

**MAKING FDI WORK FOR
SUSTAINABLE AND REGIONAL
DEVELOPMENT**

8th OECD IPA Network Meeting

**Summary
Report**

November 7th 2023



On the 7th of November 2023, the eighth annual meeting of the OECD IPA Network took place, centring on “Making foreign direct investment work for sustainable and regional development”. This conference inaugurated the OECD Sustainable Investment Days, a two-day event aimed at reflecting on whether current approaches and practices ensure the full potential of FDI to support sustainable and regional development, while achieving net-zero emissions by 2050. The OECD IPA Network Meeting 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

- Enhancing regional development by attracting foreign direct investment (FDI) stands as a pivotal strategic goal for OECD regions. However, investment promotion ecosystems at a regional level are highly diversified and multi-layered across OECD countries. Subnational organisations vary greatly depending on the country’s political, administrative and fiscal frameworks.
- Competition across regions is identified as the primary challenge in effectively executing strategies, particularly in more decentralised countries. Strategic collaboration between subnational IPAs and clear guidelines from national IPAs are key to alleviating harmful regional competition.
- Subnational IPAs can enhance their investor attraction strategies by extending beyond traditional incentives. These agencies can leverage their regional networks and specialised knowledge to offer tailored services to investors.
- To ensure effective representation of local concerns at the national level, a proactive approach is crucial. This involves engaging all government layers in the development of regional development strategies and maintaining presence in national committees.
- Governments and IPAs must incorporate targeted measures into their investment strategies to maximise the positive impacts of FDI on sustainable and regional development. This includes implementing complementary policies to cultivate the necessary local workforce, and aligning with the expectations of investors and the needs of local communities, as illustrated by the example of battery plant investments.
- Sustainability holds a prominent place on both national and subnational government agendas, amid interconnected challenges. Regional disparities, compounded by the threat of climate change, pose risks to the global economic system. However, they also open avenues for net-zero investments, creating demand for new jobs and skills.
- Aligning FDI strategies with sustainability goals requires the incorporation of comprehensive monitoring and evaluation mechanisms utilising data-driven approaches to attract and evaluate investments.

CONTEXT

Investment policymakers are prioritising regional development, where (FDI) plays a substantial role in achieving sustainable outcomes. In the context of this prioritisation, almost all OECD countries incorporate a regional dimension into their national investment promotion strategies, with approximately three-quarters implementing specific regional investment promotion plans.

Both national and subnational IPAs bear a significant responsibility in attracting FDI to support regional development and contribute to local sustainability objectives. The landscape is evolving due to increasing decentralisation and the expanding role of subnational authorities in economic development. This transformation is reshaping the framework within which national and subnational agencies operate and interact on regional investment promotion. Agencies also often navigate a complex and multi-layered institutional framework for investment promotion and facilitation. A deeper understanding of the subnational investment promotion and facilitation frameworks, coupled with a comprehensive grasp of policy measures and practices essential for leveraging FDI benefits, such as sustainability and regional development, is crucial. This knowledge can empower both IPAs and policymakers to navigate this intricate landscape effectively. By enhancing sustainability metrics within IPA activities, these entities can attract investments to less developed regions, ensuring that FDI actively contributes to sustainable regional development. In this context, the annual meeting of the OECD IPA Network centred around these themes, marking a milestone in a two-year programme dedicated to exploring the intricate connections between FDI, investment promotion, and regional development. While last year's conference focused on the link between FDI and regional disparities and the role of national IPAs, this year's conference brought the decentralisation aspect into the discussion and gave more voice to subnational IPAs.

