Territorial attractiveness concept applied to investment promotion

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www.investinemiliaromagna.eu
- Territorial attractiveness concept in Attract See
- Two different perspectives: government and companies
- Case study: Emilia-Romagna Region - Regional law for the promotion of the investment - Call for Agreements for the settlement and development of enterprises
TERRITORIAL ATTRACTIVENESS
THE ‘ATTRACT SEE’ PROJECT DEFINITION

TERRITORIAL CAPITALS and ASSETS
- Environmental
- Antropic
- Socio-cultural
- Economic-human
- Institutional

Concept of attractiveness
Two different orientations

Vision/Strategy/Policies
- Promoting/supporting strengths/vocations
- Supporting change/potentialities

TARGETS
TERRITORIAL ATTRACTIVENESS
THE ‘ATTRACT SEE’ PROJECT DEFINITION

A concept for monitoring Territorial Attractiveness at SEE scale

WHO/WHAT
(Different subject and objects to attract)

Target 1
Target 2
Target 3
Target 4
Target x

Territorial Attractiveness

HOW
Territorial Capital (TC) and Assets

Territorial Capital 1
Territorial Capital 2
Territorial Capital 3
Territorial Capital 4
Territorial Capital n

“Local” PP visions
Vision 1
Vision 2
Vision 3
Vision 4
Vision n

EU /SEE vision

Europe 2020; TA 2020
Complexity of ‘attractiveness’ concept – TO ATTRACT:

WHAT
Territorial analysis/monitoring

WHO
Different Targets/Audiences/Stakeholders

HOW
Policy coordination

WHY
Identification of objectives/priorities

WHERE
Different territorial scales

Investments
• Brownfield/greenfield
• Key sectors
• Size/amount of investments
• Innovation/R&D
• Skills and knowledge
• Start ups
• Famous brands
• Financial flows
• ………
Features for a definition of «attractiveness»:

- Quality of places
- Territorial scales and diversity of places
- Different drivers for «attractiveness»
- Plurality of needs and expectations
- (Un)stability of factors of attractiveness
Common framework of territorial capitals and assets
preliminary to the definition of a system of indicators

### Environmental capital

<table>
<thead>
<tr>
<th>Environmental quality</th>
<th>Environmental quality (air, water, waste, greenhouse gases, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Territorial/ecosystem integrity</td>
<td>Territorial/ecosystem fragmentation</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Risk management</td>
</tr>
<tr>
<td>Natural resources and energy</td>
<td>Natural resources management (renewable/non renewable)</td>
</tr>
<tr>
<td>Energy management (fossil fuels / renewable resources)</td>
<td></td>
</tr>
</tbody>
</table>

### Economic/human capital

<table>
<thead>
<tr>
<th>Knowledge &amp; Innovation</th>
<th>Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education/capacity building</td>
<td></td>
</tr>
<tr>
<td>Attracting/holding competences</td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>Employment</td>
</tr>
<tr>
<td>Specializations / Key sectors</td>
<td>Diversified economic activities/services</td>
</tr>
<tr>
<td>Tourism</td>
<td>Attractiveness for tourism</td>
</tr>
<tr>
<td>Investment Promotion</td>
<td>Foreign investments attraction</td>
</tr>
<tr>
<td>Quality business locations/services</td>
<td>Partnerships relations</td>
</tr>
<tr>
<td>Population</td>
<td>Population growth, % pop in age 15-64 years</td>
</tr>
</tbody>
</table>

### Institutional capital

<table>
<thead>
<tr>
<th>Governance</th>
<th>Effective governance arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>International relations</td>
<td>Cross-border cooperation</td>
</tr>
<tr>
<td></td>
<td>Internationalization</td>
</tr>
</tbody>
</table>

