INPUTS TO THE FDI STRATEGY FOR "INVEST IN POMERANIA"

(2021–2027)

SYNTHESIS NOTE

WORLD BANK GROUP

Project co-financed by the European Union
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Abbreviations

AI	Artificial Intelligence
ARP	Agencja Rozwoju Pomorza Spółka Akcyjna
BPO	Business Process Outsourcing
CEE	Central and Eastern Europe
CO2	carbon dioxide
ECA	Europe and Central Asia
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GVC	Global Value Chain
HQ	headquarters
ICT	Information and Communications Technology
IIA	International Investment Agreement
IiP	Invest in Pomerania
IPA	Investment Promotion Agency
IT	Information Technology
KPI	key performance indicators
M&E	monitoring and evaluation
MNE	Multinational Enterprise
NEM	non-equity mode
PAIH	Polish Investment and Trade Agency (Polska Agencja Inwestycji i Handlu)
RAS	Reimbursable Advisory Services
R&D	Research & Development
SSC	Shared Services Center
US	United States
USA	United States of America
WAIPA	World Association of Investment Promotion Agencies
WBG	World Bank Group
WTO	World Trade Organization

CHAPTER 1

Introduction

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 to the region, and 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 investment promotion, matchmaking services, innovation promotion, development of local suppliers, functioning as a one-stop-shop, and promoting domestic investment.

The development of a new Foreign Direct Investment (FDI) Strategy for Invest in Pomerania comes at an important moment to support the region's new economic development objectives. Upon reaching its ten-year anniversary, the agency finds itself at an important crossroads, as it seeks to develop its new investment promotion strategy for 2022–2027. The Pomerania region has recently launched the "Development strategy of the Pomeranian Voivodeship 2030", which outlines transformational priorities to advance the development of the region and increase economic growth. At the same time, global megatrends, including the COVID-19 pandemic, climate change, tightening trade policies and geostrategic tensions dramatically change the global landscape for FDI, highlighting the critical importance of developing and adopting a new FDI strategy for Invest in Pomerania.

The following synthesis note provides core inputs and elements for Invest in Pomerania to develop a new FDI strategy that takes advantage of global FDI megatrends and is aligned with the Pomerania region's development objectives. It draws on two new technical reports provided by the World Bank to Invest in Pomerania. The first is "Impact evaluation of Invest in Pomerania (2011–2020)", that provides a quantitative and qualitative review of IiP's past investment promotion strategy. By looking backwards at the agency's impact while also drawing out major strengths, weaknesses, opportunities and threats for IiP, this report is designed to evaluate past performance while also informing the agency's future development path. The second technical report "Inputs to the Investment Strategy of Invest in Pomerania" provides an analysis of relevant global and regional FDI trends to frame the context in which the new strategy for Invest in Pomerania will be developed. By assessing the risks and opportunities associated with global megatrends in FDI, this report is designed to help pinpoint sectors with high growth potential for investment attraction to the Pomerania region. Next, the report provides an in-depth analysis of the feasibility and desirability of key sectors for FDI attraction in the Pomerania region. By looking at the competitiveness of specific sectors as well as their potential benefits to Pomerania's economy, this sector scan serves to analyze and identify priority sectors for Invest in Pomerania's FDI attraction efforts. Finally, the report proposes key actions for strategy implementation as well as a specific monitoring and evaluation framework to help monitor strategy implementation.

The following synthesis note provides a brief summary of the two main reports' findings and is structured in 5 main chapters.

Chapter 2 provides a short summary of a quantitative and qualitative review of IiP's investment promotion strategy from 2011 to 2021 and outlines key considerations for the agency's new FDI strategy for 2022–2027.

Chapter 3 provides a short summary of key factors driving change in the current global landscape for FDI and assesses risks and opportunities associated with these trends for Invest in Pomerania's new FDI strategy for 2022–2027.

Chapter 4 assesses the strategic context in which the new FDI strategy will be developed and links its specific targets and activities to the Pomerania region's overall economic development objectives.

Chapter 5 identifies a short list of priority sectors for FDI attraction based on a detailed FDI Sector Scan assessment, and presents short sector profiles outlining the key strengths and elements constituting the Pomerania region's value proposition to investors in these sectors.

Chapter 6 outlines a high-level action plan for IiP to implement the new investment strategy, focused on three principal areas: enhancing IiP's strategic alignment and focus; strengthening IiP's institutional framework; and upgrading IiP's investor services delivery.

CHAPTER 2

Summary of the "Impact evaluation of Invest in Pomerania (2011 – 2020)" report

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 to the region, and 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 investment promotion, matchmaking services, innovation promotion, development of local suppliers, functioning as a one-stop-shop, and promoting domestic investment. The following chapter summarizes the impact evaluation of "Invest in Pomerania" (2011 – 2020), which provides a quantitative and qualitative review of IiP's investment promotion strategy.

Quantitative impact assessment

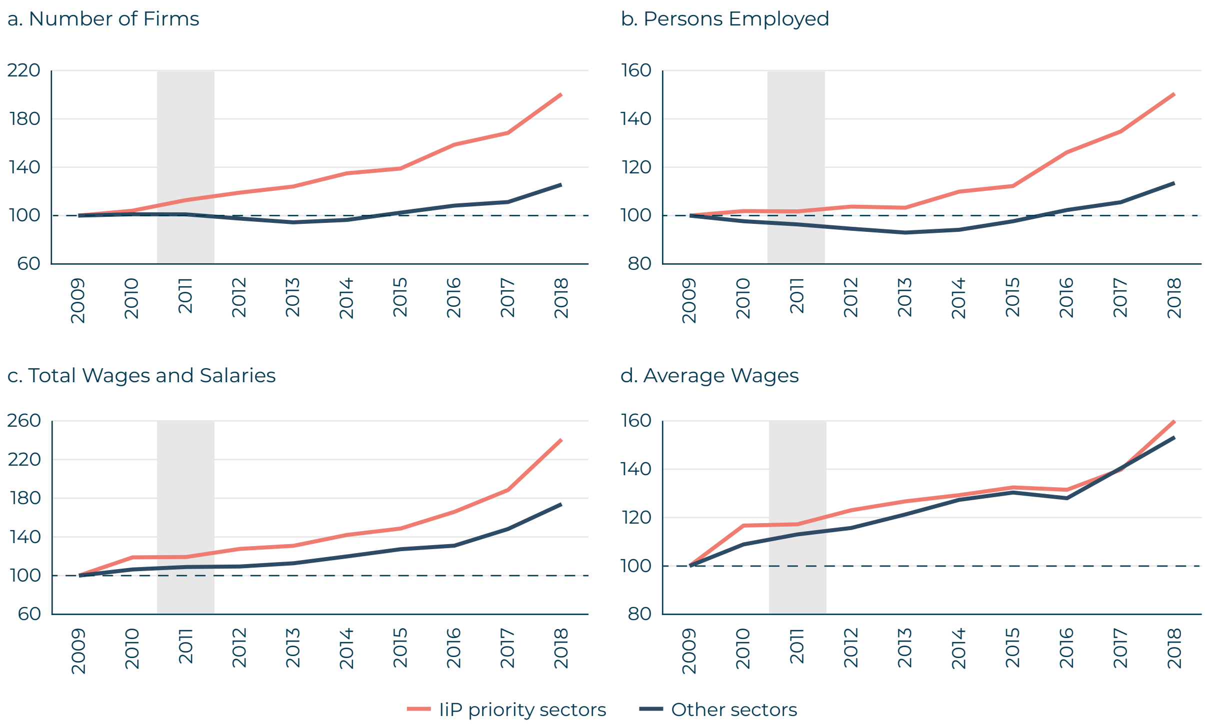
Since its inception in 2011, IiP's priority sectors have grown more significantly than its non-priority sectors. Next to an increase in the number of greenfield FDI projects and total investment in its priority sectors, IiP's priority sectors have also been growing faster in Pomerania. Between 2011 and 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 the start of IiP (see Figure 2.1).

Pomerania's economic performance has been driven by those sectors that IiP targeted—in particular the IT-BPO sector. Since the inception of IiP, the IT-BPO makes up a considerable share of new FDI projects in Pomerania. These projects tend to be a bit smaller in size, and so this has less of an effect on total announced investment (see Figure 2.2). However, IT-BPO also outpaces other IiP priority sectors in gross value added, growth in employment, and in the development of 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.

