



Investment Promotions- Key Lessons from the Best



1 Introduction

These insights were generated as a part of a broader investment promotion strategy that was developed for Zambezi Valley Development Agency (ZVDA) in Mozambique in 2017. The goal was to help the agency to increase foreign direct investment in the region. The project aimed to outline where to win and how to play for the agency as it sought to pursue new opportunities with foreign investors.

Along the way we interviewed a substantial number of investors, who together provided meaningful insights into how they go about making investment decisions and consequently what is needed to facilitate investment. This was further enriched by interviews with investment promotion agencies from South Africa, Argentina, Bahrain and Hong Kong.

1.1 Method

The project had five phases or activities and included 45 different interviews with a wide range of businesses, institutes, investment firms and associations.

Figure 1 Interview categories & numbers

Investment Promotion Agencies (IPAs) & specialists	Institutional Investors & Support Services	Sector Specialists	Current & Past Investors in Mozambique	Zambezi Valley Authorities
6	7	22	13	8 +

These interviews included a wide range of Investment Promotion Agencies (IPAs), including ProMendoza, Wesgro, Bahrain Investment Authority & the Hong Kong Investment Authority along with service providers in this area. We also interviewed a number of different investors in Mozambique from large global businesses like Westfalia & Tongaat-Hulett to smaller players in Mozambique like Baobab Resources, Mozfoods etc. We looked at businesses that have succeeded as well as those that have struggled or even failed. During the study we became aware of the importance of impact investors and institutional investors to kick starting sector development. This led us to include some impact investors like Aquaspark and institutional investors like AGDEVCO & Norfund in the interviewing phase. Finally, we also conducted a series of working sessions in Tete to get the perspective of local ZVDA representatives and representatives from businesses in the area.

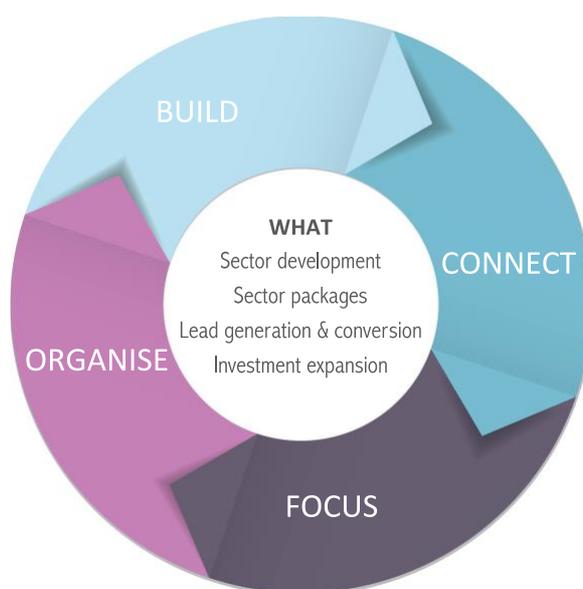
We then supplemented these learnings by interviewing sector specialists in South Africa, The Netherlands, Belgium, Zambia, the UK and from other parts of the world. Our goal was to understand what their perceptions are of the opportunities & challenges in the sectors possible in the Zambezi Valley Region & what this could mean for the strategy to win these types of investors over. Some of these sector specialists included The South African Sugar Association; DeLaval a major dairy input & machinery supplier; Subtrop the South African Subtropical Growers Association etc.

2 Investment Promotion Agency Learnings - learning from the best

IPA's differ in the specifics of what they offer to attract investors. There are however a number of shared strategies underpinning their offer from which we can learn. Most importantly we can see that very successful IPAs stand out in both **what** they do as well as in **how** they go about attracting investment.

All in all it's become clear that investment promotion is a proactive task that asks for a great deal of direction & action from the investment promotion agency. Advertising- or more specifically press- comes after a great deal of work in creating a marketable product. It is also plays a very small part in investment promotion. The core of investment promotion is in fact more like "business-development" in a sales organization than like advertising.

