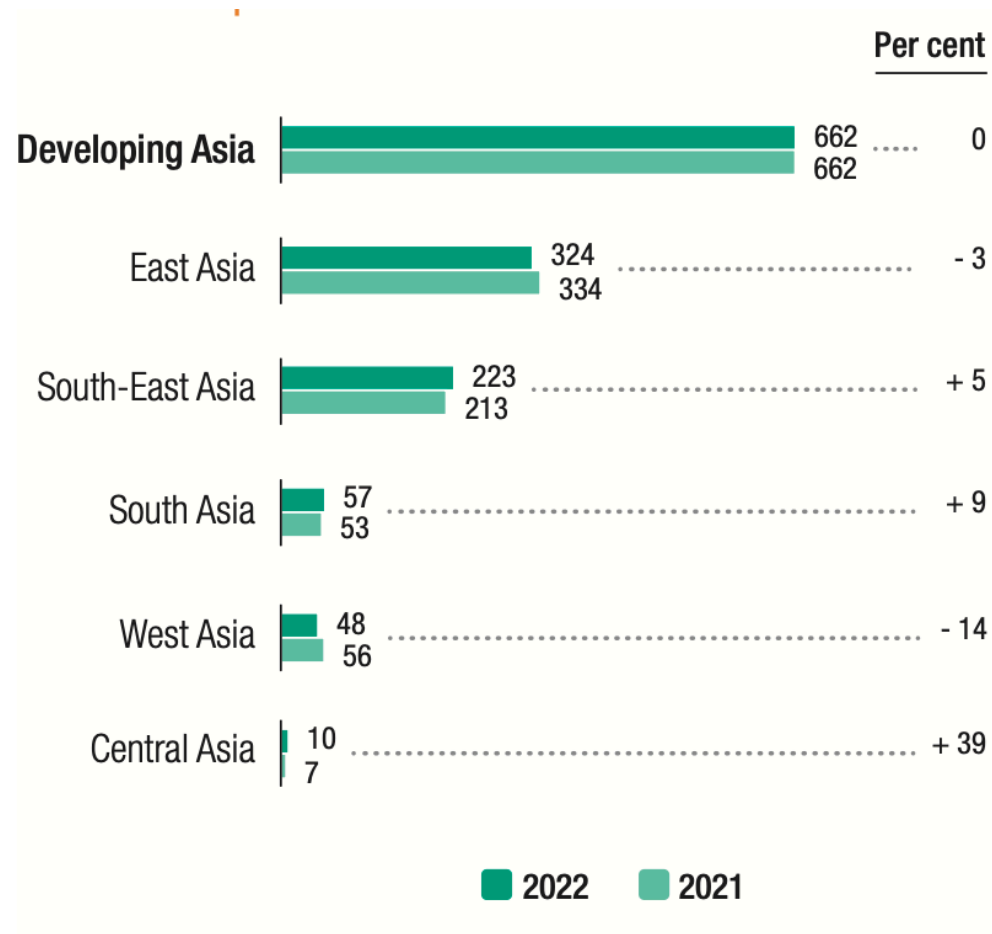
Top recipient countries by number of projects

Greenfield investment announcements



Source: UNCTAD World Investment Report 2023

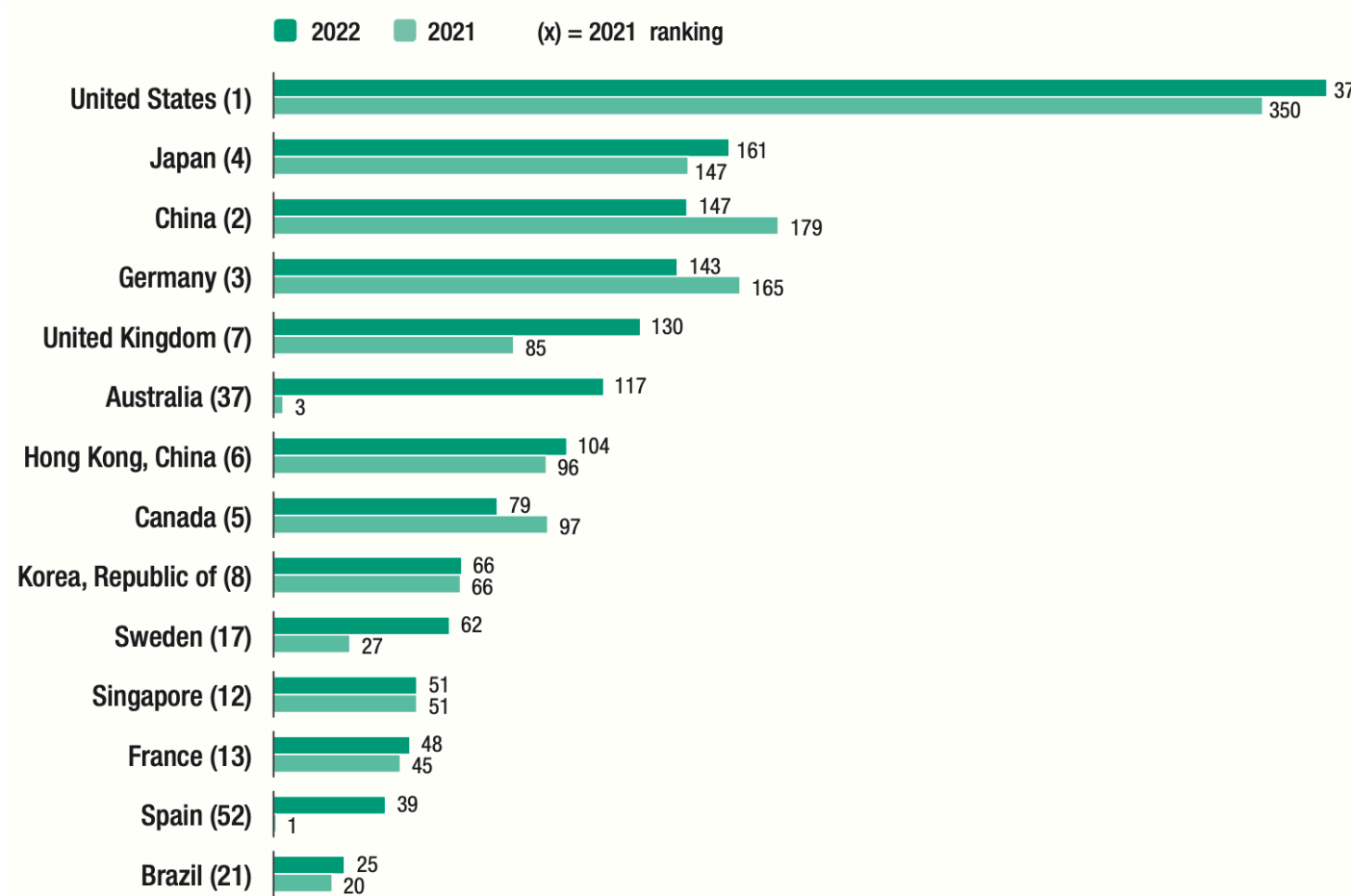
FDI inflows in developing Asia



By sub-regions,
2021-2022,
by billions of dollars

Source: UNCTAD World
Investment Report 2023

FDI flows, top source economies, 2021 and 2022



Source: UNCTAD World Investment Report 2023

Tough times to continue? UNCTAD 2023 FDI forecast

“Negative or slow growth in many economies, further deteriorating financing conditions, investor uncertainty in the face of multiple crises and, especially in developing countries, increasing risks associated with debt levels will put significant downward pressure on FDI”

Outlook and trends to watch in 2023



- Global inflation will begin to improve but will impact FDI flows in the first half of 2023
- Several countries are at risk of (or already in) recession, which will impact negatively on FDI flows
- Rebalancing of trade and investment partners will become clearer in 2023
- Friendshoring, energy distribution, restructuring of Russian operations and the tech industry will be major themes
- Countries with high economic growth expectations in 2023 will look to convert to high FDI levels

AT Kearney Confidence Index 2023

Survey results reflect an overall feeling of optimism among investors:

82% plan to increase their FDI in the next 3 years (up from 76% in 2022)

87% see FDI as being more important for their corporate strategies in the next 3 years

63% remain more optimistic than pessimistic about the global economy

66% anticipate an increase in globalization in the next 3 years

FDI industries of the future

- SDG sectors
- Tech (AI, cloud, cybersecurity, robotics, IoT, metaverse, quantum computing)
- Data centres
- Renewables
- Gigafactories
- Industry 4.0











