

# Investment Promotion and Digital Transformation for a Sustainable Recovery

Sixth meeting of the OECD IPA Network

## Summary Report

13 - 14 October 2021

OECD virtual meeting



On 13-14 October 2021, the OECD organised a virtual workshop on **Investment promotion and digital transformation for a sustainable recovery**. It was the sixth meeting of the OECD Investment Promotion Agency Network. The workshop featured participants from OECD and partner countries, including senior representatives from national and sub-national investment promotion agencies (IPAs) as well as policymakers and representatives from the private sector, civil society, academia and international organisations.

### MAIN TAKEAWAYS

- Digitalisation is not optional, but an imperative both for governments and firms.
- Investment promotion in the digital economy has to be selective and niche-oriented to be successful.
- Sound business environments and favourable ecosystems are critical to attract digital investment.
- Small digital businesses need IPA support when they invest and expand.
- E-government services and regulatory certainty make a real difference for firms.
- Digital tools can act as simplifier and enabler of improved public-private communication.
- IPA digitalisation is a long-term process and requires a corporate strategy.
- Digitalisation can help improve IPA monitoring and evaluation methodologies and support data-driven investment promotion.
- Sustainability objectives are increasingly important in IPAs' FDI attraction efforts but need to be tracked with adequate monitoring and evaluation methodologies.
- Collaboration across IPAs worldwide is essential to make the most of the opportunities offered by digitalisation and use it to achieve a sustainable recovery.

### Context

The COVID-19 pandemic has provoked a worldwide health and economic crisis, with a profound effect on foreign direct investment (FDI). Global FDI flows dropped by 38% in 2020, and in many countries new investments remain below pre-crisis levels. Promoting and facilitating private investment is more crucial than ever to fund a sustainable recovery. The global disruptions of the crisis have accelerated the importance of harnessing digitalisation – including new modes of working and new sectors – to support resilient, sustainable and inclusive growth.

IPAs play a key role in boosting investment to harness the opportunities offered by the digital economy. While seeking to attract multinational enterprises operating in digital sectors or activities, IPAs also need to undergo their own digitalisation to become more efficient and improve their performance. Digitalisation can also be an important component of governments' efforts to facilitate new investments and simplify related procedures.

International cooperation is imperative and that includes discussing IPA initiatives and reforms. 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**, Managing Director at Germany Trade and Invest and Acting Chair of the OECD IPA Network. The workshop was held virtually and spread across two days. On the first day, 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 in a digital world. This session was followed by a second session, open to OECD IPA members, which centred on embracing digitalisation in IPA strategies and activities.<sup>1</sup> The following day, OECD IPA members attended another closed session on monitoring and evaluation (M&E) for increased sustainability. The workshop concluded with a final session that discussed future priorities and where Achim Hartig was designated as Chair of the OECD IPA Network for the next biennium.

### Session 1: Promoting and Facilitating Investment in a Digital World

The first day of the workshop was dedicated to discussing the role of investment promotion and facilitation in the digital economy, the necessity by governments and firms to fully embrace the digital transformation, the need to adapt investment promotion priorities to harness the growing FDI opportunities in digital sectors and activities, and the evolving role of IPAs and their interactions with other players. The wide range of participants brought perspectives from different regions and contexts.

The session started with introductory remarks by **Ana Novik**, Head of the OECD Investment Division, stressing the importance of experience sharing in crisis times and the role of the OECD in conducting research and supporting multilateral cooperation. Achim Hartig, Acting Chair of the OECD IPA Network and moderator of the first session, opened the session by insisting that IPAs are more than ever demanded to contribute to resilient, sustainable and digital economies.

The first guest speaker, **Antti Aumo**, Head of Invest in Finland – Business Finland, reiterated a common theme – that digitalisation was a high priority before the COVID-19 pandemic, although it accelerated the digitalisation process. Further, he provided six main observations to promote digital investments: 1) focus on a specific area, horizontally and vertically, and choose this niche wisely; 2) become digital across all company functions and change all IPA processes to digital only or digital first; 3) old skills can be used in new areas; 4) everyone can be a big player in the digital markets, location and size are less relevant; 5) there is a great need for digital talent, this talent can be acquired through education and attracting talent; and 6) high quality e-government services are essential for attracting companies. Mr. Aumo concluded his presentation with the insight that investment promotion is a complex process in need of a holistic approach where everything needs to be digital and all systems interconnected.

