Lessons in Investment Promotion: The Case of Invest India

Joe Phillips, Armando Heilbron and Priyanka Kher
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The authors would like to thank Roberto Escoto, Managing Director at Apex Brazil; Andreas Hora, Coordinator at WAIPA; Anuj Mathew, Senior Economic Adviser at the UK Department of International Trade; Robert Whyte, Senior Investment Promotion Expert and Harsh Jhanjaria, IFC Operation Officer for peer reviewing this note. They are also grateful to Deepak Bagla, Managing Director and CEO; Dushyant Thakor, Senior Vice President; and Mitali Khachi, Manager of Invest India, as well as World Bank colleagues Christine Zhenwei Qiang, Ivan Nimac, Sudip Mozumder and Nandita Roy for their valuable inputs, contributions and support to publishing this case study. The support provided to Invest India described in this paper was part of an IFC advisory services program funded by the Facility of Investment Advisory Services (FIAS) of the World Bank. Lastly, thanks to Barbara Balaj for her editing services and to FPS Groups for design and production services.
Abstract

Foreign direct investment (FDI) can contribute significantly towards India reaching its aspiration of 8 percent growth per annum. Prior to 2009, India did not have a national dedicated organization with a specific mandate to promote and facilitate FDI. Invest India was then established, but it was not until 2015 that it was empowered to ramp up its investment promotion efforts, with the resources and reach to be fully active in the FDI marketplace.

Invest India’s journey can be described against 9 critical success factors (CSFs) that chart how the agency responded to its challenges, to now deliver sustained success evidenced by facilitating USD 31 billion of FDI and direct creation of nearly 303,900 jobs. In part, Invest India has contributed to India’s stellar FDI performance in 2020, when the country reached another record of USD 64 billion, against a global drop of 35% (UNCTAD 2021). While some challenges still remain, Invest India’s journey provides valuable learnings for other investment promotion agencies (IPAs), which in the context of the Covid-19 crisis, will need to be in a period of review and reform.
Introduction

Economic context at Invest India’s inception

For India to reach eight percent growth per annum to which the Government of India (GoI) aspires, a substantial increase in private investment is required. FDI in particular can play an important role. In addition to generating capital flows and employment, it can bring in innovative technology, managerial innovations, build skills, and increase competition in domestic industry to enhance productivity (Echandi, Krajcovicova, and Qiang 2015; Saurav and Kuo 2020). It is also essential to enable India to strengthen its participation in and further benefit from global value chains. However, these benefits are not automatic, and deliberate, targeted measures need to be taken to attract, retain and maximize benefits of FDI.

Investment Promotion Agencies (IPAs) can play a pivotal role in helping countries attract and realize the development benefits of FDI (Charlton and Davis 2007; Cho 2003; Crescenzi, Di Cataldo, and Giau 2019; Harding and Javorcik 2011; Harding and Javorcik 2013; Miškinis and Byrka 2014; Morisset and Andrews-Johnson 2004; Nelson 2009; Pietersen and Bezuidenhout 2015; Sabha, Hamden and Heilbron 2020; Wells and Wint 2000; World Bank 2020). If poorly designed, FDI-related institutions, in particular IPAs can be constrained by incompatible functions housed in the same institution, inadequate resource allocation, conflicts of interest, duplication or gaps in service delivery, and poor coordination, all of which can lead to weak FDI performance (Heilbron and Whyte, 2019).

Prior to 2009, India did not have a dedicated agency with a specific mandate to promote and facilitate FDI. Investment promotion functions were shared among a number of government agencies and business associations at the national level, although none of them had this at the core of their mandate. There was a perception that investment opportunities were being lost. While some State level investment promotion agencies did exist, they were not feeding into an overall common national goal.

Between 2010-2014, India’s FDI inflows remained under USD30 billion (with the exception of 2011-12). India’s share of FDI as a percentage of GDP, relative to peers tended to lag. Indeed, figures 1 and 2 show that while Indian FDI flows have remained at a slightly higher level relative to GDP since 2009, Vietnam, Malaysia and Brazil remain some way ahead.

FIGURE 1 - FDI inflows into India (2000-2019)
**Reason for the creation and upgrading of Invest India**

In 2009, Invest India was established as a public private joint venture company of the former Department of Industrial Policy and Promotion (DIPP) of the Ministry of Commerce and Industry, the Federation of Indian Chambers of Commerce and Industry (FICCI), and state governments of India. However, it was not until 2015 that Invest India was empowered to ramp up its investment promotion efforts, with the resources and reach to be fully active in the FDI marketplace.

**Transformation of Invest India: Drivers of Reform**

Becoming a leading IPA is a long-term goal which many countries struggle to achieve despite trying different approaches. Following international good practice, it was not assigned any regulatory functions. It was also given sound financial support from DIPP, now renamed Department for Promotion of Industry and Internal Trade (DPIIT) and a functioning Board, with more than half of its members coming from the private sector. The organisation now has more than 300 dedicated staff and is highly focused on delivering its investment promotion mandate.

