

Special Edition on FDI Attraction

The International Advisory Board Rotterdam 2017



Photo cover: Skyline of Rotterdam with Erasmus Bridge by Claire Dropper
Photo above: the Members of the 2017 International Advisory Board Special Edition on FDI Attraction.
Photo right: audience at the presentation of the recommendations on 8 November



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Preface

The International Advisory Board Rotterdam 2017

The International Advisory Board (IAB) was established in 2004 by the Municipal Executive of the city of Rotterdam. The aim of the IAB is to provide the city with (macro-)economic perspectives and practical recommendations from an international point of view that will support the Municipal Executive and the city's stakeholders in making the right choices for the ongoing economic development of Rotterdam. The IAB is a unique advisory council made up of international leaders in academia and the private and public sectors. The IAB serves as a sounding board for the Municipal Executive on issues related to international economic developments.



Foreword by Jan Peter Balkenende

Since its inception in 2004, Rotterdam's International Advisory Board (IAB) has provided the city's Municipal Executive with recommendations across a wide range of subjects, all centred around improving the economy, liveability and progress of Rotterdam. This year, we organised two special editions for the International Advisory Board: one based around Rotterdam's cultural offering and one based around attraction of foreign direct investment (FDI) for Rotterdam. This report reflects the result of the special edition on FDI attraction. This project included both a research part and an international conference. The research part was carried out by a project group made up of representatives from the municipality, the Port of Rotterdam Authority, InnovationQuarter and Rotterdam Partners. The international conference took place on 6, 7 and 8 November 2017. During these days, a team of 6 international experts in the field of FDI attraction came together in Rotterdam. After studying a positioning paper on this specific subject, they interviewed a number of stakeholders in this field in Rotterdam. The international conference is always a pressure cooker. It is

an intense few days where much is expected from the experts, but where there is always an amazing energy and coming together of minds.

Rotterdam, as the second city in the Netherlands, has a unique international position in the world. Our international contacts and prospering trade are of utmost importance to the health and development of our economy. They are of particular importance for Rotterdam's development as a knowledge-based and innovation driven economy. So, it is important that we make smart decisions about how we work to achieve good results.

Good results are possible. Rotterdam is doing very well across a number of fields and there are many opportunities. Global and European economies are growing again after a decade of economic difficulties. More and more companies find a suitable breeding ground in the greater Rotterdam area. The Municipal Executive has found that now is the time to optimise FDI attraction for Rotterdam and has asked for recommendations from the IAB that will help Rotterdam continue to develop and become an even better place to live, work and study than it already is.

Jan Peter Balkenende
Chairman of the International Advisory Board



Foreword by Maarten Struijvenberg

We consider attraction of foreign direct investment as very important for Rotterdam. It provides our city with additional capital, new jobs, knowledge transfer and innovation, and international business contacts that make our city grow and thrive. For that reason, FDI attraction is at the top of the priority list for the city of Rotterdam and we find it very important to optimise FDI attraction for the city and region.

For these reasons, the agencies that work on promoting international trade and investment are extremely important to us. They have been achieving good results over the past years. However, we are always willing to learn and improve our

services. We feel that there is still much to gain and improve in the organisation, positioning and delivery of our services.

The aim of this International Advisory Board is to critically explore how we have organised our trade promotion and international investment attraction services and how and where we can improve our services to make them more efficient and effective.

I have asked the International Advisory Board to organise an expert edition of their conference to lead this review. I have also asked the main investment promotion agencies in the region to take part in this project. This report holds the result of 8 months of field and desk research as well as the outcome of the IAB's findings and recommendations. It is now up to us to use these findings and recommendations to make the necessary changes to the way we operate in the field of FDI-attraction

Maarten Struijvenberg
Alderman Employment and Economy
City of Rotterdam

Executive Summary



Foreign direct investment (FDI) plays an important role in the economic development and prosperity of the receiving country and city. It provides additional employment, knowledge and technology transfer, increased international cooperation and access to foreign markets. It strengthens supply chains, thereby strengthening the existing economy.



Global and European economies are growing again after a difficult decade of overcoming the global economic crisis. However, it isn't good news all around. Many economies are still struggling. Growth across developed countries in Europe is still slow and sometimes hesitant. But the signs are carefully optimistic. FDI flows into Europe show a modest recovery in 2016, and further growth is expected for 2017 and 2018.

At the same time, the global FDI landscape is evolving rapidly. Changes and uncertainty in the political landscape mean uncertainty in previously stable markets such as Spain, the United Kingdom and the USA. Increasing professionalisation of IPA services across emerging economies is leading to increased competition for established markets. The change in technology and manufacturing means that large (manufacturing and services) FDI projects are becoming fewer and FDI projects will tend to be smaller and more technology driven. This is especially true in developed countries as FDI attraction moves from quantitative FDI attraction (large projects driving new jobs) to qualitative FDI attraction (knowledge-based and offering fewer jobs for more highly skilled employees and more indirect jobs).

All this means that attracting foreign direct investment needs smart strategies, operations and organisation. Rotterdam has made the decision to ask InnovationQuarter and Rotterdam Partners to look after FDI attraction for the city and surrounding region. Aside from these two agencies, the Port of Rotterdam Authority is also involved in FDI attraction and there are several smaller initiatives that are involved in (parts of) FDI attraction in the city and region. Although putting FDI attraction at arm's length of the (local) government in itself is a smart move, the field in which these organisations have to operate is quite crowded. This leads to confusion for the clients and prospective investors (who are not sure who the main point of contact should be), but also to confusion among the IPAs (who sometimes have overlapping roles and responsibilities). A contributing factor is that there is no overarching FDI attraction strategy for Rotterdam and the surrounding region. This makes it difficult for all parties involved to fully subscribe to agreed goals and to be clear as to how agencies work together to achieve FDI attraction goals and high standards of investor

satisfaction. Finally, Rotterdam allocates relatively low and/or imbalanced budgets and resources to FDI attraction compared to other cities competing in the same market.

Clearly, Rotterdam could have all the benefits of being able to deliver excellent FDI attraction services. The different agencies individually deliver fine results and work well. However, an over-arching FDI strategy will help to build on the strength of the agencies, promoting collaboration rather than competition amongst agencies.

Furthermore, the municipality needs to better understand and implement its own role in the marketing process. It has given the responsibility of FDI attraction to the agencies mentioned and there is no added value for municipal departments to interfere in this process. Rather, such involvement is contributing to the inefficiency that the IAB observed. The mandates and roles of the agencies need to be clear and need to be a logical outcome of a joint strategy. The role of the municipality should be to maximise their outcomes by providing guidance and making budgets and resources available for FDI., as well as assist with local implementation of investment projects once those have decided to establish their business in Rotterdam.

The Brief

International Advisory Board Expert Edition on FDI Attraction

Cities are the global economic powerhouses, much more than countries are. As a result, we see that on the global market cities are competing with each other and with countries to grow, prosper and retain their competitive edge. Staying ahead of the field means making sure your city attracts highly skilled people, the right businesses and ample investment. Which is where the process of attracting Foreign Direct Investment (FDI) comes in.



In order to attract FDI it is important to distinguish ourselves as a city from other cities, regions and countries. Competition in this area is fierce. Rotterdam has many distinguishing advantages, such as our Delta location, our major deep-sea port, our excellent infrastructure, our relative low cost base, excellent universities, skilled labour, etc. We need to sell our unique proposition in the best way possible and position ourselves accordingly.

To do this we need to provide high quality professional investment promotion services for the attraction of new and support to already present investors.

Obviously, Rotterdam is anchored in a larger region. A region that offers many strengths and opportunities. By recognising the strengths and opportunities of both the city and the wider region and by pooling our resources we can be even more successful in attracting foreign investment.

Several parties, including the Port of Rotterdam Authority, the Rotterdam city development corporation, InnovationQuarter and Rotterdam Partners work on attracting foreign investment as well as managing current investor relations. In order to be optimally successful, these parties need to work together. The foundations of working together are based on trusting each other and on identifying and recognising each other's strengths.