SDG-supporting investment



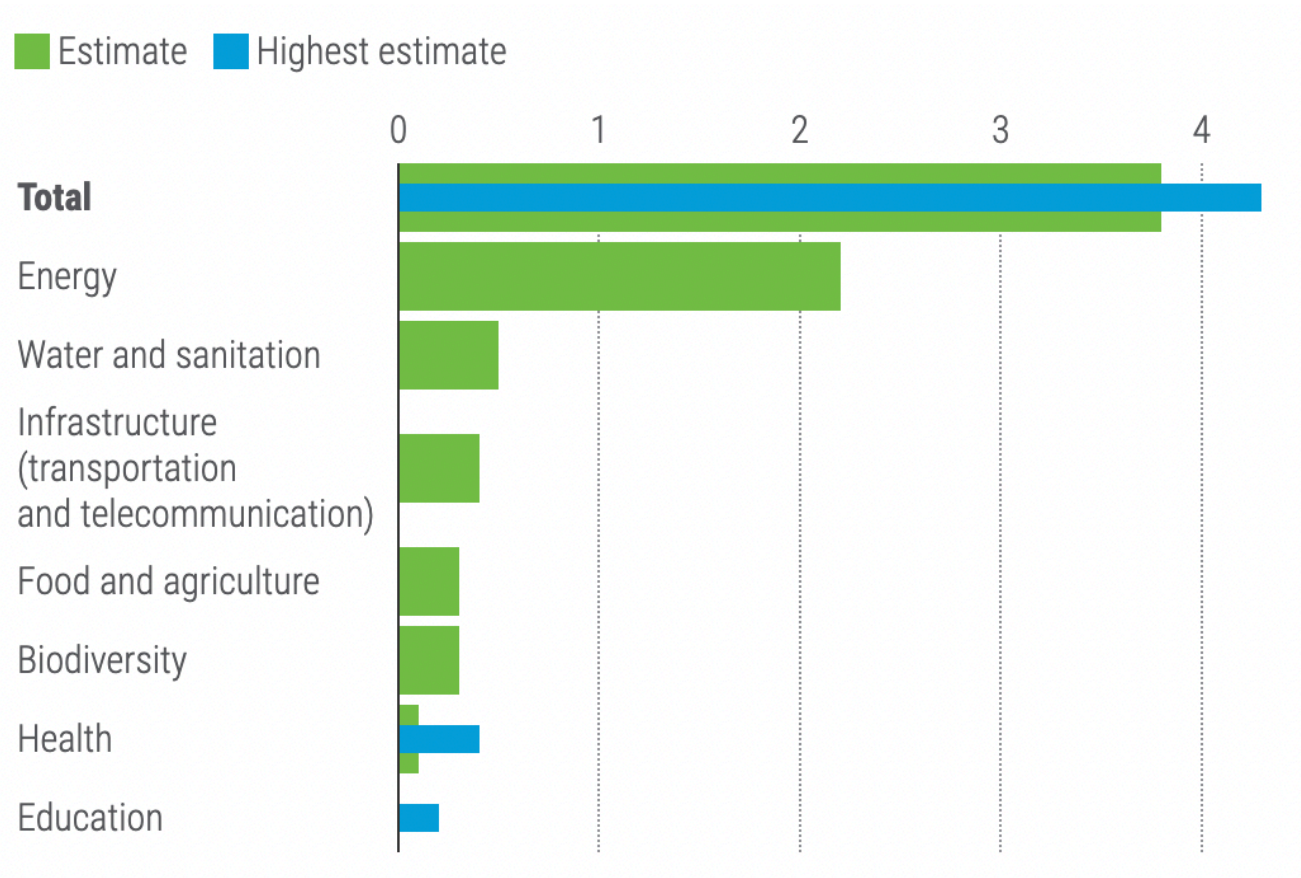
- Corporate investors care more about sustainability than ever before, and they're paying more and more attention to the SDGs than ever before
- Mentions of various SDGs have been steadily increasing in corporate reports since 2016 (source: GlobalData)
- Greenfield investment in sectors relevant to the SDGs rose by 39% in 2021 (source: GlobalData)
- Renewable energy (a top SDG sector) has seen steady increases in FDI in recent years, a trend that looks set to continue

Investment in SDGs is increasing, but too slowly in some sectors

Change in
number of
projects
2021-2022 and
2015-2022,
percent

		2021–2022	2015–2022
Infrastructure Transport infrastructure, power generation and distribution (except renewables), telecommunication	  	+26%	+16%
Renewable energy Installations for renewable energy generation, all sources		+8%	+21%
WASH Provision of water and sanitation to industry and households		+20%	+13%
Agrifood systems Agricultural production and processes; fertilizers, pesticides and other chemicals; R&D; technology		+6%	-19%
Health and education Hospital facilities, school buildings and other infrastructure for service delivery	 	+8%	+11%

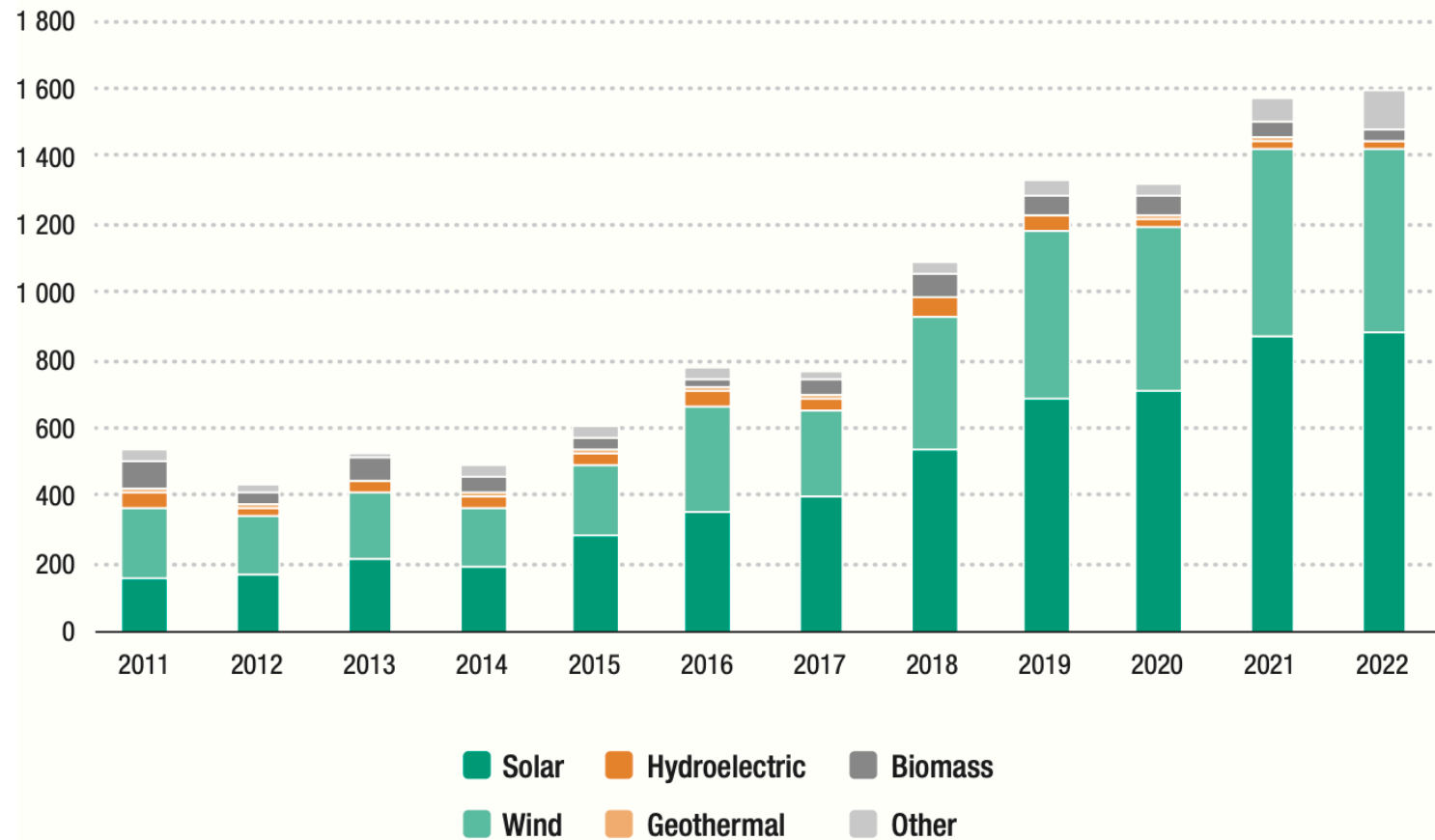
Despite interest, SDGs investment gap widens to \$4 trillion



Estimated annual investment gap to reach the SDGs by 2030, total and per sector, capital expenditure, trillions of US dollars

Renewables FDI is on the rise, fueled by solar and wind

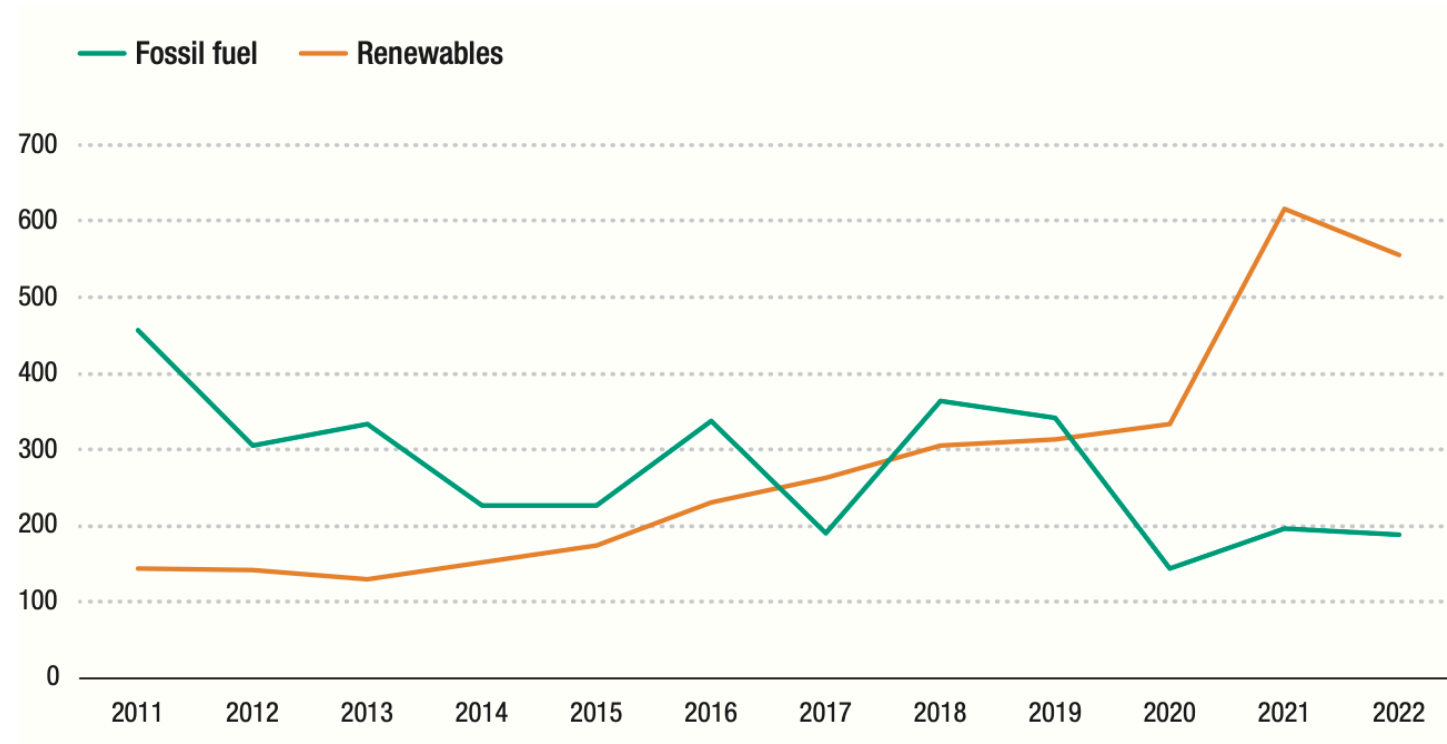
International investment projects in renewables by type, 2011-2022



