

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
INVESTMENT COMMITTEE**

Cancels & replaces the same document of 18 November 2014

STRENGTHENING CHILE'S INVESTMENT PROMOTION STRATEGY

Draft Report by the Secretariat

2 December 2014

This document presents a draft technical advisory report prepared by the OECD secretariat to support the design and implementation of a new investment promotion strategy for Chile.

The document will be discussed under item 6 of the meeting of the OECD Investment Committee in enlarged session.

Delegates are welcome to make comments under written procedure before 23 December 2014.

This cancel and replace modifies a small paragraph pertinent to budgetary issues, which is subject to further discussion.

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PREFACE

The Government of Chile, through the Foreign Investment Committee (FIC) requested the OECD to provide a technical advisory report to support the design and implementation of a new investment promotion strategy. This work is to provide concrete recommendations to turn the FIC, in charge of administrating the *Decreto Ley 600 (DL 600)*, into a world-class investment promotion agency based on international good practices.

This work took place in a context of a series of investment policy related reforms, including the derogation of the DL 600, a mechanism through which foreign investors could sign a contract with the Chilean state. This mechanism dates back to 1974 and Chile now finds itself needing a more modern investment promotion strategy and instruments, particularly as its competitors for foreign direct investment are sharpening their investment promotion.

This report is based on international good practices in investment promotion, including those gathered through *OECD Investment Policy Reviews* based on the Policy Framework for Investment (PFI), extensive discussions with stakeholders in Santiago during an OECD mission in October 2014 – including with the transversal commission set-up by the government to guide Chile's investment promotion strategy - as well as a peer review at the OECD Investment Committee in Paris on 2 December 2014.

The report was prepared by Mike Pfister, Alexandre de Crombrugghe, and Hilkka Komulainen of the OECD Investment Division headed by Ana Novik. Investment Consulting Associates (ICA) contributed as external consultants. The feedback and comments received from other investment promotion experts throughout this project is greatly appreciated.

TABLE OF CONTENTS

PREFACE.....	2
1. Foreign Direct Investment in Chile’s evolving context.....	5
1.1. A new direction for investment promotion in Chile.....	5
1.2. FDI Trends in Chile.....	6
1.3. The main facets of Chile’s investment policy.....	9
1.4. Principles for Organising Investment Promotion.....	13
1.4.1. Benefits of FDI.....	13
1.4.2. Rationales for Investment Promotion.....	15
1.4.3. Establishment of an Investment Promotion Agency.....	17
1.4.4. Need for an Investment Promotion Strategy.....	23
1.4.5. IPA’s Instruments, Functions & Techniques.....	23
2. Review of the Current Investment Promotion Capacity in Chile.....	28
2.1. Overview of key stakeholders.....	28
2.2. Current x-ray of investment and trade facilitation in Chile.....	29
2.3. Current role and responsibilities of the FIC.....	34
2.4. Transitioning FIC and way forward.....	35
3. Establishing a Pro-Active Investment Promotion Agency.....	36
3.1. Institutional structure of the FIC.....	36
3.1.1. Relationship between an IPA’s service offering and its institutional framework.....	36
3.1.2. Spectrum of institutional structures of the IPA.....	36
3.1.3. Best-practice principles of the organisational legal structure of the IPA.....	37
3.2. Designing the FIC.....	38
3.2.1. Organisational development and governance.....	40
3.2.2. Functional Breakdown.....	41
3.3. Resource requirements and profiles.....	48
3.3.1. Executive Vice President.....	49
3.3.2. Chief of Staff.....	50
3.3.3. Division Head – General Requirements.....	51
3.3.4. Division Head – Investment Attraction.....	52
3.3.5. Division Head – Investment Facilitation.....	52
3.3.6. Division Head – Aftercare.....	52
3.3.7. Division Head – External Communications.....	53
3.3.8. Division Head – Legal affairs.....	53
3.3.9. Division Head – Research and Statistics.....	54
3.3.10. Support Staff – Project officers.....	54
3.3.11. Steering Committee Members.....	55
3.4. Recruiting staff.....	55
3.5. Budget requirements.....	56
4. Action Plan and Timeline.....	59
4.1. Getting started and operational.....	59
4.2. Monitoring, evaluation and key performance indicators.....	61
5. Key Findings and Recommendations.....	64

Boxes

Box 1. The OECD FDI Regulatory Restrictiveness Index	10
Box 2. The Policy Framework for Investment.....	15
Box 3. Business linkages promotion in Costa Rica	19
Box 4. IDA Ireland's Key Performance Indicators.....	22
Box 5. CzechInvest's sectoral clustering: Moravian-Silesian Automotive Cluster	25
Box 6. One-stop-shops, example of the Singapore Economic Development Board.....	26
Box 7. Aftercare in Canada and the United Kingdom	27
Box 8. Typical core functions in the phases of an investment project.....	47
Box 9. Proposed cost items for the FIC	57

1. Foreign Direct Investment in Chile's evolving context

1.1. A new direction for investment promotion in Chile

1. Chile relies strongly on investment and trade for its economic growth. With a population of 17.5 million, it has both a small and open economy, backed by strong policy principles enshrined in the Constitution with clear laws and well-functioning inter-ministerial processes. It is the world's largest producer of copper. The risk of dependency from global demand in the sector, including from China, has fuelled Chile's drive for economic diversification. It is today also the world's second largest exporter of salmon.¹ Investment and trade have been critical in integrating Chile in the global economy, especially given its limited share of local manufacturing and relatively small economy.²

2. An open investment regime and a robust regulatory and institutional environment have supported foreign direct investment (FDI) in Chile and made it an important driver of economic growth. The stock of FDI has tripled over the past decade. There are no prior-approval or screening requirements for FDI, and foreigners are legally granted the same treatment as nationals. Moreover, strong macroeconomic performance, strong and stable institutions and a generally friendly regulatory framework have enhanced the attractiveness of Chile as an FDI destination. As a result, Chile boasts one of the highest ratios of FDI to gross domestic product (GDP) in the OECD (see section 1.2).

3. Nevertheless, FDI remains heavily concentrated in natural resources, potentially limiting beneficial spill-over effects on the broader economy in terms of innovation and productivity. This exposes the economy to external shocks, as witnessed through the recent drop in global copper prices. Diversification of investment, including domestic, will have to remain an objective for the government if it hopes to strengthen local manufacturing and services sectors, and make the economy more resilient to endogenous economic trends. Further integration into global value chains will also have to be managed carefully, especially against the backdrop of an important proportion of intermediary goods currently being imported.³

4. Chile's approach to investment incentives has been broadly aligned with recognised best practices, eschewing specific incentives to attract FDI and/or special tax regimes, in favour of transparency and predictability. Chile already benefits from an open FDI regime, a solid regulatory framework and strong participation by foreign investors. In this context, investment promotion and facilitation policies can help fully exploit the potential benefits of foreign investment. Promoting linkages and targeting investments can help, but must be done right. Meeting that challenge requires a new approach to investment promotion and facilitation, a core message of this work.

5. To meet this new challenge, government agencies involved in investment promotion and facilitation need to adapt. The main instrument of investment facilitation, the DL600, was introduced in 1974, at a time when foreign investors still faced uncertainties for repatriation of capital and tax treatment, but is most likely no longer necessary to attract investment.⁴ As Chile's macroeconomic and fiscal framework improved markedly over the past two decades, fewer investors sign DL600 contracts, although

¹ OECD (2011a), Enhancing market openness, intellectual property rights, and compliance through regulatory reform in Chile, Paris

² Economist Intelligence Unit (EIU) (2014), Country Report: Chile, October 2014, London

³ EIU (2014), Country Report: Chile, October 2014, London

⁴ OECD (2011b), Maintaining Momentum: OECD Perspectives on Policy Challenges in Chile, Paris

it remains an important mechanism for large ones. As a result, investment promotion in Chile should now take on the challenge of fully exploiting the benefits that FDI can bring by enhancing linkages with the domestic economy. More pro-active and carefully targeted investment promotion would also support Chile's further integration in global value chains (GVCs), and upgrading its activities in the latter.

6. In addition, this requires a careful calibration of policies and implementation to avoid duplication of tasks and to clearly assign responsibilities for country image building, investment generation, linkage promotion and policy advocacy. There are currently various agencies undertaking these tasks. This will also require an acknowledgement that successful investment promotion and facilitation cannot be undertaken in isolation by one agency, but relies on a dynamic investment ecosystem consisting of local industry clusters, multi-national enterprises (MNEs), well-coordinated public policies and agencies, including in the area of research and development and innovation, and a well-functioning international network that supports Chile's investment promotion strategy.

7. Furthermore, the resources and skills needed to carry-out new investment promotion and facilitation tasks will require the relevant agencies to focus more on policies to attract foreign investments with potentially strong spill-over effects, and to strengthen the linkages of these investments with the domestic economy. These investment targeting policies can be useful to enhance the absorptive capacity of the domestic economy, but it should be borne in mind that targeting specific sectors and firms can entail risks to public resources. Chile's has distinguished itself by avoiding the pitfalls of special incentive schemes for foreign investment and any new programs should carefully balance costs and benefits.⁵

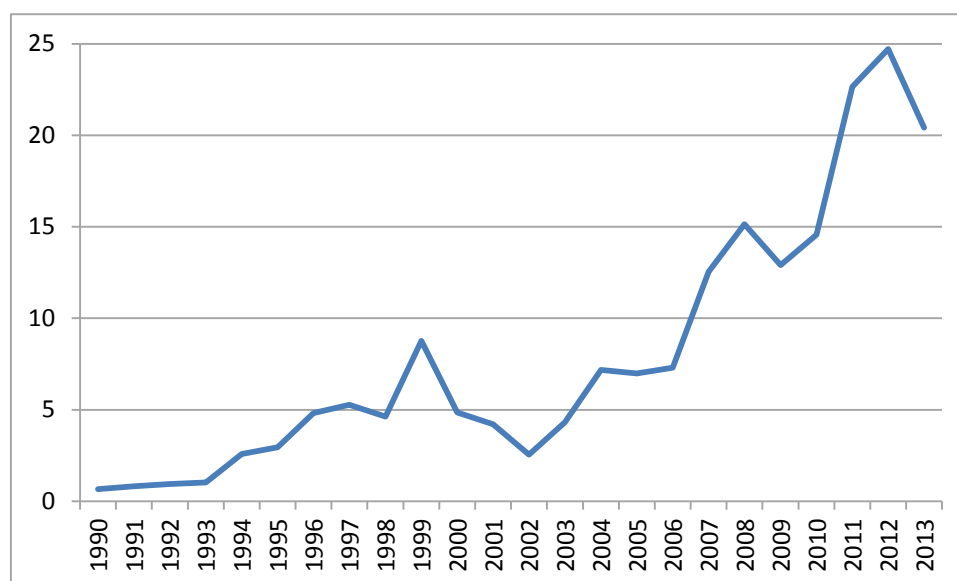
8. This report takes a broad brush to describe Chile's FDI trends and its investment policies. It then provides an in-depth analysis of the current state of investment promotion and facilitation in Chile with illustrations of good practices to provide concrete recommendations on the way forward – particularly with a view of supporting the FIC in its transition from a DL 600 administrating body to a pro-active investment promotion agency.

1.2. FDI Trends in Chile

9. Chile has been extremely successful in attracting foreign direct investment (FDI) despite the relatively small size of its domestic market. FDI has been an integral part of Chile's economic development strategy over the past decades, contributing to positioning the country as a leading economy in South America. Inward investments have been dominated by multinational enterprises' (MNEs) exploitation of the country's rich endowment of natural resources, although FDI in manufacturing and services has represented an increasing share of the total (see below).

10. In the 1990s, FDI inflows remained below – or around – USD 5 billion until they peaked to USD 8.8 billion in 1999. Over the past decade, Chile received increasingly growing inflows to reach a record level of USD 24.7 billion in 2012 (Figure 1). The only notable exceptions of declining inflows occurred in 2009 and 2013; the former explained by the global financial crisis and the latter by a return to a more balanced amount after a surge of investment in the mining sector in 2011-2012.

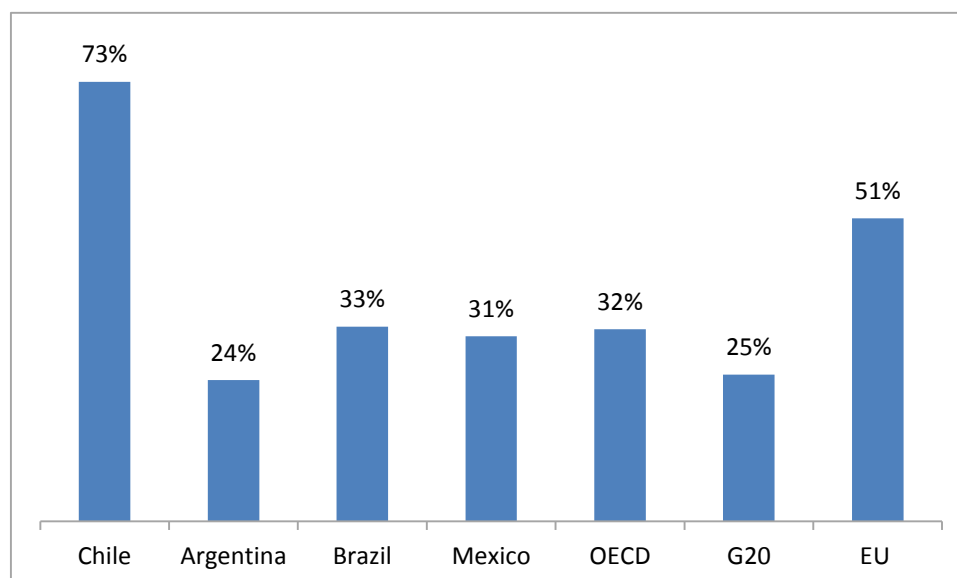
⁵ OECD (2011b), *Maintaining Momentum: OECD Perspectives on Policy Challenges in Chile*, Paris

Figure 1. FDI inflows to Chile, 1990-2013 (USD billions)

Source: OECD statistics

11. Chile performs very well both regionally and globally in attracting foreign investment. It is the second largest recipient of FDI in South America after Brazil, both in terms of flows and stock. Chile shows a particularly successful record of attracting FDI when compared to the size of its economy. Its total FDI stock represented 73% of its GDP in 2013 while inflows never went below 6.5% of its GDP over the past five years. Regional competitors, such as Brazil and Argentina, show a lower record with their FDI stock accounting for respectively 33% and 24% of their GDP (Figure 2). Chile also compares very well *vis-à-vis* OECD countries, for which total FDI stock represented 32% of their combined GDPs in 2013. Within the OECD, only small economies such as Belgium, Estonia, Hungary, Ireland, Luxemburg, the Netherlands and Switzerland have a higher stock of FDI as a share of their GDP.

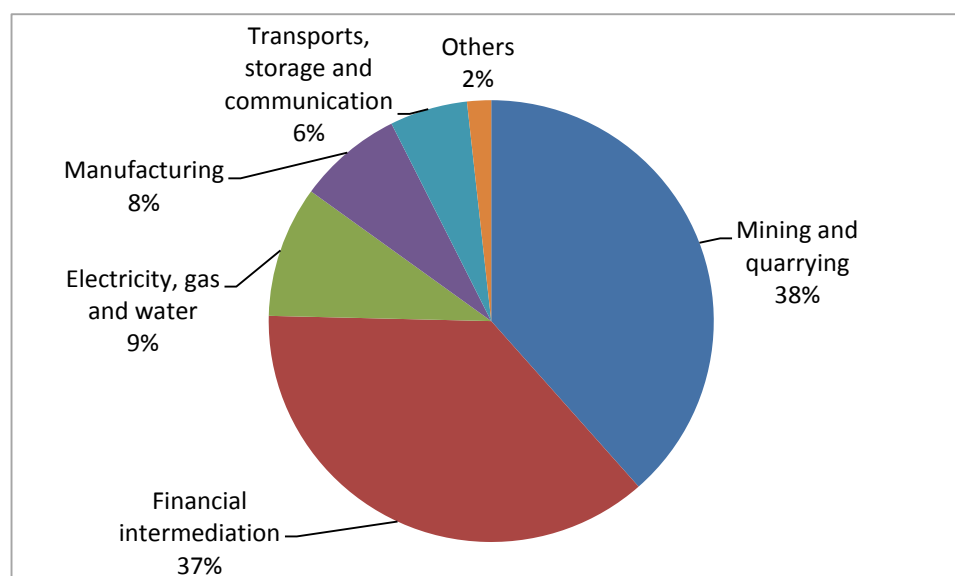
12. The breakdown by nationality of foreign investors reflects a strong predominance of companies from OECD countries. According to the IMF, Spain is the largest source of investment in Chile (18% of FDI stock in 2012) followed by the United States (16%) and Canada (9%). To a lesser extent, the Netherlands and Japan also constitute large investor countries in Chile as well as regional emerging economies such as Brazil, Argentina and Colombia. Other important sources of FDI are Caribbean countries established as offshore financial centres.

Figure 2. FDI stock as a share of GDP in Chile and comparators, 2013

Source: OECD statistics

13. Looking at FDI by sector shows a prevalence of investment in mining and quarrying, which represent almost 40% of Chile's total stock of FDI (Figure 3). Chile is a major player in the mining industry and the largest copper producer globally. Many of the world's largest mining MNEs, including BHP Billiton and Rio Tinto, constitute major investors in Chile, along with other smaller foreign-owned enterprises. Recent trends show that mining has become even more predominant in Chile's FDI landscape, as more than 50% of cumulated inflows were concentrated in this sector over 2009-2012.

14. The majority of remaining FDI projects is mainly concentrated in services activities, mainly financial intermediation (37% of total FDI stock) but also electricity, gas and water (9%) and transports, storage and communication (6%). This reflects a long track record of privatisations and other market-oriented reforms that boosted foreign investment in services. Manufacturing only accounts for 8% of Chile's FDI stock and agriculture and fisheries less than 1%. In natural resource based activities, such as fish farming and fresh fruits, Chile has nevertheless been successful in moving from mere resource extraction to activities with higher value added.

Figure 3. FDI stock by sector, 2012

Source: OECD statistics

15. The significant differences in FDI stock between these industries reflect the need for Chile to engage in pro-active investment promotion so as to achieve a higher degree of economic diversification and more inclusive growth. In this context, efforts to continue enhancing FDI statistics could be envisaged to include more in-depth analysis of the distribution of FDI and its impact on specific activities to assess the importance of resource endowments.⁶

1.3. The main facets of Chile's investment policy

16. Chile's economy boasts sound macroeconomic fundamentals, capitalising on decades of careful economic management. It also enjoys political and institutional stability.⁷ In addition, its policies are conducive and open to FDI. Investment-related policies are non-discriminatory and foreign-controlled enterprises are provided with national treatment, *i.e.* they receive a treatment no less favourable than domestic companies in similar situations. Chile's liberal approach to foreigners' participation in the economy is reflected in the absence of a specific law concerning foreign investment and of trans-sectoral restrictions, such as prior approval or screening requirements. The principle of national treatment is incorporated in Chile's Constitution, which guarantees both Chileans and foreigners the right to develop any economic activity, provided applicable legislation is observed and such activities are not contrary to public morals and order, or to national security interests⁸.