Invest India’s journey can be mapped along nine CSFs\(^1\) (figure 3) and provides helpful insights for other countries that aim to upgrade their investment promotion activities. These 9 factors provide a framework throughout this note and are relevant for countries and IPAs of all sizes. In fact, while India is a large country, this case study illustrates what can be achieved even with access to what is a relatively modest budget.

**Assessing Invest India at Inception**

Invest India’s success did not come easily. Specifically, it faced a few challenges at inception (2009-2015), across the 9 critical success factors:

**CSF 1. Establishing high level government support** - India’s intention to explicitly target FDI was first expressed in 2008 in the Scheme for Investment Promotion (SIP) launched under the XI Five Year Plan 2007-2012. The Scheme was administered by the DPIIT to promote foreign investment into the country and create a dedicated investment promotion agency (that is, Invest India). However, as is the case in many countries, the GoI had multiple agencies that were competing for attention. Invest India was one of these, with low prominence within the Government from the outset. This made it difficult to demonstrate commitment to investors, and consequently it was able to gain little traction with them.

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1 For more on the World Bank’s critical success factors (CSFs) for investment promotion agencies see Heilbron forthcoming. “Investment Promotion Agencies for Impact.”
Developing an **IPA strategy with a focus on competitive segments** - While Make in India’s strategic vision combined with the SIP laid out a vision of placing India among the leading manufacturing nations and for investment to be a pillar of the overall strategy, it did not translate directly into an actual investment promotion strategy. This meant that the specific objectives of the agency were not fully articulated. Not having such a strategy or clarity on agency priorities, focus sectors, or sequencing, also made it difficult to align and develop strong relationships with relevant private and public stakeholders, many of which are needed to support the investment promotion process (e.g. government departments that cover labor, tax, land, immigration, etc.).

**CSF 3.** Ensuring a **clear, uncontested mandate for investment promotion** - At the national level, other government agencies, particularly those with a sectoral focus were competing and / or duplicating some of Invest India’s own activities. For example, the Tourism Development Corporation was targeting investors in the own tourism sector, while also investing in tourism infrastructure itself.

**CSF 4.** Guaranteeing a **high degree of institutional and financial autonomy** - This is important so that the IPA is able to make decisions on a relatively independent basis. For example, to hire staff against specified and transparent job qualifications. But for Invest India, as CSF 7 below describes, prior to 2015 the issue was more about availability of funding, to the extent that the degree of autonomy was somewhat moot.

**CSF 5.** Maintaining **solid governance for the IPA** – A strong and active board with private sector representation is key to maintaining an IPA’s autonomy, as well as ensuring that the views of investors – who are ultimately the customers of the IPA – are at the forefront of decision making. Invest India’s board was constituted in 2010 and had a good balance of 12 private and public sector representatives. However, due to the constricted staffing and budget constraints, the agency’s activities were largely reactive to incoming investment requests. Accordingly, the Board was advising the IPA on the way forward, keeping in mind the limitations to launch new initiatives.

**CSF 6.** Recruiting **management and key promotion staff with strong private sector experience** - given the agency’s limited high-level government support and autonomy, Invest India initially was unable to hire the right type of skilled resource. Having this resource is vital to providing added value services to the investor, who will typically expect the IPA’s staff to have some understanding of the company’s business, and specialist knowledge of the sector in the location. These
services go far beyond simple administrative support; hence the right staff make-up is one that includes relevant private sector experience. Yet the agency only had around 5-6 staff until 2014. It required substantial effort from Invest India’s CEO and Managing Director to convince the Government to hire staff with requisite job qualifications. Moreover, this increase in staff numbers was still not going to be enough to offer the breadth of experience and specialization required by the investor marketplace.

CSF 7. Maintaining significant and sustained financial resources - Invest India was created as a public private joint venture company with an annual budget of approximately USD 150,000 in its first 3 years, including for salaries and travel expenses. This can be contrasted with UK Trade & Investment, then the agency for the UK, whose inward investment budget in 2008/09 was GBP£73.3 million (then approximately USD 135 million) or to the higher than USD 1 million budgets of 82 percent of IPAs (Sanchiz and Omic 2020). While the UK is an extreme example, this demonstrates the significant shortage of funding of the newly formed Invest India agency, despite India’s vast population and geography. With a limited budget, Invest India was less able to compete for talent with the private sector, and ultimately in the global marketplace to win investment projects.

CSF 8. Maintaining a strong investor-centric services orientation - providing high quality services to the companies is the core function of IPAs. However, Invest India was essentially reactive for many years and, even as recently as 2015, had no more than a handful of staff reactivity answering investor queries, with little or no traction with potential or existing foreign investors. This meant that the breadth and quality of services being delivered was not sufficient for the agency to have the economic impact that it had the potential to bring.