Source: UNCTAD World Investment Report 2023

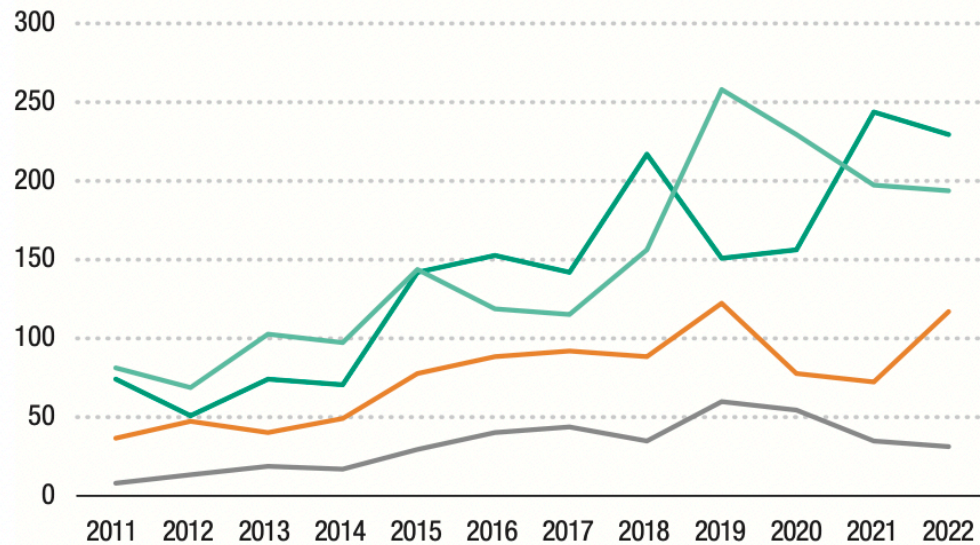
Renewable investment has overtaken fossil fuels

Renewable and fossil fuel energy: international project finance deals and announced greenfield projects, 2011-2022, billions of dollars



Developing Asia leads in attracting renewables projects

International investment projects in renewables by region 2011-2022



— Developing Asia and Oceania — Latin America and the Caribbean — Africa — LDCs

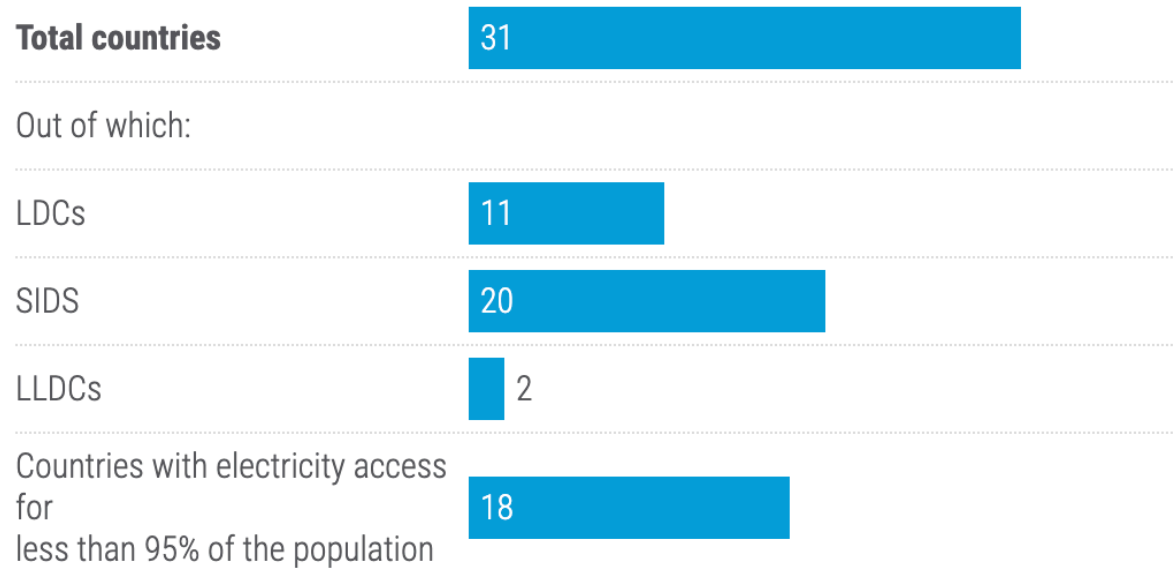
CAGR renewables, 2015–2022	CAGR total number of projects	CAGR GDP
7.2%	3.7%	6.8%
4.3%	7.6%	3.7%
6.2%	2.5%	5%
1%	-8.2%	6.9%

But overall developing countries struggle to compete

Although renewable energy investment has tripled since the Paris Agreement in 2015, most of the money has gone to developing countries

More than 30 developing countries have yet to land a major project

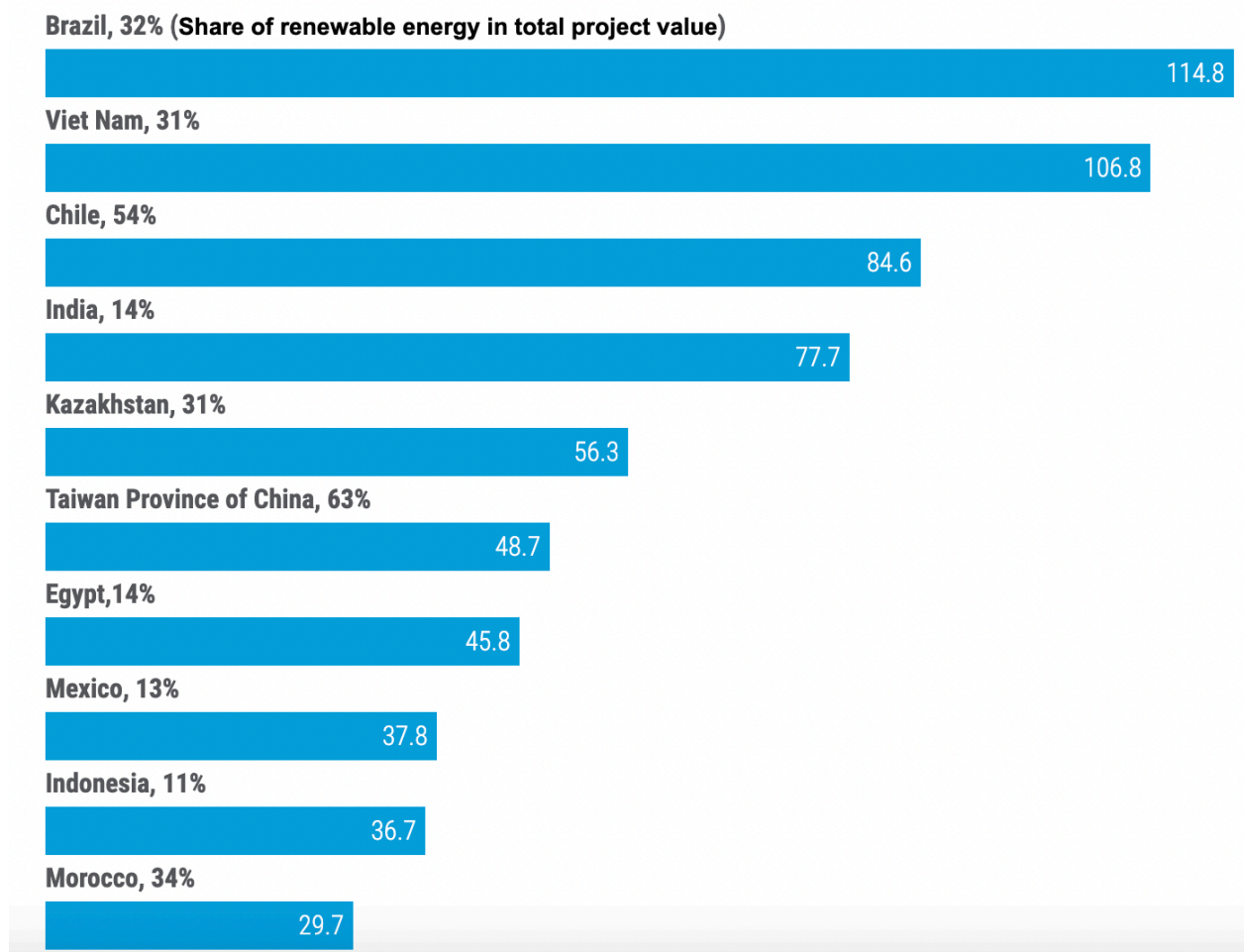
Number of developing countries without a large international investment project in renewable energy since 2015, total and per country category