Rotterdam and its surrounding region are quite successful in attracting foreign direct investment, as well as in current investor development. However, we should always strive to get even better.

On the initiative of Alderman Maarten Struijvenberg, the Municipal Executive of Rotterdam requested its International Advisory Board to organise a special edition of the International Advisory Board on the subject of improving foreign direct investment for the greater Rotterdam area. This special edition consisted of an international research and consultancy project which was carried out on the performance, perception and organisation of FDI attraction in the Rotterdam region, including benchmarking against best performers in this field. The aim of this project is to optimise the FDI-attraction strategy for the city and region and to improve the cooperation between the different agencies in order to achieve the best possible results in the field of FDI. Aside from the international experts, the main IPAs in the region have taken part in this project. The desk and field research included research into how other cities and regions have set up and structured their IPAs. What their services are, which incentives – if any – they use, what their remit and authority is and what their best practices are.

Aside from that an International Advisory Board Conference was organised, during which six international experts from the field of FDI attraction, led by Chairman Jan Peter Balkenende, came to Rotterdam and interviewed stakeholders and reviewed how FDI attraction for the greater Rotterdam region is organised and how and where improvements may be achieved.

The International Advisory Board was given the following questions to be answered:

Best practices & critical success factors:

- Describe how other cities/regions have been successful in establishing their economic profile, promoting it and increasing their attractiveness for foreign investors
 - What have been the deciding factors in organisation, incentives, approach and profiling?

Governance & cooperation:

- Describe how other (city/regional) agencies are organised in terms of deliverables:
 - How are they financed, judged / graded by their sponsors?
 - How are they structured and who do they answer to?
 - Is there a national agency which coordinates and structures acquisition strategies?
- Are there other regions that have several IPA/FDI agencies that need to cooperate? If so:
 - How is this cooperation organised/formalised? Do they divide how they work according to geographic division, or sectoral, or some other way?
 - How are their deliverables rated?

FDI process:

- How do other agencies pro-actively source and generate leads?
- What importance/added value does visiting trade shows have?
- What is the best process for addressing leads (red carpet treatment)? We are looking for best practice examples from other agencies/cities/regions.
- Which incentives can/do other agencies in Europe use?
- Do you think incentives play a large role in attracting FDI?
- How do other agencies use their networks (CEO's, government officials, ambassadors, etc.)?

Some of these questions have been addressed in Part II of this report and the answers are based on the field and desk research done. Other questions were addressed by the members of the IAB and worked into a comprehensive set of recommendations on how to improve the organization of FDI attraction in the greater Rotterdam area and can be found in Part I of this report.

The Context

Global Trends and Developments in FDI Attraction

In order to understand the relevant context for the recommendations and research findings in this report, it is important to know what the global arena of FDI-attraction looks like at the moment and how it is developing. Our strategies need to take into account these trends and developments in order to have realistic expectations of FDI attraction for our city.



Developments in Global FDI Flows

Each country, region and almost all cities in the developed and developing world have investment promotion agencies active in attracting investment and these agencies are increasingly more professional. 81% of all countries have a national IPA, and there are more than 250 sub-national (regional and local) agencies. This means that our competition is both fierce and professional and we experience an increase in regional competition. Cities have for the last decade strengthened their role as economic powerhouses and this trend is likely to continue, which means that competition between cities has become fiercer as well and this is also likely to increase. It is expected that cities will free up increasingly more resources for FDI-attraction and economic development over the coming decade, rather than depend on national programmes like they used to do. We do not compete only with other Western European cities, but are increasingly in direct competition with cities and countries in Asia, Latin America and Africa, who are increasingly targeting the same type of high-value investment that Western European cities like Rotterdam are trying to attract

Rules and regulations surrounding world trade are becoming increasingly complex as more and more countries are re-introducing protectionist measures (for example the USA and the UK), and the global economy is becoming more volatile. Some previously attractive markets are now deemed unstable and therefore investors are cautious (again USA and UK, but also Spain), while other, previously closed, economies are opening up their markets (Asian and African markets). This means that the flows of FDI origin and destinations are changing.

Also, the size and nature of FDI projects is changing. Large manufacturing projects tend to be more bound for emerging markets in Eastern Europe, Asia and even Africa, whereas mergers and acquisitions, expansion projects and R&D and knowledge transfer projects tend to be bound for more

developed markets. Overall the size of individual FDI-projects is declining. For the most part one could say that Rotterdam's future will be centred on supporting and attracting a wide range of smaller projects and, on occasion, a small number of large and strategically important investments.

At the same time, the corporate landscape is shifting and with it the origins of FDI-projects. Innovative fast-growing players are transforming industries and building up an international presence at fast pace. Large established global players on the other hand are facing the need to fundamentally revise their business models and product offerings which leads to an adaption of their international location networks.

A growing number of locations worldwide succeed in attracting FDI projects, though also with a growing number of opportunities to pursue. Compared to 15 years ago the level of competition to attract new FDI projects has increased significantly for European locations, both in terms of competing locations and in terms of number of regions actively promoting the attraction of FDI.

According to UNCTAD's latest Global Investment Trends Monitor, Global flows of foreign direct investment (FDI) fell 13% in 2016 to an estimated \$1.52 trillion as global economic growth remained weak and world trade volumes posted very low gains. Although for 2017 a potential increase of 10% is expected. However, important to note is that IBM's Global Location Trends Report shows a 10% increase in job creation through FDI globally in 2016 and FDI flows in Europe even show a 12% increase in job creation.

1 UNCTAD, IPA Observer, 2016

2 UNCTAD Global Investment Trends Monitor, February 2017

3 Global Location Trends, IBM Plant Location International Roel Spee and Jacob Dencik

Technology

Technology is changing the nature of FDI attraction, both in manufacturing and services. Rather than investing in new manufacturing plants or services centres that need large volumes of labour, companies are shifting to investments in new technology and are more inclined to look for opportunistic mergers and acquisitions that will give them access to this knowledge.

The result of this change is that individual FDI projects are becoming smaller in size of workforce and will generate less direct new employment. However, investments in the new economy and in knowledge based projects do create higher value jobs and often generate more indirect employment, meaning that the influence on improved employment remains, but shifts. In setting their Key Performance Indicators (KPIs), cities need to take this effect into account.

Technological developments also mean that the existing definitions of sectors is changing and that we see many crossovers between previously discrete sectors (such as between agriculture and medical sciences). The application of artificial intelligence and other sophisticated information technologies in a range of industries including automotive and aerospace provides one example of why traditional sector definitions are no longer applicable.