The Chair then gave the floor to **Eyal Eliezer**, Head of Strategy and Marketing at Invest in Israel, who spoke about the Israeli experience. He provided insight that the focus should be less on attracting investments but rather creating an attractive ecosystem – this is where Israel has thrived as there were record investments in Israeli high-tech in 2020-2021. Mr. Eliezer further emphasised the crucial part governments being integrated in the creation of a digital ecosystem, highlighting that Israel moved from a start-up nation to a scale-up nation. Lastly, he stressed the importance of making a roadmap for investors with a step-by-step guide and links to the necessary units, so investors do not get lost in the bureaucracy.

**Deepak Bagla**, CEO and Managing Director at Invest India, continued the discussion with the case of India where digitalisation is a big driver of economic growth and innovation. He reiterated a common theme that digitalisation is not a choice but is imperative, especially for the case of India where there is not only a large geographical area but also a large amount and diversity of people. Mr. Bagla further provided examples of how the pandemic quickened the adoption of certain technologies, speaking specifically about digital health and how digitalisation aided in rolling out vaccines and in providing medical insurance. He then spoke on

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<sup>1</sup> A similar session with IPA representatives from the Middle East and North Africa took place on 14 October 2021.

the importance of having a digital portal for Invest India that was made available at the onset of the pandemic that took care of 20 000 enterprises.

Ambassador **Luiz Cesar Gasser**, Director of Services and Industry Promotion Department at the Ministry of Foreign Relations of Brazil, spoke of digitalisation from the perspective of a policymaker. Mr. Gasser stated digitalisation was important for investment facilitation, which is a priority for Brazil, as seen for example through the development of new international investment treaties and the establishment of the investment ombudsman. He explained that Brazil developed digital solutions such as unemployment insurance, access to emergency COVID funds, digital drivers' licenses and digital work ID cards in addition to the government website that has played a central role in investment attraction, promotion and retention. He stressed that, in relation to investment facilitation, e-government services are essential, and that Brazil has increased its efforts to maximise the use of digitalisation and digital government. Mr. Gasser concluded by stating that while important, the use of digital tools does not preclude good regulations and reforms.

The final speaker was **Aba Schubert**, CEO of Dorae, who provided insights as a representative from the private sector. She noted that digitalisation is affecting all stakeholders differently and that in particular small, fast moving digital business need the help and assistance of IPAs. She further detailed that this guidance and support can be a deciding factor for businesses in deciding whether to invest or not – this guidance and support can come in the form of money, prospects and certainty. Lowering the costs of business, tech infrastructure and e-government services are key in this area. Support in the form of prospects would include an attractive customer market, potential partners or a great talent pool. IPAs could be publishing consumer statistics, cultivating local partners and making introductions. Ms. Schubert further stressed that, from the perspective of the private sector, regulatory stability is key to build loyalty and that e-government services are crucial for such stability. To conclude, Ms. Schubert asked other panellists how businesses can help IPAs to fulfil their mandate and the cooperation with IPAs.

The general consensus was that digitalisation is not an option, this has been made apparent over the past year and a half with the complications that have arose due to the pandemic. Furthermore, IPAs need to meet both the demands of the governments and of companies.

## Session 2: Embracing Digitalisation in IPA Strategies and Activities

This second session was a break-out session that included OECD IPA members. The session started with the opening remarks by **Jorge Sequeira**, the Managing Director of CINDE Costa Rica and moderator of the session. This was then followed by a background presentation given by **Alexandre de Crombrughe**, Economist & Manager at the OECD Investment Division, which included the results of the *OECD survey on investment promotion and digitalisation*.

The session then featured the following panellists: **Georgia Mills**, Investment Director, New Zealand Trade and Enterprise; **Veronika Kratochvílová**, Director of Foreign Operations and Investment Division, CzechInvest; **Tord Johnsen**, Head of Investment, Investment Promotion - Analysis, Research and Evaluation, at the UK Department for International Trade (DIT) and **Patrik Wermelinger**, Head of Investment Promotion at Switzerland Global Enterprise.

**Georgia Mills** highlighted that due to the distance and location of New Zealand, digital tools have always been part of their processes – however, this transformation was accelerated by the pandemic and she expressed that New Zealand Trade and Enterprise is working to use artificial intelligence (AI) more frequently. She then expanded on two key digital tools in their toolkit: Live Deals – a digital connection platform where investors can view and express interest in investment opportunities and InvestEd – a capital raising support platform.