The World Bank Group’s Comprehensive Investor Services Framework (CISF) recommends that good proactive IPAs deliver a range of services that can be defined within the four categories and four stages of the investment life cycle (figure 4). The numbers in the diagram indicate the percentage of IPAs that deliver services in these categories and stages, based on a WBG survey in 2017. Like many IPAs, Invest India’s challenge was to provide consistent service delivery, while broadening the scope of its services beyond the initial stages of the lifecycle, so that it was providing holistic support to investors. However, this was hard to achieve while the other seven critical success factors described above were not in place.

FIGURE 4 - Comprehensive Investor Services Framework

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<thead>
<tr>
<th>Category</th>
<th>Attraction</th>
<th>Entry and establishment</th>
<th>Retention and expansion</th>
<th>Linkages and spillovers</th>
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<tr>
<td>Information</td>
<td>94</td>
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<td>Assistance</td>
<td>78</td>
<td>78</td>
<td>63</td>
<td>29</td>
</tr>
<tr>
<td>Advocacy</td>
<td>93</td>
<td>53</td>
<td>36</td>
<td>22</td>
</tr>
</tbody>
</table>


The CISF defines four service categories within investment promotion: 1. Marketing services, to build a positive image for the investment destination with a strong value proposition to investors; 2. Information delivery across all stages; 3. Hands-on Assistance to contribute to the investment success from decision-making, to entry, establishment, operations and expansion; and 4. Advocacy to improve the investment climate and ecosystem. This note italicizes the key word when referring to these services. For further details, please see Heilbron and Aranda-Larrey 2020.
CSF 9. Developing a **robust national-subnational framework** - National-subnational relationships are critical, both politically, but especially in terms of being able to offer incoming investors seamless service from point of interest, through to location selection, establishment, expansion and linking with the domestic economy. This point is particularly important given the sheer scale of India - a solitary office in one city is unlikely to be able to adequately cover the promotion needs of the whole country. India’s federal structure added an additional set of challenges. The 28 states have a mandate on several matters affecting investment (e.g. land, tax, environment, employment issues etc.). So, at the regional level, the distinct mandate combined with varying levels of administrative capacity, caused confusion and duplication between state IPAs and Invest India’s role. State IPAs were also promoting investment but had a limited relationship with Invest India. In fact, some of them had greater budget and reach to investors than the national agency. The challenge was amplified by states inevitably having different characteristics (e.g. Karnataka’s tech value proposition versus wellness and tourism in Uttarakhand), and consequently different priorities. Moreover, some state IPAs had extremely limited capacity, therefore the task for Invest India to engage them was quite different to that of the more developed state agencies.
Reform Journey and Outcomes

Invest India implemented several good practices in order to give India the best chance of success in attracting FDI. A high-level view of key events is shown in the timeline below (figure 5), with details then provided for each CSF:

CSF 1. High level government support: Such support was essentially the catalyst which gave the agency an ability to address its other challenges. A new CEO with private sector experience was appointed and was immediately given direct access to senior government officials.

CSF 2. IPA strategy with a focus on competitive segments: Invest India took a concept note that included a set of strategic and institutional guidelines around the 9 CSFs, provided by the World Bank Group in 2015. This allowed the agency to be highly targeted in its activities and its relationships with other institutions. It also led to Invest India signing a range of Memorandums of Understanding with other institutions, such as with Ministries (e.g. Ministry of Food Processing Industries), Embassies (e.g. Indian Embassy in Korea) and subnational governments (e.g. Government of Assam) as discussed further in CSF 9 below.

There was also a strong emphasis on aligning the IPA's goals and activities with the Sustainable Development Goals (SDGs) from United Nations Conference on Trade and Development (UNCTAD). This meant proactive targeting of sectors and investors that clearly contribute to some of these 17 goals such as gender equality and tackling climate change, rather than towards investors who do not share that commitment. This commitment has been recognized, as the agency won the United Nations' award for excellence in promoting investments in sustainable development for the collaboration with Vestas on the Ahmedabad Blade factory in 2018.

FIGURE 5 - Timeline of Key Events in the Invest India Journey

Source: World Bank Group, based on Invest India inputs
Note: DPIIT= Department for Promotion of Industry and Internal Trade; FICCI= Federation of Indian Chambers of Commerce and Industry; CII = Confederation of Indian Industry; IPA=Investment Promotion Agency; WBG= World Bank Group; NASSCOM = National Association of Software and Service Companies.
Invest India now uses a two-fold approach (‘top-down’ and ‘bottom-up’) for identifying competitive sectors. It uses parameters that look at Invest India’s recent successes in terms of FDI project wins, jobs and enquiries; and the country’s competitive strengths in terms of raw material availability, skill availability and existing clusters. For certain sectors such as electronics, pharmaceuticals and food processing which are seen as having high potential, Invest India has set up larger teams that work in close coordination with the Line Departments / Ministries of the GoI. This enables them to also advocate for policy changes to the business environment that are specific to these sectors.