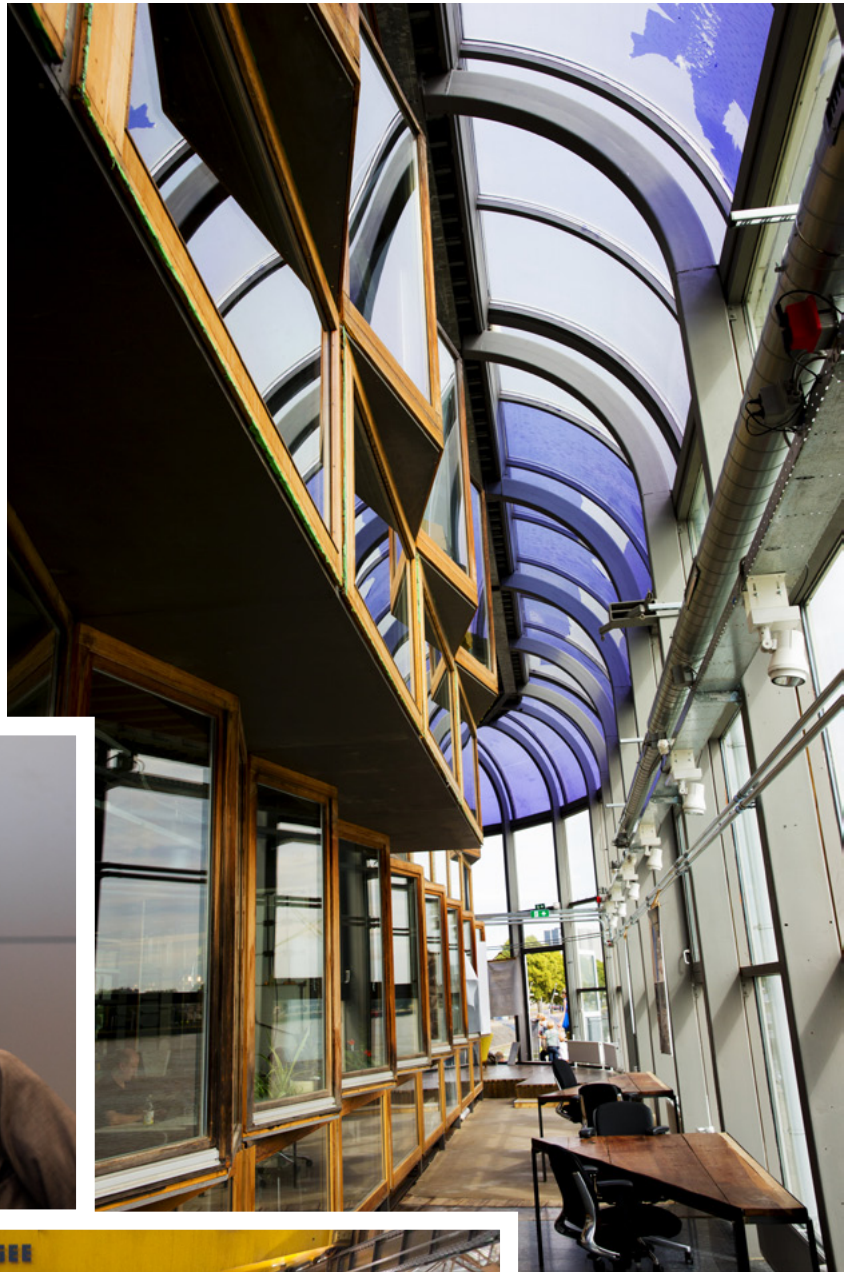
Rotterdam

Global developments make the need to broaden and diversify the Rotterdam economy more apparent. The current transition away from fossil fuels will have a significant impact on the port of Rotterdam. Currently, the quality of the port infrastructure, the magnitude, variety and connectivity of the petrochemical complex are the reasons why several companies still invest heavily in Rotterdam. However, Rotterdam is aware of the need to transition away from fossil fuels. In fact, the port has the ambition to be the frontrunner in energy transition. Therefore, the port is working on developing renewable energy (including the offshore wind sector and hydrogen), on enlarging bio-based production and on circular initiatives (like waste-to-chemicals). The Rotterdam region as a whole, however, has not been able to force a breakthrough to the next economy yet. Other cities

in the developed world have adapted to new developments and were able to make their economy flourish by clustering smart knowledge workers and consumer services. The Rotterdam economy, however, still relies heavily on the port cluster and its urban economy fails to develop sufficient complementary activities in commercial high-end services and consumer services sectors.

Aside from this, the digitalisation of the economy creates challenges for the Rotterdam region concerning employment: polarisation, social security and the region's innovation capacity. Digitalisation is a key influence on the future of work and will change the type of the jobs. Automation will lead to the substitution of low-skilled routine jobs by machines, whereas the demand for workers in high-skilled non-routine jobs will increase strongly. This will lead to polarisation of jobs into high-skilled and low-skilled positions. High-skilled workers will have more offers with higher wages and the reduction in the demand for midlevel skills will reinforce competition for lower paid jobs. Thus, the risk of job loss will strike lower-educated workers disproportionately. This will increasingly put pressure on the social security systems. Whether the Rotterdam region can mitigate these effects will partially depend on the city's capacity to generate more science, technology, engineering, and mathematics (STEM) jobs, in high-tech sectors as well as traditional sectors. Research - by Randstad and the universities of Leuven and Utrecht - has shown that a high level of STEM jobs will lead to a higher productivity for the region and make the regional economy more resilient.

Although almost all cities face these or similar challenges, the urgency for Rotterdam is much more eminent. The potential of the metropolitan region is strong as knowledge, skills, infrastructure and institutions to anticipate the next economy are present. However, this potential is not sufficiently harvested and turned into economic profit and societal value. There is no other region in the Netherlands with such a gap between the potential and the realisation in terms of underutilizing its human, economic and institutional capital. To illustrate this, during the period 2009-2015, annual growth of the regional product (-0.4%), per capita growth (-0.1%) and employment growth (-0.5%) were all negative and the unemployment rate (9.0%) is higher than average in the Netherlands (6.9%). Moreover, the Rotterdam - The Hague metropolitan region is also lagging behind most other regions in Europe. The urgency for the region is unmistakable since the region is vulnerable both in terms of a relatively large population of lower-educated and unskilled people, as well as in terms of energy use, pollution, the impact of climate change, health issues, water and overall quality of living.



Part I

Main Findings and Recommendations

of the International Advisory Board



Findings of the International Advisory Board

Based on studying the positioning paper and ensuing interviews with stakeholders, as well as knowledge on how other cities and regions have organised their FDI-attraction, the members of the IAB concluded the following on the organisation and processes involved in attracting foreign direct investment to the greater Rotterdam area:

Positives

- Rotterdam's image has improved greatly in the past decade and its positive reputation continues to grow. The city is becoming increasingly popular with new residents, students, visitors and start-ups.
- The Port represents a strong brand and image and has a strong global proposition and a matching pro-active strategy.
- Rotterdam has solid fundamentals in its location in terms of infrastructure, available skills base, low cost structure relative to other large European cities, liveability, etc.
- There is a strong commitment to and recognition of the importance of attracting FDI on a national, regional and local level.
- The inward investment results presented by Rotterdam and the greater Rotterdam area are good compared to similar cities. The feedback received from companies in the interviews was very positive. The companies generally praised the service received from the IPAs in investment attraction and investor development.
- The NFIA stated that the region deals with enquiries well.
- The Netherlands is a top FDI location. The Randstad region is the #2 metropolitan area for foreign investment globally⁴.
- Rotterdam offers a differentiated proposition.

Challenges

- The existing FDI-attraction landscape is fragmented. There are more organisations and other actors active in the field than is required by the market (investors).
- There is a lack of transparency in roles and responsibilities among those organisations.
- This leads to confusion amongst stakeholders and also has the potential to confuse investors.
- The overlap in tasks and responsibilities and the fragmentation leads to inefficient use of resources.
- Although FDI-attraction is recognized as important, the resources made available are scarce (in terms of funding and strategic positioning of the IPAs within the governmental landscape).
- Through case studies it is evident that there are missed opportunities, caused by a lack of co-ordination and collaboration.
- The current KPI-structure does not encourage collaboration among the IPAs.
- There is no overarching FDI attraction strategy, defining key objectives and key roles for the different players (who should lead and who should support at which moments).
- The different organisations currently develop their own propositions. The IAB did not get the impression that they work with the same objectives, same messages, same data, etc.
- There seems to be a lack of focus as to what type of investments need to be pursued.
- A lack of trust and a lack of clear roles and responsibilities results in an overload of reporting structures to keep control of the process.
- The apparent mistrust between some of the organisations – notably Rotterdam Partners and the municipality – renders collaboration in important areas (such as joint business development initiatives) difficult.

⁴ Global Location Trends, 2017 annual Report, IBM-Plant Location International, Jacob Dencik and Roel Spee.

Consequently, the International Advisory Board feels that the current structure for FDI attraction is too fragmented. This leads to non-constructive relationships among the regional partners and as an outcome missed opportunities. It also leads to confusion in the market, as well as an inefficient use of resources.

