

INVESTMENT CLIMATE IN PRACTICE

INVESTMENT POLICY AND PROMOTION

INVESTMENT PROMOTION ESSENTIALS

WHAT SETS THE WORLD'S BEST INVESTMENT FACILITATORS APART FROM THE REST

More than 70 percent of investment promotion intermediaries may be missing out on foreign investment by failing to provide investors with accurate and timely information, according to the Global Investment Promotion Benchmarking 2009 report. This function, known as “investment facilitation,” is one of the simplest and most cost effective, yet it is neglected at many agencies. A new survey by the Investment Climate Advisory Services of the World Bank Group has identified 14 common practices of the top-performing agencies in the benchmarking study. Weaker performers can inexpensively implement many of these practices to win a larger share of the trillion-dollar market for foreign investment.

Most governments depend on investment promotion agencies, economic development boards, industrial development agencies, and other investment promotion intermediaries (IPIs) to compete globally for critical foreign investment and the development benefits it brings. The Global Investment Promotion Benchmarking 2009 study empirically assessed 213 IPIs in 181 countries, yielding a ranking of effectiveness in investment facilitation. Using a methodology pioneered by the Multilateral Investment Guarantee Agency (MIGA), the GIPB study evaluated each IPI's ability to meet the informational needs of potential investors during the site-selection process, based on IPI responses to two simulated inquiries and the effectiveness of its Web site.

Building on this wealth of information, the Investment Climate Advisory Services of the

World Bank Group with funding from the multi-donor FIAS platform, undertook a second, survey-based study of 96 GIPB-ranked IPIs. This survey was designed to identify priorities and practices shared by top-performing IPIs but lacking among the weaker IPIs. A comparison of the 33 top-ranked IPIs (“top IPIs”) with a sample of IPIs from the bottom half of GIPB (“weak IPIs”) uncovered 14 essential practices for effective facilitation. The 14 practices described in this note were evident among the top IPIs but much less so among the weak IPIs. These practices relate mostly to priorities and management, and offer governments low-cost, high-impact pathways for reform.

The world's top-performing IPIs distinguish themselves by fostering a private sector-minded culture, accumulating deep business knowledge, and implementing internal systems that ensure the agencies can provide foreign investors with

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the necessary information to influence their investment decisions. These three areas encompass the 14 essential practices identified by the survey (see Box 1).

FOSTER A PRIVATE SECTOR-MINDED CULTURE

1. Private sector experience. One of the great challenges of public sector IPIs is to understand private sector service standards. Public agencies

have a natural tendency to be task- rather than customer-oriented. Top IPIs face this challenge by hiring staff with private sector experience. Seventy-four percent of staff members at top IPIs have private-sector experience, more than double the percentage at weak IPIs. This is a crucial dimension in understanding the needs of private companies, projecting the professionalism they will trust, and convincing them that a location best meets their requirements. These facts have made private sector marketing experience and industry knowledge key hiring criteria for investor-facing staff at Ireland's Industrial Development Agency (IDA), a best-practice IPI for many years.

While this is true of the rank-and-file staff, it is even more evident among the managers and board members who lead IPIs. For example, CINDE, Costa Rica's IPI, is led by a former executive of Intel, arguably that country's most important foreign investor. In defining the country's value proposition, she brings special knowledge and understanding of those factors that in practice affect company decisions to invest, expand, diversify, or disinvest. In articulating that value proposition to investors, she knows which bits of information are most needed to make a business case and what kind of marketing will resonate with investors.

2. Salaries and bonuses. A demand for private sector experience puts public IPIs in competition with private sector firms for talented staff. Consequently, nearly all of the top IPIs (83 percent) offer salaries above public sector levels, including 23 percent that pay at private sector levels. A large majority of weak IPIs (62 percent), on the other hand, pay only at public sector levels.

Some IPIs, such as Invest in Bogota, follow the private sector practice of offering performance-based bonuses. If a staff member exceeds goals and gets positive assessments from customers, a very clear-cut bonus formula rewards the employee with up to 25 percent of his or her annual salary. The transparency of the performance indicators and bonus formula allows staff members to know when they are on track for a bonus and how much it will be.

In the absence of sufficient resources, some top IPIs have found other ways to recruit and motivate

BOX 1. CHECKLIST: 14 STEPS TO BECOMING A TOP IPI IN INVESTMENT FACILITATION

Foster a Private Sector-Minded Culture

1. Build a staff with public and private sector experience.
2. Offer salaries and bonuses closer to private sector standards.
3. Secure operational freedom and high-level reporting channels.
4. Establish and concentrate efforts in a few priority sectors.
5. Coordinate facilitation with networks and partners subnationally and overseas.
6. Maintain English-speaking staff in sufficient numbers and with the full range of facilitation skills.
7. Continually train and develop staff, especially in soft skills.