CSF 3. A clear, uncontested mandate: The solidifying of high-level government support ensured that Invest India was officially mandated to lead the country’s national investment promotion efforts as the single point of contact for foreign investors, not only with a legal mandate for investment promotion, but also at the practical level by publicly clarifying its role. The strength of the mandate was also reinforced by not assigning Invest India any regulatory functions, which follows international good practice.

CSF 4. A high degree of institutional and financial autonomy: Through government support and sufficient funding, Invest India became semi-autonomous. The Government ensured the required flexibility and rapid response to satisfy the needs of investors and successfully win more and better investment.

The ability to implement a set of specific digital initiatives provides some evidence of this autonomy. These tools cut across various elements of the investor life cycle and include:

- The website, which demonstrates various aspects of international good practice, both in terms of the quality of its design, and the specific and detailed sectoral content that it offers – hence it is used as the key marketing tool. It also became a key information platform during its Covid-19 response (Box 1).

- An Investor Relationship Management System (IRMS) was developed to meet the needs of the PA efforts and is used to build the relationship with investors while tracking their projects’ progress through the life cycle, from being a potential opportunity to becoming operational and beyond.

- The India Investment Grid (IIG) is a portal to present to the marketplace the specific investible projects that exist across the country. This allows the whole country, including lesser-known locations or investment offers, to gain exposure.

- The rapid development of the online platform to assess state IPAs is also an achievement, which would not have happened so quickly without this autonomy.

CSF 5. Solid governance for the IPA: From 2014 to 2017, while the Board’s composition remained unchanged, it was more engaged than before with what was by then a larger agency, more capable of implementing its mandate. Then from 2017, as Invest India further strengthened, the Board was restructured and its membership expanded to include 15 people. This included new higher profile members, who have been engaged and actively participated since their appointment. The Board still maintains an equal public-private mix, but on the public side, representatives come from a broader range of government agencies. It now plays a clear role in policy advocacy, developing the agency’s action plan, including target setting, and provides guidance in connecting with external stakeholders.

CSF 6. Management and key promotion staff with strong private sector experience: Invest India’s functional autonomy has allowed the flexibility to hire individuals from the private sector. As such, it appointed a corporate-driven leadership, with high-caliber management and staff at all levels and functions of the organization recruited from major management consultancies. It started with a focus on staff in investor assistance before moving to marketing and information categories of the CISF. By hiring such skilled staff, Invest India was quickly able to become a much more credible competitor to its peer IPAs. There is now a clear structure in place for promotion, centered on specific country, sector, and state teams working in coordination across the investment life cycle (figure 6).
In response to the Covid-19 crisis, Invest India rapidly set-up a Covid-19 specialized online platform since March 2020 and ahead of many of its national peer IPAs. Its online Business Immunity Platform was its primary and comprehensive response tool to help investors get real-time updates on India’s response to the crisis. Continuously evolving, it operated 24/7 with a dedicated team responding to queries in a matter of hours; offering logistics support; helping ensure demand of essential healthcare equipment is met; curating the latest information on various central and state government initiatives; sharing best practices on response mechanisms put in place by leading Indian companies and providing information on State and National relief funds.

Moreover, the platform brought together key Government stakeholders, industry champions and logistic providers to identify and fill the supply shortages required to combat the virus. As of June 8 2020, over 10,000 enquiries had been received from companies, with more than 3 million visitors, which demonstrates the demand for this support.

Source: Invest India

The organization also boasts a flat structure that enables its young staff to be empowered. As of June 2021, 52 percent of Invest India’s staff are women. Ninety percent have private sector experience, and 60 percent have postgraduate degrees. There are also incentives for employees that help to drive good behaviors and support the retention of talent. Of the 305 staff in total, there are 231 staff focused on investment promotion activities, with the remainder involved in separate innovation and Start Up India agendas (figure 7).

Invest India’s staffing practices mirror those of consulting firms and the direction of FDI in general, where increasingly projects are built upon technology. These investors are typically newer companies with younger senior staff - who require agility in their interactions with IPAs. The staff’s digital proficiency has helped Invest India respond better to the challenges posed by Covid-19.

The agency has also taken the time to ensure they are building proper capacity in investment promotion through training, which they recognize is important irrespective of staff’s past experiences. Starting by identifying the skills and experience needed to implement Invest India’s vision, a skills enhancement and training program was created, also pointing to appropriate sources of learning and their associated cost. In parallel,
FIGURE 6 - Invest India Investment Promotion Organisational Chart and Roles

Source: Adapted from Invest India.
Note: Country team refers to those working on a particular target market, e.g. China, and manages the relationship with the investors across the lifecycle. Sector Team refers to those developing and working on strategic segments to promote. States team works with subnational IPAs. CIS= Commonwealth of Independent States; MENA = Middle East and North Africa; UK= United Kingdom.