Figure 2: Illustration of the "what" and "how" that makes IPAs successful



2.1 What they Do

2.1.1 Sector & Value Chain Development

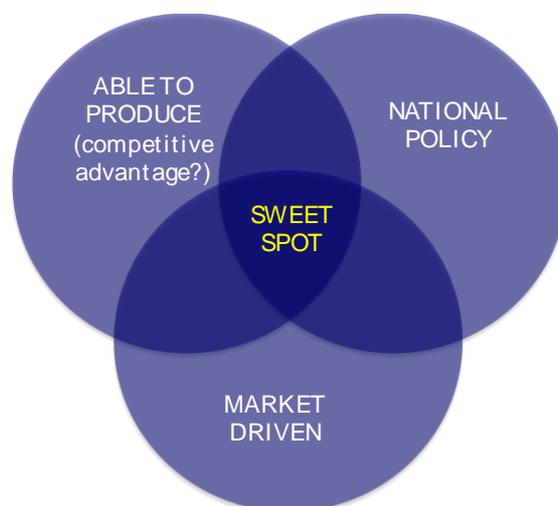
Leading IPAs work to create marketable investment opportunities. For these to be tangible to investors they tend to channel their activities around very select sectors that they would like to develop. They work to build the value chains within sectors that they've identified as being feasible in the specific geography they cover. Ideally they aim to find sectors where they can develop competitive advantage.

Choosing sectors with good market potential is also important. These are most likely to attract investors and to result in sustainable sectors. Finally they ask themselves whether

these sectors are important within national policy or because they indirectly deliver national policy e.g. employment, industrialization, or food security.

Finally they consider whether the IPA can make a positive & meaningful difference by supporting the sector, or if their resources can be spent more productively elsewhere.

Figure 3 3 factors drive choice of sector in investment promotion strategies



IPA's aim to understand what's holding back development of the sectors and then create initiatives that can unlock growth. These sector initiatives can be vastly different from one sector to another and from country to country depending on the specific needs of the value chains. As a result some sector initiatives could be quite basic e.g. limited to marketing the opportunity to businesses. Others might require significant intervention at every level of the value chain. For example developing technology sectors around the world is very intensive and in most cases requires business funding, tech parks to be built that cluster startups together, ICT infrastructure improvements, entrepreneur accelerator programs & skills development programs.

Building sectors and value chains means necessarily looking beyond the core activities in the value chain. This must also include looking at the support services needed to develop a sector. As a result a sector might require a number of services to be in place and improved e.g. tourism requires hotels, well trained staff, access to ingredients to food, good infrastructure as well as access to a digital backbone to be able to advertise offerings, track bookings and sales etc.

The IPA looks at what's needed from the sector perspective to decide on what businesses, capital, skills and policy is required. This drives their activities & guides their search for investors.

Sector Packages

In reality investors have hundreds if not thousands of investment possibilities to consider. They can also look to a number of countries to invest. Capturing their attention is no small

task. Traditionally IPA's have gone out in to the market place to share positive, albeit generic, messages about the investment climate in a specific area. The very best IPA's have moved from communicating long lists of generic strengths to crafting investor centric packages that address investors' most fundamental needs.

Good IPA's use these "packages" to make investment opportunities as tangible as possible to investors. They are able to demonstrate that they understand investors and can showcase the measures that are being put in place to improve the opportunity for investors in a specific sector.

Good sector packages are insightful, imaginative & business centric. They aim to:

- **Deliver the Hygiene factors:** What investors need as a minimum to even consider investing
- **Be competitive:** What's needed to at least match the offer from other markets competing for the same spend e.g. Zambia
- **Differentiators:** offer elements that can capture the imagination of investors & can act as a real draw-card

For example, to attract Middle Eastern investors to Sudan they've developed an offer that takes in to consideration the need of the Middle East for food security. By trading large tracts of land for investment spend & positioning the offer of land as an "extensions of land in the Middle East" they've certainly piqued the interest of Middle Eastern Investors.

