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Global IPA Perception Study 2022

Knowledge Partner

KPMG

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Executive Summary

In the 21st century, as global economies have evolved and the issue of economic diversification has gained a renewed sense of urgency, the role of Foreign Direct Investment (FDI) has gained prominence. Recognising the positive effects of investment in supporting economic growth and sustainable development, governments across the globe have established Investment Promotion Agencies (IPAs) to create awareness of existing investment opportunities, attract investors that can foster job creation and productivity growth, and facilitate their establishment and expansion in the economy.

The impact of FDI on economic development and the role of IPA therein, are heterogeneous and subject to political and economic realities in the respective countries. With IPA's gaining global relevance, their mandates vary from being pureplay marketing agencies for locations to large-scale evolved institutions that support a plethora of services from lead generation to aftercare for businesses.

The COVID-19 pandemic caused an immediate global disruption across trade, finance, business, and societies. However, it brought to light the critical role of IPAs and if appropriately leveraged, how they could promote national sustainable development. It is interesting to note how they have shown agility and proactiveness in supporting the evolving needs of investors during the pandemic. The role and importance of IPAs increased significantly in the post-COVID era and like most organisations around the world, balancing healthcare priorities with business efficiencies became a priority. Successful IPAs expanded their operations and offerings and leveraged technology to level the playing field. More traditional IPAs relied on business-as-usual tactics and lost key opportunities to nurture investors that in the long term would relocate, nearshore, or diversify supply chains.

This report, published by Annual Investment Meet (AIM), in partnership with KPMG in India as the Knowledge Partner, attempts to capture IPAs and key institutions enabling investment facilitation, and measures perception around the ground realities of businesses and operating models to understand the levers of growth and the challenges faced by the IPAs.

Following the global discourse around sustainability, resilience, equality and innovation, the IPAs have begun to integrate new value systems and frameworks to support transformation in their respective regions. A digital survey and interviews were conducted seeking inputs from IPAs. This report provides an understanding of the institutional transformation of IPAs in terms of investment promotion practices, goals, and trends.

The report employs a three-point approach:

- Overview and strategic focus
- Outcome orientation
- Market recovery

Overview and Strategic Focus

The report identifies that most countries are focused on actively attracting foreign and domestic investments with the help of highly proactive IPAs that have strong investment promotion policies in place. In general, majority of the investment promotion policies encompass various facets of the investment promotion lifecycle. IPAs are becoming more and more agile by regularly upgrading their policies and reforms while, also undertaking various technological interventions to streamline operations and enhance their capabilities. Countries and their respective IPAs have recalibrated their strategies and are leveraging sector specific investment promotion incentives to attract global investors. There is a strong focus on non-fiscal incentives which are being prioritised over the fiscal incentives, tiered across economy type. The lower middle-income economies are more inclined towards incentives. However, as these economies mature, the focus on incentivisation declines.

Outcome Orientation

The report further identifies the outcome orientation followed by IPAs during and post pandemic era. Earlier, the IPAs followed a knowledge-based, coordination-only model which involved a pure matchmaking approach. However, over the years, the traditional IPA model has undergone transformation and has now assumed a full-scale advisory role that guides investment decisions globally for a specific region, with razor sharp propositions. This report also attempts to highlight the pandemic induced operation model transformation of IPAs including investment sustainability, investment inclusivity, inclusive regional development and knowledge sharing across the spectrum of stakeholders. The IPAs are increasingly collaborating with the governments to pull together the ecosystems for their innovation efforts, which help facilitate long term success within their economies. The wider impact of this kind of collaboration is facilitating implementing of fiscal and non-fiscal reforms, and the overall approach and methodology towards investment promotion, facilitation, business retention and expansion is undergoing a systematic change.

Market Recovery

The report observes that most IPAs, either at the national or sub-national level were actively involved in COVID crisis management, whether directly or indirectly. The IPAs showed agility and reactiveness in supporting the evolving needs of investors during the pandemic and were involved in mitigation and daily firefighting activities which involved providing active pandemic related material and logistic arrangements to handholding essential businesses to ensuring announcements of policy & reform measures. After focusing almost exclusively on providing retention and aftercare support to existing investors during the COVID crisis, the role of IPAs now is to actively promote investment help to restart economies. The new focus is on traditional as well as emerging opportunity areas linked to renewed national priorities and a growing demand in sectors such as health, food and agriculture, apart from technology-related sectors.

In this regard, it was essential to benchmark and analyse the responsiveness of IPAs, structured or otherwise towards policy reforms, supply chain continuity and import substitution, incentive disbursements and provisions and digitisation. To understand market revival, recovery, and the role IPAs play, it was important to identify and analyse these variables in countries across income levels. It is interesting to note that 71 per cent of countries witnessed a high impact of reforms on their IPA performances, primarily due to their readiness and institutional capacity to implement these reforms; however, the highest impact of new markets and leads was seen in low and lower middle-income countries due to their disrupted supply chains.

The changing role of IPAs and the pandemic led evolution of their mandates have yielded positive results. It is therefore important to reflect on the special efforts made by IPAs about crisis management during the pandemic times, investor handholding and aftercare, business retention and sectoral reorientation and draw key inferences and best practices. The learnings will not only help in making well-informed investment decisions in the near term but also provide innovative ideas, confidence, and a community of IPAs, to become knowledge centers in their economies in the medium and long term

Perspective of Global Agencies

International Trade Center (ITC)

Mr. Quan Zhao
Trade Policy Advisor
Division for Market Development

Although the COVID-19 pandemic had a marked impact on global Foreign Direct Investment flows by a contraction of approximately 40-50 per cent in some geographies, we are now seeing a noticeable rebound in investment figures and sentiment, backed by strong vaccination rates and revitalised economic activities. The FDI recovery shows a remarkable linkage to pandemic recovery efforts adopted by global economies. However certain sectors such as tourism, that require physical presence of people and their interaction, face greater challenges from a revival standpoint.

Supply chain crisis was a key concern across many industries and sectors during the pandemic, as it had a dual supply and demand shock on the supply chains. Even though companies are increasingly putting supply chain resilience high on the agenda, supply chains that are tried and tested are cost effective and restructuring or relocating production can be significantly costly. Our experience with SMEs indicates that complexity and cost of reestablishing the supply chain is far greater than if companies maintained a minimum operational level to prepare for the recovery.

Near shoring and regionalisation is the new thinking across board rooms where companies are now re-visiting their supply chain network to hedge future shocks and an ever more unpredictable geopolitical landscape. The global shortage of semiconductors is a telling example where all major economies are investing to augment production capabilities and technological innovation to meet increasing demand. Critical supply chains such as medical equipment are also in the headlines as they are key to pandemic control and economic recovery.

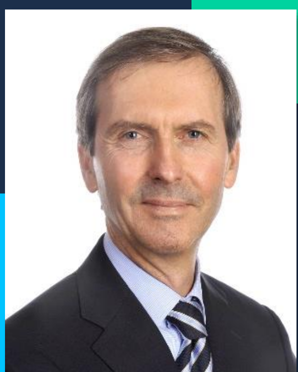
Global trade shows similar patterns of recovery, as trade in intermediate products have recovered to pre-pandemic levels. Disruptions in maritime shipping remains a major bottleneck to global trade - 11.5 per cent of global vessel capacities are offline, due to decommissioned routes or port congestions. Costs of shipping containers across the Pacific has shot up by more than 10 times. While the increases in demand can to some extent absorb the surges in shipping costs, the persisting high shipping costs may have implications for investment decisions, especially for manufacturing sectors.