FIGURE 7 - Invest India Staff Breakdown

Source: Invest India.

Notes:
3 Source: Invest India. Includes all employees working for the agency, even in non-investment-promotion areas.
it conducted capacity building activities for state IPAs. In particular, the World Bank Group had delivered three workshops on good practices in investment promotion since 2018, attended by 20 State IPAs. It is the staff’s dynamism, enthusiasm and adequate skills that has secured the buy-in of the States but equally importantly, of investors.

CSF 7. Significant and sustained financial resources: Invest India receives sound financial and institutional support from DPIIT and other funders. This allows Invest India to deliver and continue building its credibility with both private sector beneficiaries, and the public sector at both national and subnational levels. In fiscal year 2020-21, total annual spending for investment promotion was around USD 12.5 million including salaries, of which around 30% was spent on the marketing / information categories of the CISF, 30% on the assistance category, and 30% on related IT requirements which apply across all categories (e.g. the website). The remaining 10% spreads across various other promotion activities. This represents a significant increase since the agency’s formation and has allowed recruitment of a critical mass of skilled staff, growing from less than 10 employees to the 305 of today. It also allows Invest India to have a proper business-like headquarters office to use when welcoming prospective investors.

CSF 8. A strong investor-centric services orientation: This is an area in which Invest India has achieved solid progress, mostly because young, consultancy-experienced staff perform very professionally in responding to investors. It now performs particularly strongly in the “Attraction” and “Entry & Establishment” stages of the World Bank Group’s CISF. While the agency started with a narrow focus on assistance services in the “Attraction” stage, increased resource and government support allowed Invest India to broaden the range of activities across all stages. For example, in “Attraction”, the website described above is just one aspect of Invest India’s strong commitment to marketing their location and the offer. But the agency also uses a range of video content, collateral, and event attendance to get the India brand into the marketplace and generate leads. The marketing team is slick and professional, with the knowledge about how to make an impactful message and are highly savvy in social media (figure 8). This is reflected in its greater international prominence than many of its peers.

The agency is also highly active in direct marketing including outreach campaigns across a targeted range of platforms, together with each year participating in 50 events, hosting 40 roundtables, carrying out 30 roadshows, and directly targeting 1,000 potential investors.

Their proactivity spans from marketing and research in identifying new potential investors, to reaching out to them, then providing prompt information and assistance. During the Covid-19 outbreak, Invest India was amongst the first national IPAs to establish a web-based response platform (Business Immunity Platform, box 1) focused on investor retention. It is expected that this structured, intensive support to existing investors would remain important post-Covid-19.

Another area has been Invest India’s effectiveness in treating new potential investors as VIPs, particularly during initial site visits. This is a major chance to impress the investor, yet many IPAs do not consistently provide this level of service, from meeting the investor at the airport, to offering the investor a program of activity during the visit that combines both focus on the investment opportunity, and an opportunity to enjoy the destination itself.

All of the above services are underpinned by Standard Operating Procedures, the maintenance of an Investor Relationship Management system (IRMS, with a custom-made CRM software) to help Invest India staff provide a more personal service to investors, and regular investor surveys to gain real-time feedback.

CSF 9. Robust national-subnational framework: Invest India recognized early on the importance of making subnational IPAs their partners. Effort was made to gain a better understanding of the situation in each state, in terms of competitiveness for attracting new investment,
and capacity to support incoming investors. Thereafter, it sought to level up the capacities of all IPAs in the country. A capacity assessment was conducted based on a standardized methodology in 2017. Confidential reports describing areas of strengths as well as tailored advice on areas for improvement were given to 21 states participating in the assessment. As a result of this activity, the DPIIT showed significant interest, leading to Invest India implementing an updated version of the assessment. The new assessment was conducted using an online portal to simplify and strengthen the validation process. Customized confidential reports have been shared with each of the 20 participating states, and followed by one-to-one workshops and coaching sessions with each state IPA to provide strategic guidance on the recommendations mentioned in the report and other assistance requested by the state. As of June 2021, Invest India conducted workshops with 8 states. The initiative generated a productive “race to the top” towards improving investment promotion capacities and service delivery.

There is also more productive collaboration between Invest India and state IPAs in attracting investment. Today, Invest India provides more direct assistance to states, not only jointly supporting investment projects in a reactive manner, but also in terms of strategic activity. For example, the state of Assam launched a new “Invest Assam Foundation” IPA, with Invest India participating in its Board and providing organizational structure, targets, budgeting, and other types of advice.

