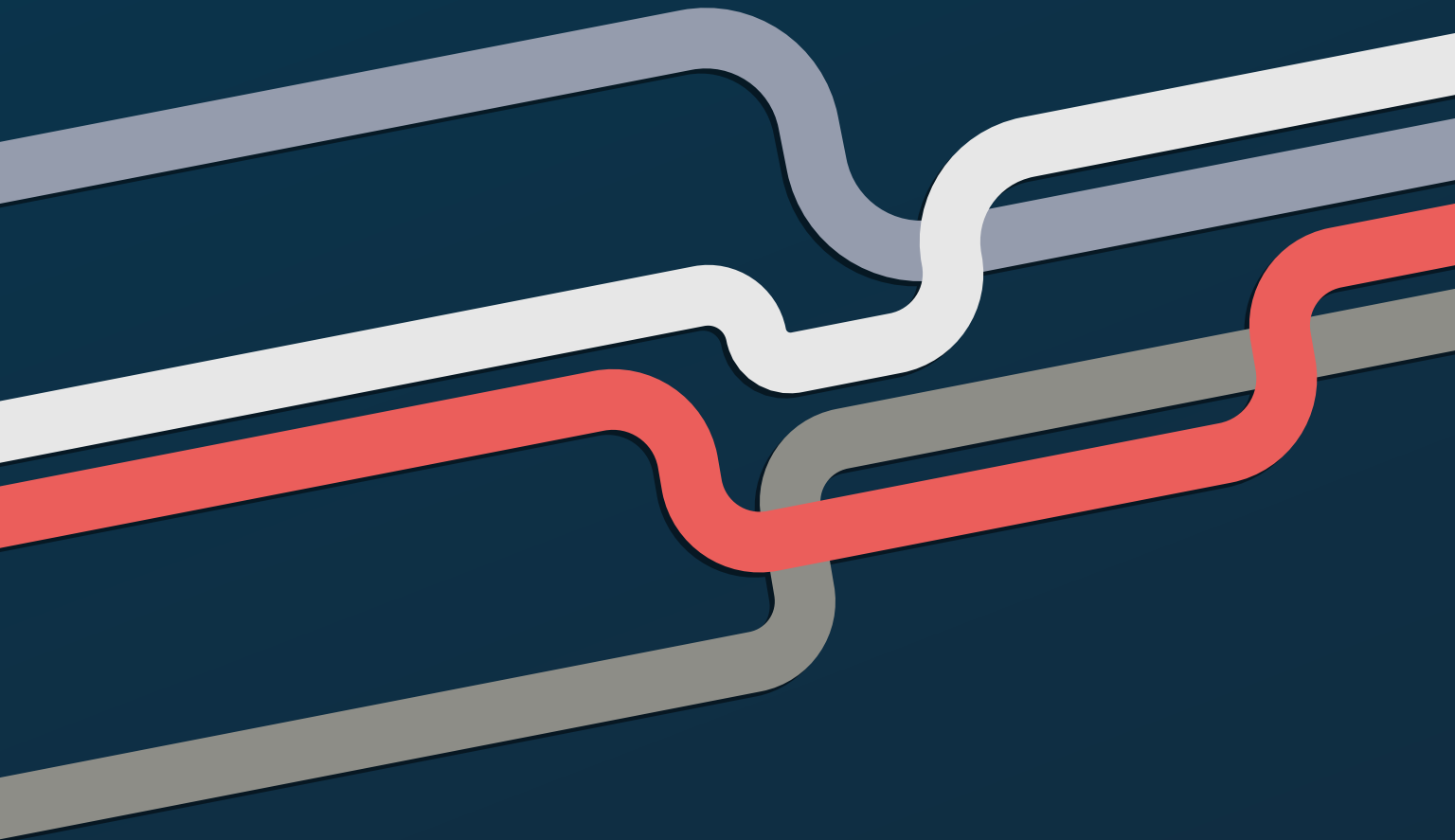


IMPACT EVALUATION OF “INVEST IN POMERANIA”

(2011–2020)



IMPACT EVALUATION OF “INVEST IN POMERANIA”

(2011–2020)

POLAND: FDI EVALUATION & STRATEGY FOR POMERANIA
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Abbreviations

| | |
|--------|---|
| ABSL | Association of Business Service Leaders |
| BEA | Bureau of Economic Analysis |
| BPO | Business Process Outsourcing |
| BPM6 | Balance of Payments and International Investment Position Manual |
| BSIT | Business Services and Information Technology |
| BSS | Business Support Systems |
| CRM | Customer Relationship Management |
| DCI | Development Counsellors International |
| DDI | Domestic Direct Investment |
| DIT | Department for International Trade |
| EU | European Union |
| FAQ | Frequently Asked Questions |
| FDI | Foreign Direct Investment |
| GDP | Gross Domestic Product |
| GIC | Global Investment Competitiveness |
| GIS | Geographic Information System |
| GVA | Gross Value Added |
| ICT | Information and Communications Technology |
| IHS | Inverse Hyperbolic Sine |
| iP | Invest in Pomerania |
| IPA | Investment Promotion Agency |
| IT | Information Technology |
| IT-BPO | Information Technology Business Process Outsourcing |
| KPI | Key Performance Indicators |
| M&E | Monitoring and Evaluation |
| MNE | Multinational Enterprise |
| NACE | Nomenclature of Economic Activities |
| OECD | Organisation for Economic Cooperation and Development |
| PAIH | Polish Investment and Trade Agency (Polska Agencja Inwestycji i Handlu) |
| PPP | Public-Private Partnership |
| PR | Public Relations |
| PWC | PricewaterhouseCoopers |
| R&D | Research & Development |
| SEZ | Special Economic Zone |
| SME | Small and Medium-Sized Enterprise |
| TV | Television |
| UNCTAD | United Nations Conference on Trade and Development |
| US | United States |
| USD | United States Dollars |
| WAIPA | World Association of Investment Promotion Agencies |
| WBG | World Bank Group |

Executive Summary

In 2011, the Pomerania region of Poland set up Invest in Pomerania (IiP) as its regional investment promotion agency. Several local institutions together launched IiP to ensure regional coordination of FDI attraction and investment promotion opportunities. The goal was to create a single entity that would effectively attract and facilitate FDI in the region and that would also act as an interface between investors, local authorities, and other stakeholders. While starting off small, the agency has developed significantly since its inception. With a total of 22 employees, the agency today has a number of functions, including promoting investment, providing matchmaking services, promoting innovation, developing local suppliers, functioning as a one-stop-shop, and promoting domestic investment.

This report assesses the impact of IiP on Pomerania's economic performance in the period from 2011 to 2021. Upon reaching its ten-year anniversary, the agency seeks to better understand its contributions to attracting FDI and to the region's economic development objectives. Currently, IiP is developing its new investment promotion strategy for 2022–2027. By looking back to assess the agency's impact while also drawing out major IiP's strengths, weaknesses, opportunities, and threats, this report evaluates past performance while also informing the agency's future development path.

Quantitative impact assessment

Since its inception in 2011, IiP's priority sectors have grown more significantly than have its non-priority sectors. Next to an increase in the number of greenfield FDI projects and total investment in its priority sectors, IiP's priority sectors have also been growing faster in Pomerania. Between 2011 and 2018, the gross value added in IiP priority sectors had a composite annual growth rate of 7.4 percent, while other sectors grew at only 4.1 percent. Priority sectors also appear to have seen larger increases in the number of firms and persons employed since IiP began.

Pomerania's economic performance has been driven by the sectors IiP targeted, in particular the IT-BPO sector. Since the inception of IiP, IT-BPO has made up a considerable share of Pomerania's new FDI projects, and IT-BPO also outpaces other IiP priority sectors in gross value added, growth in employment, and increase in average wages.

Most new FDI is concentrated in the Tri-City area. A subregional analysis of Pomerania shows that most of the new FDI has gone to the Tri-City area (comprising the cities Gdańsk, Gdynia, and Sopot), both by numbers of projects and total FDI, along with increases in gross value added, firm numbers, and employment.

Pomerania’s FDI trends roughly follow those of Lesser Poland and Lower Silesia, two regions deemed competitors. In terms of growth in value added in IiP priority sectors, Pomerania is outperforming Lower Silesia and the rest of Poland, but it is outpaced by Lesser Poland. Firm dynamics of IiP priority sectors across the different regions suggest that Pomerania did well in terms of firm numbers, but lagged behind in persons employed and average wages. Thus, while Pomerania has grown significantly, there still seems to be room for improvement relative to its competitor regions in Poland.

Econometric analysis complements the descriptive statistics by directly showing that IiP has had a significant impact on FDI flows. The empirical strategy relies on a staggered difference-in-differences model, exploiting information on IiP’s targeting strategies by sector. The model is inspired by Harding and Javorcik (2011) and leverages survey data from Crescenzi, Di Cataldo, and Giua (2021) combined with greenfield FDI announcements from the Financial Times’ fDi Markets database. By using Crescenzi, Di Cataldo, and Giua’s 2021 dataset on European regional IPAs, it is possible to know which region-sectors are targeted by other regional IPAs and to exclude them from the sample to reduce bias in the model.¹ The model then assesses the effects of IiP’s strategy by estimating the additional FDI inflows in selected sectors during periods of investment promotion, relative to periods in which IiP was not in operation and not targeting those sectors, compared to other regions in Poland and Europe more broadly. The analysis shows that IiP’s targeting of a sector is associated with:

- Increased probability of 16 to 18 percent for a targeted sector to receive FDI
- Average increase of 76 additional projects attracted over the time-horizon
- Average increase up to 160 percent in the inflow of FDI
- Average increase up to 230 percent of FDI-related jobs

In other words, sectors targeted by IiP perform significantly better than non-targeted sectors in terms of FDI attraction; IiP has been able to increase the attraction of FDI and FDI-related jobs; and the amount of attracted foreign capital appears to be substantial. IiP’s effectiveness at attracting FDI and FDI jobs is also above average compared to other regional investment promotion agencies (IPAs) in Europe.

1. Excluding these regions from the sample helps to assess the absolute effectiveness of IiP’s specific investment promotion program (rather than consider its relative effectiveness vis-à-vis other IPAs).

Qualitative impact assessment

The qualitative impact combines a literature review, an IPA benchmarking exercise, and a stakeholder survey. Existing literature is reviewed to establish good practice elements that constitute an effective investment promotion agency. In the IPA benchmarking exercise, different characteristics of IiP's structure and performance are qualitatively compared to the characteristics that High-Performing IPAs tend to display (as identified by Steenbergen, forthcoming). Stakeholder consultations with 57 private organizations and public and semipublic institutions in Pomerania helped to establish the causal mechanisms by which IiP has had an impact on investment.

Stakeholder perceptions corroborate the findings of the quantitative analysis that IiP has helped to attract foreign investment, in part through its role as a regional coordinator. Among different stakeholders—both public and private sector—IiP is also generally seen as having been successful in attracting FDI, with several firms attesting to the pivotal role the agency has played in their decision-making to locate in the Pomerania region. IiP is also perceived as having helped to improve interagency coordination and cooperation between different public and semipublic institutions in the region, functioning as an integrator and central node of a wide network of different public and semipublic institutions. This has contributed to streamlining the flow of information between investors and regional institutions.

Invest in Pomerania's effectiveness derives from its focus on investment promotion and institutional coordination. IiP's operating structure and organizational framework have been mostly set up in line with good practices of high-performing IPAs. In combination with well-respected staff, IiP has excelled in attracting FDI. IiP concentrated on a number of key services and activities that it performs well, thereby avoiding diluting efforts across too many different tasks. For example, by focusing its promotion efforts on the IT-BPO cluster, IiP bundled its resources and attention to achieve extraordinary results in helping the cluster grow and also enabled it to experiment with expanding its functions in a targeted way, such as by proactively addressing marketing around the lack of skills through the Live More. Pomerania initiative.

Invest in Pomerania at a crossroads

Upon reaching its ten-year anniversary, Invest in Pomerania is now at a crossroads: how can its future focus and mandate build on its successes while avoiding risks? Invest in Pomerania is currently in the process of developing its new five-year budget. As part of this effort, it is expected to more than double its operational revenue and expand its employment. Such expansion provides both considerable opportunities and threats. Several stakeholders interviewed expressed competing interests as to what the agency should focus on, hinting at different paths of development.

- **Pathway 1: Regional Development Agency.** Some stakeholders argue that IiP should move beyond its recent narrow focus on foreign investment, the Tri-City area, and selected sectors (most notably IT-BPO), and expand it to a broader range of domestic investors, peripheral regions, and a broader sector scope, as well as administering grants and incentives.
- **Pathway 2: Professionalizing its operation and deepening its investor services offering.** Alternatively, IiP could continue to focus on its key strengths in FDI attraction. IiP would develop by further professionalizing its operations, selectively intensifying its efforts regarding non-IT-BPO priority sectors, and exploring additional activities through a tailored, needs-based approach.

Proponents of the first pathway note the challenges of economic inequality with the Pomerania region and argue that a capable organization like IiP could help create new opportunities for lagging areas and for domestic SMEs. Influenced by this vision, IiP is already planning on taking a bigger role in overseeing SME grants as part of a budget expansion. However, this development path carries the risks for IiP of weakening its mandate and its ability to focus on its core successes in investment promotion and coordination. The professional skillsets and organizational structure for an SME grant administration institution will be quite different from those of an FDI attraction agency, and it will be difficult for IiP to perform both tasks excellently unless the teams are clearly delineated so that the implementation of one does not detract from the other. **With these considerations in mind, our recommendation is for IiP to focus on expanding its overall capacity as a top-tier regional investment promotion agency and to avoid diluting its core mandate with new tasks.**

Key considerations for Invest in Pomerania's new FDI strategy for 2022–2027

IiP can reach the next stage of its evolution by further professionalizing its operations. The agency has already been professionalizing since it was established in 2011, and it could go still further to become more effective. To do so, the qualitative assessment of this report (Chapter 4) makes a number of recommendations to consider for the new FDI strategy. These include: some revisions to IiP's institutional structure; an update of IiP's strategic alignment and focus; expanded staff profiles and remuneration, with clear KPIs; and some improvements in delivery of investor services. A summary of the recommendations from Chapter 4 is provided here in Table ES.1.

TABLE ES.1 Summary of Recommendations, for consideration in IiP's new strategy

| Pillar | Recommendation |
|--|--|
| Institutional Arrangement | <ul style="list-style-type: none"> • Consider conducting a detailed review of Invest in Pomerania's structure to potentially include a formal board of directors or advisory board and to increase private sector participation in its board. • Strengthen IiP's role as coordinator between public, semipublic, and private sector actors in the technology and digital economy sectors (e.g., those providing start-up incubation, acceleration, financing, etc.) to improve information flows between actors, increase transparency about availability of different services, and streamline overlapping offerings. • Increase coordination between IiP and the Polish Investment and Trade Agency (PAIH). |
| Strategic Alignment and Focus | <ul style="list-style-type: none"> • Clarify and update the agency's priority sectors in the new FDI strategy and provide greater clarity and consistency about priority sectors in IiP's communications. • Consider increasing the share of resources spent on non-IT-BPO priority sectors. • Reconsider the promotion of domestic investment as part of IiP's mandate and consider shifting the agency's resource allocation from promoting domestic SMEs to promoting foreign SMEs and from overseeing grants to attracting FDI, to the extent its funding structure based on EU funds permits. |
| Organizational Framework and Resourcing | <ul style="list-style-type: none"> • When hiring additional staff, focus on sector-specific expertise for priority sectors in upcoming FDI strategy. • Align IiP's staff salaries with private sector remuneration levels. • Increase the number of KPIs and impact indicators that Invest in Pomerania measures to guide staff and better quantify the benefits and costs of its works. |
| Investor Services Delivery | <p data-bbox="371 991 1370 1024">Marketing Services</p> <ul style="list-style-type: none"> • Develop a stronger narrative about the Tri-City region as investment destination and consider a multichannel marketing campaign for a global audience. • Review the effectiveness of social media programs, and potentially outsource their implementation. • Create case studies of successful investments in the region and of start-ups that managed to internationalize. <p data-bbox="371 1193 1370 1225">Information Services</p> <ul style="list-style-type: none"> • Increase the publicity and dissemination of IiP's reports. • Display topical information for foreign investors directly on IiP's website. • Use business intelligence tools to develop forward-looking sector reports. <p data-bbox="371 1322 1370 1354">Assistance Services</p> <ul style="list-style-type: none"> • Continue IiP's efforts to improve the transparency of land ownership to generate larger plots for manufacturing investments. • Expand the information provided on the Live More. Pomerania website. • Strengthen IiP's role as coordinator for skills initiatives. • Strengthen aftercare services for existing investors to help them grow and reinvest. • Focus on cluster-building in strategic sectors, and launch a pilot linkages program. <p data-bbox="371 1548 1370 1580">Advocacy Services</p> <ul style="list-style-type: none"> • Regularly collect foreign investors' issues and promote their solution with government officials. • Consider a collaboration with PAIH to expand the reach of IiP's advocacy services. • Organize issue- or sector-specific meetings between investors and/or business organizations with local government institutions. |

Source: Authors' analysis using IPA benchmarking and interviews.

CHAPTER 1

Introduction

In 2011, the Pomerania region in Poland set up Invest in Pomerania (IiP) as its regional investment promotion agency. Several local institutions together launched IiP to ensure regional coordination of foreign direct investment (FDI) attraction and investment promotion opportunities. The goal was to create a single entity that would effectively attract and facilitate FDI to the region. IiP was also designed to act as a focal point between investors and a variety of regional and local entities such as the regional government, local municipalities, special economic zones, and industrial parks. While starting off small, the agency has developed significantly since its inception. With a total of 22 employees, the agency today has a number of functions, including promoting investment, providing matchmaking services, promoting innovation, developing local suppliers, functioning as a one-stop-shop, and promoting domestic investment.

This report assesses the impact of IiP on Pomerania’s economic performance in the period from 2011 to 2021. Upon reaching its ten-year anniversary, the agency seeks to better understand its contributions to attracting FDI and to the region’s economic development objectives. Currently, IiP is developing its new investment promotion strategy for 2022–2027. By looking back at the agency’s impact while also drawing out major strengths, weaknesses, opportunities, and threats for IiP, this report will inform the agency’s future development path while also highlighting past achievements.

In addition to this Introduction, this report has four main chapters:

Chapter 2 provides a short summary of the Pomerania region and the background in which IiP was established. It also describes the main activities of IiP and the priority sectors it has targeted.

Chapter 3 is a quantitative impact assessment and considers what effect IiP has had on the region’s economic performance. It first considers a range of descriptive statistics, particularly related to FDI but also considering gross value added, number of firms, employment, and average wages in IiP priority sectors. Regression analysis is then used to provide a more causal estimate of IiP’s impact on attracting FDI in its priority sectors.

Chapter 4 qualitatively assesses IiP’s performance and structure through mixed methods. Existing literature is reviewed to establish good practice elements that constitute an effective investment promotion agency (IPA). Through an IPA benchmarking exercise, different characteristics of IiP’s structure and performance are qualitatively compared to the characteristics that high-performing IPAs tend to display. Stakeholder consultations with 57 private organizations and public and semipublic institutions in Pomerania helped to establish the causal mechanisms by which IiP has had an impact on investment. These insights are the basis for recommendations to improve the performance of IiP’s service delivery.

Chapter 5 then looks forward and tries to identify the key lessons learned from the analysis for IiP’s new FDI strategy for 2022–2027.

CHAPTER 2

A Brief History of “Invest in Pomerania”

2.1

The Pomerania region

Located in the north of Poland with one of the busiest ports on the Baltic Sea, the Pomerania region is home to 2.3 million people. Pomerania is located on the southern shore of the Baltic Sea, between two other Polish regions: West Pomerania and Warmia-Masuria. It is best known for its maritime port, university center, and the city of Gdańsk. The

port of Gdańsk is currently the third busiest port for cargo-shipments on the Baltic Sea, after the Russian ports of Ust Luga and St. Petersburg, and the first one in Poland by share of cargo exchanged (Maritime Logistics Professional 2021). Gdańsk, together with Gdynia and Sopot, form the Tri-City agglomeration. The region is home to 24 higher education institutions, 11 of which are located in Gdańsk (Invest in Pomerania 2021c). Ranking third in the country in terms of positive internal and foreign migration balance, the region’s population has 2.3 million inhabitants (Sagan, Martinez-Fernandez, and Weyman 2013; Gdańsk Statistical Office 2020).

While the region has a strong historical maritime tradition, for its future, it increasingly looks toward modern services and manufacturing. Due to its proximity to the port, Pomerania has traditionally specialized in sectors such as logistics and maritime, including shipbuilding, and the processing of fish. Yet, to modernize its economy, the region has shifted its focus in the last two decades toward digitally enabled services and expanded into modern manufacturing sectors such as automotive, aviation, and green energy. In addition, the region seeks to leverage its academic center and focus more on research and innovation in all priority sectors, including manufacturing but also pharmaceuticals.

Pomerania has five main subregions. The most well-known is the Tri-City subregion, which contains the city of Gdańsk and Gdynia, the largest port and site of most of the economic activity of the region. As such, the Gdańsk subregion does *not* contain the city of Gdańsk but is instead a separate peripheral subregion. Slupsk, Starogard, and Chojnice are the other three regions in the area (Figure 2.2).

FIGURE 2.1 The Pomerania region within Poland



Source: WorldAtlas.com.