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

HIGHLIGHTS

The conference was chaired by **Achim Hartig**, Chair of the OECD IPA Network and Managing Director at Germany Trade and Invest. The workshop was held in hybrid format with a majority of participants onsite at the OECD Conference Centre in Paris, France. In the morning, a plenary session focused on IPAs' strategic choices to attract investment in support of regional development. National and subnational agencies shared their views on enhancing the attractiveness of regional locations without inciting detrimental competition. Next, in partnership with the [OECD Local Development Forum](#), a panel addressed the rise of battery investments and their potential to support a just transition to a green economy. IPAs, industry leaders, training institutions and experts shared success factors to attract investors and discussed the challenges of developing and upskilling the local workforce. In the afternoon, further exchanges among IPA delegates focused on co-ordination between national and subnational agencies and on innovative methodologies used by IPAs to better attract and measure sustainable investment. The final session centred on the proposition for a new funding structure, aiming to optimise planning for the OECD Secretariat and ensure a stable delivery of benefits to the Network members. The workshop concluded by re-electing Achim Hartig as Chair of the OECD IPA Network for another biennium.

SESSION 1: WHAT STRATEGIES ARE NECESSARY TO ATTRACT FDI IN REGIONS AND ENHANCE ITS IMPACT ON REGIONAL DEVELOPMENT?

The first session was dedicated to examining the diverse strategies related to FDI attraction in regions from both the national and subnational perspectives. During the first part, the results of the *OECD survey on subnational investment promotion and facilitation* were presented. On the second part, panellists and participants discussed the role of national and subnational IPAs in supporting regional attractiveness, achieving local sustainability goals, addressing regional disparities, while also identifying main challenges and opportunities.

The session started with the opening remarks by **Antonio Gomes**, Deputy Director of the Directorate for Financial and Enterprise Affairs at the OECD, who welcomed participants. He highlighted FDI as a potential source of sustainable development, acknowledging both the challenges and value of extending its benefits beyond major economic hubs. He concluded by highlighting the OECD IPA Network's role as a platform for international co-operation, supporting policymakers in harnessing investments for sustainable regional development.

Achim Hartig, the Chair and session moderator, underscored the vital role of green FDI in economic growth and local transitions. Amid a challenge of reduced greenfield investments due to geopolitical tensions, he questioned how IPAs can adapt strategies to fortify the role of FDI in economies. He concluded by emphasising that the day's sessions would help IPAs develop strategies, foster local capacity and share successful models for attracting FDI to various regions.

Alexandre de Crombrughe, Economist at the OECD Investment Division and Manager of the OECD IPA Network, set the scene by unveiling outcomes from a two-year project delving into the interconnections between FDI, investment promotion, and regional development. Focusing on subnational investment promotion and decentralisation in the OECD, he highlighted the existence of diverse and multi-layered regional ecosystems, emphasising the prevalence of subnational agencies particularly in decentralised countries. Sharing insights from a recent survey of subnational IPAs, he discussed their characteristics and challenges, offering a comparative analysis with national IPAs.

The discussion opened with IPA representatives emphasising their role in promoting regional development. This involves co-ordination and visibility at the national level and acting as a link and providing aftercare at the subnational level:

- On the national side, **Julio César Puentes Montaña**, Vice President of Investment Promotion at ProColombia, started by highlighting their role in executing the national investment strategy with a regional emphasis. He stressed the need for unified messaging and co-ordinated decision-making.
- **Javier Yraola Burgos**, Project Management Director at ICEX Invest in Spain, pointed out that Spain's federal system naturally empowers regions to attract investment. Therefore, at the national level, the IPA operates as facilitator for a collaborative network, providing spaces to share best practices and giving visibility for investment opportunities.
- Opening the floor for subnational representatives, **Lydia Alessio-Verni**, General Director at Agenzia Lavoro & SviluppoImpresa (Italy), emphasised her agency's primary roles was in aftercare services and collaborating on regional policy development.
- Next, **Felix Neugart**, CEO of North Rhine-Westphalia Global Business GmbH (Germany), mentioned their pivotal role as the link between international investors and local agencies, contributing significantly to regional transformation. His agency prioritises providing a one-stop shop for businesses and localising services.
- Joining online, **Ian Smith**, Executive Director of the Office of Regional Economic Development at New South Wales (Australia), emphasised his agency's central role in fostering investment through specialised services like value chain mapping, connecting with local and national authorities, and data-enabled decision-making.