Accumulate Deep Business Knowledge

8. Establish a minimum level of in-house research capacity.
9. Develop account managers into reservoirs of knowledge on particular sectors.
10. Ensure the accumulation of knowledge and its relevance.

Implement Internal Systems for Consistently Good Facilitation

11. Make facilitation a priority within the overall strategy, including by training and dedicating an adequate proportion of staff.
12. Maintain the equipment and practices to be easily reached and to quickly return calls and e-mails.
13. Demonstrate professionalism and dynamism through the Web site with frequent news updates of importance to investors.
14. Follow detailed guidelines on the content, style, timeframe, and quality assurance of inquiry responses.

talented staff. CzechInvest recruits very young staff, looking for people with quality university degrees, just a couple of years in the private sector, and personalities suited to communications, marketing, and teamwork. This young, talented, and energetic staff is motivated by the prospect of quick promotion, high levels of responsibility relative to their experience, and an annual, performance-based competition for a full scholarship to obtain a master's degree in business administration (MBA) at a well-respected university.

IDA, on the other hand, benefits from an internal culture and external reputation as an agency that is unique within the public sector for winning job-creating investment in a highly competitive environment. The exceptional personal satisfaction IDA staff derives from this sense of contributing to the economic development of Ireland is also a powerful motivation.

3. Operational freedom. The most successful IPIs are given focused mandates and then allowed to pursue them through results-oriented strategies with minimal interference and the freedom to allocate resources accordingly. This autonomy helps to preserve a private sector-like clarity of mission and means.

Although 73 percent of top IPIs are purely public bodies, only about three in ten of these are ministerial subunits. The rest are autonomous public bodies, which are mostly positioned outside of ministries and report directly to a minister or higher authority. For example, the chief executive of Invest in Turkey reports directly to the prime minister, meeting every two or three weeks to discuss investment opportunities and remedies for obstacles to investment. This allows for more focused strategy development and autonomy to implement than in most ministerial subunits.

Twenty-seven percent of top IPIs are wholly or partially private. One of these, Invest in Bogota, receives half of its funding from the city's chamber of commerce, and five of its nine board members are from the private sector. Because Invest in Bogota is successful in investment promotion, there may be temptation within the government to widen the agency's mandate to include other public functions. However, its mostly private nature has

enabled it to resist such "mission creep," into export promotion, for example.

Nearly half of the weak IPIs are subunits of ministries. Such ministries typically have responsibility for several other economic mandates, such as export promotion, tourism generation, small- or medium-sized enterprise development, and investment regulation. Under such a structure, often investment promotion officials do not have the resources, policy support, or strategic freedom to achieve substantial goals. Among the top 33 IPIs, only 7 operate as ministerial subunits.

IPIs within a ministry may also suffer from politicization. In one recent case, an IPI's chief executive campaigned with the minister of economy for his party's reelection, touting the jobs and growth generated by the IPI under that administration. Had that party lost, there would have been a real danger of the IPI and its management being out of favor with the new administration.

Politicization can be more subtle and even well intentioned, such as when an IPI is prevented from focusing on just a few high-potential sectors for fear that domestic stakeholders in other sectors might feel discriminated against. Equally promoting all sectors may sound fair in principle, but a lack of targeting can spread an IPI too thin, forcing it to expend resources on low-potential sectors and reduce promotion of high-potential sectors.

4. Strategic focus on a few priority sectors. Although good IPIs respond to every inquiry, one of the most widely shared characteristics among top IPIs is that they have identified a few priority sectors on which to focus the bulk of their promotion and facilitation efforts. This approach is essential in permitting the development of the deep business knowledge required to understand and speak to the needs of specific investors.

In developing a well-considered list of priority sectors, IPIs need to determine what the country has to offer new foreign companies and the benefits the country hopes to realize from their investments. Commonly sought benefits include jobs, specific skills, access to technologies and markets, leadership in a certain industry, improved global

economic integration, fuller utilization of particular resources, and an enhanced image or international reputation.

Clear priorities set the foundation for an IPI strategy and its allocation of resources. In fact, every top IPI responding to the survey said it prioritizes inquiries according to their potential value. This ensures that with limited time and resources, the staff focuses on delivering the most impact (see Table 1).

5.a. Networks of subnational agencies and offices. Just as being outside of a ministry supports strategic focus, being inside a network of

investment promoters allows for specialization and geographic focus, as well as a cost-saving division of labor. At least 76 percent of the top IPIs fit into one of three categories:

- Subnational agency
- National agency with subnational offices
- National agency in a country with separate province-level agencies, including special economic zones

The 24 percent of top IPIs that do not fit into these categories are in countries with small land areas or populations of 0.8 to 5.2 million. Coordination among national and subnational offices allows staff at the subnational level to focus even more narrowly on developing specific subsectors or filling individual economic zones. At the national level, staff can make referrals to subnational experts when an inquiry does not fall within the national IPI's purview or priorities.