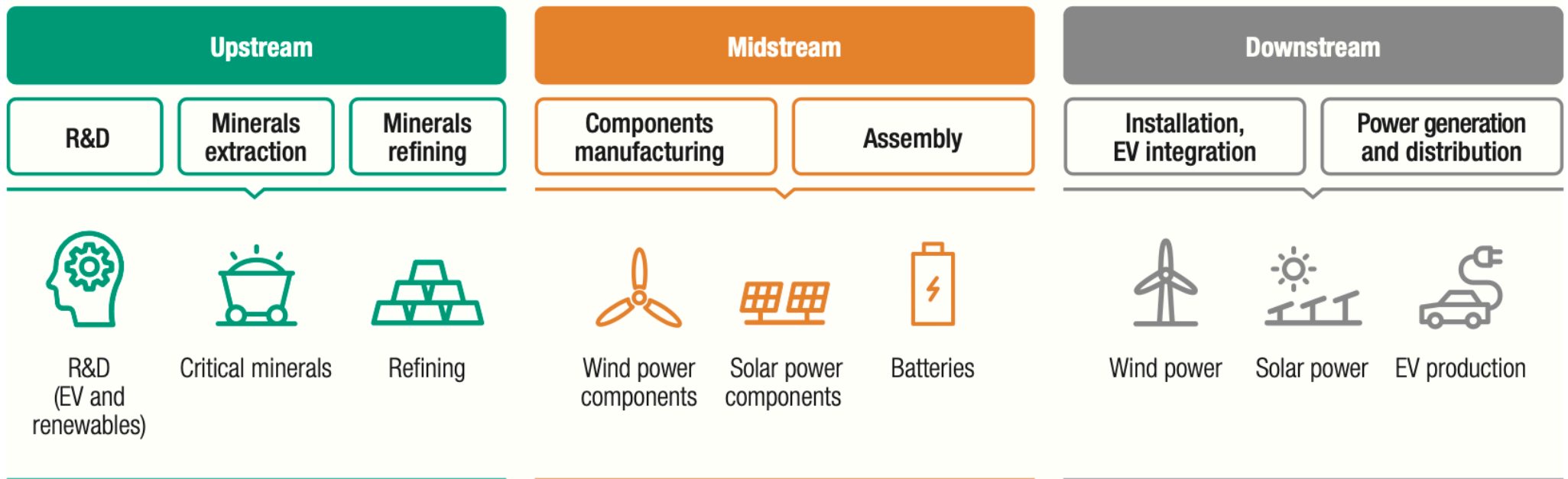
Note: LDCs=Least developed countries, LLDC=Landlocked Developing Countries, SIDS=Small Island Developing States

Top destinations for renewable FDI among developing economies

Billions of dollars
of investment
and percent,
2015-2022

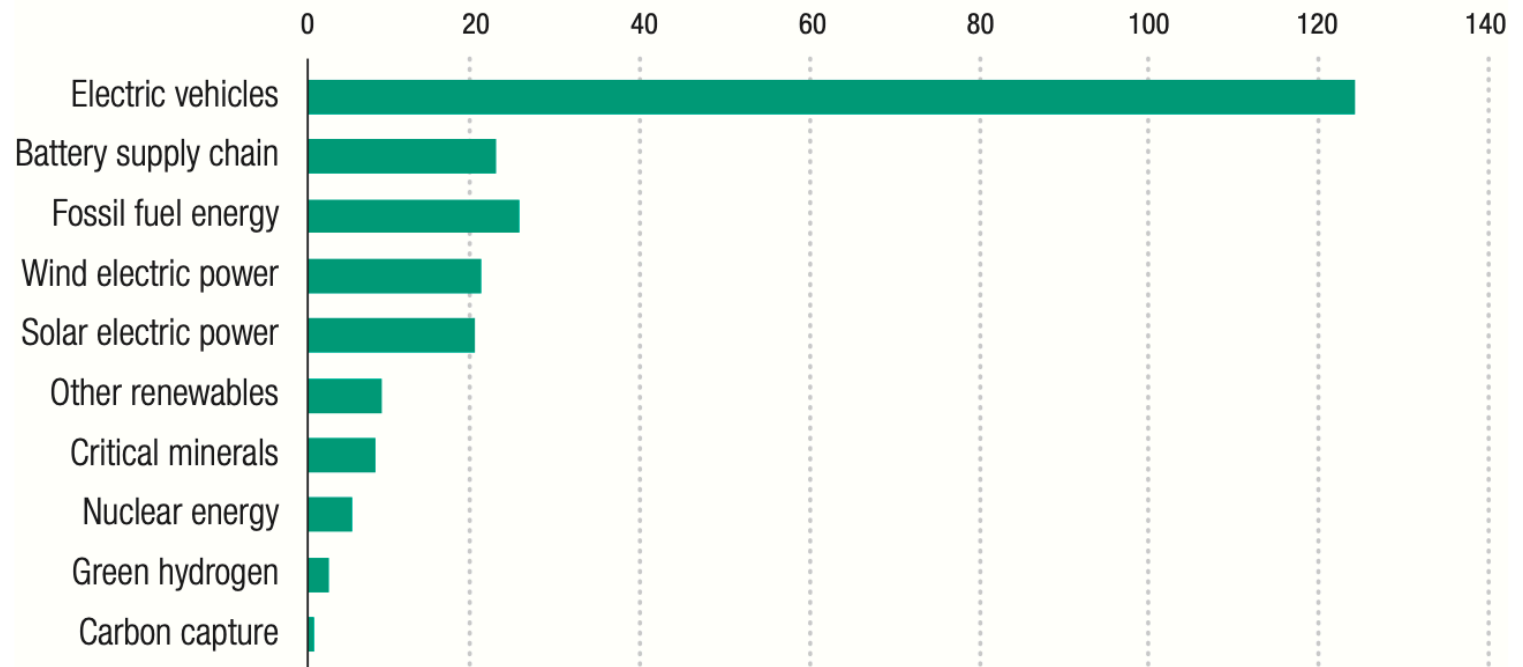


Elements of the renewable energy value chain



Energy transition fuels innovative FDI

*R&D: announced
greenfield
project numbers,
by energy
transition
industry,
2016-2022*



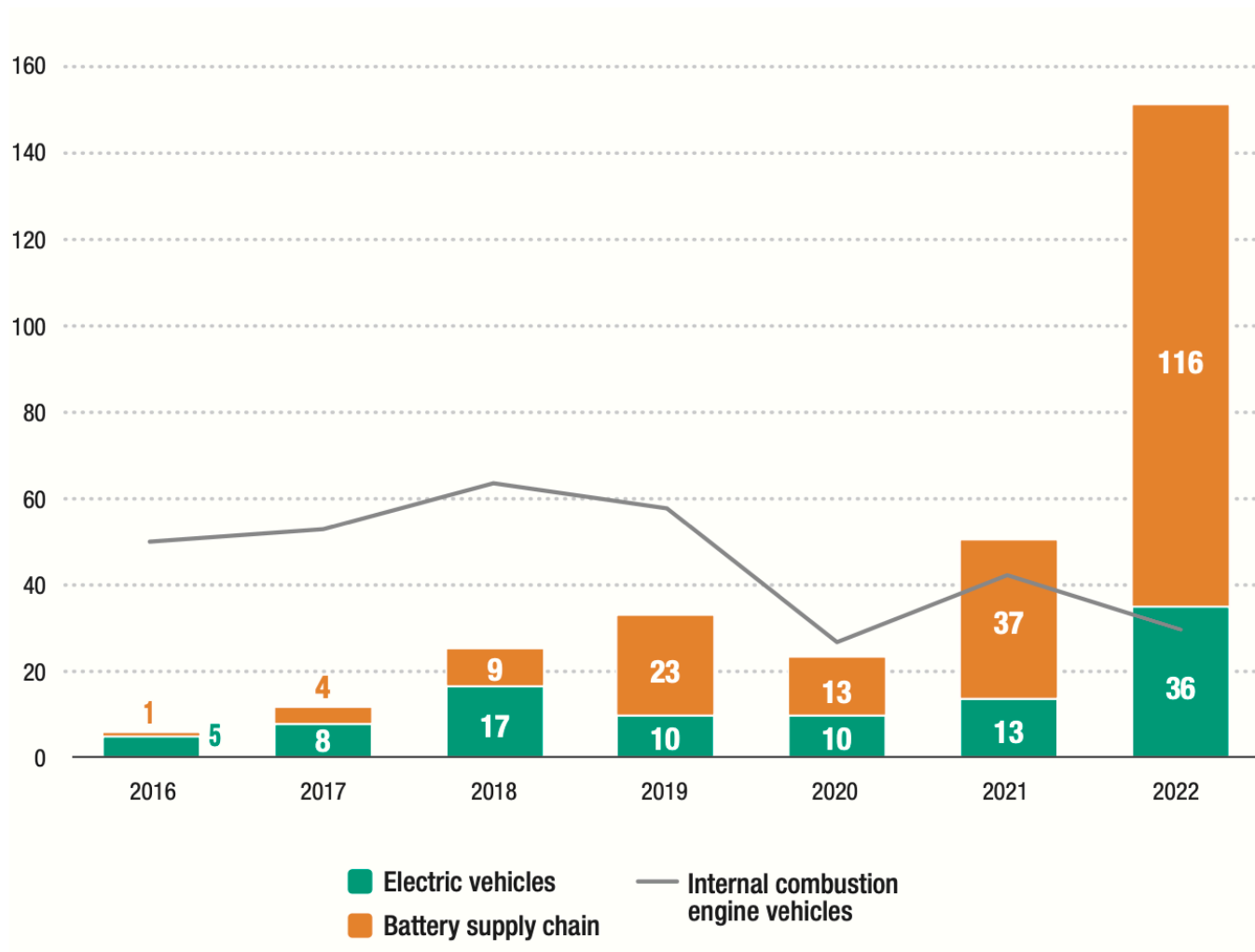
The great global gigafactory competition

- Global gigafactory capacity is set to explode this decade
- An estimated **\$106bn - \$177bn** is set to be invested in gigafactories worldwide between until 2030
- In 2020 there were 66 plants; by 2030 there is forecast to be 155 (source: GlobalData)
- These factories will be significantly larger than today and more dispersed
- China is the world leader in gigafactories but Europe's share is set to grow by 2030
- US offering major subsidies, sparking gigafactory mega projects across North America



Investment in battery supply chain is booming

Electric vehicles, battery supply chain and internal combustion engines, announced international investment 2016-2022, billions of dollars