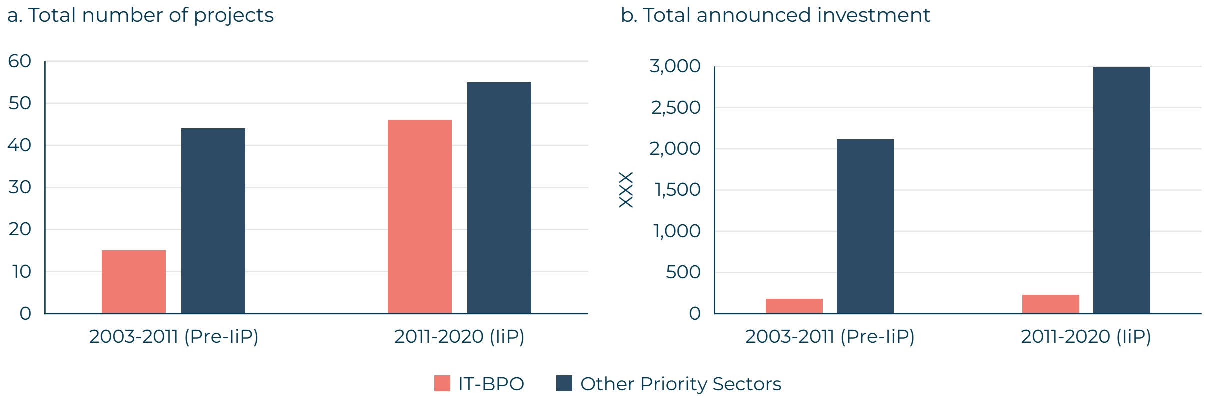
FIGURE 2.1 **Firms, Employment and Wages in Priority Sectors vs. Other Sectors (Index, 2009 = 100), Pomerania 2009–2018**



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 2.2 **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.

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.

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.

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).

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.*

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. To do so, the impact evaluation report 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 is provided here in Table 2.1. The rest of the report builds on these recommendations in more detail.

TABLE 2.1 Summary of Recommendations from the impact evaluation, for consideration in IiP's new strategy

Pillar	Recommendation
Institutional Arrangement	• 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	• 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	• 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	**Marketing Services:** • 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. **Information Services:** • 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. **Assistance Services:** • 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. **Advocacy Services:** • 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.

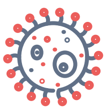
CHAPTER 3

The strategic context — factors driving change in the global landscape for FDI

Global megatrends impacting FDI

In preparing the next generation FDI strategy for the Pomerania region, global trends that can have a strong impact on the region's FDI ambitions must be taken into account. These global megatrends provide the strategic backdrop against which the strategy has been prepared and against which it will be implemented in the coming years. Several transformational megatrends are currently reshaping the global landscape for FDI, including COVID-19; Russia's war in Ukraine; increasing inflation levels across Europe; climate change and an increased focus on sustainability; Industry 4.0 and the new industrial revolution; shifts in global trade patterns; and the growing global trend toward more protectionist investment and trade policies. These trends have already had a lasting impact on global FDI flows and the operation of multinational enterprises (MNEs). They will continue to play a transformational role around the globe, thus presenting specific risks and opportunities for the Pomerania region in developing its FDI strategy.

TABLE 3.1 Key global megatrends at a glance



COVID-19

COVID-19 has introduced unprecedented shocks to the global economy and FDI, while also accelerating many preexisting global trends. The pandemic caused significant declines in investor confidence, large-scale disruption in global FDI flows in 2020/21—including a 42 percent reduction in FDI flows from an already declining basis prior to the pandemic—and severe disruptions to supply chains essential for the operation of global value chains (GVC), with varying effects across sectors. The likelihood of subsequent waves of the pandemic and new potential variants presents a challenge for global economic recovery and creates a sustained environment of uncertainty. The pandemic marked an increase in protectionist measures toward investment globally. A significant number of new FDI restrictions have been introduced since the start of the pandemic, largely focusing on FDI screening measures, with a majority occurring in developed countries.[a] These increasingly protectionist trends could also have effects upon global FDI flows, with certain countries and regions making themselves less open to potential investment. On the bright side, specific opportunities for the Pomerania region may arise from the pandemic. MNEs' reactions to value chain disruptions may create new investment opportunities in sectors that were previously driven by cost considerations only. To the extent that additional factors like supply chain autonomy play a more prominent role, Pomerania might benefit from new opportunities to upgrade existing manufacturing operations and from investment reshoring along the value chain.

Impact on Pomerania FDI strategy

Opportunities:

- New opportunities may arise in sectors where investment decisions were previously driven by cost optimization only, but that in the future will increasingly depend on supply chain reliability considerations.
- Opportunities may open for upgrading existing manufacturing operations along the value chain (reshoring and nearshoring).
- New FDI restrictions and screening mechanisms by competitor countries could divert investment flows to Poland/Pomerania.

Risks:

- New screening mechanisms introduced by Poland could dampen investor interest in the country in the short term, with trickle-down effects on Pomerania as well.
- Extensions of such measures beyond the initially indicated timeframe of two years would also send a negative signal to investors.
- Reconfiguration of MNE supply chains in the context of the pandemic can lead to reallocation of production capacities and disinvestments in Poland.

War in Ukraine

The war in Ukraine is expected to have major implications on global economic growth and will also impact FDI flows. The timing of the invasion, as the global economy is still attempting to recover from the COVID-19 crisis, corresponds to a challenging period as inflation is on the rise in many countries and disruptions to investment flows, trade, and global production are still in the midst of recovery. It is expected that the war will have acute impacts on commodity markets, particularly energy and food, global logistics, supply chains, FDI flows, and specific sectors to varying degrees.[b] Emerging market and developing economies in the Europe and Central Asia region are expected to bear the brunt of the economic effects of the war in Ukraine.[c] It is now expected that the ECA region's economy will shrink by more than 4 percent in 2022, while prior to the onset of the war it was forecast to have 3 percent growth. This would represent a shock twice the size of that felt due to the COVID-19 pandemic.[d] Spill-over effects on Poland from the war in Ukraine are expected to be significant. The displacement of Ukrainians; increasing commodity prices, including for energy; trade disruptions; and shifts in investor confidence are all expected to affect the Polish economy in varying ways. Increasing commodity prices, particularly related to energy, paired with Poland's historical dependence on Russia for its energy supply and recent suspensions in energy supplies by Russia, are expected to negatively impact the economy. Poland has limited inward and outward FDI stock exposure in Russia and Ukraine;[e] however, the broader effects of the war in Ukraine on FDI flows for Poland and Pomerania are unclear.

Impact on Pomerania FDI strategy

Opportunities:

- Labor force and market demand will increase due to the inflow of displaced people.
- Investment projects from the conflict-affected countries may be rerouted to Poland.

Risks:

- Poland is dependent on energy supplies from Russia.
- The war may generally dampen investor confidence and delay investment decisions.

Rising Inflation

Inflation rates in advanced economies are at their highest since 2008, with emerging markets and developing economies reaching their highest rates since 2011.[f] The COVID-19 pandemic and its related supply chain disruptions and increased logistics costs, increases in food and energy prices, and the exacerbating effects of the war in Ukraine all contribute to rising inflation rates. In Poland, inflation has accelerated since mid-2021, reaching 8.5 percent in February 2022 and surpassing 12 percent in April 2022,[g] which exceeds the upper bound of the targeted range.[h] The World Bank's spring 2022 Economic Update forecasts that economic growth in Poland will decelerate, citing high inflation among the key causes (along with the war in Ukraine). The exact impacts of high inflation on FDI are not entirely clear, but Poland's lowered growth forecasts and recent economic studies point to the potential for lowered FDI inflows. A 2021 study found the impacts of inflation differ depending on the type of economy (industrialized vs. non-industrialized) and the level of inflation, with higher levels found to have potentially negative impacts on FDI inflows to industrialized economies.[i] Rising inflation and its underlying causes will remain an important trend to monitor and a key risk to take into account for Pomerania's FDI strategy and attraction targets.

Impact on Pomerania FDI strategy

Opportunities:

- Inflation presents no obvious opportunities.

Risks:

- The impact of inflation on FDI inflows is known to be stronger in developed and industrialized economies such as Poland.

Changing FDI Patterns

From offshoring to nearshoring and reshoring

Poland—and the Pomerania region by extension—was one of the main beneficiaries of global off-shoring trends. The globalization of production was accompanied by a wave of companies relocating production from their home countries to other countries with lower production costs. This movement was made possible by technological advancements, faster and cheaper transportation of goods, and in Europe in particular, by the opening of Central and Eastern Europe (CEE) economies. While offshoring activities have slowed down to a marked degree since the Great Recession of 2007–2009, reshoring—the relocation of production processes back to the home country—has accelerated over the past decade. This trend presents both opportunities and challenges for the Pomerania region. If only a fraction of the planned reshoring potential is realized, the benefits for Pomerania could be significant due to its relatively small size.[j] However, offshoring activities that were at the source of many FDI projects in Poland in the past may reach maturation and even contraction due to rising costs and automation.

Changing FDI Patterns (cont.)