Four of the top 33 IPIs are in the United Kingdom. The large economies in London, Scotland, and Manchester led naturally to the creation of dedicated agencies, with national coordination springing up in response. Today the national agency, UK Trade and Investment, and 12 subnational agencies meet regularly to review coordination of issues and discuss approaches and concerns. A 2007 agreement sets out shared objectives, mechanisms for coordinating strategy, and responsibilities for service delivery. Newer or less well-funded IPIs may find it difficult to closely coordinate strategy and capabilities, but they can identify potential partners and work toward more synergies over time.

A more integrated form of coordination is the hub-and-spoke network, in which the national agency receives inquiries and channels them to the best-suited regional agencies. This system faces two basic challenges: i) ensuring that the subnational agencies keep the national agency updated on their investment opportunities and conditions, and ii) making sure that the national agency fairly channels inquiries to the subnational regions. Invest in Spain meets these challenges with an online "bidding" system that informs all 17 subnational agencies of new inquiries and the type of information needed. Invest in Spain receives responses from those interested in attracting a

TABLE 1. STRATEGIC FOCUS: A BASIS FOR SUCCESS IN INVESTMENT FACILITATION

It can be a tough decision, but deciding what sectors to focus an IPI's scarce resources on is the first step in successfully promoting them. Nearly without exception, the top 33 IPIs (25 national, 8 subnational) have targeted specific priority sectors and prominently display them on their Web sites. In most cases, a visitor can access a list of priority sectors in two or fewer clicks, and one more click will offer the visitor detailed information on the costs, advantages, and procedures for investing in each. Here is a sample of five top IPIs, the way they present their priorities on their Web sites, how many priorities they have, and what those priorities are.

Agency	Web Site Heading	Number of Priority Sectors	Sample of Priority Sectors
Invest in France Agency	Key Sectors	9	Aerospace, agribusiness, health, information and communications technology, shared services
PRONicaragua	Investment Opportunities	6	Textiles and apparel, tourism, contact centers and business process outsourcing, light manufacturing and assembly, agribusiness, forestry
Hungarian Investment and Trade Development Agency	Priority Sectors	8	Automotive, biotech, electronics, logistics, research and development
Invest Hong Kong	Business Sectors	9	Financial services, business professional services, technology, consumer retail services
Botswana Export Development and Investment Authority	Sectors	5	Leather, textiles, glass, beef, information technology

particular investment, checks them for completeness, and passes them on to the investor. Once a region has “won” the opportunity to pursue the investment, the investor deals directly with its agency, although Invest in Spain maintains contact with both parties to ensure a successful investment process.

5.b. Networks of overseas offices. Eighty-one percent of top IPIs, including five of the eight subnationals, have established their own offices near concentrations of potential investors or have dedicated staff in their countries’ embassies and consulates. Particularly when this staff reports directly to the IPI (rather than to a ministry or ambassador, for example), these arrangements have the advantages of:

- deepening IPI knowledge of targeted markets;
- developing many more face-to-face relationships;
- allowing more frequent visits to investors; and,
- improving responsiveness to inquiries.

Eighty-five percent of the survey’s top IPIs said that their overseas offices respond directly to investor inquiries. This permits quicker response and follow-up by phone or in person.

The obvious disadvantages are the cost and difficulty of supervising distant staff. Invest Hong Kong keeps costs lower by using local site location consultants in target markets to handle inquiries in those countries, as well as to generate and follow up on leads.

The management of Mauritius’ Board of Investment can count on good performance from its Paris and Mumbai offices, because they are staffed by senior managers with many years of experience and good records on the ground in Mauritius. CzechInvest maintains seven overseas offices, but with only one staff member in each. Although not supervised in person, these staff members are motivated by the same prospects of promotion and a scholarship as previously mentioned.

6. Competency in English and other foreign languages. English has become the de facto global

language of business. Ninety percent of all the IPIs surveyed report that English is the language used most often in the investor inquiries they receive.

For IPIs in countries without the benefit of mass English-language education, managers should ensure that at least a small core of staff members can communicate effectively in spoken and written business English. Such is the case of Senegal’s APIX, where the CEO and all investment promotion officers are fully fluent in French and English.

This can be a challenge in developing countries with strong linguistic and historical ties to a large source country for investment, such as France in the case of Senegal. Such ties can make an IPI complacent in its pursuit of the much larger number of investors who conduct their business in English. It is worth noting that 18 of the 20 lowest ranked IPIs in the GIPB study are in countries where English is at best a third language.