⁶ Chile reports FDI statistics to the OECD according to the new OECD Benchmark Definition 4th Edition, since 2012. The Central Bank of Chile is the official source responsible for the compilation of FDI statistics in Chile. The OECD Working Group on International Investment Statistics (WGIIS) recently welcomed Chile's offer to provide a report on the planned implementation of ISIC 4 (International Standard Industrial Classification, 4th revision) in its FDI statistics, understanding that the adoption of ISIC 4 will need to be coordinated with the National Statistical Office.

⁷ EIU (2014), Country Report: Chile, October 2014, London

⁸ Chile does maintain a national security-related measure regarding the acquisition of real estate by foreigners in certain geographic areas.

17. Chile has few statutory restrictions to foreign investment, as reflected on the OECD *FDI Regulatory Restrictiveness Index*, an index that seeks to gauge the restrictiveness of a country's FDI rules currently available for over 50 countries (Box 1).

Box 1. The OECD FDI Regulatory Restrictiveness Index

The OECD *FDI Regulatory Restrictiveness Index (FDI Index)* does not provide a full measure of a country's investment climate as it does not score the actual implementation of formal restrictions and does not take into account other aspects of the investment regulatory framework, such as the extent of state ownership, and other institutional and informal restrictions. Nonetheless, FDI rules are a critical determinant of a country's attractiveness to foreign investors and the *FDI Index*, used in combination with other indicators measuring various aspects of the FDI climate, contributes to assessing countries' international investment policies and to explaining variations among countries in attracting FDI.

The *FDI Index* covers 22 sectors, including agriculture, mining, electricity, manufacturing and main services (transport, construction, distribution, communications, real estate, financial and professional services).

For each sector, the scoring is based on the following elements:

- the level of foreign equity ownership permitted;
- the screening and approval procedures applied to inward foreign direct investment;
- restrictions on key foreign personnel; and
- other restrictions such as on land ownership, corporate organisation (e.g. branching).

Restrictions are evaluated on a 0 (open) to 1 (closed) scale. The overall restrictiveness index is a weighted average of individual sectoral scores.

The measures taken into account by the index are limited to statutory regulatory restrictions on FDI, typically listed in countries' lists of reservations under FTAs or, for OECD countries, under the list of exceptions to national treatment. The *FDI Index* does not assess actual enforcement. The discriminatory nature of measures, *i.e.* when they apply to foreign investors only, is the central criterion for scoring a measure. State ownership and state monopolies, to the extent they are not discriminatory towards foreigners, are not scored.

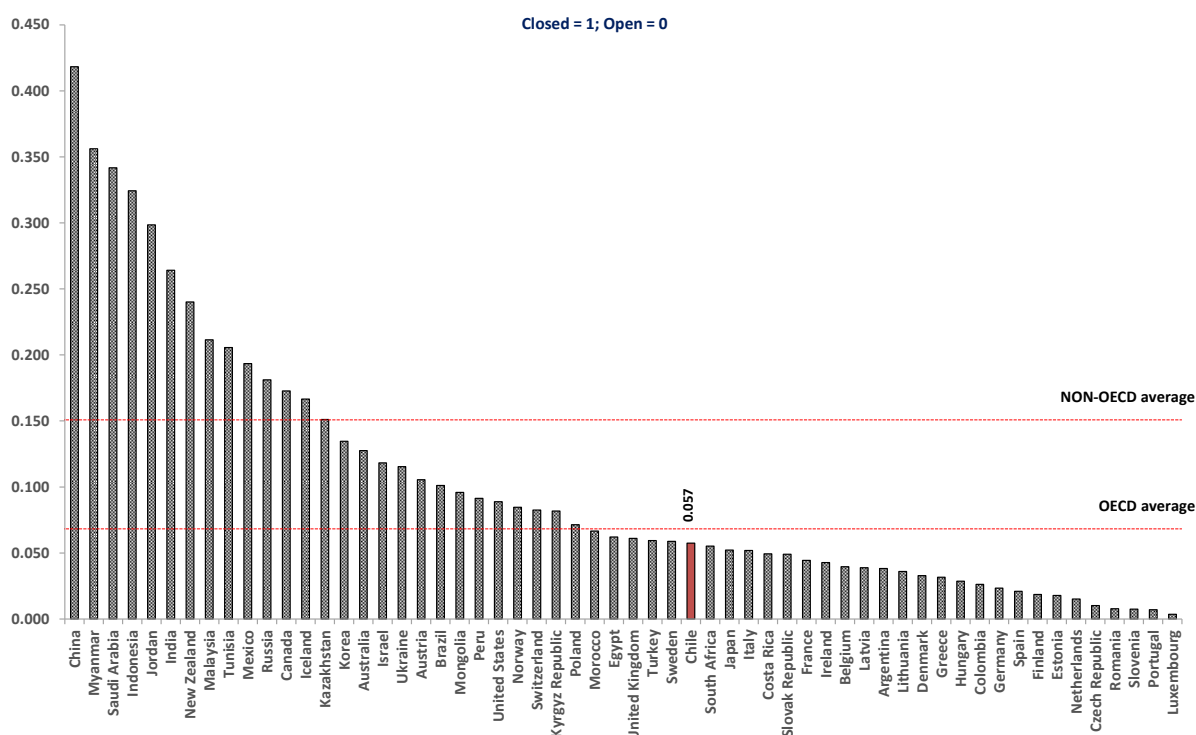
For the latest scores, see www.oecd.org/investment/index

18. Chile ranks rather well on the *FDI Index* compared to over 50 countries for which it is currently available (Figure 4). It has fewer statutory restrictions than the average of OECD and non-OECD countries, making it an open economy. Restrictions to FDI in Chile are mainly concentrated in fishing and in some services sectors, where particular activities in road transport, shipping and air transport are subject to foreign ownership limitations or reserved for Chilean nationals. Besides, exploration, exploitation and treatment of hydrocarbons, liquid or gaseous, of uranium and lithium are subject to prior authorization. These measures are explicitly featured in the OECD List of exceptions to National Treatment for foreign-controlled enterprises.

19. Rules for granting of concessions make no distinctions between nationals and foreigners, ensuring openness to foreign investors in sectors such as mining (accounting for around one-fifth of GDP)

and telecommunications, in which a concession is required.⁹ Chile is open to foreign investment in the financial sector. Branching is allowed in banks and insurance, but establishment of all other types of financial institutions requires incorporation in Chile.

Figure 4. Chile's ranking under the OECD FDI Regulatory Restrictiveness Index



Source: OECD

20. Chile does not screen inward FDI, which contributes to making it an open economy and friendly investment environment. Screening measures refer to government approval requirement of investment projects by foreigners beyond the licensing requirements applicable to domestic investors. It does not necessarily have negative effects on FDI but can discourage prospective investors (*e.g.* by imposing additional administrative burdens or giving the image of an unfriendly environment) and, in some cases, leave too much space for discretionary decisions. Discretion in screening mechanisms can provide more bargaining power to foreign investors during the negotiation phase and hence lead to the opposite effect than the one expected (*i.e.* keeping only the “good” investors). It can also lead to corruption and rent-seeking behaviour.

21. FDI rules are a critical determinant of a country’s attractiveness to foreign investors, and Chile has benefited from low restrictiveness. Chile should ensure it maintains such an open and conducive environment if it is willing to keep being perceived and considered as an attractive investment destination in the region. Introducing more restrictive measures (*e.g.* screening) at the same time as reforming the Foreign Investment Committee would provide a confusing, potentially negative message to the international business community.

⁹ There is an exception to this rule in the case of certain mining activities, for which prior authorisation is required because of national security concerns.

22. The international investment agreements signed by Chile re-affirm the commitment expressed in domestic law to a non-discriminatory, predictable and transparent framework for FDI. It has an active history of negotiating bilateral investment treaties, while from the end of the 1990s it started replacing these with investment chapters contained in regional trade agreements.¹⁰ Chile has also made international commitments to gradually liberalise market access, as well as to strengthen the protection of investors.¹¹

23. Further, Chile plays an active role in enhancing regional trade and investment integration, in accordance with its needs to tap into international markets for economic expansion. This motive has underpinned its activities within the context of the Pacific Alliance, such as the recent framework agreement on trade and related issues. It is also strengthening trade and investment ties with its APEC partners, including with China through a bilateral strategic orientation agreement, and the signing of new trade agreements with Malaysia, Viet Nam and Thailand. Chile is also a member of the Trans-Pacific Partnership, currently under negotiation.¹²

24. Another important feature marking Chile's current investment-related policies is the recently passed tax reform, raising corporate income taxes from 20% to 25% or 27%, depending which regime a company chooses. The *Fondo de Utilidades Tributarias*, a tax credit scheme allowing companies to defer tax payments on profits for future investments, was also eliminated, while the DL 600 is currently undergoing a process of derogation.¹³ These moves are accompanied by measures to lower the personal income tax from 40% to 35%, as well as savings incentives schemes for small and medium-sized enterprises.¹⁴

25. The overarching aim of the tax reform is to fuel educational reforms in Chile. The extent by which the tax reforms will increase the public revenue available for more far-reaching reforms will be determined by the economic activity in Chile, which is strongly linked with the global demand for its commodities. At the same time, these additional resources will have to support the needs of Chile's economy, such as a more sophisticated skills-base to support the development of identified priority sectors.

26. The availability of these skills is critical to further expand the services sector, including those strategic R&D and innovation activities, as well as high-end manufacturing of equipment, for the mining sector. These could also lead to eventual spin-offs and the development of dynamic industry clusters that would underpin higher-value integration in GVCs. Another area of expansion is renewable energies, linked with other attempts to address the vulnerability to energy shortages and high energy costs in Chile. The importance of investment promotion and facilitation, and hence its investment promotion agency, in this context cannot be overstated.

27. Given the current changes in the investment-related policies, including the discussions around derogating of the DL 600, Chile needs to confirm its commitment to maintaining a stable and secure environment for foreign investors, a factor that has been key in driving investment flows over the recent years. This should include an open communications strategy with the business community, both domestic and foreign, and entailing inviting private sector feedback on policy changes. An important element in this strategy is the establishment of an agency that is empowered and resourced to do pro-active investment

¹⁰ OECD (2011a), Enhancing market openness, intellectual property rights, and compliance through regulatory reform in Chile, Paris

¹¹ Ministry of Foreign Affairs and Trade, presentation at APEC-ADBI training, Melbourne, June 2014

¹² EIU (2014), Country Report: Chile, October 2014, London

¹³ Under the regime of Decree Law (DL) 600, foreign investors bringing capital, physical goods or other forms of investment into Chile may ask to sign a foreign investment contract with the State of Chile.

¹⁴ EIU (2014), Country Report: Chile, October 2014, London

promotion in line with international good practices. In other words, this means turning the FIC from a DL600 administrating body into a top class Investment Promotion Agency (IPA). The next section further elaborates on the rationale behind the creation of an IPA and how this could complement Chile's FDI policy environment in order to increase its FDI inflows.

1.4. Principles for Organising Investment Promotion

28. This section explains the relationship between the benefits of FDI, the rationale of investment promotion and the establishment of an IPA as an instrument to capture the benefits of FDI. Investment promotion is geared at attracting FDI, but why does FDI play a key role in economic development? First step in deciphering this question requires an in-depth understanding of the direct and indirect benefits of FDI. As a second step, the rationale for investment promotion provides further insights on to what extent investment promotion correlates positively with attracting FDI.

29. After evaluating if and to what extent investment promotion facilitates FDI, it should be decided who will be responsible for carrying out investment promotion. The organisational, institutional and legal structure of this investment promotion agency should be carefully considered. This is followed by determining what exactly needs to be promoted, as determined by Chile's national investment promotion strategy. The final step relates to deciding how investment promotion is executed. In other words, which instruments, functions and techniques should be used to achieve tangible results? These inter-related steps are presented in Figure 5.

Figure 5. Process of investment promotion and the establishment of the IPA



Source: Investment Consulting Associates, 2014

1.4.1. Benefits of FDI

30. A location decision is, in many respects, a referendum on a nation's competitiveness. When a company decides to construct a factory in location A rather than in location B, it is effectively voting on the question of which location can best facilitate the investment. Each location decision translates into investments and jobs, tax revenues, transfer of knowledge and technology, re-investments, enhanced productivity and increased competitiveness, therefore contributing to economic development. Many governments from emerging and developing countries, as well as the ones of the economically more advanced countries, compete fiercely for each vote.

31. More and more investment locations are actively promoted with appealing location value propositions, and attractive investment incentives are in place in order to lure corporate investors. The world economy has globalised and corporates are increasingly becoming footloose and location independent. This is all the more reason to have a distinct investment promotion strategy as well as consistent instruments and techniques supporting the efficient execution of investment promotion. Yet,

successful investment promotion is by definition a challenging task as a result of rapidly changing industry developments, sector trends and changes in investment climates.

32. The legitimacy for investment promotion is directly associated with its function to attract and retain FDI, which in turn acts as an important instrument for economic development. However, the benefits of FDI do not accrue automatically even though FDI is part of an open and effective global economic system. Conditions include that appropriate host-country policies are in place and that the host country has achieved a basic level of development¹⁵. The potential benefits of FDI are twofold, which both encourage the process of economic growth in host countries:

- **Direct:** the creation of new jobs, increase of capital and financial resources, increased tax revenues, technical know-how, transfer of organisational, managerial and marketing practices and access to global value chains and distribution channels.
- **Indirect:** FDI spill-over effects to the domestic economy as local development can be fuelled by boosting exports, increased competitiveness, increase in the skills and expertise of the local labour force and enhanced technological capabilities through technology and knowledge transfer. These can contribute to the development of local industries, including dynamic clusters integrated into global value chains (see section 1.4.5).

33. FDI is considered to be 40% more productive than domestic investments¹⁶, thereby enhancing productivity by introducing more competition on the domestic market for resources, products and services enhancing the economy's overall productivity. Productivity in host economies can be positively influenced by the presence of MNEs and their affiliates that are on average more labour productive¹⁷. Moreover, inflows of FDI have the potential effect to connect the host country to the global economy through supplier linkages. Lastly, FDI may help improve environmental and social circumstances in the host country by introducing for instance "cleaner" technologies.

34. Studies that empirically evaluated the impact of FDI on the Chilean economy concluded that FDI had a statistically significant positive impact on¹⁸:

- Economic growth expressed as gross domestic product;
- The rate of gross fixed capital formation;
- The productivity growth rate of factors of production;
- The global competitiveness of the Chilean economy;
- The growth of exports;
- The rate of growth of human capital;

¹⁵ OECD (2002), *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs*, Paris

¹⁶ Earth Institute (2009), *Handbook for Promoting Foreign Direct Investment in Medium-Size, Low-Budget Cities in Emerging Markets*, New York: Columbia University

¹⁷ OECD (2007), *Moving Up the Value Chain: Staying Competitive in the Global Economy*, Paris

¹⁸ CIEChile Foreign Investment Committee (2014), *Single Chilean FDI Promotion and Attraction Agency*

- The rate of absorption of employment and growth of real wages;
- The rate of technology transfer;
- The transfer of new technologies previously absent in Chile;
- The investment in R&D and innovation.

35. However, a number of risks may also be associated with FDI. Negative FDI effects for host countries can arise from the fact that the entry of foreign companies may cause a “crowding out” effect in the consumer market accompanied by a fierce competition for key factors of production (i.e. capital, labour, land and real estate). As such, it weakens the position of existing domestic companies. Other adverse effects include a deterioration of the balance of payments as profits are repatriated, a loss of sovereignty, a reduction in output prices through increased supply and a reduction of domestic market shares. In addition, the evidence on the transfer of technology and knowledge is ambiguous in terms of where, when, how and under which circumstances such transfers occur, as well as about the significance of such transfers. A large number of these risks reflect shortcomings of domestic policies of host countries. This reflects that measures to promote and facilitate investment can be successful if they take place within the context of, and not as a substitute for, a broad range of policy actions that contribute to shaping the investment climate, including those covered in the *OECD Policy Framework for Investment*. Promotional efforts can be unproductive in the absence of a coherent, overarching strategy aiming to improve the business environment (see Box 2).

Box 2. The Policy Framework for Investment

The *Policy Framework for Investment* (PFI) is a tool to assess and improve investment climates. It was developed within the OECD by the representatives of nearly 60 countries, and poses a list of key questions that should be examined by governments seeking to create a favourable investment climate. The objective of the PFI is to mobilise private investment in support of stable economic growth and sustainable development, contributing in this way to the prosperity of countries and their citizens and to combating poverty.

The PFI is not prescriptive. It is a flexible instrument that allows countries to evaluate their progress and identify priorities for action in ten policy areas: (i) investment policy, (ii) investment promotion and facilitation, (iii) trade policy, (iv) competition policy, (v) tax policy, (vi) corporate governance, (vii) policies for promoting responsible business conduct, (viii) human resource development, (ix) infrastructure and financial sector development, and (x) public governance.

Three principles apply in all these policy areas: policy coherence, transparency in policy formulation and implementation, and regular evaluation of the impact of existing and proposed policies.

By encouraging a structured process for formulating and implementing policies at all levels of government, the PFI can be used in various ways, including for self-evaluations, peer reviews, regional co-operation, and multilateral discussions.

<http://www.oecd.org/investment/pfi.htm>

1.4.2. Rationales for Investment Promotion

36. Against this background, FDI can function as catalyst for both national and local economic growth and development – also in Chile. This partly reflects the fact that global capital markets are now far more integrated than in the past and that, because government have come to assign a key role to FDI in the

development of their economies, countries have been creating conditions which make them attractive to overseas investors. It is in this context that the need for investment promotion can be explained.

37. Investment promotion is about promoting a country or a region as an investment destination, leveraging the strong points of a country's investment environment, highlighting profitable investment opportunities and helping to identify local partners. It may be critical and complement a business-friendly FDI environment. Some studies have attempted to quantify¹⁹ the impact of investment promotion on the levels of FDI flows:

- A 10% increase in an investment promotion budget leads to a 2.5% increase in FDI;
- There is a point of diminishing returns for investment promotion and facilitation, which sets in at a level of more than \$12 million. This means that the return on every dollar invested in investment promotion and facilitation activities yields less additional FDI because of inefficiencies, duplications and overhead;
- The net present value (the difference between the cost of an investment and the discounted present value of all future earnings from that investment) of pro-active investment promotion is almost USD 4 for every USD 1 expended.

38. Furthermore, greater investment promotion is associated with higher cross-country FDI flows, on top of the influence of the country's investment climate and market size²⁰. In terms of additional benefits, it is estimated that every USD 1 spent on FDI as capital investment generates USD 1 in domestic investment and that, in some industries, one manufacturing FDI job creates three indirect jobs in the local economy²¹.