Cluster development and attracting FDI into regions with well-established clusters

Clusters play an important role in establishing countries or regions as attractive locations for FDI. The existence of a readily available network of potential suppliers, customers, and relevant service providers becomes increasingly important in MNEs' site selection decisions. From a host country perspective, clusters play a crucial role in ensuring that spillovers from FDI are effectively absorbed by the host region. Thus, strong industry clusters can become the bedrock of countries' and regions' FDI strategies. These countries need to start thinking of FDI as a means to strengthen their regional economies and industry clusters through infusions of new knowledge, technology and capital, and heightened global engagement. Supporting the evolution of new clusters and the strengthening of existing clusters, like the existing IT cluster, should therefore also be one of the principles underpinning the development of the FDI strategy for the Pomerania region.

New forms of FDI and cross-border non-equity modes (NEM)

Traditionally, multinational companies engaged in cross-border business either through direct ownership of foreign affiliates in host countries or by arm's-length trade. Over the past decade, with the emergence of global value chains, this trend has been gradually changing and multinational companies are now increasingly also choosing alternatives to FDI to gain efficiencies or foreign market access using less traditional forms of investment, such as contract manufacturing, services outsourcing, contract farming, franchising, licensing, and management contracts.[k] These alternatives to establishing a physical presence in country through, e.g., efficiency-seeking or market-seeking FDI,[l] are generally referred to as non-equity modes (NEMs), and recognition of their importance is becoming more widespread. NEMs allow MNEs to access overseas markets through contracts, rather than FDI, while still exercising a significant degree of control over operations.[m] Investments made through non-equity modes generate significant development benefits for host countries. For example, in the automotive sector, contract manufacturing accounted for 30 percent of global exports of automotive components and 25 percent of employment.[n] Given the growth and importance of this phenomenon for many countries, any discussion on foreign investment, private sector development, and related investment policy and regulatory frameworks must include NEMs as well. A focus on the specific requirements of NEMs may give Pomerania a competitive edge over competing locations. This requires realignment of investor targeting and investor servicing as NEMs-related investment decisions often require a different set of information from traditional FDI projects.

Changing trade policies and growing protectionism

Recent years have seen a reversal of the long-term trend of bilateral and multinational trade deals reducing tariffs and trade barriers around the world. A simmering trade war between the US and China, for example, has led to a series of retaliatory trade tariffs on a range of goods, and protectionist policies are increasingly common in other countries too. Trade tensions and tariff uncertainty are seen by MNEs as one of the top risks threatening Europe's FDI attractiveness. Anecdotal evidence collected during interviews with foreign investors in Pomerania confirms that some foreign investors are already prioritizing current and expected future EU-USA and China-USA trade tariff differentials in their upcoming FDI site-selection decisions. While the EU economies may benefit from the growing trade tensions between the US and China, new EU FDI screening policies could have the opposite effect and discourage acquisitions in selected sectors.

Impact on Pomerania FDI strategy

Opportunities:

- Nearshoring/reshoring: Even if only a fraction of the projected nearshoring potential is realized, the benefits for Pomerania could be significant due to its relatively small size.
- Clusters: Opportunities for Pomerania relate to attracting specialist support companies to increase cluster value addition and enhance the enabling environment of existing clusters (such as the IT cluster).
- NEMs: A specific focus on attracting NEMs can give Pomerania a competitive edge over competing locations. This requires realigning investor targeting and investor services provision as part of the new FDI strategy.

Risks:

- Nearshoring/reshoring: The offshoring activities that were the source of many FDI projects in Poland in the past may reach maturation and even contraction due to rising costs and automation. GVC reconfiguration can lead to disinvestment in Pomerania.
- Clusters: The public sector may not be able to accurately identify clusters' business needs and government-driven cluster development may therefore support nonperforming clusters with little contribution to meeting regional economic development objectives.
- NEMs: Existing NEMs in the Pomerania region might face similar competitiveness issues as

Changing FDI Patterns (cont.)

- Trade policies: Protectionist trade policies between the US and China can favor European investment locations, which allow tapping into one of the lowest average tariffs (under 3 percent) in the world, governed by World Trade Organization (WTO) rules.

offshoring activities in traditional manufacturing sectors (see above), or they could be affected by new disruptive technologies, such as robotic process automation.

- Trade policies: Protectionist trade policies make it less attractive for MNEs to offshore affiliates and may discourage the takeover of Polish companies by foreign acquirers.

Sustainability and Climate Change

The COVID-19 pandemic has triggered an increased awareness of the importance of sustainability and climate change. The leaders of major economies pledged to act on climate change, with the Paris Climate Agreement outlining a framework to reduce global emissions based on key climate actions, major economies pledging to take aggressive action in reducing carbon emissions, and the EU announcing its Green Deal committing the bloc to climate neutrality by 2050—calling it a lifeline out of the COVID-19 pandemic. Governments have been adopting additional measures related to sustainability, with investment agreements and investor obligations being key areas of focus.[o] Investors have also cited taking additional steps toward sustainability, though largely driven by pressure from local governments and their parent companies.[p] FDI has a role to play in limiting climate change by backing projects that reduce CO_2 emissions, as well as green projects that promote sustainable development. Climate change commitments present new opportunities for businesses and investors, while also causing significant changes in existing sectors, like automotive. Sustainability and pressure toward decarbonization will create opportunities and challenges for FDI that affect site-selection criteria as investors adapt to meet increasing sustainability obligations. In 2020, for the first time since fDi Markets began recording, renewable energy replaced coal, oil, and gas as the top sector for FDI globally.[q] Investment in clean energy infrastructure will need to be scaled up significantly in the coming years to the support the broader development economic and climate agenda. Given strains on public finance, engaging the private sector and foreign investors will be critical.

Impact on Pomerania FDI strategy

Opportunities:

- Massive private investment is required to meet climate change commitments, presenting huge untapped potential for FDI.
- The Pomerania region possesses competitive potential, specifically in the off-shore wind generation sector.
- Access to EU green funds may flow to Pomerania.

Risks:

- Significant adjustments will be required in "traditional" industry sectors, with potential challenges for existing investment projects in the Pomerania region.

Industry 4.0

Industry 4.0 continues to reshape production processes and how businesses interact with their customers and suppliers. As a result, the distinction between industry and services is less relevant as digital technologies are connected with industrial products and services into hybrid products that are neither goods nor services exclusively. In the Industry 4.0 investment environment, the key to attracting inbound projects is to develop agile economies that embrace innovation. Foreign investors who are creating new technologies require investor-friendly regulations that foster rather than stifle innovation. Economies can adapt to the digital economy under 4.0 by providing investors with tax credits and other incentives that help technology start-ups. To become attractive locations for FDI in 4.0, countries need to develop regulatory frameworks that encourage innovation. Pomerania has the opportunity to leverage regional EU innovation funds as investment incentives to support projects that bring about technological or organizational innovation.

Impact on Pomerania FDI strategy

Opportunities:

- Industry 4.0 has the potential to transform "traditional" sectors into generators of high value-added and sophisticated jobs, thus better aligning them with Pomerania's regional economic development objectives.

Risks:

- FDI based on Industry 4.0 technologies may bypass traditional production centers in the CEE region, as such FDI is driven by different site-selection factors, i.e., it relies less on typical competitiveness factors such as low labor and production costs.

Industry 4.0 (cont.)	• Industry 4.0 can attract new businesses in new upstream value chains to Pomerania, including in high-tech engineering, electronic, and IT services sectors. • Pomerania has the ability to leverage regional EU innovation funds as investment incentives to support projects that bring about technological or organizational innovation.	

a. Some countries, however, have liberalized FDI restrictions; examples include China, which allows 100 percent foreign ownership in fund management, and the UAE, which allows 100 percent foreign ownership of domestic companies.

b. M. Ruta, ed. (2022), The Impact of the War in Ukraine on Global Trade and Investment (Washington, DC: World Bank).

c. World Bank (2022), ECA Economic Update Spring 2022.

d. World Bank (2022), ECA Economic Update Spring 2022.

e. World Bank (2022), ECA Economic Brief.

f. https://voxeu.org/article/anchoring-inflation-expectations-emerging-and-developing-economies.

g. https://stat.gov.pl/en/.

h. World Bank (2022), ECA Economic Update Spring 2022.

i. Komla Agudze and Oyakhilome Ibhagui (2021), Inflation and FDI in Industrialized and Developing Economies," International Review of Applied Economics 35(5): 749–64.

j. For instance, a recent announcement from Intel that it would start producing chips for automakers in Europe within six to nine months to help alleviate a shortage that has disrupted vehicle production around the world translates into FDI of up to US$80 billion; www.reuters.com/business/autos-transportation/intel-says-it-will-reserve-ireland-chip-factory-capacity-automakers-2021-09-07/.

k. NEMs are common in hotels and tourism, IT, and the electric appliances sector, where the foreign investors' "investment" consists of making available its brand name, intellectual property, know-how, technology, skills, and/or business processes.

l. Market-seeking FDI is motivated by an investor's interest in serving domestic or regional markets. Efficiency-seeking FDI refers to FDI that comes into a country seeking to benefit from factors that enable it to compete in international markets.

m. Non-equity and equity modes of investment are not mutually exclusive, and often multinational companies that enter a host country using non-equity modes over time decide to invest more directly through full or partial ownership, creating foreign subsidiaries or joint ventures.

n. UNCTAD (2011), World Investment Report.

o. International investment agreements (IIA) and trade agreements increasingly include clauses related to sustainable development/green investment and environmental obligations.

p. The World Bank's MNE Pulse Survey shows that almost half of MNE affiliates reported taking steps to increase sustainability and decarbonize their products and services, with a majority citing pressure from local governments as a key reason why.

q. According to estimated capital investment, accounting for US$87.2 billion; see the fDi Report (2021), "Global Greenfield Investment Trends," the Financial Times Group, available at https://report.fdiintelligence.com.