Beyond English fluency, some IPIs find it strategically advantageous to accumulate a pool of communication skills specific to their target markets for foreign investment. The Austrian Business Agency not only makes its Web site available in seven languages, it has staff who can respond to inquiries in those languages, including Chinese, Japanese, and Russian. These languages are spoken in countries that are important sources of foreign investment, but they are not widely spoken outside those countries. Thus, agencies proficient in these languages have an advantage in marketing to them.

However, effective communication and relationship building with investors depends not only on linguistic understanding, but also on cultural understanding. Although an IPI’s private sector experience helps it to develop a general sense of how private investors think and what they expect, it must also recognize that the investor’s country of origin adds another layer of corporate culture. For example, as PRONicaragua targeted mostly American companies for investment promotion, it deliberately built up a staff with personal exposure to the United States through school, family, or work. The result was a marketing team that was not only multilingual, but also multicultural. This enabled the staff to better

understand the perspective of American investors and the service standards to which they were accustomed.

7. Continuous staff development. Top IPIs recognize that it is not always possible to *hire* the right people; often the right people have to be *developed*. This is especially true for “soft skills” that are used in sales, professional presentation, and customer service. These skills are crucial to investment facilitation but rarely taught in universities.

In just the last two years, about three-quarters of the top IPIs have trained their staffs in marketing and investment facilitation, while about 40 percent have provided training in customer service, writing, and research. For example, IDA acknowledges the importance of staff development by investing significant resources in comprehensive training, including MBA and executive programs from top international business schools. IPIs with fewer resources, such as PRONicaragua and Invest in Bogota, have sought and obtained training, including in marketing and customer service, from international organizations and consulting firms. At Invest in Bogota, this training continues to be replicated in-house for new staff.

Staff development is a way of raising the IPI’s capacity or replenishing capacity after staff turnover, but it can also be motivational when the staff sees it as a way to build skills and advance careers. Around 42 percent of staff members at both top and weak IPIs have less than two years’ experience at the IPI. And, only about a quarter of their staffs have more than five years’ experience. High staff turnover is a problem for strong and weak IPIs alike. The difference is that the top IPIs embrace this fact and cultivate an image as a good stepping stone in the careers of talented people. When former employees of an IPI are highly sought by public and private employers, the quality of applicants to the IPI rises.

ACCUMULATE DEEP BUSINESS KNOWLEDGE

Once an IPI knows its strategic focus, the next step is to build the deepest knowledge possible of priority sectors through industry research and by

building relationships with people in the industry. In this way the IPI can understand the opportunities and challenges faced by the companies it is trying to attract. Most IPI employees do not have a degree or specialized training in the sectors they serve. However, there is a clear difference between the top and weak IPIs in the tools and practices used to build and manage knowledge. These include research capacity, the use of account managers, and systems for the management of knowledge and relationships.

8. Research capacity. The survey results show that for each person employed, top IPIs will have on average 1.05 computers with high-speed Internet access. On the other hand, weak IPIs have only 0.6 computers per person, meaning their staff members have limited access to the primary tool for research.

This lower research capacity may reflect cost constraints, but also a lack of emphasis by management on the accumulation of sector- and investor-specific knowledge. An IPI with a lower level of knowledge will misdirect, and therefore waste, more energy. Unable to foresee many investor needs, this IPI will provide inadequate responses to inquiries, diminishing investor confidence. Those investors that do set up operations in the country will not include the IPI in strategic collaboration for growth and diversification, because the IPI brings little to the table. IPIs with a low level of industry knowledge will be relegated by their customers to a role of administrative support.

Every standard function of an IPI requires research, whether image building, proactive promotion, investor aftercare, policy advocacy, or investment facilitation. Therefore, each professional staff member should have easy access to a computer and the Internet. When this is not possible, a few staff members should be dedicated exclusively to research with a focus on:

- preparing stock profiles of priority sectors and investment sites; and
- providing a quick turnaround for requests to tailor stock profiles to specific inquiries.

9. Account managers. Eighty-eight percent of top IPIs always have inquiries handled by a single person throughout the entire life cycle of the

inquiry. Putting a single *account manager* in charge of each customer enables the IPI to:

- build familiarity with potential investors' needs and interests, conveying that they are valued and sparing them the need to repeat their issues to multiple people;
- take advantage of and build on the knowledge of the IPI's sectoral specialists;
- establish relationships with investors that are personal as well as institutional, thereby improving information sharing and openness to collaboration; and,
- smoothly advance investor interest through progressive stages of inquiries, site visits, negotiations, start-up, and further development.