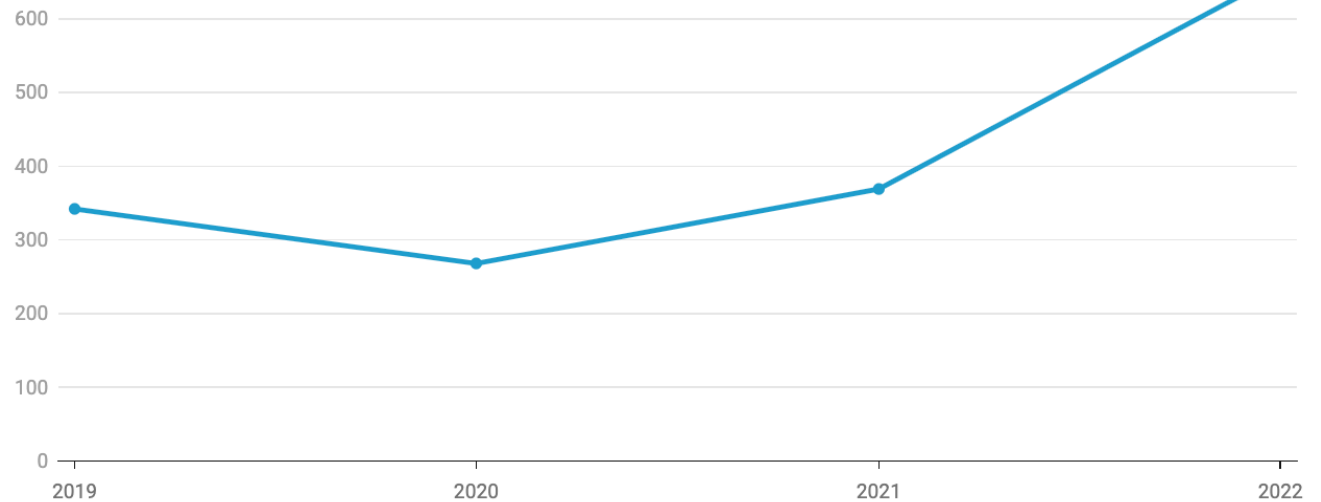
Source: UNCTAD
World Investment
Report 2023

Artificial intelligence investment is all the rage

There has been a massive surge in AI-related FDI, growing 44% in 2022

US is the top source market for AI FDI, by a large margin, followed by India and the UK

Number of greenfield AI-related FDI projects, 2019-2022

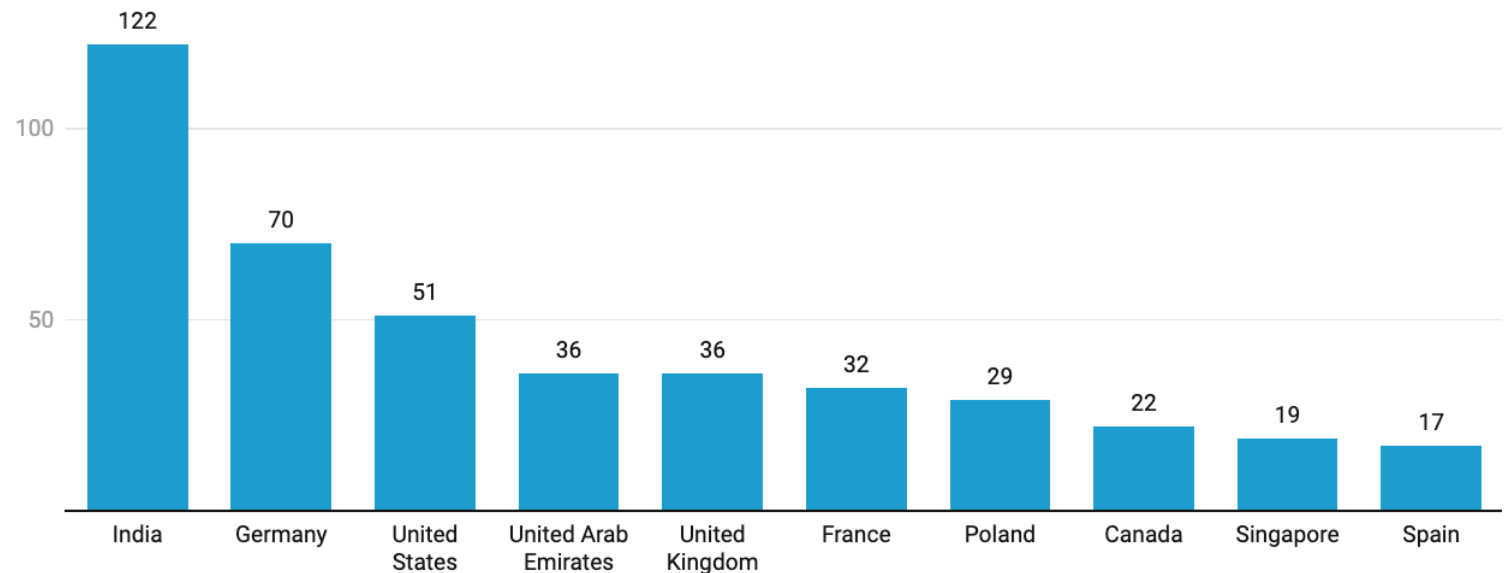


Source: Investment Monitor

India leads the AI FDI competition

India is an attractive location for AI investment due to relatively low operating costs and a large talent pool of highly skilled AI, machine learning and Big Data workers

Number of greenfield AI-related FDI projects by destination country in 2022



Source: Investment Monitor



Q&A and group discussion

Policies impacting FDI

Policy shifts with FDI implications

- Greater barriers to trade and investment
- Free zone legislation
- Revised national policies
- Green energy subsidies/enticements
- Interventionist industrial policy
- Taxation



A sudden flurry of investment policymaking

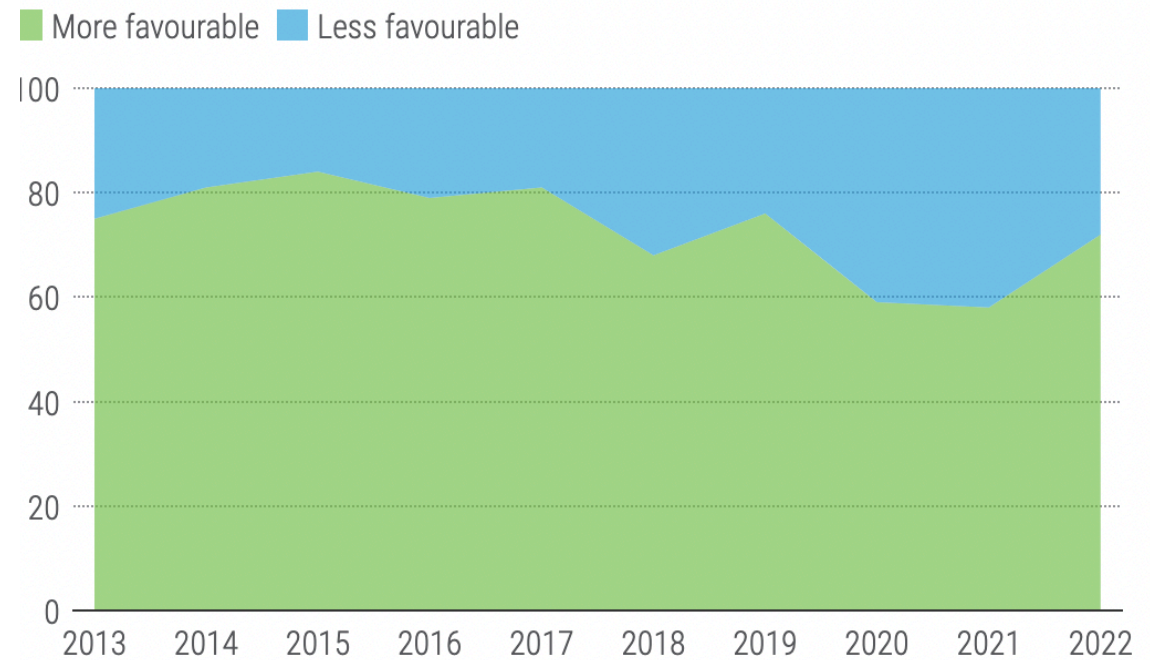
Investment policymaking surged in 2022 as countries sought to offset a global economic downturn

Measures favorable to FDI nearly doubled in 2022 and returned to pre-pandemic levels (not just in developing countries)

Policies to incentivize green FDI are particularly popular

Source: UNCTAD Investment Policy Monitor

Changes in national investment policies, per cent, 2013–2022



But trade and investment protectionism is still on the rise

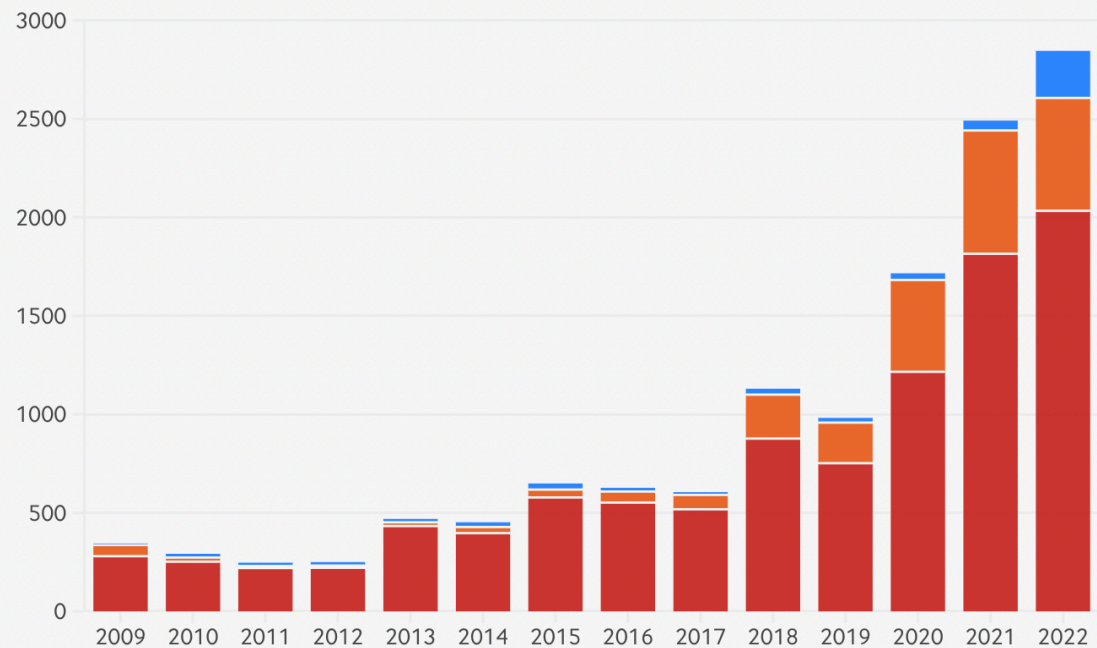
Restrictions on investment experienced the greatest increase in 2022, reaching 239 last year — more than four times that imposed in 2021.