The implications of global megatrends for FDI sector targeting in the context of this strategy

Global megatrends, including COVID-19, the war in Ukraine, rising inflation, and climate change, all have the potential to impact FDI flows on a global scale. While these developments will continue to dampen the global economy and generate a great deal of uncertainty for investors for a protracted period of time, their impact will differ across sectors. Global value chains with significant production operations in China could be particularly negatively impacted by China's zero Covid policy and related lockdowns, should they resume. This would include the automotive sector, electronics, and home appliances but could also entail ripple effects on other sectors.[2] The war in Ukraine is also expected to have negative impacts

2. https://time.com/6168543/china-zero-covid-shanghai-lockdown-economy-impact/.

on the production of inputs for the automotive sector.[3] These developments could dampen IiP's efforts to successfully attract FDI in these target sectors. On the other hand, supply chain disruptions from the onset of the COVID-19 crisis also caused a global shortage in semiconductors that led the EU and the US to prioritize semiconductor production "at home" to avoid future disruptions, which may actually benefit Pomerania in its efforts to attract FDI in the sector. Rising global energy prices and Poland's reliance on Russia for imported oil and gas present key challenges in the short term but may motivate additional investment in renewable energy—another key sector targeted by this strategy.

Detailed projections of future sectoral FDI trends currently remain challenging, as several of the mentioned crises are still unfolding. It is nevertheless important for IiP to account for these megatrends when devising its new FDI sector targeting strategy to systematically leverage opportunities and hedge its risks in terms of sectors targeted. Therefore, the new FDI strategy for IiP proposes the promotion of a portfolio of priority sectors based on their potential value addition for the Pomerania region, but also taking into account risk considerations and potential opportunities in light of global megatrends. This approach represents good practice generally, but in this particular case it specifically serves to mitigate potential effects of global megatrends by having a broader portfolio of tiered target sectors that allow for alternative options for successful FDI attraction.

Global and regional FDI trends

Global and regional FDI trends depict the FDI "demand side" dynamics against which Pomerania's FDI strategy is developed. In developing its FDI ambitions, the region needs to take into account relevant sectoral trends on the global and regional levels to calibrate its FDI attraction targets and align its priorities with MNE's sectoral investment priorities. Table 2.2 provides a brief overview of key FDI trends at the global, regional, national, and subnational level based on both FDI inflow data and greenfield FDI project announcement data.

TABLE 3.2 Global, regional, national, and subnational FDI trends overview

Global Trends	**Global FDI flows have been on a continuous decline since their 2015 peak.** After a record of US$2.04 trillion of FDI in 2015, sizeable declines were registered in 2017 and 2018, and, after a modest increase in 2019, a further dramatic fall in 2020 caused by the COVID-19 crisis. In 2020, global FDI flows dropped by 35 percent to US$1 trillion, from US$1.5 trillion in 2019. This is almost 20 percent below the 2009 trough after the global financial crisis. The lockdowns around the world in response to the COVID-19 pandemic slowed existing investment projects, and the prospects of a recession led multinational enterprises to reassess new projects. The fall in FDI was significantly sharper than the fall in gross domestic product (GDP) and trade.

3. https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022.

Regional Trends

The EU countries are recipients of approximately one-third of overall global FDI inflows. During the last decade (January 2011 to May 2021), Central and Eastern European (CEE) countries accounted for about 6 percent of recorded FDI projects, while Poland received one-third of the CEE FDI inflow. Automotive components, real estate, plastics, metals, and transportation and warehousing represent the top sectors receiving FDI in emerging Europe. Poland itself attracts a relatively large share (>20%) of real estate, consumer electronics, plastics, transportation and warehousing, consumer products, software and IT services, and business services.

Trends in Poland

FDI inflows in Poland largely follow general trends of FDI inflows into the EU. The total number of projects and the value of FDI both experienced a sharp increase and peak during the pre–global financial crisis years. In the years around the financial crisis (2007–2009), FDI in both Europe and Poland experienced a major slowdown. The impact of the global COVID-19 crisis was felt less in Poland than in the rest of the EU—Poland experienced a 20 percent contraction in FDI inflows only, compared to the over 70 percent drop in FDI inflows to the EU.

Poland—like other new Central European EU member states—has greatly benefited from its access to the EU internal market. In combination with the free movement of capital, the internal market has reduced the risk and cost of investing across borders and has thus facilitated intra-European FDI. The internal market has enabled European firms to split up their value chains and locate production in the most cost-efficient location. Production relocation from Western to Central/Eastern Europe due to the production cost differential is still an important driver of intra-European FDI flows. Poland, consequently, receives a larger share of intra-European than extra-European FDI.[a] More than two-thirds of FDI in Poland come from EU-based firms, Germany being the largest ultimate investing country, responsible for 20.3 percent of total FDI (US$43.9 billion), followed by France, whose share amounted to 9.6 percent (US$20.7 billion).[b]

Trends in Pomerania

The Pomerania region shows a strong FDI performance track record. The fDi Markets database[c] records 202 FDI projects for the period of January 2011 to May 2021, creating an estimated 41,422 jobs. Comparing this data with other Polish regions, it appears that the Pomerania region has been relatively more successful in attracting FDI.

For the last decade, the Pomerania region's top five sectors in terms of number of projects were real estate, software & IT services, transportation and warehousing, business services, and metals. In comparison with Poland and other Emerging Europe countries,[d] Pomerania has a larger share of FDI projects in software and IT services and business services, demonstrating strong competitiveness for FDI attraction in these sectors. In both Poland and the Pomerania region, about one-quarter of FDI projects come from expansions, which is a higher share than in Emerging Europe, suggesting investors' satisfaction with the investment climate in the country and region. Data on distribution of FDI projects by business activities suggest that the Pomerania region has a higher share of service and R&D-oriented projects and less FDI in manufacturing and construction activities than Poland, demonstrating its clear competitive advantage for attracting more knowledge-intensive FDI.[e]

a. ESPON (2018), "The World in Europe: Global FDI Flows toward Europe," available at https://www.espon.eu/fdi.

b. National Bank of Poland (Narodowy Bank Polski; 2019), 2019 FDI in Poland Statistics, available at https://www.nbp.pl/homen.aspx?f=/en/publikacje/ziben/ziben.html.

c. The Financial Times' fDi Markets database is the most comprehensive online database of cross-border greenfield investments available (www.fdimarkets.com). fDi Markets collects unique information on greenfield FDI project announcements for all countries in the world, providing detailed statistics on time, sector, location of investment, as well as region of origin of the investing company and estimates on the investment value and jobs directly created since 2003. FDI announcement data does not, by its nature, capture all greenfield FDI projects, and thus cannot be expected to correspond directly to FDI inflow amounts or equal the total number of new projects/firms established in a country during the time period covered. fDi data is, however, useful for understanding FDI trends, particularly by sector, gauging investor sentiments, and comparing regions and economies.

d. Emerging Europe is an FDI Markets country grouping containing Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Moldova, Montenegro, North Macedonia, Poland, Romania, Russia, Serbia, Slovak Republic, Slovenia, Turkey, and Ukraine.

e. Source: fDi Markets data; authors' calculations.

CHAPTER 4

Leveraging FDI for Pomerania's economic development

The Pomerania region has managed a successful development trajectory. Between 2010 and 2019, the region decreased its unemployment rate from 8.5 percent to 2.8 percent, increased its economically active population from 870,000 to 1,058,000, and raised its level of GDP per capita from €9,500 to €12,600.[4]

Foreign direct investment (FDI) appears to have contributed positively to Pomerania's growth. A total of 201 FDI projects were implemented between 2011 and 2021, contributing to an estimated 41,000 jobs in the region. Pomerania has been more successful in attracting FDI than other Polish regions. With US$6.9 billion of FDI projects in Pomerania announced in the period from 2011 to 2021, the region attracted close to 7 percent of the US$127.8 billion for all of Poland.[5]

Despite this impressive FDI track record, the realization is growing that the FDI strategy must be revisited to meet the region's new development objectives and adapt to ongoing global economic megatrends and the changing nature of the region's sources of competitiveness. The new FDI strategy will provide a roadmap for maximizing the benefits and contributions of FDI toward achieving Pomerania's regional development objectives as outlined in Pomerania Voivodeship Development Strategy 2030.[6]

The ambition for the FDI Strategy is framed using six interlinked pillars: productivity, high-quality jobs, value chains, regional development, low carbon intensity, and social inclusion. Under each of these pillars, Invest in Pomerania, as the designated lead agency in charge of implementing the FDI strategy, will implement a set of targeted activities as summarized in the Figure 4.1.