It is difficult to imagine investors sharing information about their long-term goals, costs, suppliers, production processes, and corporate trends if they are not personally comfortable with the IPI staff members who work with them. And, the IPI's ability to collect this type of information from the investor directly affects the quality of the information the IPI can provide the investor. This investor confidence can best be nurtured by an account manager. The investor needs to know, however, that because the account manager represents the ideals of an institution, the cooperation and confidentiality established with one individual will continue should he or she leave the agency.

10. Knowledge and relationship management systems. Beyond desk research and news updates, deep knowledge is acquired through relationships with companies and other industry players. As an account manager builds these special relationships and knowledge, it is critical to ensure that they become assets of the IPI and not just of the individual. Considering the high turnover rates of many IPIs, it is important to have systems for collecting, storing, and sharing information within the IPI before it is lost.

Information provided to individual investors may be similar to that requested in other cases. Knowledge management tools allow IPIs to store and reuse valuable information as it is collected. This enables partial standardization of inquiry responses, and promotes efficiency, consistency,

currency, and confidentiality of information.

Five common tools and practices used by top IPIs for knowledge management are:

i. Investor information systems. These may be as simple as shared network drives, where stock information is available to all inquiry responders on a country's general business climate and its industry-specific characteristics. This access allows the responders to quickly assemble consistent, high-quality responses and spend their time tailoring the response. As the IPI builds its store of informational material in electronic form, information of general interest may be made available online to investors or remote offices.

ii. Regular staff meetings. The simplest and most inexpensive of knowledge management practices is the regular, perhaps weekly, staff meeting. Here account managers can recount their ongoing activities with investors, describing opportunities, challenges, concrete steps taken, successes, and lessons learned. This keeps all staff informed of individual accounts, allows the account manager to learn from the experiences of others, and enables the staff as a whole to improve efficiency by identifying common issues and approaches. Ninety-one percent of top IPIs have regular, team-focused staff meetings, while slightly over half of weak IPIs do.

iii. Databases of available land. Top IPIs understand that for their investment locations to be seriously considered, they must be able to provide quick, relevant information to potential investors on actual land and office space that is suitable for their projects in terms of location, infrastructure, regulation, and incentives. Nearly all (91 percent) of the top IPIs have their own land databases or access to databases hosted by partner organizations. CzechInvest takes the extra step of putting interactive maps of the country on its Web site. The maps allow visitors to select and view combinations of transportation infrastructure, sectoral concentrations, and potential supplier locations.

iv. Directories of business service providers. In addition to land, potential investors will often seek local professional services, including legal, accounting, tax consultancy, personnel consultancy,

construction, and translation. Many top IPIs will maintain lists of proven service providers, although they generally refrain from making endorsements. In the Czech Republic, the Association for Foreign Investment is an association of professional service providers that acts as a single point of contact

BOX 2. MAKING THE MOST OF CUSTOMER RELATIONSHIP MANAGEMENT SOFTWARE

IPIs unable to afford specialized CRM software may use less expensive software such as standard Microsoft Office programs (Excel and Access) for basic record-keeping and customer statistics. Brazil's APEX has developed an investor database on Access, and Senegal's APIX relies on the same program for the smooth operation of its one-stop shop.

For its lead-tracking, APIX uses ACT!, which is one of the less expensive formal CRM softwares and is also favored by PRONicaragua, Invest in Bogota, and until recently, CINDE. Now CINDE uses Microsoft CRM, as do Invest Hong Kong, Invest in Turkey, and the world's top-ranked facilitator, Austrian Business Agency.

Manchester Investment Development Agency Service uses Evolutive, which is designed specifically for economic development and inward investment agencies. Although little known in the rest of the world, its manufacturer claims that Evolutive is the best seller for public sector organizations in the United Kingdom. MIDAS' system extends to 10 local authorities, which can access and update news of projects and investors.

As IPIs grow, mature, and diversify their goals, it is natural for them to adapt their CRM software accordingly. CzechInvest started with an Excel spreadsheet, later moving to GoldMine software and then to a tailored form of Lotus Notes, which is also used by Copenhagen Capacity, the world's second highest performing facilitator. Today CzechInvest is gradually shifting to web-based applications.

Most crucially, CzechInvest management ensured that all staff communications and goal achievements were recorded within the system. If not recorded, they did not count. Similarly, Invest in Bogota's staff bonuses are calculated based only on information reflected in the CRM software. The most common problem with CRM software is that it is not used by staff. Without management attention to creating a CRM mindset, it can become a costly tool that is never taken out of the toolbox.

dedicated to the smooth entry of foreign investors into the country. The strict membership requirements include four recommendations from association members, two from multinational corporations, proof of good financial standing, police clearance of the applicant's agent, and a minimum of three years' experience.

v. Customer relationship management software.