Digital transformation has been significantly accelerated during the pandemic and impact of such shifts are likely to be long-term. Businesses are increasingly moving online, and companies are rushing to invest in digital solutions and recuring digital talents. This creates new opportunities, as is already witnessed in increased digital services exports of some countries during the pandemic.

Investment Promotion Agencies play key roles in revitalising investment, and digital solutions such as information portals and single window are key tools to fulfilling their objectives. The WTO joint statement initiative on investment facilitation for development with 110+ members is working towards an outcome that will make investment processes simpler and streamlined. Multilateral agreements such as these, backed by technology, will make it easier for investors in all sectors of the economy to invest, conduct their day-to-day businesses and expand their operations.

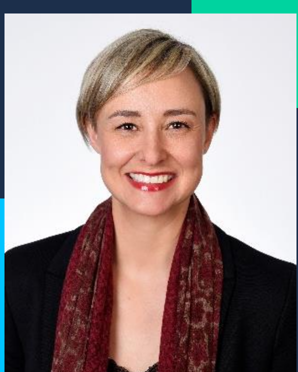
United Nations Conference on Trade and Development (UNCTAD)

Mr. Paul Wessendorp
Chief
Investment Promotion Section



and

Ms. Stephania Bonilla-Feret
Senior Economic Affairs Officer



The COVID-19 pandemic has shed light on the various challenges faced by Investment Promotion Agencies around the world and has exposed the response readiness of agencies in times of crisis. IPAs that had digitalised services before the pandemic and had experience with telecommuting adjusted quickly and moved more functions and services online. In developing countries, particularly least developed countries, many IPAs were struggling to adjust to government lock downs and travel bans and needed more time to reset operations.

Foreign Direct Investment flows were hit severely by the pandemic and fell by one-third to below 1 trillion US dollars in 2020. Last year saw a strong rebound with a 77 per cent rise in FDI. However, most of that recovery was concentrated in developed countries that had also seen the steepest decline in 2020, and the increase was largely due to a rise in mergers and acquisitions and large swings in conduit economies. Announcements of greenfield investment projects in 2021 were relatively flat which signals low investor confidence, particularly in industries dependent on global value chains.

From the perspective of IPAs, they have had to face volatile FDI flows and COVID-19 related challenges which came on top of a longer-term slowdown in global FDI flows. This has compelled IPAs to change strategies: focus on targeting sectors and industries that are in line with renewed national sustainability and resilience priorities such as renewable energy, digitalisation, and health; strengthen their policy advocacy role to improve the investment environment; increase attention for investment facilitation; and provide more investor aftercare. IPAs also need to respond to changing motivations of investors in selecting investment locations with multinational enterprises (MNEs) looking for more resilience in their production lines due to the pandemic, trade tensions and geopolitical factors. As a result, MNEs may diversify or reshore part of their economic activities which can create new opportunities for IPAs.

A big concern is the lack of investment in the Sustainable Development Goals (SDGs), particularly in developing countries. In 2020, greenfield investment in SDGs was down 33 per cent and international project finance declined by 42 per cent in developing regions. On the other hand, in developed countries investment in renewable energy and in digital infrastructure have been supported by large public sector support packages. But there are new opportunities for developing countries with the announcement of new development support initiatives, like the EU Global Gateway Investment Scheme of 150 billion Euro for Africa. To be prepared, IPAs need to develop pipelines of projects that can be considered for investment in renewables, digital infrastructure, health care, agrobusiness and other SDG-related sectors.

Through training and advisory services, UNCTAD is supporting IPAs in building capacity to promote and facilitate SDG-related projects, including through electronic tools like online investment guides (iGuides) and eRegulations for business facilitation. UNCTAD also assists developing countries to develop investment promotion strategies, to improve their investment policies and to engage in international investment rule making. At the company level, UNCTAD supports global initiatives to encourage large companies to adopt sustainable practices and integrate sustainability information in their reporting cycle, while for smaller companies it developed technical assistance programmes to support micro, small and medium-sized enterprises (MSMEs) development and MSME-MNE linkages.

World Economic Forum (WEF)

Mr. Mathew Stephenson
Senior Economic Affairs Officer

There are five mega trends shaping investment policy and flows today. Both investors and governments may wish to carefully consider how these mega trends are changing the investment landscape, disrupting business models but also opening new opportunities.

First, digitisation is transforming business models. It's important to note that digitisation can mean two very different things when it comes to investment, and both are important. On the one hand, there is the trend to increasingly digitise processes and adopt new digital investment facilitation measures, such as e-services, paperless procedures, and virtual visits. On the other hand, even more transformational, is the growth in 'digital FDI' a concept we helped develop: cross-border investment in the digital economy. Both firms and governments realise they need to grow investment in digital capacity or risk being left behind. This is why we are working with companies and governments on growing digital Foreign Direct Investment.

Second, sustainability is changing investment decision making. We know that funds earmarked for investments that follow environmental, social, and governance (ESG) standards are ballooning. This is creating a pool of capital seeking ESG-compatible investments, which in turn can motivate a shift to ESG-consistent operations to attract or qualify for such investments. However, there are critiques of 'greenwashing' and a proliferation of standards and indicators that are creating confusion and acting as an additional cost rather than an enabler of ESG investment. For this reason, the World Economic Forum has worked with 120 of the largest firms to align on a subset of 24 core ESG indicators ('Stakeholder Capitalism' metrics) on which to report, creating a common, agreed approach and baseline for ESG reporting. This can help unlock cross-border investment to help achieve environmental goals, known as 'green FDI', and a subset of such investment that helps achieve climate action, which we call 'climate FDI'.

Third, resiliency is creating new investment needs and opportunities. Trade wars, and now, tragically, real war – coupled with the shock of COVID-19 and supply chain morass – have led both firms and governments to realise they need to up their investment in resiliency. This is investment in additional suppliers, in additional operating locations, in additional markets. The idea is to move away from considerations of pure efficiency to considerations of continuity in the face of shocks, whether supply shocks or demand shocks. There are thus new investment opportunities as firms seek to diversify partners and locations through 'resilient FDI'.

Fourth, supporting outward FDI is becoming more important. The reason is that both governments and firms realise that investing in foreign markets can boost their capacity and competitiveness. The empirical evidence is growing every year that outward FDI can lead to upgrading in the home economy (both through technology and know-how), a shift to higher quality jobs, a growth in exports, greater productivity, etc. As a result, governments – especially investment promotion authorities – are increasingly adopting home-county measures to support outward FDI. We just published, together with UNESCAP and King's College London, the first OFDI Toolkit to serve as a resource to help select the most useful and impactful home-country measures to achieve the country or firm's strategic goals. The increasing importance and support for outward FDI – especially from emerging and developing markets that accounted for over half of outward FDI flows in 2020! – means that there are new sources of capital to be attracted and facilitated.