### Anthropic capital

<table>
<thead>
<tr>
<th>Urban quality</th>
<th>Access to public services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Towns/settlements revitalisation/networking</td>
<td></td>
</tr>
<tr>
<td>Urban health/liveability /environmental services</td>
<td></td>
</tr>
<tr>
<td>Landscape quality</td>
<td>Visual attractiveness</td>
</tr>
<tr>
<td>Landscape diversity</td>
<td></td>
</tr>
<tr>
<td>Balanced urban-rural relations</td>
<td></td>
</tr>
<tr>
<td>Infrastructures</td>
<td>Local/global accessibility</td>
</tr>
<tr>
<td>Basic infrastructures for daily life (to be detailed)</td>
<td></td>
</tr>
</tbody>
</table>

### Socio-cultural capital

<table>
<thead>
<tr>
<th>Culture</th>
<th>Cultural heritage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple cultural services</td>
<td></td>
</tr>
<tr>
<td>Welfare/Cost of living</td>
<td></td>
</tr>
<tr>
<td>Social equity/poverty reduction</td>
<td></td>
</tr>
<tr>
<td>Multicultural integration</td>
<td></td>
</tr>
<tr>
<td>Sense of belonging/citizenship</td>
<td></td>
</tr>
<tr>
<td>Gender mainstreaming</td>
<td></td>
</tr>
</tbody>
</table>

Identified with bottom-up process by the Attract SEE partnerships
Potential synergies: some examples

**ASSETS HIGHLY RELEVANT FOR ALL TARGET AUDIENCES**

- Local and global accessibility
- Environmental quality
- Governance

**ASSETS HIGHLY RELEVANT FOR ALL TARGET AUDIENCES EXCEPT TOURISM**

- Employment
- Welfare/cost of living
- Education
- Access to public services
- International relations
MATCHING TWO DIFFERENT PERSPECTIVES: GOVERNMENTS AND BUSINESSES (1)

Attraction of Investments
Different perspectives

- SPECIFIC TERRITORIAL ASSETS
- LOCALIZATION FACTORS
- PROFIT
- ...

STRATEGIC INVESTMENT / POLICIES FOR ATTRACTIVENESS

- DEVELOPMENT STRATEGY
- OBJECTIVES OF THE POLICIES
- NEEDS OF THE SOCIO-ECONOMIC SYSTEM
- ...

BUSINESSES

GOVERNMENTS
+ IPA;
LOCAL STAKEHOLDERS;
etc.
Europe - Attractiveness survey 2016 – Example of final recommendations
Source: Ernst&Young 2016

Matching of governments and businesses tasks on several topics

Increased focus on Innovation: Most of our respondents (35%) see digital industries as the preferred sector for Europe's growth in the coming years

For governments

Policy makers need to provide a level playing field for all existing and new market entrants. The role of governments is essential in incubating innovation in the region. Governments need to invest in education and training and provide coordinated support for high-potential innovation.

How can we build an ecosystem that helps entrepreneurship and innovation? How can we lower the barriers to entry for entrepreneurs? How can we lighten the regulatory load? How can governments co-invest? How can we encourage public-private partnership?

For businesses

Developing an innovative product or technology requires investment of time and money. Europe is home to some of the best-ranked universities in the world. How can businesses tap that intellectual talent?

Companies need to identify collaboration opportunities, financing options and any government schemes that can help them commercialize their offerings. How can companies revamp outmoded business models, reach out to new customers or increase efficiency? What are the entry and exit options? How can we access public and private funding? How can we ensure regulatory and tax compliance?
International surveys and rankings on attractiveness of investment can show the main objectives of the companies.

**UNCTAD World Investment Prospects Survey (2009-2011)**

**Location factors by order of importance**

- Size of local market
- Growth of market
- Presence of suppliers and partners
- Access to international/regional market
- Stable and business-friendly environment
- Availability of skilled labour and talents
- Quality of infrastructures
- Cheap labour
- Government effectiveness
- Follow your competitors
- Access to capital resources
- Access to capital markets (finance)
- Incentives
International surveys and rankings on attractiveness of investment can show the point of view of the companies

**Financial Times – FDI Division**
European Cities and Regions of the future 2016/17

**Judging criteria (quantitative indicators)**
- Economic potential
- Human capital and lifestyle
- Cost effectiveness
- Connectivity
- Business friendliness (including several international indexes (including «ease of doing business»))

+ FDI Strategy (qualitative analysis)
International surveys and rankings on attractiveness of investment can show the point of view of the companies.