In implementing the FDI Strategy, Invest in Pomerania will capitalize on opportunities to provide MNEs with solutions to the challenges they face in the fast-changing global environment. Invest in Pomerania will partner with existing clients to safeguard and enhance their business experience in the Pomerania region, while also attracting the next generation of leading-edge MNEs in the core sectors of focus. Invest in Pomerania will place sustainable growth at the center of its strategy, in line with regional government policy, international consensus, the vision of its clients, and the demands of citizens. The agency will seek growth that meets the needs of the present without compromising the ability of future generations to meet their own needs, while fostering an inclusive, sustainable, and resilient economy and society.

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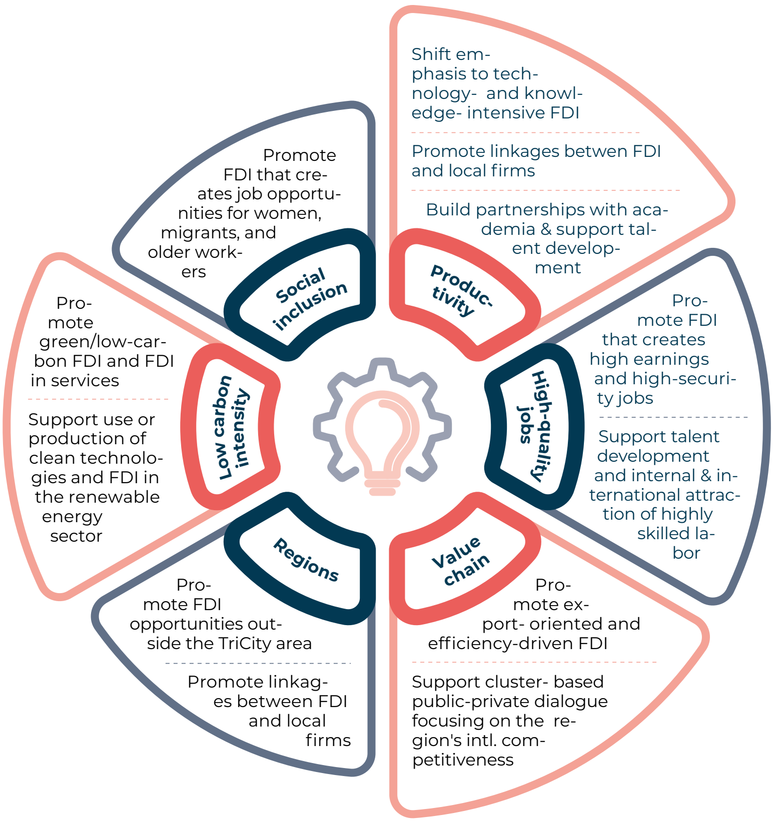
4. Based on Eurostat data for 2011 to 2019, except GDP per capita data available only until 2018. Unemployment data for 2020 suggest a higher unemployment rate of 5.9%, likely due to COVID-19 economic slowdown, but still well below EU average of 7.0%. Note: the report largely utilizes Eurostat data with multiple justifications: (1) to align with the other deliverables produced under the RAS agreement (i.e., the component one report providing an Impact Evaluation of "Invest in Pomerania" (2011–2020); (2) to allow for internationally comparable figures and maintain uniform definitions (e.g., unemployment data published by Statistics Poland comprise persons working on private farms as part of economically active population and therefore differ from Eurostat statistics).

5. Analysis of FDI Markets data, recorded data for January 2011 to May 2021.

6. Strategia Rozwoju Województwa Pomorskiego 2030, available at https://strategia2030.pomorskie.eu/wp-content/uploads/2021/06/Zalacznik-do-uchwaly_SWP_376_XXXI_21_SRWP2030_120421.pdf

FIGURE 4.1 **Projected contributions to regional economic development priorities**



Invest in Pomerania will elaborate specific development targets and activities aligned with the six strategic priorities outlined above to operationalize the strategy. An example is provided in Box 4.1.

BOX 4.1 **By 2027 Invest in Pomerania will:**

1. Win [___] investments in technology- and knowledge-intensive sectors to support creation of [___] high-quality jobs.
2. Support expansion of at least [__%] of existing FDI projects based in Pomerania.
3. Launch a new reskilling initiative that will lead to upskilling of [___] jobs in the target sectors.
4. Target a [__%] increase in linkages between FDI and local firms.
5. Target a [__%] increase in FDI and academia linkages.
6. Win [___] investments outside the TriCity area to promote regional development.
7. Support/win at least [__] FDI projects with clear decarbonization and/or responsible production programs.
8. Achieve [__%] of economic participation of women and [__%] of workers aged 55–64 within FDI projects based in Pomerania.

CHAPTER 5

Prioritizing sectors for promotion

Rationale for investor targeting

Investor targeting—that is, proactively reaching out to investors identified as being desirable and likely to invest and presenting them with tailored business cases to help them select a given location—is the main proactive element of any location's wider investment promotion strategy. Companies seeking to expand internationally are likely to compare several possible sites against a set of predetermined criteria to arrive at the best investment location for them. In general, criteria used by investors to compare locations for investment in any sector may be both quantitative and qualitative, typically covering aspects of doing business like access to markets, operating costs, various forms of risk, and quality of life. In the long term, Pomerania can improve the region's competitiveness by improving its investment climate, infrastructure, workforce, and policy support for attractive sectors. In the short term, Invest in Pomerania can improve its chances by making sure that the Pomerania region makes it onto potential investors' lists of possible investment locations and potential investors have access to the most complete and positively framed information possible. Targeting seeks to accomplish these two tasks by seeking out and directly engaging investors identified as having high potential interest in a particular location.

Investor targeting, if planned and delivered properly, can provide Pomerania with some influence over the types of investment attracted and, whether successful or not, provides valuable insights into what the Pomerania region can do to improve its attractiveness to investors. Without proactive outreach, Pomerania's investment promotion depends on investors to "make the first move." However, many regions suffer from poor images or weak investment track records and may not be considered by the most attractive investors. Global evidence shows that proactive investor outreach is one of the most effective ways for regions to attract sufficient interest from potential investors who would otherwise not consider their locations.

Strategic targeting is generally regarded as the most effective method for FDI promotion, regardless of the country's economic background. Empirical evidence demonstrates that targeting has been successful, both in small regions and large countries and in emerging and mature economies, as well as with investment promotion agencies (IPAs) regardless of budget size.

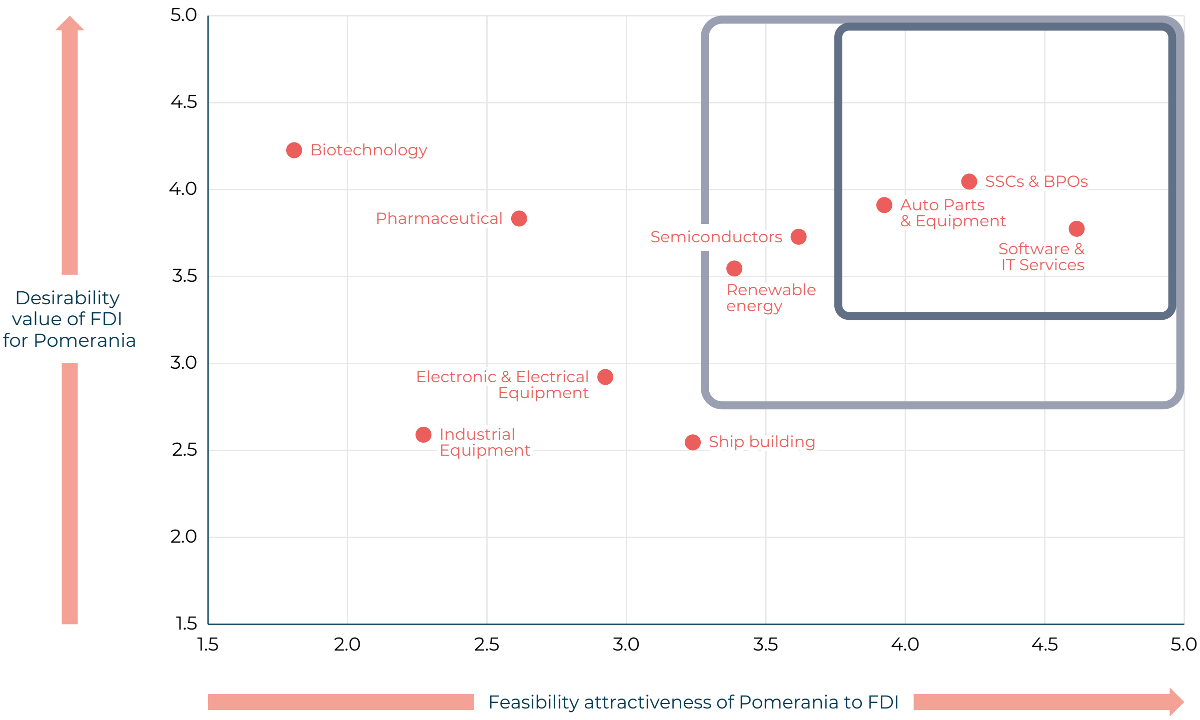
Priority sectors identified for FDI promotion

Proactive investment promotion should be geared toward attracting and winning investment in sectors where Pomerania has a competitive advantage and that at the same time contribute positively to meeting the region's development goals. Proactive investor targeting requires identifying competitive (sub)sectors that might be best placed to attract new investments. Competitive benchmarking at the sector level is designed to reveal the degree of international competitiveness across different sectors. It is done to isolate and prioritize the sectors with the strongest business case to attract investment. Virtually all countries worldwide find themselves competing for FDI in a few key sectors of the economy and less so in others. Often there is little understanding of the important role that a marketing effort focused in a few high-priority sectors can play in an investment promotion strategy.