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**FIGURE 8 - Invest India Social Media Activity**

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<td>9</td>
<td>GCC</td>
<td>Arabic &amp; English</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>10</td>
<td>Taiwan</td>
<td>Mandarin &amp; English</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>11</td>
<td>Sweden</td>
<td>Swedish &amp; English</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>12</td>
<td>Switzerland</td>
<td>German, French, English</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>13</td>
<td>China</td>
<td>Mandarin</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>14</td>
<td>Israel &amp; LATAM</td>
<td>Hebrew, Spanish &amp; Portuguese</td>
<td>Recently launched</td>
<td></td>
</tr>
</tbody>
</table>

**Highlights From Social Media**

- 12 handles on Twitter, 13 on LinkedIn, 12 on Facebook, 1 each on Instagram, KOO & YT / Content in 9 languages
- World’s most active IPA on social media
- 46% increase in followers from March 2020 to March 2021
- ~7,000 posts monthly
- Content themes
  - Production Linked Incentive Schemes
  - FDI into India
  - One District - One Product / Vocal for Local
  - Policy reforms / EODB Measures / Aatmanirbhar Bharat
  - India and the World
  - Exclusive Investment Forums and other events and Roadshows

Source: Invest India.
Note: EODB= Ease of Doing Business; GCC= Gulf Cooperation Council; LATAM= Latin America

and capacity to support incoming investors. Thereafter, it sought to level up the capacities of all IPAs in the country. A capacity assessment was conducted based on a standardized methodology in 2017. Confidential reports describing areas of strengths as well as tailored advice on areas for improvement were given to 21 states participating in the assessment. As a result of this activity, the DPIIT showed significant interest, leading to Invest India implementing an updated version of the assessment. The new assessment was conducted using an online portal to simplify and strengthen the validation process. Customized confidential reports have been shared with each of the 20 participating states, and followed by one-to-one workshops and coaching sessions with each state IPA to provide strategic guidance on the recommendations mentioned in the report and other assistance requested by the state. As of June 2021, Invest India conducted workshops with 8 states. The initiative generated a productive “race to the top” towards improving investment promotion capacities and service delivery.

There is also more productive collaboration between Invest India and state IPAs in attracting investment. Today, Invest India provides more direct assistance to states, not only jointly supporting investment projects in a reactive manner, but also in terms of strategic activity. For example, the state of Assam launched a new “Invest Assam Foundation” IPA, with Invest India participating in its Board and providing organizational structure, targets, budgeting, and other types of advice.
Results

Since the agency’s rejuvenation in 2015, Invest India has received several awards in investment promotion from UNCTAD, WAIPA and the Annual Investment Meeting (AIM).

In terms of pipeline, by mid-June 2020, Invest India had responded to more than 260,000 business requests from 159 countries and 38 sectors, 85 percent of which were answered within 72 hours. Working with more than 1,400 companies, the IPA had generated a project pipeline of USD 162 billion, of which an estimated USD 31 billion has been implemented, with 303,900 direct jobs being created out of a total number of 3,067,150 jobs in the pipeline and having contributed to making India a top ten greenfield destination in the world in 2019.4

FDI inflows into India increased to over USD 40 billion 2015 onwards, reflecting a 33% increase from the USD 30 billion level between 2012-14 (figure 1). Post 2015, FDI inflows continued increasing, albeit at lower rates except in 2020 when FDI inflows reached a record of USD 64 billion, and made India one of the very few countries with increased FDI inflows that year (UNCTAD 2021, just released at the time of publication). In terms of projects, fDi Markets records that India attracted 701 projects in 2019, of which 157 were high quality headquarters and R&D investments. Contrast this to 2009, where total numbers of projects were slightly higher at 758, but just 111 of these were high value investments. This demonstrates the value of Invest India in helping to attract those investments that bring the greatest economic impact, such that their role is not simply to attract as many projects as possible, but instead is quality and value-led. This has been explicitly recognized by global investors across sectors.

4 Source: Invest India and the Financial Times fDi Markets database.
Current and Future Obstacles

While Invest India has achieved transformational results in a short timeframe, a sustained success requires sorting a few obstacles and constantly adapting to the evolving needs of the FDI market, particularly in the current global context:

- **Continuously shrinking investment flows, even before the Covid-19 crisis:** since 2016, investment was slowing globally. The Covid-19 crisis significantly exacerbated this, with UNCTAD confirming a 35 percent decrease in global FDI in 2020 and WBG analysis showing a 42 percent decrease in the value of greenfield projects in developing countries in 2020 versus the previous year, thereby adding to the pressure on IPAs worldwide, including Invest India. So far, India has beaten the global trend during 2019 and 2020 by attracting increasing FDI inflows (UNCTAD 2021, released at the time of this publication). However, continued efforts are required from the national and subnational IPAs to keep the FDI momentum going.