World Economic Forum (WEF)

Mr. Mathew Stephenson
Senior Economic Affairs Officer

Fifth, there are increasingly sophisticated tools available to facilitate investment. Over the past few years, we have been working with others to develop an Inventory of Investment Facilitation Measures, and we see that there are many original, exciting measures that can be used to increase investment flows as well as their development impact. To provide one example, we worked with the Council for the Development of Cambodia to create the first supplier database with sustainability dimensions (SD2). SD2 provides information on domestic firms' ESG operations, helping them attract more ESG investment, as well as encouraging Cambodian firms to shift to operate sustainably to qualify for and attract ESG investment. Another example is linking incentives to performance through behavioral incentives, as Ghana has done by creating a category of 'Recognised Sustainable Investor', as part of a sustainable investment project with the Forum. These investors receive more financial and non-financial support because they commit to contributing to specific development goals of the country.

In short, both investors and governments may wish to seize new opportunities brought about by these five mega trends. These trends are disrupting investment decisions and operations, but in so doing, also opening new markets and new ways of investing in existing markets.

KPMG in India

Mr. Mohit Bhasin
Global Co-lead, Economic Growth, KPMG International

Partner and National Lead, Economic Development Advisory, KPMG in India

The COVID-19 pandemic had resulted in severe economic and business disruption, resulting in a supply chain breakdown, disrupted business operations, and disbalanced trade. The pandemic had an immediate effect on Foreign Direct Investment, wherein in 2020 alone, the global economy witnessed a drop in FDI which has bounced back significantly in FY 2021.

Since investments are vital for sustainable development and job creation, it was imperative for governments to plan immediate, short-term and post-COVID revival measures for business and industrial recovery. Here, subnational, national, and global Investment Promotion Agencies played a critical role in retaining businesses, ensuring business survival, and providing immediate handholding and aftercare to businesses in need. IPAs worked closely with the government and leadership and ensured continued supply chain connect, provision of contingency funds and incentive disbursements to essential businesses. In addition, several IPAs have reportedly worked on crisis management, healthcare services, and procurement of supplies which was beyond their mainstream mandate. From crisis comes opportunities and IPAs have been instrumental in integrating technology with their regular operations to enhance investor relations and investment facilitation. The pandemic encouraged us to leverage on certain technology led and not so asset heavy sectors to help us meet domestic demand, generate demand for exports, and win back the growing global market with new comparative advantages.

However, these changing times require IPAs to be dynamic and transform from traditional knowledge-based coordination institutions to being full scale investment advisors. This report aims to capture specific challenges related to investments and also addresses how the changing role and expectations of IPAs can align towards the larger market recovery objectives of countries. The aim of the report is two folds, a) to understand the effect of the pandemic on FDI trends and global supply chain and b) to understand the changing role of IPAs in the new economic rebalancing scenario. The report aims to capture the facts and evidence through a survey-based approach which helps us understand the present-day perception of IPAs and expectations from IPAs in the post COVID era.

The pandemic gives us an opportunity to tackle things differently. The associated economic crisis has made us understand the value of digitisation, early adoption of technology and the building of greater supply chain resilience. This will not be possible without reigniting investments as an engine of growth, with an aim of achieving inclusive growth and more resilient systems.

Chapter 1

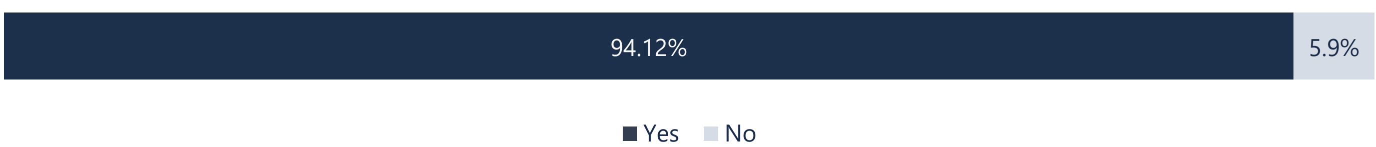
Overview and Strategic Focus

1.1 Strategic focus and interventions - a key priority in the post pandemic world

Dedicated investment promotion policies are key drivers for the IPAs across the globe. For this purpose, a well-defined roadmap outlining goals and benchmarks is being designed to enhance the operational efficiency and effectiveness of the organisation. Undertaking evidence-based policies will act as a catalyst for lead generation, conversion, retention, and expansion.

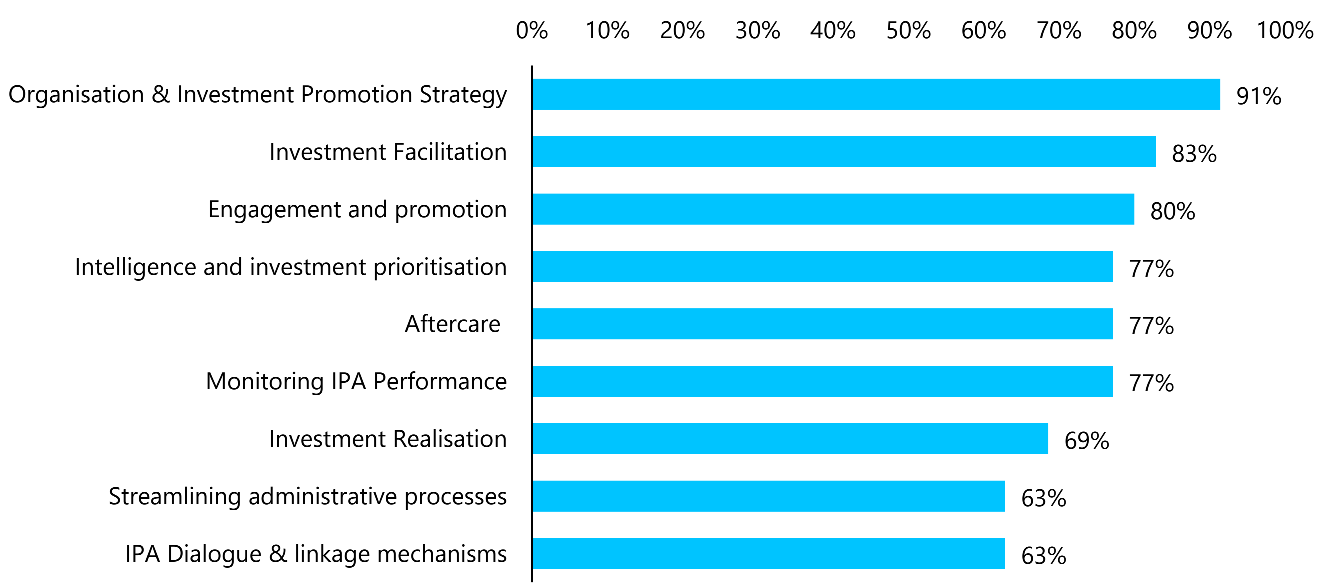
A. **Majority of the respondents** highlighted that they have a national or regional investment promotion policy in place that caters to various sectors and components of the investment promotion lifecycle.

Is there a dedicated National/Regional Investment promotion policy?



B. **These investment promotion policies cover areas** which include organisation and investment promotion strategy (91 per cent) and investment facilitation (83 per cent). Nearly two thirds of the respondents have elements of aftercare, intelligence, and investment prioritisation, monitoring performance and engagement promotion.

Which elements of investment promotion are covered in the policy?