However, the chosen structure can still be successful and deliver much better results if all parties involved commit to making some fundamental improvements to the existing system. Most importantly, there is a need for (formalised) clarity about roles and responsibilities of the various organisations. In our view, this clarity is best created by developing an over-arching FDI attraction strategy for Rotterdam. This would include: mission and key objectives of the strategy; distinction between pro-active targeting of defined and agreed priority sectors and re-active marketing; resource allocation between various partners (with division of roles and responsibilities) and a KPI-structure that sufficiently rewards strong collaboration between the various partners. The strategy will need to be supported by a budget that does justice to the importance given – by the municipality – to FDI attraction and provides flexibility for implementation where and when needed.

1. Strategy

A good FDI attraction strategy starts with answering the central question of why do we want to attract FDI? Which objectives do we want to achieve and why? There needs to be a clarity of objectives with a strong logic behind them. The reasons why the city wants to attract FDI influences the size, the structure and the priorities of the IPAs and is therefore a fundamental question.

The chosen strategy is determined by the reasons why a city wants to attract FDI and is based on facts and realistic expectations, not on wish lists.

In turn, the chosen strategy determines the budget and resources needed to achieve the goals set by the strategy.

1a. Reasons for FDI attraction

Research over the past three decades by UNCTAD, OECD and University of Oxford, amongst others, show that attracting FDI is of serious importance to economic growth, increasing competitive advantages, increasing prosperity, increased employment opportunities, increased innovation and knowledge transfer, as well as a strengthening of existing and new supply chains.

1b. Agencies at Arm's Length

Rotterdam has already made the important decision to create organisations tasked with the attraction of foreign direct investment as well as current investor development. Rotterdam has also made the important decision to put these organisations at arm's length of the (local) government. These two decisions need to be high on the political agenda. Creating and maintaining an IPA should not be an afterthought or footnote in the political agenda setting, but rather one of the spearheads.

Again, research over the past three decades⁵ has shown that FDI attraction results are much better for countries, regions and cities that have created separate agencies dedicated to investment promotion (IPAs) and placed these IPAs at arm's length from the government. Governments that have decided to keep their FDI attraction services nestled within the government structure attract less FDI. The reason why IPAs at arm's length are more successful is because (prospective) investors wish to communicate with organisations and people that 'speak the same language' and are not perceived as being strongly embedded in a government organisation. Independence from governments give IPAs a greater credibility. Also, independently structured organisations can move freely between public and private parties without being hindered by political or governmental structures or commercial objectives and without being hindered by bureaucracy. They speak the language of both government and private business and are generally quick and agile in their response.

⁵ For more information on this research and for relevant research reports, please see the reference page at the end of this report, including: UNCTAD, WAIPA, ECORYS, 2013; Wells, Wint, 2000; Morisset, Andrews-Johnson, 2004.



Presentation of the recommendations by Chairman Balkenende to Alderman Struijvenberg.

1c. Over-arching Strategy

Creating IPAs and putting them at arm's length of the government is an excellent start, but not enough to also make sure these IPAs can work effectively and successfully. Government will always continue to play an important role in the entire process. In order for the IPAs to be able to work effectively and successfully there needs to be an over-arching strategy that all parties are part of and that all parties buy in to.

This strategy needs to be created by all parties together. In this case by the city, InnovationQuarter, Rotterdam Partners, and the Port of Rotterdam Authority and possibly DEAL/Drechtsteden who come together in a Strategy Board. The strategy needs to be reviewed and re-aligned on a regular basis and other parties need to be included as and when needed. Parties such as VNO-NCW, Deltalinq, Universities, etc. By involving all parties, the city can make use of the IPAs' expertise on the ground, and the ensuing strategy is understood, created, and therefore carried by all parties involved.

1d. New Initiatives

Until the new strategy has been determined there must be no new initiatives or actions taken to appoint new organisations within the FDI-attraction process or appoint other agencies to carry out FDI-attraction tasks. Once the new strategy has been decided it is up to the Board to make joint decisions on any new initiatives.

1e. Focus Sectors and Changing Landscape

The strategy needs to include a clear focus on selected priority target sectors. This should include strong evidence based (i.e. market analysis) information on which sectors are prioritised and why, and should have a long-term vision of what needs to be achieved. The strong analysis means that the different agencies cannot show a different interpretation of the strategy and also that the chosen sectors are collectively identified

based on the IPAs' joint analysis and experience of the market. Not only is a strong sectoral focus important in order to achieve better results, but also the IPAs have limited resources and these resources should be put to the best use possible. It should be made clear which countries and/or events will be targeted/visited, based on the location of potential investors from the chosen target industries. The strategy therefore should include a roadmap of marketing actions for each of the targeted sectors. It is important that all partners align with this roadmap and maximise their added value to the overall strategy by focussing on their dedicated roles. Other international promotion efforts and visits organised by other departments, such as the foreign affairs department should be aligned with this roadmap.

The landscape for FDI attraction is changing and in the developed world the focus for FDI attraction is shifting from quantitative to qualitative project attraction. There will be fewer large manufacturing projects with high employment opportunities and more smaller, knowledge driven and R&D projects.

The new strategy needs to reflect the changing economic landscape. Rather than defining the Rotterdam economy along only its traditional lines, the choice for focus sectors needs to include future opportunities and sectoral crossovers, such as fintech, logtech, digitalisation (rather than 'IT'), life sciences (cross overs between healthcare and agrifood). The strategy needs to be based on market needs and market dynamics and not on a wish list. The strategy needs to be demand-driven (where does FDI likely come from?) and the government needs to have realistic expectations of FDI attraction⁶. Moreover, all stakeholders need to be aware that foreign investors often do not see Rotterdam, The Hague or Amsterdam as separate business locations, but rather see the whole Randstad as one business environment in which they operate. A new strategy for Rotterdam needs to combine the strengths of the overall Randstad region with the unique differentiating strengths that the local business environment in Rotterdam offers.

Finally, the strategy needs to reflect whether the aim is to increase the overall size of the sector and/or strengthen its position. Does one aim for any possible project that falls within a sector or does one aim for specific projects, such as attracting R&D centres, centres of excellence, headquarters, etc. Also, what type of FDI attraction does the city want to aim for? Is it only greenfield investment, expansion by existing investors, strategic partnerships, mergers and acquisitions, etc. Most important is to decide where resources will no longer be spent.

⁶ See also the chapter on global trends and developments in FDI attraction

Advice on the New Strategy

- Create a joint and over-arching strategy, involving all IPAs (City Development Corporation, Port of Rotterdam Authority, InnovationQuarter, DEAL/Drechtsteden and Rotterdam Partners). Include other parties where needed (branch organisations and universities).
- The chosen strategy needs to reflect the economic agenda and the new economy.
- The strategy needs to be built on the needs of your investors – not on your own needs.
- Create one clear and common message to position Rotterdam and use common language, common sector definitions and data.
- Think about making the user journey easy for potential investors. Make it clear who they should turn to and who their main point of contact should be.
- Choose sectors based on real market analysis and make them 'future-proof'.
- Choose strategy based on market demand and analysis, not on wish lists.
- Be aware of global developments in FDI.
- Choose a clear focus (try not to be all things to all investors, but make decisions based on what type of investments you want).
- Choose a clear incentives strategy and make sure IPAs involved know what is and what is not possible.
- Budget and resources need to reflect the importance of FDI attraction. Low budgets and resources mean disappointing results and mean losing the competition with other cities.

1f. Incentives

Incentives can and do affect investment location decisions⁷. However, the emphasis on incentives varies considerably between IPAs. Some European IPAs offer discretionary incentives, meaning tailor-made packages, provided they are able to do so under European Commission regulations on state aid. Although there may be set incentive packages and offers at the national level, at the city and regional level IPAs are more constricted in what they can offer and packages are much more focussed on projects that meet the inward investment strategy objectives.

Generally, incentives only start to play a role at the end of the investor attraction process. Incentives can include grants (for R&D projects or skills development), tax credits, recruitment assistance, and site- and infrastructure improvements. Rotterdam does need to design a clear incentives policy. Incentive offers may still be tailor-made, but there need to be clear guidelines on what is and is not possible and when.

Incentive programmes are no substitute for priority attention and access to effective expert staff, nor are incentives needed in many cases if adequate and knowledgeable staff is deployed and mandated to develop strategic priorities at the sector, industry and firm levels.