CRM software typically stores key company information and records all interactions with that customer. It will remind an account manager of open issues and next steps to be taken. It can therefore track progress toward goals and often can generate performance reports. The software used by IPIs tends to be for the *front-end*, focusing on lead follow-up and the tracking of "service tickets" (open customer issues). However, for those IPIs tasked with regulatory or monitoring functions, there is also software for tracking *back-end* paperwork and processes. By making sure that an IPI "remembers" a company's history in the greatest detail and that all open issues are followed up in a timely manner, CRM software makes investors feel better served and more likely to rely on the IPI as a valuable resource (*see Box 2*).

IMPLEMENT INTERNAL SYSTEMS FOR CONSISTENTLY GOOD FACILITATION

11. Making facilitation a priority. In the GIPB results, 70 percent of the IPIs did not respond in the time requested to one or both of two investor inquiries. There is no easier potential sale than when an investor knocks at an IPI's door. And few things are more damaging to an IPI's image and actual performance than giving a first impression of being disinterested or incapable of providing a basic, professional response. Even if the IPI is unable to respond in detail, professionalism demands that the inquiry be acknowledged. The IPI should be ready to make referrals to other agencies that might help, and it should take advantage of contact with the investor to provide any promotional material that might influence the investor's appreciation of location advantages and IPI services.

The survey evidence suggests that top IPIs and weak IPIs receive about the same number of

inquiries per week, on average 18 to 21. However, top IPIs assign about double the percentage of staff to inquiry handling. Invest in Spain dedicates 20 percent of its staff exclusively to inquiry response, and each of Austrian Business Agency's 24-member staff must be prepared to respond to investor inquiries and does.

12. Being accessible. In order to request information from an IPI, an investor must first be able to reach its staff by phone and e-mail. This seems an obvious point, but many weak IPIs hurt their chances to make their cases to investors because of one or more of the following:

- A Web site with no contact names, numbers, or e-mail addresses for general reception or for sector-specific managers and specialists.
- Receptionists who are unable or unauthorized to transfer investor calls to the staff most able to help investors.
- No chance to leave voicemail or other messages.
- Use of personal e-mail accounts instead of agency-specific addresses.

Top IPIs have three times more telephones per person (0.85) than weak IPIs (0.28), and most allow callers to leave a message so that an investor only has to call once. When there is no voicemail on a direct line, an investor may call several times while the IPI staff member is away and give up in frustration, all without the staff member ever knowing about the lost opportunity. Personal e-mail accounts tend to be unreliable because they are often on free public-use systems and business e-mails can be lost among personal and junk e-mails or blocked entirely by the provider's spam filters. Most damagingly, the use of personal e-mail conveys an unprofessional image to investors.

Personnel made available to answer investor inquiries should be organized according to investor needs rather than internal, bureaucratic functions. For example, poor facilitators may have a single investor speak with one person about locations, another about incentives, and another about licensing. Instead, an investor should be able to question one person about all the relevant issues. Within three clicks from Copenhagen Capacity's home page, investors can arrive at names, photos, profiles, and direct contact information (including

mobile phone numbers) for each of its industry specialists.

13. A Web site work plan. An IPI's Web site is often an investor's first point of contact with the agency. Not having one is simply no longer an option for a serious IPI. The Web site acts not only as a portal for investor information, but also as the face of the IPI. Keeping information on the Web site current and relevant is necessary to ensure that investors are not misinformed and that the IPI gives a professional first impression.

Eighty-six percent of top IPIs update their Web sites more than once a month, and more than half of those update daily. On the other hand, most weak IPIs do not update their Web sites more often than every three months.

A Web site should include timely updates on new regulations, projects, and opportunities. Copenhagen Capacity posts a monthly newsletter (also available by e-mail subscription) that presents "the latest news about Copenhagen's business climate, investments, company establishments and developments in our key industries."

Updates also keep promotional material fresh and interesting. Invest in Turkey, a top IPI, uses daily updates to offer new evidence that its country is a prime investment location. In 50 seconds, a news ticker on the Invest in Turkey home page gives visitors 10 "Breaking News" headlines making Turkey's case (*see Box 3*). In alerting Web site users with fresh information, these updates also act as advertisements for the IPI's professionalism and dynamism.

BOX 3. RECENT BREAKING NEWS FROM THE NEWS TICKER ON INVEST IN TURKEY'S WEB SITE

"Mobile operator Avea opens technopark in Istanbul..." "USD 6 billion of agricultural investments on the way..." "Foreign banks make profit in Turkey, while incurring loss abroad..." "Tommy Hilfiger to run Turkish operations independently..." "Turkey, popular destination for heavy construction equipment investments..."