FIGURE 2.2 The subregions of Pomerania



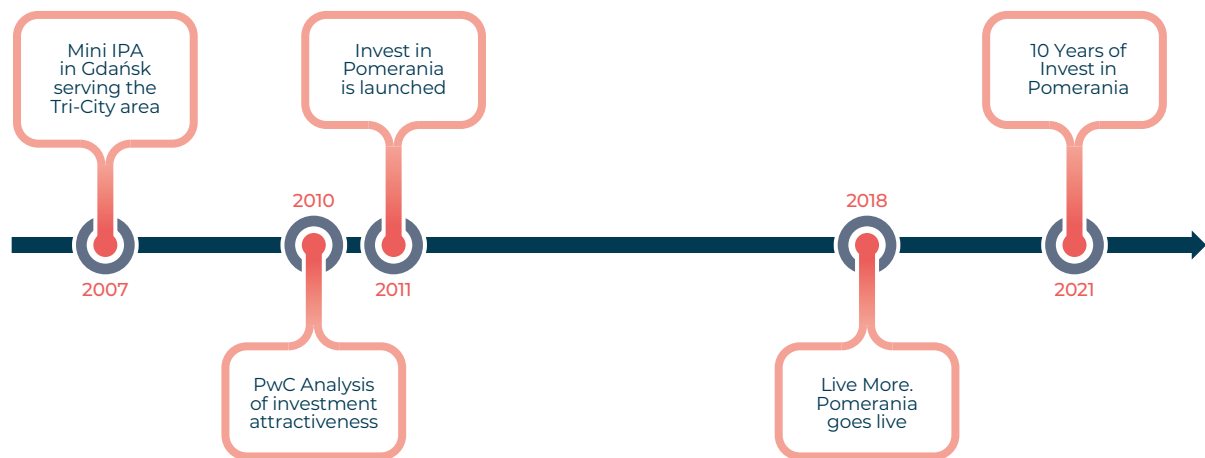
Source: Authors' adaptation using Statistics Poland (stat.gov.pl).

2.2

History of Invest in Pomerania

Before “Invest in Pomerania,” the region saw a number of dispersed investment promotion activities. In 2007, the Gdańsk municipality employed its own dedicated staff to attract investment to the city (Figure 2.3). In addition, the Regional Development Agency had its own list of investment projects that it was independently trying to attract. This led to considerable duplication of efforts and confusion on the part of the investors.

FIGURE 2.3 Key milestones in the history of Invest in Pomerania



Source: Authors' elaborations based on interviews.

To help improve the region's investment competitiveness, in 2010 its Marshal Office commissioned Price Waterhouse Coopers (PwC) to review its position and to develop an FDI strategy. This analysis aimed to identify those areas and factors that make the region a competitive FDI destination and point out what would need to be improved to achieve this. This report argued that the Pomerania region lacked coordination between the multiple existing stakeholders, such as development agencies, special economic zones, industrial parks and local authorities, and so forth. The solution was to upgrade the Gdańsk mini-investment promotion agency and transform it into a regional agency that could take on this role. The final report, called “Analysis of Investment Attractiveness” also highlights a list of 11 sectors that combine global market demand with existing resources and specialization.

In 2011, Invest in Pomerania was launched to ensure regional coordination of FDI attraction and investment promotion opportunities. Based on the conclusions of the PwC report, in 2011 the Pomeranian Region, the municipalities of Gdańsk, Gdynia, Sopot, and Słupsk; the Regional Development Agency (Agencja Rozwoju

Regionalnego) managing the Słupsk Special Economic Zone; the Pomeranian Special Economic Zone sp. z o.o.; the Gdańsk Economic Development Agency (Agencja Rozwoju Gospodarczego SA); and the Pomerania Development Agency (Agencja Rozwoju Pomorza SA) signed an agreement to launch the Invest in Pomerania Agency as a regional representative brand (Pomeranian Voivodeship, Marshal Office 2013). The goal was to have a single entity dealing with investor queries in the region, an agency able to facilitate the launch of investment projects and act as an interface between investors, local authorities, and other local stakeholders and at the same time able to represent the region outside its borders to international events and trade fairs. The Agency provides support to investors and acts as a central information platform concerning all location procedures needed. The region was able to rely entirely on European Union (EU) regional development funding to finance the operations of Invest in Pomerania.

In 2018, the role of Invest in Pomerania expanded through the Live More project, which aims to attract new talent to developing industries by connecting higher education institutions with the labor market. The agency designed and launched the initiative *Live more. Pomerania* to use the region's educational offering in order to encourage innovation and attract and retain talent for expanding sectors, in particular business services and ICT. This was the first major marketing campaign conducted by Invest in Pomerania. The agency was also among the first of its kind in Poland to launch a digital recruitment platform in order to assist companies in the region in finding the right type of talent for their operations.

Looking forward, the agency seeks to use the next decade to step up its FDI attraction and investment promotion achievements. The region is preparing for a new development strategy for the next seven years (ABSL 2021). The agency continues to play an instrumental role in attracting FDI and promoting investment as a contribution to these development goals. To do that efficiently, the agency seeks to understand its strengths and vulnerabilities and consider potential new approaches to responding to the challenges it faces.

2.3

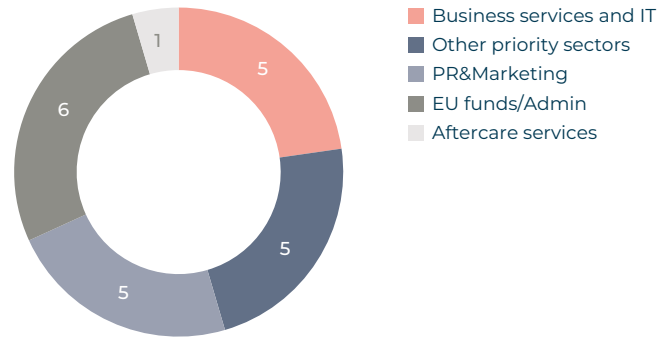
Main activities of Invest in Pomerania

With a total of 22 employees, the Agency works in three key areas: EU funding distribution, FDI attraction, and investment promotion. The agency employs 22 employees divided into five main units, by area of activity: Business Services and IT (BSIT), other priority sectors (including manufacturing, logistics, energy, and pharmaceuticals), PR and Marketing, EU funding distribution and administrative, and aftercare services for investors (Figure 2.4). Each unit has its own set of functions, including and mixing FDI attraction with investment promotion and sometimes procurement responsibilities. It also actively pursues opportunities to increase the visibility of the region as

an attractive investment location in specifically targeted sectors. The two largest units are the EU funding distribution unit, with six employees, and the Business Services and IT unit with five employees.

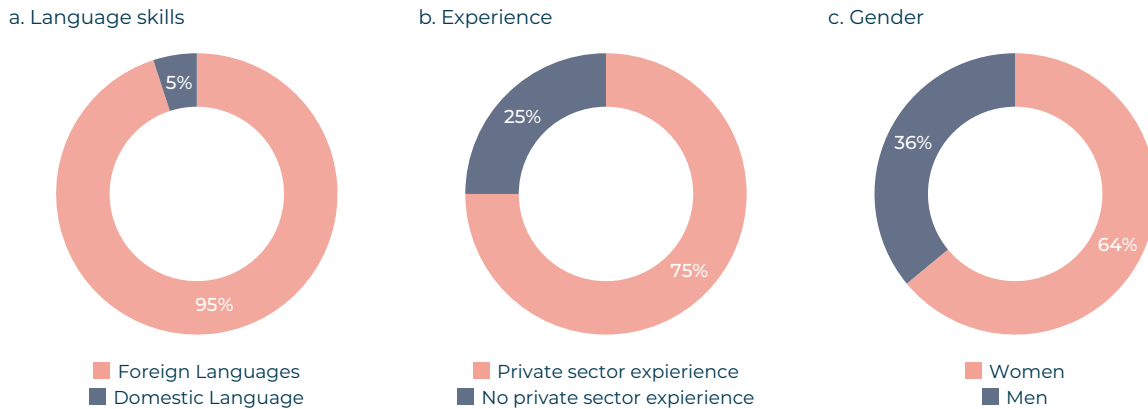
The agency’s employees have diverse backgrounds, helping them to pursue their functions. While most staff have some form of private sector experience, all of them also have public sector experience (Figure 2.5). At the same time, almost all employees speak a foreign language. Staff are required to prepare sectoral reports, studies, and analysis and at the same time participate and/or organize events and trade fairs. Most staff tend to have relevant academic studies.

FIGURE 2.4 Invest in Pomerania Staff breakdown by area of activity



Source: Interviews with Invest in Pomerania staff.

FIGURE 2.5 Invest in Pomerania Staff breakdown by language skills, experience, and gender



Source: Interviews with Invest in Pomerania staff.

The agency’s investment promotion offering mainly focuses on investor assistance.² The agency’s main role is to facilitate the dialogue between potential investors and other relevant stakeholders in the region such as local authorities, special economic zones or industrial parks, incubators, and so forth, and to coordinate their actions to help foreign investors successfully launch their projects. While fulfilling its mandate, the agency is also responsible for reporting its activity and results to several institutions and partners such as the Marshal Office, Pomerania’s Regional Development Agency, the Special Economic Zones, etc.

2. The agency sometimes positions itself as a “one-stop shop” for investment projects. Yet, the agency has little, if any, regulatory or administrative powers; it can only act as an intermediary between investors and the public institutions that issue the relevant permits and/or licenses. As such, it is not technically a “one-stop shop.”

The agency also provides a range of information services. It has started to publish reports on specific sectors (most notably business support services and automotives) and publishes key regional economic statistics. As a way to make the region more welcoming to outsiders, the agency provides a comprehensive guide that inventories and explains all administrative procedures required from both expats and hiring companies upon relocation. The platform includes links to job opportunities but also to a fast-track visa application procedure. Among others, the agency hopes that these measures make it easier to attract more talent from non-EU neighboring countries, such as Belarus, to the Pomeranian ICT sector.

Aftercare assistance is integrated into the wider structure of the agency. To keep an institutional memory of interactions with investors, the agency holds a database of potential investors, and it also has a mechanism to register investors’ complaints. Much of the aftercare services are undertaken by the two sector-specific teams. In addition, the agency has one staff member dedicated to pursuing miscellaneous client requests.

In recent years, the agency has also expanded more into marketing the region. Through the *Live More* campaign, the agency seeks to develop programs to attract more talent and fill in possible gaps in the labor market. This helps to market the Pomerania region and establish it as a high-quality place to live. Such efforts further help to attract FDI and retain talent for expanding sectors, in particular business services and ICT.

2.4 Priority sectors

The current list of eight priority sectors is based on the initial PwC report. Priority sectors are key for investment promotion agencies to prioritize and target their activities to high-potential areas. The selection of priority sectors by PwC was based on those areas where existing resources and competitiveness can act as engines of growth with the intention of using these to diversify into sectors where the market

demand consistently rises. For example, PwC argued that the traditional maritime industry offers a good set of manufacturing skills that allow diversification into green technologies in automotives and aerospace. Similarly, they called for the Pomerania region to leverage its position as an important academic center to develop knowledge-intensive sectors such as software and IT and business support services. A summary of eight key priority sectors appears in Table 2.1, and a full breakdown of sectors is included in Appendix 1 to this report.

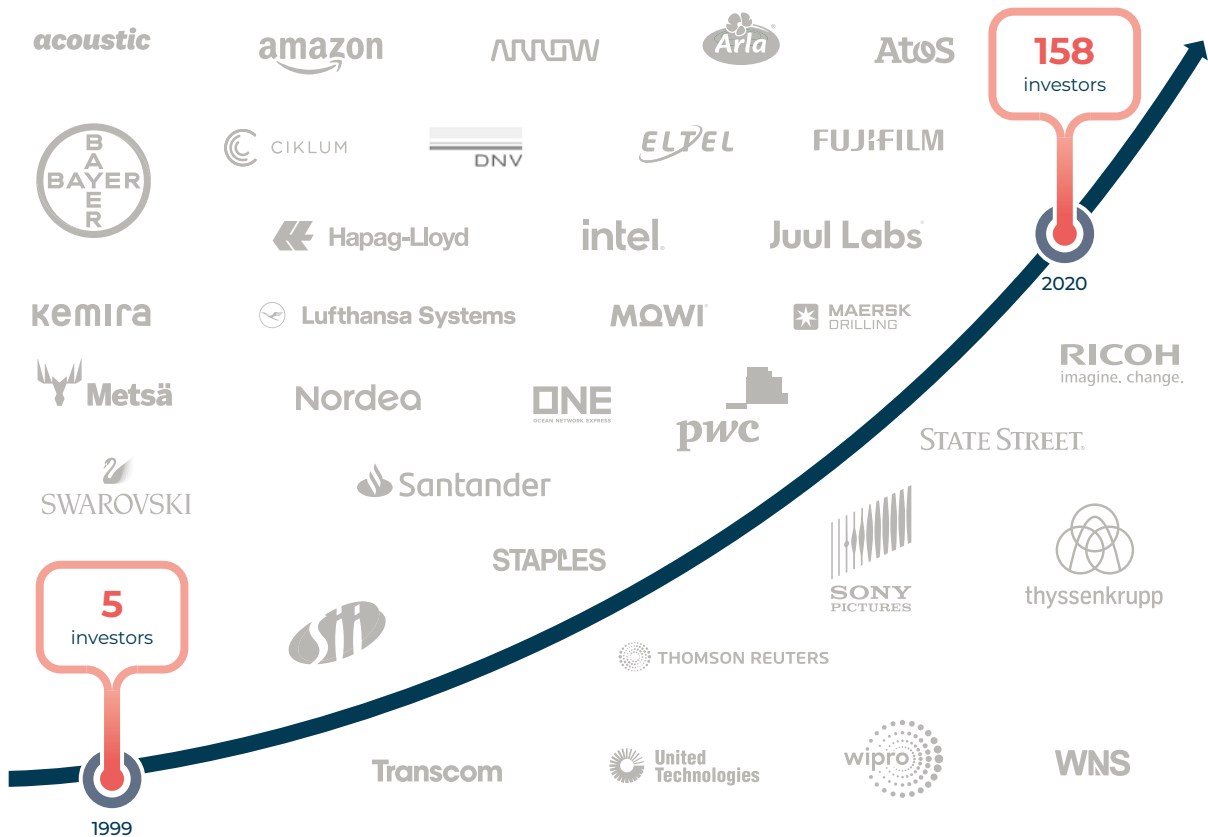
TABLE 2.1 Priority sectors of Invest in Pomerania

| Priority sectors | |
|------------------|---------------------------------------|
| Biotechnology | Logistics, transport, and warehousing |
| Electronics | Software and IT services |
| Automotives | Business support services |
| Energy | Professional services and R&D |

Source: Interviews with Invest in Pomerania staff.

The business services and IT sector stands out among the agency’s priority sectors. The sector has the highest share of staff dedicated to both FDI attraction and investment promotion in the agency, compared with other sectors. According to a recent report prepared by the agency, the sector continues to grow, with employment rates soaring, despite the COVID-19 pandemic, by 5.8 percent in 2020 alone (Invest in Pomerania 2021). In fact, most positions advertised by the *Live More. Pomerania* website are in software development and customer service. The aim is to leverage more on the academic institutions and good wages and attract more talent from neighboring non-EU countries such as Belarus. In response, the region has been able to attract a large number of international brands to Pomerania (Figure 2.6).

FIGURE 2.6 Key international investors into the Pomerania region in business support services

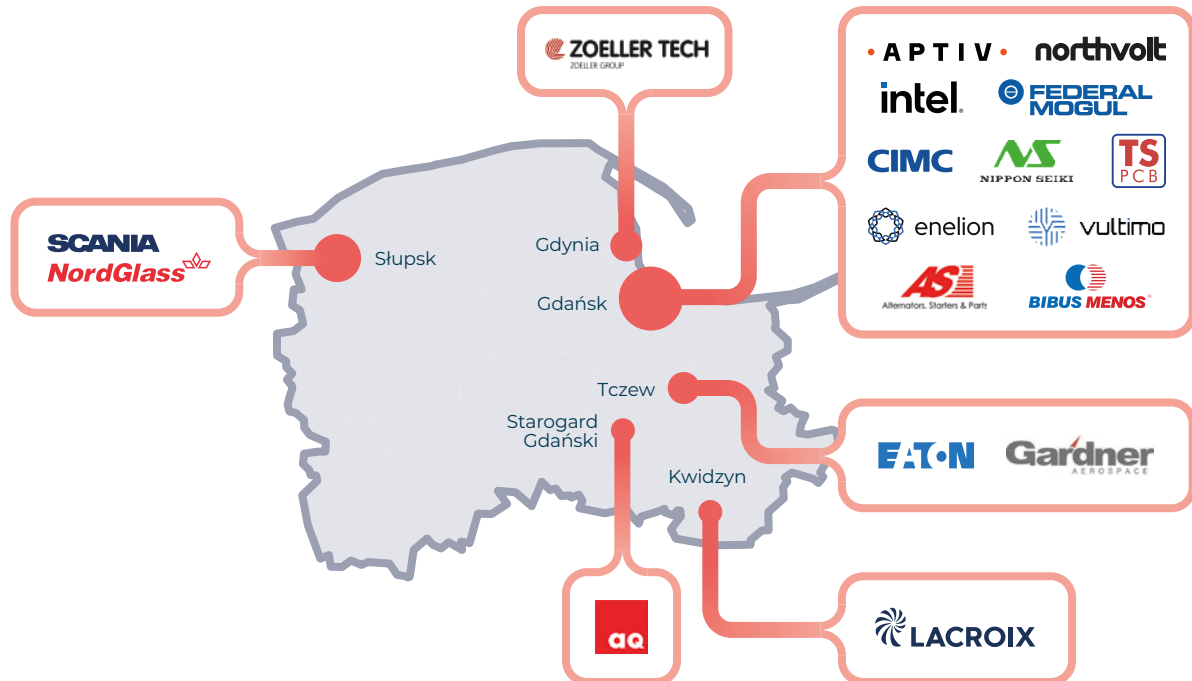


Source: Invest in Pomerania (2021c), BSS Sector Analysis.

A second notable priority sector is automotives. Although the sector is not new to the economic profile of the region, the initiative to become an international hub by diving into green manufacturing is of more recent date. The sector continues to grow, with most companies finding the region attractive, given the availability of skilled labor force. An important advantage consists also in developing programs

that connect the offerings of the region’s higher education institutions with the skill requirements of companies in the sector. Establishing a number of important international brands (Invest in Pomerania 2021a) has further helped launch Pomerania as a growing hub for automotives (Figure 2.7).

FIGURE 2.7 Key international investors into the Pomerania region in the automotive sector



Source: Invest in Pomerania (2021a), Automotive Sector Analysis.

CHAPTER 3

Quantitative Impact Assessment: Descriptive Statistics and Regression Analysis

3.1

Introduction

This section aims to explore the impact Invest in Pomerania (IiP) has had on the region’s economic performance, using IiP’s set of priority sectors as the main focus. Many studies make use of sectors to identify the impact of investment promotion of FDI inflows (see Charlton and Davis 2007 and Harding and Javorcik 2011). They do so by comparing these priority sectors (a “treated” group) to other sectors (that form a “control”), and then assessing whether the start time of a new strategy coincided with a notable divergence in performance. This chapter will therefore explore whether IiP priority sectors (as set out in Chapter 2), have grown more significantly than have non-priority sectors following 2011, the year in which IiP started its operations.

A key focus is on exploring the impact on FDI. As the main purpose of IiP, considerable weight will be given to its likely effect on FDI, using both descriptive statistics and regression analysis. Because no official statistics are available on sub-national accounts of FDI in Poland, the analysis here makes use of the Financial Times’ fDi Markets database.³

To complement this, we also explore the wider economic performance of priority sectors. Ultimately, IiP seeks to attract foreign investment into a priority sector to strengthen its economic performance. To do so, IiP also focuses on supporting domestic investors and a range of sector-specific activities. For that reason, we also explore the wider economic performance of the sector with a focus on gross value added, number of firms, employment, and average wages.

One key limitation in the analysis is the need for highly disaggregated data across regions and sectors. Unfortunately, not all datasets have a sufficiently narrow sectoral classification to perfectly match up with IiP’s priority sectors. Instead, they may combine several different sectors, some of which are priority and others not (e.g., all manufacturing combined). For example, while EUROSTAT datasets on firms and employment for Pomerania are available on a highly disaggregated basis, data on gross value added or for subregions within Pomerania are available for a much smaller set of sectors. As a result, we sometimes have to over-include to provide an approximate match. We try to make this clear where it applies throughout the text.

The impact assessment makes use of a combination of descriptive statistics and regression analysis. The majority of this chapter focuses on descriptive statistics,

3. fDi Markets comes with some notable limitations. It is based on newspaper announcements, which means that it does not provide perfect coverage of all projects in the region. It also captures announced rather than actualized investment, and so sometimes there can be a discrepancy in the value of projects. In addition, a large share of the FDI amounts in its database are imputed, and so this is only a rough estimate of inflows.

which can indicate what effect IiP may have had on the region. For this, we start with a focus on the general performance of IiP’s priority sectors as a whole and then explore the leading role that IT-BPO appears to play in Pomerania’s performance. We subsequently consider the subregions of Pomerania to explore potential regional disparities. Next, we compare Pomerania to two other competitor regions in Poland: Lower Silesia (with Wroclaw as its capital) and Lesser Poland (with Krakow as its capital). The final part conducts econometric analysis of the impact of IiP on attracting FDI. This can provide a more robust and causal estimate of IiP’s impact by accounting for a wide range of confounding factors that may simultaneously drive FDI dynamics alongside investment promotion.