Next steps: elements to be addressed in the strategy

- 1 Strategic intent for Rotterdam within the context of the local economic needs, economic development plans; within the context of the global, regional and local economic economy.
- 2 Objectives for FDI - the purpose of attracting FDI, thereafter the specific economic objectives that FDI attraction can contribute towards.
- 3 Sectors and markets strategy with implications for FDI attraction strategy for investments today as well as investments in the knowledge economy/4IR.
- 4 Branding, marketing and communications issues.
- 5 Skills assessment of the three/four main economic promoters in Rotterdam.
- 6 Organisation structure remits, roles and interaction, realignment of contributions in the IPA value chain.
- 7 Budgets and financial resources in general.
- 8 Engagement with the national investment promotion agency NFIA, as well as within the province.
- 9 Redefining and realigning the roles, resources, objectives and KPIs of the various economic promoters order to bring about more effective, professional and harmonious economic promotion in line with international best practice.
- 10 Transformation plan for the next 1 to 3 years.
- 11 Reporting structure determination of KPI-counting and reporting on KPIs (sharing KPIs, etc.).
- 12 Decide on a smart and joined-up collaborative approach to pro-active lead generation.
- 13 Formalise procedures – put 'clear blue water' between agencies.

2. Structure

From the new strategy, a logical basis for a new structure should emerge. By new structure we mean a clear division of roles and responsibilities

2a. Multiple Agencies: One Message, Clear Roles

It does not have to be a problem that there are multiple agencies with responsibilities for FDI attraction. Similar structures involving regional, local and semi-private agencies exist throughout the world. The municipality as the initiator and instructing party needs to act on their fundamental decision that it has given the mandate for FDI-attraction to these agencies. This means that the municipality needs to take a back-seat in the FDI-attraction process and leave the three agencies to do the job for which they have been mandated. The municipality has given the assignment of attracting FDI to the Port of Rotterdam Authority, InnovationQuarter and Rotterdam Partners. They should trust their partners to do the job. The municipality could make the greatest contribution to investment attraction by working to enhance the investment climate and organising support packages and other assistance for investors. The municipality also has an important role to play in the aftercare of existing investors to streamline any expansion projects by providing the

⁷ Loewendahl, 2001

adequate infrastructure for companies to grow. Additionally, members of the Municipal Executive can support marketing actions led by the IPAs if and when asked by their agencies to do so.

Subsequently, the three agencies need to have clearly defined roles and there needs to be only one agency in the lead depending on the role given. This means that the Port of Rotterdam Authority is in the lead where port-related FDI attraction is concerned, Rotterdam Partners is the lead agency for attracting FDI and the entire FDI process where investments in Rotterdam are concerned and InnovationQuarter is the lead agency where investments in the greater Rotterdam area are concerned. Of course, this situation is not ideal for clients and clients may still end up being confused as to who they should turn to. The overarching strategy and common communication message should address any issues arising in this area and needs to address creating an easy user journey. The agencies need to trust each other's expertise and understand the strengths each of them brings to the investment attraction process.

The position of the Port of Rotterdam Authority in this system is somewhat different to the position of InnovationQuarter and Rotterdam Partners in that the Port can act without the need or support from partners or even the Municipality. However, even the Port's proposition is much stronger when the partners are involved and when all partners work together on joint propositions.

The roles of all parties involved should be explicitly defined so as to provide clarity, minimize duplication and promote effective collaboration. There needs to be a clear functional mandate for each agency and the agencies need operational autonomy.

2b. Strategy Board

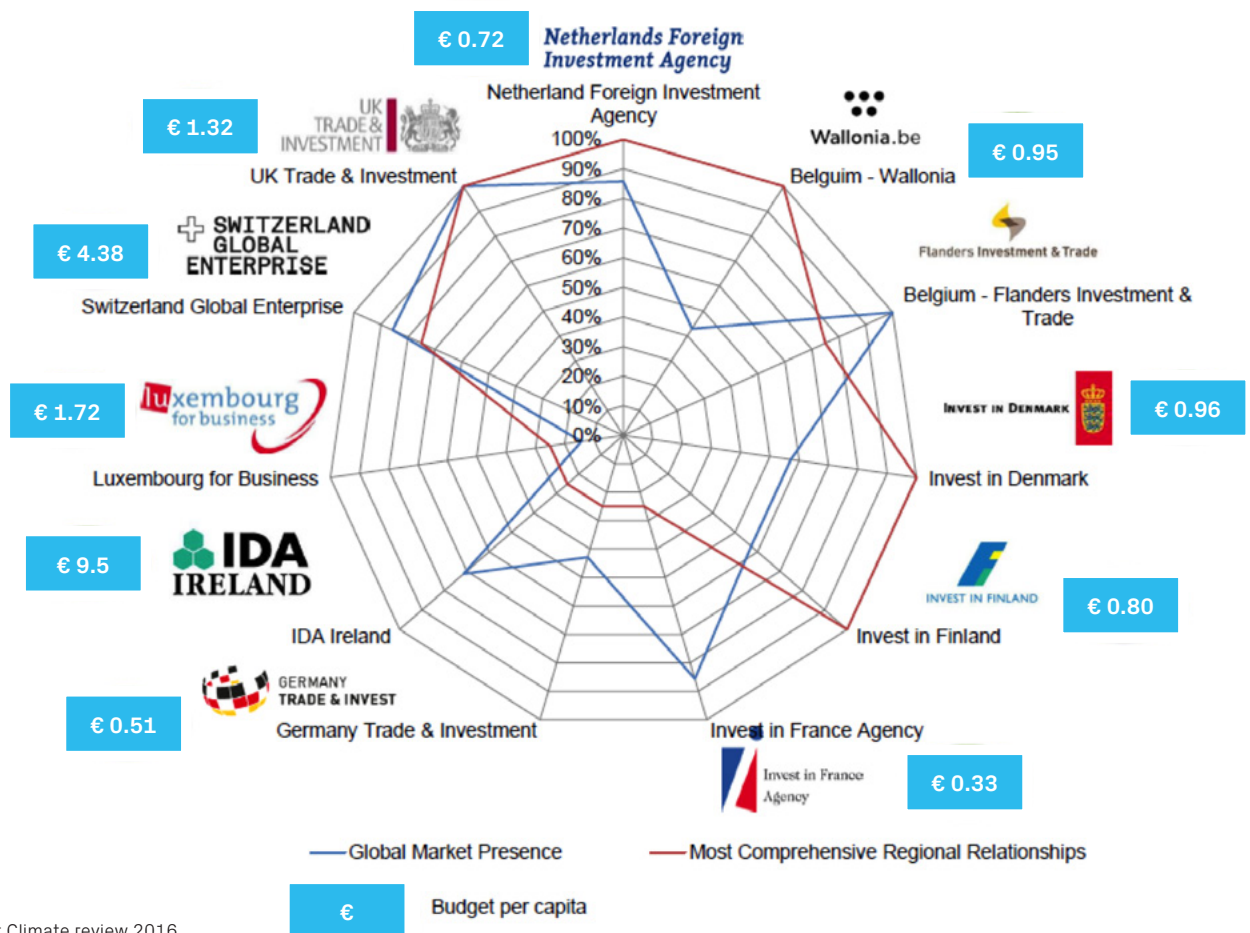
A formal coordination mechanism should be established, in the form of a Strategy Board. The Board is intended to facilitate collaboration and provide clarity, rather than creating additional bureaucracy. The Strategy Board creates the common strategy, sets the common agenda, decides on actions and monitors the outcomes. This leads to continuous collaboration rather than the formation of ad-hoc project teams which is currently the case.

The core members of this Strategy Board need to be the Municipality (the Head responsible for FDI-attraction, together with a lead strategist), InnovationQuarter (the Managing Director together with the Director of Investments), Rotterdam Partners (the Managing Director together with the Director of Investments), Port of Rotterdam Authority (Head of Strategy together with the Head of Business Development) and DEAL/Drechtsteden (Managing Director). As and when needed in the process other parties such as branch organisations, trade and promotional organisations and universities should be added to this Board.