World Bank – Ease of doing business
Comparing Business Regulation for Domestic Firms in 190 Economies

**Indicator set**

- Starting a business
- Dealing with construction permits
- Getting electricity
- Registering property
- Getting credit
- Protecting minority investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Resolving insolvency
- Labor market regulation

**Table 2.1: What Doing Business measures—11 areas of business regulation**

<table>
<thead>
<tr>
<th>Indicator set</th>
<th>What is measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>Procedures, time, cost and paid-in minimum capital to start a limited liability company</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs</td>
</tr>
<tr>
<td>Registering property</td>
<td>Procedures, time and cost to transfer a property and the quality of the land administration system</td>
</tr>
<tr>
<td>Getting credit</td>
<td>Movable collateral laws and credit information systems</td>
</tr>
<tr>
<td>Protecting minority investors</td>
<td>Minority shareholders’ rights in related-party transactions and in corporate governance</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>Payments, time and total tax rate for a firm to comply with all tax regulations as well as post-filing processes</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>Time and cost to export the product of comparative advantage and import auto parts</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>Time and cost to resolve a commercial dispute and the quality of judicial processes</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency</td>
</tr>
<tr>
<td>Labor market regulation</td>
<td>Flexibility in employment regulation and aspects of job quality</td>
</tr>
</tbody>
</table>

**KEY WORDS:** TIME, COST, PROCEDURES, FLEXIBILITY
### TERRITORIAL ATTRACTIVENESS
### THE ‘ATTRACT SEE’ PROJECT DEFINITION

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The 5 targets for the EU in 2020

1. **Employment**
   75% of the 20-64 year-olds to be employed

2. **R&D**
   3% of the EU’s GDP to be invested in R&D

3. **Climate change and energy sustainability**
   greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990
   20% of energy from renewables
   20% increase in energy efficiency

4. **Education**
   Reducing the rates of early school leaving below 10%
   at least 40% of 30-34–year-olds completing third level education

5. **Fighting poverty and social exclusion**
   at least 20 million fewer people in or at risk of poverty and social exclusion
POLICIES FOR ATTRACTIVENESS

SOME INDICATORS/Criteria TO IDENTIFY STRATEGIC INVESTMENTS:

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**Some Investment Promotion Agencies**

**IDA - Ireland**
- Number of projects / Amount / Number of jobs created
- % projects outside Dublin
- % projects in R&D activities
- % jobs created with wage > (40kEuro/year)

**S.D.I./S.E. - Scotland**
- Number of jobs in R&D with wage > 29kPounds/Year

**Florida**
- Number of jobs in R&D with wage > 29kPounds/Year

**EVALUATION CRITERIA CAN DEPEND ON THE SPECIFIC TERRITORIAL STRATEGY**

Results often focus on:
- Employment impact
- Quality of the jobs (in terms of skills and/or wage)
- Level of R&D
- Amount of investments
- etc.

Source: OCO GLOBAL (2011)
**POLICIES FOR ATTRACTIVENESS**

**CASE STUDY: REGIONAL LAW FOR THE PROMOTION OF THE INVESTMENTS IN EMILIA-ROMAGNA (14/2014)**

**Main points of the law:**

<table>
<thead>
<tr>
<th>INCENTIVES AND PROCEDURES</th>
<th>Agreement for the Settlement and Development of Companies</th>
<th>Main tool to support the companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOVERNANCE</td>
<td>Role of in-house companies:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Investment promotion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Connectivity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- R&amp;D Network</td>
<td></td>
</tr>
</tbody>
</table>