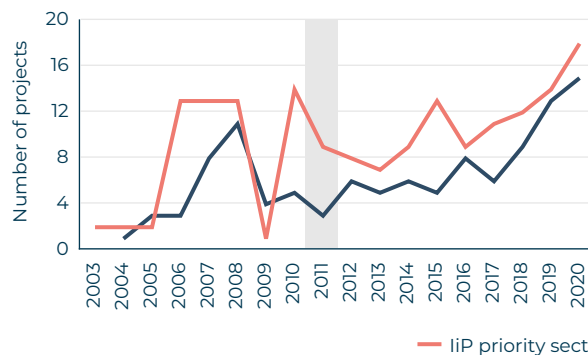
3.2

General performance of priority sectors in Pomerania

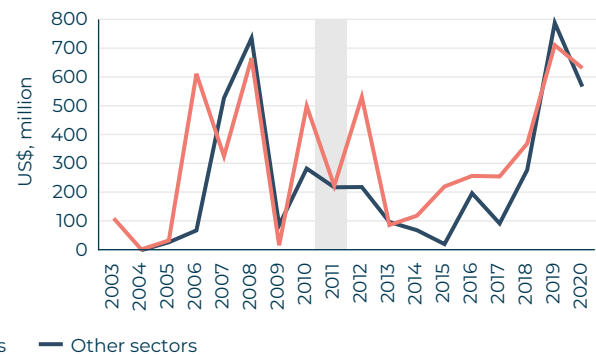
Since the inception of IiP, the number of greenfield FDI projects and total investment in priority sectors has steadily increased. The Pomerania region had already seen a notable number of greenfield FDI projects in the sectors that IiP would classify as their priority in 2011. Yet, these FDI announcements appear to have been somewhat sporadic; half of the time only one or two projects were announced each year, followed by some strong years with 13 or 14 projects. In contrast, since the inception of IiP the number of new projects every year has been sizeable, averaging 11 new projects a year in priority sectors, and this number has been steadily growing (Figure 3.1, panel a). FDI projects in priority sectors have also outnumbered those in other sectors every year since IiP started.

FIGURE 3.1 Foreign direct investment: Priority and other sectors

a. Number of announced greenfield FDI projects



b. Amount of announced greenfield FDI



Source: Authors’ calculations using fDi Markets.

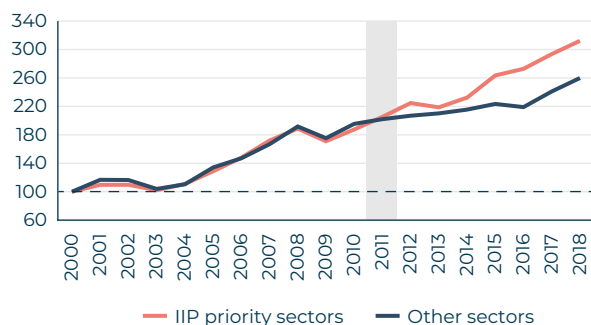
Note: Excludes two large oil & gas projects (US\$1 billion in 2007, and US\$3.5 billion in 2008), that represent large outliers. Priority sectors are defined in detailed terms, using fDi Markets’ sectoral classification. The grey bar denotes IiP’s starting year.

Similar trends are seen in the amount of greenfield FDI, which used to be highly volatile before the inception of IiP, but since 2011 has experienced a steady increase. Pre-IiP, priority sectors also made up a majority of new investments, at an average of US\$315 million per year versus US\$247 million for other sectors.⁴ After IiP was established, the amount of FDI appeared to have dropped a little bit until 2013. After this, average yearly investments in priority sectors went up to US\$371 million versus US\$291 million in other sectors (Figure 3.1, panel b).

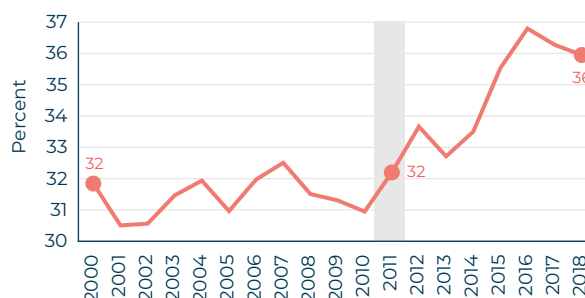
Perhaps the most convincing finding on the potential effect of IiP on priority sectors comes from gross value added. When considering the total output in a sector, we see that priority sectors and other sectors closely followed each other until 2011. Yet after that time, the two diverged and the value of IiP priority sectors significantly exceeded that of other sectors, growing considerably faster (Figure 3.2, panel a). As a result, between 2011 and 2018, the gross value added in IiP priority sectors had a composite annual growth rate of 7.4 percent, while other sectors grew at only 4.1 percent. Overall, the share of GVA from IiP priority sectors increased after 2011, from 32 to 36 percent (Figure 3.2, panel b).

FIGURE 3.2 Gross value added in Pomerania: Priority and other sectors

a. (index, 2000 = 100)



b. Share of Pomerania's gross value added to IiP priority sectors



Source: Authors' calculations using EUROSTAT.

Note: Priority sectors are defined as manufacturing, IT, professional, scientific and technical activities, and administrative and support service activities. The grey bar denotes IiP's starting year.

Priority sectors also appear to have seen large increases in the number of firms and persons employed since the start of IiP. The total number of firms in priority sectors went up almost 80 percent between 2011 and 2018, while firm numbers in other sectors went up by only 24 percent (Figure 3.3, panel a). Employment similarly increased faster in priority sectors than in other sectors (48 percent versus 18 percent increases) (Figure 3.3, panel b). Overall, this led to an increase in the total share of firms and employment in IiP priority sectors (Figure 3.4). While

4. Note that this excludes two large oil & gas projects (US\$1 billion in 2007, and US\$3.5 billion in 2008), that represent large outliers. With those included, other sectors significantly outpaced priority sectors pre-IiP.

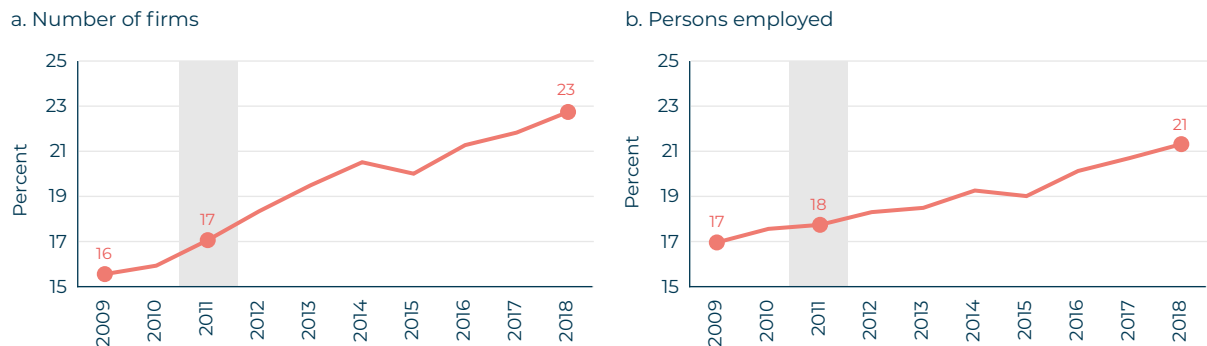
the average wages and salaries in IiP priority sectors are consistently higher than those in other sectors, this distance has not significantly changed since IiP started. As a result, while the employment increase has raised the total amount on wages and salaries for IiP priority sectors (Figure 3.3, panel c), one area where there has not been notable change is in average wages, where priority and other sectors have followed each other very closely (Figure 3.3, panel d).

FIGURE 3.3 Firms, employment and wages in priority sectors vs. other sectors (index, 2009 = 100), Pomerania 2009–2018



Source: Authors' calculations using EUROSTAT.
 Note: Priority sectors are defined in detailed terms, at the NACE2 level. The grey bar denotes IiP's starting year.

FIGURE 3.4 Share of firms and employment from IiP priority sectors



Source: Authors' calculations using EUROSTAT.
 Note: Priority sectors are defined in detailed terms, at the NACE2 level. The grey bar denotes IiP's starting year.

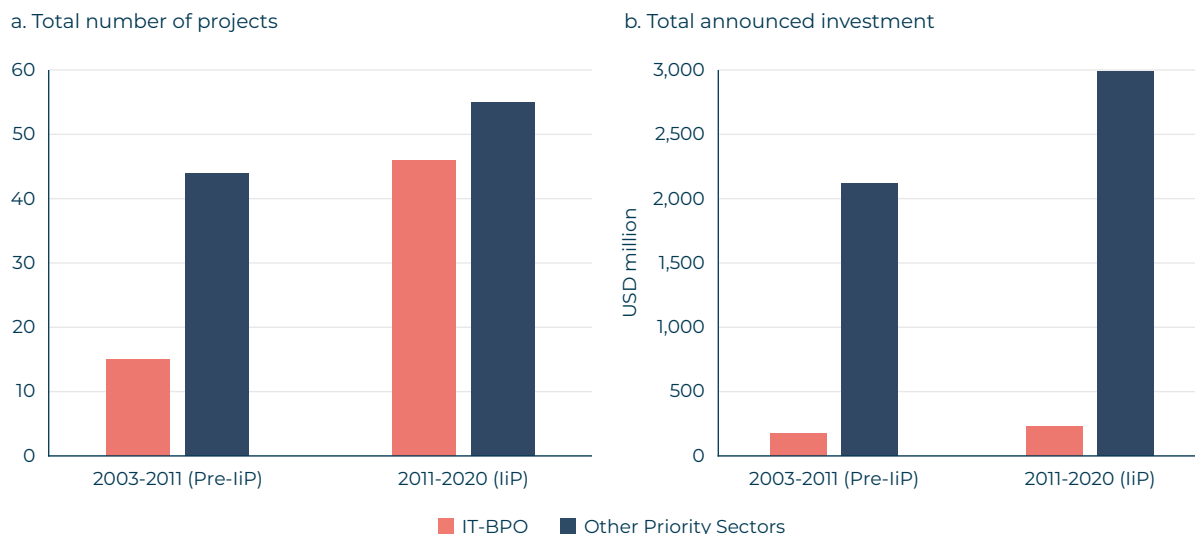
3.3

The leading role of IT-BPO in Pomerania’s performance

To better understand what is driving the positive average effects within priority sectors, it is particularly important to consider the effect of the Information Technology and Business Process Outsourcing (IT-BPO) cluster.⁵ When considering the various sectors that make up IiP’s priority list, the IT-BPO cluster tends to stand out. It does so in terms of its attention from IiP (with around five dedicated staff members, the same as all other priority sectors combined). But this distinction also appears notable in some of the descriptive statistics.

Since the inception of IiP, the IT-BPO has made up a considerable share of new FDI projects in Pomerania. Restricting the sample to IiP priority sectors only, we see that around a quarter of all such projects came from IT-BPO before IiP started, but afterward this jumped up to 45 percent (Figure 3.5, panel a). These projects tend to be a bit smaller in size, and so this has less of an effect on total announced investment. As a result, while total investments in IT-BPO went up from US\$177 million pre-IiP to US\$229 million during IiP, it stayed roughly constant at 7 percent of announced FDI value in both time periods (Figure 3.5, panel b).

FIGURE 3.5 Number of FDI projects and amount of investment in IT-BPO vs. other priority sectors, Pomerania 2003–2020



Source: Authors’ calculations using fDi Markets.

Note: Priority sectors are defined in detailed terms, at the NACE2 level.

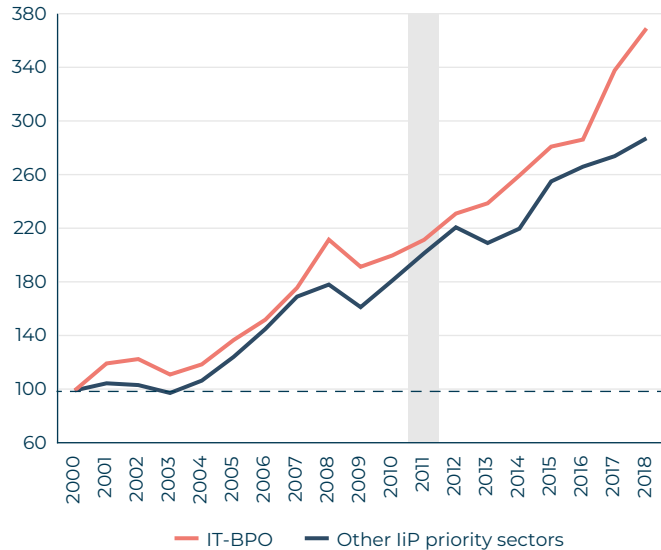
5. This cluster includes software and IT services, business support services, and professional services.

IT-BPO also outpaces other IiP priority sectors in its gross value added growth rates. While manufacturing is considerably larger in absolute value, the IT-BPO sector is gradually catching up and making up a higher share of value added across IiP's priority sector. Since 2011, a large share of the gross value added in the IT-BPO space had a compound annual growth rate of almost 11 percent, versus only 6 percent for other IiP priority sectors (limited here to manufacturing only) (Figure 3.6). As a result, IT-BPO's share in value added of these priority sectors went up from 30 percent in 2011 to 35 percent in 2018.

While the number of firms went up considerably across both types of priority sectors, most of the growth in employment and wages was confined to the IT-BPO space. The difference is notable between the IT-BPO sector and the other priority sectors (such as in biotechnology, electronics, automotives, energy, or transport) in terms of their company make-up. When considering the year 2011, the IT-BPO sector accounted for over 80 percent of all firms in IiP priority sectors, but only 43 percent of all employment. The average firm in the IT-BPO sector only employed around 2.5 persons, compared to 14 employees per firm in other priority sectors. Because the other sectors tend to be even more knowledge-intensive, the average wages in IT-BPO were also about 30 percent lower.

Since 2011, the overall number of firms went up considerably across both types of priority sectors. This grew by around 80 percent in IT-BPO (from around 14,000 firms in 2011 up to nearly 26,000 firms in 2018), and by 65 percent in other sectors (from 3,300 firms in 2011 up to 5,500 firms in 2018) (Figure 3.7, panel a). Yet most of the employment growth was confined to the IT-BPO space, which grew by 80 percent and added over 28,000 new jobs (from 35,000 in 2011 up to 64,000 in 2018). All other priority sectors together also saw a 25 percent rise in employment (from 47,000 in 2011 to 59,000 in 2018) (Figure 3.7, panel b). Yet, due to its fast rise, IT-BPO now makes up a majority share of employment in priority sectors (going from 43 percent of employment in priority sectors in 2011 to 52 percent in 2018). Finally, it also saw a larger increase in the average wages, with a composite annual growth rate of 10 percent, versus only 3 percent increases in other sectors (Figure 3.7, panel d).

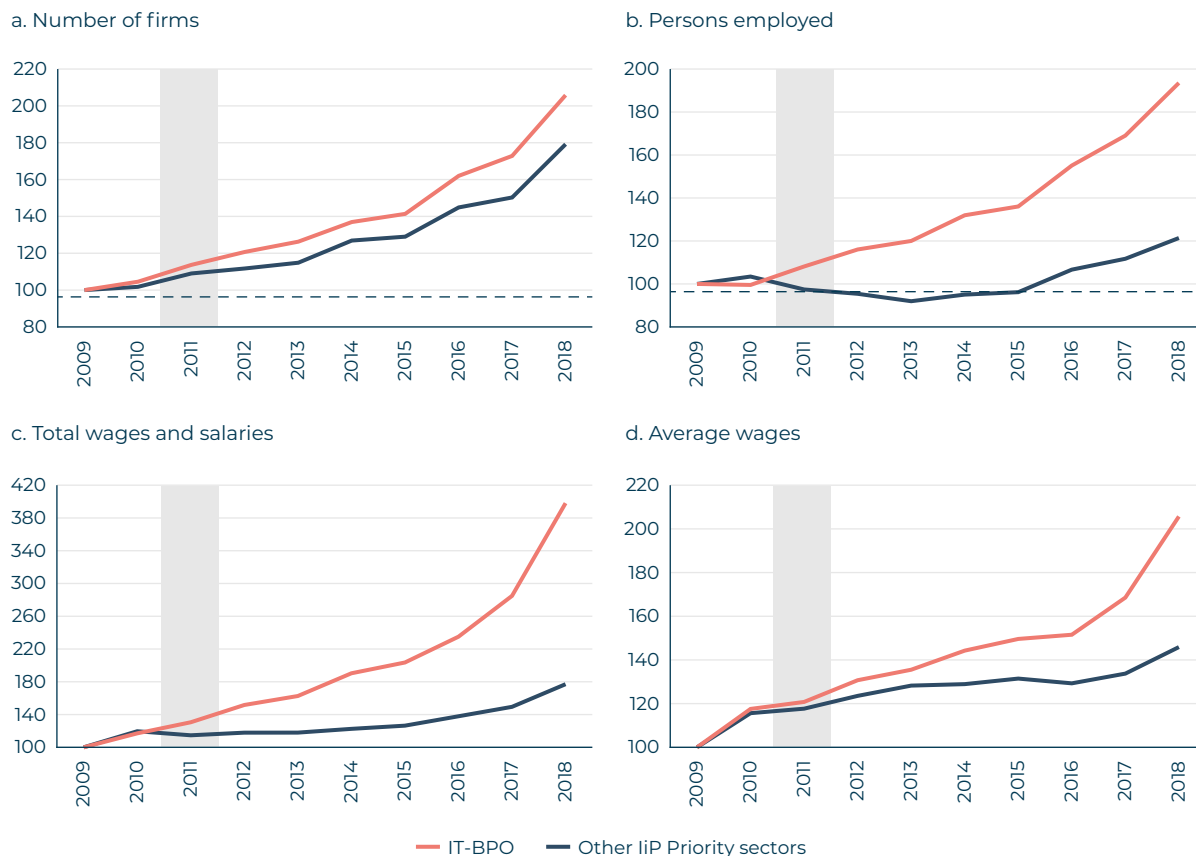
FIGURE 3.6 Gross value added in Pomerania (2000 = 100), IT-BPO vs. other sectors



Source: Authors' calculations using EUROSTAT.

Note: IT-BPO is defined here as information technology, professional, scientific and technical activities, and administrative and support service activities. Other priority sectors are in manufacturing. The grey bar denotes IiP's starting year.

FIGURE 3.7 Firms, employment, and wages in IT-BPO vs. other priority sectors (2009 = 100), Pomerania 2009–2018



Source: Authors' calculations using EUROSTAT.

Note: Priority sectors are defined in detailed terms, at the NACE2 level. The grey bar denotes IiP's starting year.

3.4

Subregional analysis of Pomerania

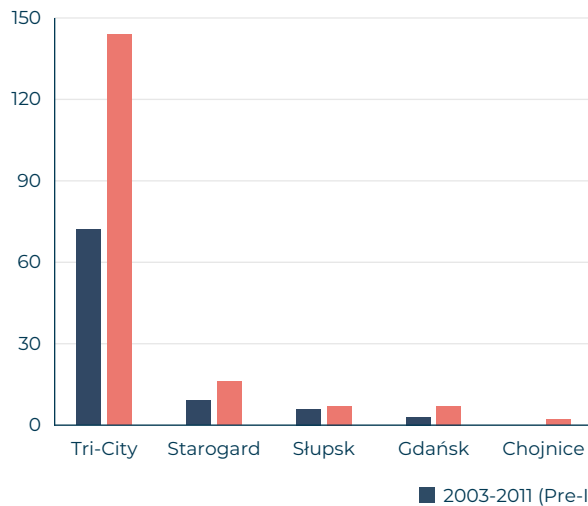
Another important element in any IPA's assessment is the distribution of benefits across subregions. This section therefore briefly considers the breakdown of FDI, gross value added, firm numbers, and employment for Pomerania's five subregions: the Tri-City area, Starogard, Gdańsk, Slupsk, and Chojnice.

Most of the new FDI has gone to the Tri-City area, by both number of projects and total FDI. Even before IiP, the Tri-City area made up over 80 percent of all

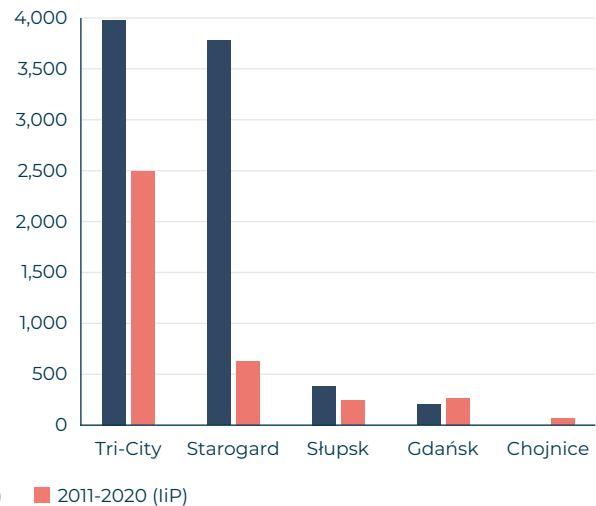
FDI projects in the subregion (Figure 3.8, panel a). While the total number of FDI projects going to Pomerania went up considerably after IiP was initiated, almost all of this growth continued to go to the Tri-City area. All other projects were reasonably evenly spread across Starogard, Słupsk, and Gdańsk, with Chojnice being an outlier with almost no FDI. Total FDI announcements followed a similar pattern (Figure 3.8, panel b). The one exception here comes from two big projects in Starogard in 2008 (US\$1 billion) and 2010 (US\$3.5 billion), in the oil and gas sector, making its inflows look large pre-IiP. Other than these, relatively little FDI flows to other subregions. Since 2011, the Tri-City area continues to make up the majority of all FDI announcements (78 percent). This is followed by Starogard (12 percent), Gdańsk (5 percent), Słupsk (4 percent), and finally Chojnice (1 percent).