- **Still getting FDI below India’s potential:** as noted earlier, peer countries are achieving greater flows of FDI, given their relative size (figure 2). For example, as a percentage of GDP, India saw a 0.3 percentage-point decline since 2016. Encouragingly, India was one of the very few countries which achieved increased FDI inflows in 2020 (UNCTAD 2021, released at the time of this publication). However, continued efforts are required from the national and subnational IPAs to keep the FDI momentum going.

- **Competition:** at the same time, India’s peers continue to prioritize their own investment promotion activities and are becoming increasingly sophisticated in these activities.

Hence India is facing not only an increased breadth of competition, but one that is also becoming more credible.

Addressing Invest India’s current situation and upcoming challenges can again be shaped around the same 9 critical success factors. This is summarised in figure 9 and areas of attention are discussed in more detail below. It is important to note that Invest India does not have any significant challenges (Red) and it continues diligently working on all these CSFs, given it is still quite a young IPA. Of note, no future obstacles were identified for CSFs 5 and 6.

1. **High level government support:** The agency needs to become more deeply embedded within the machinery of government so that it becomes more immune to changes in government. Arguably, Invest India’s case is becoming stronger in the face of a political transition as data shows India is sustaining high levels of FDI inflows in great part due to efforts of its IPA.

2. **IPA strategy with a focus on competitive segments:** While Invest India is strategically aligned to the Make in India initiative, received strategic guidelines in 2015, and has a detailed action plan, there are some elements that most good practice IPAs would have developed further. There is strong evidence of a strategy around priority countries and sectors, together with a detailed set of key performance indicators and description of the marketing tools that will be used. Yet the action plan does not describe how sectors will be reviewed / updated, or how support to subnational IPAs will vary depending on the capacities of each IPA.

The absence of more detail in parts of the action plan may represent a risk, as it means that activities are not necessarily appropriately focused around specific opportunities and there is no formal consultation process on these specific aspects.

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Based fDi Markets, from the Financial Times’ database.
This may result in agencies and teams working in silos. The challenge around ensuring strategic alignment without a national strategy, becomes more pronounced in the subnational context - where the 28 subnational state IPAs have varying capacities and priorities (see CSF 9). Can a country like India properly ramp up FDI attraction without a consolidated national FDI strategy?

The agency could also benefit from drafting an updated corporate plan towards Invest India 4.0. This should consider changes in global FDI trends, particularly in light of the Covid-19 crisis, together with India’s FDI priorities and current performance.

CSF 3. A clear, uncontested mandate: While Invest India’s investment promotion mandate remains strong, the agency is increasingly involved in other activities such as the Startup India Hub and India Investment Grid. So far, it has been possible to manage these various mandates by keeping promotion in a separate strategic business unit. Invest India also indicates this combination creates synergies and each mandate is managed with separate budget and resources. Invest India needs to ensure that its core purpose of investment promotion and facilitation does not get diluted in the future. Thus, which mandates should Invest India keep, add, or shed to more effectively attract FDI into India?

CSF 4. A high degree of institutional and financial autonomy: Invest India now maintains a high level of autonomy. Now, as funding comes from a range of different government sources, Invest India’s activities must link to the specific interests of the funding source – e.g. one pot of funding

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7 RAG status of ‘Red, Amber, Green’, where green indicates Invest India now has few challenges in this CSF, amber indicates some moderate challenges. Red indicates significant challenges.

8 Post Covid-19 actions have actually started in investor targeting, such as the new Exclusive Investment Forum - a set of webinars led by senior sectoral staff to help investors navigate the range of options and locations to choose from within India.

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### FIGURE 9 - Dashboard (RAG Status Table) of Invest India Today

<table>
<thead>
<tr>
<th>Current RAG Status</th>
<th>RAG of Upcoming Challenges</th>
<th>CSF No.</th>
<th>CSF Name</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
<td>1</td>
<td>High-level government support</td>
<td>Maintained, but Covid-19 may create challenges with an expected drop in FDI flows. A political change could also pose risks.</td>
</tr>
<tr>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
<td>2</td>
<td>IPA strategy</td>
<td>Well aligned with GoI, but some strategic gaps in Invest India’s investment promotion action plan remain.</td>
</tr>
<tr>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
<td>3</td>
<td>Clear mandate</td>
<td>Well established for promotion, but there is a risk of dilution from taking on additional roles.</td>
</tr>
<tr>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
<td>4</td>
<td>Autonomy</td>
<td>Good degree of institutional and financial autonomy, although subject to political change.</td>
</tr>
<tr>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
<td>5</td>
<td>Solid governance</td>
<td>Established board, including strong private sector presence.</td>
</tr>
<tr>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
<td>6</td>
<td>Private sector experience</td>
<td>Experienced, private sector staff and management in place.</td>
</tr>
<tr>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
<td>7</td>
<td>Financial resources</td>
<td>Sustained, but still small budget, from multiple sources.</td>
</tr>
<tr>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
<td>8</td>
<td>Investor-centric services</td>
<td>Highly effective marketing activity, but more can be done, especially in retention and expansion activities.</td>
</tr>
<tr>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
<td>9</td>
<td>National-subnational framework</td>
<td>Many developed relationships, but a formal mechanism for national-subnational coordination is not in place.</td>
</tr>
</tbody>
</table>

Source: Authors’ Analysis.