The Chair presented thought-provoking questions, eliciting valuable insights from the panellists:

- **Representation of local concerns at a national level requires a proactive strategy.** It is important to involve all government layers when developing the regional development strategy and have a tangible presence in national committees. Furthermore, collaborating jointly in international events and maintaining a consistent, direct communication channel through meetings contribute to enhancing the visibility of the region.
- **Strategic collaboration and clear guidelines are key to alleviating harmful regional competition.** Subnational IPAs should specialise in attracting FDI based on regional vocations, considering national directives, and fostering open conversations while sharing best practices. Moreover, promoting a level playing field, preventing political pre-selection, and fostering collaboration on common interests are essential.
- **Subnational strategies to attract investors go beyond tax and non-tax incentives.** These strategies include connecting potential investors with local authorities and business institutions by leveraging the regional network and providing location selection services aimed at helping investors comprehend the region's offerings. Subnational IPAs also offer matchmaking opportunities, and address skills' shortages through training and talent acquisition. These entities

emphasised that investors value the provision of precise information and data collection according to their needs.

The floor was then open for discussion, and consensus emerged among the panellists. There was agreement on prioritising attraction strategies based on business type rather than company size, with a particular emphasis on sustainability-friendly models. On incentives, the consensus was towards curving incentives to attract sustainable investment, as opposed to outright reduction. National IPAs addressed the challenge of non-discrimination while providing suitable options by using a screening process. Regions are assessed by their capabilities, aligning with investor requirements.

SESSION 2: POWERING UP THE LOCAL WORKFORCE: THE CASE OF BATTERY PLANT INVESTMENTS

This session, done in partnership with [OECD Local Development Forum](#), was a practical discussion addressing the need to develop local capacities and skills to attract investment projects, focusing on the case of battery plant investments. The debate was focused on the policies and strategies required to attract and develop the local workforce and meet the needs of the investors and the local communities.

The moderator, **Alex Irwin-Hunt**, Global Markets Editor at fDi Intelligence, opened the session by recognising the significant influence of the shift to battery technology on local development, particularly in the automotive industry. He noted that despite the surge in greenfield investments in battery technology, their success hinges on the availability of skilled workers and infrastructure. Workforce development projects become crucial, highlighting a strategic and economic imperative to ensure the success of these mega projects.

Subsequently, the moderator explored key aspects with the panellists, covering success factors, challenges and skills requirements, and the role of incentives within the framework of new industrial policy. The resulting discussion yielded valuable insights:

- **Attracting investments in battery plants requires a multifaceted strategy, encompassing financial support, effective government co-ordination and constant communication.** **Luc Doublet**, Chairman of Nord France Invest, shared that the 'pre-marketing' stage is crucial when attracting specialised investments. He accentuated the value of identifying key players early and ensuring collaboration between local authorities and regional industries, all while being time efficient.
- **Having a conducive business environment and addressing skills shortages are two common success factors, although additional factors influence outcomes.** **Hinrich Habeck**, CEO of the Business Development and Technology Transfer Corporation of Schleswig-Holstein highlighted the region's commitment to green energy. **Vincent Raufast**, Director of Southern Europe & Africa at OCO Global, stressed the importance of predictability, due diligence procedures and access to power supply. **Michael Horrigan**, President of the W.E. Upjohn Institute for Employment Research in the USA, underscored the significance of infrastructure agreements and tax incentives.
- **Anticipating and addressing investor needs in a developing industry are among the primary challenges.** To tackle these challenges, panellists pointed out the need to develop a projection model for future needs, establish a battery network, address connectivity issues, build consensus between regional authorities and investors, and develop a skilled workforce through collaboration between research institutions and the battery industry.
- **Sustaining competitiveness requires regions to engage in reskilling and upskilling their local workforce, not only focusing on creating skills.** Transformation Programme Director of LHH – The Adecco Group, **Nadine Guerin Roquel**, indicated that the common challenges in achieving these objectives are uncertainty about skills needed in the future, effectively communicating the availability of a high-skilled workforce to the private sector, attracting experienced workers, and managing the operational time and costs of skill training.
- **Ensuring incentives are effective involves them to be aligned with the development of the regional business environment.** In the open discussion, delegates raised concerns about financial incentives, emphasising that this money could be better spent on pressing challenges rather than attracting investments. They discussed the importance of evaluating the return on investment for local communities and the need for transparent allocation of incentives.