39. Around the world, 170 national and 260 sub-national IPAs have been established to facilitate, promote and attract FDI. The majority of these IPAs have been created in the 1990s. Empirical studies have found evidence that²²:

- One dollar spent on investment promotion increased the inflow of FDI by USD 189²³;
- 83% of surveyed executives responsible for selecting where to invest indicated that they normally consult IPAs directly during the selection process; and
- Assistance and information by the government through an IPA had a considerable influence on decisions as to where to invest (based on an analysis of 30 000 FDI projects with high levels of high value-added activities).

¹⁹ Earth Institute (2009) Handbook for Promoting Foreign Direct Investment in Medium-Size, Low-Budget Cities in Emerging Markets, New York: Columbia University

²⁰ Morisset, J. (2003), "Does a Country Need a Promotion Agency to Attract Foreign Direct Investment? A small analytical model applied to 58 countries", World Bank Policy Research Working Paper, No. 3028

²¹ Earth Institute (2009), Handbook for Promoting Foreign Direct Investment in Medium-Size, Low-Budget Cities in Emerging Markets, New York: Columbia University

²² CIEChile Foreign Investment Committee (2014), Single Chilean FDI Promotion and Attraction Agency

²³ Study by University of Oxford (2011) of 124 cases around the world.

40. The nature of – and need for – investment promotion undertaken by IPAs has changed over time. In the 1980s and 1990s, IPAs were primarily engaged with distributing information on the country, business climate and its features of specific interest to the investor. The rise of the Internet has changed the nature of FDI promotion considerably as a great amount of information, both correct and incorrect, has become directly available to investors. The (imperfect) provision and (mis)interpretation of information – or “information asymmetries” – is the most important market failure, which justifies the creation of IPAs. From this perspective, information is considered to be a public good.

41. International investors who intend to invest in a foreign market have a great need for information, including on operational costs, capital expenditures, business partners, competition, taxes, and legislation to potential locations. Large MNEs may have the resources and capacities to undertake the collection of such information, whilst small and mid-sized companies typically cannot afford the costs. IPAs can help remedy this market failure by carrying out a range of services aimed at marketing their country, its competitive business environment, industries and firms, and by simply facilitating business operations. Assuming a sufficient number of realised FDI projects, the benefits associated with collecting and providing information will outweigh the costs of this activity.

42. Due to the information asymmetries, the investment decision-making process is subjective, biased and based on an imperfect information base. As such, the principal aim of an IPA is to create awareness of profitable investment opportunities in the host economy by overcoming information asymmetries²⁴. An IPA’s soft skills in undertaking its core activities are also crucial: The IPA’s level of professionalism, investor orientation, sector knowledge, credibility, track record, and additional services in the form of site visits, meetings with existing investors, familiarisation tours, and efficient implementation support (i.e. generally referred to as one-stop-shop principle) can mark the difference between winning or missing out on a new investment project.

43. The need for investment promotion can also be justified by the fact that foreign direct investment projects are possibly be subject to expansion. Promoting re-investment and expansion of existing investments in higher-end activities may eventually contribute to more R&D and innovation in the economy. Evidence indicates that organising investment promotion in a professional agency is the most efficient way of achieving the desired results.

1.4.3. Establishment of an Investment Promotion Agency

44. A common approach to effectively promote and facilitate investments is to establish a dedicated IPA. An IPA can facilitate the investment process by simplifying administrative procedures, improving regulatory transparency and focusing on investment promotion, thereby functioning as conduit for private sector input in drafting and redrafting policies.

45. The **organisational and institutional structure** of the IPA should be carefully designed depending on the selected functions (i.e. investment promotion techniques – see section 1.4.5) the IPA is expected to fulfil. The ability of the IPA to effectively deal with investor issues is related to a solid legal status, clearly defined mandates, private sector involvement and its position within governmental bodies²⁵.

²⁴ OECD (2006), “Chapter 2: Investment Promotion and Facilitation”, in Policy Framework for Investment: A Review of Good Practices

²⁵ OECD (2011), “Chapter 2. Investment Promotion and Facilitation”, in: Policy Framework for Investment User’s Toolkit

Thus, establishing a successful IPA requires policy-makers to deal with a set of strategic and institutional challenges, of which the most important ones are listed below:²⁶

- **Legal status:** IPAs are usually established by law or decree.²⁷ Without a solid legal framework, the IPA's organisational position is weak and vulnerable to other stakeholders' undermining initiatives, resulting in fragmentation and inefficiencies.
- **Human resources:** despite the fact that the majority of agencies are typified as *public* sector entities, there seems to be uniformity among IPAs in terms of remunerating their employees, who have previous *private* sector experience. As part of their remuneration package, they are often rewarded with performance-based incentives, such as bonuses.
- **Reporting mechanisms:** IPA reporting mechanisms are diverse. They can report to the President, the Prime Minister or a Minister, high-level government officials, a Steering Committee (which often consists of public and private sector representatives) or to a combination of the above.
- **Institutional affiliation and linkages with government:** The vast majority of IPAs report to public institutions, which are sometimes integrated within a ministry or established as an autonomous agency. The latter organisational structure allows IPAs to operate with a relatively independent budget and enables to operate more autonomously compared to IPAs that are financially dependent upon the government.
- **Linkages with the private sector:** including private sector representatives in a Steering Committee facilitates direct linkages between government entities and businesses and industries, increasing the IPA's visibility and credibility. A strong and active involvement of the private sector allows for policy dialogue on investment issues, which in turn contributes to the IPA's overall governance, management and performance as well as objectivity and the supply of unbiased information.
- **Number of mandates on top of investment promotion:** Foreign direct investment promotion, export and tourism promotion, promoting investor project proposals (IPPs), governing special economic zones (e.g. registering and administrative responsibility), promotion of business linkages and clusters, and promotion of expansion investments are examples of functions that could complement the investment promotion mandate of IPAs. Whether an IPA decides to include such functions or not, it is particularly important to maintain regular and efficient collaboration with other agencies to ensure complementarity and efficiency (see Box 3 on the case of business linkages in Costa Rica).

²⁶ Morisset, J. & Andrews-Johnson, K. (2004), "The Effectiveness of Promotion Agencies at Attracting Foreign Direct Investment", Foreign Investment Advisory Service Occasional Paper, No. 16

²⁷ UNCTAD (2001), "The World Of Investment Promotion At A Glance: A Survey of Investment Promotion Practices", ASIT Advisory Studies, No. 17

Box 3. Business linkages promotion in Costa Rica

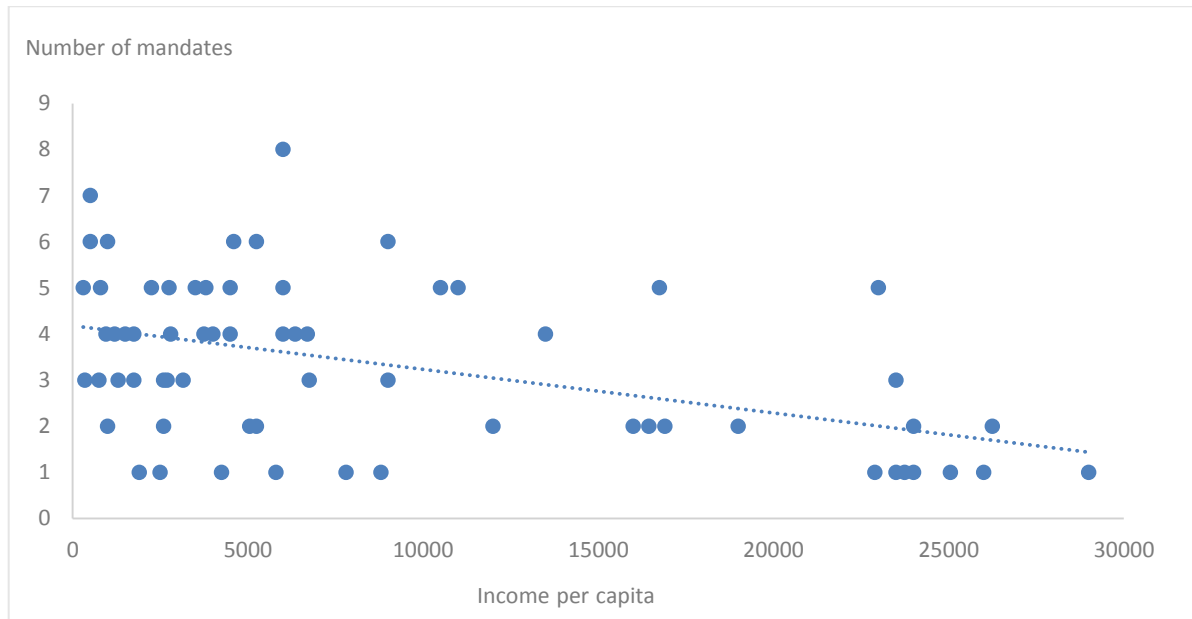
Foreign companies develop a web of linkages with local counterparts through backward linkages (supplier), forward (customers), and horizontal linkages (competitors) and relations with non-business institutions (Giroud & Botelho 2008). These linkages can bring substantial benefits to host economies including transfer of skills, knowledge, capital and technology. They facilitate supplier capacity upgrading, helping local companies move up the value chain to more skill-intensive activities, and promote specialisation and innovation.

In order to increase the value addition of MNEs' production in Costa Rica and the competitiveness of SMEs, in 1999 the government launched a project to develop domestic suppliers of high-technology MNEs (*Proyecto de Desarrollo de Proveedores para Empresas Multinacionales de Alta Tecnología*) with the support of the Inter-American Development Bank. The project had three main elements: a pilot supply programme, an information sharing system and a national agency for supplier development (*Costa Rica Provee*). *Costa Rica Provee* aimed to understand the needs of MNEs, to identify potential suppliers and to connect multinationals with qualified suppliers. Between 2000 and 2010, the programme facilitated over 300 business linkages for local SMEs concentrating in the packing, packaging, metalworking, plastics and technology services sectors. Buying MNEs reduced their costs by 16%, reduced their quality problems by 2.5% and improved their deliveries by 32%.

The programme has since become the export linkages department of *PROCOMER*, the national trade promotion agency. It focuses on sectors targeted in FDI promotion (high-technology industries, life sciences and services). To further support business linkages, the *PROCOMER*-led Export Linkages Commission was created in 2010 to facilitate inter-institutional coordination to expand and deepen effective linkage building. The commission consists of the ministries for External Trade; for Economy, Industry, and Trade; and for Sciences, Technology and Telecommunications; the Costa Rican Investment promotion agency (*CINDE*); technological development institutes and chambers of commerce.

Source: OECD (2012), OECD Investment Policy Reviews: Costa Rica, Paris; Giroud, A. & Botelho, D. (2008), Policies promoting MNEs linkages in host economies: A comparison between Brazil and Malaysia, OECD, Paris

46. Legacy, political support and budgetary considerations will play a key role in determining the right configuration of the FIC. However, the nature of clients' inquiries regarding investment and trade differ considerably. Foreign investors usually request information about the investment location whereas successful exporting companies require that potential customers have information about the exporter's products. Such activities might be related – and partnerships are certainly fruitful – but can turn out to be quite different in practice. When scale and volumes justify, it can be argued that focusing exclusively on investment promotion is more effective than dealing with several auxiliary mandates simultaneously. It seems that countries' income levels inversely correlate with IPAs' number of mandates, indicating that IPAs in more advanced economies are more specialised in investment promotion than their counterparts in countries that are less developed (see Figure 6). This can be attributed to the fact that the latter group of IPAs more often faces tighter constraints on budgets and human resources, forcing them to combine their responsibilities.

Figure 6. Correlation between Number of Mandates of IPA and GDP per Capita

Source: Morisset & Andrews-Johnson, 2004, p 48

47. In addition to the institutional and organisational structure, the **legal structure and degree of authority** of the IPA are key determinants of its effectiveness. An autonomous status enables IPAs to create a corporate office culture, allowing them to attract staff and their expertise from the private sector. A risk using this autonomous status, however, is finding and securing sufficient funding. Funding is more secured when the IPA is part of a Ministry but, again, this limits its space to manoeuvre.

48. The exact degree of autonomy depends on the national legal context and funding. The legal structure should stipulate the IPA's mandate, its authority, its powers and the control measures the IPA has at its disposal. Its staffing and funding are defined by this legal structure. If the IPA has a clear and dedicated mandate (i.e. FDI promotion), the role the IPA plays is more prominent, enhancing operational independency and objectivity. The legal structure should at least define:

- An appropriate **governance mechanism**: the composition and selection process of the IPAs Supervisory Board;
- **Reporting mechanisms**: how and to whom the IPA should report; and
- **Relationships with other entities**: the internal and external structure of the IPA with linkages to the government and the private sector.

49. In order to carry out the responsibilities, the IPA must be granted a degree of authority and flexibility. If this is not the case, the IPA will be extremely limited in terms of its operations and exclusively function as information provider and marketing organisation. IPAs with statutory power and legal authority are more likely to have well-functioning procedures and the power to enforce its position in relation to third parties. Legalising the degree of authority depends on the position of the IPA within the government.

- **Unit of a Ministry**: it is not necessary to establish the IPA's legal authority separately as the Ministry's existing decision power on investments can simply be transferred to the IPA's entity.

- **Autonomous Entity:** it is necessary to issue special legislation as establishing an autonomous organisation requires to legally define its functions and mandate. The exact powers should be decided upon and documented in the relevant legislation.

50. To actually grant the IPA authority requires some practical matters. The government needs to identify the licenses and permissions required to establish a foreign-owned business to make sure that the IPA is equipped with the appropriate control over issuing licenses and permissions. The government should determine whether and which other related legal powers (e.g. awarding incentives and permits) should be transferred to the IPA. Caution is required as the IPA may turn into just another juridical stop for the investor. The IPA should not turn into an additional layer of bureaucracy. Sending the investor to numerous government officials which deal with legal issues over which the IPA has no authority and little influence should be avoided at all times.

51. International experience has shown that the most effective IPAs have been implemented as a statutory body²⁸. IPAs have proven to be even more effective when established under an act of parliament. On the other hand, government decisions or decrees are often weaker due to the fact that these can be easily overturned, dropped or modified with government or policy changes and are thus a weaker legal foundation for IPAs.

52. Developing the IPA's legal status also entails specifying its mandates. This can be sensitive, mainly due to the fact that some mandates can overlap with or substitute some of the responsibilities of other public entities²⁹. In addition to investment promotion and attraction, the IPA's mandate can include informing new investors, providing professional services to meet investors' needs, assisting foreign-owned companies to overcome investment hurdles, drawing foreign investors' attention to investment opportunities and bringing investment issues to the attention of the government. Consideration should be given to whether the mandate is appropriate given the national context and whether its mandate should be restricted to certain activities. Ideally, the IPA's mandates should be limited to a discrete number of responsibilities specifically aimed at facilitating and enhancing the levels and quality of investment.

53. Finally, appropriate performance monitoring and evaluation can help IPAs improve their impact and efficiency. On one hand, evaluation helps agencies assess if they are assuming the appropriate role and undertaking the right activities, and evaluate key management areas and practices on the other. Key Performance Indicators (KPIs) of IPAs typically include the number and amount of new investment projects (committed or completed) for a given year, as well as the number of jobs created and/or safeguarded. Some IPAs also use activity indicators to monitor the activities undertaken over a given period. IDA Ireland constitutes a best practice of an IPA effectively establishing KPIs as part of its investment promotion strategy (see Box 4).

²⁸ Sun, X. (2002), "How to Promote FDI? The Regulatory and Institutional Environment for Attracting FDI", Prepared by the Foreign Investment Advisory Service for the Capacity Development Workshops and Global Forum on Reinventing Government on Globalisation, Role of the State and Enabling Environment

²⁹ World Bank (2014), "Module 2: IPA Set-up", Investment Generation Toolkit

Box 4. IDA Ireland's Key Performance Indicators

IDA Ireland

IDA Ireland, the Irish investment promotion agency, has created a broader and more sophisticated set of indicators on agency performance, assessing the impact of investment on national economic and development objectives.

IDA Ireland KPIs go beyond the activities of the IPA and reflect the agency's strategic objectives as outlined in *Horizon 2020: IDA Ireland Strategy* (2010):

- Continue to attract suitable, high quality, knowledge and skills-based FDI to Ireland;
- Place Ireland at the leading edge of the global economy in specific niches;
- Achieve a better, more equitable regional balance in investment across Ireland. To mobilise regions rather than local areas to compete actively with regions internationally;
- Develop clusters of excellence in which a range of companies and R&D centres operate to create a climate of innovation and entrepreneurship;
- Work with current inward investors to move up the value chain and utilise the ever-expanding skills base of the Irish workforce; and
- To encourage companies to move towards more advanced technological processes with a greater focus on R&D. To influence improvements in infrastructure and skills.

Accordingly, its KPIs take into account the total number of investments; R&D and innovation; and the share of investment and jobs outside the main urban areas of Dublin and Cork. IDA Ireland seeks to attract investment requiring skilled, well-paid employees, and has developed indicators to measure the average salary of jobs created.

It monitors the direct economic impact of its client companies, including through the generation of exports, total direct expenditure in the Irish economy, and annual corporate tax payments.

IDA Ireland indicators

- Total number of investments approved
- Number of Greenfield projects
- Number of expansion projects
- Number of research, development and innovation projects
- Investment in research, development and innovation projects
- Percentage of investments located outside Dublin and Cork
- Percentage of jobs approved outside Dublin and Cork
- Percentage of jobs approved with salaries in excess of EUR 35 000
- Average salary in new investments
- Annual corporate tax payments of IDA client companies
- Total R&D in-house expenditure

Source: IDA Ireland (2014), Annual Report and Accounts 2013, Dublin; IDA Ireland (2010), *Horizon 2020: IDA Ireland Strategy*,

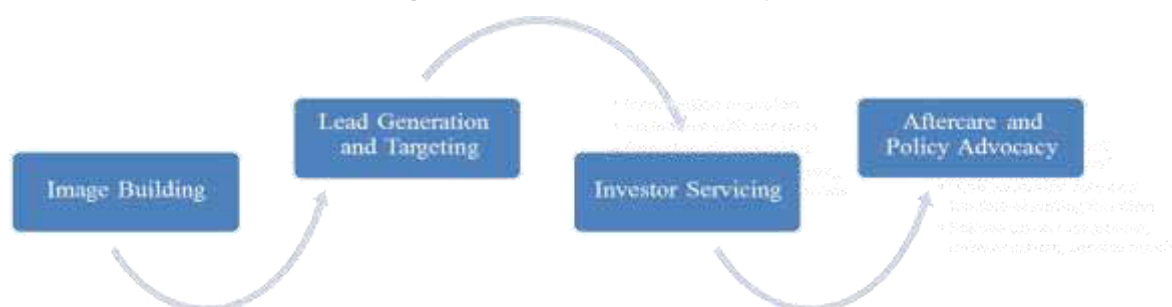
1.4.4. Need for an Investment Promotion Strategy

The next step after explaining the need for investment promotion and who will be conducting investment promotion is designing the actual investment promotion strategy. The need for the establishment of an IPA should be stipulated in this policy framework. The content of the investment promotion strategy revolves around the question of “what to promote” and depends on the balance between the country’s business competitiveness and attractiveness for investment opportunities on the one hand, and the perceptions and investment intentions of investors on the other hand. Decisions on what to promote are usually embedded in policies and can vary over time as global demand and markets change over time, and as different policy-makers use different angles and ideologies as to what strengths to promote. There is thus a risk associated with targeting specific sectors or “picking winners” if these decisions are made based on political agendas rather than carefully crafted economic rationales. As such, it is critical that the IPA should be involved in the development of the investment promotion strategy.