Note: CSF = Critical Success Factor; IPA = Investment Promotion Agency.

RAG status of ‘Red, Amber, Green’. Green indicates Invest India now has few challenges in this CSF. Amber indicates some moderate challenges. Red indicates significant challenges.
must be assigned for roundtables and roadshows, while another for State IPA capacity building. Notwithstanding some restrictions, the overall budget is still split for practical purposes into different activities such as attraction (roadshows, roundtables etc.), entry and establishment, support for state IPAs etc. Going forward, the question is how Invest India can have an even higher degree of autonomy and get funding for initiatives that strengthen its core investment promotion mandate, not dilute it. See CSF 3 above and CSF 7 below.9

CSF 7. Significant and sustained financial resources: Despite increased budgets and sustained resources as per its annual plan of activities, arrangements for a long-term sustainable budget for Invest India still need to be finalized. Compared to peers, Invest India is lagging in having a direct representation in priority target markets. To give an example, Invest India considers the IPA of Vietnam, as a key competitor. This agency has representation in 10 locations overseas to interact directly with investors. For Invest India to replicate this, assigned budget would need to increase substantially. It has been able to diversify its source of funding from several Ministries, which strengthens funding sustainability, albeit with the qualification described in CSF 3 and CSF 4 above about broadening its mandate and losing some autonomy.

Thus, how could Invest India further increase, secure, clarify and align its funding commensurate with its core FDI promotion mandate for a country the size of India?

CSF 8. A strong investor-centric services orientation: Invest India has shown to be very strong in marketing, which is demonstrated in a well-known ‘brand’, with investors being well looked after during the investor lifecycle. However, how can the IPA improve its investor service delivery, especially in the current Covid-19 context?

The agency’s service delivery once the investor has established (i.e. “Retention & Expansion” and “Linkages & Spillovers” stages of the CISF) could be strengthened. For the reasons above (i.e. FDI trends and competition), these services are likely to become more important than ever as a way of maintaining investment stock and generating expansions pipeline. So together with its subnational partners, the agency should reassess its offer and prioritize retention and expansion activities, especially during and after the Covid-19 crisis. Similarly, advocacy is an area in which Invest India is already engaged, but it could still provide more advisory support to GoI.

CSF 9. Robust national-subnational framework: Invest India recognizes the significant challenge around the subnational agenda, in optimizing coordination with state IPAs and broadening its scope. For context, in 2008, 43% of all FDI projects that came to India went to the leading three states for FDI in the country. By 2019, the share to these same states had reached 48%, and had been above 40% every year in between10 demonstrating that it does not appear that FDI is becoming more evenly spread across the country. Hence despite some of Invest India’s efforts to support the subnational agenda, there is still much regional disparity in levels of success. Therefore, going forward, Invest India has another dilemma: should it treat all states equally, or should it keep helping states with the best chance of investment success, or should it concentrate more on helping states with the most need of support with the intention of leveling them up?

Currently, Invest India is not selecting one of these approaches in particular over another, as it is engaged in supporting 25 states in a wide range of activities that are intended to be tailored to the needs of each state. For example, in July-September 2020, Invest India organized 11 webinars in five sectors, where the top 8-12 states for each sector were given the opportunity to present. Efforts to establish a greater local presence within India are ongoing. This includes having three offices open across the country by March 2022, while a senior staff based in Guwahati has recently been appointed to focus on the North East region, which has an untapped potential. Yet despite all this activity, as described in CSF 2, there is currently no formal mechanism to define responsibilities between national and subnational investment promotion.

9 Of note, no future obstacles were identified for CSFs 5 and 6.
10 Source: fDi Markets, from the Financial Times.
Conclusions

This case study has touched on a range of good practices adopted by Invest India that have helped ensure the agency’s success. They have shown that becoming a top-notch IPA can be achieved in a brief period with an initially modest budget, as long as policy makers and IPA management align with the critical success factors (CSF). Other IPAs have shown that their performance can remain strong despite the challenges that the pandemic has brought. In addition to India, countries like Sweden, Israel, the United Arab Emirates, New Zealand, Estonia and Uruguay were also amongst the few that attracted record levels of FDI in 2020 (UNCTAD 2021). Much of this success is grounded on their IPAs having high level governmental support (CSF 1), thereby enabling many of the other CSFs.

Yet the task for all IPAs, including Invest India, is far from over as the Covid-19 crisis continues to be an unprecedented demonstration of an IPA’s need to continuously reevaluate its strategy, institutional framework and investor service offering.
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