The number of unilateral restrictions imposed by countries on cross-border trade and investment has grown massively over the past decade, reversing the general trend of liberalization seen during most of the 20th century.

Protectionism proliferates

Number of trade restrictions imposed annually worldwide by type, 2009-2022

■ Goods ■ Services ■ Investment

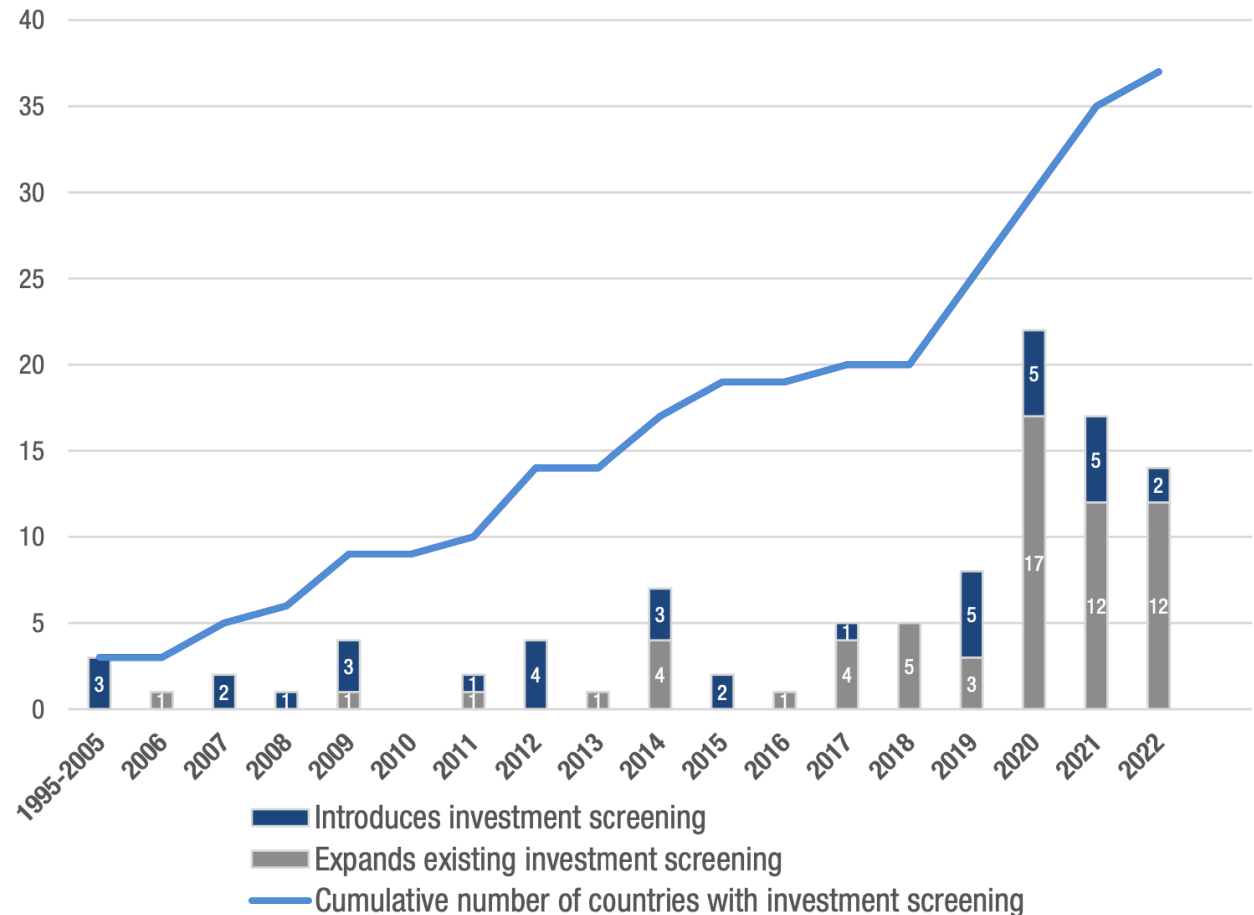


Source: [IMF's analysis of Global Trade Alert data](#)

Investment screening laws proliferate

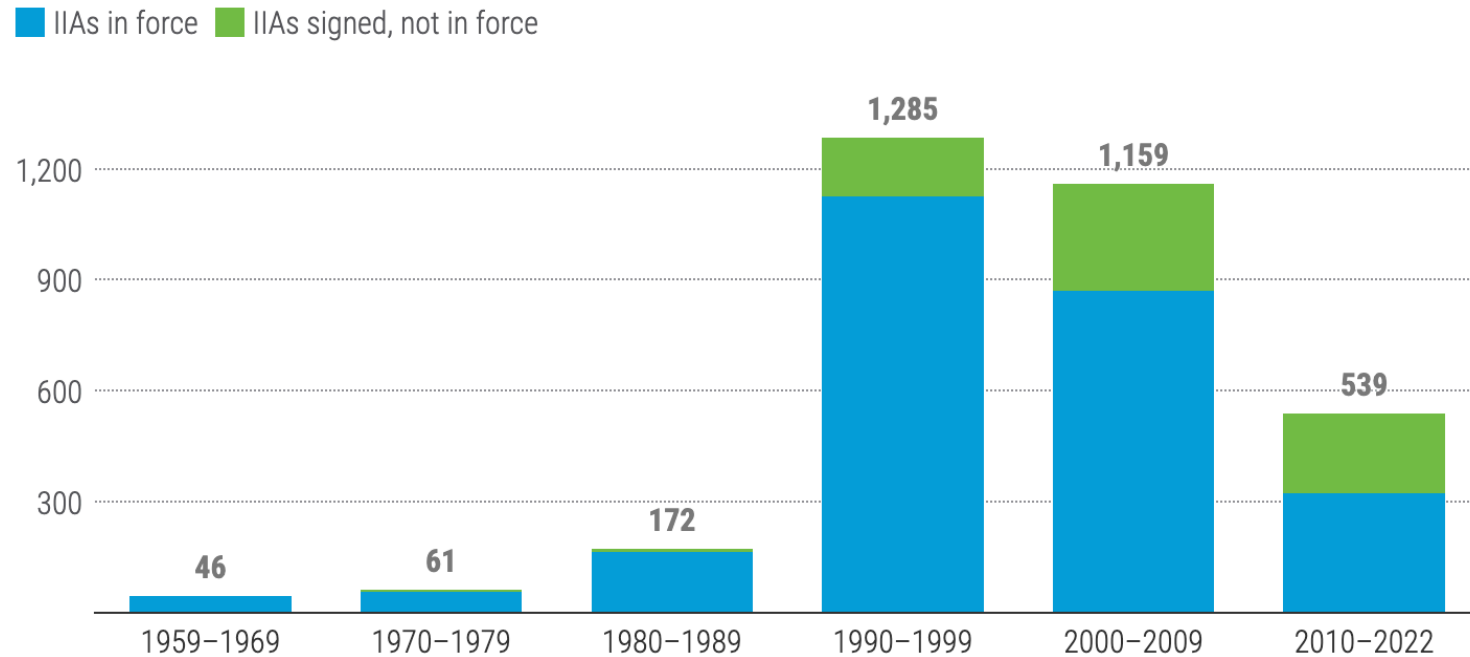
Number of countries introducing or expanding security-related investment screening (1995- 2022)

The trend towards the adoption or revision of FDI screening mechanisms accelerated in the second half of the 2000s, particularly after the global economic crisis, and reached a peak in 2020-2021, in the aftermath of the COVID-19 pandemic, both of which heightened concerns about potential foreign takeovers in sensitive sectors.



Source: UNCTAD Investment Policy Monitor

Decline in international investment agreements



Number signed and in force, by date and signature, 1959-2022

Source: UNCTAD, IAA Navigator

Remedies for FDI fragmentation?

“Multilateral efforts to preserve global integration are the best way to reduce the large and widespread economic costs of FDI fragmentation...”

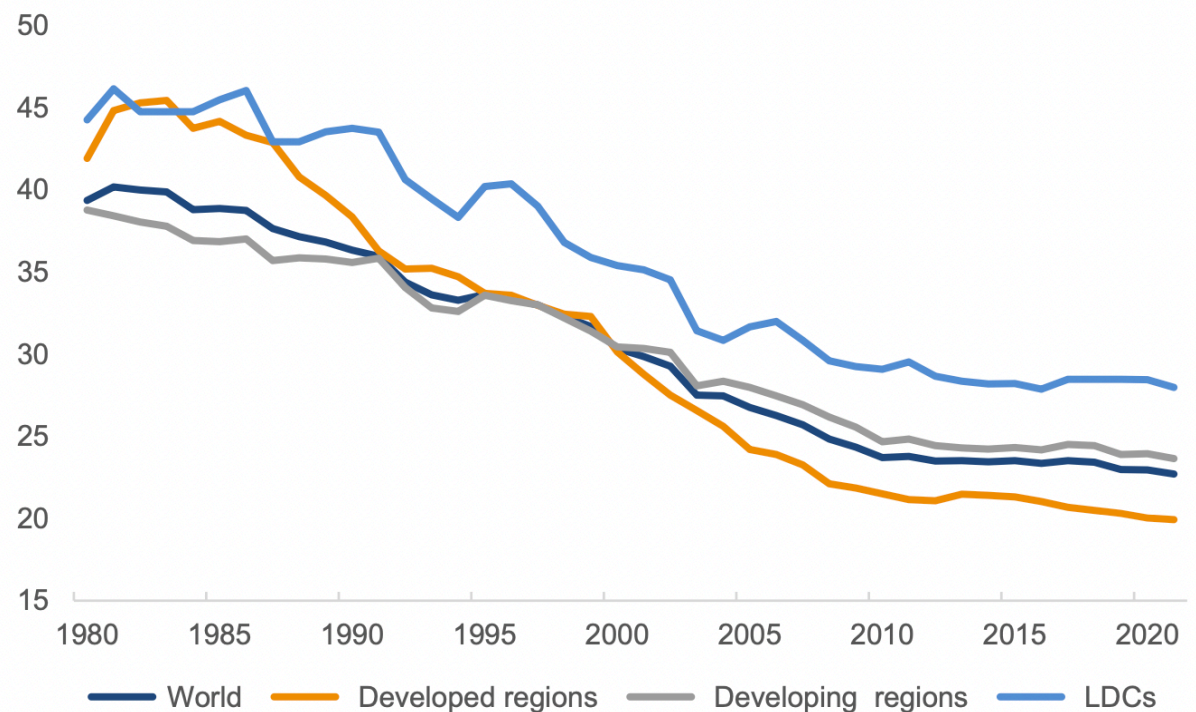
Some countries could reduce their vulnerability by promoting private sector development, while others take advantage of the diversion of investment flows to attract new FDI by undertaking structural reforms and improving infrastructure.”