1.4.5. IPA’s Instruments, Functions & Techniques

54. IPAs tend to focus on four central functions as shown by Figure 7: image building, lead generation and targeting, investor servicing, and aftercare and policy advocacy. Over time, IPAs refocus their resources and efforts towards the last two functions as a result of increased levels of FDI. On the contrary, the main objective of an IPA in its early stages is to draw attention to profitable investment opportunities in the host economy with a focus on image building activities, lead generation and targeting.

Figure 7. Investment promotion cycle



Source: Investment Consulting Associates, 2013

Image Building

55. Image building, the founding phase of the investment promotion cycle, is about creating the perception of a country as an attractive location for international investment. Activities commonly associated with image-building include *focused advertising, public relations events, and the generation of favourable news stories by cultivating journalists, etc.* This function involves developing a country brand; portraying it through information and sales packs, investment plans in sectors or regions, and policies and incentives for investors and businesses; as well as creating a strong website and other communications materials that showcase this brand and the country’s investor-friendly environment. Progress and achievements on business-friendliness, as well as global rankings, can be documented and used to strengthen the country image.

56. Investors will make conclusions of an investment destination based on the information they receive, be it from official sources or through networks and a country’s reputation. Image building allows a country to harness the first impression a potential investor has of an investment destination by framing and highlighting information it wishes investors to access. Successful image building creates interest in the

promoted country or region, is coherent and comprehensive, and prepares a base to build on in with the other steps of the investment promotion cycle.

57. Developing the website is of particular importance, as it often contributes to building the first impression of prospective investors about the host economy. It also constitutes an easy means for the IPA to centralise all the information relevant to foreign investors at a reasonable cost. A helpful and updated website contributes to placing a country on the radar screens of new international investors. The World Bank notes that IPA websites from OECD countries remain the benchmark for other regions (Table 1).

Table 1. Top 10 IPA websites as assessed by the World Bank

1. ABA – Invest in Austria	www.investinaustria.at
2. CzechInvest (Czech Republic)	www.czechinvest.org
3. Austrade (Australia)	www.austrade.gov.au
4. Germany Trade and Invest	www.gtai.de
5. Invest in Denmark	www.investindk.com
6. Invest in Spain	www.investinspain.org
7. Investment Support and Promotion Agency of Turkey	www.invest.gov.tr
8. PRONicaragua (Nicaragua)	www.pronicaragua.org
9. Department of Investment Services (Chinese Taipei)	http://investtaiwan.nat.gov.tw
10. Hungarian Investment and Trade Development Agency	www.hita.hu

Source: World Bank (2012), *Global Investment Promotion Best Practices 2012 – Investment Climate*, Washington.

Lead Generation and Targeting

58. Building on the image created of the host economy, the next function of the investment promotion cycle consists in generating new FDI projects by actively targeting specific investors in sectors which match the economic priorities, national development plans and other criteria. Lead generation entails *targeting specific sectors and companies with a view to creating investment leads. IPAs align themselves with national priorities to identify potential sectors and investors, and use direct marketing techniques to approach them. Activities include direct mailing, telephone campaigns, investor forums and seminars and individual presentations to targeted investors.* With increased competition for large investment projects between locations and countries, IPAs are increasingly expected to be proactive in approaching investors and proposing well thought-out investment projects. The outreach and professionalism of the IPA can be decisive in a business's decision to invest in a given location.

59. Investment generation activities can be done both at home and overseas. Most large investment decisions are taken at a global or regional level by senior management as a result of long processes of preparation and deliberation. Successful lead generation should bear in mind both counterparts, investors already present in the country and at headquarters level.

60. Beyond securing investment in line with country priorities, FDI targeting can contribute achieving the objectives of a broader strategy for economic development in which IPAs can play a key role. To boost investment into target sectors and increase the competitiveness of domestic suppliers in a given sector or industry, IPAs can help support clustering (see Box 5). Clusters are geographic concentrations of companies, academic and research institutions, and other public and private entities that facilitate collaboration on complementary economic activities, and can be harnessed to promote exchanges and mutually beneficial cooperation³⁰. Clusters can boost the results and competitiveness of cluster

³⁰ OECD (2011), *Attractiveness for Innovation: Location Factors for International Investment*, OECD, Paris.

companies, spur regional economic development, foster innovation, and attract investors in priority sectors and industries. They are characterised by both cooperation and competition between the participating companies, and bring benefits to the cluster and the broader economy. They generally gather a variety of skills and business processes relevant for their function to enable comprehensive turnkey delivery, and can provide investors with both an investment destination and a developed and competitive supplier base.

Box 5. CzechInvest's sectoral clustering: Moravian-Silesian Automotive Cluster

CzechInvest cluster support

Czechinvest has established a cluster support programme to promote innovation and increase the competitiveness of the Czech economy. CzechInvest supported clusters must comprise a minimum of 15 companies, with at least 60% SME participation and at least one research or higher education institution.

The programme has supported cluster formation through sector mapping, feasibility studies for sustainable clusters, and the creation of cooperation platforms between companies. It also facilitates cluster development by providing infrastructure for human resources development, innovation, R&D and technology development and transfer; and coverage of running costs including cluster management, market analysis and joint projects.

The Moravian-Silesian Automotive Cluster

The Moravian-Silesian automotive cluster, located in a long-standing industrial region in the eastern Czech Republic, aims to improve the competitiveness and export capacity of cluster members, foster innovation, and promote the region and its automotive industry. The Czech automotive cluster has achieved international recognition with a tradition of engineering supported by relevant high-quality education, an extensive supplier base and adapted infrastructure and industrial facilities.

The cluster has over 60 members in the Moravian-Silesian region and its surroundings, including several local academic and R&D institutions, such as the Technical University of Ostrava. Founded in 2006, its legal base is an association. In addition to being self-financing, it has benefited from CzechInvest subsidies.

The cluster offers services and facilities for R&D, such as laboratories for noise, heat and cooling testing. It promotes member cooperation and the sharing of practices, experience and skills. For example, the cluster website provides member services with a catalogue of existing technical and design solutions, access to cluster members' contact information, and a joint-purchasing system. The cluster further supports and expands companies' trade relations, and facilitates liaison with clients through supplier-buyer events

Source: Moravian-Silesian Automotive Cluster, CzechInvest

Investor Servicing and Facilitation

61. After an investment lead has been created and investor interest piqued, IPAs can support investors to establish themselves in the host country and to secure their investment project. Existing as well as potential foreign investors can face a myriad of problems when seeking to invest in the host jurisdiction; investment facilitators can help solve these problems by simplifying and supporting with administrative procedures. Investor servicing and facilitation therefore refers to *the range of services provided in a host country that can assist an investor in analysing investment decisions, establishing a business, and maintaining it in good standing.*

62. Investor servicing and facilitation can include activities such as information provision, "one-stop-shop" services aimed at expediting the approval process instead of sending investors to all the different agencies and ministries in charge of licences, permits and approvals, and various assistance in obtaining sites, utilities, etc. (see Box 6 below for additional information on one-stop-shops and the example of

Singapore.). IPAs can provide advice on the required steps, documents and paperwork, and put investors in contact with or help co-ordinate with the various actors involved in clearing administrative steps and approvals.

Box 6. One-stop-shops, example of the Singapore Economic Development Board

What are one-stop-shops?

Investors looking to establish themselves in a new location are faced with a multitude of administrative procedures relating to registering and opening a business. From visas to licenses, clearances, permits and registration with tax authorities, investors must typically interact with and obtain documents and approvals from government agencies across the board before starting a project.

These steps easily become costly and time-consuming, and can constitute significant investor irritants. Many governments have thus considered the concept of “one-stop-shops” for investors, uniting all administrative procedures in one organisation. This can prove a difficult task, as it requires the agency in question to concentrate relevant expertise and authority for these procedures, or to coordinate effectively between different government bodies and departments that may have very different procedures and requirements. Even where the one-stop-shop has a mandate of coordination only, this may lead to conflicts of competencies and turn the one-stop-shop into an additional step in the process.

International good practice: the Singapore Economic Development Board

The Singapore Economic Development Board (EDB), established in 1961, functions as a one-stop-shop both for investors setting up business in Singapore and for improving the business climate and policy context for investment. It is one of the most functional examples of a one-stop-shop, capable of providing investors with a major share of the steps and approvals needed to establish themselves and become operational.

EDB's success factors

The EDB was established as part of a broader strategy for Singapore's economic development and benefited from strong high-level support from the outset. It therefore has control over various clearance and approval processes, and maintains good relationships with relevant parts of government, allowing it to coordinate effectively with other departments and bodies to respond to investor needs. Finally, the EDB's coordination role is facilitated by the overall business-friendly cultural and policy environment. Indeed, Singapore has ranked first in the World Bank's Doing Business Index for several consecutive years.

Source: Sader (2006) Do one-stop-shops work?, World Bank; Singapore EDB; World Bank Doing Business Index 2014

Aftercare and Policy Advocacy

63. Aftercare comprises all potential services offered at the company level by governments and their agencies, designed to facilitate both the successful start-up and the continuing development of a foreign affiliate in a host country or region with a view towards maximising its contribution to the local economic development.

64. There is increasing awareness among IPAs of the need for continuing support to investors beyond the initial establishment of a project, given the potentially high impact it has on retaining investors and encouraging reinvestments. Reinvestment by existing investors accounts for a major share of FDI, so the services provided to existing investors can critically contribute to decisions on investment destinations. Keeping existing investors satisfied and convincing them to reinvest is less costly and complex than attracting new ones. Satisfied IPA customers can then in turn enhance an IPA's promotional activities and help convince other investors consider a given investment destination. Aftercare also provides

opportunities for IPAs to strengthen foreign investors' links to local suppliers and encourage them to increase local companies' roles in their supply chains. Creating contacts and match-making with local suppliers and businesses, for example through supplier databases and meet-the-buyer events, can both support investors, but also anchor them into the host economy (see Box 3 above on the example of linkages building in Costa Rica). Best practices of aftercare are summarised in Box 7.

65. The IPA may act as an entity within the government to seek necessary approvals or urge the removal of obstacles to investors, thereby improving regulatory transparency and act as a conduit for foreign investors to policymaking. As such, there is a close link between aftercare and policy advocacy as the latter consists of the activities, through which the agency supports the improvement of the quality of the investment climate and identifies the views of the private sector on that matter. Activities include surveys of the private sector, participation in task forces, policy and legal proposals, and lobbying.

Box 7. Aftercare in Canada and the United Kingdom

Invest in Canada's aftercare programme

Invest in Canada's aftercare programme regularly follows up with investors throughout the duration of their investment projects. The Department of Foreign Affairs, Trade and Development's network of investment officers overseas undertake regular 'back-to-back outcalls' to targeted investors, to discuss project status and needs for other services and support. These often involve an Ambassadorial level meeting at investor headquarters, and an Invest in Canada or regional IPA meeting with the CEO and top management of the investors' local subsidiaries.

These visits allow Invest in Canada to maintain dialogue and a good relationship with investing companies after the investment decision at both the operational level, where investors are dealing with operational and administrative hurdles, and at the headquarters level, where larger investment/reinvestment decisions are often made. They also help detect investor irritants, which may hinder smooth operations and become potential obstacles to reinvestment.

UK Trade and Investment's key account management

UK Trade and Investment (UKTI) has set up a key account management system for target companies that have been identified as important for the country's economic growth. UKTI builds relationships and exchange with different branches and agencies of government to be able to consider the priorities and needs of major investors. Strategic relationship management (SRM) techniques are used to collect and create a collective understanding of the operations of the target company, and to establish common, long-term strategies vis-à-vis major investors to promote positive impacts on the UK economy.

To coordinate the relationship, and to improve the communication between investors and government, major companies have dedicated account teams that are tasked with responding to investor queries, providing information about government services, and coordinating the contact with relevant government departments.

Source: UKTI (2014), Annual Report and Accounts 2013-2014, Invest in Canada

66. The country's context should be decisive in determining the exact composition of the IPA's functions and how these develop over time. This national context includes the domestic and international economic circumstances, national and regional stakeholders, available resources and priorities set by the national government. Due to the critical role of the national setting in the composition of the IPA's roles, the next section discusses the current context of Chilean investment promotion.

2. Review of the Current Investment Promotion Capacity in Chile

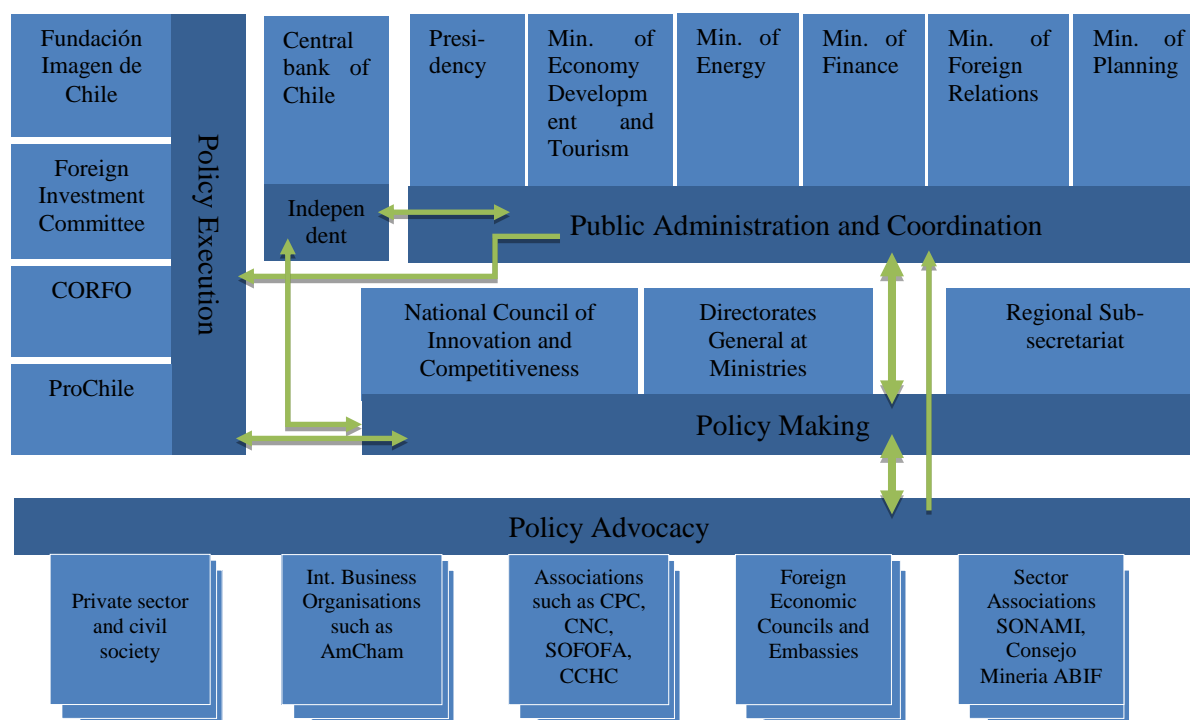
2.1. Overview of key stakeholders

67. The *Policy Framework for Investment* (PFI) states that the quality of investment policies directly influences the decisions of all investors, be they small or large, domestic or foreign (see Box 2). Transparency, property and intellectual property (IP) protection and non-discrimination are important fundamentals that underpin efforts to create a sound investment environment. National policies on, amongst others, labour, education, environment, competition, trade, immigration, energy, and tax are components that polish this competitive environment.

68. Improving the country's competitiveness and reducing the regulatory burden for investors are two important topics for almost all governments. Although it is imperative to harmonise different investment policies and synchronise initiatives between stakeholders, reality shows this is the most difficult part. Figure 8 shows Chile's key stakeholders in drafting and executing its investment policy. A wide range of private, semi-private and public bodies advocate and influence the investment policy, while directorates of various Ministries and dedicated public bodies such as the National Council for Innovation and Competitiveness are working on drafting and modernising investment policies. Line Ministries and independent organs such as the Central Bank of Chile function as coordinating entities. Finally, investment and trade promotion agencies are some of the bodies used to execute investment policy.

69. As Figure 8 also shows, the current overview of government and non-government stakeholders in the framework on competitiveness is complex and entails a number of coordination difficulties (e.g. fragmentation, duplication, ambiguity about mandates and functions). There are several agencies actively engaged in promoting and facilitating investment and trade in Chile, notably:

- Fundación Imagen de Chile;
- CORFO;
- ProChile;
- Foreign Investment Committee (FIC).

Figure 8. Current structure of the public institutional framework defining investment policy in Chile

Source: Investment Consulting Associates, 2014

70. In the next section, a closer look towards the functions and mandates for each of these four stakeholders and organisations will be provided.

2.2. Current x-ray of investment and trade facilitation in Chile

71. Mature and well-resourced IPAs conduct a large number of activities ranging from image building to aftercare and policy advocacy. In many countries, however, there is an overlap of different government or private institutions performing these tasks jointly, independently or where IPAs perform only limited services like investor facilitation. This section elaborates on the four main functions of the investment promotion cycle as presented in Figure 9 and explains how these are currently being performed by various government institutions and organisations in Chile and abroad.

Figure 9. Investment promotion cycle with corresponding sub-tasks



Source: Investment Consulting Associates, 2013

72. *Fundación Imagen de Chile* is an independent institution created in 2009 to oversee promotion of Chile in general and to add value and prestige to the Chilean denomination of origin. This task is viewed as a national goal that brings together the diversity of perspectives and cuts across all situations and circumstances. It is a meeting place that goes beyond the political and governmental spheres.³¹ The institution works closely together with its partners such as the Foreign Investment Committee to make sure that Chile is consistently branded in a way that reflects Chile's core values and reputation.

73. The work of *Fundación Imagen de Chile* is supported by public funding. It has a Board of Directors chaired by the Minister of Foreign Affairs and is made up of 19 leaders of diverse fields in Chile, including four government Ministers (Foreign Affairs, Treasury, Economics and Culture). It is a forum where public and private promotional institutions and experts from different disciplines come together, contributing to the analysis and conceptualisation of Chile's rich reality. Working under the Board is a team of 20 people within a structure of divisions and sub-divisions, by area of work.