FIGURE 3.8 FDI projects by subregion

a. Number of projects by subregion



b. Total FDI by subregion



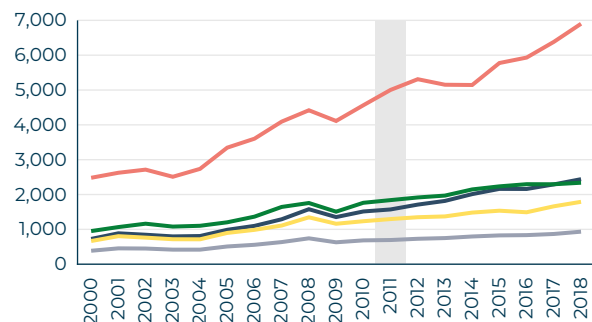
Source: Authors' calculations using fDi Markets.

Note: Priority sectors are defined in detailed terms, at the NACE2 level.

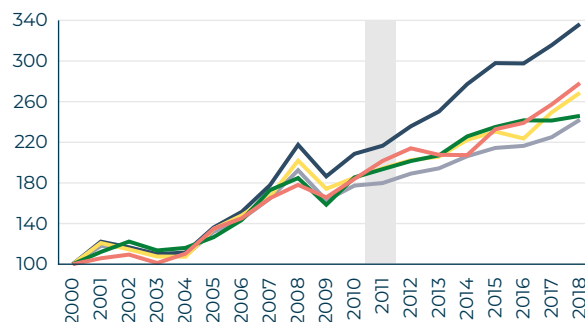
While much of the increase in priority sectors' gross value added took place in the Tri-City area, other sub-regions did see notable growth rates. Much of the absolute increase in the total gross value in priority sectors took place in the Tri-City area (Figure 3.9, panel a). Yet, as a share of Pomerania as a whole, this has actually stayed relatively constant over the years at around 48 percent. In 2011, this was followed by Starogard (18 percent), Gdańsk (15 percent), Słupsk (12 percent) and Chojnice (7 percent). Yet interestingly, the area with the highest a compound annual growth rate is Gdańsk, growing at almost 8 percent per annum between 2011 and 2018. This is considerably higher than the other three subregions, which grew around 4 to 5 percent per annum (Figure 3.9, panel b).

FIGURE 3.9 Gross value added in Pomerania (priority sectors only)

a. In million euro



b. Indexed (2000=100)



— Tri-City — Gdańsk — Starogard — Słupsk — Chojnice

Source: Authors' calculations using EUROSTAT.

Note: Priority sectors are defined by two broad sectors: manufacturing and finance, real estate, professional services, administration & support services. Among other sectors not included are construction and wholesale and retail trade; transport; accommodation and food service activities; information and communication. The grey bar denotes IIP's starting year.

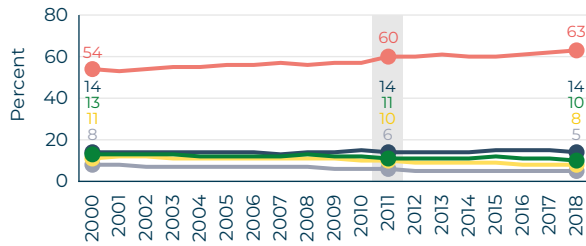
To consider what drives the aggregate dynamics of gross value added, we look at the four big sectors for which we have subregional data and consider them as a share of Pomerania's total over time. Here we find that the Tri-City area makes up a growing share of finance, real estate, professional services, admin and support services (Figure 3.10, panel a). Manufacturing is slightly more evenly spread over time, with a declining share to the Tri-City area. Some of this has gone to Gdańsk and Słupsk area, which had growing shares. Construction is also clearly more evenly spread, with significant reduction in the Tri-City share over time, and is instead increasing in Gdańsk and Starogard subregions. There does not appear to be much change in the relative gross value added in wholesale and retail trade; transport; accommodation and food service activities; information and communication. Jointly, these dynamics suggest that while the benefits from IT-BPO are more narrowly concentrated in the Tri-City area, manufacturing and construction may provide some indications of potential spillover effects from FDI projects to benefit other subregions.

Finally, we also consider the share of firms and employees of priority sectors by subregions. Due to data limitations, we only present numbers for the year 2018.⁶ This further confirms the trends presented above. It shows that the IT-BPO sector (including information and communication, administration and support services, and professional services) are all heavily concentrated in the Tri-City area, with 56 to 72 percent of all firms in these sectors based there (Figure 3.11, panel a), but also 64 to 90 percent of all employees (Figure 3.11, panel b). In contrast, both the transport and storage sector, and the manufacturing sector (denoted as “industry, except construction”) is reasonably spread out, with significant shares of firms and employment based in Gdańsk and Starogard.

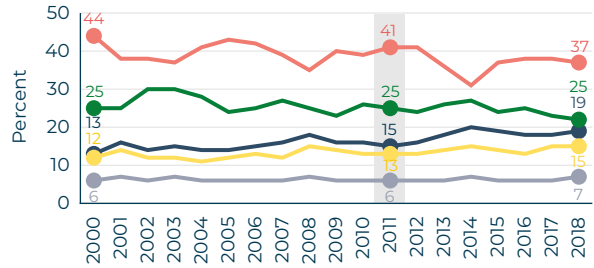
6. This data is only available for the years 2016 to 2018.

FIGURE 3.10 Share of gross value added in Pomerania by subregion across major sectors

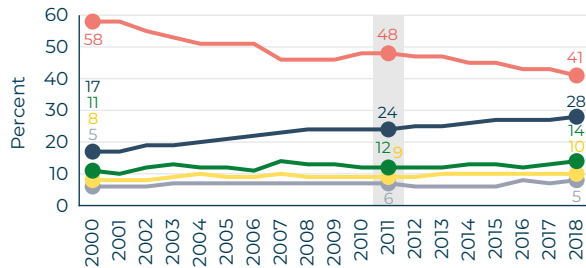
a. Finance, real estate, professional services, administration & support services



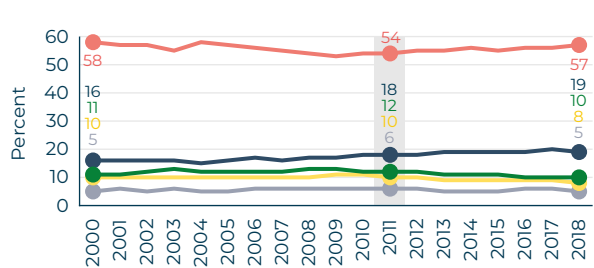
b. Manufacturing



c. Construction



d. Wholesale and retail trade; transport; accommodation and food service activities; information and communication



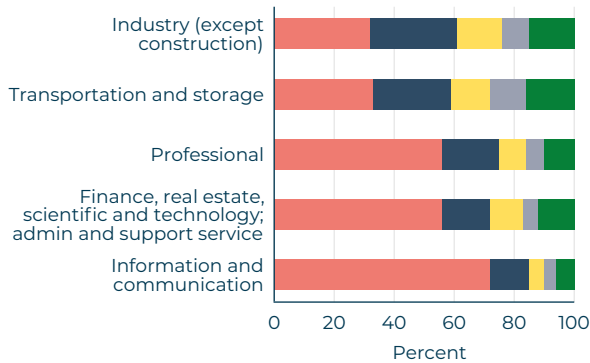
— Tri-City — Gdańsk — Starogard — Słupsk — Chojnice

Source: Authors' calculations using EUROSTAT.

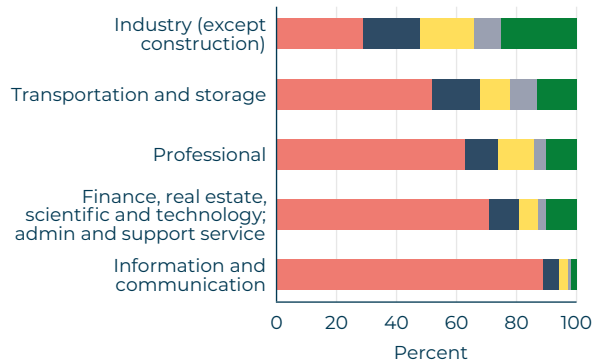
Notes: The grey bar denotes LIIP's starting year.

FIGURE 3.11 Share of Pomerania's sectoral employment and number of firms by region, 2018

a. Number of firms



b. Employment



— Tri-City — Gdańsk — Słupsk — Chojnice — Starogard

Source: Authors' calculations using EUROSTAT.

3.5

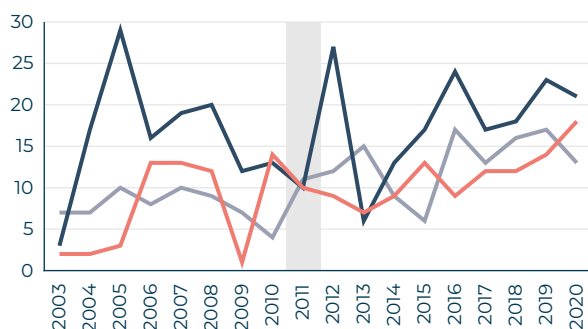
Comparing Pomerania to other regions in Poland

This section compares the performance of Pomerania to that of two other regions in Poland with which it self-defines as its “competitors”⁷: Lesser Poland (with Krakow as its capital) and Lower Silesia (with Wrocław as its capital). As with the other sections, we briefly compare Pomerania’s performance on FDI, value added, firm numbers, and employment.

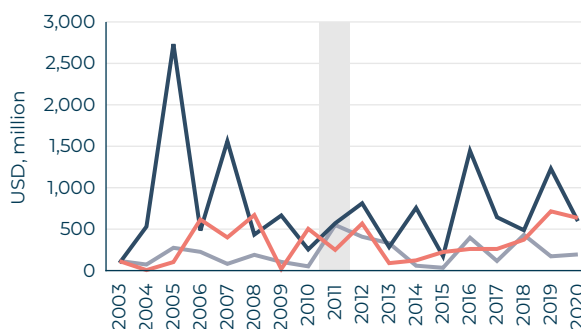
Pomerania’s FDI trends roughly follow those of Lesser Poland and Lower Silesia, both in terms of number of projects and as a relative share of FDI in priority sectors. All three regions see a general upward trend in the number of FDI projects attracted (when confined to IiP’s set of priority sectors). Yet, comparing pre-2011 to post-2011 trends, Pomerania went up from 8 to 11 projects per year, Lesser Poland went from 8 to 13, and Lower Silesia from 16 to 18 (Figure 3.12, panel a). When considering Pomerania’s total announced FDI (as a share of the three regions’ FDI in IiP priority sectors), we see a relatively similar dynamic. While Pomerania’s total amount went up (from an average of US\$304 million in 2003–2010, to US\$350 million in 2011–2020), its share of investment across the three regions stayed relatively constant at 28 percent. The two other regions did see a notable change, with Lower Silesia going from 58 percent to 52 percent of FDI, and Lesser Poland making up the difference and shifting from 14 to 21 percent of FDI in IiP priority sectors (Figure 3.12, panel b).

FIGURE 3.12 FDI projects and amount of investment (IiP priority sectors only), selected regions

a. Number of projects



b. Amount of investment



— Pomerania — Lesser Poland — Lower Silesia

Source: Authors' calculations using fDi Markets.

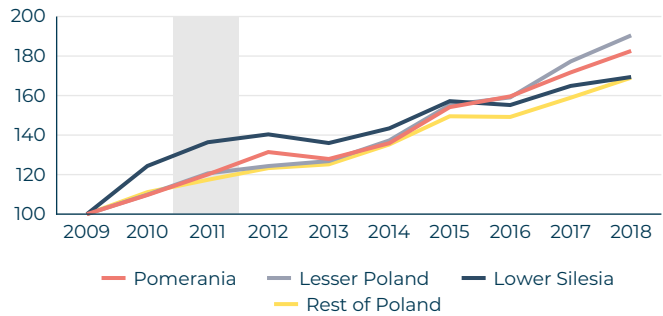
Note: Priority sectors are defined in detailed terms, at the NACE2 level.

7. This is based off a survey conducted as part of this study.

In terms of growth in value added in IiP priority sectors, we see that Pomerania is outperforming Lower Silesia and the rest of Poland, but it is outpaced by Lesser Poland. Since 2011, Pomerania saw a compound annual growth rate of 7.4 percent in gross value added in IiP priority sectors. This is considerably higher than Lower Silesia (3.5 percent) and the rest of Poland (6.3 percent), but lower than Lesser Poland (8.3 percent).

Finally, firm dynamics of IiP priority sectors across the different regions suggest that Pomerania did well in terms of firm numbers but lagged behind in persons employed and average wages. While all areas saw notable increases in the number of firms, Pomerania's increase was larger than that of Lower Silesia and the rest of Poland, but not as strong as Lesser Poland (Figure 3.14, panel a). Yet, for persons employed, Pomerania appears to be outpaced by both competitor regions, while still outpacing the rest of Poland (Figure 3.14, panel b). Pomerania is also seeing some stagnation in average wages in its priority sectors compared to both Lower Silesia and Lesser Poland (Figure 3.14, panel d).

FIGURE 3.13 Gross value added in Pomerania (2009 = 100), compared to other regions (IiP priority sector only)

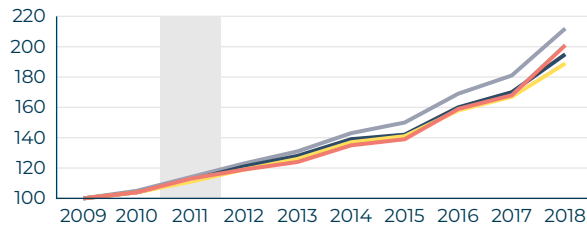


Source: Authors' calculations using EUROSTAT.

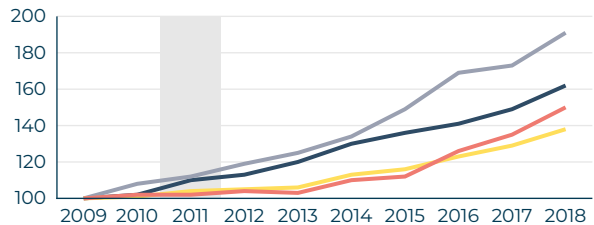
Note: Priority sectors are defined as manufacturing, information technology, professional, scientific and technical activities, and administrative and support service activities. The grey bar denotes IiP's starting year.

FIGURE 3.14 Firms, employment, and wages (2009 = 100) (IiP priority sector only), selected regions 2009–2018

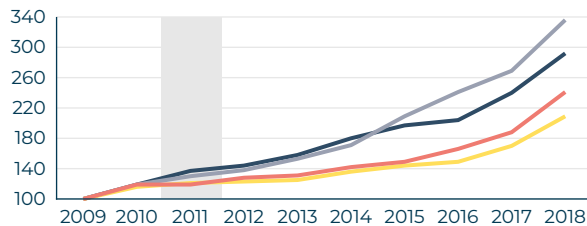
a. Number of firms



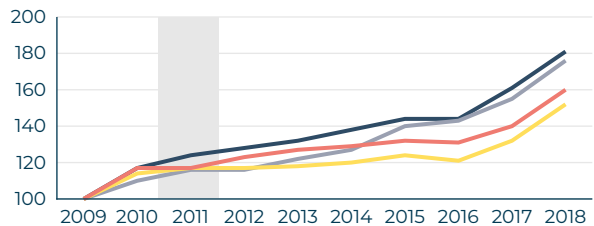
b. Persons employed



c. Total wages and salaries



d. Average wages



— Pomerania — Lesser Poland — Lower Silesia — Rest of Poland

Source: Authors' calculations using EUROSTAT.

Note: Priority sectors are defined in detailed terms, at the NACE2 level. The grey bar denotes IiP's starting year.

3.6

Econometric analysis of the impact of IiP on FDI

This section aims to identify the causal impact that Invest in Pomerania has had on attracting FDI. The previous sections have provided descriptive statistics that suggest that Pomerania’s priority sectors have seen higher growth rates in FDI, number of firms, total employment, and average wages compared to non-priority sectors. Yet, such comparisons do not account for confounding factors that may drive such differences more than any investment promotion. To isolate the effect of IiP’s activities, it is therefore important to compare the region’s performance to a control group that is comparable but that did not adopt an investment promotion strategy.

The analysis leverages survey data from Crescenzi, Di Cataldo, and Giua (2021). This team sent an ad hoc survey in 2018 to 28 European national IPAs and regional IPAs in Belgium, Germany, Greece, Italy, Ireland, Spain, Poland, and Sweden. A key part of the survey relates to gathering information on these priority sectors by asking IPAs whether such a targeting approach is in place, and if so, what the start and end dates of sector targeting are. The final dataset combines the IPA survey with data on FDI at the level of region-sector-year. The latter comes from the Financial Times’ FDI Markets database. This collects unique information on greenfield FDI projects for all countries in the world, providing detailed statistics on time, sector, and location of investment, as well as region of origin of the investing company and estimates on the investment value and jobs directly created over the period from 2003 to 2017.

Empirical model

The empirical strategy relies on a staggered difference-in-differences model, exploiting information on the targeting strategies of IiP by sector. It is inspired by Harding and Javorcik (2011) and Crescenzi, Di Cataldo, and Giua (2021). It assesses the attracting capacity of IiP by comparing IiP’s targeted sectors with non-targeted sectors of Pomerania, of other regions in Poland, and of other regions in Europe. Because the targeting can start in different moments, the model takes the form of a difference-in-differences with staggered treatment adoption (Goodman-Bacon 2021; Callaway and Sant’Anna 2021). By exploiting Crescenzi, Di Cataldo, and Giua’s (2021) dataset on European regional IPAs, it is possible to know which region-sectors of Belgium, Germany, Greece, Italy, Ireland, Spain, Poland, and Sweden are treated (targeted) by other regional IPAs and exclude them from the sample.

The sample is composed either of all European regions⁸ or by regions of Poland only. The model assessed the effects of IiP’s strategy by estimating the additional

8. These regions are Belgium, Germany, Greece, Ireland, Italy, Poland, Spain, and Sweden; see Crescenzi, Di Cataldo, and Giua (2021).

FDI inflows in selected sectors during periods of investment promotion, relative to periods in which IiP was not in operation and not targeting those sectors. The units of observation are measured at the “region-sector-year” level. The analysis is performed for the period from 2003 to 2017.

The baseline estimated model is

$$FDI_{r,c,s,t} = \beta \text{ Pomorskie IPA}_{r,c,s,t} + \vartheta_{r,t} + \vartheta_{s,t} + \vartheta_{r,s} + \vartheta_{c,s,t} + \varepsilon_{r,c,s,t}, \quad (1)$$

where $FDI_{r,c,s,t}$ is a set of outcome variables (source: FDI Markets) measuring FDI inflows. The extensive margin effect of IiP on FDI inflows is estimated with a linear probability model where the dependent variable is a dummy taking value 1 if region r of country c has received any FDI in sector s in year t . The intensive margin effect of IiP on FDI inflows, instead, is captured with the total count of inward FDI deals in region r of country c in sector s in year t ; with the Inverse Hyperbolic Sine (IHS)—equivalent to a log transformation but accounting zeroes in the FDI variables—of the sum of million dollars of FDI in region r of country c in sector s in year t ; or with the IHS transformation of the amount of jobs directly created by the new FDI project. The IHS transformation is based on the following formula:

$$\text{IHS } FDI_{r,s,t} = \ln \left(\left(FDI_{r,s,t} + \sqrt{1 + FDI_{r,s,t}^2} \right) \right). \quad (2)$$

Pomorskie IPA _{r,s,t} is a dummy variable that refers to the targeting of sector s in year t by Invest in Pomerania. The dummy takes value 1 from the year in which the targeting of a sector begins. In all targeted sectors the targeting was still ongoing in 2017.

$\vartheta_{r,s}$, $\vartheta_{r,t}$, $\vartheta_{s,t}$ are region-sector, region-time, and sector-time fixed effects, respectively, dealing with unobserved time-invariant characteristics specific to region-sector combinations (e.g., structural pre-existing conditions in sectors) and with region- and sector-specific annual shocks (e.g. economic structure and changes at the regional level in each country; macro-economic sector-wide shocks); $\vartheta_{c,s,t}$ are country-sector-year specific dummies, accounting for any time-varying country characteristics, which complete our model.

$\varepsilon_{r,c,s,t}$ are idiosyncratic error terms. Standard errors are clustered at the region-sector level and are heteroskedasticity-robust.

Estimation issues

The main empirical challenge is the endogeneity of the FDI attraction policy of IiP. The selection of specific sectors by IiP is a non-random decision that may be taken strategically on the basis of preexisting conditions. It may be that some new industries, not yet recipients of foreign investments, are targeted because they appear to offer better future prospects for a region. Alternatively, some sectors may already be recipients of high inflows of FDI before the targeting strategy of IiP begins and, by

targeting these sectors, the agency may aim to further reinforce Pomerania’s comparative advantage in that sector. Indeed, this seems to be particularly the case for the financial intermediation sector, which massively increases inward FDI inflows precisely before the beginning of liP’s targeting strategy. Due to this very high degree of endogeneity in this specific sector, financial intermediation is excluded from the analysis.

To further deal with endogeneity, the model includes a battery of fixed effects. Region-sector fixed effects control for any unobservable time-invariant characteristics specific to region-sectors and account for the comparative advantage of regions in each sector; they also allow the analysis to control for the presence of inactive sectors within regions, i.e., sectors where with no operating firms or employed people across the entire sample period. Furthermore, region-sector fixed effects help to deal with region-sectors where no FDI flowed in throughout 2003 to 2017. Region-year fixed effects control for any time-varying characteristics at the regional level, including regional policies coinciding with the activity of investment agencies. Sector-year fixed effects allow the analysis to capture sector-specific shocks in each year, occurring if international investors suddenly begin to concentrate investments in one or more sectors. Finally, country-year fixed effects account for anything varying at the national level.