Where possible, other existing meeting structures need to be discontinued to avoid wasting time and resources on too many meeting structures and also to avoid duplication and possibly creating conflicting actions.

2c. Budget Review and Recommendations

Rotterdam has a relatively low and/or unevenly distributed budget for FDI attraction compared to what other cities and countries spend on FDI attraction. Budgets for investment promotion vary widely among IPAs across the world, but there are many examples of (well performing) IPAs in more mature economies which work with annual budgets in the range of 1 to 2 Eur/USD per inhabitant of the region/city that the IPA represents. The current spend in Rotterdam is 16.5 cents per inhabitant (see figure below). The budget made available for FDI attraction in Rotterdam needs to reflect how important the municipality feels that FDI attraction is to the GVA of Rotterdam.



From: NFIA investment Climate review 2016

Decide on resources needed based on how important FDI is according to the political and economic agenda. Be aware that most cities have larger budgets made available for FDI attraction and have more resources (in terms of size of agency) too. As cities are taking their rightful place in the global economy and are competing against each other for investments, they will continue to place more importance on their FDI attraction efforts. Therefore, the gap between the current budget and resources made available in Rotterdam and that of competing cities is likely to only get higher.

2d. Pooling Resources

Also, organisations could consider pooling some of their resources in foreign travel. In fact, organisations work more effectively when they coordinate all resources in international markets. Rather than each organisation travelling to the same places, they need to pool their resources and coordinate who goes where for each year. Each organisation then represents the others on each foreign trip. This is another main reason for having a common story/common message, rather than working with different organisational logo's/names/brand images/messages/data, etc. A Positive example of this is the State of Ohio, where JobsOhio is the lead organisation and the regional partners work alongside as partners. Trade Shows and missions are coordinated between all partners and a common presence is ensured.

2e. New Initiatives

Rotterdam's economic development corporation (or other actors in the field) need to refrain from creating any further initiatives and/or organisations or boards active in the field of FDI attraction or promotion. Should there be a wish or a need for further expansion of services in this area it needs to be tabled at the strategy level with the Strategy Board first and it needs to be explored whether this initiative should and can be part of an existing organisation or whether a separate agency should be mandated.

2f. KPIs and Reporting Structure

The current reporting structure is complicated and seems designed to control, rather than to inform. Also, the target the municipality sets for their agencies promote competition



between agencies rather than promote collaboration and alignment. This system needs to be reviewed, where the agencies should be allowed to share targets obtained. The KPIs can possibly be tracked through a shared CRM system. The chosen KPIs need to be linked to the chosen strategy. The municipality needs to rethink the targets they set for their IPAs and make sure that the chosen KPIs support collaboration rather than promote competition, which is currently the case.

2g. Roles of Parties Involved:

Municipality:

- Joint responsibility with the IPAs for creating and implementing the over-arching strategy and making resources available.
- Responsible for improving the investment climate and creating policies and guidelines surrounding incentives/policy advocacy.
- Preparing investment-ready sites and related infrastructure to attract investment.
- Responsible for other key aspects in the later-stages of an investment project (e.g. permits, coordinating utilities, local regulations).
- Responsible for negotiating incentive packages.
- Responsible for problem solving of problems flagged by existing investors for which the municipality is responsible (for example issues around licensing, recruitment, etc.). The account management for this should be left with Rotterdam Partners.
- Mayor and Aldermen to get involved in meetings and (foreign) visits to (potential) investors at the request of the IPAs.

Rotterdam Partners:

- Joint responsibility for creating and implementing over-arching strategy.
- Responsible for city marketing/image building (communicating the benefits the city has to offer).
- Investment generation (identifying potential investors, lead generation and converting leads into investments).

- Investor servicing (assisting committed investors in analysing business opportunities, establishing and maintaining a business, incl. services around accounting, financing, legal, recruitment and location and expat-services).
- Current investor development/account management (helping the investor expand and thrive in the city).
- Relationships with service providers.
- Give advice to the municipality on (improving) business climate and market developments.

InnovationQuarter:

- Joint responsibility for creating and implementing the over-arching strategy.
- Same role as Rotterdam Partners for clients outside of the city of Rotterdam,
- With the exception of city marketing/image building (for which only Rotterdam partners should be responsible), but responsible for communicating the common message.

Port of Rotterdam Authority:

- Joint responsibility for creating and implementing the over-arching strategy.
- Same role as Rotterdam partners for port-related activities,
- With the exception of city marketing/image building (unless Port specific). The Port's message needs to be a clear part of the city's common message.
- Added to this is that the Port has responsibility for Port-owned land use and re-development.

Investor steps in location selection and key IPA roles in each step

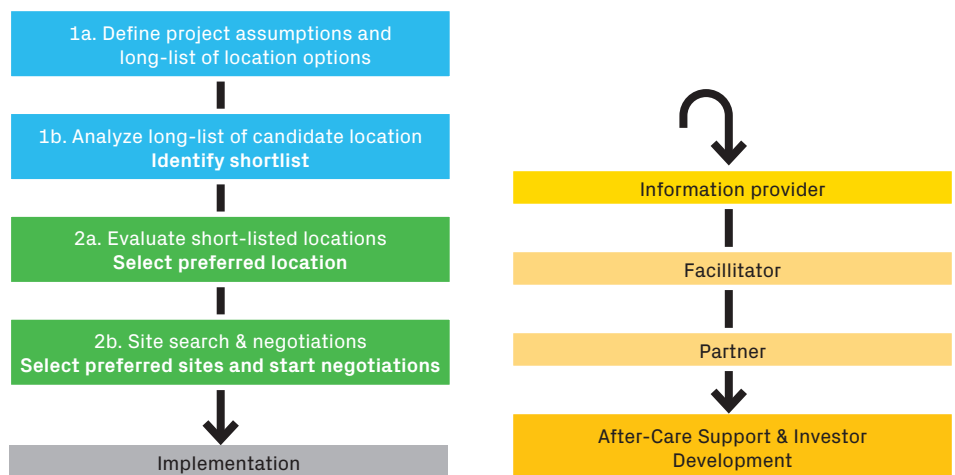


Image by IAB FDI experts

Conclusions:

- The city needs an independent IPA at arm's length of the government and accountable to it.
- This IPA needs sufficient budget, resources and mandate to operate successfully.
- Where multiple agencies are involved, roles and responsibilities need to be clearly defined, including geographical divide, sectors, responsibility for account management, foreign travel, etc.
- All agencies should contribute to and then implement the over-arching FDI-strategy.
- The agencies need to represent the common USP message of the greater Rotterdam area (and thereby represent each other) in foreign trips and in contacts with potential investors.
- All agencies need to trust each other's expertise and each other's processes.
- Each organisation in the field of FDI attraction in Rotterdam needs to be aware of their own distinctive role and contribution. Those agencies mandated by the municipality need to be supported by the municipality to carry out this mandate.
- The reporting structure needs to be simple and clear and be intended to inform.
- KPIs need to be shared by all agencies. The municipality should promote a KPI structure that promotes collaboration rather than competition between agencies.

Part II

Main Findings of the Benchmarking Research



Over the course of 2017 we engaged in desk and field research into city investment promotion agencies. Our main focus was on European cities, as we work under the same EU rules and regulations, making it easier to make comparisons.

However, where possible, we also gathered information from several overseas sources. We used research reports, sent out questionnaires and visited several IPAs in other cities. The cities investigated included: Singapore, Hong Kong, New York⁸, London, Berlin, Barcelona, Hamburg, Stockholm, Copenhagen, Liverpool, Manchester, Vienna, Lyon, and Zurich. In some cases, the information we obtained was incomplete, but the information we did obtain has allowed us to draw the conclusions in the following report.

We draw general conclusions without identifying the specific IPAs, unless it concerns information which is publicly available, as we have agreed with the IPAs investigated that the information they gave us will be handled in the strictest confidence.