74. The priorities for the work of *Fundación Imagen de Chile* are the following:

- Study and understand the image that Chile projects;
- Conceptualise the best ways to represent Chile's reality abroad and use those concepts to support a strategic design for promoting the country's interests;
- Directly support the main "country image builders" through advisory services, materials, studies and information that is important to their communication activities outside Chile;
- Coordinate the communication/work of the most prominent Chilean stakeholders with a presence abroad in order to optimise it;
- Generate specific actions such as publicity campaigns and digital, cultural and artistic activities, among others, to take advantage of strategic situations for Chile's visibility and reputation;

³¹ Fundación Imagen de Chile during interview with OECD

- Promote the dissemination of high-value content that supports Chilean international positioning strategy.

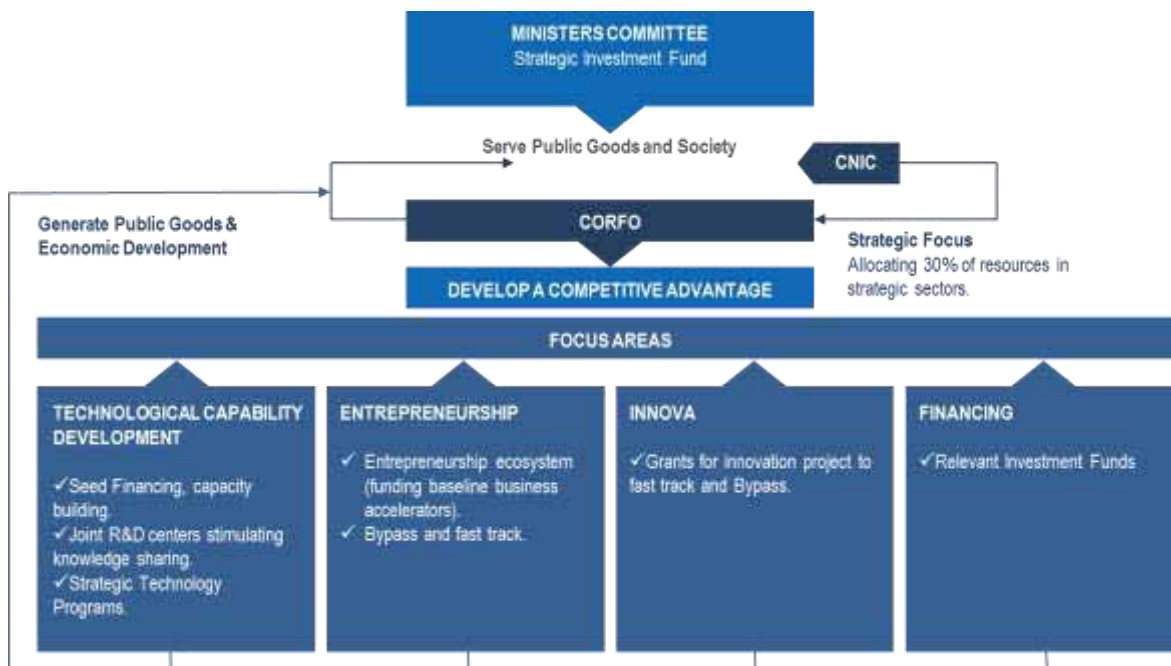
75. *Fundación Imagen de Chile* is an important public body that developed strong capabilities and skills in branding Chile. This body is key to the development and design of materials and documents such as brand-books and serves as a facilitating body for the FIC, CORFO and ProChile (i.e. “country image builders”).

76. **CORFO** was created in 1939 as an autonomous government agency for industrial policy development governed by a Board of Directors that was intended to make policy decisions without interference from the executive or legislative branches. The majority of the Board of Directors represents various ministries, although two must come from the private sector and are chosen by the President of the Republic for proven business acumen.

77. CORFO oversees a variety of programmes aimed at spurring the economic development of Chile and creating a sustainable competitive advantage, through the promotion of inward investment and the advocacy of domestic companies’ competitiveness. CORFO’s four main areas are technological development, stimulation of innovative entrepreneurship, fostering innovation through research and development, and providing financing support (see Figure 10).

78. CORFO has the mandate to provide incentives to stimulate particular investments and innovation. The incentives are tailor-made to be attractive to selected sectors or business activities that the country wishes to promote. Picking winners requires a selection process based on industry value chain assessments and only those missing links that are critical in the overall industry development receive additional incentive support. Examples are given below:

- Pre-investment studies: funding for studies to assess the feasibility of an investment project;
- Project launch: funding to assist with start-up expenses;
- Job training: grants for the training of new employees;
- Fixed assets and long-term leases: funding for the acquisition of land, buildings, infrastructure, equipment and for long-term leases;
- R&D grants: grants for R&D and innovation projects.

Figure 10. CORFO's organisation overview

Source: Presentation by CORFO for Transversal Commission 2014

79. In addition, CORFO is developing a new high-tech cluster at Valparaíso. When fully developed, this cluster is expected to be a significant centre of excellence in South America for the location of high-tech global service firms. In conjunction with the physical premises, providing subsidised accommodation for innovative SMEs, the objective is to create a cluster around Valparaíso's University, stimulating knowledge transfer, collaboration programmes, and public-private partnerships.

80. CORFO's staff is currently carrying out investment promotion through various activities included in the investment promotion cycle: lead generation and targeting, investor servicing and business facilitation, aftercare and policy advocacy. Yet, its activities are dedicated and focused towards R&D, innovation, human capital development, entrepreneurship and technology. There are three fundamental principles that CORFO follows:

1. Investment in human capital to support R&D capacity;
2. Investment to close capacity gaps in industry value chains and to foster opportunities in strategic programmes;
3. Strategic investments to diversify Chile's economy.

81. In first instance, there seems to be significant overlap between CORFO and the FIC, but in practice this has not been a problem, notably due to the fact that the latter focuses solely on foreign investors while the former deals with both domestic and foreign companies. Due to a strong need for economic diversification, it was proposed that CORFO focus on a specific niche and eventually attain technocratic independence. The FIC on the other hand, responded mainly to inquiries from prospective investors seeking information about the Chilean business environment. For the most part, however, the Chilean government relied on market forces alone to determine which specific foreign investors invested in the country.

82. Furthermore, CORFO and the FIC collaborated closely for instance with promoting the High Technology Investment Program (HTIP). To date, because of the nature of Chile's economic policies, the FIC had not actively promoted investment in any particular sector or industry before HTIP came into existence. After that time, however, it assisted CORFO by participating in and helping to organise investment promotion conferences and seminars for prospective high-tech investors. CORFO ran the HTIP office and was the principle point of contact, but the FIC's involvement helped to ensure that the programme stayed on course.³² The fact that CORFO manages specific programmes, incentives and cluster development initiatives is something that should be embedded in the FIC's investment promotion efforts. These instruments form an integral part of Chile's location value proposition and should be part of Chile's marketing materials.

83. **ProChile** is the institution of the Ministry of Foreign Affairs of Chile in charge of promoting exports of products and services. It is one of three divisions of *Dirección General De Relaciones Económicas Internacionales (Direcon)*, within the Ministry of Foreign Affairs. Direcon's objective is to consolidate and expand Chile's international trade through partnerships and agreements that advance Chilean interests. Besides trade promotion, ProChile contributes to the dissemination of information on foreign investment opportunities (and tourism promotion), and is working together with the FIC in this respect.

84. ProChile has 15 export centres in Chile and 53 trade offices or trade representative offices worldwide. Some are located with diplomatic missions whereas others are freestanding commercial offices. ProChile's largest presence is in Latin America (16 countries), Europe (13), Asia (8) and the Asia-Pacific region (5). It has three offices in the United States and two in Canada. ProChile also has a small presence in the Middle East and Africa. ProChile has 244 employees of which 141 are assigned to foreign offices.

85. ProChile's international network is a strong asset, and the cooperation between ProChile and the FIC to exploit this asset and to join forces in trade and investment promotion has recently been inscribed in a Memorandum of Understanding (MoU). The agreement envisages the organisation of over 30 promotional activities in 16 countries in 2014. It also includes the preparation of an annual plan for implementation from 2015 that will be supported by the ProChile export promotion agency's network of 53 commercial offices around the world as well as its regional offices in Chile. The activities covered in the agreement include the reinforcement of investment promotion as one of the tasks of ProChile's commercial officers, training meetings on investment attraction for the agency's personnel, the preparation of annual reports on relevant markets, the appointment of investment assistants reporting to CIEChile in priority markets and the gathering of information about regional investment opportunities by ProChile's network in Chile.

86. ProChile is hence doing some image building (information dissemination), investor's servicing (export facilitation) and aftercare (support to exporters) but dedicated to exporting companies.

87. **The Foreign Investment Committee (FIC)** is the body in charge of administering DL 600 for investors wishing to sign a foreign investment contract with the State of Chile. It provides administrative and legislative support to investors applying for DL 600. It represents the Chilean State and co-ordinates its defence in international arbitration proceedings and participates in negotiations on international trade agreements. The FIC's duties also involve informing potential investors about Chile's laws and maintaining a database of all foreign investments in the country (see section 2.3 for additional information on the FIC).

³² Nelson, R. (2009): *Harnessing Globalisation, The Promotion of Nontraditional Foreign Direct Investment in Latin America*, University Park: Pennsylvania State University Press

88. The FIC is in the process of becoming Chile's national investment promotion agency. However, until recently, Chile has never developed a public promotion agency or a private sector entity that is strictly devoted to attracting either inward investment or assisting existing investors in retaining or expanding their investments. Instead, Chile has traditionally relied on market forces to determine if and where MNEs would set up their activities in Chile. This approach was based on the assumption that if the government provided an attractive local business environment, investors would establish activities in Chile. This has been true, particularly in the exploitation of mineral wealth and agro-industry.³³

89. For the past decade, the FIC has moved away from a strictly DL 600 administration body to one that also involved disseminating general information on the regulatory environment for investing in Chile, whether through DL 600 or not.

90. In addition to information dissemination and addressing investor inquiries, the FIC, both alone and in collaboration with CORFO and ProChile, started to engage in organising promotion events and investment conferences either abroad or in Chile. The Annual Investment Forum, an event organised by the FIC to invite businesspeople from different countries to learn about the investment opportunities in Chile, is a good example of a high-profile event in which investors are invited to participate and learn first-hand about the investment opportunities that Chile has to offer. There is a relatively small team within the FIC responsible for the external communications as well as for dedicated research and collecting FDI statistics.

91. The FIC's programme of activities for the near future, supported by ProChile's overseas network, includes conferences, roadshows, seminars and participation in trade fairs in countries such as Germany, Argentina, Brazil, China, Colombia, South Korea, Spain, the United States, France, India, Italy, Japan, the United Kingdom, the Czech Republic, Switzerland and Vietnam.

2.3. Current role and responsibilities of the FIC

92. Presently, the FIC is still mostly a regulatory body to administer the DL 600 contracts and co-ordinates Chile's defence in international arbitration proceedings while the investment attraction department is mainly servicing ad-hoc information requests and facilitates promotion events. The attraction division is staffed mostly by individuals formerly employed by CORFO, who joined the FIC after the investment promotion division was reallocated from CORFO to the FIC. Other departments currently active in the FIC are Research, Studies and FDI statistics, Communications and PR, and Administration, Finance and Management Control (see Figure 11).

³³ USAID (2009), A Comparative Study of Export and Investment Promotion in Chile, Malaysia, South Korea and Indonesia

96. IPAs of economically advanced countries that are already significant FDI recipients typically focus on tasks such as investment facilitation, aftercare and policy advocacy, activities that can also contribute to further embedding the investor in the national economy with local suppliers and customers. They focus more on retaining and expanding existing investments rather than seeking new investment.

97. In the FIC's new role, it will be important to consider the issue of Chilean defence in international arbitration for which it currently holds co-ordination responsibility. IPAs are usually not entitled with the mandate of representing their country in international disputes as, on the one hand, it is a very time-consuming task and, on the other hand, can create conflicts of interest for an agency supposed to attract FDI and support foreign investors' needs.

98. The Chilean government appointed a Transversal Commission, headed by the Minister of Economy and tasked to design a new institutional and operational framework for foreign investment attraction. The goal of the commission is to draw up a report with recommendations for a new institutional framework for attracting foreign investment to Chile and to identify the way forward for the FIC. The report's conclusions will serve as the basis for presentation of a bill to Congress³⁵.

3. Establishing a Pro-Active Investment Promotion Agency

3.1. Institutional structure of the FIC

99. The FIC has only recently embarked on more ambitious investment promotion and facilitation activities, though becoming fully conversant in the specific tasks will take time. Skills and techniques will be developed over time, however, the current institutional and legal structure of the FIC inhibits it to conduct the essential activities an IPA should undertake.

3.1.1. Relationship between an IPA's service offering and its institutional framework

100. Whilst corporate investors typically appreciate the IPA's practical services, they are aware that the data and information provided may be biased. Since IPAs are generally evaluated on the amount of investment and the level of job creation, there is a tendency to use biased data or unqualified sources if they serve the purpose of promotion.

101. When the FIC refers to objective data sourced from third parties using market quotes, its credibility and level of professionalism will increase. In addition, the FIC should be able to arrange site visits, organise business meetings with external parties and provide recommendations with the relevant decision-making power. With no sufficient legal autonomy, the FIC will not be able to grow into the role of the desired pro-active IPA and provide the services international investors expect and receive in competing countries. Obtaining enough autonomy to function properly should be the very first priority of the FIC's management.

3.1.2. Spectrum of institutional structures of the IPA

102. Determining the right IPA institutional structure revolves around the existing government structure and how the IPA will fit in. This differs from country to country, depending on the political environment, existing organisational structure and local government culture. The four most common types of IPA structures are as follows:

³⁵ CIEChile Foreign Investment Committee (2014), "Chile Investment Review"

- Option 1: Integral unit of a major ministry (e.g. Ministry of Finance, Trade and Industry, Planning or Economic Development);
- Option 2: Unit within the Prime Minister's or President's Office;
- Option 3: Separate Ministry;
- Option 4: Autonomous entity whose chairperson reports to a Cabinet Minister.

103. At the moment, the FIC is an integral unit of the Ministry of Economy and needs to adhere to the Ministry's internal rules and procedures. As international studies show, autonomous entities or joint public-private institutions have frequently been referred to as best-practice. Moreover, IPAs that are non-political and non-governmental achieve better results on stability and continuity in the institutional structure and programmes³⁶. Based on the results of a study which examined the performance of IPAs for 20 years, IPAs that had been established as autonomous entities have proven to be more successful than other types of IPA structures³⁷. Even though 80% of IPAs function as an integral part of a government, many IPAs have petitioned for more autonomy from their government in order to create a corporate culture and to attract private sector staff³⁸. Autonomous IPAs have been insulated from periodic changes in government, and have been less restricted by lengthy formal procedures that apply within ministries.

104. Despite a desire for more autonomy, an IPA still needs to align its course with the government's overall national objectives. IPAs can evolve over time, starting first as an integral unit of a major ministry, gradually developing into a more independent entity. Moving towards a more autonomous model, however, also requires a solid plan in raising sufficient levels of funding. There is also a risk of becoming isolated and less visible as the sole body for FDI promotion and attraction. To avoid this, an autonomous status can be obtained once the IPA has proven its value for subsequent years and a strong reputation has been established.

3.1.3. Best-practice principles of the organisational legal structure of the IPA

105. It should be emphasised that no "one-size-fits-all" solution with respect to the most effective IPA structure and organisation is readily available. Nevertheless, international experience has proven a number of principles that need to be carefully considered when implementing the IPA's organisational and legal structure. These may support the IPA to achieve its targets and to fulfil functions in an effective way. These principles include establishing an appropriate governance and reporting mechanism and relationships with other public and private entities.

106. Combining these international best-practice principles into a conceptual framework suggests that the IPA's effectiveness is particularly affected by the institutional structure and reporting mechanisms imposed on the IPA. Successful IPAs are characterised by high political visibility and strong private sector participation. Allowing the IPA to develop strong linkages with public and private stakeholders (e.g. utility providers, real estate developers, and consultants) requires a certain degree of autonomy and flexibility. Both public and private stakeholders are significant players when it comes to promoting and facilitating

³⁶ Asfour, M. & Murphy, D. (2005), "Assessment of Challenges Faced by MENA Investment Promotion Agencies and Investment Promotion Guidelines for the MENA Region: A Summary Overview of

³⁷ World Bank (2014), "Module 2: IPA Set-up", Investment Generation Toolkit

³⁸ UNCTAD (2001), "The World Of Investment Promotion At A Glance: A Survey of Investment Promotion Practices", ASIT Advisory Studies, No. 17

investment. As such, building relationships with these stakeholders enhances the efficiency of the IPA. In case of large or high-level investment projects, this network should be exploited to mobilise policy-makers and other government officials to prove accountability and certainty for the investor. One single IPA, with a clear mandate for this function, can fully dedicate itself to this task of attracting and facilitating investment.

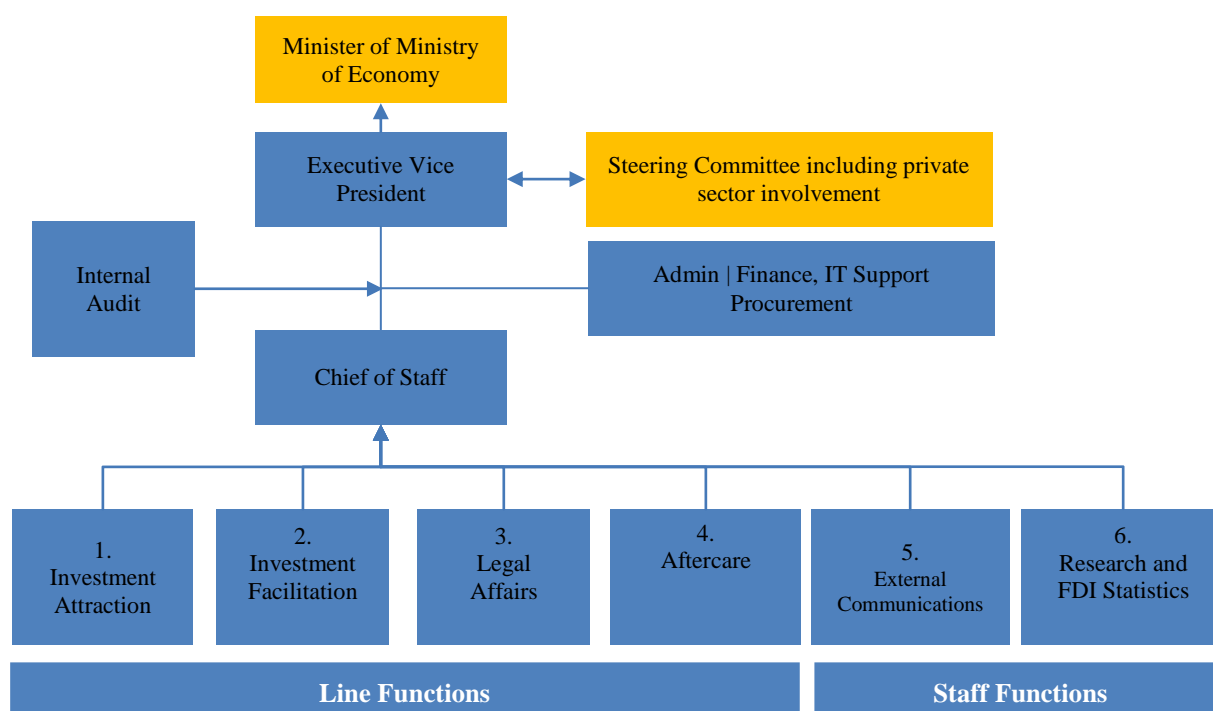
107. As such, political support is essential in overcoming vested interests and being able to manoeuvre between ministries and local governments whilst simultaneously taking into account the interests of investors. On the other hand, the institutional structure should be protected from short-term political forces that negatively influence the IPA's efficiency. Reporting directly to the President, Prime Minister or other high-level policy-makers as well as to the private sector in a Supervisory Board ensures the most effective advocacy, allowing the IPA to do its FDI attraction job more efficiently.