14. Response guidelines. All the practices described to this point must be integrated into a single, coherent system for the smooth and thorough handling of inquiries every time.

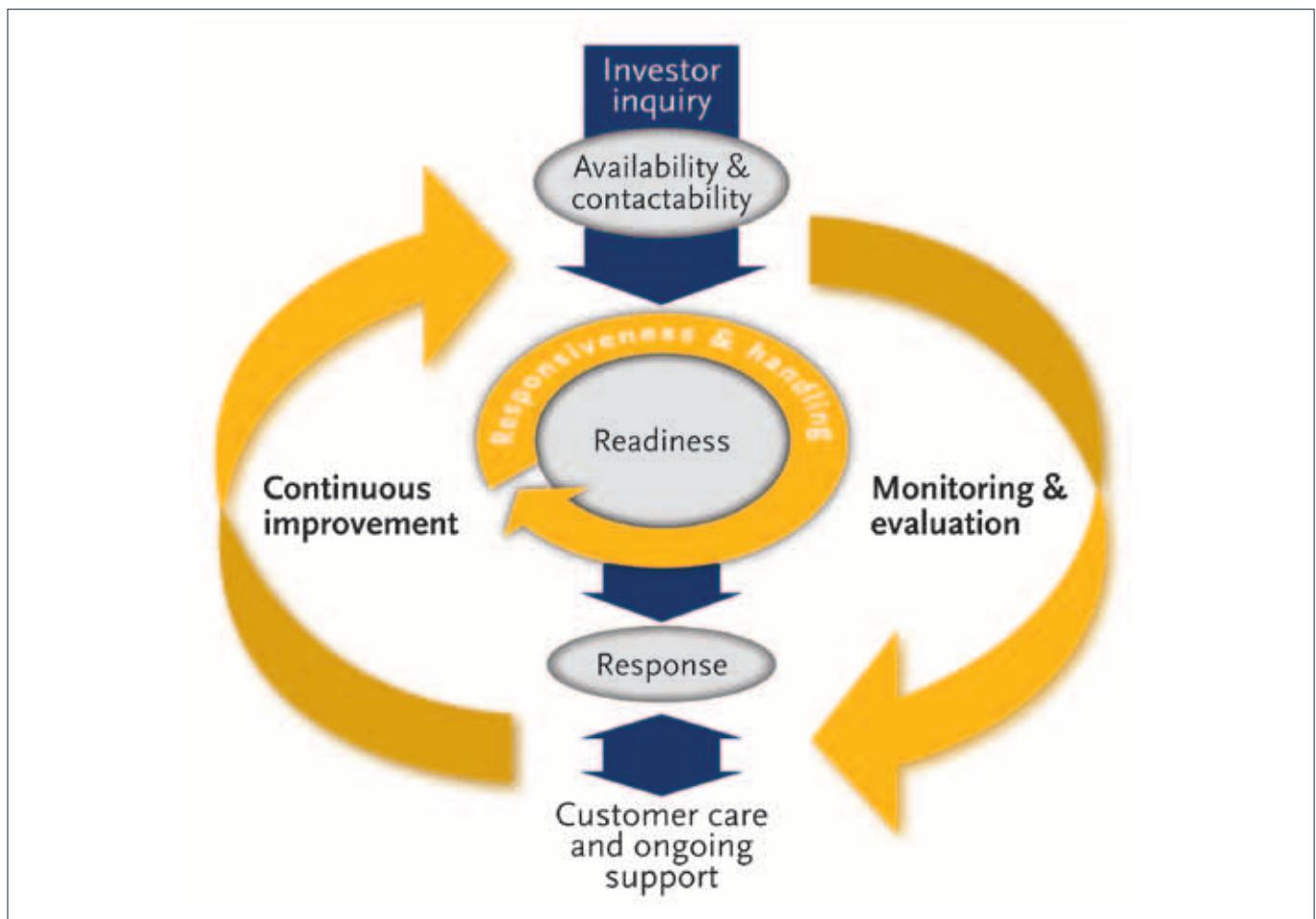
A best-practice system will have fixed processes for the channeling of inquiries, updating of information, and evaluation and adjustment of these practices. This cycle translates into a smooth

process of inquiry receipt, response, and follow-up for the investor (*see Figure 1*).

To ensure the high quality and timeliness of inquiry responses, most top IPIs employ:

- written guidelines for content (84 percent);
- quality control by managers (91 percent); and,
- deadlines for submission (94 percent).

FIGURE 1. AN INTEGRATED SYSTEM FOR INQUIRY HANDLING



Best-practice IPIs address the four key dimensions of inquiry handling—availability and contactability, responsiveness and handling, response quality, and ongoing customer care—in an integrated system that is continuously monitored for improvement.