**Veronika Kratochvílová** shared insights to CzechInvest's digital transformation. She first mentioned the hurdles of their digital transformation process, namely budget limitations, lack of internal expertise and internal competition (i.e. where should resources be invested?). This then brought important questions in regard to one's digital transformation and prioritisation during the pandemic: one, what services can be moved online? Two, what would bring value to clients if it were to be moved online? And three, what do we want to move online? Then she expanded

on the three main digital tools CzechInvest focuses on: customer relationship manager (CRM) that encompasses a power business intelligence tool that gathers statistics and macroeconomic data; a site selection process, which also promotes regional selection; and their matchmaking platform – that includes the locations of domestic suppliers and a R&D infrastructure database.

Then, **Tord Johnsen**, spoke on how digitalisation was part of a larger reformation of the UK's investment promotion activities that has been undertaken to better understand investors' needs, better design investment services, better prioritisation of support all taken in the context of wider global trends. The UK's GREAT campaign (the UK's international brand marketing campaign) digital components expanded with COVID and now includes an Investment Atlas that informs investors about strengths and opportunities within UK destinations and sectors. However, while digital tools have expanded, there is a greater need to expand digitalisation to meet different internal and external demands, and to develop a new digital point of delivery service. Mr. Johnsen concluded by emphasising that digitalisation and data collection also enables the potential for deeper M&E by strengthening insights on the investment journey and understand the effectiveness of DIT's services better, its productivity and the accuracy of data collection.

The final speaker, **Patrik Wermelinger**, spoke about selected Switzerland's digital services, focusing particularly on Switzerland Business Navigator, which intends to satisfy customer needs digitally by providing customer support throughout their whole journey. This tool provides key economic figures of Switzerland's regions, cantons and cities. It aims to help firms understand market potential and conduct location analysis through relevant, trustworthy and comparable data. The Business Navigator is based on big data that is acquired through FDI intelligence and is supplemented by the national statistical office. Mr. Wermelinger also touched on the difficulties of digital tools such as the cost to not only have big data analytics but the upkeep to ensure up-to-date information.

In the discussion portion of the session, speakers touched on the supply side initiatives and the problem of digital talent shortages. Mr. Sequeira, expanded on two initiatives by CINDE: virtual job fairs and Crystal Ball – an ongoing project that uses AI designed to develop talent by guiding people in the correct direction for a career path. The Czech and Swiss representatives stated that their respective countries had initiatives targeting exchange students and extending work permits while the UK representative provided information on a government in-house hackathon.

### **Session 3: Better Monitoring and Evaluation for Increased Sustainability**

The second day of the workshop started with a break-out session with OECD IPA members addressing the link between IPA monitoring and evaluation methodologies and their prioritisation and sustainability objectives. The session was moderated by **Nils Askær-Hune**, Head of Analysis at Invest in Denmark, who first provided some insights on the experience of his IPA. This was then followed by a background presentation given by **Monika Sztajerowska**, OECD Economist at the Investment Division and **Christian Volpe Martincus**, Principal Economist at the Inter-American Development Bank, that included the results of the *OECD survey on monitoring and evaluation and prioritisation*.

The panellists for this session included: **Anna Hammarberg**, Investment Cooperation Manager of Business Sweden, **Ece Küçük**, Strategy and Corporate Planning Expert of Investment Office of the Presidency of the Republic of Turkey and **Gintarė Sabaliauskaitė**, Head of Global Operations at Invest Lithuania.

The first speaker, **Anna Hammarberg**, spoke about the experience of Sweden focusing on selected ecosystems for investment promotion (i.e. sustainability and global health) as well as measuring for quality investments. She went into detail on their M&E model that measures for high quality investments and seeks to explore what brings the most value to the Swedish economy. The model focuses on: 1) strategy alignment – are the investments coming from these focus areas? And if not, should the strategy be changed; 2) quality investments, as measured by investment size, immediate gains, quality and future gains – measured through a score-based model and evaluation survey in their CRM; 3) customer satisfaction and 4) economic effects. Looking forward, Ms. Hammarberg stated that they were currently looking at introducing a score

for M&E on sustainability as well as including the question of *additionality* – the degree in which their services had an effect/ the value for the investor – in their M&E framework.