Results

The results of the difference-in-differences estimates of the impact of liP on the total FDI inflows are presented in Table 3.1. We estimate the intensive margin effect of a national/regional agency beginning an FDI-targeting strategy in columns (1)–(2) (dummy variable taking value 1 if there is an investment inflow in the region-sector), while the extensive margin effect (dollar value of the investment) is estimated in columns (3)–(4) in terms of number of FDI deals and in columns (5)–(6) in terms of a million dollars. Finally, in columns (7)–(8) we estimate the same model with FDI-jobs as dependent variable. Results reported in columns 1, 3, 5, 7 are computed by using a control group that includes region-sectors of Belgium, Germany, Greece, Ireland, Italy, Poland, Spain, and Sweden, whereas for the results reported in columns 2, 4, 6, 8, the control group consists exclusively of region-sectors of Poland.

The effect of the liP strategy is positive and significant in attracting more FDI projects to the region. FDI inflows toward targeted sectors are higher than in control region-sectors. In particular, the probability to receive FDI toward the sector(s) selected for targeting by a liP increases by about 16 to 18 percent after the beginning of a strategy, as indicated by the positive and significant coefficient of the treatment dummy in columns (1) and (2). liP’s targeting of a priority sectors also appears to attract additional projects, as indicated by columns (3) and (4). While the coefficient in column (3) is positive, it is not significant. Yet the coefficient in column (4) suggests that the liP leads also to an increase of around 76 additional projects attracted.

There also appears to a sizeable impact on the amount of FDI attracted and the

associated employment. Coefficients in columns (5) and (6) estimate the extensive margin effect. These indicate that the targeting leads to an increase of around 160 percent in the inflow of FDI (column (5) and (6), Table 3.1).⁹ An even greater effect is reported for what concerns the FDI-related jobs, which increased by up to 230 percent as a result of the IiP targeting strategy (columns (7) and (8)).¹⁰

The magnitude of the coefficients is comparable to, or slightly above, previous studies on IPA targeting. Harding and Javorcik (2011) find that in the post-targeting period, priority sectors in developing countries tend to receive 155 percent higher FDI inflows relative to non-targeted sectors. This finding is very similar to the magnitude of results from Table 3.1. Yet this study focused on national IPAs only. Crescenzi, Di Cataldo, and Giua (2021) assessed regional IPAs in the EU (including Pomerania), and estimated that the activity and targeting efforts of these agencies led to an increase of around 23 percent in the inflow of FDI and a 24 percent increase in FDI-related jobs as a result of the IPA targeting strategies. Given the fact that this study uses the same underlying survey, FDI data, and empirical methodology, we can therefore confirm that IiP performs well for a regional IPA in Europe.

In sum, sectors targeted by IiP perform significantly better than non-targeted sectors in terms of FDI attraction, IiP is effective in attracting FDI and FDI-related jobs, and the amount of attracted foreign capital appears to be substantial. Its performance is also above average compared to other regional IPAs in Europe.

TABLE 3.1 Estimation results

| Outcome | FDI dummy | | FDI count | | million \$ FDI | | FDI jobs | |
|------------------------|---------------------|----------------------|------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Sample | Europe | Poland | Europe | Poland | Europe | Poland | Europe | Poland |
| Pomerania IPA strategy | 0.161** (0.0805) | 0.182*** (0.0636) | 0.246 (0.338) | 0.565** (0.252) | 0.951* (0.501) | 0.894** (0.436) | 1.185** (0.598) | 1.247** (0.510) |
| Observations | 17,514 | 1,485 | 17,514 | 1,485 | 17,514 | 1,485 | 17,514 | 1,485 |
| Region-sectors | 1,256 | 99 | 1,256 | 99 | 1,256 | 99 | 1,256 | 99 |
| R-squared | 0.628 | 0.586 | 0.840 | 0.613 | 0.657 | 0.614 | 0.677 | 0.617 |

Note: Authors' calculations. Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. All estimations include sector-year fixed effects, region-sector fixed effects. Estimations in columns 1, 3, 5 include region-year, country-sector-year fixed effects. Dependent variables: dummy variable for inward FDI towards region-sector in given year (columns 1–2), Number of FDI deals in region-sector in given year (columns 3–4), inverse hyperbolic sine million \$ inward FDI toward region-sector in given year (columns 5–6), inverse hyperbolic sine number of FDI jobs in region-sector in given year (columns 7–8). "Pomerania IPA strategy" takes value 1 from the beginning of a strategy of Invest in Pomerania, and 0 before that. Samples: region-sectors of Poland, Italy, Spain, Germany, Sweden, Greece, Ireland, and Belgium (columns 1, 3, 5); region-sectors of Poland (columns 2, 4, 6); region-sectors targeted by regional IPAs (different from Invest in Pomerania) excluded from sample; financial intermediation sector excluded.

9. The annual impact of targeting priority sectors translates into an annual increase in the amount of million \$ FDI inflows of around 160% (e.g. 0.951=2.588).

10. The annual impact of targeting priority sectors translates into an annual increase in the number of jobs of around 230% (e.g. 1.185=3.270).

Event study

An important test of the quality of the analysis comes from checking if the results are driven by the shock (IiP’s initiation in 2011) or by pre-existing trends (and therefore unrelated to IiP).¹¹ To do this test, we here conduct an event study (Cunningham 2021; Callaway and Sant’Anna 2021). The event study verifies that treated and untreated region-sectors are similar and comparable in the pretreatment period. This is done by replacing in the model the treatment variable with a full set of dummy variables referring to each year before the beginning of the targeting strategy and each year during the treatment. Region-sector fixed effects were included to help address some of the bias introduced by endogenous choices of sectors for each investment promotion agency to target and control for region-sector specific time trends.¹² The model, which allows us to observe the temporal dynamics of the treatment effect, is:

$$FDI_{r,c,s,t} = \sum_{\tau=2}^q \delta_{-\tau} D_{r,c,s,t-\tau} + \sum_{\tau=1}^q \delta_{+\tau} D_{r,c,s,t+\tau} + \vartheta_{r,t} + \vartheta_{s,t} + \vartheta_{r,s} + \vartheta_{c,s,t} + \varphi trend_{r,s,t} + \varepsilon_{r,c,s,t}, \quad (3)$$

where q pre-treatment dummy variables ($D_{r,c,s,t-2}$, $D_{r,c,s,t-3}$, ..., $D_{r,s,t-q}$) and targeting-period dummy variables ($D_{r,c,s,t+1}$, $D_{r,c,s,t+2}$, ..., $D_{r,c,s,t+q}$) are included in the model to check for anticipatory effects in investment flows, that is, to test for a significant difference in terms of the outcome variable, the FDI dummy, for treatment and control region-sectors in the period immediately before the treatment begins (Cunningham, 2021). We include the full set of dummies for pre-treatment and treatment years with the exclusion of the first-year lag, used as reference category. $trend_{r,s,t}$ are region-sector-year trends. If the endogeneity in IiP’s FDI attraction strategy is controlled for in our model we should expect the pre-treatment dummy variables to return statistically insignificant coefficients

The event study replicates the difference-in-differences analysis by exploiting the year variation in both the pre- and the post-treatment period. In doing this, we are able to check whether the differences between treated and untreated are significant in correspondence to each year of the analysis. By focusing on the year before the treatment, it can be checked that for all years the differences between treated and untreated are equal to 0 (confidence interval crossing the 0 line). This means that the treatment has a (possible) effect only after it has effectively started and not before, when it does not exist. As such, the event study test shows no “anticipation” or “placebo” effect from FDI targeting.¹³ As such, this event study also pro-

11. The main purpose of the event study is to review the presence of any pre-trends. However, given that yearly treatment observations are few and FDI projects are highly volatile, this type of analysis also exhibits larger confidence intervals (greater uncertainty over the exact findings). As a result, this analysis should be considered a robustness analysis for the main regression results presented in Table 3.1.

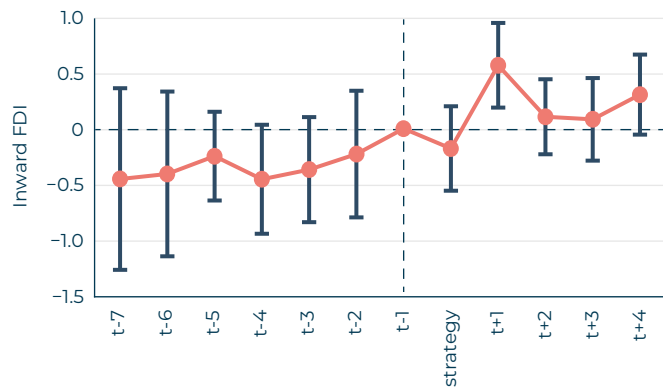
12. One potential way to control for other dynamics is to include covariates as variables at the region-sector level. Unfortunately, these are not observed for our sample of European region-sectors. For this reason, we have used the fixed effects instead. They control for any region-specific variable, any sector-specific variable, and any region-sector time-invariant variable.

13. This type of analysis therefore provides a type of robustness test for a potentially “placebo” effect.

vides evidence in lieu of a standard “difference-in-differences” graph that shows the parallel trendlines of “treatment” and “control” groups.

The results of the event study suggest that the analysis is valid (with no significant pre-treatment effect). The test is shown in Figure 3.15 below. It can be noted that no pre-treatment coefficient is statistically significant, suggesting that the rich set of fixed effects included in the model and the sample selection (with the exclusion of one highly endogenous sector) make sure that the parallel trend assumption holds for the chosen sample. In the years before beginning a strategy, region-sectors about to be targeted by IiP have the same probability of receiving FDI as untreated region-sectors. After the beginning of a targeting strategy by IiP, the probability of inward FDI increases significantly from the first year after the beginning of IiP’s strategy. The event study illustrates that a large difference is visible in the first post-treatment year (coefficient: 0.57) and a positive coefficient is estimated for the following years (0.11, 0.08, 0.3), while the first treatment year in which the strategy begins reports a negative insignificant coefficient (-0.18). The positive coefficients of the treatment period should be interpreted as confirmation that an increase in the FDI attraction probability exists during the treatment period. As such, following the start of IiP in 2011, the overall ability of Pomerania to attract FDI improved and IiP’s overall investment promotion efforts became increasingly effective.

FIGURE 3.15 Event study (sample: Polish regions)



Note: Authors’ calculations. Event study using t-1 (1 year before the beginning of Invest in Pomerania’s targeting strategy) as reference category; “strategy” refers to the year in which Invest in Pomerania’s targeting strategy begins. Coefficients and 90% confidence intervals are reported. Dependent variable: FDI dummy. Sector-year, region-year, region-sector, country-sector-year dummies and region-sector-year time trends are included in the model.

CHAPTER 4

Qualitative Impact Assessment: Results from IPA Benchmarking and Stakeholder Consultations

4.1

Introduction

Methodology

This section complements the quantitative impact assessment from Chapter 3 by assessing the performance and structure of Invest in Pomerania (IiP) using qualitative methods. The analysis uses a mixed methods approach that combines a literature review, an investment promotion agency (IPA) benchmarking exercise, and a stakeholder survey.

In the different sections of this chapter, existing literature is reviewed to establish good practice elements that constitute an effective investment promotion agency. Investment promotion agencies can play a significant role in attracting foreign direct investment (FDI) into their home countries. Building on early empirical evidence around the effectiveness of investment promotion, many countries have established IPAs over the past two decades. Yet IPAs around the world vary greatly in performance depending on several characteristics. At the beginning of each subsection, existing literature on the relevance and form of these characteristics is reviewed. Moreover, secondary sources that provide insights into Invest in Pomerania’s performance are used throughout the analysis (e.g., OECD 2019).

Invest in Pomerania’s structure and performance are compared with other IPAs using an IPA benchmarking exercise. In this exercise, Invest in Pomerania is benchmarked against “High-Performing IPAs” as identified by Steenbergen (2021) (see Box 4.1).

BOX 4.1 IPA Benchmarking Methodology

In the benchmarking exercise, different characteristics of Invest in Pomerania’s structure and performance are qualitatively compared to the characteristics that high-performing IPAs tend to display. The focus is on characteristics that are statistically significant as identified by Steenbergen (forthcoming), in other words, on those areas particularly important in shaping IPA effectiveness in attracting FDI.

Steenbergen (2021), which also serves as a background paper for this report, brings together new data sources on sectoral FDI and IPA characteristics to provide insights around which factors are most important for making IPAs effective in attracting FDI. The study does so by first creating a new sectoral FDI database on outward FDI positions from 30 OECD countries, combining data from the US Bureau of Economic Analysis (BEA) and

Source: Steenbergen, forthcoming.

EUROSTAT’s BPM6 database for the years 2013 to 2018. This new FDI database is then combined with a recent WB-WAIPA survey of IPAs to explore the effect of IPA sectoral targeting on inward FDI stocks for a sample of 36 high- and middle-income countries around the world. Using a structural gravity model framework, the study finds that IPA sectoral targeting provides a significant positive effect on the sector’s FDI stock in that country. Yet a gravity model with country-interaction effects suggests that not all countries are equally effective at promoting investment. To explore this further, the study then compares the characteristics of high-performing IPAs (those with positive, significant effects in attracting FDI) to less high-performing IPAs (those with insignificant or negative significant effects). Using t-tests, it indicates whether characteristics significantly differ between the two groups.

Stakeholder consultations helped establish the causal mechanisms by which Invest in Pomerania has had an impact on investment. In September 2021, the WBG interviewed a group of public and private sector stakeholders to assess their perceptions of and experience with IiP over the last 10 years, asking, for example: How has IiP managed to engage partners and stakeholders in order to build an effective investor support system? And what sort of investor support activities have been most valued by investors? The main channels of influence were identified through analysis of the interviews and are illustrated in this report through selective quotes. The analysis also draws out major strengths, weaknesses, opportunities, and threats for IiP going forward. Finally, interview responses were used to assist in providing recommendations to improve the performance of IiP's service delivery.

Interviewees were drawn from public and semipublic institutions, as well as from private organizations. Table 4.1 provides a broad categorization of stakeholders interviewed. For a more detailed list of stakeholders, see Appendix 2. Since the interviews were relatively small in scale, they may not be sufficient to achieve the statistical requirements to be fully representative. Therefore, the analysis of this part of the work should be considered indicative, rather than representative. Nonetheless, the interviews helped to establish the causal mechanisms by which IiP affected investment and to draw out major strengths, weaknesses, opportunities, and threats for IiP going forward.

Private-sector interviewees were drawn from foreign and domestic firms in targeted sectors. In total, 31 firms were interviewed. These firms were selected based on whether they operate in Invest in Pomerania's priority sectors and/or other sectors important for the region's development: IT and business support services, automotives, shipyards ports and logistics, and other manufacturing companies, as well as SMEs and start-ups. Importantly, to assess what IiP could have done better, the interviews were also extended to firms that did not invest in Pomerania despite being targeted for investment, including both firms that considered Pomerania but decided to invest in another Polish region and those that considered Pomerania but decided to invest elsewhere outside Poland. The interviews were partially organized as single-firm interviews and partially as focus groups. For the most important sectors (BPO and electronics/automotive) interviews were held with lead companies in the respective sectors.

In addition, the most important public and semipublic institutions operating in the region and interacting with Invest in Pomerania were interviewed. This included six national, regional, and local government institutions, for example, the Marshal Office of the Pomerania region, several city halls, and the national IPA Polish Investment and Trade Agency. It also included eight business associations

TABLE 4.1 Overview of interviews

| Private Organizations | Public and Semi-Public Institutions |
|--|---|
| <ul style="list-style-type: none"> IT & business support services focus group Automotives focus group Shipyards, ports & logistics focus group Other manufacturing companies focus group SMEs & Start-ups focus group Lead company interviews (BPO, electronics/automotives) Firms choosing not to go to Pomerania (interviews) | <ul style="list-style-type: none"> Invest in Pomerania Marshal Office Regional development agencies City halls Polish Investment and Trade Agency Chambers / industry associations Innovation incubators, hubs, accelerators |

Source: World Bank Group.

and chambers of commerce. Moreover, 12 other stakeholders were interviewed, including research institutions, regional development agencies, and institutions stimulating innovation, such as innovation Incubators, hubs, or accelerators. Private sector interviews were partially organized as focus groups.

The interview instrument drew on existing World Bank interview instruments around multinational corporations and their suppliers. The instrument included questions to elicit information such as general firm characteristics; major determinants in shifting to the region; major constraints that formed an (initial) obstacle to investment in the region; the role of IPA services and other policies (including investment incentives and investor protection guarantees) to support firms establishing in Pomerania or their in-region performance; potential for local sourcing of input/supplier linkages; major strengths, weaknesses, opportunities, and threats for IiP going forward; and general recommendations to improve IiP’s service delivery.

Conceptual framework of effective IPAs

The framework of analysis is based on Heilbron and Kronfol (2020) and Steenberg (forthcoming), who gather evidence and WBG experience on IPA practices around four pillars (Table 4.2):

- (i) **Institutional arrangement** focuses on the broad place that an investment promotion agency has within the government, and the overall legal, financial, and managerial pressures that shape the incentive structure of the agency and its interaction with the private sector. Key dimensions assessed under this pillar are the type of agency (private versus public agency), the existence and structure of a board of directors, and subnational-national dynamics.
- (ii) **Strategic alignment and focus** is concerned with the coherence of an agency’s mandate and activities with the broader development agenda of a country or region, as well as the level of focus that it displays in its approach. Key dimensions assessed under this pillar are the number and nature of functions included in an IPA’s mandate, the degree to which an IPA engages in sectoral targeting, how it selects priority sectors, and the share of its resources dedicated to different types of firms.
- (iii) **Organizational framework and resourcing** more directly zooms in on the specific structure of an agency, how this aligns with its strategic priorities, and whether an agency is sufficiently funded and has qualified staff at its disposal to be able to reach its targets. Key dimensions assessed under this pillar are the professional experience of staff and staff compensation.
- (iv) **Investor service delivery** focuses on the different services an IPA performs, whether these are in line with the agency’s strategic priorities, and whether an agency has adopted adequate tools, systems, and M&E to effectively deliver these services. The most important services assessed are marketing services,

information services, assistance services, and advocacy services. Key dimensions assessed are the different ways investment promotion plans for priority sectors are implemented, the existence of tools and systems to facilitate operations, and whether an IPA has an electronic database with updated contact information.

The next few sections will go through each pillar in turn. They will describe the pillar's best practice (using the literature), followed by a benchmarking to successful IPAs, and will finally reflect on these findings using the interviews from key stakeholders.

TABLE 4.2 Characteristics of effective IPAs

| Pillar | Best practice for IPAs |
|---|--|
| Institutional Arrangement | <ul style="list-style-type: none"> • High degree of autonomy and close connection to the private sector. • Strong partnership within the country (alignment with other government agencies, including national IPAs). |
| Strategic Alignment and Focus | <ul style="list-style-type: none"> • Focus on promoting specific sectors or business activities. • Mandate focuses narrowly on attracting FDI (rather than on domestic investment or administrative functions). |
| Organizational Framework and Resourcing | <ul style="list-style-type: none"> • Organizational structure aligns with strategic priorities and is sufficiently funded. • IPA staff has have relevant private-sector experience with adequate pay. |
| Investor Service Delivery | <ul style="list-style-type: none"> • High-quality service delivery focuses on sectoral strategic priorities. • Adequate tools, systems, and M&E have been adopted that best address investor priorities and strengthen service delivery. |

Source: Steenbergen, forthcoming.

4.2

Institutional arrangement

The pillar institutional arrangement focuses on the broad role that an investment promotion agency plays within the government and the overall legal, financial, and managerial pressures that help shape the incentive structure of the agency and its interaction with the private sector. Key dimensions assessed under this pillar are the type of agency (private versus public agency), the existence and structure of a board of directors, and subnational-national dynamics.

IPAs with a higher degree of autonomy and a stronger connection to the private sector tend to be more effective¹⁴ (ECORYS 2013; Lim 2018; Loewendahl 2001; Nelson 2009; UNCTAD 1997; Wells and Wint 2000). To help realize this focus,

14. This finding is in line with the broader literature on industrial policy, which calls on agencies to receive some degree of autonomy to be shielded from both short-sighted political interference as well as unscrupulous business interests. At the same time, agencies need close, ongoing collaborations with the private sector to address the specific market failures holding back performance, and so should be “embedded within a network of linkages with private groups” (Evans 1995). While this “embedded autonomy” is difficult to realize, Dani Rodrik (2004) notes that “getting balance right is so important that it overshadows all other elements of policy design.”

more effective IPAs tend to operate as (semi)private organizations (rather than public bodies or ministerial departments). Private or semiprivate agencies enjoy a higher degree of autonomy in managing financial resources, including a better response to global market trends and crises and talent acquisition. Given their particular relationship with the investment community and the private sector in general, IPAs must be able to pursue FDI attraction opportunities without being vulnerable to the political decision-making process.

Specifically, an IPA tends to function better when it has a board of directors. Such IPA boards can safeguard autonomy while ensuring accountability to investment targets. They are further recommended to include the participation of private sector representatives, to help better understand investor concerns and deliver relevant services to them (ECORYS 2013; Miškinis and Byrka 2014). Jointly with a (semi)private organization, these characteristics allow IPAs to receive consistent support even during periods of political transition, to attain better understanding of investor needs, and to work more effectively alongside private sector actors (Bauerle, Danzman, and Gertz 2020).

Effective IPAs also tend to develop strong partnerships within the wider government to address market failures and promote investment. Issues affecting the investment climate cut across many different ministries and agencies. IPAs pushing for policy reforms thus often benefit from strengthening such collaborations (Qiang, Liu, and Steenberg, forthcoming). They also benefit from support from the topmost levels of government, sometimes linked to a high institutional status, hierarchy, or attachment to upper ministry levels (Lim 2018; Morisset and Andrews-Johnson 2004; Volpe Martincus and Sztajerowska 2019). Finally, countries with multiple IPAs (for example, at national and subnational levels) must also ensure they complement each other and avoid a “race to the bottom” where multiple IPAs compete for the same investors on the basis of incentives or concessions. Complementary mandates and protocols of engagement help to realize this (Heilbron and Kronfol 2020; Fernandez, Blanco, and Aranda-Larrey 2021; Phillips, Heilbron, and Kher 2021).