Good sector packages go to the heart of what investors need & help to build compelling business cases for prospective investors. They do not need to always be linear, but can be imaginative solutions to investor challenges & their business case.

For example, a dried fruit business could find that investing in an energy plant would be prohibitive and too far outside their area of expertise. They would absolutely need an energy solution before they consider investing. In contrast a mining or steel operation can potentially afford to take on the added complexity & to raise the capital required to build the plant. For them a tax holiday or special labour agreements could be the sweetener they need to justify the added costs & complexity.

Successful IPA's seem to build sector packages with great insight & come up with imaginative solutions. These solutions set them apart from their competitive set & help to generate interest in the investment opportunities.

In reality there are very many tools that IPAs can use to build these sector packages. Some examples that have been used are tax incentives, tax holidays; free land, already built-in infrastructure, holidays from utility price increases, proof of concepts, guarantees on loans, skills development programs, grants, sector development associations, research & data, industrial or sector parks, staff benefits like reduced taxes, local drivers licenses, language schools etc.

The success of the sector packages hinges on the ability of the IPA to get to grips with the needs of businesses in the sector & of prospective investors; to craft packages that improve the business case of the potential investment and that stand out from what's offered in other markets.

2.1.2 Investor Lead Generation & Conversion

Benchmark IPA's recognize that their job is proactive. They aggressively pursue new leads & nurture these leads until they secure the investments.

A typical process includes many steps that the sector officers might work on for several years. We will call this the investment journey.

Figure 4: Process of investor lead generation



Stage 1: Prospecting

Firstly they carefully identify the type of businesses needed by the sector. They then find businesses that might be interested in investing in the opportunity. They build sector packages that will interest investors and that will remove some of their hurdles to investing.

Stage 2: Showcasing

IPAs then go on well-prepared roadshows where they see specific investors identified in the prospecting phase. During these roadshows they showcase specific investment opportunities and the sector packages that are on offer to these investors.

Stage 3: Converting

They support the potential investors to build business cases and make themselves available to answer questions that the key influencers need before moving on to the next stage. A critical service at this stage is providing benchmark studies that clearly show the costs of various inputs and overheads for the sector. Investors need this information to be able to build reliable financial models. Having this information available gives them confidence and helps them to make informed choices. It also significantly reduces costs & shortens project timelines in the initial scoping phases as investors don't need to find & fund this information gathering themselves.

This phase also includes hosting delegations from the businesses who would like to see premises, land or industrial parks and helping them to find the right service providers for their needs. This often includes introducing them to local partners & banks who can assist

with financing. ProMendoza pride themselves on the in-market support they give to potential investors. This includes reviewing cost proposals from local businesses & facilitating introductions & relationship building with local banks.

Stage 4: Closing

They help businesses to meet with the right service providers, do business & financing matchmaking and help businesses to get registered, secure permits & set up offices, factories etc.

This is an intensive, demanding job that asks that the IPA staff become experts at tasks more traditionally associated with Customer or Business Development. It asks that staff understand business, that they have strong ties with business & government and that they develop deep networks in markets and sectors to be able to make deals happen.

This will sometimes mean relying on suppliers from outside of the agency. Some of these benchmark IPA's rely on lists of vetted service providers who are able to help investors where they cannot. These lists include attorneys, accountants, translators, customs clearance agents and even reliable input suppliers in the sector.

2.1.3 Investment Expansion

Securing "first time" investment is a long, costly process for IPAs & it is fraught with risk. Potential Investors are not yet invested and can back out at any time. Investment expansion is however a very different task. These businesses have already overcome the trickiest part of the investor journey & are already committed to doing business in the region. It also requires fewer resources from the IPA. As a result many IPA's invest resources in investor expansion.

2.2 How they do it

2.2.1 Connected

Leading IPA's are knowledgeable and helpful partners to business. In order to build useful business solutions need a solid understanding of the value chains within their focus sectors as well of businesses both domestically and abroad.