Christine Juen, Vice-Chair of the Local Employment and Economic Development Committee (LEED) and Attachée for Labour and Education at the Austrian delegation to the OECD, delivered the closing remarks. She underlined the importance of cross-sector collaboration along key issues regarding skill generation to ensure a just transition to a green economy. She highlights the need for a focus on skills, vocational training and upskilling, particularly for vulnerable individuals and the gender gap in the green industry.

The session was concluded by **Achim Hartig**, who emphasised the relevance of battery investments for the green energy transition and the need to develop regional value chains, linking local actors with international players. He emphasised the need for IPAs to connect global imperatives, such as the green transition, with regional and local challenges, specifically addressing skills shortages and mismatches.

SESSION 3: REGIONAL DEVELOPMENT – A DEEP DIVE ON THE ROLE OF IPAS

This session, open exclusively to IPA representatives of OECD member and accession countries – focused on the institutional framework for investment promotion and facilitation at subnational level. During the presentations, panellists explored the role of local actors and their relationships with national IPAs. They identified the main opportunities and challenges.

Achim Hartig moderated this session. He opened by presenting the panellists and reminding the audience that this session was a continuation of the morning's session, with a particular focus on co-ordination and co-operation between national and subnational actors.

Alexandre de Crombrughe delivered the background presentation. He pointed out that competition among regions is high, particularly in areas lacking sophisticated co-ordination mechanisms. Despite this, the institutional relationships remain strong, with high levels of co-operation and complementarity between national and subnational agencies. The most cited challenges for regional FDI promotion and facilitation include unclear mandates, insufficient financial resources and inefficient communication channels.

The presentations began with **Anne Beggs**, Director of Trade & Investment at Invest Northern Ireland, who shared insights on investment attraction and collaborative initiatives with the UK Department for Business and Trade. Despite the Northern Irish government's mandate for FDI attraction, their strategy aligns with the United Kingdom's approach. She emphasised a unique regional focus, particularly in aftercare, and the benefit from exceptional access to both UK and EU markets. In terms of collaboration with the national authorities, they have a jointly training programme with the UK Ministry of Economy and local universities.

Laurent Sansoucy, representative of ITA – Invest in Italy, provided background on the investment promotion framework in Italy and how the IPA was created in recent years. At the subnational level, Italy has increased its efforts to enhance regional FDI engagement, recognising the heterogeneous landscape and differences on FDI focus across regions. To foster synergies and collaboration with national authorities, ITA encourages information exchange, offers technical support and partners with specialised national agencies.

Romana Kunkova, Senior Consultant at the Slovak Investment and Trade Development Agency (SARIO), continued by providing insights on Slovakia's particular case. She started by explaining that due to the country's geographical nature, there are no subnational agencies responsible for FDI attraction. Instead, the national IPA leads the regional strategy through their regional offices. These offices collaborate with local authorities, provide information on local business opportunities and offer aftercare services in tandem with local players.

Concluding the presentations, **Radi Simeonova**, Managing Director of Business Development at the Washington State Department of Commerce, emphasised the United States' approach, where states independently determine FDI strategies – including attraction, incentives and priorities. Under this premise, the federal government maintains neutrality on regional competition. However, they offer subnational IPAs spaces to promote their region – including the annual SelectUSA Investment Summit.

SESSION 4: MONITORING AND EVALUATION OF SUSTAINABLE INVESTMENT

During the last session of the day, the participants went through new approaches, methodologies and data sources used for monitoring and evaluation (M&E) in selected areas of sustainability. It featured IPA best practices and new developments in this area. The results of the *OECD survey on monitoring and evaluation of sustainable investment 2023* were presented.