IPA benchmarking

As a semiprivate agency, Invest in Pomerania’s operating structure is in line with that of many high-performing IPAs. High-performing IPAs tend to operate either as a semi-autonomous public agency or as a private or semiprivate agency (Table 4.3). IiP was established as a commercial company, which is part of the Pomerania Development Agency and formally owned by the Marshal Office of the Pomorskie Voivodeship. It was created by nine founding institutions (such as the Pomerania Development Agency, the Marshal Office, the Gdańsk Development Agency, city halls, etc.) and is governed by a management board comprised of representatives of these institutions (see Chapter 2 for details). In line with best practice, IiP’s structure is that of a commercial company, which may provide it with a higher degree

of autonomy and a stronger connection to the private sector. Part of this is facilitated by the fact that its funding comes entirely from European Union funds, which allows it to make decisions to a large degree independent of domestic political directives.

TABLE 4.3 General characteristics and institutional arrangement

| Variable | Type of Investment Promotion Agency | | |
|--|-------------------------------------|------------|---------------------|
| | High-performing IPAs | Other IPAs | Invest in Pomerania |
| Type of agency | | | |
| Semi-autonomous public agency | 50% | 50% | No |
| Private or semiprivate agency | 30% | 0% | Yes |
| Government agency | 20% | 50% | No |
| Board of directors | | | |
| Does the IPA have a board of directors? | 80% | 44% | No |
| Share of board represented by public sector | 41% | 62% | 100% |
| Share of board represented by private sector | 58% | 38% | 0% |
| Share of board represented by others (e.g., academia, civil society) | 1% | 1% | 0% |
| Subnational dynamics | | | |
| Are any subnational IPAs operating in the country? | 30% | 31% | Yes |
| Close, systematic working relationships, with regular joint activities and information sharing | 100% | 40% | Yes |

Source: Authors' estimations based on Steenbergen (forthcoming) and interviews with IiP staff.

Note: High-performing IPAs are identified based on the sectoral gravity model with country interaction effects. Gray-highlighted fields indicate statistically significant differences between high-performing IPAs and other IPAs. Green and red highlighted fields indicate whether IiP's performance is in line with (green) or not in line with (red) high-performance IPAs in statistically significant categories.

Yet, Invest in Pomerania does not have a formal board of directors or an advisory board. To facilitate their independence, high-performing IPAs tend often to have a formal board of directors, and may also have the participation of a high share of private sector officials (Table 4.3). IiP's lack of a board of independent directors, but rather a managing board comprised of public sector officials, suggests that its degree of autonomy could be compromised. Since IiP's board is comprised of the nine founding institutions, it does not include anyone from the private sector.

Invest in Pomerania also has a strong and active network of partnerships in the Pomerania region. High-performing IPAs tend to maintain close, systematic working relationships between national and subnational agencies (with regular joint activities and information sharing). As a function of having nine local institutions sitting on IiP's management board, IiP naturally has a good connection to a

number of institutions. In addition, the agency in 2016 extended its group of official partners to 19 local-government entities and is also further collaborating with other partners.

Reflections and potential improvements

IiP could consider reviewing its board structure and performing detailed benchmarking with other high-performing IPAs. As mentioned above, having a formal board of directors (or alternatively, an advisory board with similar functions and composition) tends to improve the autonomy and focus of an IPA. That said, de facto, none of the stakeholders interviewed for this report mentioned lack of autonomy as an issue. In contrast, several stakeholders mentioned that IiP seems to be relatively immune to the effects of political changes. While this indicates no pressing need for reform, it is still noticeable that IiP diverges in this from most high-performing IPAs, and further analysis could be undertaken to determine if improvements could be made to IiP’s structure moving forward.

IiP’s board structure could be diversified to increase private sector participation. IiP currently loses out on a potential wealth of experience that could be relied on to steer its operations. Even though the institution’s staff generally has strong private sector experience, having leading figures from firms operating in the region could be a further asset to understand investor concerns, create relationships, and provide direction in catering to their needs. This diversification process could further be extended to representatives from academia and civil society as well. Additional board members could be integrated into the currently existing board or into a board of directors or advisory board.

In terms of its coordination within government, testimonies of other institutions generally laud IiP’s function as integrator and coordinator in the region. According to one government official, “*for us, IiP is a worthwhile initiative because it allows us to be in touch with people, to get information, (and) get up to speed with information on what is happening.*” Another official thought that “*the strength of Invest in Pomerania is to very effectively work within the network, and with the network, in other words strengthening the network of collaboration and cooperation.*” Markedly, IiP is generally seen as a strong improvement over the status quo before its creation: “*There had been a lot of duplication between different institutions in terms of handling projects, but ever since IiP has been created, the repetition of tasks has been deleted; for example, while before we frequently received requests from the national IPA (Polish Investment and Trade Agency), now if there is a query from Warsaw, (. . .) IiP coordinates all the data requests*” (official from a regional development institution). In some cases, institutions had also benefited from IiP’s training and development offering, which helped them to provide investor services.

Where Invest in Pomerania could play a stronger role is in coordinating different public, semipublic, and private sector stakeholders in the technology and digital economy sectors. According to stakeholders interviewed for this study, a structured process is lacking in this space, with overlapping functions between various entities that often provide similar services, such as acceleration, incubation, financing, etc., related to developing and growing start-ups. From a foreign investor's perspective, one of the issues is a lack of transparency regarding who and what the key actors and services are, and this should be addressed by improving the information material available in this regard (see further Section 4.5). At the same time, the underlying issue seems to be a lack of coordination between the different actors, resulting in overlapping services but also gaps in service provision. For example, OECD's 2019 study on local entrepreneurship ecosystems and emerging industries in the Pomerania region suggests that *"a missing link to external venture capital firms needs to be addressed for ICT start-ups and scale-ups"* (OECD 2019). According to several stakeholders, Invest in Pomerania could effectively take on the role as coordinator in this space to help integrate different actor's services and reduce duplication.

Invest in Pomerania used to compete with the SEZs, but according to stakeholder perceptions this has largely been put aside. Several stakeholders mentioned that Invest in Pomerania once had an overlapping mandate and functions with SEZs, which led to competition. The main reason for this seems to have been unclear government directions. Since the SEZs' functions have now changed more toward that of an administrative agency, this currently seems not to be an issue anymore. Nevertheless, it is important to keep a potential overlap and resulting competition in mind when considering a change of either institution's mandate.

The relationship with the national IPA—the Polish Investment and Trade Agency (PAIH)—is cooperative and relatively clearly defined but could be extended to additional tasks. Based on stakeholder consultations, the working relationship between IiP and PAIH is largely limited to passing on leads from PAIH to IiP, with ad hoc collaboration on trainings to other agencies and joint investment missions to other countries, as well as collaboration in the context of the Poland Business Harbor program. If an investor has an issue that cannot be solved at the local level, for example, electricity connection, IiP may pass that investor to PAIH. Sporadically, PAIH provides trainings to IiP, and PAIH also certifies IiP on a regular basis to comply with general standards. Where collaboration could be expanded is on advocacy services (see also Section 5). PAIH drafts reports on investor issues, but seemingly without inputs from IiP (or any other subnational IPA). Hearing from investors in different regions of Poland would help provide a more holistic picture of investor issues in the country and thus enable the Polish government to remove existing bottlenecks for foreign and domestic investors more effectively.

Summary of Recommendations:

- Consider conducting a detailed review of Invest in Pomerania’s structure to potentially include a formal board of directors or advisory board and to increase private sector participation in its board.
- Strengthen IiP’s role as coordinator between public, semipublic, and private sector actors in the technology and digital economy sectors (e.g., those providing start-up incubation, acceleration, financing, etc.) to improve information flows between the actors, increase transparency about availability of different services, and streamline overlapping offerings.
- Increase coordination between IiP and the Polish Investment and Trade Agency (PAIH).

4.3

Strategic alignment and focus

Strategic alignment and focus is concerned with the coherence of an agency’s mandate and activities within the broader development agenda of a country or region, as well as the level of focus that it displays in its approach. Key dimensions assessed under this pillar are the number and nature of functions included in an IPA’s mandate, the degree to which an IPA engages in sectoral targeting, how it selects priority sectors, and the share of its resources dedicated to different types of firms.

Heilbron and Kronfol (2020) argue that the mandate of effective IPAs is limited mostly to foreign investment promotion. Yet, many countries expand the role of IPAs to focus on other tasks, including supporting domestic direct investment (DDI), negotiating investment agreements, issuing licenses, promoting exports, negotiating public concessions, and administering public-private partnerships (PPPs). This can lead to conflicts of interest when the promoter is under the same roof as the regulator or incentives approver or when resources favor domestic investment to the detriment of FDI promotion (Heilbron and Whyte 2019). It may also dilute a focus on FDI promotion. As such, Heilbron and Kronfol (2020) find a strong negative association between the number of IPA mandates and FDI inflows in developing countries.

IPAs are more likely to succeed when they focus strategically on promoting specific sectors or business activities and restrict their mandate narrowly to attracting foreign investment. Evidence for the importance of IPA sectoral targeting is extensive (Charlton and Davis 2007; Harding and Javorcik 2011; Crescenzi, Di Cataldo and Giua 2021) and is often considered to help the IPA by making it easier to communicate priorities, target investors, and advocate necessary policy reforms.

IPA benchmarking

Invest in Pomerania has a limited mandate, which is in line with many high-performing IPAs. But unlike these, IiP engages in domestic investment promotion. The agency engages in investment promotion, matchmaking services, innovation promotion, and development of local suppliers; functions as a one-stop shop; and promotes domestic investment. For high-performing IPAs, the specific mandates differ depending on the country context. The most prevalent functions are foreign investment promotion, matchmaking services, innovation promotion, and policy advocacy, but none of these are by themselves statistically significant for attracting FDI (Table 4.4). As mentioned above, the IPA should not try to focus on fulfilling too many functions, a criterion that IiP meets. At the same time, a particularly relevant characteristic for attracting FDI is whether an IPA promotes domestic investment; in contrast to Invest in Pomerania, high-performing IPAs tend *not* to have this function.

TABLE 4.4 Strategic alignment and focus

| Variable | Type of Investment Promotion Agency | | |
|--|-------------------------------------|------------|---------------------|
| | High-performing IPAs ¹⁰ | Other IPAs | Invest in Pomerania |
| Functions included in the IPA's mandate | | | |
| Foreign investment promotion | 100% | 100% | Yes |
| Matchmaking services (foreign investors to local suppliers) | 70% | 63% | Yes |
| Innovation promotion | 70% | 38% | Yes |
| Policy advocacy / advocate for investment climate reforms | 60% | 44% | No |
| Export promotion | 40% | 50% | No |
| Development of local suppliers | 40% | 19% | Yes |
| One-stop shop | 40% | 50% | Yes |
| Outward investment support | 30% | 31% | No |
| Screening/approval of investment projects | 30% | 31% | No |
| Small- and medium-sized enterprise development | 20% | 31% | No |
| Administration of special economic zones or industrial parks | 20% | 31% | No |
| Administration of incentives | 20% | 44% | No |
| Promotion of domestic investment | 10% | 63% | Yes |
| Negotiation of international investment agreements | 10% | 13% | No |
| Issue of other licenses or permits | 0 | 19% | No |
| Sectoral targeting | | | |
| Number of sectors targeted | 11 | 11 | 8 |
| Dedicate 50% or more of IPA's resources to priority sectors only | 90% | 69% | Yes |

| Variable | Type of Investment Promotion Agency | | |
|---|-------------------------------------|------------|---------------------|
| | High-performing IPAs ¹⁰ | Other IPAs | Invest in Pomerania |
| How the priority sectors are selected | | | |
| Taken from national development strategy or policy document | 70% | 88% | No |
| Selected based on research (e.g., FDI trends, export potential) | 70% | 69% | Yes |
| Selected by IPA management in consultation with stakeholders | 50% | 38% | No |
| Selected by the office to which the IPA reports | 10% | 25% | No |
| Selected by IPA management alone | 10% | 13% | No |
| Share of resources dedicated to type of firms | | | |
| Large foreign firms | 42% | 44% | 50% |
| Small- and medium-sized foreign firms | 47% | 21% | 25% |
| Joint ventures between foreign and domestic firms | 5% | 7% | 1% |
| Large domestic firms | 2% | 9% | 1% |
| Small- and medium-sized domestic firms | 1% | 11% | 23% |
| Mega deals | 3% | 7% | 0 |

Source: Authors' estimations based on Steenberg (forthcoming) and interviews with IiP staff.

Note: High-performing IPAs are identified based on the sectoral gravity model with country interaction effects. Gray-highlighted fields indicate statistically significant differences between high-performing IPAs and other IPAs. Green and red highlighted fields indicate whether IiP's performance is in line with (green) or not in line with (red) high-performance IPAs in statistically significant categories.

Invest in Pomerania's approach to sectoral targeting is comparable to that of other IPAs. The agency promotes eight larger priority sectors, which is slightly less than the average IPA of 11 sectors. In dedicating 63 percent of its resources to priority sectors, IiP is in line with global best practice—most high-performing IPAs dedicate at least half of their resources to priority sectors. If IiP were to consider further increasing the share of its resources spent on priority sectors, it should consider spending it on non-IT-BPO priority sectors. Stakeholder interviews and the agency's institutional setup suggest that the agency's priority is clearly in this area. But while the satisfaction rate of investors in those sectors is extraordinarily high, investors in other sectors seem to not always enjoy the same level of service (see further Section 4.5).

In selecting its priority sectors, Invest in Pomerania relies on fewer sources than high-performing IPAs. Invest in Pomerania selected its priority sectors in 2011 based on a study conducted by PricewaterhouseCoopers (PwC), and has not changed these priority sectors since. In contrast, in addition to following research such as the PwC study, high-performing IPAs often also select IPAs based on those included in national development strategies or policy documents, and in some cases, they are also selected in consultation with stakeholders (Table 4.4).

Unlike high-performing IPAs, Invest in Pomerania dedicates a large part of its resources to domestic SMEs. Currently, IiP dedicates 23 percent of its resources

to domestic SMEs, 25 percent to foreign SMEs, 50 percent to large foreign firms, and 1 percent each to joint ventures between foreign and domestic firms and large domestic firms. When benchmarking this to global practices, it stands out that high-performing IPAs spend a similar amount on large domestic firms, but also considerably less on domestic SMEs (Table 4.4). Instead, these IPAs use the largest portion of their resources on foreign SMEs.

Reflections and potential improvements

Invest in Pomerania should reconsider the promotion of domestic investment as part of its mandate and consider shifting its resource allocation from domestic to foreign SMEs, to the extent its funding structure relying on EU funds permits. As mentioned above, high-performing IPAs tend not to have domestic investment promotion in their mandates. It may require a different set of skills than the one needed for FDI attraction, and allocating resources to fulfill this function takes away funding and talent from the primary mandate of an IPA, which is to attract FDI. In line with this, high-performing IPAs also tend to spend a considerably higher share of their resources on foreign SMEs, and likewise a considerably lower share on domestic SMEs.

Since these three are all statistically significant characteristics of high-performing IPAs, IiP should strongly consider whether the 24 percent of its budget spent on promoting domestic investment could not be better spent and whether it could shift the focus of its resource allocation from domestic to foreign SMEs. While IiP's funding structure based on EU funds to some extent dictates the use of funds for domestic promotion, including for domestic SMEs, it should still be explored whether resources could effectively be shifted within these constraints. A dedicated impact analysis would provide further insights in this regard.

Relatedly, Invest in Pomerania should be wary of an expanding mandate related to administering grants. Based on consultations, the agency is not directly administering incentives, but hands out a number of grants, in particular cash grants related to talent attraction (a cash grant/relocation fund for IT and offshore sectors), as well as for SMEs. There seem to be plans to widen this mandate in the future. While Invest in Pomerania's funding structure may demand pursuing these activities, IiP should still be cautious in not becoming a grant overseer and just another administrative body, but rather should focus on its core mandate as much as possible.

IiP should expand its mandate related to advocacy services. It is generally considered best practice to engage in advocacy services to further improve the business environment for new but also for existing foreign investors, since it is their grievances that are being heard (see Advocacy services in Section 4.5).

Developing a new FDI strategy is an opportunity to further clarify and tailor Investment in Pomerania's strategic focus. Although the agency's strategic targeting is generally in line with global best practice, IiP can use its new FDI Strategy

for the years 2021–2027 to further define and update its priority sectors. The current set of priority sectors has not changed since 2011. Further, developing the new strategy is an opportunity to consider other sources for selecting the sectors than internal or external research—especially national development strategies or policy documents as well as stakeholder opinions should be taken into consideration.

Invest in Pomerania should further increase consistency and clarity about its priority sectors in its communications. IiP seems to have a weakness in effectively communicating its strategic sectors. Moving forward, IiP should focus on aligning all communications about the sectors, including on its website and in briefs.

Stakeholder perceptions revealed a number of competing targeting priorities depending on the stakeholder, but while these opinions can be helpful, IiP should let itself be guided by evidence-based decision-making. Depending on the stakeholder, IiP is asked to change its priority sectors, expand its services, focus more on the regions rather than on the Tri-City area, or focus more on Polish and especially regional investors rather than foreign investors. As mentioned above, however, it is important in developing its new FDI strategy to prioritize its core mandate of attracting FDI, to focus resources where they are proven to be most effective, and to be led by thorough analysis in choosing priority sectors for the future. Arguably, the focus on the Tri-City area will need to remain at least for the immediate future, since most investment opportunities seem to exist in that area.

Summary of Recommendations:

- Clarify and update the agency’s priority sectors in the new FDI strategy, and provide greater clarity and consistency about priority sectors in IiP’s communications.
- Consider increasing the share of resources spent on non-IT-BPO priority sectors.
- Reconsider the promotion of domestic investment as part of IiP’s mandate and consider shifting the agency’s resource allocation from promoting domestic SMEs to promoting foreign SMEs and from overseeing grants to attracting FDI, to the extent IiP’s funding structure based on EU funds permits.

4.4

Organizational framework and resourcing

The organizational framework and resourcing pillar is concerned with the specific structure of an agency, how this aligns with its strategic priorities, and whether an agency is sufficiently funded and has qualified staff at its disposal to be able to reach its targets. Key dimensions assessed under this pillar are the professional experience of staff and staff compensation.

Effective IPAs tend to have an organizational structure that aligns with their vision and strategic priorities. This includes ensuring that an organization has the appropriate guidelines, protocols, and key performance indicators (KPIs) that correspond to its strategy. In addition, such IPAs are assured of receiving sufficient and sustained financial resources over the medium term to ensure a stable and continued ability to purpose investment promotion (Morisset and Andrews-Johnson 2004; Volpe Martincus and Sztajerowska 2019).

The most important resource for IPAs tends to be its staff—effective IPAs tend to recruit workers with the appropriate experience and to offer appropriate pay. According to Ortega and Griffin (2009), IPAs need both management and staff members who have appropriate private sector experience, service skills, and deep business knowledge (including understanding of investor needs, motivations, challenges, and concerns but also sector terminology and trends). Given that staff is constantly in contact with investors, mostly privately owned entities, a good understanding of the “modus operandi” of the private sector is instrumental to successfully enable FDI projects to settle in a given investment ecosystem. Nelson (2009) further calls for staff with international exposure and appropriate language and cultural skills to foster translational learning. They further find that traditional civil service recruitment and pay policies hamper IPAs’ potential to recruit such qualified, specialized staff. More effective IPAs therefore have the operational independence and financial ability to recruit such staff and provide them with adequate compensation (often in line with the private sector).

IPA benchmarking

Invest in Pomerania’s staff generally has relevant private-sector experience, but less sector-specific knowledge than staff in high-performing IPAs tend to have. According to IiP, 100 percent of its staff has public sector experience, and 78 percent of investment promotion staff have private sector experience. This is in line with global best practice, with IiP even outperforming the average high-performing IPA in terms of the public sector experience of its staff (Table 4.5). Both of these characteristics are important since they are statistically significant for attracting FDI. Invest in Pomerania’s staff also exhibit a high share with proficiency in a foreign

language. At the same time, IiP’s staff doesn’t always have experience in one or more of the priority sectors (40 percent of total staff, and 64 percent of investment promotion staff), less than high-performing IPAs (Table 4.5).

TABLE 4.5 Organizational framework and resourcing

| VARIABLE | Type of Investment Promotion Agency | | |
|--|-------------------------------------|------------|---------------------|
| | High-performing IPAs | Other IPAs | Invest in Pomerania |
| Professional experience | | | |
| Share of professional staff with private sector experience | 79% | 49% | 78% |
| Share of professional staff with public sector experience | 33% | 61% | 100% |
| Share of professional staff with specific background in priority sectors | 68% | 51% | 40% |
| Share of professional staff proficient in a foreign language | 80% | 74% | 95% |
| Staff compensation | | | |
| Comparable with the private sector | 60% | 19% | No |
| At par with the public sector | 30% | 38% | No |
| Above public but below private sector | 10% | 44% | Yes |

Source: Authors' estimations based on Steenbergen (forthcoming) and interviews with IiP staff.

Note: High-performing IPAs are identified based on the sectoral gravity model with country interaction effects. Gray-highlighted fields indicate statistically significant differences between high-performing IPAs and other IPAs. Green and red highlighted fields indicate whether IiP's performance is in line with (green) or not in line with (red) high-performance IPAs in statistically significant categories.