Source: Investment Climate Advisory Services of the World Bank Group

A good investment facilitator puts a new inquiry through a fixed screening process, or “investor scorecard,” and assigns it a level of priority. The investor receives an acknowledgement of the inquiry’s receipt and a timeframe for its response. The inquiry is channeled to the appropriate specialist to prepare the response according to set guidelines on content and presentation. The inquiry response is reviewed by a manager and approved or returned to the specialist for more work. The response is sent and followed up within a fixed time limit. The objective of the follow-up is to move the investor to a next step, such as an in-person meeting, a site visit, or an introduction to key officials. When this process ends with the investor taking a next step or declining further assistance, the manager records what went right and wrong. In a periodic review of the inquiry-handling system, these notes, input from staff involved, and investor feedback help identify options for enhancing effectiveness.

Invest in Spain provides a good example of how inquiry priorities can be systematically addressed. The agency assigns a responder according to inquiry categories of Level 1 (general), Level 2 (non-priority sector), or Level 3 (priority sector). A junior officer replies within 24 hours to Level 1 inquiries, using stock information about the economy, investment climate, and investment procedures. For Level 2 inquiries, a senior officer calls the company within 24 hours to demonstrate attentiveness and to collect more detailed information on its plans and constraints. The resulting compilation of informational material is delivered to the investor within five days. For Level 3 inquiries, a sector specialist is assigned to do the same work, but with more research and sector-specific details.

However, an outcome-oriented IPI must remain flexible enough to spot opportunities for facilitation outside the guidelines. When a European cosmetics manufacturer in Colombia inquired about the procedures and challenges for expansion, Invest in Bogota recognized that the local affiliate was working to convince its European headquarters that the Bogota facility was ripe for expansion. Invest in Bogota offered to make a pitch directly to the headquarters, which helped seal the deal. The

agency regularly makes a similar pitch to the customers of one of Bogota’s investors, a call-center company. Invest in Bogota has found that helping investors in this way can lead to job creation in targeted sectors and win investor loyalty for the city.

The goodwill generated by this sort of intervention in turn catalyzes another IPI tool for facilitation: investor testimonials. Testimonials (written, video, or in-person) send a powerful signal to potential investors that an investment location is profitable, stable, and even strategic in the views of their peers. An investor may not ask for testimonials or information other than what is necessary for financial calculations of costs and revenue. It is up to the IPI to master the art of giving investors the information they need—not just the information they request—to choose their investment locations.

The tools for handling inquiries are regularly maintained through systematic processes by designated staff. Databases and directories are updated. News on developments in sectors and the investment climate is collected and incorporated into stock information. When newly facilitated investors launch their operations they are asked for testimonials, which are added to promotional materials. Changes in personnel trigger prompt updates of contact information on the Web site and training on the inquiry-handling system. Finally, staff members responsible for even a small part of the system are aware they are being evaluated on their contribution to its smooth functioning. Managers provide the necessary incentives and set priorities to ensure this.

CONCLUSION

Given the vital role that an IPI can play in winning foreign investment, there is simply no reason why an investor inquiry should go unacknowledged or why investors should not be able to get in touch quickly with an IPI staff member who can help them. Failing to facilitate site selection for investors with real interest wastes the scarce time and resources spent on image building and investor outreach. Therefore, every inquiry deserves a response, and making sure each investor gets one is

IN PRACTICE

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ABOUT THE INVESTMENT CLIMATE ADVISORY SERVICES

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essential to the IPI's reputation for professionalism.

Those practices that set the world's top facilitators apart from their competition relate more to the priorities and internal systems that create an enabling environment than to financial resources. In fact, many IPIs may be able to improve their country's share of the trillion-dollar global market for foreign investment simply by making facilitation a top priority. By focusing facilitation efforts on a few priority sectors, dedicating a few people to research in those areas, mapping out an inquiry-handling system, and evaluating staff specifically on facilitation, an IPI has already taken a big step toward good facilitation.

Over time and without additional resources, an IPI can further develop an enabling environment by recruiting staff members on the basis of their soft skills, private sector experience, and language proficiencies. It can implement rudimentary knowledge-building techniques such as staff meetings, shared computer drives, and training of incoming staff on internal systems and priorities. It can reach agreement with similarly mandated institutions subnationally and overseas to coordinate investor facilitation.

With a small, additional investment, more telephones and computers can be made available, and bonuses or supplemental salaries can encourage the competitive spirit needed to win investment in today's very competitive international marketplace. Finally, success in facilitation may earn an IPI greater autonomy and the freedom to set sectoral priorities and budgets for personnel and equipment. Success breeds success, and the right focus with the right internal system is enough to kick-start this virtuous cycle.

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