108. A best-practice Supervisory Board or Steering Committee includes representatives from the private sector and is chaired by a senior political leader. More details on the structure of the Steering Committee can be found in section 3.3.110. It should be stressed that establishing a steering committee is crucial because it strengthens the political commitment and reinforces the IPA's credibility and visibility in the business community as an entity supporting the needs of investors. In other words, it enhances political visibility and private sector involvement whilst showing the overall commitment of the government toward reforms.

3.2. Designing the FIC

109. It will be important, at the outset, to clearly specify the functions of the FIC to avoid measuring its results against criteria that were never envisaged for it. It is equally clear that the expectations for a pro-active investment promotion agency will generally be high. To manage these expectations and to make sure that the efficiency and success of the FIC are realistically measured, it is recommended aligning its functions based on its resource capacities as well as the roles and responsibilities of related stakeholders. While it would be desirable to integrate additional functions in the IPA, such as sector-based lead generation and targeting, it is recommended that the agency undertakes the following functions and activities first (summarised in Figure 12):

1. Investment attraction services;
2. Investment facilitation including “one-stop-shop” services;
3. Legal affairs (including policy advocacy and DL 600 support for existing investors that used the mechanism);
4. Aftercare with a focus on existing investors (key accounts) to retain investments;
5. External communications;
6. Research and FDI statistics.

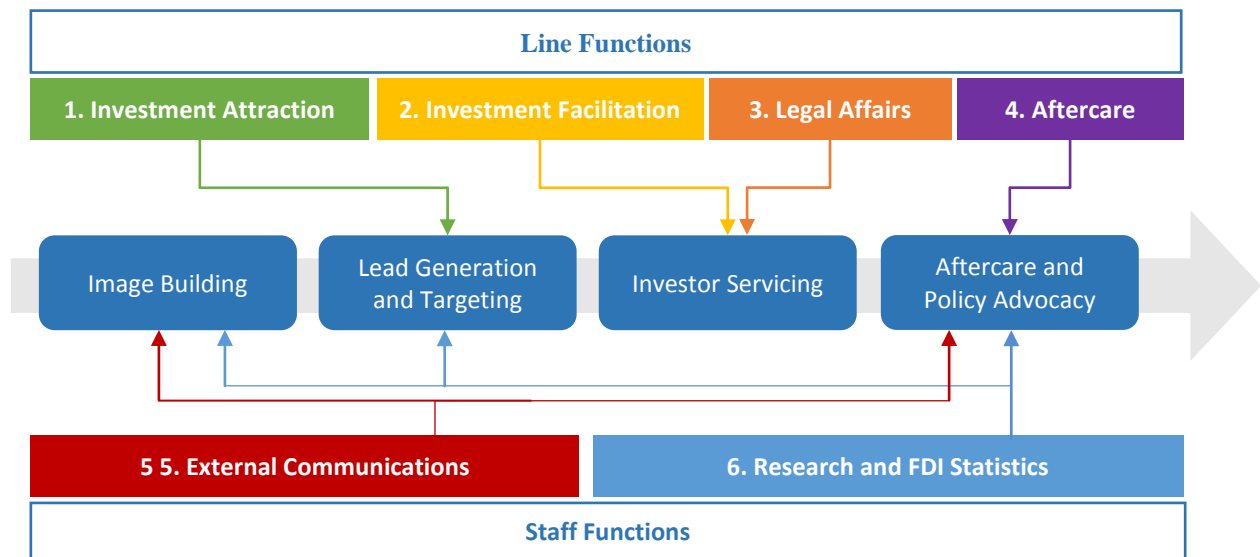
Figure 12. Functions and the recommended structure of the FIC

Source: Investment Consulting Associates, 2014

110. Figure 13 demonstrates how these six recommended functions and activities correspond with the four stages of the investment promotion cycle. The four line functions of Investment Attraction; Investment Facilitation; Legal support and Aftercare match one-on-one with Lead Generation and Targeting, Investor Servicing and Policy Advocacy, respectively. The two proposed staff functions, External Communications and Research and Statistics, are more diffuse and more difficult to assign to just one stage of the investment promotion cycle.

111. As External Communications is associated with public relations (PR) and marketing towards existing, potential and new investors as well as towards other public sector entities, it adheres to both Image Building and Aftercare and Policy Advocacy. Finally, the supportive function of Research and FDI Statistics is linked to Image Building (due to the information necessary to prepare brochures, press releases, etc.), Lead Generation and Targeting (identification of new markets, leads, industries, etc.) and Aftercare and Policy Advocacy (monitoring and evaluating realised investments and providing evidence to support policy advocacy).

Figure 13. Integration of FIC's recommended line and staff functions and functions of the investment promotion cycle



Source: Investment Consulting Associates, 2014

3.2.1. Organisational development and governance

112. Each IPA needs to evaluate the effectiveness of their initiatives and efforts to review which activities worked well and which were less successful. The annual evaluation is the task of the IPA's senior management team and governed by the Steering Committee.

113. The Steering Committee, though not yet established, is ideally composed of representatives of other Ministries and public bodies assigned by the Minister as well as representatives from the private sector. The Chilean President is a member as of right. The line Minister chairs this Board. Depending on the necessity and according to the nature and characteristics of the subjects to be discussed in the Committee meetings, the Minister may decide to invite representatives from other public institutions and corporations, and non-governmental organisations to attend the meeting. The FIC's management team and the Steering Committee convene at least once in a year upon call of the Minister. Typically, the Steering Committee's functions are as follows:

- To understand and adhere to the direction and strategy of the FIC;
- To make recommendations in order to improve the level of effectiveness of activities carried out by the FIC;
- To undertake an evaluation assessment of the FIC's annual activity plan;
- To designate the contribution level of the relevant institutions and corporations on the subjects included in the FIC's annual activity plan.

114. The Executive Vice President together with the Chief of Staff may engage in quarterly meetings with the Steering Committee to discuss mid- and long-term goals and ambitions of the FIC. Based on measurable KPIs, the Executive Vice President will report to the Steering Committee what the FIC has

accomplished and present plans to make sure that future objectives are met. It also provides an opportunity to reflect and evaluate the success of certain activities, events, business trips and promotion campaigns.

115. The FIC Management Team (MT) should consist of the Executive Vice President, the Chief of Staff, the six Division Heads, and the Head of Finance, Support and IT. Typically, IPA's use a weekly MT meeting to discuss progress, as well as to manage and coordinate pending tasks. Using this organisational structure avoids overlap and supports cross divisional teamwork.

116. Division Heads should have weekly meetings with their staff to brief them on what has been decided during the MT meeting as well as to coordinate the tasks between the staff members.

117. The Chief of Staff should be an experienced person who knows the ins and outs of the organisation. He or she functions as the right hand of the Executive Vice President and forms the linking management layer between the Divisions and the Executive Vice President. The Chief of Staff is responsible for seamless communication between top management and the rest of the staff and coordinates different tasks to avoid duplications or flaws. He or she is responsible for improving the effectiveness of the organisation and promotes cross-divisional teamwork.

3.2.2. Functional Breakdown

Ad 1 Investment Attraction

118. This will be one of the main focus areas of the FIC and will be the area together with investment facilitation where most time and resources will be allocated. It is important for the economic development of Chile that there is a constant flow of new investments into the country. However, copper mining activities still account for the bulk of these achievements, so there is a need to diversify and to ramp up the promotional and marketing activity in order to put Chile "on the map" of mobile FDI. Chile must become and remain, once more, the top investment destination in Southern America for companies evaluating and benchmarking potential locations in this region. The types of investment attraction activities that should be undertaken by the FIC are set out below:

Defining Chile's Location Value Proposition

119. Prior to undertaking any promotional or marketing activity, it is necessary for the FIC to be clear on exactly what proposition or investment opportunities it is selling and then set about branding that image in cooperation with *Fundación Imagen de Chile*. Chile has been successful in attracting a number of major mining companies to the country. However, its success in other areas is subject to fierce competition from countries such as Brazil, Peru and Colombia.

120. In order to establish Chile's total offer of investment opportunities, it is necessary to carry out a detailed market assessment of sectors that match with Chile's value proposition and its unique competitive strengths. The FIC should not invent the wheel again, but much rather, work together with stakeholders that undertake similar kind of studies and align the sectors to harmonise efforts and speak with one voice. These studies will help identify:

- The sectors where Chile enjoys a natural competitive advantage or has a potential competitive advantage over its competitor countries in the South American region;
- What legislative, regulatory and licensing changes are necessary in order to operate in line with international good practice;

- Possible infrastructural deficits which could exclude Chile from certain industrial sectors;
- Sectors that match Chile's total investment offering;
- The suitability and effectiveness of the "Chile package" with regards to competing countries and its attractiveness to the target sectors.

121. In essence, it is necessary to arrive at a point where the FIC is clear on what the competition is, the sectors and business activities that it will pursue, the geographic territories where these sectors are traditionally strong, the growing companies in those markets and what it will take to attract those companies to Chile. Unless this critical groundwork is completed, the FIC will waste time and resources in trying to compete in every area, even in the ones where Chile is uncompetitive. A lack of prioritisation means the same amount of precious time and resources go into investment project pursuits that are far less likely to be realised than others. In addition, FIC's management team should define and explain different priorities and quantify the amount of time and resources for each priority level.

122. The FIC should only compete in the areas (i.e. sectors, sub-sectors and geographic territories) where it can be at least as competitive as its competitors. In addition, it should focus on those industries that are footloose and have a location choice rather than those industries that seek investment opportunities in Chile because they have to (i.e. the mining industry). One important role of investment promotion is hence to serve the purpose of economic diversification by targeting the right innovative sectors while also continue attracting investment in backbone services such as energy and infrastructure.

123. A critical output from this exercise will be the production of a well-structured and coordinated marketing plan which will set the overall marketing objectives for the organisation as well as defining the specific areas of activity for each of the constituent components. The key sectors are highlighted on the website, budget is allocated to visit industry specific events, additional funds are made available to support investments in these sectors and knowledge is shared and accumulated, giving the FIC even a stronger competitive advantage.

Direct Marketing

124. It is important to distinguish promotional activity from direct marketing. While they are separate and have distinct functions, both will play a critical role in establishing Chile as a serious contender in the FDI arena.

125. Basically promotional activity helps to create the awareness of investment opportunities, facilitates the marketing and increases its effectiveness. For example, through promotional activity the FIC will establish, in the minds of its target market, the fact that Chile is a desirable location for FDI and has to be considered by any company contemplating an investment in the South American region. This is achieved by the use of:

- Breakfast seminars;
- Workshops on timely topics;
- Regional or sectoral seminars;
- International conferences and events (e.g. Chile Investment Forum);

- Bilateral international organisations' meetings (e.g. OECD, IFC, UNCTAD, ILO);
- Visits to target markets or prospects.

126. Each of the above components is vitally important in helping to create a positive environment relating to potential investors locating in Chile. Whereas promotional activity can be regarded as a “shotgun” approach to reaching potential investors, marketing is a “sniper” approach to implement “Chile’s Location Value Proposition”. In this case, a specific company is identified as having the credentials of a prospective investor and is targeted through a number of focused mechanisms. These can include:

- Direct presentations setting out a specific opportunity for a company and explaining the benefits of a location in Chile in comparison to competitor locations;
- Cold calls;
- Inward missions to Chile;
- Functions hosted by Chile Ambassadors and Consuls in the target markets;
- Maintaining constant contact with executives at different levels in target companies.

Establishing Overseas Representation

127. Given that it is impractical for the FIC to contemplate setting up its own overseas offices from a cost and management perspective, there are different ways in which the FIC can obtain overseas representation:

- Use a local consultant, local business association in the target market or other local sources;
- Use a public relations firm or other consultants;
- Use the Chilean Embassies and Consulates;
- Place FIC staff members in the target territory for them to work out of a hotel or Embassy for a limited period;
- Work together with ProChile to use their extensive network of foreign offices (53 countries).

128. The FIC identified the last option as the most preferred one, including by signing a MoU with ProChile to stimulate cooperation and to benefit from ProChile’s existing international network. Staffing will still be a pending item, since the representatives of ProChile are skilled and equipped to promote trade whereas Investment requires a different approach and point of contact within companies.

129. In addition, the FIC may consider using diplomatic representations overseas to promote FDI where ProChile has no offices, and suggest that the staff report directly to the FIC on investment issues instead of communicating solely through the Ministry of Foreign Affairs. In addition, these efforts need to be supplemented by the short-term placement of FIC staff in embassies and/or in ProChile offices on special marketing assignments. In time, consideration can be given to the placement of FIC staff in

embassies and/or in ProChile offices in core target markets to manage all marketing and investment promotion efforts.

Ad 2 Investment Facilitation

130. This is the area where most confusion generally arises over the functions of an IPA. At the outset, it is important to establish that a one-stop-shop is merely a tool in the process of project facilitation. It is a means of assisting investors to navigate their way through the bureaucratic complexity of establishing a company and getting into business. There are a number of ways in which it can operate:

a. Network Linkages

131. This is normally the most efficient method of operation. What is required for each Ministry involved in issuing of licenses or permits is to nominate a person who will be the agency's formal point of contact within that Ministry and who is responsible for ensuring the efficient and speedy approval of the necessary permit or license. For this to work effectively, it is necessary for this person to be in a senior position, possibly at Deputy Ministerial level. It is also possible to include in either the legislation or Ministerial Orders that unless a formal response is received within a specified time period, the approval is automatically granted.

b. Formal Committee Approvals

132. This system requires each Ministry involved in the approval of licenses and permits to nominate a senior member of staff to sit on a committee chaired by the Executive Vice President of the FIC. This committee meets on a regular basis and issues approvals for the required business licenses/permits. This is an efficient way to operate but in practice Ministries are reluctant to let go of their senior and experienced staff without a clear incentive.

c. Ministry Staff Located in the Agency

133. This system requires each Ministry involved in the approval of licenses and permits to nominate a member of staff to be located in the agency and to:

- Advise investors, as necessary, on the procedures for obtaining licenses and permits.
- Be responsible for liaison with their Ministry and for obtaining the licenses/permits.

134. This system becomes inefficient when the persons nominated to the IPA are at a relatively junior level. Moreover, there is a productivity risk as a result of the fact that there is no constant demand for these services.

135. Given the above three options and given the transformation process the FIC is currently in, it is recommended that the first option is adopted as the working mechanism for the one-stop-shop solution offered by the FIC.

136. As mentioned above, the operation of the one-stop-shop is only part of the process in facilitating an investor to set up a company in Chile. What is required is a thoroughly professional and seamless service where the potential investor is given all the assistance possible to help him or her reach a positive decision for Chile (i.e. red carpet treatment). A critical element in this process is the site visit, where the potential investor visits Chile to assess the potential of the country for an investment. Everything must be

done to ensure that the visit is organised smoothly and that all the investors' queries are addressed. This involves:

- Agreeing the content of the site visit well in advance;
- Making all the necessary arrangements for the visit, hotel reservation, meetings with key people, visits to already established companies etc.;
- Meeting the investors at the airport;
- Accompanying them to all meetings, unless requested not to do so;
- Providing all the data requested;
- Following up after the investor has left;
- Maintaining contact to ensure that Chile is not forgotten.

137. An agency that runs a highly efficient facilitation service can help establish a degree of competitiveness over the competition.

Ad 3 Legal affairs

138. The Legal Division should be responsible, in the near future, for providing administrative and legislative support to investors that have invested through DL 600. During the last 30 years, the benefits and guarantees valid under DL 600 have been the main regulatory norm for FDI flows into Chile. Key component of the DL 600 includes a contract signed by the foreign investor and the Chilean government stipulating the requirements, conditions and benefits granted to the investor. The FIC acts as administrative entity responsible for applications and content of the contracts in terms of conditions. It should be noted that the FIC is very limited with regards to rejecting a foreign investment due to the Chilean Constitution. Nevertheless, providing administrative and legislative support to investors applying for DL 600 is essential in the Chilean context of investor services.

139. With the DL 600 currently undergoing a process of derogation, DL 600 support will become less and less important in the future. As the FIC evolves, this function should increasingly focus on policy advocacy, working hand-in-hand with the Aftercare Division and propose policy reforms responding to foreign investors' needs and challenges (see Aftercare below).

Ad 4 Aftercare

140. Working with existing companies to get new investments and retaining current investments is a critical – though often neglected – part of the IPA's mandate. It is a well-known marketing saying that it is easier to get more business from an existing customer than to get a new customer. The same holds true for IPAs. Winning investment is not enough, as investors increasingly expect careful treatment after they have established operations and created jobs. Most well developed IPAs devote a considerable amount of time to working with their existing company portfolio to see if it is possible to get new and additional investments from existing companies. IDA Ireland, for example, gets about 40-50% of its new investment each year from existing companies and most other established IPAs would get much the same result.

141. This involves working closely together with existing companies in order to try and identify potentially new business opportunities for them to consider. Important contacts in this respect are national directors, heads of supply chains, chiefs of operations, and heads of strategy and development. Identifying recurrent challenges and problems faced by investors through aftercare will also feed into the FIC's policy advocacy role. It will be crucial to effectively voice the needs of foreign investors to other government entities and propose necessary policy reforms.

Ad 5 External Communications

142. In the 21st century it is essential to have a sound communications and PR strategy to make sure that the prospects recognise your organisation as the first point of contact and to secure a strong position of your organisation in the political arena. In addition, the role of the Internet is evident, and having a powerful website with relevant content is the first impression corporate investors will have when dealing with the FIC. As the Internet is the very first instrument corporate investors use to find information or get in contact with IPAs, every IPA needs to make sure its website can be found. From a search engine optimisation perspective the official names "Foreign Investment Committee" as well as "*El Comité de Inversiones Extranjeras*" (CIEChile) are not ideal. Instead using a domain name such as InvestChile.com or *InvestChile.gob.cl* is recommended.