Invest in Pomerania’s staff compensation levels tend to be lower than those in other high-performing IPAs. Although the agency’s staff remuneration levels are higher than the average public sector levels, they are lower than private sector levels. High-performing IPAs tend to pay staff compensation levels comparable with the private sector. Notably, it is not only statistically significant to pay levels above the public sector to be able to attract FDI, but also to pay levels comparable to the private sector (Table 4.5).

Reflections and potential improvements

In general, Invest in Pomerania’s staff is well respected by foreign investors. None of the foreign investors interviewed for this study mentioned any negative experience; on the contrary, IiP’s staff was generally regarded as knowledgeable, helpful, and very strong in their service orientation. For example, one foreign investor was impressed that “*when I arrived in Gdańsk, I did not expect that an employee would pick me up from the airport and drive me to my hotel in his private car.*” Another mentioned that “*Invest in Pomerania’s staff is what makes Invest in Pomerania so special in comparison with other IPAs.*”

The sector-specific knowledge of Invest in Pomerania's staff could be improved. As mentioned above, the agency's staff seems to have less experience in this regard than is common among staff in other high-performing IPAs. In addition, much of the sector-specific expertise seems to focus on a few sectors, in particular BSS and IT. As IiP plans to hire additional staff with the budget increase currently under discussion, it should consider hiring staff with particular expertise in the priority sectors that will be key in its upcoming FDI strategy.

IiP staff salaries could be increased to align with private sector remuneration levels. Although the agency's staff remuneration levels are higher than the average public sector levels, they are lower than private sector levels. Staff remuneration in line with the private sector helps attract and retain the best talent and ensure an IPA's effectiveness and is statistically significant for attracting FDI (Table 4.5). Anecdotal evidence also suggests that IPA has recently lost staff to the private sector due to higher salary prospects there. A benchmarking exercise could help further determine to what extent there is a discrepancy between IiP's staff remuneration levels and private sector levels and whether an alignment is necessary.

Invest in Pomerania receives sustained and sufficient funding. One hundred percent of the agency's funding is from EU funds, which are secured for the foreseeable future. During the consultation period, IiP estimates showed that its budget will increase significantly in the following years, up to 2030 (yet to be confirmed).

Invest in Pomerania's use of KPIs could be extended. Currently, IiP tracks a number of KPIs, including advertisements in foreign media for FDI promotion purposes, FDI promotion events abroad, potential foreign investors who participated in pre-investment visits arranged by the agency, and investors assisted at the establishment phase. However, the agency does not track total foreign investors proactively contacted, follow-ups after investors' visits, or how many potential local suppliers met with foreign investors through the agency. Tracking these KPIs would further increase the IiP's emphasis on a more proactive approach toward solving investor issues and also increase and formalize its focus on creating supplier linkages (see Assistance services in Section 4.5).

IiP could further use additional impact indicators to better measure and showcase IiP's results. The agency currently only tracks announced jobs created, not actual numbers of jobs created. While IiP tracks the number of new investments facilitated, it does not track the amount (in USD or zloty) of new investments facilitated. Beyond these, IiP is also not measuring the following impact indicators:

- Jobs retained (announced and actual)
- Reinvestments/expansions facilitated (number of and amount)
- Number of new foreign companies
- Number of retained investors
- Exports by companies facilitated
- Increase in domestic sales to foreign affiliates

- Growth in a priority sector (% contribution to GDP)
- Policy advocacy efforts (publications, participation in task forces, committees, etc.)
- Business climate reforms enacted/facilitated
- Percent of existing investors satisfied with IPA services

liP also does not use performance or impact indicators that separate investment reactively facilitated from investment proactively generated, and it does not attempt to quantify the benefits and costs of its works to the regional economy (e.g., by calculating the number of investment dollars attracted per dollar spent on investment promotion, or the number of investment promotion dollars spent per job created).

Summary of Recommendations:

- Hire additional staff with sector-specific expertise for priority sectors in upcoming FDI strategy.
- Align Invest in Pomerania’s staff salaries with private sector remuneration levels.
- Increase the number of KPIs and impact indicators that Invest in Pomerania measures to guide staff and better quantify the benefits and costs of its works to the regional economy.

4.5

Investor service delivery

IPA effectiveness relates to their ability to provide high-quality services to increase investor satisfaction, notably in areas considered most relevant to meeting sectoral strategic priorities. As an example, Harding and Javorcik (2012) find that information services (such as website information and inquiry handling) is positively correlated with FDI inflows. According to the World Bank’s 2017 GIC Survey, IPA services were often most appreciated by investors seeking to establish, retain, and expand investment. This included both hands-on assistance with issues during registration and business establishment, but also advocacy to improve the business environment (World Bank 2018).

IPAs with quality services also tend to adopt a series of tools, systems, and monitoring and evaluation (M&E) frameworks that help identify investor priorities and strengthen service delivery. Examples include development of standard operating procedures, a customer relationship management (CRM) system, or adopting a system for gathering investor complaints or disputes. Using digitalization and emerging technologies was considered an important IPA attribute to help reach

target investors more efficiently (DCI 2017; WAIPA 2019). The United Kingdom reported several improvements in the functioning of the different IPAs in its union as a result of a new M&E framework (DIT 2018, 2019).

The WBG framework for investment promotion defines investment promotion in terms of the following service categories:

- **Marketing** services that build a positive image for investment destination (in general or certain sectors in particular) and could include relevant advertising, participation in business events, public/media relations, and one-on-one investor outreach.
- **Information** delivery for investor decision-making (attraction), entry, and establishment.
- **Assistance** to investors to contribute to success during decision-making (attraction), entry, establishment, and operations.
- **Advocacy** to improve the investment climate and ecosystem by engaging with investors and identifying obstacles to competitiveness, and supporting relevant decision-makers and stakeholders with the formulation and implementation of solutions.

Marketing in the context of investment promotion is about generating awareness of the value that an economy can offer to international investors in specific sectors. It implies that an IPA (a) understands investor needs and location strengths, (b) develops a compelling value proposition, (c) raises awareness and positively influences the way investors think about the location, and (d) gets them to take the next steps to invest (Heilbron and Aranda-Larrey 2020). One-on-one meetings with targeted investors remain the most effective marketing service.¹⁵ In later stages of the investment life cycle, the purpose of marketing shifts from attracting new investors to educating established investors about IPA services that can help them operate more successfully, expand, diversify, or even link to local suppliers.

To deliver quality information services, IPAs must maintain information that is credible, accurate, relevant, and comprehensive. Information plays a key role at a very early stage of the investment decision-making process. Companies deciding where to invest usually put together long lists of potential investment destinations before visiting them. Relevant, accurate, and complete information reduces uncertainty for investors and influences their decisions in favor of locations that provide complete information. Information provided must include sector- or even segment-level data on the legal and regulatory regime for investment, costs of doing

15. A 2017 survey of corporate executives and site selection consultants outlined that the most effective marketing channel was planned meetings with corporate executives (66 percent of respondents), followed by media relations/publicity, IPA-hosted events, and trade shows (Heilbron and Aranda-Larrey 2020).

business and set-up procedures, government support in the form of investor services and incentives, available logistics, competitor locations, etc. (Heilbron and Aranda-Larrey 2020).

IPA assistance services proactively support investors’ in exploring, establishing, operating, retaining, and expanding. These fundamental services reduce common constraints to investments on the ground. IPAs provide contacts, make introductions, and connect investors with government officials and other stakeholders in the economy, arrange site visits, and even join meetings.

Advocacy in investment promotion is about (a) understanding the issues investors face, (b) advocating on their behalf, and (c) influencing stakeholders to improve the investment ecosystem so investors can operate more efficiently and smoothly. As an indirect service, IPA advocacy helps many investors—and the location—achieve key reforms needed for their investments. For instance, IPAs can advocate to improve processes at all stages of the investment life cycle (for example, the visa-granting process) and systematize day-to-day operations (such as expediting customs clearance, eliminating red tape, removing delays in utility connections, or supporting sector-specific reforms) (Heilbron and Aranda-Larrey 2020).

IPA benchmarking

Invest in Pomerania is in line with global best practice with respect to the activities it performs to implement its investment promotion plans for priority sectors. Of the different activities that an IPA can perform in this regard—such as conducting investor-targeting campaigns, participating in sectors events/conferences, or organizing events—Invest in Pomerania engages in all activities listed as part of the IPA benchmarking exercise except for the purchase of investor databases for the priority sectors (Table 4.6). This is comparable to other IPAs—the purchases of such databases is the category in which high-performing IPAs tend to engage least. Importantly, IiP prepares sector profiles that detail country’s relative advantages, and purchases sector intelligence/research report. Both of these characteristics are statistically significant for attracting FDI (Table 4.6).

Invest in Pomerania has most of the tools in place that high-performing IPAs are using to facilitate operations, but it lacks customer relationship management (CRM) software. The agency has standard operating procedures for investor queries and aftercare, a shared information system cataloging general and sectoral data and information for use by investors, as well as a system for gathering investor complaints or disputes. In particular the latter category is important since it is statistically significant for attracting FDI (Table 4.6). At the same time, Invest in Pomerania does not use a CRM system, in contrast to all IPAs that feature in the sample of the IPA benchmarking exercise. Since the sample does not include IPAs that do not have a CRM, Steenbergen (forthcoming) cannot draw a conclusion regarding the statistical significance of having such a system in attracting FDI.

However, the fact that all other IPAs in the sample have it by itself suggests that having such systems may be useful.

TABLE 4.6 Investor service delivery

| VARIABLE | Type of Investment Promotion Agency | | |
|---|-------------------------------------|------------|---------------------|
| | High performing IPAs | Other IPAs | Invest in Pomerania |
| Implementation of investment promotion plans for priority sectors | | | |
| Preparation of sector profiles, detailing country's relative advantages | 100% | 69% | Yes |
| Participation in sector events/conferences | 90% | 63% | Yes |
| Participation in sector trade shows | 80% | 56% | Yes |
| Organization of events, conferences, and trade shows | 80% | 50% | Yes |
| Sector-specialized and dedicated staff | 70% | 63% | Yes |
| Investor-targeting campaigns for priority sectors | 70% | 63% | Yes |
| Communications and public relations campaigns | 70% | 50% | Yes |
| Relationship-building with existing investor communities | 70% | 44% | Yes |
| Website section for each priority sector | 60% | 56% | Yes |
| Purchase of sector intelligence/research reports | 60% | 25% | Yes |
| Purchase of investor databases for the sector | 30% | 25% | No |
| Tools and systems to facilitate operations | | | |
| IPA has customer relationship management (CRM) software | 100% | 100% | No |
| IPA's CRM software is "mostly" or "fully" used by its staff | 90% | 69% | No |
| IPA has a system for gathering investor complaints or disputes | 80% | 44% | Yes |
| IPA has standard operating procedures for investor queries, aftercare | 70% | 69% | Yes |
| IPA has shared information system cataloging general and sectoral data and information for use by investors | 60% | 69% | Yes |
| IPA has electronic database with updated contact information | | | |
| Database containing current foreign investors | 90% | 94% | Yes |
| Database containing potential foreign investors | 80% | 69% | Yes |
| Database containing domestic supplier firms | 40% | 50% | Yes |
| Database containing available local joint venture partners | 20% | 19% | Yes |

Source: Authors' estimations based on Steenbergen (forthcoming) and interviews with IIP staff.

Note: High-performing IPAs are identified based on the sectoral gravity model with country interaction effects. Gray-highlighted fields indicate statistically significant differences between high-performing IPAs and other IPAs. Green highlighted fields indicate whether IIP's performance is in line with (green) or not in line with (red) high-performance IPAs in statistically significant categories.

Invest in Pomerania has an electronic database with updated contact information, in line with best practice. The agency’s database contains information on current foreign investors, potential foreign investors, and domestic supplier firms. Especially information on the last category is more than many high-performing IPAs tend to have.

Reflections and potential improvements

Public sector stakeholders strongly acknowledge IiP’s positive role in attracting FDI. Next to viewing IiP as an effective coordinator between different institutions (see Section 4.1), stakeholders interviewed for this study also laud Invest in Pomerania’s ability to attract FDI. According to a local government official, *“Invest in Pomerania has really been a great success—when IiP was created, nobody would have imagined that the scale would be as large as it is. The impact has been immense, in particular in attracting investments to the Tri-City.”* Others highlighted IiP’s achievements not only in attracting FDI, but also people: *“One of the benefits of IiP has been that it attracted people to the labor market by showcasing Pomerania as not only a good place to work, but also a good place to live—IiP has demonstrated one open, multicultural and friendly region”* (local government official).

Private sector stakeholders echo the positive sentiments about IiP. In several cases, investors interviewed for this study stated that IiP had been the factor tipping their decision toward the Pomerania region. For example, one investor stated that *“IiP has been instrumental. They have led us by the hand from the short list to the final decision. While our decision was also about the talent pool, the quality of universities, the availability of office space, the easy connection to other countries, etc., there was one final factor that ‘made it’ Gdańsk, which is Invest in Pomerania—they made it happen.”* Another investor stated that *“IiP made the difference, it was the decisive factor—we had the impression that for IiP it was the project of a lifetime.”* When asked to compare their experience with IiP with other IPAs—both in Poland and abroad—investors generally replied that IiP was among the strongest performers. For example, one investor mentioned that *“IiP (is) one of the best single points, comparable only to Vilnius.”* Another said that *“when we got to Poland, we found different organizations who could give us an overview to set up, and we looked at Wrocław, Pomerania, and also Krakau—IiP was most open and helpful in terms of communication and made our decision much easier. Through IiP, we were more confident, and decided to invest.”* Notably, investors that liaised with IiP but ultimately did not invest in Pomerania generally made their decision independent of their experience with IiP, based on other strategic considerations.

The following sections more closely assess IiP’s performance along the four key types of investor services (marketing, information, assistance, and advocacy services). The focus is particularly on those areas that could be further improved. The

characteristics assessed as part of the IPA benchmarking are expanded upon where relevant within the framework of the four types of investor services.

Marketing services

Stakeholder perceptions of IiP's marketing are mixed. Whereas many foreign investors interviewed for this study seem to have profited from one-on-one meetings with Invest in Pomerania and decided to invest or re-invest because of the agency (see further Introduction), promotional campaigns such as roadshows, social media presence, or other promotional materials were often not considered to be particularly successful. In most cases, investors had not heard about the region through Invest in Pomerania. Among public sector stakeholders, the impression also seems to be that not all types of foreign investors are being reached.

To improve the marketing of the region, IiP together with relevant stakeholders need to develop a stronger narrative about the Pomerania region. There seems to be a consensus between different types of stakeholders that such a narrative is lacking. In the words of a stakeholder, *“What is really missing is an integrated narrative about the Pomerania region; it needs to be consistent, objective, and have explanatory movies that show every angle around one story—we need uniformity because we don't have a strong image yet—to me the image has been built for the sake an image, there is also a lack of customer centricity.”* In that context, one of the issues to be focused on is building a stronger Tri-City (as opposed to Gdańsk or Pomerania) brand. While several regions feel underrepresented in IiP's current marketing efforts, the focus on the Tri-City area should be kept since it will most likely remain the area generating the most FDI inflows in the foreseeable future.

To help create that narrative and generate positive PR, IiP should develop case studies that help showcase the attractiveness of the region for specific sectors. Several stakeholders interviewed mentioned that this is clearly something missing. In the words of an investor, *“Success stories are not showcased enough; we don't see information about different companies shown around—there should be an actual campaign run on different platforms and spanning interviews with different stakeholders engaged.”*

In particular, the marketing of the Tri-City area as attractive destination for investments in innovation and the digital economy should be improved. Investors operating in the field see great potential for the region and already consider it very strong and attractive on many dimensions. For example, one investor in software sees the region *“becoming the silicon valley of Central and Eastern Europe, the next Berlin.”* The same investor, however, also stressed that *“Invest in Pomerania has a great responsibility to further grow the sectors—a lot needs to be done, efforts need to be multiplied by 10.”* Another investor agrees with the attractiveness for technology firms in the region, but mentioned that *“when one thinks about technology in Poland, one thinks about Krakow, Warsaw, but not Gdańsk.”*

These impressions are corroborated by the OECD’s 2019 study on local entrepreneurship ecosystems and emerging industries in the Pomerania region (OECD 2019), which also finds a need to increase the stress of the IiP marketing approach on attracting FDI with greater innovation and skills content and a need for greater efforts by IiP to embed itself in local innovation, skills, and entrepreneurship collaborations. To that end, the OECD recommends marketing value propositions emphasizing available research assets and skills profiles in the region’s smart specializations.

IiP’s marketing efforts are seen as too Poland-centric. Several foreign investors interviewed mentioned that they would recommend that IiP target its marketing more toward investors abroad and that they see the current campaigns as too focused on stakeholders in Poland. In particular, IiP’s social media campaigns on both Facebook and LinkedIn seem to mainly target a domestic audience and not significantly help spread the word about the region beyond Poland’s borders. IiP should consider reviewing the success of different social media campaigns and trying to direct campaigns more toward targets abroad. It should also consider potentially outsourcing such campaigns to enable IiP to focus on the content rather than the implementation process.

In summary, IiP’s marketing efforts seem to an extent to be outdated in its choice of methods and to focus too much on Poland. While having trade fairs, newsletters, or local TV ads may be appropriate for the Polish market, targeting an audience beyond the borders will require more.

Information services

Investors interviewed for this study were impressed with the reports that IiP publishes but were less frequent users of IiP’s website. According to one BSS investor, the BSS report “*is useful based on the fact that they provide information about [the] talent pool and about the university (. . .) it’s a very valid source of information that helps in daily decision-making.*” Another investor mentioned that the automotive report was “*great, very helpful, really grassroots to skyscraper level.*” IiP’s publishing reports was seen as a “*strength that distinguishes them from other agencies, and from other Voivodships.*” Yet, investors generally were of the opinion that Invest in Pomerania’s website could be improved and that they did not frequent it often to look for information except for identifying and downloading IiP’s reports.

At the same time, IiP could improve the publicity and dissemination of its reports. Several foreign investors interviewed for this study mentioned that the transparency of processes related to employing foreign labor was a key concern and that they would appreciate having IiP provide information on these. This shows that investors are clearly not aware of IiP’s publication of the report “*The Legalization of Stay and Employment of Foreigners in Poland—FAQ*” (Invest in Pomerania 2021b) on March 3, 2021, which is available on its website. Similarly, several investors in digital economy and technology sectors were seeking information on the start-up

ecosystem in Pomerania, apparently not having been informed about IiP's publication "*The Pomerania Start-up Guide—Sea of New Technologies: Pomorskie 2020*" (Gdańsk Business Incubator STARTER 2020) published on its website on August 31, 2020. This leads to two considerations: First, to reach a wider audience, IiP must improve the publicity it provides its publications. Second, important information included in these reports—especially information relating employing foreigners, which is of general, not sector-specific application—should be better displayed, perhaps in a specific section on IiP's website, to make it easily accessible to foreign investors who may lack the patience to browse through the body of the different reports.

Contrary to its reports, material provided on an ad hoc basis to foreign investors has been met with mixed reviews. For some firms, the material was helpful. An investor in manufacturing, for example, noted: "*We did a lot of information requests in the first 2-3 months, and overall responsiveness has been very good. It took maximum a week until they (IiP) got back to me, and all data was really solid. I haven't felt that there is something missing. The substance of the data and reports and answers provided were on a really high level.*" Yet, other investors were less impressed. In one case, a BSS investor seeking to digitalize found some of the information provided by IiP insufficient: "*There was a time when we were thinking about digitalization, and asked IiP about information about potential in the region; however, this was not excellent, not particularly helpful—some of the slides were not updated, etc.—it generally didn't seem that there is a strategy to attract investment in the digital area.*"

To help investors make strategic decisions, IiP could increasingly develop and rely on business intelligence and create forward-looking reports. Some stakeholders interviewed were suggesting that IiP could develop mechanisms to track and trace global and European trends on specific value chain developments, and based on this develop recommendations for the region on how to move forward. Some firms—in particular smaller ones—have problems identifying new trends and adapting and taking advantage of them, and IiP is seen as institution that could generate knowledge for the region. Invest in Pomerania is currently developing a geographic information system (GIS) that is likely to improve the agency's ability to answer ad hoc requests quickly and effectively, but it should be assessed whether investors' information needs go beyond the information provided through the GIS.

Assistance services

IiP is generally seen as very strong in providing assistance services when firms are establishing an investment, but it could further extend services in the operations phase, in particular relating to cluster-building and fostering innovation. There also seems to be a contrast in experience between different sectors—whereas investors in sectors that IiP promotes (in particular BSS) felt strongly supported through every step of their process, investors from other sectors were less positive

in their assessment. In addition, in some instances, concerns were raised that IiP would focus more on large firms rather than SMEs and more on foreign firms than on domestic firms. Yet, since there is need to prioritize, it is to be expected that IiP will focus its limited resources on those investors it sees as having the largest potential impact for the region. Likewise, an apparent focus on the Tri-City area is expected and justified.

A recurrent bottleneck when firms are establishing manufacturing operations is the availability of infrastructure/land plots, and IiP should continue its efforts to facilitate access to land. Both private and public sector stakeholders interviewed for this study agreed that one of the difficulties in attracting large production sites to the Pomerania region is a lack of large sites that are ready to use. One of the issues seems to be that there is not enough transparency regarding the ownership structure in large parts of the region (and of Poland generally). Several stakeholders believe that IiP could play a role in coordinating a team trying to gather information; one said that *“one could establish a joint team of key specialists of different institutions that would sit down together, look at sites, where they are, look at possible types of investments and to make those available, go from commune to commune to gather information.”* Invest in Pomerania has already started organizing meetings with key local authorities, and efforts are also supplemented by the ongoing work on creating a GIS system (see above). IiP should continue these efforts, and potentially further involve or at least inform different stakeholders—stakeholder consultations conducted for this report suggest that some may not be aware of IiP’s current efforts.