Well-resourced research teams help to keep the sector teams aware of sector trends, key issues & opportunities and to develop knowledge that can help them to solve sector challenges. They act as a source of "intel" for businesses as they go about building business cases. For specific sectors they even go so far as to provide technical insight to investors and to lead "Proof of Concept" projects. These tests give insight in to whether certain products or services are feasible commercially. For example, testing funded by Agdevco on avocados demonstrated a tangible opportunity for investors & that they could deliver avocados in a specific growing window. This was crucial to the case for Westfalia investing in Mozambique.

Wesgro in the Western Cape is a good example of an IPA with a strong research team. They publish detailed benchmarking studies that businesses can use to compare costs around the world & within South Africa. Everything from rental per m2 to the costs of accountants and

utilities is included. They also follow sector news around the world so that they understand which investors are looking to expand, are having production issues or other challenges that might be solved by investing in the Western Cape.

2.2.2 Focused

Benchmark IPA’s are very clear about their strategy. They make hard, clear choices about the sectors, investor market & even projects that they will focus on. Some of the most successful IPAs in the world have such focus that they won’t actively support potential investors outside of their sector focus e.g. Singapore.

This focus enables the IPA to focus on a few sectors and to develop & promote these well. As a result they can develop deep insight about their sectors and are able to build the networks needed to be excellent at prospecting, matchmaking investors with other business. In addition, they can become stronger at advocacy as they develop influence within the related government departments and are better able to resolve issues for business.

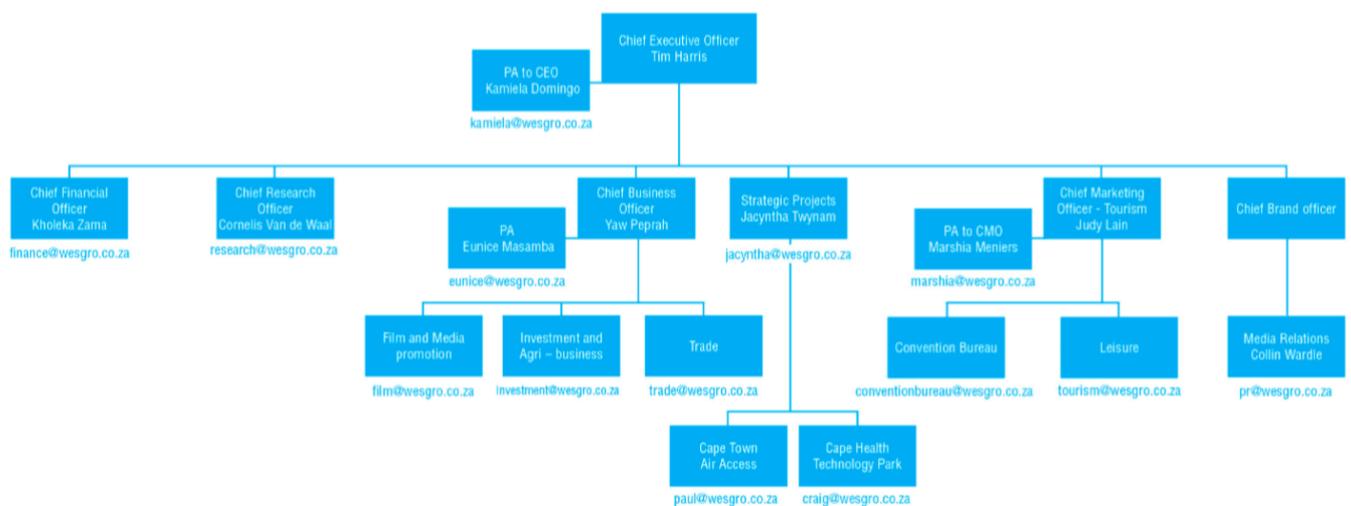
All of this is critical to becoming a real partner to potential investors & to building investor confidence.