Corporate income tax rates are plummeting globally

Statutory CIT rates, regional and world averages, 1980-2021 (%)

The tax competition to promote investment has led to declining corporate income tax (CIT) rates in all geographical regions and in most economies since the 1980s.

The worldwide CIT rate more than halved, from 40 per cent in 1980 to 23 per cent in 2021.



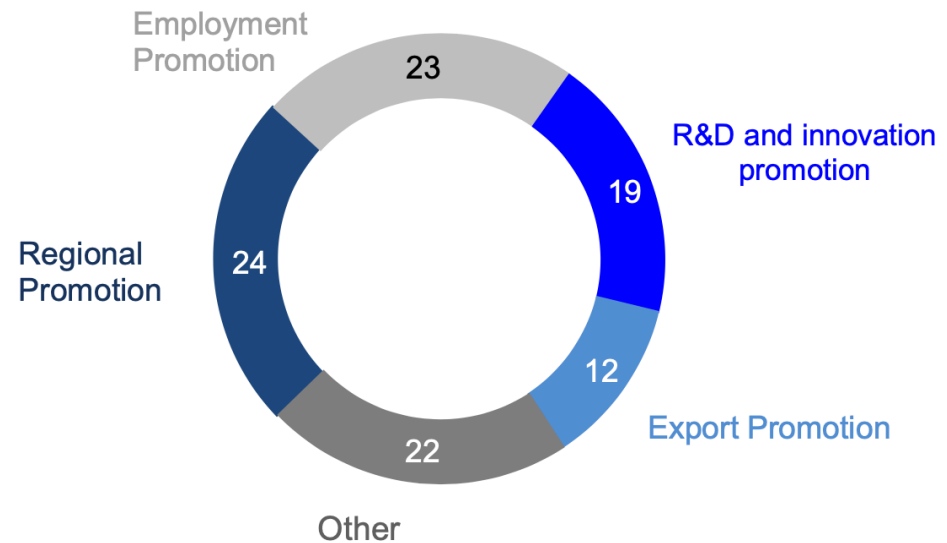
Corporate income tax rates are plummeting globally

Policy objectives associated with new tax incentives for investment, 2011- 2021 (%)

Most sector-specific tax incentives for investment introduced in the last decade target manufacturing and services

Individually considered, tax incentives that aim at regional promotion are the most recurrent globally (24 per cent), in Africa (33 per cent) and in Asia (27 per cent).

Among these incentives, 70 per cent aimed at promoting the development of an SEZ and 30 per cent targeted development of a specific location within the country



Source: UNCTAD Investment Policy Monitor

Guidance on future economic zone policy

- The international context under which successful zones have been established has changed drastically (from Covid knock-on effects to increased protectionism and shifting GVCs to the WTO agreement on subsidies and countervailing measures designed to phase out incentives on export performance and use of local contents).
- The options to differentiate by providing fiscal incentives within a zone have become limited. But this challenge can provide an opportunity for evolution.
- Successful zones of the future will need to rely on more than just tax incentives or subsidies. They will need to put their focus on talent, training, innovation, overall business friendliness, value-add services, and leverage the global trends to provide maximum value to their tenants and their local economies.
- Focus on being productive hubs for industries of the future

1. NATIONAL INVESTMENT POLICIES

- ▶ Reorient general investment incentives to consider emissions' performance
- ▶ Customize investment promotion mechanisms for energy transition investment
- ▶ Strengthen the capacity of investment promotion institutions to attract energy transition investment
- ▶ Leverage special economic zones as energy transition models for the economy and to incubate sustainable energy investment

2. INTERNATIONAL INVESTMENT POLICIES

- ▶ Mainstream sustainable development as a core objective of IIAs
- ▶ Prohibit the lowering of environmental standards as a means to compete for investment
- ▶ Strengthen the promotion and facilitation dimension of IIAs
- ▶ Reform IIAs and investor–State dispute settlement to lower the risk of cases on sustainable energy policymaking

3. GLOBAL PARTNERSHIPS

- ▶ Set up a one-stop shop for sustainable energy investment solutions, technical assistance and capacity-building
- ▶ Promote partnerships for support to groups of vulnerable economies with specific energy transition needs, such as least developed countries and small island developing states.
- ▶ Promote partnerships for developing investment initiatives in high-emissions and high-impact sectors, such as industry, agriculture and tourism

4. REGIONAL AND SOUTH-SOUTH COOPERATION

- ▶ Support regional industrial clusters and regional value chains in new strategic energy transition sectors
- ▶ Leverage regional economic cooperation in sustainable energy infrastructure development
- ▶ Factor in promotion of energy transition investment in regional trade, investment and industrial cooperation agreements



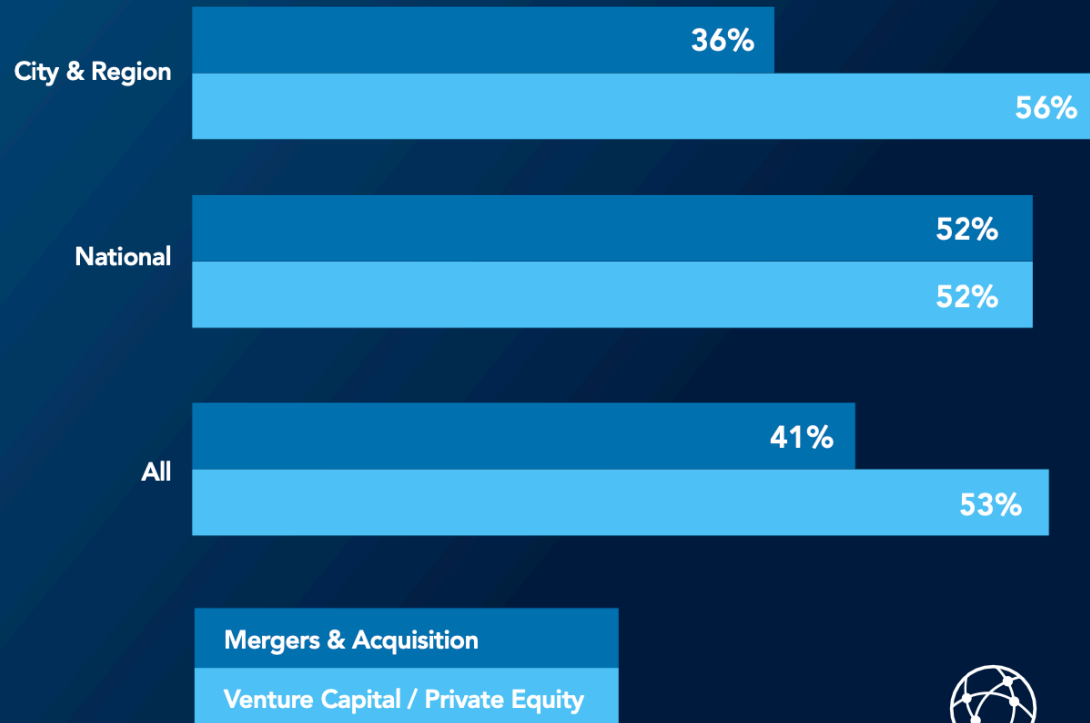
Q&A and group discussion

Tapping into new sources of investment

IPAs are extending their targeting of financial investors

- Around half of respondents were covering Venture Capital and Private Equity for domestic start-ups as part of their investment promotion activities
- Cities and regions were marginally more likely to be covering these areas. This was driven mainly by the city IPAs who responded to this survey. These respondents represent global economic centres and it is not surprising that they well ahead for VC/PE activity
- Less than half of respondents (41%) were covering Merger & Acquisition opportunities as part of their investment promotion activities
- National agencies were most likely to be involved in M&A activities, although this was still only 52% of respondents from national agencies

Percentage of respondents covering Venture Capital/Private Equity and Mergers and Acquisitions



Sourcing New
FDI Opportunities

The growing importance of institutional investment

Institutional investment is rising in relevance for investment promoters

Insti FDI

- Financial in nature
- Indirect or semi-direct
- Based on asset classes
- Return-seeking
- Project-centric