The session was moderated by **Elizabeth Schaefer**, Acting Director of Investment Services and Director of Research at SelectUSA. She opened the floor by presenting the panellists and recognising the rising relevance on tracking sustainable investments by IPAs.

The first presentation was delivered by **Monika Sztajerowska**, Economist and Monitoring & Evaluation Lead at the Investment Division of the OECD. She shared the results of the 2023 OECD survey on monitoring and evaluation of sustainable investment. Key findings highlight IPAs' increasing focus on sustainability, evident in their efforts to measure, target, evaluate, and attract sustainable investment. Sustainability criteria primarily consider sector and project characteristics, applied through in-house classification criteria. Basic key performance indicators (KPIs) are prevalent, with 71% of IPAs incorporating sustainability KPIs, often using scoring mechanisms. The importance of data for strategic prioritisation was emphasised.

Opening the presentations by IPA representatives, **Breda O'Sullivan**, Manager of Corporate Strategy and Planning at IDA Ireland, explained that adapting existing M&E mechanisms to account for sustainability is key to embed a sustainable dimension into the overall FDI strategy. IDA Ireland's strategy places decarbonisation as a top policy priority across five pillars: growth, transformation, regions, sustainability and impact. These pillars have published targets, such as input and output metrics through parallel surveys, along with both ex-ante and ex-post evaluation approaches.

Then, **Bilal Ilhan**, Research and Data Management Unit Manager at the Investment Office of the Presidency of the Republic of Türkiye, continued by presenting their scoring mechanism, which is constructed based on five categories: investment size, direct contributions, potential contributions, investor prestige and SDG compliance. He emphasised that time effectiveness, a strong methodological rationale and ease of completion were all considered when constructing the mechanism. Investment projects are segmented based on score results, with higher priority to sustainable projects. He finished by indicating that monitoring and evaluation of investment is extended towards those that have been attained.

Mads Mynderup Godtfredsen, Head of Analysis at Invest in Denmark, shed light on the historic evolution of Denmark's approach to sustainable investment. While sustainability has been on their agenda since 2008, it was not until 2020 that attraction of sustainable investment became an official mandate for Invest in Denmark. In 2021, a sustainability evaluation tool, based on the EU taxonomy, was implemented. The tool provides valuable insights for investment prioritisation and supports the monitoring of projects. The tool is used only for internal purposes and focuses exclusively on the environmental aspect of sustainability.

Lastly, **Alejandro Riquelme**, Head of the Strategic Development Unit at InvestChile, shared details on the current evolution taking place regarding FDI indicators. They are shifting from basic to comprehensive indicators, incorporating sustainability and decentralisation dimensions. These are monitored via an online platform. He added that Chile, in collaboration with the OECD, is looking to adopt sophisticated indicators, to address the impact of FDI on sustainable development. The long-term goal is to understand the effects of FDI on local business linkages, and the spillovers it generates along the value chain.

CONCLUSION AND THE WAY FORWARD

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

Achim Hartig extended his gratitude to all participants for sharing their valuable experiences and knowledge, emphasising the importance for IPAs to work in partnership with each other to continue developing and sharing best practices.

On the operational aspect, the Chair and the Secretariat, with approval of the Steering Group, put forward a new funding model to support the work of the Network in a more continuous and consistent manner. A membership fee of 7.500 € per year per member will allow IPAs to have access to all work and outputs of the Network. The possibility of free membership was also offered, albeit with reduced benefits. Members pointed out the importance of highlighting the full benefits of the paid membership.

Finally, **Achim Hartig** was unanimously re-elected as Chair of the OECD IPA Network for the next biennium. The process for the appointment of the Steering Group was also explained by the Secretariat. As of 24 November 2023, all applications for the Steering Group had been received, following which a decision was made to appoint the following IPAs to the Steering Group: Australia, Czechia, Finland, Ireland, Lithuania (TBC), Luxembourg, Sweden, the United Kingdom and the United States.

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.
- 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 Australia, Czechia, Finland, Ireland, Lithuania, Luxembourg, Sweden, the United Kingdom and the United States.

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