2.2.3 Organized

Investor friendly staff

The IPA’s are typically structured along sector lines. This enables them to keep a strong sector focus. In addition to “new lead generation” they have much smaller “investment expansion” teams that support existing businesses to thrive and to expand. Figure 3 provides an example of the Wesgro management staff structure where you can see the sector focus that some resource gets dedicated to investment expansion.

Figure 5: Management Staff Organogram for Wesgro



Which sectors to focus on we know is driven by what the region is able to compete in, what is reflected in national policy and what the market sees as attractive to invest in.

Strong IPA teams have staff with solid business experience. They bring a good understanding of business and are able to think and act in a way that shows that they understand business & that business understands. This business orientation enables them to look at sector challenges with a business eye & to build commercial sector solutions.

For the purpose of advocacy, it is useful to have a few members of staff with government know-how and networks.

The importance of marketing the solutions and of sharing “good news stories” means that good IPA’s have dedicated resources to this task.

Investor country targeting

Some IPA’s have country or regional managers who focus on lead generation in specific markets. These representatives are sometimes even located in specific investor markets at embassies, at standalone offices or are simply well connected freelance consultants who specialize in this service. The Tunisian Investment promotion agency for example gets closer to investors by having physical offices in key markets like Milan, London, Doha, Manila, Ankara & Paris; The Czech Investment Promotions Agency services of German speaking the region (Germany-Austria-Switzerland) from an office in Germany, while Bahrain relies on freelance consultants to achieve a similar task. Others look for more creative means of building investor networks and stimulating investment. For example: the Izmir Investment Promotion Agency has begun to establish Chambers of Commerce abroad e.g. Milan to facilitate investing in Izmir.

Finally, being able to speak to investors “in their language” is important. As a priority communication should be available in English. However, for key markets communicating in their language of choice is a must. As a result leading IPA’s often create local versions of their marketing materials & websites. Figure 4 provides an example of the Czech invest website available in Mandarin. This website is available in at least 6 different languages.

Figure 6 Czech Invest Website in Mandarin



Simplifying Processes

Benchmark IPA's focus on bringing clarity to the processes required by business in order to set up shop and run their businesses. These processes are articulated and are made transparent to investors through brochures, staff, agents abroad and via websites.

These IPA's work diligently to identify where processes are unnecessarily long, complicated or inefficient. They then work to drive these glitches and inefficiencies out of the system and in making it as investor friendly as possible. The "Red Tape Reduction Unit" in the Western Cape, South Africa focuses only on simplifying processes and in helping businesses resolve red tape issues quickly. In Zambia a "1 stop shop" and online applications process makes business registration fast & simple for investors. Businesses can now be registered in as little as a day.

This is fundamentally about changing the processes at work. It is not about creating solutions that can be bolted on, while the back of house uses the same old, slow, complex processes.

2.2.4 Build

Successful IPAs recognize the importance of their staff in service delivery to investors. They by and large focus on lead generation in order to get their front line staff connecting with, influencing investors & supporting them in solving issues along the way.

Frontline staff need to be able to give sound advice to investors in a language that investors understand. They also need to become expert at solving problems for investors within the systems, processes and bureaucratic specifics of the market. As a result these people need to be well trained on the procedures & requirements for investors along the journey. They are a crucial part of the marketing effort. As a result they need to be well versed in the sector packages. In addition to this they must understand business, it's drivers and understand the language of business.

The proactivity that's required in "account managing" potential investors & in delivering projects reliably for investors means that many of these IPA's put in place strong performance tracking processes. They give a great deal of authority to frontline staff, but also ensure that they keep tabs of how projects are moving along, where the bottlenecks are and how these are being solved.

Getting staff performing at a consistently high level and ensuring that they are ready to take on new challenges over time means that they also invest time & resources in training and development. They take part in benchmarking studies that enables them to get a sense of how they're performing versus other investment promotions agencies & where they can improve.