Today, countries that successfully attract FDI generally have narrowed down their "long list" of potential sectors into a more manageable number—seldom more than four to six—high-priority sectors. Best-in-class IPAs adopt a proactive investment promotion strategy targeting this small number of key sectors; examples are Singapore (ICT and biotechnology), Costa Rica (medical devices and ICT), and Ireland (ICT, life sciences, and globally traded services).

Competitive benchmarking of sectors conducted in the context of developing this strategy revealed a set of sectors that fulfill the competitiveness criteria outlined above. In its proactive investment promotion activities, Invest in Pomerania should focus on the following two tiers of sectors (Figure 5.1).

FIGURE 5.1 FDI sector targeting



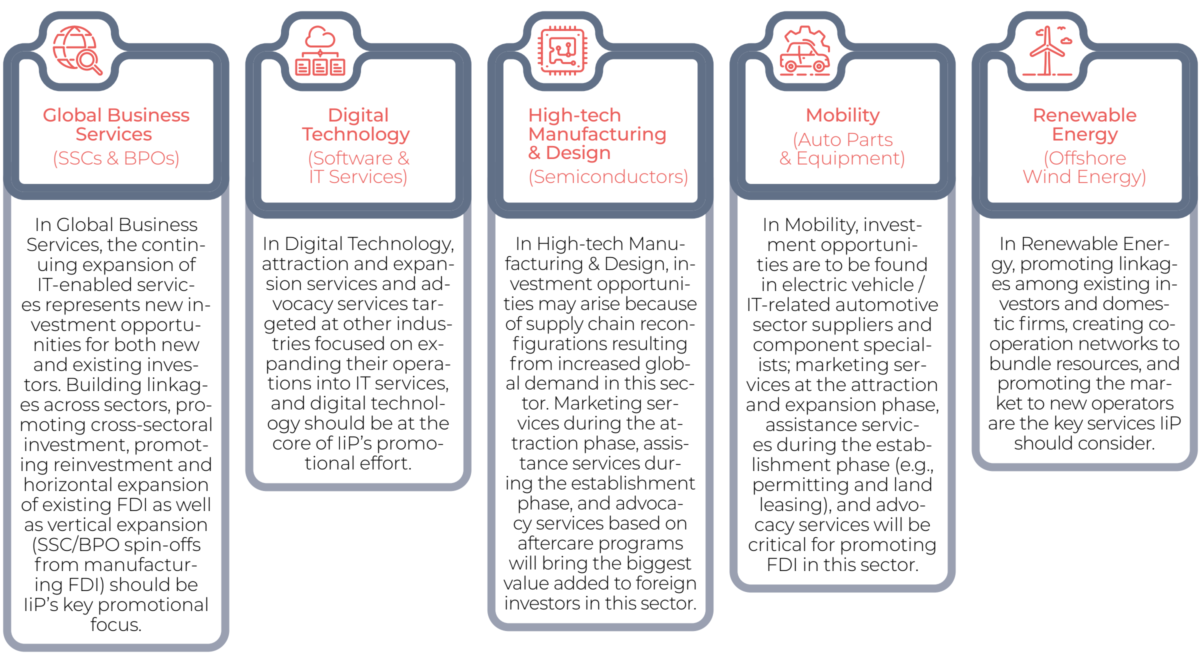
Source: World Bank Group calculations.

- **Tier I "ready-to-go-sectors": Auto Parts & Equipment, SSCs & BPOs and Software and IT Services.** Tier I encompasses sectors where FDI can be promoted in the short- to mid-term. These are sectors of Pomerania's comparative advantage as identified by the analysis conducted for this strategy. They are also sectors expected to be largely resilient or to provide potential opportunities in the face of COVID-19 (e.g., automotive nearshoring) and to not be greatly affected by the war in neighboring Ukraine. These sectors will attract a mix of FDI—some geared toward domestic markets, some using Pomerania as a production/service base for export. They should be proactively targeted by Invest in Pomerania through its proactive investor outreach efforts, while the voivodeship government will continue improving the quality of the investment climate, particularly in infrastructure, quality of logistics, availability of ICT, and improvement of local suppliers' quantity and quality.

- **Tier II "aspirational sectors": Semiconductors, Renewable Energy.** Tier II encompasses aspirational sectors where FDI may show interest in the mid- to long-term or where some niche investment opportunities can be pursued. These sectors show a strong global demand for new investment (semiconductors) or provide value chain development opportunities for primary resource/market seeking FDI (renewable energy). Provided that Pomerania meets investors' site-selection criteria, these sectors could show a good potential to attract investment to the region.

Placing these Tier I and II sectors into a wider economic context and in line with emerging global industry trends, they can be grouped into five main buckets with individual approaches and objectives for promotion (Figure 5.2).

FIGURE 5.2 Core target sectors and key investment opportunities



The Pomerania region value proposition in priority sectors

Articulating compelling value propositions for investors in the sectors targeted by this strategy is essential to implement targeted investment promotion efforts. Private sector consultations and the FDI Sector Scan assessments were used to identify the key competitiveness factors that make up Pomerania's value proposition to investors in the targeted sectors. Table 5.1 summarizes the main competitiveness drivers for the Pomerania region in each of the identified priority sectors. They are strong human resources, cost competitiveness, a proven track record in specific sectors, and strong future growth potential.

TABLE 5.1 Main sources of target sectors' competitiveness

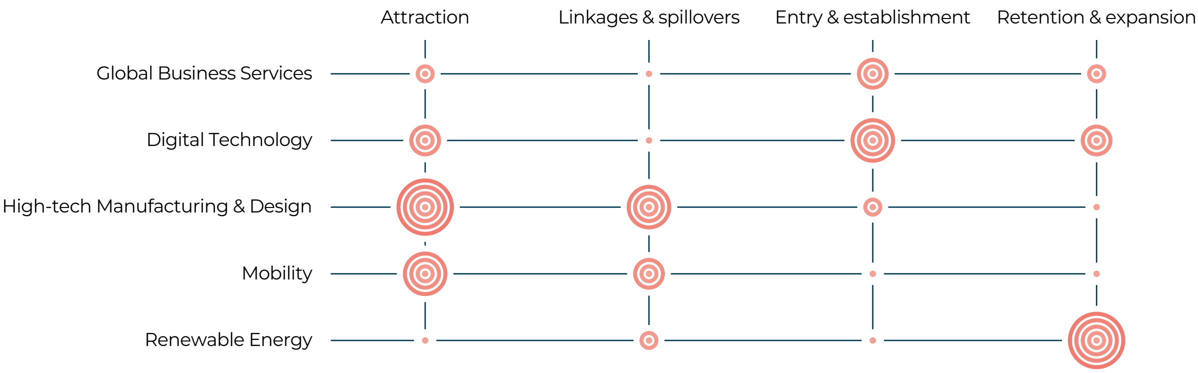
Global Business Services (SSCs & BPOs)	
Human Resources	• Excellent skill base. • Constant supply of high skilled graduates from local universities.
Cost Competitiveness	• Relatively low labor costs compared to regional competitors (CEE countries). • Established sectoral hub helps provide access to basic infrastructure required to operate at effective cost levels in Pomerania.
Proven Track Record	• Poland is an established services hub in SSC and BPO. • Specifically, the TriCity area is considered a Tier 2 location.
Future Growth Potential	• Constantly increasing global FDI into the sector. • Pomerania offers a balance between lower costs and higher skill sets within Poland and the wider CEE region.
Digital Technology (Software & IT services)	
Human Resources	• High skill levels and constant supply of IT graduates into an increasingly mature IT sector with high complexity products (AI Chips). • Significant number of universities and private coding schools.
Cost Competitiveness	• With high skill levels, labor costs are relatively low. • Available digital infrastructure and access to skills further reduce establishment costs for investors.
Proven Track Record	• Pomerania is a well-established IT hub. • Many multinational software and hardware companies are already established.
Future Growth Potential	• Digital technology is a core driver of FDI globally. • Scalability and integration of services with products increases demand for digital service solutions.
High-tech Manufacturing & Design (Semiconductors)	
Human Resources	• Large pool of software developers and employees with related skills. • Related skill sets in engineering and R&D in semiconductors are already present.
Cost Competitiveness	• Relatively low labor costs, although labor costs are not one of the main driving factors of location decisions. • Proximity to mature markets and access to potentially cheap renewable energy lower investment levels.