1.2 Policy refresh and focus areas

A. The respondents were asked to share the frequency with which the four key policies that drive investment promotion, globally are updated. The results are tabulated below:

Timeline	5-10 years	2-5 years	Every year	More frequently (Less than 1 year)
Investment Promotion Policy	6%	**41%**	**41%**	12%
Industrial Policy	**35%**	**53%**	6%	6%
Sectoral Policies	12%	**64%**	**24%**	-
Marketing Plan	-	24%	**47%**	**29%**

Key Findings

- While a significant number of respondents indicated that Investment Promotion policies are updated yearly, the same share of respondents noted that their policies may take up to five years to see a refresh cycle. Only a few outliers update their policy more frequently or take more than five years to do so
- National Industrial Policies on the other hand were refreshed by nearly 53 per cent of respondents in the two-to-five-year bucket with a significant number of respondents taking more than 5 years to refresh their policies
- Nearly 65 per cent of respondents refresh their sectoral policies every two-to-five-years and 24 per cent refresh every year. Only 12 per cent refresh their sectoral policy every five-to-ten-years
- Nearly 47 per cent of respondents refresh their marketing strategy every year while 30 per cent do so every few months, indicating that this is most recently revisited and agile policy component of the investment promotion lifecycle.

B. ESG Impact: Nearly 64 per cent of respondents assess the Environmental, Social and Corporate governance (ESG) impact of the investment proposals that they receive

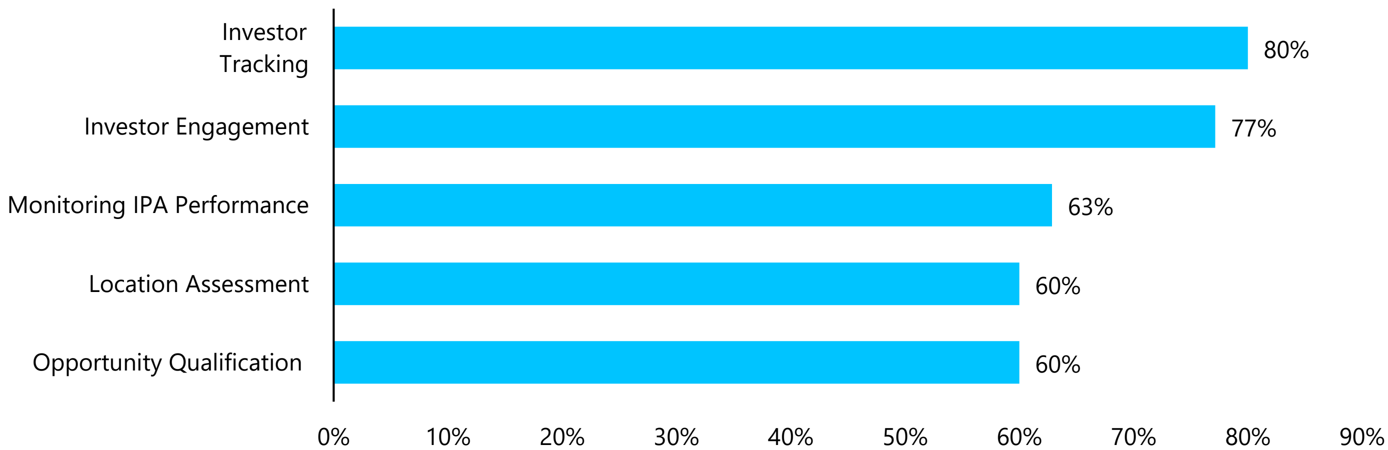
Does the IPA assess ESG impact of an investment proposal?

C. Market Linkages: Nearly 59 per cent of respondents support domestic Small and Medium Enterprises in investing in overseas markets and creating global market linkages.

Does your IPA support domestic Small and Medium Enterprises in investing in overseas markets and creating global market linkages?

D. Technology Use: Nearly 80 per cent of respondents use technology in investor tracking process of the investment lifecycle and 77 per cent leverage technology for investment engagement. Location assessment and opportunity qualification are the least technology enabled processes in the investment lifecycle.

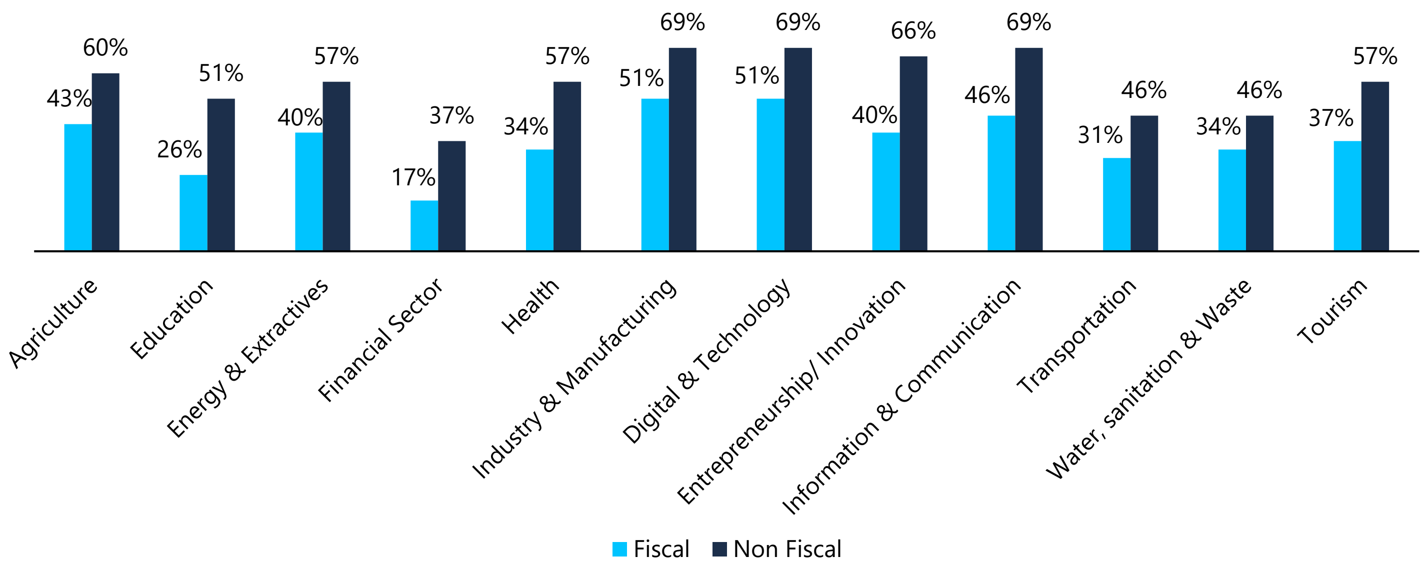
Which of the following areas of investment lifecycle are digitally supported through advanced technology tools?



1.3 Sectoral Incentivisation and Support

- Nearly 69 per cent of respondents give non fiscal incentives to sectors related to industry and manufacturing, digital and technology, and information and communication.
- For the water, sanitation, and waste sector, around 46 per cent of the respondents noted that non-fiscal benefits are being offered while fiscal benefits were being offered by 51 per cent of the respondents when it comes to their industry and manufacturing sector.
- Financial sector on the other hand is provided fiscal incentives in only 17 per cent of the countries.