Introduction

Investment promotion activities can be grouped into five areas of activity:

- City marketing/image building (communicating the benefits the city has to offer).
- Investment generation (identifying potential investors, lead generation and converting leads into investments).

- Investor servicing (assisting committed investors in analysing business opportunities, establishing and maintaining a business, incl services around accounting, financing, legal, recruitment and location).
- Investment development (helping the investor expand and thrive in the city).
- Policy advocacy (improving the investment climate).

The tables below offer an overview of data that was accumulated in the benchmark research. Only data of the main investment promotion agency (IPA) in the cities investigated is included (no data from other promotional agencies at city or regional level). The data is partially gathered through interviews with representatives and partially through desk research. Some data is derived from secondary sources or has been estimated based on available data. Note: The order of the IPAs is randomised across tables (i.e. IPA 1 in one table does not correspond to IPA 1 in other tables).

⁸ New York was left out of the benchmarking results, as New York City does not have a separate IPA, but rather has an economic development agency that does not have a specific remit for FDI attraction

Remit of the IPAs investigated. Table 1

IPA	FDI Attraction	Property & site development	Talent attraction & development	Funding support	Funding / grants	Direct incentives	Business growth programme	Start-up support	Innovation / technology support	International trade agency	Drive economic development	Leisure & Business Tourism	
1	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes*	
2	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	No	Yes	No	Yes*
3	Yes	No	No	No	No	No	No	Yes	Yes	No	No	No	Yes*
4	Yes	No	No	No	No	No	No	No	No	Yes	Yes	No	Yes
5	Yes	Yes	No	No	No	No	Yes	Yes	Yes	Yes	No	No	Yes
6	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No
7	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No
8	Yes	No	Yes	Yes	No	No	No	Yes	No	Yes	Yes	No	No
9	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	No
10	Yes	No	Yes	No	No	No	No	Yes	Yes	No	Yes	No	No
11	Yes	Yes	Yes	No	No	No	Yes	No	No	No	Yes	No	No
12	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes	No	No	No
13	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No
14	Yes	No	No	No	No	No	No	No	No	No	No	No	No

* Note: Leisure tourism and business tourism (congresses and business events) fall under a separate division that is part of the same umbrella organisation as the IPA.

a. Strategy

- It is important to have a set of strategic value propositions, utilised by a well-coordinated, cohesive team and supported on a case-by-case basis by key partners drawn from local government, suppliers, education sector, private business, service providers, etc.
- Various organisational models can be successful, provided that a common strategic vision and shared understanding of end-to-end roles are in place.
- Almost all cities researched have separate organisations responsible for FDI attraction, positioned at arm's length of their governments and with clear independent mandates for the agencies to work with (only two have a different structure).
- Most organisations are also responsible for talent development and/or attracting talent to the city and have separate programmes and resources available for this.
- Many agencies also have some or full control over the city's business real estate/property and (re-)development of industrial sites.
- All IPAs researched offer their services based on a specialised sectoral approach.
- The one-stop shop approach to FDI attraction (and economic development interactions with firms generally) has become a major requirement.
- It is important to engage the private sector/established businesses in strategy formation as well as in (overseas) promotional activities.
- Most agencies engage in strategic FDI attraction practices, where specific companies in specific sectors are targeted and resources are directed towards the specific chosen sectors and supply chains. Even at the city marketing level, promotional actions are sector and supply chain specific.
- Extensive industry knowledge generated by in-house intelligence and expertise supports smarter targeting of specific companies and sectors, enhances an agency's ability to provide sophisticated services to businesses, and builds confidence in the agency as a credible and competent partner.
- All IPAs focus on their strong (traditional) sectors on the one hand, while at the same time developing new forward-looking/future-oriented sectors (digital, renewables, new technology, etc.).
- We specifically looked at Brexit-strategies and activities. Most IPAs are waiting for outcomes from the Brexit negotiations before deciding on taking specific actions. Too much is still unknown. However, they all closely watch the UK market for signs of companies wanting to exit via contacts with their key accounts and current investors.

Strategy. Table 2

IPA	Sector approach	Involvement of private sector in FDI attraction	Representation of private representation (offices)	Overseas	Special China desk
1	Yes	Yes	Yes, 39	No	
2	Yes	Yes	Yes, 18	No	
3	Yes	Yes	Yes, 15	No	
4	Yes	Yes	Yes, 7	Yes	
5	Yes	Yes	Yes, 6	Yes	
6	Yes	Yes	Yes, 2	No	
7	Yes	Yes	Yes, 2	Yes	
8	Yes	Yes	Yes, 2	Yes	
9	Yes	Yes	Yes, 1	Yes	
10	Yes	Yes	No	Yes	
11	Yes	Yes	No	Yes	
12	Yes	Yes	No	Yes	
13	Yes	Yes	No	No	
14	Yes	Yes	No	No	

b. Collaboration

- All researched city and regional agencies work closely with their national agencies on promotion, positioning and receiving leads.
- The cooperation between the city IPA and the national IPA is usually formalised in an agreement. All other cooperation is usually (but not always) informal, but with clear roles and responsibilities between parties.
- Copenhagen is a great example where two IPAs from two different countries (Copenhagen, Denmark and Malmö, Sweden) that are located next to each other work together on attracting investments.

c. Structure and Funding

- All but two cities researched have separate agencies – at arm's length from their governments - to deal with promoting FDI attraction, promoting tourism and attracting congresses.
- Some cities have multiple activities handled by separate entities under one umbrella organisation (for instance Invest Liverpool is part of Liverpool Vision, MIDAS is part of the Manchester Growth Company),
- Tourism and congresses tend to be handled by separate agencies altogether (a separate convention and visitor's bureau), such as Berlin Partners and Visit Berlin or the Vienna Business Agency and Vienna Tourism Board. In some cases, the Tourism and Convention Bureau is part of the umbrella organisation. The only exception to this is London & Partners, which is very much structured like Rotterdam Partners and handles FDI attraction, as well as trade promotion, attracting tourism, promoting conventions and attracting foreign students as part of one and the same organisation.
- Most city IPAs also have a (part) responsibility for a larger metropolitan area, rather than the city only.
- Most IPAs are publicly funded (through their local, regional and/or national government) but also have some private funding or private parties collaborating with them, making

them public-private ventures. The more independent the IPAs are, the more private involvement they have.

- Most of the cities researched had an IPA at city level, an IPA at regional level (or a mix of city and regional) and an IPA at the national level. Most city IPAs do get many of their leads from their national agency, but also very much generate their own leads directly.
- Some city organisations have overseas representatives (mainly in China or India). London & Partners even has six overseas offices. Many have a dedicated 'China Desk' to specifically deal with Chinese enquiries and attracting FDI from China. Hong Kong has 13 overseas offices and Catalonia (region) has 39 overseas offices.
- Most European IPAs also get some funding through EU specific programmes.
- All IPAs state that their success is based on their agility and quick response time, followed by their expert knowledge of markets and sectors. IPAs generally recruit their staff from private industry and not from government backgrounds. Knowledgeable staff is a key to success.
- Most agencies also state the attractiveness and the attractive business climate of their city are critical success factors.
- All IPAs state that it is an advantage that they are an (private) organisation separate from their governments.
- It is difficult to directly compare budgets and funding between agencies, as each agency has different remits. Generally, across the agencies researched, they are all bigger and have higher budgets and funding than Rotterdam Partners.
- All agencies have a reporting structure to their boards/governments. Generally, the reporting structure includes number of jobs created, number of companies that have landed and capital expenditure/investment volume. The definitions of these numbers do vary across the different agencies.
- Most agencies use alumni from their universities that are now working elsewhere as ambassadors, also they use (former) citizens working abroad and internationally operating companies as ambassadors.

Structure and Funding. Table 3

* Note: The percentages are based on funding data as reported in annual reports. Other revenue streams (such as private funding and commercial income) are sometimes calculated separately. Some IPAs have higher non-public funding due

to a wider remit (a.o. leisure and business tourism and general city marketing activities).