Proven Track Record	• Well-established semiconductor research facilities of global semiconductor MNEs.
Future Growth Potential	• COVID-induced investments into new semiconductor capacities increase FDI. • Reinvestments into locations in Pomerania strengthen the value proposition for colocation and hub characteristics for a broader number of semiconductor companies.
Mobility (Auto Parts & Equipment)	
Human Resources	• IT and advanced software skills support latest trends in automotive and mobility product solution development.
Cost Competi-tiveness	• With high levels of automatization, labor costs will be less significant, while access to skills will increase further as a key factor. Pomerania offers solid access to a high-skill labor force. • Combination of traditional manufacturing competencies and IT/software development offer a highly attractive base for investment lowering costs of complexity of supply.
Proven Track Record	• Battery production already established with continued new and re-investments. • Automotive supplier base well established.
Future Growth Potential	• Demand for electrical vehicles and specifically sufficient batteries will remain high. • Integration of software-driven innovations with classic engineering will dominate new product development, for which Pomerania offers sufficient levels of sector complexity.
Renewable Energy (Offshore Wind Energy)	
Human Resources	• Excellent knowledge basis for offshore technology and construction through shipbuilding and offshore manufacturing tradition. • High skill levels already in place.
Cost Competi-tiveness	• Relatively lower wage levels in comparison to regional competition. • Integration between different manufacturers and equipment suppliers allows for fast adjustment to specialized products, with relatively lower costs.
Proven Track Record	• Long history in shipbuilding and offshore technology development. • Hub for region in maritime technology.
Future Growth Potential	• High demand for highly specialized equipment and vehicles for the construction and operation of offshore wind farms. • Constant demand for more renewable energy maintains a more supply-driven market.

Targeted investment promotion services

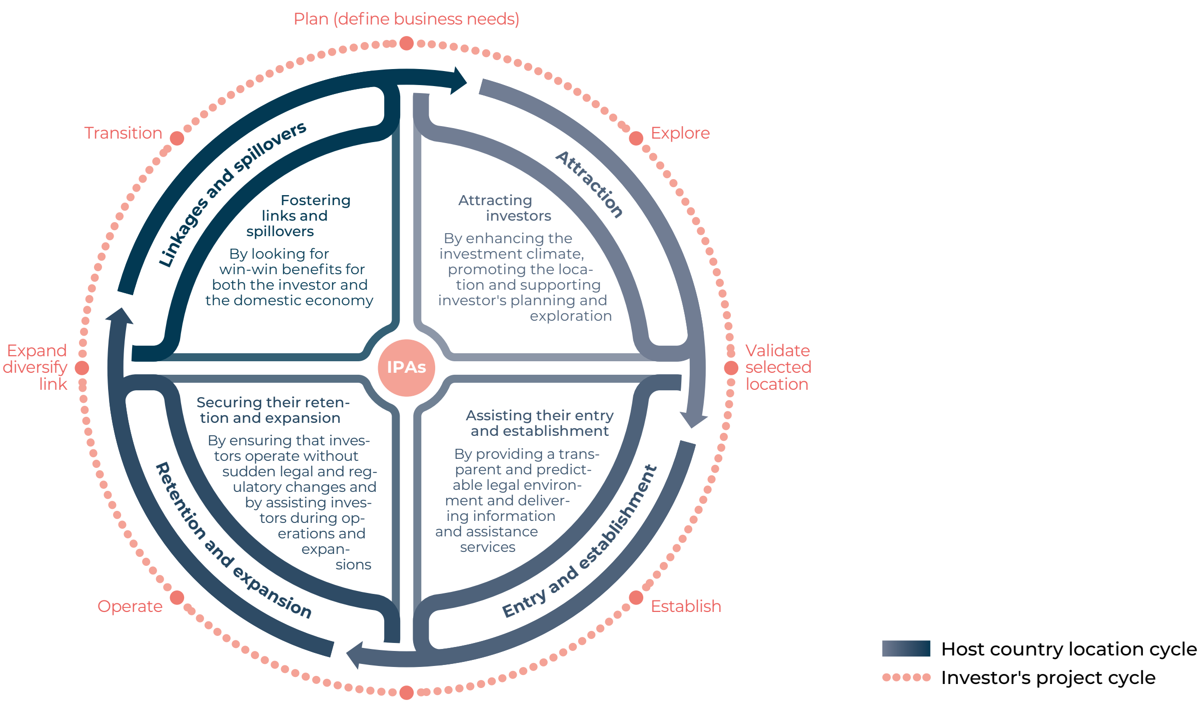
The specific characteristics and economic development objectives for the individual target sectors identified by this strategy require a customized approach to investment promotion. To fully unlock the potential of these sectors for investment attraction, Invest in Pomerania will need to customize its services offering to align with the specific needs of potential as well as existing investors. Figure 5.3 suggests a specific matrix and priorities for IiP's services offerings across the five main target sectors identified by this strategy. It is based on factors such as the sector's stage of development in Pomerania, the presence of existing FDI firms in Pomerania, sectoral development priorities, and others.

FIGURE 5.3 Focus of IiPs investment services by target sector



To successfully attract FDI and foster its growth in the targeted sectors, Invest in Pomerania needs to provide coherent services offerings across the four key stages matching the investment life cycle. The services provided by IiP across the stages of attraction, entry and establishment, retention and expansion, and linkages and spillovers need to be both relevant and satisfactory to meet investors' needs.

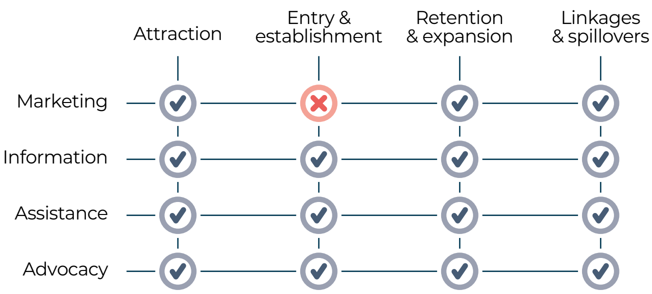
FIGURE 5.4 The investment life cycle



Source: World Bank (2020), *The Comprehensive Investor Services Framework.*

The services that IiP should consider delivering across the stages of the life cycle fall within four main categories of services: marketing, information, assistance, and advocacy. It is important for IiP to deliver its services in those categories consistently and at the highest level of quality standards. Services will need to align with the needs and expectations of investors, and intensity levels will vary depending on the maturity and competitiveness of the targeted sectors (Figure 5.5). Specific recommendations for sharpening IiP's services offerings to investors are outlined in the action plan for strategy implementation in the subsequent chapter of this note.

FIGURE 5.5 Comprehensive investor services framework



Source: World Bank (2020), *The Comprehensive Investor Services Framework.*

(i) 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 investors to take the next steps for investing.

(ii) 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. Investors discard locations for which they do not have such information, even if those locations would have been a valuable choice for their project. To deliver quality information services, IPAs must maintain information that is credible, accurate, relevant, and comprehensive.

(iii) Assistance services proactively support investors' exploration, establishment, operation, retention, and expansion. These fundamental IPA 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. IPAs solve problems at all stages of the investment cycle and frequently advise both investors and government officials on how to interact for their mutual benefit. Assistance services can be especially important to investors from different cultures or whose home economies are far from the investment location.

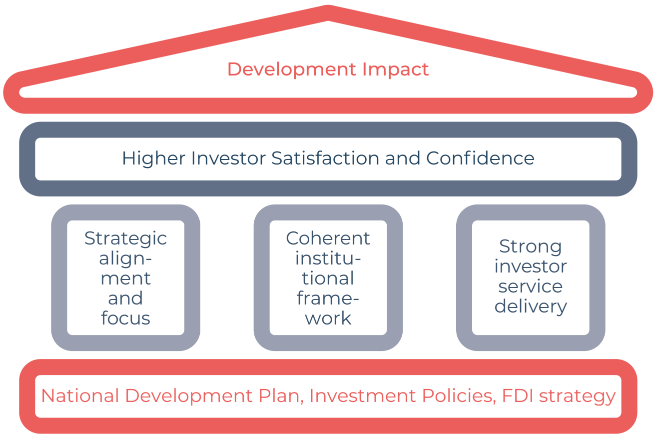
(iv) Advocacy in investment promotion is about (a) understanding the issues investors face, (b) advocating on their behalf, and (c) influencing stakeholders to improve the investment ecosystem so investors can operate more efficiently and smoothly. According to recent analytical work by the World Bank Group and the World Association of Investment Promotion Agencies (WAIPA), investors consider advocacy to be the most important service IPAs can provide. The weaker a location's investment climate is, the more important the IPA advocacy function becomes.