Percentage of Countries with Fiscals and Non Fiscal incentives across sectors



While respondents highlighted the sectoral share of fiscal and non fiscal incentives, when the respondent data is viewed by income categories of countries (World Bank classification of Low Income, Lower Middle, Upper Middle and High Income) the focus on fiscal and non-fiscal incentives offers insights captured in the table below:

Impact of Incentives	Responses			
High	Non-Fiscal	Non-Fiscal	Non-Fiscal	
Medium		Fiscal		
Low	Fiscal		Fiscal	Fiscal/Non-Fiscal
Income Group	Low Income	Lower Middle	Upper Middle	High Income

- Respondents belonging to Low Income countries perceive that non fiscal incentives have a higher impact on their organisation's performances. In these regions, basic capacity building is ongoing including achieving scale with financial assistance. The perceived impact of fiscal incentives on performance increases as capacities are built to accelerate sectoral development and investment pipelines
- As sectors achieve baseline standards, the focus shifts to non-fiscal interventions to promote investments and expansions. Mature sectors with healthy investor base require limited incentives. Economies prefer to utilise fiscal benefits during the growth and acceleration stages of sectors, and this normalises to move towards non-fiscal with the trend stabilising at a low
- As the country's income increases, the perceived impact of fiscal and non-fiscal benefits increases to attract more investments to develop the sector including development of institutions and mechanisms
- The last stage wherein countries enter high income categories, the respondents perceive the lowest impact of incentives on their sectors (barring exceptional cases).

Key Takeaways

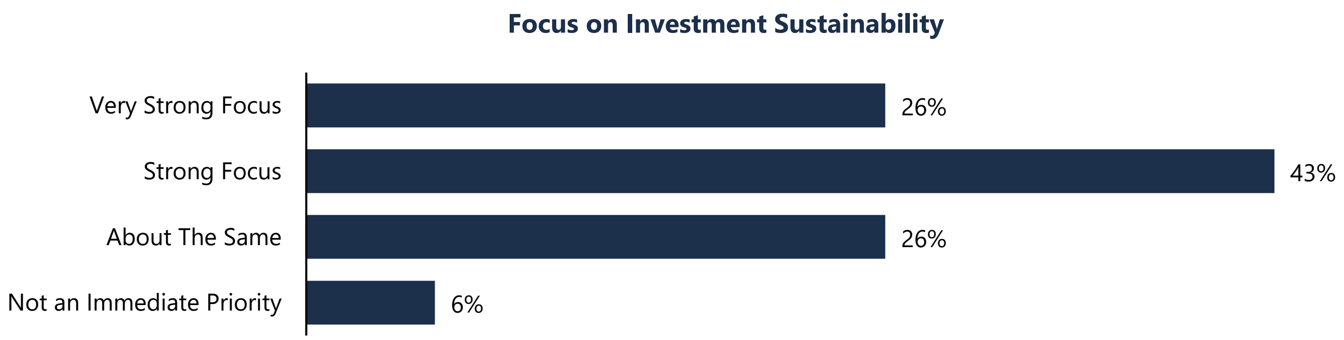
- Most economies (national or regional) are strongly engaged in attracting investments to their shores with the help of pro-active IPAs, strong policies, and focused areas of governance
- Policy areas that have witnessed the lowest focus include investor aftercare, monitoring and evaluation, investment realisation, administrative process improvement and establishing market linkages
- While respondents have started measuring the ESG impact of the projects, a promising sign, targeted execution of these mandates and enforcement of these standards will ultimately define its success
- Technology adoption standards across the investment lifecycle remain strong with monitoring and evaluation, opportunity qualification and location assessment as potential areas for stronger digitisation
- On an average, perceived impact of non-fiscal interventions remains higher than fiscal interventions across regions and income groups.

Chapter 2

Pillar 2: Outcome Orientation

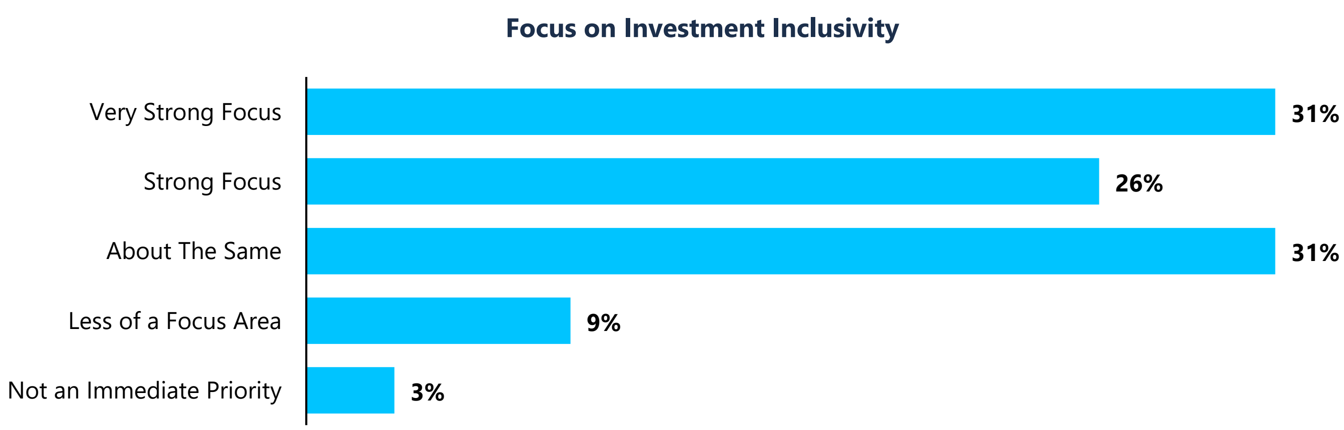
2.1 Investment Sustainability - a strong focus area across the board with varied levels of importance

Majority of the respondents consider sustainability as a major focus area; the level of importance varies with regions and country's economic status. Around 70 per cent of the survey respondents identify investment sustainability as a 'very strong' or a 'strong focus' area. Investment Sustainability with regard to return on investments, green FDI, quality of investments, etc. is gaining traction around the world with rising awareness and the emergence of alternate resources and investments.



2.2 Investment inclusivity is one of the key parameters for the post COVID revival

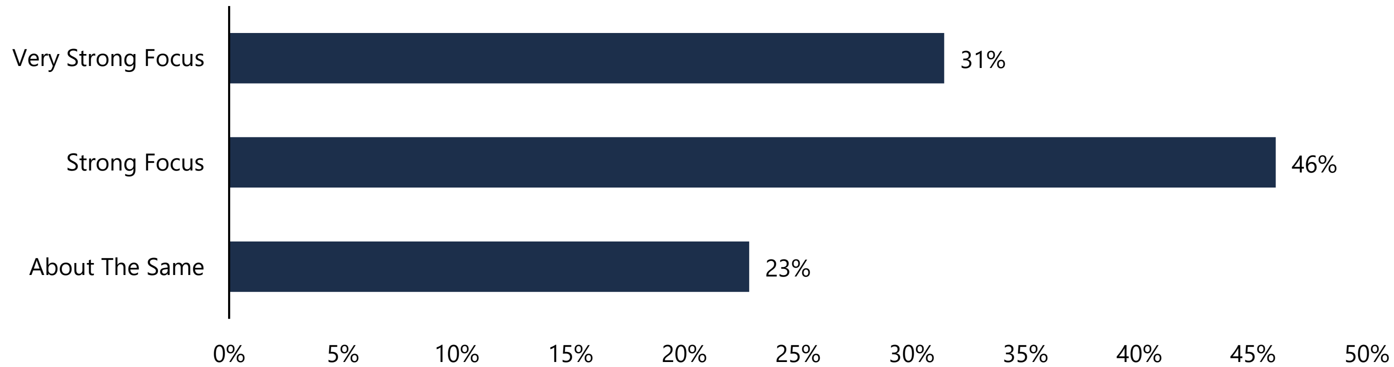
The focus of the respondents is shifting towards inclusiveness with developing economies initiatives to promote diversity and inclusion, while the developed economies continue to build on the existing policies and framework. The strong push towards inclusivity has been driven by the social change and awareness. Almost 57 per cent of the respondents consider investment inclusivity a 'very strong' or 'strong focus' area, comprising of several factors including hiring an innovative talent base, supporting remote work, gender inclusivity, etc. .