Typical FDI

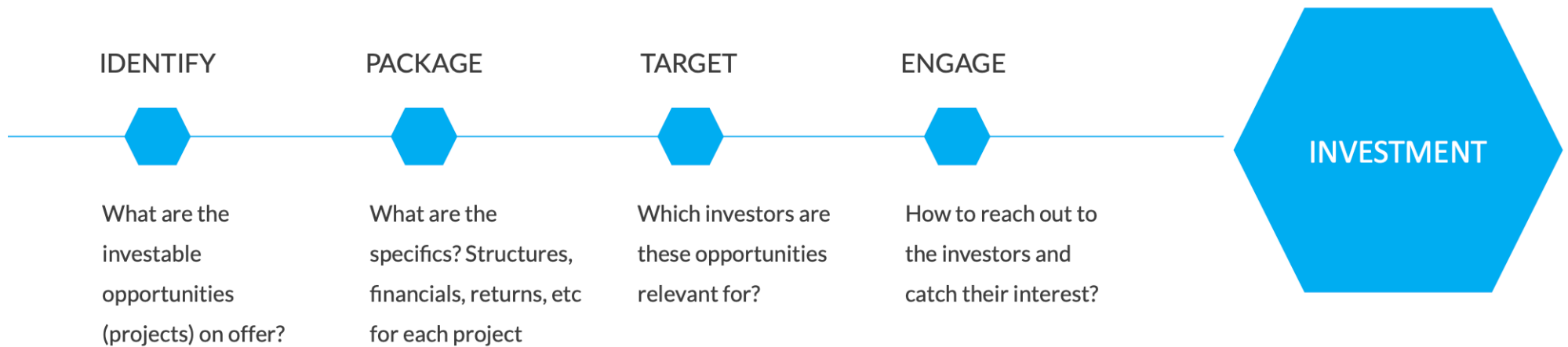
- Corporate in nature
- Direct
- Physical presence/footprint
- Market or talent seeking
- Location-centric

Lost in translation: the insti-IPA language barrier

- Investors have capital to deploy and a desire to invest especially in SDG-friendly projects, but often complain of a lack of investable projects
- Locations have an imperative to attract this type of investment, and a wealth of opportunities to offer
= mismatch between investor and location expectations
- IPAs need to speak the language of institutional investors, which is different from that of traditional greenfield/corporate investors



Steps to attracting institutional investment



How to talk to institutional investors

- Be specific!
- Present clearly defined project opportunities
- Focus on financials and structures
- Do your homework: research their portfolio and investment pattern
- No spamming! Take only the most viable and relevant projects to your top targets
- Highlight ESG and SDG relevance



Engaging with international investors

Strategic storytelling for investment promotion

Standing out from the crowd is incredibly difficult. It's important to get your story straight before telling it to investors

Thoughts to consider:

- What's your elevator pitch?
- What makes your zone unique? (Avoid cliches and generalities)
- What are your most compelling stats?
- What are the investor's priorities and current business challenges and how can your zone address them?



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The digitalization of investment promotion

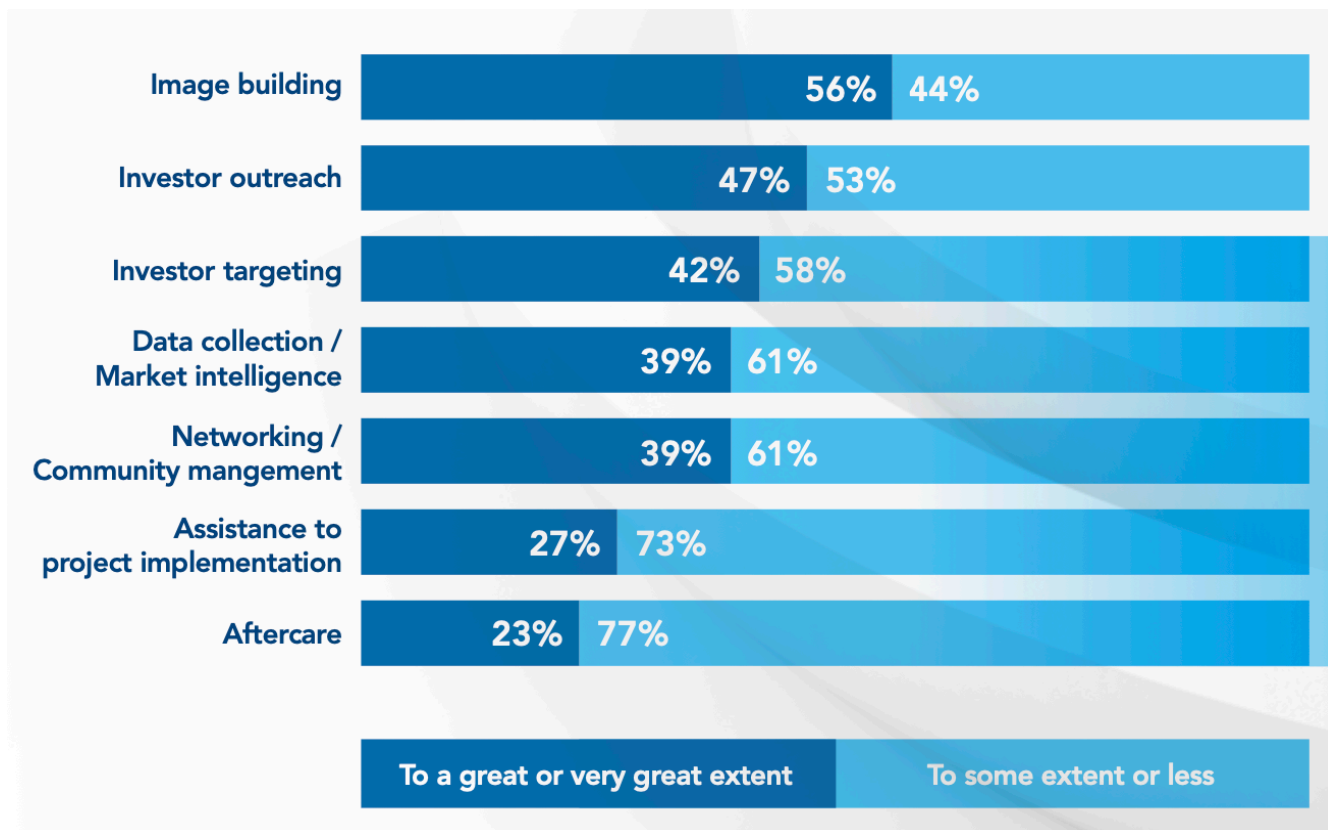
- The digitalization of investment promotion has been accelerated by the pandemic
- Use of new technologies to engage investors (AI, GIS, VR) and increasing reliance on virtual methods of investment promotion
- US investors and site selectors most familiar with and receptive to these technologies, but other regions are catching up
- ‘Social selling’ creates efficiencies and new platforms for engaging investors



BUT digital innovation is still under-utilized by many IPAs

To what extent are you leveraging digital tools for the following activities?

Digital tools are well adopted for image-building and investor outreach but are not being leveraged fully for several key investment promotion tasks



Source: OCO Global-WAIPA Innovation Report 2023

Media & marketing: new tools, new tactics

- Consumption of media is changing and investment promotion via media should change with it
- Print readership is declining; online is where all the eyeballs are
- AI creates more transparency over who engages with your content and a greater ability to target relevant audiences
- Martech solutions go halfway down the road to lead generation, unlike 'old' media
- Don't be scared of these new tools! But don't expect them to do everything. They are only as good as your ability to use them



Case study: Use of virtual reality marketing

Daegu-Gyeongbuk FEZ in South Korea built a virtual zone to best showcase its assets at a distance, and held a virtual zone/augmented reality investment summit in late 2020.

Following that experience, it set up a VR/ AR R&D centre with private investors, to foster further research into these kinds of applications.



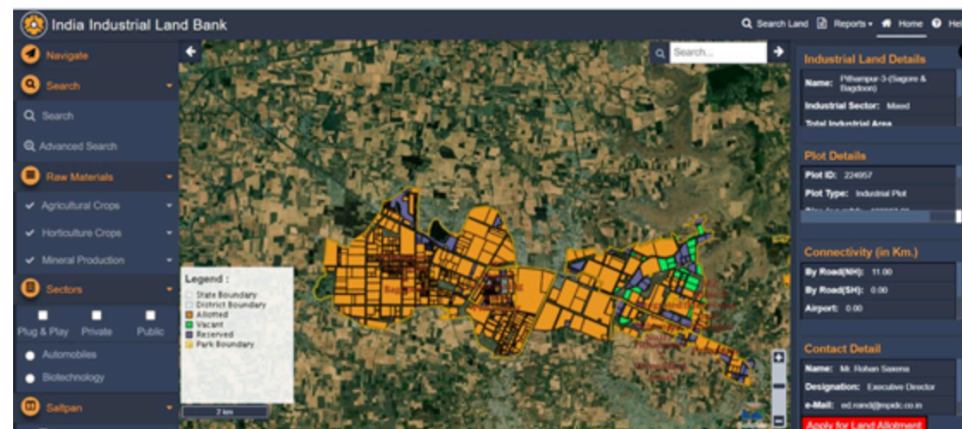
South Korea's Daegu-Gyeongbuk Free Economic Zone caught the judges' eye for its for virtual reality marketing

Case study: Invest India's use of GIS technology

The India Industrial Land Bank is a Geographic Information System enabled database of industrial areas including clusters, parks, nodes, zones, etc. across the country to help investors identify their preferred location for investment.

To date, the portal provides access to information on over 4500 industrial parks mapped across 5.06 lakh hectares of land out of which 1.12 lakh hectare of land is presently available for industrial use.

To ensure the information gets updated on real time basis, the system has been integrated with industry-based GIS systems of 34 states and territories.





Q&A and group discussion

Mastering the art of aftercare

Aftercare cannot be just an afterthought

A large percentage of FDI projects comes from expansions and happy customers are your best source of advertising

Successful aftercare involves:

- A good CRM system to keep track of investors/tenants and contact with them
- Regular outreach to check on their needs and level of satisfaction (surveys, roundtables, check-ins)
- Soft-landing services (hand-holding throughout set-up)
- HR, relocation, recruitment and training support
- Strong advocacy for investor needs (be their voice)



Case study: Hamilton, Ontario's aftercare program



As part of Hamilton Economic Development's 'Hamilton Calling' aftercare program, the team visits about 100 companies each year, offering support to ensure their success.

The IPA has a variety of services according to the needs of the company, including help with business-to-business connections, human resources, training programs, financial services, exporting and marketing. All information gathered is tracked and recorded in a customer relationship management system to ensure continuity, help the agency stay in contact with the company, and to keep it up to date with any relevant programmes or events.

In 2018, the organisation also launched 'Hamilton Fast 40', a promotional aftercare programme focused on identifying, promoting and retaining the city's fastest growing businesses.



Q&A and group discussion



Thank you for your attention!

For more information please contact me:

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