143. One suggestion to strengthen the cooperation between the FIC, CORFO and ProChile is to create the portal "Invest in Chile", which contains three banners redirecting to each of the three organisations. The portal can grow into a powerful tool with cross-link redirecting to specific functions within each organisation. This allows exploiting the synergies between the organisations and truly offers an integrated approach to trade and investment.

144. The FIC should use the capacities of this division to actively advocate elements in Chile's business climate that can be improved. It is apparent, given the input received from the stakeholders, that the country is currently re-formulating its private sector development strategy, based on international good practices, and strengthens its focus on facilitating investment. The FIC, through its contacts with international investors and getting feedback on the Chilean value proposition will be able to direct policy-makers to areas that require attention. In order to formalise this facility, the agency should consider establishing liaison committees, comprising private sector representatives and also working with private sector organisations (e.g. AmCham, CPC, CNC are a few examples), so as to give them a channel through which to pass information to the Chilean government. This is a system that has worked very well in other OECD and non-OECD countries such as Singapore, which is ranked as one of the best countries in the world for its business-friendly environment.

Ad 6 Research and FDI Statistics

145. This division will be important in creating awareness among investors and related stakeholders of the FIC being the single entity in Chile responsible for disseminating (regional) FDI related statistics. To achieve this, the FIC already began to cooperate with the Central Bank of Chile to create more clarity on what exactly constitutes FDI, which investor is the ultimate source of FDI and the actual amounts of FDI. This is a crucial exercise to have a better understanding of how FDI flows can be broken down by sector, sub-sector, business activity, type of investment, and host country. In addition, research on source markets, country and target sector data, is also crucial. The input of this exercise is instrumental when redefining the investment promotion strategy as most research has been executed prior to the creation of the IPA. Continuing research into new and existing key markets, leads, industries and niches can further facilitate the day-to-day targeting and marketing activities of the IPA. Research and customised studies help lifting the knowledge of certain technical topics or business drivers in specific sectors. This knowledge should be

shared with the persons responsible for promotion and facilitation as it will help them to better engage with potential prospects.

146. Box 8 presents the typical functions for each phase of an investment project, from before the arrival of an investor enquiry at the FIC, to after the investment project has been completed, taking all divisional tasks and responsibilities into account. Several divisions of the FIC contribute to each phase, stressing the importance of internal co-ordination.

Box 8. Typical core functions in the phases of an investment project

I Pre-Enquiry Phase (*External Communications, Research and FDI Statistics, Investment Attraction, Investment Facilitation*)

- To develop and to collect from relevant institutions and corporations all kinds of information and data which will contribute to increase investments in Chile, and to arrange updating and distribution of such information, and to cooperate with national and international organisations on this subject;
- To undertake planning and presentation of information and guidance for investors;
- To provide information and guidance services that may be required by the investors during pre-/realisation/post-investment stages;
- To issue and to support issuance of printed materials and electronic publications in Spanish and English providing details on the FIC's tasks and services.

II Project Application & Realisation Phase (*Investment Attraction, Investment Facilitation, Aftercare*)

- To follow up on transactions with the relevant institutions, corporations, and as a support to applications made to obtain licenses and approvals for investment projects;
- To perform and conclude licenses and approvals formalities with the relevant institutions, , designated according to the criteria set out, differently or similarly, for domestic capital investments and foreign direct investments, such as type, place, capital amount of investment, or offered job opportunities;
- To predict the impediments and problems likely to be encountered by the investors and to strive, with the relevant authorities, to solve any problems and issues.

III Post-Investment Phase (*Aftercare, Legal*)

- To contribute to reform processes aiming to improve Chile's investment climate, and to launch offers within this scope;
- To advocate for necessary policies to increase the effectiveness of investment support and promotion.

IV Continuous (*Investment Attraction, Investment Facilitation, Aftercare, External Communications, Legal*)

- To designate and to implement, in cooperation with other relevant institutions, investment support and promotion strategies at the regional and international levels;
- To provide technical and financial support to national and international conventions, and seminars on the subjects related to its functions, and to ensure continued participation in such events;
- To perform other duties vested upon it by the legal framework.

Source : Investment Consulting Associates, 2014

3.3. Resource requirements and profiles

147. The ultimate success of the FIC will not only depend on its mandate, operational autonomy and well-defined functions and structure, but crucially on the quality and motivation of its employees and on how they interact with and assist the IPA's customers: (foreign) investors. Because the investors operate in the private sector, it is desirable that the IPA's employees, who will be interacting with them, should, in addition to having a good understanding of the public sector, have a private sector background and good business knowledge.

148. The attraction of FDI is very much a "people business". The staff members will be, in effect, economic diplomats representing Chile. Therefore, good knowledge of the industrial base of the country, investment climate and excellent inter-personal skills are required. Given the size of the FIC, it is most likely that all staff will interact with investors. As such, it is essential that everyone recruited possesses the highest capability possible. As a general rule, the hiring policy should therefore be to recruit from the private sector and to recruit people with sector-specific knowledge relevant to the main sectors where Chile will be concentrating its marketing efforts.

149. The lifeblood of any IPA is the quality of its staff. In this respect, it is recommended that FIC follows some guiding principles in the recruitment and management of its staff. Figure 14 demonstrates how various elements of human resources (e.g. recruitment, training, background, industry knowledge) can support the performance and enhance efficiency of the IPA or, on the contrary, hamper its operations.

Figure 14. Spectrum of constraining (left) and supportive (right) staff conditions

Unacceptable	Weak	Moderate	Sound	Best Practice
<ul style="list-style-type: none"> Staff members have not been recruited wisely and are unlikely to respond well to training Several of the staff members have been "off-loaded" by other ministries/departments as they were surplus 	<ul style="list-style-type: none"> Staff drawn primarily from the public sector IPA burdened by too much deadwood in terms of the number of staff members who are unlikely to respond well to training Staff compromise too many "job hoppers" who see their agency as stepping stone to the private sector Staff learning very little on the job due to weak management Some training provision but ad hoc 	<ul style="list-style-type: none"> Staff drawn mainly from blend of civil servants and university graduates Limited knowledge about the product and business sectors in general Rudimentary training needs analysis undertaken linked to training – much of it being ad hoc Majority of staff and management responding well to training and eager to develop their own skill and competencies 	<ul style="list-style-type: none"> Organization has made the most of its moderate remuneration budget to recruit wisely CEO flanked by highly competent "lieutenant(s)" Private sector and university graduates outnumber public sector recruits Good range of marketing and project management skills enhanced through regular and effective training/capacity building programs Channels developed through which to access target sector expertise 	<ul style="list-style-type: none"> Marketing, project management and communications skills within organization recognized by clients and stakeholders to be of a high standard Dedicated and ongoing training and HR program to keep skills "topped up" Organization has developed in-house sectoral skills or has established the robust linkages to access them Excellent staff skills enhance organization performance and foster the respect needed to fulfill policy advocacy and drive policy reforms

Source: Adapted by Investment Consulting Associates, 2014

150. According to the proposed organisational structure, detailed staffing profiles are provided for the following functions:

- Executive Vice President
- Chief of Staff
- Six Division Heads

- Investment Attraction
- Investment Facilitation
- Legal
- Aftercare
- External Communications
- Research and FDI Statistics
- Support Staff (including secretarial and administrative support)
 - Per Division: Project Executives
 - Per Division: Project Assistants
- Complemented with a Steering Committee.

3.3.1. Executive Vice President

151. The Executive Vice President, as the top executive of the Foreign Investment Committee, is responsible for the general management and representation of the FIC.

152. The Executive Vice President should have graduated from a higher educational institution rendering at least four years of training or any other higher educational institution abroad recognised as equivalent by the Council of Higher Education. He or she should have adequate knowledge of foreign languages, prior professional knowledge and experience in the public or private sector.

153. The Executive Vice President is accountable to the Ministry of Economy for the functioning of the FIC's services in compliance with the relevant legislation, general economic policies of the Chilean government, and recommendations of the Steering Committee, as well as for the establishment of cooperation with other public institutions and corporations on the subjects within the FIC's field of activity.

154. The Executive Vice President's functions and powers are as follows:

- To submit for the Ministry of Economics an annual activity plan and budget required for operation of the FIC, and to ensure implementation of the same;
- To prepare the annual activity plan and the activity plan for the following year at least 15 days before the meeting with the Steering Committee for assessment by that same Committee;
- To submit all issues relating to the employment of personnel for the FIC, and relevant other matters for the approval of the Ministry of Economics;
- To establish necessary cooperation and coordination with other public institutions and corporations on the subjects within the FIC's mandate and field of activity;
- To enforce regulatory requirements relating to the FIC's functions;

- To ensure the operation of the six divisions in harmony, efficient and disciplined, and orderly manner;
- To represent the FIC in Chile and abroad.

3.3.2. *Chief of Staff*

155. The main functions of the job are:

- To be responsible for managing the scarce resources available in order to meet targets aimed at increasing the flow of investment into Chile;
- To manage a team of six Division Heads with the objective of achieving the targeted results that are included in FIC's marketing plan as approved by the Steering Committee;
- To work with existing companies to develop plans for further investments in Chile;
- To undertake research to identify companies with the potential to invest in Chile;
- To undertake marketing programmes to companies identified through research;
- To manage a promotional programme in support of the marketing effort;
- To negotiate with investors looking to set up in Chile;
- To engage in quarterly meetings with the Steering committee to discuss mid- and long-term goals and ambitions of the FIC.

156. The person will need to be a self-starter and possess the following attributes:

- Be highly motivated to achieve results;
- Be able to work on own initiative;
- Have a proven track record of working in a business that is driven by the achievement of targets;
- Be able to interact effectively and credibly at the most senior levels of business;
- Be able to accept responsibility for managing a variety of specific territories and/or portfolios of companies (six divisions). This includes drawing up a marketing strategy and managing its implementation.

157. The ideal candidate will display all or most of the following:

- Have a Master's Degree in a business or marketing related area;
- Between 5-10 years of experience involving business contacts at the highest levels in business;

- Knowledge of public sector organisations and their functions;
- Have held a senior position in business with responsibility for managing a team;
- The ability to work in, and take a lead role on, multi-disciplinary project teams that may be formed for investment projects;
- The ability to develop effective multi-level relationships with client companies and government entities;
- Excellent communication, presentation and listening skills;
- Tact, patience and diplomacy;
- Be innovative, enthusiastic, determined and has the ability to think pro-actively and work on own initiative;
- Be fluent in Spanish, English and, preferably, a third language.

3.3.3. Division Head – General Requirements

158. The main responsibilities and professional requirements of the job are:

- Active involvement in the Management Team;
- To manage a team of supporting staff (project executives, project assistants) with the objective of achieving the targeted results that are included in FIC's strategy as approved by the Steering Committee;
- Show leadership and commitment and facilitate knowledge sharing in and among the different divisions;
- Present plans and initiatives to Executive Vice President's office and Steering Committee;
- Translate these into annual operating plans for his or her department;
- Understanding of budgeting and financial management;
- Ideally brings in a wide public and private network;
- Vocational or University Degree with a minimum of five years of experience;
- Sensitive to discuss and manage expectations both at the executive as well as division level;
- Sensitive to foreign cultures;
- Be fluent in Spanish, English and, preferably, a third language.

3.3.4. Division Head – Investment Attraction

159. The main responsibilities of the job are:

- To draw up a marketing and promotion strategy;
- To manage its implementation by preparing promotion materials such as brochures, fact sheets, doing business in guidelines, etc.;
- To provide promotion workshops and seminars;
- To actively engage in networking and events in Chile and abroad;
- To generate new inquiries through networking and investor targeting;
- To work and establish close relationships with other agencies who can provide critical information on sectors, such as the need for R&D and innovation, to inform FIC's targeting strategy;
- To design and implement an overseas promotional programme in support of FIC's marketing activities;
- To facilitate knowledge sharing.

3.3.5. Division Head – Investment Facilitation

160. The main responsibilities of the job are:

- To handle investor inquiries;
- To assist an investor with all the regulatory, permitting, legal, and operational issues of setting-up a new operation;
- To implement a comprehensive programme of assistance to potential investors to Chile to ensure that their site visit is professionally handled and is instrumental in impressing the image that Chile is a viable, potential location for their investment;
- To secure access to relevant, accurate and high-quality data and information so that it is right at the disposal of this division so it can be directly provided to any potential investor making a request for information;
- To create a system which monitors information inquiries and requests, tracing the progress of information provision, lead potential and investment status.

3.3.6. Division Head – Aftercare

161. The main responsibilities of the job are:

- To identify and network with other organisations for building relations with the leading foreign and domestic investors already in Chile with the best chance of re-investment to secure additional and new investment for Chile;
- To design and implement an aftercare programme which aims at the proactive participation of investors in order to increase the quality of relationships with existing investors;
- To engage and remain the trusted point of contact with key accounts;
- To actively promote Chile's profile by drawing up and distributing testimonials and other perception-orientated marketing attributes;
- To support the Legal Division in providing information on recurrent problems faced by investors and in suggesting policy actions and reforms needed by investors.

3.3.7. *Division Head – External Communications*

162. The main responsibilities of the job are:

- To be responsible for FIC's external communications with stakeholders, domestic and overseas media and social media channels;
- To develop a PR strategy ensuring that potential investors recognise FIC as the first point of contact for their investment in Chile;
- To design and implement communication protocols to standardise and smoothen communication procedures;
- To work closely together with and act as first contact point for the *Fundación Imagen de Chile*.

3.3.8. *Division Head – Legal affairs*

163. The main responsibilities of the job are:

- To manage the current support services and activities for existing and future DL 600 investors;
- To assist existing DL 600 investors with application procedures and requirements;
- To facilitate changes as a result of the new institutional setting and objectives;
- To design and implement a measuring and evaluation programme which allows monitoring existing DL 600 beneficiaries and their investments.
- To take a growing role of policy advocacy and propose policy reforms to the government drawing on the aftercare programme.

3.3.9. Division Head – Research and Statistics

164. The main responsibilities of the job are:

- To support investment attraction and facilitation by designing and implementing an in-house investor information system of readily-available information documents containing country and sector data, as well as information on business registration, application and establishment procedures;
- To build up a databank of information and country facts and to design and maintain FDI and location databases;
- The purpose of monitoring and evaluating the performance of FIC requires to actively collect information, data and statistics on investment projects that have and have not been realised.

3.3.10. Support Staff – Project officers

165. The responsibilities of the job of the project officers will differ across the six different functions. While they may have a large degree of day-to-day mobility and overlap between the various divisions, they mainly focus on a part of the main functions listed below, depending on the division project officers are attributed to:

- To undertake marketing activities overseas as needed;
- To plan the site visits for prospective investors;
- To manage the site visit while the prospective investor is in the country;
- To follow up to all the issues raised in the course of the site-visit;
- To manage the progress of projects to ensure that everything possible is done to convert the project into an investment;
- To assist companies during ground breaking the start-up process;
- To prepare information sheets;
- To assist in organising promotional events;
- To manage inward and outward missions, including FIC's involvement in Ministerial visits overseas;
- Liaison with Embassies and Consulates for non-project specific issues;
- Market research, lead generation and target company identification;

- Maintaining contact with companies already invested in Chile to ensure that they are not experiencing any difficulties and to work with them to get expansions or new investments from the parent or related group companies.

3.3.11. Steering Committee Members

166. The Steering Committee should ideally be comprised of senior public and business people who will be influential and helpful to the FIC in carrying out its mandate. Given that the Committee will be responsible for monitoring and governing the functioning of the FIC, it is crucial that it is structured with a majority of private sector business people. The Committee should be governed by a Chairman, who should be a well-recognised and respected businessperson with sufficient international experience.

167. Preferably, Committee meetings should start in advance of FIC's "official" start date so that the strategic direction can be agreed upon and that the Steering Committee can oversee the appointment of the Executive Vice President. Decisions made at the Steering Committee meetings can be ratified when it is legally constituted.

168. It should be remembered that the composition of the Committee will be seen by foreign investors as a reflection of Chile's approach to business and investors. A very solid, private sector driven Committee will be perceived favourably. In selecting the Steering Committee Members, consideration should be given to an optimal combination that will bring multiple skills to it:

- International business experience;
- Understanding of the needs and requirements of the domestic Chilean industry;
- Understanding of the domestic Chilean business climate;
- Understanding of Chilean public sector;
- Knowledge of the sectors that will be targeted for investment in Chile;
- Knowledge of the Chilean political context as well as of the policy framework;
- Experience in an international accounting or law firm.

3.4. Recruiting staff

169. Recruiting staff and Steering Committee Members is executed through a two-stage procedure in which firstly the request for the recruitment of staff is announced publically, followed by the actual recruitment procedure in which candidates are selected.

1. Place advertisements in media for recruitment of staff:
 - Agree and secure budget for the placement of advertisements;
 - Agree salary scales for different levels of staff;
 - Finalise wording of the advertisement;

- Select (Chilean and international) media in which the advertisement will be placed;
- Agree on proofs of the advertisement;
- Check that the advertisement that is published is accurate.

2. Recruitment procedure:

- Select the composition of the interview panel;
- Assign different areas to be addressed in the interview;
- Set date and venue for interviews;
- Carry out initial screening to eliminate “no hoppers”;
- Notify successful applicants of the time and venue of the interview;
- Assign secretarial support to administer the interviews and keep copies of the interview sheets;
- Decide whether second interviews are necessary. If yes, then repeat the above procedure. If no, then make a final selection of candidates;
- Notify successful candidates, issue contracts of employment and seek written acceptance of offer;
- When the selection process is completed, notify other applicants that they were unsuccessful.

3.5. Budget requirements

170. The budgetary requirements for the agency are dependent on the staff build up and agreement on the type of activities for the agency. Most of the costs are associated with salaries and managing the FIC's head office in Chile. Exact costs should be carefully estimated. They vary depending on the strategy, scale and scope of the FIC's activities. A detailed year-on-year budget should be prepared, taking into account all costs. The budget should be closely aligned with the inward investment performance targets as outlined in the investment promotion strategy and links to Chilean and other government agencies. Cost items of the IPA are summarised in Box 9.

Box 9. Proposed cost items for the FIC

Essential cost items of the IPA, ranked from most expensive to least expensive:

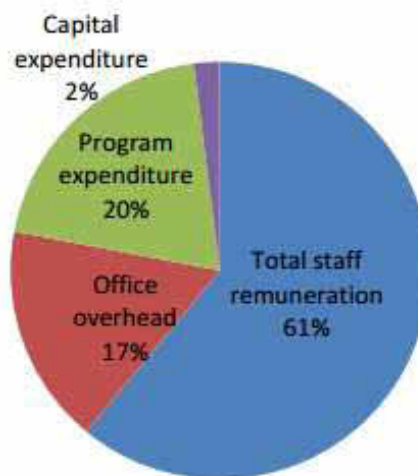
- Staff salaries and pension contributions;
- Office and accommodation costs. This is to include one-off costs associated with decorating the offices to a high standard and purchasing good quality furniture;
- Computers for all staff, and ideally laptops for Division Heads;
- Printing of brochures and other general promotional material;
- On-going costs such as telephone, internet, stationary, postage and other general administrative costs;
- Traveling expenses within Chile.