2.3 Inclusive regional development with a balanced approach across urban & rural areas and supporting small and medium enterprises (SMEs) is being propelled on a global level

Inclusiveness is also being replicated in terms of simultaneous urban and rural development. Around 77 per cent of the respondents have identified it as a 'very strong' or 'strong focus' area. The need to support small businesses and SMEs has become a key priority for respondents across the globe, with many respondents rolling out specific initiatives such as creating global market linkages to support the SME ecosystem in their country. **The importance of urban and rural development has become a prime focus with respect to factors such as connectivity, balanced regional development, supporting small and medium enterprises and building supply chain resiliency.**

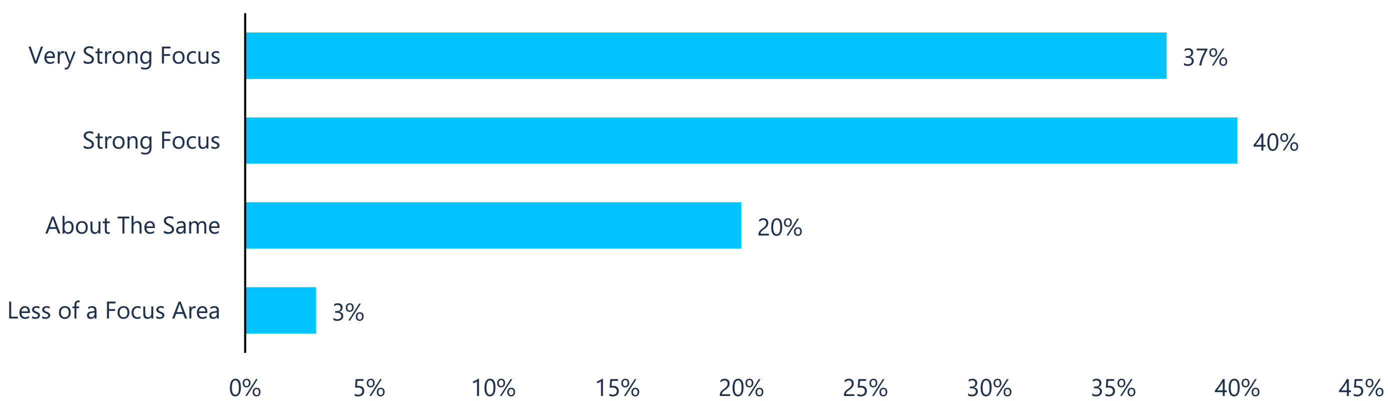
Importance of Urban & Rural Development



2.4 Knowledge sharing and learning from examples are now critical for development

While the respondents were closely engaged in crisis mitigation, business retention and handholding of investors at an individual level during the pandemic, the post pandemic priorities have shifted towards realignment of business operations, identification of comparative advantages and the rise of new sectors. It is critical for respondents therefore to learn from best practices and success stories to build further on existing successes. This will ensure a continuity in supply chains and increased self-reliance. Nearly 77 per cent of the respondents bear a 'very strong' or 'strong focus' on facilitating knowledge sharing and capacity building.

Knowledge and Capacity Building



Key Takeaways

- Though investment sustainability is a prime focus of IPAs across the board, the level of importance varies across regions and the country's economic status with nearly one-third not viewing this as an immediate priority.
- More than half of the IPAs consider investment inclusivity as a priority, and the strong push is driven by social change and awareness.
- IPAs have given increasing priority towards an inclusive urban and rural development model which helps integrate local businesses with global value chains
- Knowledge sharing and success examples are critical for structuring IPA operating models in the post COVID era and IPAs show an increasing adoption around this topic.

Chapter 3

Pillar 3: Market Recovery

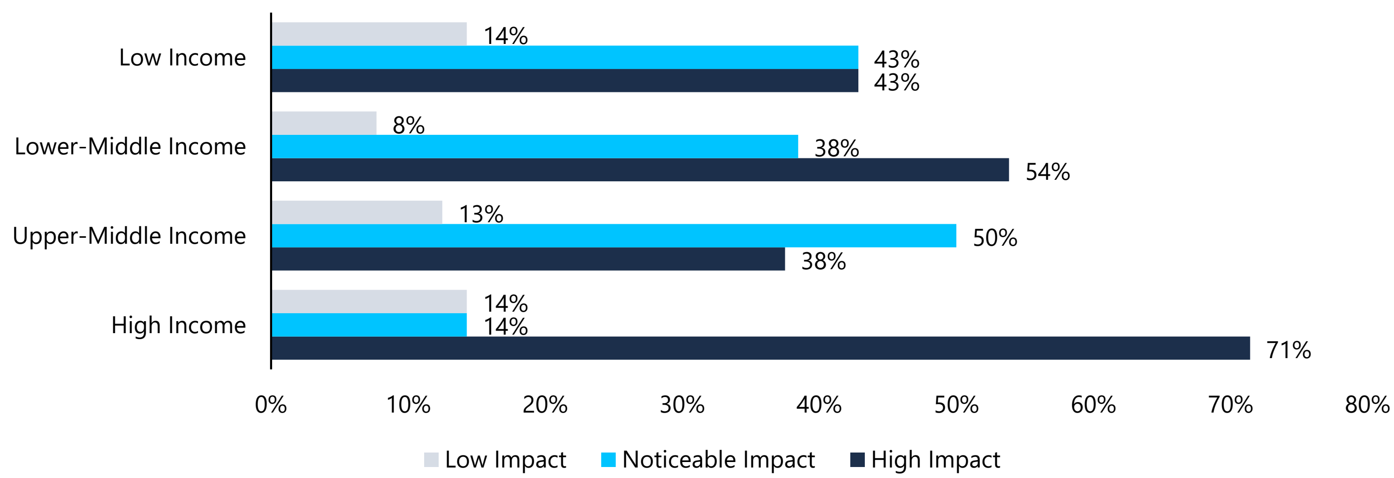
IPAs worked in close coordination with their respective governments to create comprehensive market recovery strategies post the pandemic. The role of IPAs in market revival ranged from retaining existing investors, working on governance measures, enhancing operational excellence, and ensuring disbursements of incentives and relief packages. It was therefore important to capture the perception of IPAs across major parameters and understand their importance for countries across income level groups. These include.