IPA	Separate from local government	Single IPA active in the city	Public funding	Private funding (partnerships)	Revenue from commercial activities	Revenue from assets	EU funding
1	No	Yes	Yes, 100%	No	No	No	Yes
2	No	Yes	Yes, 100%	No	No	Yes	No
3	Yes	Yes	Yes, 100%	No	No	No	No
4	Yes	Yes	Yes, most	Yes	Yes	No	No
5	Yes	Yes	Yes, most	Yes	No	Yes	No
6	Yes	No	Yes, most	No	No	No	No
7	Yes	Yes	Yes, 92%	Yes	Yes	Yes	No
8	Yes	Yes	Yes, 89%	Yes	Yes	No	Yes, 11%
9	Yes	Yes	Yes, 73%	Yes, 19%	Yes, 8%	Yes	Yes
10	Yes	Yes	Yes, 70%	Yes	Yes	No	Yes
11	Yes	Yes	Yes, 60%	Yes	Yes	No	Yes
12	Yes	Yes	Yes, 46%	Yes, 20%	Yes, 25%	No	Yes, 9%
13	Yes	Yes	Yes	No	No	Yes	Yes
14	Yes	Yes	Yes	No	No	No	No



Budgets. Table 4

IPA	Area	Total budget (EUR)	Total budget (EUR) per capita	Budget for FDI attraction (EUR)	Budget for FDI attraction (EUR) per capita	Total number of employees	Employees for FDI attraction
1	greater city region	123M	45.56	2.7M	1.00	1200+	35-40
2	greater city region	119M	29.81	67.5M	16.88	500+	
3	greater city region	29M	3.32	3.9M	0.45	190+	40-45
4	metropolitan area	26.2M	4.36			200+	
5	greater city region	10.1M	2.52				
6	greater region	8.5M	3.40	2.3M	0.92	80-90	15-20
7	greater city region	8.4M	6.00	500k operational		70-80	15-20
8	greater region	6.8M	2.96	4.7M	2.04	40-50	25-30
9	metropolitan area	3.5M	0.67	3.5M (200k operational)	0.67		15-20
10	greater city region	3.5M	2.33	280k operational			5-10
11	greater region	1.8M	0.47	1.2M	0.32	60-70	5-10
12	greater region					70-80	
13	greater city region					150+	10-15
14	greater city region					20-30	

d. Promotion & Leads Sourcing

- All agencies state that their websites and other social media channels are of extreme importance to provide relevant information (sectoral specific and not general) and reach out to prospective investors when they are at their 'long list' stage (before they are ready to contact any specific agencies in any specific location). The better this information is handled and disclosed, the better the chances of ending up as a location on the 'long list'.
- Targeted and direct participation in FDI attraction by the highest political figures in the city (mayor and aldermen), abroad as well as at home at trade and investment events and meetings is of utmost importance.
- Broad, ready access to comprehensive, highly relevant data, a public track record (through company testimonials), and a diverse array of online tools simplify the search process for potential investors.
- Customised serviced and tailored investor relationship management is important for further lead generation as well as for tying the investor to the city.
- All IPAs investigated take part in or visit overseas trade shows and trade missions (often sector specific) to source leads and to generally promote their city (i.e. create awareness).
- International in-market presence enhances the relationships to key investors and strengthens the pipeline

of opportunities which will increase the win-rate of FDI-projects.

- Leads are also sourced through account management of current investors.
- Much of the work with clients is based on trust and it is therefore important that the client has the same person(s) to work with throughout the process.
- Most IPAs use large international business events in their own city/region for location promotion and leads sourcing. Some even organise their own large int. business events.

e. Incentives

- Incentives offered by IPAs include giving grants for setting up R&D locations, tax deductions, grants for skills training, (partial) grants for attending trade fairs, investment in upgrading locations specifically for the needs of an investor. Singapore and Hong Kong's EDA's can offer direct financial incentives. The European IPAs are more limited in what they can offer in financial incentives and this is mostly handled by the national or local governments, although specific packages are tailor made when needed and possible.
- Most city IPAs state that incentives do not play a large or decisive role in their process to attract investors. It is more important to be able to offer the right skills base, locations and provide investors with expert guidance and information.

Results. Table 5

IPA	Number of investment projects	Expected jobs created from investments	Investment amount (EUR)	Reporting year
1	391	3,968 (1st yr)	1.7B (1st year)	2016
2	302	6,775	552.5M	2016
3	291	6,062		2016
4	178	1,144 (3 yrs)	288.8M (3 yrs)	2016
5	101	1,654	592M	2016
6	101	434 (1st yr); 1,541 (5 yrs)		2016
7	82	580	303M	2016
8	68	2,87	352M	2016
9	59	976 (3 yrs)	414M (3 yrs)	2016
10	46	2,096		2016-17
11	41	1,131	100.6M	2015-16
12	37	538 (3 yrs)		2016
13	27	1,377 incl retention		2016
14		20,075	5.8B	2016-17

Note: Results are only included if reported publicly by the IPA. Definitions differ across IPAs making the numbers difficult to compare.

f. Challenges

- Most IPAs in developed countries find it difficult to attract people with the right skills base, as new investments very often require people with a higher skills base than they have available, which is why so many IPAs also have separate skills attraction and building programmes.
- Getting to the potential investor at the right time.
- Sometimes they have to report to multiple authorities who can have conflicting interests
- Getting their governments to understand the work that they do and what is needed to be able to do it. Governments tend to have unrealistic expectations and it is key to keep politicians happy.
- IPAs tend to work with long-term strategies where governments tend to handle shorter cycles.

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Acknowledgements

International Advisory Board 2017

Our sincere gratitude goes out to all who have contributed to the contents and/or the smooth process of this special edition of the International Advisory Board:

Alderman Maarten Struijvenberg and the Municipal Executive of Rotterdam,

City of Rotterdam Economic Development Corporation, in particular Mr Menno Huijs, Mr Hans Hurman, Mr Maarten Keesman, Ms. Kitty Tang, Ms. Sorenka Pocorni, Mr Robert Tans;

Port Authority Rotterdam, in particular Mr Allard Castelein, Mr Victor Schoenmakers, Mr Mark Dijk, Ms. Yvonne van der Laan;

InnovationQuarter, in particular Mr Rinke Zonneveld, Mr Chris van Voorden, Mr Loek Becker Hoff, Mr Niels Krol;

Rotterdam Partners, in particular Ms. Yi-Ling Lam, Ms. Jannelieke Aalstein, Ms. Sandra van der Voort, Ms. Monica Plugge, Ms. Linda Rademaker, Mr Unal Sezisli, Ms. Chantal Roest, Ms. Ingrid van Hanswijk Pennink; International Advisory Board, in particular Prof. Dr. Jan Peter Balkenende, Dr Joachim Arnold, Mr Andy Curtis, Mr Andreas Dressler, Mr John Hanna, Mr Chris Knight, Mr Roel Spee;

VNO-NCW, Mr Diederik van Dommelen,

Deltalinqs, Mr Steven Lak,

DEAL/Drechtsteden, Mr Martin Bloem,

RPPC, Mr Albert Straatman,

Rambus, Mr Andre Stoorvogel,

Marsh, Mr Focko Dorhout Mees,

Daamen & Van Sluis, Mr Wim van Sluis,

Lloyd's, Mr Ralph van Helden

The staff at City Hall, the staff at World Port Centre, the staff at the Royal Maas Yacht Club, Rotterdam Marriott Hotel.

Appendix

Abbreviations

IPA	Investment Promotion Agency
FDI	Foreign Direct Investment
GVA	Gross Value Added
KPI	Key Performance Indicator
USP	Unique Selling Point
EDA/EDO	Economic Development Agency/Organisation
WAIPA	World Association of Investment Promotion Agencies
UNCTAD	United Nations Conference on Trade and Development
OECD	Organisation for Economic Co-operation and Development

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Photography

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Print

Schultenprint, Zoetermeer

Design

Trossenlos.nl

The IABx Special Edition on FDI Attraction was a co-production of the City of Rotterdam, Rotterdam Partners, InnovationQuarter and the Port of Rotterdam Authority.

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