Other core cost items, depending on the budget:

- Travel for overseas investment missions;
- Attending key international (target) industry events;
- Using a firm specialised in FDI to develop the website and marketing materials;
- Purchasing and subscribing to some key sources of data and company intelligence;
- Purchasing a CRM system;
- Entertainment and transportation expenses. When potential investors visit Chile, they will expect to be taken to dinner and generally well looked after;
- Other costs incurred in managing the FIC to compete effectively in the market to win new investment.

Source : OECD and Investment Consulting Associates, 2014

171. As reflected in Figure 15, according to international research, the bulk of an IPA's expenditure (61%) is allocated to staff salaries, followed by programme expenditures (e.g. travel, marketing costs, purchase of database), office overhead costs and capital expenditures (e.g. computers, furniture). These resources should be dedicated to the core investment promotion functions

Figure 15. Typical breakdown of an IPA's annual budget

Source: Earth Institute, 2009

172. In terms of budget allocation to the FIC's main functions, there should be room for flexibility depending on the current circumstances and requirements. In the case of limited inward investment, additional resources may be allocated to investment attraction and facilitation. This should be adjusted when the focus of the FIC changes more towards retaining investments and aftercare. In other words, the exact distribution of the budget depends on the investment promotion strategy and current supply and demand of investment.

173. In addition to budget flexibility, the degree to which the IPA is funded by the government seems to be a decisive factor for the quality of the IPA. When a government has expressed its intention to financially support the IPA but does not fulfil this promise in practice, the IPA can suffer from severe financial issues resulting in a low standard for staff and promotional activities. The same is true when the government funds the IPA only in precarious financial circumstances and no continuous funding is present. On the other hand, an international good practice case of how to financially organise the IPA is when the IPA is perceived as a primary budgetary organisation (i.e. treasury or Ministry of Finance have reserved a budget line dedicated to the IPA) and has the autonomy over the use of its funds. Ultimately, this results in a more sovereign and self-governing IPA, supporting the needs of (foreign) investors as it is not financially tied to the government. Figure 16 demonstrates how various elements of budget considerations (e.g. government funding, financial autonomy, salaries, budget flexibility) interact and how they combined can be considered best practice.

Figure 16. Spectrum of constraining (left) and supportive (right) budget conditions

Unacceptable	Weak	Moderate	Sound	Best Practice
<ul style="list-style-type: none"> Government only pays on basis of service provision to support the IPA. Investment promotion does not feature as a government policy preference and IPA struggles to pay salaries and has next to no funding for promotional activities 	<ul style="list-style-type: none"> Funding is only sporadically making future planning and budgeting extremely difficult Budget for IPA prone to being siphoned by ministry for other purposes leaving the IPA seriously under-resourced IPA exacerbated budget constraints through lack of operational and budgetary planning procedures IPA depends exclusively on one ministry for funding 	<ul style="list-style-type: none"> IPA salaries seriously uncompetitive but at least has sufficient funding for basic promotion Reasonable prospect for IPA having annual budget request IPA has status of quasi-governmental body and operates autonomously in terms of day-to-day activities albeit ministerial approval is necessary for funding requests IPA is a secondary budgetary organization 	<ul style="list-style-type: none"> IPA operates autonomously under its own government but is exclusively dependent on government funding IPA is, however, a primary budgetary organization in that treasury/MoF features dedicated budget line IPA pay scales not necessarily locked into civil servant pay scales Sufficient funding to fulfil broad range of promotional activities and to enable state funding to leverage donor support High level flexibility over use of funds 	<ul style="list-style-type: none"> IPA is primary budgetary organization and is not financially restricted from fulfilling its mandate Government donor aid coordination unit also committed to ensuring IPA is sufficiently funded IPA has authority to create a revenue stream if necessary and which is consistent with mandate IPA can complement government funding by having the legal authority to enter financial agreements Flexibility to establish performance-based pay scales

Source: Adapted by Investment Consulting Associates, 2014

4. Action Plan and Timeline

4.1. Getting started and operational

174. The activities identified below are all very important to ensuring a sound start-up phase with the right fundamentals in place to eventually evolve into a powerful and well-equipped IPA. To build this capacity, specific areas need to be identified where external assistance or training will be required in order to get the newly designed IPA up and running as efficiently and effectively as possible. A long-term strategic plan and a short-term operational plan are two necessities for the FIC when it intends to compete with foreign investment promotion agencies.

1. Finalise Transversal Commission's internal dialogues on the IPA's establishment

175. Good systems established at the outset are critical as they all play an important role in the future planning and targeting of the IPA. These are now being facilitated by the internal meetings with the Transversal Commission. Once the "Masterplan" is presented, then this should be taken as point of departure for the formulation of indicative short- to medium-term measures of performance as it can take several years before investment promotion activities result in the realisation of ultimately desired outcomes such as job creation, increased exports and capital attraction. The Executive Vice President will need information on input and output performance to report to the Steering Committee.

2. Strategic plan for the FIC

176. The strategic plan for the FIC embarks on Chile's national investment promotion strategy and sets forward the long-term agenda and direction of its organisation. A coordinated strategic plan attempts to answer and address fundamental questions:

- Why does the FIC exist?
- What are the core values of the FIC?

- Where does the FIC want to be three, five and ten years from now?
- What does it want to achieve?
- What is FIC's vision and mission statement?

177. Strategic Planning looks at the bigger picture from a long-term perspective whereas the Operating Plan (next step, see below) represents the specific tactics for carrying out the Strategic Plan year to year. It becomes a continuous process whereby the FIC makes choices about:

- What are the major goals of this organisation?
- What resources does it need for a successful future?
- Who will be its customers or prospects?

178. Strategic Planning helps management understand the current situation. This in turn allows management to plan for the future (through performance measures), to reach a shared vision and to create broad consensus and commitment in all layers of the organisation.

3. Operational plan for the FIC

179. The operational plan translates the priorities as stipulated in FIC's strategic plan into a short- to medium-term implementation plan with a focus on operational activities and execution. The FIC's management must develop this operational plan and this involves developing an action plan, proposed deliverables, scorecards, monitoring and evaluation systems and setting the right key performance indicators (KPIs). The Steering Committee must review this plan and sign it off. The operational plan should at least include the following criteria:

- Define roles, duties and responsibilities of management team;
- Draft an organisation chart and prepare job profiles and skill sets;
- Define division plans, timelines, and deliverables;
- Define reporting and oversight mechanisms and structures through Steering Committee;
- Define human resource requirements and investment;
- Define physical infrastructure (buildings, furnishings, equipment) and ICT requirements and investments;
- Define key performance indicators for each division;
- Estimate of annual running cost; and
- Create annual evaluation plans (refer to section 4.2).

4. Training staff

180. Most likely, additional staff will be recruited at various points in time. As such, organising several training sessions is necessary. These should ideally be organised shortly after the staff is recruited. Trainings should be concentrated on the areas where the new staff will benefit most, as well as on the implementation of the investment promotion strategy. It will also be necessary to organise training for the diplomatic staff and selected staff in key Ministries that will be promoting Chile for investment. Training will also be necessary for ProChile's staff, who will work closely with the FIC in ProChile's offices abroad.

181. In addition to these activities, it is crucial to decide on how to monitor the progress of the IPA in terms of achieving set strategy objectives. This needs to be decided prior to getting the IPA operational as appropriate monitoring and evaluation (M&E) should start simultaneously with the commencement of operations (see next section).

4.2. Monitoring, evaluation and key performance indicators

182. Once the strategic plan has been developed, the next challenge is to identify the means to measure and evaluate the IPA's performance based on its strategic objectives. The monitoring and evaluation mechanisms should be stipulated in the operational plan. As the IPA, its mandate and its activities are based on the investment promotion strategy, measuring the IPA's performance reflects to what extent the strategy's objectives have been achieved and successfully implemented. From the point of view of evaluating the IPA's progress towards meeting its strategic goals, good data, both quantitative and qualitative, are essential.

183. Monitoring and evaluating (M&E) the performance of the IPA improves its management and overall governance. This requires developing quantitative and qualitative measures of its performance and cost-effectiveness. Monitoring is simply measuring the IPA's progress towards planned goals. In the case of the IPA, it usually relates to the objectives defined by the investment promotion strategy and IPA's strategic plan. Evaluation is the process of examining whether a project's objectives were achieved and, if they were, how efficient and economical the process was. This assessment can subsequently be taken into account when designing and implementing future strategies and activities. Benefits of a sound M&E process include measuring progress against national and internal goals, collecting useful data, learning from experience, benchmarking against other IPAs and improving the quality of independent audits.

184. The importance of M&E in the context of IPAs is related to the fact that investment promotion is a continuous process and requires a considerable amount of time before it generates any form of measurable output (i.e. new jobs, increased exports, capital attraction). As such, the performance of the IPA needs to be measured based on interim objectives to check whether its performance is still in line with the long-term planning. For that reason the IPA's strategic and operational plan should incorporate specific interim milestones and a timetable for achieving those objectives.

185. IPAs should consider three factors that interact with each other and determine the M&E procedure of the IPA: its mandate, resources and clients. The mandate determines the functions of the IPA and its responsibilities for each function. The degree of autonomy of the IPA also influences what to monitor and evaluate. Resources should be allocated to monitoring and evaluating the IPA's activities that make up the largest part of the budget. IPAs need to be sure they measure and evaluate the activities, results and services that are most important in the view of their clients (i.e. investors and public officials).

The FIC's management should consider the following issues:

- What to Measure?

Eventually, the IPA's performance is quantitatively measured by long-term benefits associated with new and retained investments as well as strategic objectives defined in the investment promotion strategy and the IPA's strategic plan. This is the strongest performance measure. These "outputs" need to be measured against the short-term "inputs" and activities carried out by the IPA. However, these inputs and activities can usually not be captured by the calculation of economic benefits. Monitoring the cost-effectiveness, quality, and utility of individual initiatives, as well as the organisation's overall efficiency should be executed through qualitative assessment. The best tracking or measuring systems are those that are routinely carried out as part of the regular duties of the IPA staff.

- When to Measure?

Depending on what is measured, it should be reviewed using a same frequency to allow for comparison. Inputs are advised to be monitored more frequently than outputs due to internal management purposes and their continuous, short-term nature. Monthly or bi-weekly measuring of inputs is sufficient. Outputs, on the other hand, should be measured based on division project plans or the IPA's operational plan, which often is quarterly or annually. It should be noted that data gathering should be performed continuously and be part of regular duties in tracking systems in order to ensure consistent data and evaluation procedures. With regards to the M&E of input and activities, most data sources are available internally. However, M&E of the output requires external data sources.

- How to Measure?

M&E requires the formulation of key performance indicators (KPIs). KPIs are the translation of strategic objectives and outputs into quantified measurable indicators. The aim of these KPIs is to assess the extent to which the strategic targets set out by the investment promotion strategy and the IPA's strategic plan have been achieved. For example, if the strategic aim (or one of the aims) is to effectively execute policy advocacy, performance would be evaluated against the indicators selected which measure, for instance, the number of reforms made by the government, initiated by the IPA. Frequently used best practice KPIs include:

1. Number of **reforms** introduced by the government influenced by the policy advocacy activities of the IPA (i.e. take year prior to assessment);
2. Percentage of **meaningful inquiries** that develop into firm project interest with known parameters and a clear decision time frame (expressed as percentage of total inquiries);
3. Percentage of companies which **visit the country** (can be multiple) and make a positive decision to invest in the country (expressed as percentage of meaningful inquiries);
4. Ratio of the IPA's **budget contribution** by the government to the total value of investment attracted – in financial terms – mediated by the IPA on an annual basis (i.e. take year prior to assessment);

5. Percentage of **investment decisions mediated by the IPA** which fall within target sectors and subsectors and type of investment specified within the IPA's investment promotion strategy;
6. **Pipeline flow** at a given point in time or average over defined time frame (i.e. how much meaningful project interest in the pipeline);
7. Percentage of **annual FDI flow** into country actually mediated by IPA (of total FDI flow).

186. Table 4 presents an overview of these KPIs and their outcomes, on which the performance of the IPA is evaluated. Clearly, the business investment context as well as the size and resources of IPA should be taken into account when selecting KPIs and their outcomes but the table below provides rudimentary guidelines.

Table 4. Overview of Key Performance Indicators and their related scores

Indicator	Very Weak	Weak	Moderate	Sound	Best Practice
1. Number of Reforms	None – IPA does not fulfil a policy advocacy role	None – ineffective policy advocacy	1 to 2	3 to 4	5 or more
2. Meaningful Enquiries	<10% or unknown	10-15%	16-29%	30-35%	>35%
3. Site Visits	<9% or unknown	10-19%	20-24%	25-29%	>30%
4. Budget Ratio	<\$1:\$50 or unknown	\$1:\$50 to \$1:\$100	\$1:\$100 to \$1:\$150	\$1:\$150 to \$1:\$300	>\$1:\$300
5. Investment Decisions	<10% or unknown	10-24%	25-39%	40-59%	>60%
6. Pipeline Flow	Unknown	<15	15-60	60-150	>150
7. Annual FDI Flow	<10% or unknown	10-19%	20-29%	30-39%	>40%

Source: Investment Consulting Associates, 2014

5. Key Findings and Recommendations

187. The competition for FDI is increasing and more countries than ever before may qualify as feasible investment destinations. This puts increasing pressure on established markets for FDI, such as Chile, to keep improving their business climate and to make sure that Chile remains on the radar screen of prospective investors.

188. Actively promoting Chile's location value proposition, consistently providing investment support and professionally facilitating FDI are important tasks in securing new FDI as well as to retaining current investors. The FIC will play a pivotal role in achieving this goal. The support of the Transversal Commission and the other stakeholders, combined with the current reform momentum in Chile offers a window of opportunity to take bold measures to strengthen Chile's investment promotion strategy, agency and activities. Below are key findings of the report and recommendations for the FIC to achieve its objectives:

1. Chile still enjoys a competitive position for FDI in South America, but it is facing increasing competition from other countries that are continuously professionalising their investment promotion efforts. There is a strong need for a pro-active IPA in Chile if it wants to remain competitive in the field of FDI promotion, attraction and retention;
2. The FIC needs to play a pro-active role in defining Chile's strategic policy orientation towards FDI. It must develop its own vision in terms of target markets and priority sectors to be able to build dedicated investor services. In the current setting, with the FIC being a regulatory body, it has only a limited voice and follows the guidance from other agencies in this respect;
3. The FIC as the national IPA of Chile can only function well if its mandate and core functions are clearly stipulated and legally defined. Ideally, the FIC will become a statutory authority set up by law or decree;
4. At the moment, staff of the FIC's investment attraction team is not in the position to conduct investor services because of regulatory constraints. This prevents the FIC from working together with specialised external service providers or organising site visits. It is recommended that the Transversal Commission takes notice of the necessity for the FIC to have room to manoeuvre in order to execute their services in the way investors expect and in line with the government's priorities;
5. To transform the FIC into a pro-active IPA, it also requires a stable and long-term commitment providing it with a strong institutional position. It is recommended for the FIC to have direct reporting lines to the Minister of Economy and be supervised by a Steering Committee with private sector involvement. Among enhancing the FIC's functions, these will strengthen its visibility and credibility. Over time, when the FIC has proven its value and established a strong brand and reputation, it might become more autonomous and independent;
6. From an organisational point of view, and based on best practices with mid-sized IPAs, a Chief of Staff can improve internal co-ordination and communication mechanisms, hence contribute to better efficiency;

7. The Executive Vice President of the FIC is appointed by the President, which means that political elections may affect this position. In order to maintain and secure the long term strategic goals and vision of the FIC, it is recommended that the Chief of Staff is a permanent position without political involvement to ensure continuity;
8. The FIC should capitalise on the investment promotion instruments offered by CORFO as well as the strategic fund offered by the Ministry of Economy. At this point it is not recommended for the FIC to govern any incentive instruments themselves, but to rather rely and strengthen the use of incentives and instruments managed by the competent authorities. In this regard, close cooperation with CORFO is key;
9. ProChile and the FIC have entered into a MoU which, amongst others, looked into the opportunity of sharing ProChile's existing network of international offices. It will give the FIC a possibility to actively promote Chile in key markets for FDI either by placing its own staff or using staff members from ProChile. This latter can only work if: (i) there is an incentive for ProChile staff to do so; and (ii) there is sufficient knowledge on investment promotion to do so.
10. A joint training programme can be developed to further familiarise the staff in the field with sufficient knowledge on trade, investment and how they relate;
11. The FIC has representation in China and South Korea and provides dedicated services such as the China Desk with Chinese staff, to better attend to the requirements of investors from that country and to address them initially in their own language. In countries where Chile has an embassy, its ambassador as well as economic attachés must be aware of the FIC's new role and open doors with the private sector, after which the FIC's staff take over and provide the details on Chile's business environment to turn opportunities into investments;
12. Taking into account the strengths and resources of stakeholders such as *Fundación Imagen de Chile*, ProChile and CORFO that have been carefully built up over the years, and to avoid overlap, it is recommended that the FIC focus on the following activities, as elaborated in this report:
 - Investment attraction services;
 - Investment facilitation including “one- stop-shop” services;
 - Legal division (providing DL 600 support in the short-term and gradually shifting towards a policy advocacy function);
 - Aftercare with a focus on existing investors (key accounts);
 - External communications;
 - Research and FDI statistics.

13. The research and FDI statistics division, in collaboration with the Central Bank of Chile, initiated a programme to improve the process of processing FDI data. Chile has improved its compilation of statistics in the last few years, introducing new surveys and using new data sources. Reinforcing further the quality of national and regional FDI data will improve the decision making on targeting sectors, sub-sectors or specific corporates. It is also key to understand and appraise the impact of FDI (i.e. number of jobs, volume of capital investment, host country, etc.) in specific sectors.
14. Strengthening the capacity to identify suppliers in specific sectors will support the development of linkages between FDI and the domestic economy. This would also encourage aftercare services when foreign investors are in need of local suppliers and the FIC could then act as an effective match-maker;
15. The FIC should prepare a set of operational bylaws underpinning its services and associated response times (e.g. two days to respond to a written inquiry, one day in case of an inquiry by phone, one week to organise a site visit request, etc.);
16. In addition, the FIC must introduce a system of priority handling. When the number of investor inquiries increase, it is a common pitfall to pay the same amount of attention to each inquiry. Instead it is recommended to qualify the inquiry first and assess whether the project would qualify as a priority investment project. If this is the case, more resources may be allocated compared to inquiries who are evaluated a lower priority; and
17. In terms of next steps, it is essential to draft a long-term strategic plan as well as a short-term operational plan, in which realistic KPIs are set for each department to monitor and evaluate (interim) inputs, outputs and activities, resulting in an understanding of FIC's overall performance.