**SETTLEMENT AND DEVELOPMENT AGREEMENT**

- INCENTIVES
- INVESTMENT SIZE AND EMPLOYMENT IMPACT
- INFRASTRUCTURES AND WELFARE SERVICES RELATED TO THE INVESTMENT
- TIMINGING OF PROCEDURES AND COMPLETION OF THE INVESTMENT
- COLLABORATION WITH LOCAL BODIES AND STAKEHOLDERS

**TYPES OF INVESTMENT PROGRAMME**

- INDUSTRIAL OR SERVICE DEVELOPMENT OF REGIONAL INTEREST, EMPLOYMENT EFFECT > 150 WORKERS
- GREAT STRATEGIC VALUE, EMPLOYMENT EFFECT > 50 WORKERS (GRADUATES > 40%)
- RESEARCH, DEVELOPMENT AND INNOVATION CENTRES, EMPLOYMENT EFFECT > 20 WORKERS
- PROGRAMME OF INDUSTRIAL CONVERSION
CASE STUDY: EMILIA-ROMAGNA - LAW FOR THE PROMOTION OF INVESTMENTS

REGIONAL AGREEMENTS FOR THE SETTLEMENT AND DEVELOPMENT OF ENTERPRISES

SELECTION PROCEDURE - PHASE 1
PRINCIPAL ASSESSMENT CRITERIA (1)

- QUALITY OF THE INVESTMENT PROGRAMME
- SIGNIFICANCE OF THE PROGRAMME IMPACT
- TECHNICAL / FINANCIAL ABILITY AND EXPERIENCE
- SOCIAL SUSTAINABILITY
- ENVIRONMENTAL SUSTAINABILITY
- FEASIBILITY OF THE INVESTMENT PROGRAMME

INCENTIVES AND PROCEDURES
Agreement for the Settlement and Development of Companies

POLICIES FOR ATTRACTIVENESS

CASE STUDY:
REGIONAL LAW FOR THE PROMOTION OF THE INVESTMENTS IN EMILIA-ROMAGNA (14/2014)
REGIONAL AGREEMENTS FOR THE SETTLEMENT AND DEVELOPMENT OF ENTERPRISES

ASSESSMENT CRITERIA RELATED TO STRATEGIC PRIORITIES

SIGNIFICANCE OF PROGRAMME IMPACT

• value chain links with local supply system
• penetration of foreign markets
• consistency with the Region's development, growth and competitiveness strategy (S3)
• knowledge and skills for the employment of persons
• competitiveness of the value chain

ENVIRONMENTAL SUSTAINABILITY

• rationalisation of resources
• energy saving
• reduction of emissions
• lower land consumption

SOCIAL SUSTAINABILITY

• social inclusion
• assessment of the work in terms of worker safety
• social responsibility within the supplier value chain
THE KEY ROLE OF GOVERNANCE

GOVERNANCE IS A KEY ATTRACTIVENESS ASSET

- e.g. well established and reliable governance system

GOVERNANCE HAS TO BALANCE DIFFERENT NEEDS AND DEMANDS

- e.g. policy coordination, coherence and integration among sectoral policies

GOVERNANCE HAS TO INVOLVE THE RELEVANT STAKEHOLDERS

- e.g. identification of relevant stakeholders; shared strategies; networking actions

GOVERNANCE: WHICH SCALE FOR WHAT POLICY?

- e.g. coordinate the actions of actors operating at different scales on the same issues

GOVERNANCE AND EXTERNAL CONTEXT

- e.g. links with other territories, management of common assets
Stakeholders involvement

- Companies/investments
- Entrepreneurial associations
- State, Regional and local Authorities/Administrations
- Development/Investment promotion agencies/operators
- Local development and urban planning units in municipalities
- Educational and Research institutions
- Infrastructure operators/providers
- International Trade Fairs
- Interest groups
- Etc.

Regular workshops with regional stakeholders
Thank you for your attention!

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