Another major issue for foreign investors is the availability of talent and skills. IiP can further build on the *Live More. Pomerania* initiative to help attract talent to the region. Views on *Live More. Pomerania* are generally positive, but at the same time investors interviewed for this study mentioned that they would like to see more information on the website. In particular, information could be posted *“with respect to the labor market, steps to take to become employed, where to look for employment, on remuneration, types of working environments, and relocation packages.”*

To help firms in the region upgrade, IiP could also focus on developing talent by increasingly supporting skills initiatives. Several foreign investors would like to see IiP play a stronger coordinating role between firms and universities and particularly secondary and vocational education institutions. For example, one BSS investor stated that *“Something I would love to see from IiP more actively is to not only bring talents to Tri-City, but also support efforts from universities to make people/students aware of the businesses we have; we have a lot of efforts to show what BSS services are, but still many young students don’t see the concepts; we did that twice with IiP already, but this should be an ongoing process with all of us.”* Others reiterated this, saying that *“it would be really helpful if there will be more practical and deeper involved in overall recruitment processes, trainings, and generally interfacing with educational sector/universities and the secondary*

schools; we were in direct touch with all those schools and universities, but also I think that IiP might be the transmission channel for competences that are sought for (. . .) and should build programs with universities.”

Invest in Pomerania’s database on specialists, currently under development, is seen as promising. As one stakeholder puts it, the database *“could play a role in alleviating further challenges we spoke about, but it is important that it should be simple to access and easy to use, it should be online . . . ; and also in terms of linguistic support this should be provided in terms of consultations not only in English language but also in other languages.”*

Invest in Pomerania could also consider introducing a Customer Relationship Management (CRM) system. CRM software typically stores key customer company information and records all interactions with that customer. It is designed to remind an account manager of open issues and next steps to be taken. It can therefore track progress toward goals and often can generate performance reports. The software used by IPAs tends to be for the front-end, focusing on following up on leads and tracking *“service tickets”* (open customer issues). By making sure that an IPA remembers a company’s history in the greatest detail and that all open issues are followed up in a timely manner, CRM software makes investors feel better served, and they are more likely to rely on the IPA as a valuable resource (Ortega and Griffin 2009).

A low-hanging fruit suggested by some investors to facilitate their establishment would be to provide for temporary/interim offices beyond Gdańsk. Some investors mentioned that during their establishment, office space provided by IiP was very helpful for starting their operations. However, it seems that this office space is only available in Gdańsk, although some have a need to be closer to operations in the region.

IiP’s aftercare services could be further improved. IiP is gathering information about investor complaints or issues through systematic investor surveys, during events, and through proactive follow-up. Investor perspectives on aftercare services were mixed. Some were very positive, for example, an investor stated that *“even if there was a sleeping period, they asked: Do you need anything, how are you coping with the authorities.”* At the same time, there have also been less enthusiastic experiences, and it seems that while aftercare services were strong in the first months after establishment, they subsided over time. In that vein, OECD in its study on local entrepreneurship ecosystems and emerging industries in the Pomerania region also found *“a need to increase the aftercare contacts of IiP with established inward investors in the region to understand their growth challenges and to offer the necessary services and incentives to encourage them to develop further and upgrade in the region and to build their local linkages”* (OECD 2019). These impressions suggest that IiP should strengthen aftercare services for investors at the later stages of the lifecycle.

Several investors also demand that IiP take a stronger role in cluster-building—but expanding such services requires a clear strategic direction. Overall, there seems to be a distinction between the BSS sector and other sectors. Investors in the BSS sector interviewed for this study praised IiP’s efforts in building a cluster. For example, one investor found that *“IiP helped very much in creating a network, not only between businesses but also leaders and local representatives—this is something that was truly extraordinary which others could only think of.”* Another investor highlighted regular catch-ups on a quarterly basis and meetings between leaders on a monthly basis as key to helping to build a community. However, in other sectors perceptions were different. For example, digital firms were of the impression that although there had been a few start-up events, these were more often organized by local bodies such as start-up incubators or coworking space, but IiP had not been active. Firms in the automotive sector also mentioned that *“creating an automotive cluster through IiP would be something that would be very helpful to us—in another region we were operating in the cluster was very strong,”* and that *“if I compare Pomerania to Southern Poland, there were conferences and meetings which were on a higher level—which of course is the nature of the market there, but perhaps in Pomerania something could be developed.”* At the same time, IiP should only focus its resources on cluster building for those sectors that it identifies as strategic sectors in its new FDI strategy.

Invest in Pomerania should also explore having more linkages programs, for example, conducting a few pilots in this area. So far, IiP seems to not have been very active in fostering linkages between foreign investors and suppliers. Yet, several investors mentioned that they would like to see IiP play a stronger role in this regard, especially during and after the COVID-19 pandemic. For example, one manufacturing investor interviewed said that *“in regard to finding suppliers, everything worked more or less well in the past, but now our supply chain is broken—this is exactly the time when IiP could reconsider how they could be active in this space.”*

Advocacy services

Invest in Pomerania currently has no structured process through which the institution actively engages in advocacy. Both private and public sector stakeholders see a potential for IiP to have a stronger role. For example, one foreign investor stated that *“investors are looking for an institution that gathers all the problems from local governments and brings them to attention.”* The same investor said that it could see IiP talking on a role that is currently filled by the chamber of commerce of that investor but that IiP could be much more effective. *“The chamber of commerce deals with the problems of Scandinavian companies, but the issue is that that is a small group—if the problems were flagged as a regional problem, that would be much more effective.”* An investor from Germany saw that the German Chamber of Commerce was involved in advocacy efforts, but that their focus is on large-scale problems affecting the entirety of Poland—*“they don’t see their role as promoting individual regions.”* Thus, if IiP took on a larger role in

advocacy efforts in the region, it could bring focus to regional problems that are otherwise potentially not heard, while at the same time speaking for all investors in the Pomerania region.

To increase Invest in Pomerania's reach and to overcome political economy concerns, it could consider working together with the national IPA Polish Investment and Trade Agency (PAIH). PAIH drafts reports on investor issues, but the content does not include insights from SEZs or regional IPAs. Instead, it is derived from PAIH's own aftercare efforts. IiP could seek a collaboration with PAIH to issue a joint report, or it could include a regional section in PAIH's reports. This collaboration could further extend to holding joint events. Notably, IiP's concerns and suggestions seem to sometimes not be heard and taken into account at the national level since the Pomerania region tends to be governed by a different political party than the one that is in power at the national level. Reporting issues to PAIH could be a way of depoliticizing this issue and help Invest in Pomerania raise its voice.

One other way to ensure that issues are addressed would be to organize meetings between select investors and/or business associations with local government institutions. Investors interviewed for this study expressed the view that they did not have good channels to talk to some authorities related to their issues, that authorities would be *"hard to get on the phone."* Face-to-face meetings between an investor and/or business association and local government institutions could be organized in a sector- or issue-specific context, something that is also acknowledged in OECD's 2019 study on local entrepreneurship ecosystems and emerging industries in the Pomerania region (OECD 2019).

Summary of Recommendations:

Marketing Services:

- Develop a strong narrative about the Tri-City region as an attractive investment destination, and run a comprehensive, multichannel marketing campaign.
- Create case studies of successful investments in the region and of start-ups that managed to internationalize.
- Focus marketing efforts on a global rather than on a Polish audience.
- Review the effectiveness of social media programs and potentially outsource their implementation.

Information Services:

- Increase the publicity for and dissemination of IiP’s reports.
- Display information included in reports that is of general importance for foreign investors (not sector-specific) directly on IiP’s website.
- Increasingly use business intelligence tools to develop forward-looking sector reports.

Assistance Services:

- Continue IiP’s efforts to improve transparency regarding ownership of land structure, with the aim of generating large, ready-to use land plots for manufacturing investments.
- Expand the information provided on the *Live More. Pomerania* website.
- Strengthen IiP’s role as coordinator for skills initiatives.
- Consider introducing a CRM software.
- Provide temporary office space beyond Gdańsk.
- Strengthen aftercare services for existing investors to help them grow and reinvest.
- Focus on cluster-building in strategic sectors.
- Launch pilot linkages programs.

Advocacy Services:

- Strengthen IiP’s advocacy services by collecting foreign investors’ issues and promoting solutions with government officials.
- Consider a collaboration with PAIH to expand the reach of IiP’s advocacy services.
- Consider organizing issue- or sector-specific meetings between investors and/or business organizations and local government institutions.

CHAPTER 5

Conclusion

Since its inception in 2011, IiP has played a key role in attracting FDI to the Pomerania region and has strongly contributed to the region’s economic growth. The quantitative analysis from Chapter 3 of this report shows that Invest in Pomerania has had a strong and significant impact on number of FDI projects, the amount of investment generated, and the number of investments created. Its impact has been particularly pronounced in those sectors that the agency prioritized in its promotion efforts, most notably in the IT-BPO cluster. Since 2011, the cluster makes up a considerable share of new FDI projects in Pomerania and outpaces other priority sectors in gross value added, growth in employment, and development of average wages. Among stakeholders—both public and private sector—IiP is also generally seen as having been extraordinarily successful in attracting FDI, with several firms attesting to the pivotal role the agency has played in their decision to locate in the Pomerania region.

IiP has also helped improve inter-agency coordination and cooperation between different public and semipublic institutions in the region. When the agency was established, one of the main goals—next to attracting more FDI—had been to have a single entity dealing with investor queries in the region, an agency able to facilitate the launch of investment projects and act as an interface between investors, local authorities, and other local stakeholders. According to public sector stakeholders interviewed for this report, IiP has exceeded these expectations, functioning as an integrator and central node for a wide network of different public and semipublic institutions. It has significantly contributed to streamlining the flow of information between investors, regional institutions, and also national-level institutions such as the Polish Investment and Trade Agency.

An important reason behind Invest in Pomerania’s effectiveness to date has been its narrow focus and limited mandate centered on investment promotion and institutional coordination. IiP’s operating structure and organizational framework were largely set up in line with the good practices of high-performing IPAs, and coupled with its well-respected staff, this has enabled the agency to excel in attracting FDI. One of the pillars of its strength seems to have been its concentration on a number of key services and activities that it performs well, rather than dispersing its energies too widely on too many tasks. Focusing strongly on the IT-BPO cluster in its promotion efforts helped to bundle the agency’s resources and attention to achieve extraordinary results in helping the cluster grow, and it also enabled the agency to experiment with expanding its functions in a targeted way, such as by proactively addressing marketing around the lack of skills through the *Live More. Pomerania* initiative.

Invest in Pomerania at a crossroads

Upon reaching its ten-year anniversary, Invest in Pomerania is now at a crossroads. How can its future focus and mandate build on its successes while avoiding risks? Invest in Pomerania is currently in the process of developing its new five-year budget, under which it is expected to more than double its operational revenue as well

as its employment. Such expansion provides both considerable opportunities and considerable risks. Several stakeholders interviewed expressed competing interests as to what the agency should focus on, hinting at different paths of development.

- **Pathway 1: The Regional Development Agency.** Some stakeholders argue that Invest in Pomerania should move beyond its narrow recent focus on foreign investment, the Tri-City area, and selected sectors (most notably IT-BPO), and expand to address a broader range of domestic investors, peripheral regions, and sectors, as well as begin to administer grants and incentives.
- **Pathway 2: Professionalizing its operation and deepening its investor services offering.** Alternatively, liP could continue to focus on its key strengths in FDI attraction. liP would develop by further professionalizing its operations, selectively intensifying its efforts regarding non-IT-BPO priority sectors, and exploring additional activities through a tailored, needs-based approach.

Proponents of the first pathway note the challenges of economic inequality between Pomerania and other parts of the region and argue that a capable organization like Invest in Pomerania could help create ample new opportunities for lagging areas and for domestic SMEs. In response to this vision, liP already plans to take a bigger role in overseeing SME grants as part of its budget expansion. However, this development path carries the risk that Invest in Pomerania will become more of a regional development agency, at the risk of weakening its performance of its mandate and its ability to focus on what it does best: investment promotion and coordination. The professional skillsets and organizational structure for an SME grant administration institution will be quite different from those of an FDI attraction agency, and it will be difficult for liP to perform both tasks excellently unless the teams are clearly delineated so that the work of one does not detract from the work of the other. With these considerations in mind, this report instead recommends that liP reject the grant administration vision and avoid diluting its core mandate with new tasks, focusing instead on expanding its overall capacity as a top-tier regional investment promotion agency.

Key considerations for Invest in Pomerania's new FDI strategy for 2022–2027

liP can reach the next stage of its evolution by further professionalizing its operations. The agency has already been gradually professionalizing since it was established in 2011, but it could go further and become even more effective. To this end, this report makes a number of recommendations for consideration in developing the new FDI strategy. The recommendations are based on the findings from this backward-looking evaluation along with interviews with stakeholders. The

recommendations are proposed here as inputs to the process of formulating a new strategy and may be further developed and modified by the World Bank team that will focus on supporting IiP with inputs to the new strategy.

- **In terms of its institutional arrangement,** IiP could consider altering its board structure to include a board of directors or an advisory board or to potentially increase the degree of private sector participation on its managing board. While its general collaboration with other government agencies is generally strong, it can expand its focus in two areas. First, it could increase coordination with the Polish Investment and Trade Agency (PAIH), especially by publishing a joint report on investor issues. Second, in the area of the digital economy, IiP could aim to strengthen its role as a coordinator between a wide range of different actors facilitating investment and growth in technology firms (e.g., innovation incubators, hubs, accelerators). IiP seems primed to replicate its excellent coordination abilities and apply them to this emerging space, while also increasing transparency for foreign investors by providing information and acting as a point of liaison.
- **For its strategic alignment and focus,** we suggest that IiP should be clearer about its set of priority sectors in the new FDI strategy and should provide greater clarity and consistency about priority sectors in its communications. In addition, it could reconsider promotion of domestic investment as part of its mandate, focusing instead on promoting investment from foreign firms only. It could also consider increasing the share of resources spent on priority sectors, especially on non-IT-BPO priority sectors. It could further assess whether it would be warranted to shift more of the agency’s resource allocation from promoting domestic SMEs to promoting foreign SMEs to focus on its core competencies and more closely align with high-performing IPAs. In particular, this includes— as far as its funding structure based on EU funds allows— moving away from overseeing grants to either domestic or foreign SMEs to focus instead on its traditional promotion mandate and increasingly direct activities thereunder toward foreign SMEs in addition to foreign MNEs.
- **Related to its organizational framework and resourcing,** the analysis suggests that IiP may want to prioritize hiring staff with sector-specific expertise for priority sectors in the upcoming FDI strategy. In addition, to attract the highest-quality actors, it should align its staff salaries with private sector remuneration levels. IiP could also extend the use of key performance indicators (KPIs) and impact indicators (M&E) to better measure and showcase IiP’s results.
- **Finally, it will also be necessary to update and strengthen some of Invest in Pomerania’s core services.** The analysis suggests that IiP may be able to improve its marketing services by developing a stronger narrative about the Tri-City region as attractive investment destination and by running a comprehensive, multichannel marketing campaign that focuses on a global rather than a Polish audience. For information services, additional efforts could be made to

increase publicity and dissemination of IiP's current reports, make better use of the website to display topical information of use to all foreign investors, and use business intelligence tools to develop forward-looking sector reports. Assistance services could also be strengthened by improving coordinating efforts related to land ownership, skills development, and cluster-building in strategic sectors. IiP could also put more effort into strengthening aftercare services for existing investors, to help them grow and reinvest. Lastly, regarding advocacy services, not much is currently happening, allowing IiP to make great strides here. Going forward, IiP could regularly collect information on foreign investors' issues and promote finding solutions with government officials (possibly through PAIH) as part of its core mandate. To help address these matters, it should further consider organizing issue- or sector-specific meetings between investors and/or business organizations with local government institutions.

In sum, the development of IiP's new FDI strategy for 2022–2027 presents a great opportunity for the organization to take the next step in its development. The new strategy can serve as a vehicle to address areas needing improvement, as identified in this report; to clarify and strengthen IiP's mandate and profile; and to present a vision for the future of the agency and the development of the Pomerania region.

APPENDIX 1

Detailed list of priority sectors

| NACE | NACE description | Priority |
|------|--|----------|
| A | Agriculture, fishing, and forestry | No |
| B05 | Mining of coal and lignite | No |
| B06 | Extraction of crude petroleum and natural gas | No |
| B07 | Mining of metal ores | No |
| B08 | Other mining and quarrying | No |
| B09 | Mining support service activities | No |
| C10 | Manufacture of food products | No |
| C11 | Manufacture of beverages | No |
| C12 | Manufacture of tobacco products | No |
| C13 | Manufacture of textiles | No |
| C14 | Manufacture of wearing apparel | No |
| C15 | Manufacture of leather and related products | No |
| C16 | Manufacture of wood and of products of wood and cork | No |
| C17 | Manufacture of paper and paper products | No |
| C18 | Printing and reproduction of recorded media | No |
| C19 | Manufacture of coke and refined petroleum products | No |
| C20 | Manufacture of chemicals and chemical products | Yes |
| C21 | Manufacture of basic pharmaceutical products and pharmaceutical preparations | Yes |
| C22 | Manufacture of rubber and plastic products | No |
| C23 | Manufacture of other non-metallic mineral products | No |
| C24 | Manufacture of basic metals | No |
| C25 | Manufacture of fabricated metal products, except machinery and equipment | No |
| C26 | Manufacture of computer, electronic, and optical products | Yes |
| C27 | Manufacture of electrical equipment | Yes |
| C28 | Manufacture of machinery and equipment n.e.c. | No |
| C29 | Manufacture of motor vehicles, trailers, and semi-trailers | Yes |
| C30 | Manufacture of other transport equipment | Yes |
| C31 | Manufacture of furniture | No |
| C32 | Other manufacturing | No |
| C33 | Repair and installation of machinery and equipment | No |
| D35 | Electricity, gas, steam, and air conditioning supply | Yes |
| E36 | Water collection, treatment, and supply | No |

| NACE | NACE description | Priority |
|------|--|----------|
| E37 | Sewerage | No |
| E38 | Waste collection, treatment and disposal activities; materials recovery | No |
| E39 | Remediation activities and other waste management services | No |
| F41 | Construction of buildings | No |
| F42 | Civil engineering | No |
| F43 | Specialized construction activities | No |
| G45 | Wholesale and retail trade and repair of motor vehicles and motorcycles | No |
| G46 | Wholesale trade, except of motor vehicles and motorcycles | No |
| G47 | Retail trade, except of motor vehicles and motorcycles | No |
| H49 | Land transport and transport via pipelines | No |
| H50 | Water transport | Yes |
| H51 | Air transport | Yes |
| H52 | Warehousing and support activities for transportation | Yes |
| H53 | Postal and courier activities | No |
| I55 | Accommodation | No |
| I56 | Food and beverage service activities | No |
| J58 | Publishing activities | No |
| J59 | Motion picture, video, and television program production, sound, and music | No |
| J60 | Programming and broadcasting activities | No |
| J61 | Telecommunications | No |
| J62 | Computer programming, consultancy, and related activities | Yes |
| K | Financial services | No |
| J63 | Information service activities | Yes |
| L68 | Real estate activities | No |
| M69 | Legal and accounting activities | Yes |
| M70 | Activities of head offices; management consultancy activities | Yes |
| M71 | Architectural and engineering activities; technical testing and analysis | Yes |
| M72 | Scientific research and development | Yes |
| M73 | Advertising and market research | No |
| M74 | Other professional, scientific, and technical activities | Yes |
| M75 | Veterinary activities | No |
| N77 | Rental and leasing activities | No |
| N78 | Employment activities | No |
| N79 | Travel agency, tour operator, and other reservation service and related activities | No |
| N80 | Security and investigation activities | No |
| N81 | Services to buildings and landscape activities | No |
| N82 | Office administrative, office support, and other business support activities | Yes |
| S95 | Repair of computers and personal and household goods | No |

APPENDIX 2

List of Stakeholders Interviewed

Government institutions:

- Gdynia City Hall
- Marshal Office (different departments)
- Polish Investment and Trade Agency (PAIH)
- Rumia City Hall
- Slupsk City Hall
- Slupsk Commune

Firms/Investors:

- Alteams
- Amazon
- AMS
- Aptiv
- AQ Wiring
- Bayer
- Capchem
- Chunxing
- Cognizant
- DCT
- Digiteum
- Dr. Oetker
- Enelion
- Finalrentals
- Flex
- Gardner/LAT
- Happag-Lloyd
- Hillwood Polska sp. z o.o.
- Jabil
- LSEG/former Refinitiv
- MTS Technik
- NFM
- Panattoni
- Polish Maritime Technology Forum
- Port Gdańsk

- PwC
- Seaonics
- Staples/Lyreco
- State Street Bank
- Svarowski
- Vultimo

Chambers of Commerce and Industry Associations:

- American Chamber of Commerce, Gdańsk Branch
- Association of Business Service Leaders (ABSL)
- Business Finland
- Cluster of Hydrogen Technologies
- Interizon (ICT Pomeranian Cluster)
- Polish German Chamber of Commerce (AHK Deutsch- Polnische Industrie- und Handelskammer)
- Polish Offshore Wind Society
- Pro Progressio

Other stakeholders:

- Digital Innovation Hub (dih4.ai)
- Gdańska Fundacja Przedsiębiorczości
- Gdański Park Naukowo-Technologiczny
- InvestGDA (Gdańska Agencja Rozwoju Gospodarczego)
- Kwidzyn Industrial and Technological Park
- O4 Coworking/O4 Flow
- Pomorska Agencja Rozwoju Regionalnego
- PSSE
- Rumia Invest Park
- Space 3ac
- Startup Hansa
- Wydział Programów Rynku Pracy

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