Focus on reforms	Focus on new markets and leads	Improving operational excellence	Focus on incentives	Focus on digitisation
including policy improvements, governance changes, use of new tools, re-evaluating staff needs and offering new services	including diversification of target countries, databases, stronger market research	including reviving lost projects, focus on expansion, marketing and PR, resource optimisation	including monetary and non-monetary incentives,	including improvement in IPA effectiveness using digital platforms and tools

3.1 Impact of Reforms on IPA performance was seen the most in high income countries

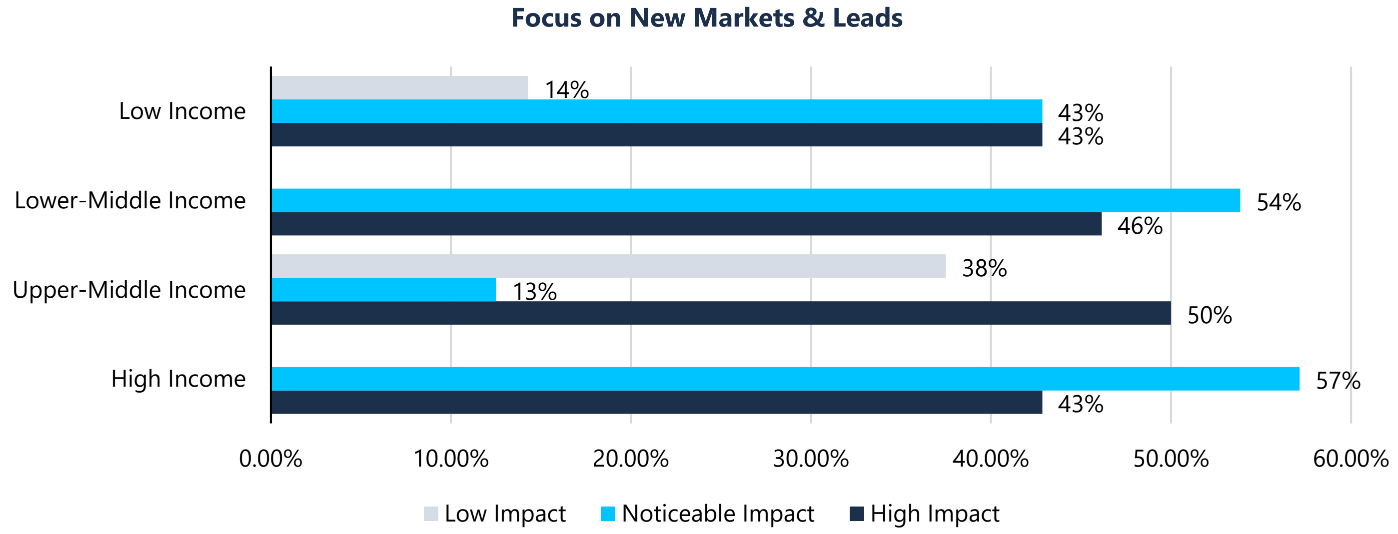
It was observed that over 71 per cent of high-income countries felt a high impact of reforms outlined above on their performance in comparison to upper-middle income countries, lower-middle- income countries and low-income countries which felt an impact of 38 per cent, 54 per cent and 43 per cent respectively. This difference may have been primarily observed due to the overall readiness of high-income countries to adopt fiscal and non-fiscal reforms and announce relief packages towards the start of the pandemic, as against upper-middle, lower middle and low countries, whose first course of action was only crisis firefighting.

Impact of Reforms on IPA Performance



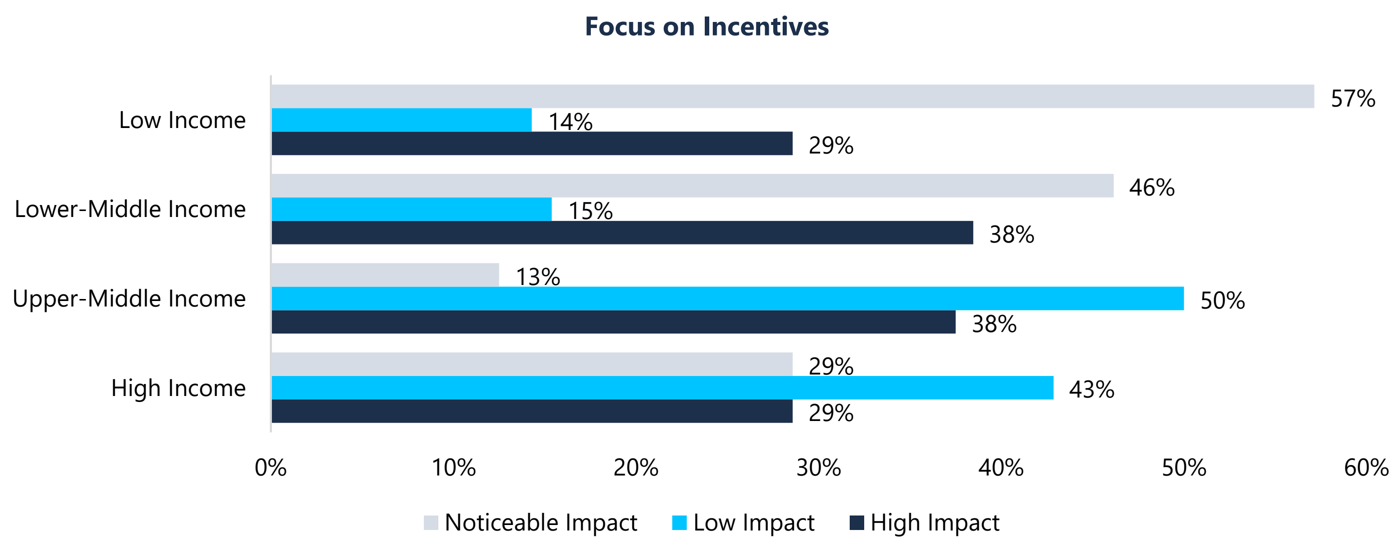
3.2 Lower Middle- and Low-Income countries are now looking forward to newer markets and supply chains

It was observed that the highest impact on the focus to capture new markets and investors including diversification of target countries, databases and stronger market research was seen in lower middle income and low-income countries. One of the most significant effects of the pandemic was disrupted supply chains and a high impact of new markets attests the supply chain realignment, wherein both manufacturing and logistics had moved to a select low and low middle-income countries**.**