Then, **Ece Küçük**, spoke of the experience of Turkey. Her presentation started with the current national FDI strategy in Turkey for 2021-2023. The strategy encompasses three phases: 1) analysing the key trends and expectations regarding the global and regional FDI market and the future of the market; 2) analysing Turkey's FDI performance and conducting a comparative analysis of Turkey's investment climate and 3) defining the definition of quality FDI: "investments supporting technological transformation, employment and current account balance". Ms. Küçük then spoke of their M&E processes with the IPA and expanded on their CRM system – a tailor made software system designed for the needs of the IPA, the evaluation of their project portfolio that keeps track of their high quality FDI profiles and uses data from their CRM system, FDI markets and statistics from other ministries.

The final speaker, **Gintarė Sabaliauskaitė**, shed light on the case of Invest Lithuania and their investment M&E strategies. She listed the six criteria for project evaluation and prioritisation: 1) project value added, 2) complexity of a project's activities (e.g. R&D, advanced technologies, effect to the ecosystem), 3) regional development, 4) industry focus, 5) company's newness in the Lithuanian market and 5) brand recognition. Each project is scored on these criteria and those with more points are projects of higher priority. This project evaluation is automated in the Project Priority Calculator within the CRM system.

Following the presentations from the panellists was a general discussion, including on how to address the investors' perception on IPA services. Many IPAs conduct them to understand whether they respond to the needs of investors, but the results are difficult to interpret and the qualitative aspect of services is also important. It was noted that there is a need to find the right balance between economic analysis required by ministries and the simplicity of KPIs, and further that M&E needed to prove that government intervention (i.e., investment promotion) is needed. It was also mentioned that investment promotion and M&E staff have different objectives, leading sometimes to potential tensions. Another issue that was discussed was how to respond to those industries or business that are not prioritised that are seeking assistance. The provision of the highest level of services and attention is often restricted to the most important investments but there is broad self-service support available to everyone.

#### **Session 4: Conclusion, governance and the way forward**

The workshop concluded with a final discussion, moderated by Achim Hartig, to take stock of the three sessions of the workshop and to share ideas and priorities for the future. Ana Novik presented on the five years' achievements of the OECD IPA Network focusing on its three main pillars: 1) peer-learning and knowledge exchange; 2) research and comparative analysis to support IPA decision-making; 3) deepening of the Network thanks to member-driven leadership and governance.

Participating IPAs valued the opportunity to exchange with peers – both in a plenary session and in smaller groups of practitioners – on areas of common interest. They commended the OECD for very interesting sessions and background research. In terms of future work under the OECD IPA Network, participants discussed ideas to explore, including topics such as sustainability and the regional dimension of investment promotion as well as continued work on monitoring and evaluation. A more detailed Work Programme will be proposed to IPAs.

The Secretariat recalled that 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 2021 Work Plan was supported financially by Costa Rica, Denmark, Ireland, Germany, the Netherlands and the United Kingdom. Countries interested to support the 2022 Work Plan are invited to contact the OECD Secretariat.

Finally, participants discussed the governance of the OECD IPA Network and the process to designate the Chair and the Steering Group for the upcoming biennium. IPA representatives confirmed the appointment of **Achim Hartig** as the Chair of the OECD IPA Network for the upcoming biennium. The Steering Group was composed following the meeting.

## The OECD IPA Network

The OECD contributes to global thinking and international co-operation on investment promotion and facilitation through analysis and experience sharing. In 2016, the OECD IPA Network was created under the auspices of the OECD Investment Committee and brings together senior investment promotion practitioners to 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 policy makers and IPAs from other regions.

The OECD IPA Network has established itself as an important forum for exchange and networking among practitioners from IPAs across the OECD area. The Network provides tailored policy analysis and advice to IPAs in the OECD area and around the world. It forms an important cornerstone of the OECD's work on international investment. 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, which was composed of IPA representatives from Costa Rica, Denmark, France, Germany, Ireland, Israel, Netherlands, Sweden and the United Kingdom in 2020-21. In the next biennium (2022-23), the Steering Group will be composed of the IPAs from Canada, Costa Rica, Czech Republic, Finland, Germany (chair), Ireland, Israel, Luxembourg, Netherlands and the United Kingdom.

More information and resources can be found at [www.oecd.org/investment/investment-promotion-and-facilitation.htm](http://www.oecd.org/investment/investment-promotion-and-facilitation.htm).