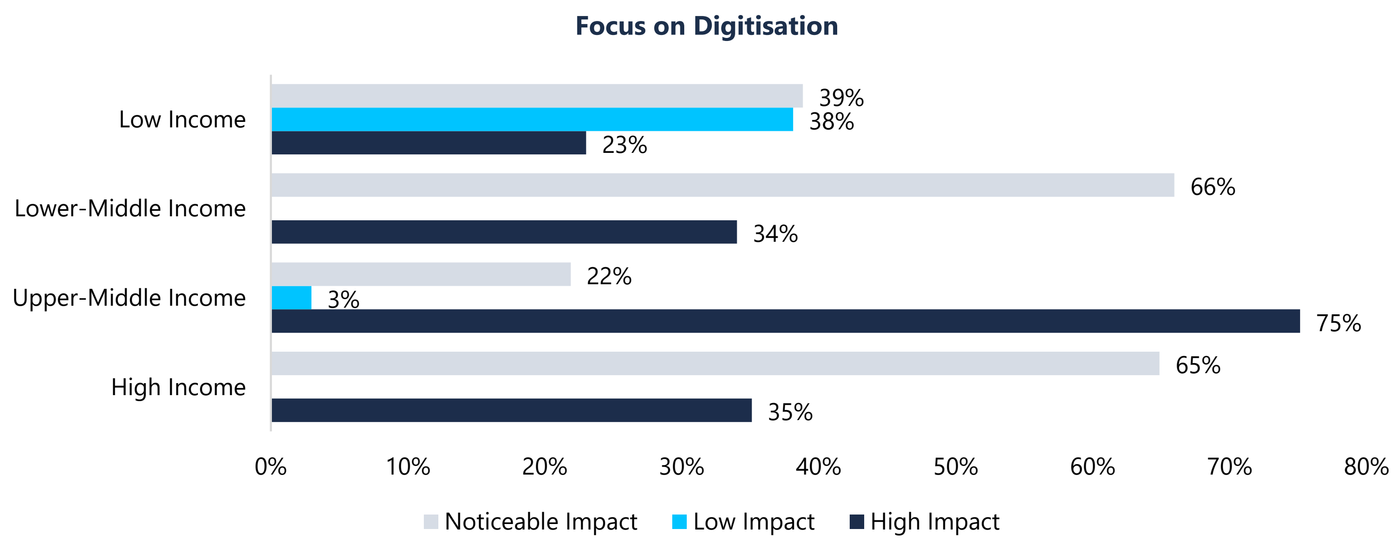
3.3 Focus on Incentives

Both local and foreign businesses were majorly impacted during the pandemic and that incentive disbursements, relief schemes and fiscal support were critical to retain businesses and ensure economic survival. It was clearly observed that the impact of incentives was either noticeable or high in low income and low-middle countries, which also had a supply chain realignment and worked on developing their crisis markets.



3.4 Focus on Digitisation

Digitisation including use of online portals for overall communication and service delivery, use of social media for marketing and outreach, use of analytical and tools for investor lead generation, etc. were methods adopted by the respondents to remodel their operations during and post the pandemic. It has been observed that this transition from traditional operations to digitally driven operations has been simpler for high-income countries and upper middle-income countries, probably due to the availability of infrastructure, resources, and overall readiness. The impact has been comparatively lower for low and low middle-income countries where enhanced digitisation amidst crisis might be a slower process.



Key Takeaways

- **Focus on reforms,** including policy improvements, governance changes, use of new tools, re-evaluating staff needs and offering new services
- **Focus on new markets and leads** including diversification of target countries, databases, stronger market research
- **Improving operational excellence** including reviving lost projects, focus on expansions, marketing and PR, resource optimisation
- **Focus on incentives** including monetary and non-monetary incentives,
- **Focus on digitisation** including improvement in IPA effectiveness using digital platforms and tools.

Chapter 4

Way Ahead for IPAs

The global pandemic has shed light on the significant role IPAs play in the foreign investment ecosystem. From investment promotion initiatives to investor relations to sector promotion, IPAs are the catalyst that drive the national priorities and goals. Furthermore, the pandemic highlighted the agility and responsiveness of the IPAs in supporting evolving needs of the investors, providing support and networking, renewed focus on growing demand in sectors such as healthcare, digitalisation programs such as single window and virtual investor connect and more, the IPAs adapted in real time and their response led to an exponential rise in FDI in FY 2021. However, most of the IPAs still struggle when it comes to organisational set-ups, capabilities, and budgets. The issues are amplified by the limited government support, private sector support, limited financial resources, and limited staff capabilities.

Another major challenge is lack of strategic focus with majority of the IPAs still focused on the early stages of the investment promotion lifecycle, such as lead generation and investment attraction. To tackle this, there is a need for a razor-sharp and broadened strategy that incorporates other stages of the investment lifecycle through a balanced approach. This will not only assist in attracting more investors but also help with investor retention.

Technology has played a significant role during the pandemic, the use of digital tools and platforms assisting investors across the investment lifecycle has increased significantly. Furthermore, there has been a shift towards digital networking channels. IPAs are releasing and capitalising on the opportunities created by digitalisation, a trend that is going to continue in years to come.

Developed economies have witnessed the largest uptick in foreign investments with developing economies still in recovery mode. IPAs in the developing countries should adopt aggressive investment promotion policies, introduce sector specific incentives, and offer efficient services across the investment lifecycle to attract investors.

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Appendix

1.1 Survey Overview

Since the early 2010's, IPAs, or Economic Development Agencies (EDAs), have had to evolve from acting as a traditional knowledge-based or coordination institution which conducts matchmaking to full scale advisors that guide investments decisions globally for a specific region, with razor sharp propositions. In the wake of COVID-19, international agencies including UNCTAD monitored efforts by IPAs worldwide to respond to the emergency and these broadly included reactive strategies that incentivised the healthcare and medical devices sector, interventions to localise supply chains, digital transformation, intensified screening of FDI and overall put a dent in the pace of international investment. Although some trends will ease, its impact on policymaking and IPA resiliency will be permanent.

AIM set out to measure IPAs perception as a robust indicator of ground reality, and of its institutional trajectory. By means of a detailed survey, this report aims to capture the voice of global IPAs and their experiences on the evolution of investment promotion practices, goals, and trends.

KPMG in India, as the Knowledge Partner, assisted AIM with the data analysis and report collation.

1.2 Survey Design

The survey questionnaire is based on the prevailing global trends and previous AIM surveys. The questionnaire outlined five sections and contained 42 questions around IPAs' profile, performance, strategy, initiatives, and trends. The primary focus was on IPAs' organisational and operational structure, strategic plan and initiatives, organisational strengths, and performance, plans and outlook, major challenges, and their pandemic response. The survey was conducted over a one-month period via AIM's digital online survey platform through unique credentials that were emailed separately to the senior leadership of IPAs across the globe.

1.3 Survey Methodology

The IPA survey was rolled out in all key regions where AIM Global 2022 has previously executed surveys including:

- Middle East and North Africa
- Europe
- Africa except North Africa
- Asia and Oceana
- Americas

Once the responses were received and collated, the data was processed and analysed to extract insights and identify best practices that can be emulated, while accounting for contextual and regional differences. AIM in collaboration with KPMG in India also conducted expert interviews with the relevant high-level stakeholders of prominent organisations such as United Nations Conference on Trade and Development, World Economic Forum, and International Trade Center.

1.4 Respondent Profile

By Region	Response Distribution
Africa	31%
Americas	11%
Asia & Oceania	23%
Europe	23%
MENA	11%
Grand Total	**100%**

By Type of Agency	Response Distribution
National	77%
Sub-National	23%
Grand Total	**100%**

Appendix

By legal Structure	Response Distribution
Government	63%
Joint Public-Private Body	6%
Quasi-Government/Autonomous Public Body	31%
Grand Total	**100%**

By Year of Establishment	Response Distribution
1980-2000	29%
2000 onwards	54%
Pre 1980	17%
Grand Total	**100%**

By Income Level (World Bank Classification)	Response Distribution
High Income	20%
Low Income	20%
Lower-Middle Income	37%
Upper-Middle Income	23%
Grand Total	**100%**

By Employee Type	Full Time	Part Time	On-Contract	Grand Total
Africa	77%	1%	22%	**100%**
Americas	93%	0%	8%	**100%**
Asia & Oceania	85%	8%	7%	**100%**
Europe	83%	2%	15%	**100%**
MENA	99%	1%	0%	**100%**

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