CHAPTER 6

Key actions for strategy implementation

The following section provides a high-level action plan for Invest in Pomerania to implement the strategy. The proposed actions are grouped along three thematic pillars that constitute best practice in investment promotion globally (Figure 6.1). IiP will need to develop detailed implementation action plans for each of the action items described in this high-level action plan.

FIGURE 6.1 Core elements for increasing the development impact of IiP



Source: World Bank (2021), *Global Investment Competitiveness Report 2019–2022.*

1. **Strategic alignment and focus;**
2. **Coherent institutional framework; and**
3. **Strong investor service delivery.**

The proposed actions are geared toward enhancing the effectiveness of IiP, as the lead agency for investment promotion in the Pomerania region, in fulfilling its mandate vis-à-vis investment attraction. Enhancing the agency's effectiveness along the three proposed dimensions will result in higher investor satisfaction and confidence and ultimately stronger development impact by attracting new and expanding existing investments in Pomerania.

The foundational base for these key strategy actions is the Pomerania Regional Development Strategy,[7] that determines the institutional framework of IiP and its service delivery model.

Pillar 1: Strategic alignment and focus

Sharpening Invest in Pomerania's strategic alignment and focus is key for further scaling up the development impact of FDI. This will require developing a shared vision together with other regional stakeholders through effective dialogue with public and private sector partners. The following actions are proposed to strengthen the strategic alignment and focus.

	Actions needed	Timeline	Stakeholders involved	Output	Expected impact[a]	Cost implications
1.1	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, to the extent that the funding structure based on EU funds permits.	2022	Regional government IiP Board	FDI Promotion Strategy 2022–2027 outlining IiP's development impact endorsed by IiP Board	Medium	None

7. . Strategia Rozwoju Województwa Pomorskiego 2030, available at https://strategia2030.pomorskie.eu/wp-content/uploads/2021/06/Zalacznik-do-uchwaly_SWP_376_XXXI_21_SRWP2030_120421.pdf

Actions needed		Timeline	Stakeholders involved	Output	Expected impact[a]	Cost implications
1.2	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.	2022	Regional government IiP Board	FDI Promotion Strategy 2022–2027 outlining target sectors/segments and types of FDI endorsed by IiP Board	High	Low
1.3	Consider increasing the share of resources spent on non-IT-BPO priority sectors.	2027	Regional government IiP Board European Commission (?)	Each target sector/segment has a dedicated sector expert and sufficient financial resources for investment promotion	High	Low (assuming reallocation of existing resources)

a. The estimated costs and impact associated with the proposed actions in this and subsequent action plan tables are indicative and subject to refinement by IiP based on the agency's available resource situation and operating structures. The actions within each action plan table are sorted by suggested order of priority, taking into account their potential impact as well as fiscal cost implications.

Pillar 2: Coherent institutional framework

A coherent institutional framework for investment with a strong regional investment promotion agency at its center is crucial for successful FDI attraction. The following actions are proposed to strengthen the institutional framework.

Actions needed		Timeline	Stakeholders involved	Output	Expected impact	Cost implications
2.1	Amend IiP's board structure to include a board of directors or advisory board and increase private sector participation on its board.	2023	IiP Board	Revised IiP's board structure with private sector participation in place	High	None
2.2	Strengthen IiP's role as coordinator between actors in the technology and digital economy sectors.	2025	Regional government IiP Board Sector associations Academia	A coordination platform between actors in the technology and digital economy sectors run by IiP or established with IiP's support in place	Medium	Low
2.3	Increase coordination between IiP and PAIH; issue joint report on investor issues and communicate new FDI strategy to stimulate increase of investment enquiries provided to IiP by PAIH.	2027	PAIH	A report summarizing investors' experience in Pomerania and identifying key investment climate issues submitted to PAIH	High	None

	Actions needed	Timeline	Stakeholders involved	Output	Expected impact	Cost implications
2.4	Increase the number of KPIs and impact indicators that IiP measures to guide staff and better quantify the benefits and costs of its works.	2022	IiP Board	FDI Promotion Strategy 2022–2027 with a well-defined set of KPIs and M&E mechanisms endorsed by IiP Board; annual progress reports published by IiP	High	Low
2.5	When hiring additional staff, focus on sector-specific expertise for priority sectors—align staff salaries with private sector remuneration.	2027	IiP Board	For each target sector, IiP has a dedicated sector specialist with private sector experience; staff salaries match average private sector remuneration	High	Medium

Pillar 3: Investor services

Providing well-designed services along the investment life cycle represents the core of investment promotion. The following actions are proposed to ensure the services provided by IiP are both relevant and satisfactory to meet investors' needs.

A. Marketing services

	Actions needed	Timeline	Stakeholders involved	Output	Expected impact	Cost implications
3.1	As part of the aftercare program, promote IiP's services supporting linkages and expansions among strategic investors in target sectors.	2024	Sector associations FDI projects	A small, focused marketing campaign targeting a selected number of strategic investors	High	Medium
3.2	Reach out to HQ/main country office of established investors within a priority sector, seeking a face-to-face meeting to persuade about the location's benefits for reinvestment (expansion or diversification).	2025	Sector associations FDI projects	A focused aftercare outreach campaign targeting a limited number of strategic investors that indicated expansion or diversification potential	High	Medium
3.3	Develop a stronger narrative about TriCity region as an investment destination and use a multichannel marketing campaign for a global audience.	2023	City of Gdańsk City of Gdynia City of Sopot	Image building campaign promoting TriCity region as destination for selected target industries; higher brand recognition of TriCity among potential investors	Medium	Low

Actions needed		Timeline	Stakeholders involved	Output	Expected impact	Cost implications
3.4	Review the effectiveness of social media programs and potentially outsource their implementation.	2023	FDI projects	Social media effectiveness report and continuing monitoring system in place	Medium	Low to medium
3.5	Create case studies of successful investments in the region and of start-ups who managed to internationalize in selected target sectors.	2022	Sector associations FDI projects	A set of testimonials for each target sector highlighting Pomerania's international competitiveness in key site-selection factors relevant for a given sector	Medium	Low

B. Information services

Actions needed		Timeline	Stakeholders involved	Output	Expected impact	Cost implications
3.6	Display topical information for foreign investors directly on IiP's website.	2023	Sector associations FDI projects	Update of IiP website with dedicated sector & investment relevant datasets	High	Low
3.7	Use business intelligence tools to develop forward-looking sector reports.	2022	Sector associations Academia	(Bi)annual sector reviews (internal use) and a set of sector reports for each target sector	High	Medium
3.8	Issue a guide to the sector regulatory roadmap using investors' input from biannual investor surveys.	2025	Sector associations FDI projects	A practical guide to the sector regulatory roadmap using investors' input from biannual investor surveys	High	Medium
3.9	Increase the publicity and dissemination of IiP's reports.	2022	Sector associations Site-selection consultants	A digital sector knowledge database included in IiP's website and promoted among sector & investment specialists	Medium	Low

C. Assistance services

Actions needed		Timeline	Stakeholders involved	Output	Expected impact	Cost implications
3.10	Strengthen aftercare services for existing investors to help them grow and reinvest.	2023	Sector associations Regional government	A well-designed aftercare program focusing on assisting companies to re-invest and expand in Pomerania	High	Medium
3.11	Continue IiP's efforts to improve the transparency of land ownership to generate larger plots for manufacturing investments.	2025	Regional & municipal governments Real estate developers	A database of development land for investment purposes, capturing information related to critical investor site-selection criteria	Medium	Medium

Actions needed		Timeline	Stakeholders involved	Output	Expected impact	Cost implications
3.12	Strengthen IiP's role as coordinator for skills initiatives.	2022	Sector associations Regional government Training institutions/ labor office	A reskilling initiative for selected target sectors (Digital Technology/Global Business Services) in place	Medium	Low
3.13	Launch a program providing assistance to companies to implement a decarbonization and/or responsible production program.	2025	Regional government Sector association	A program providing assistance to companies to implement a decarbonization and/ or responsible production program (e.g., grant scheme for certification)	Medium	Medium to high
3.14	Launch a small grants scheme promoting investment outside the TriCity region.	2022	Regional & municipal governments Sector associations European Commission	Small grants scheme/disbursement	Medium	High
3.15	Focus on cluster-building in strategic sectors, and launch a pilot linkages program.	2025	Sector associations Regional government	A pilot linkages program in one selected sector (renewable energy)	Medium	Medium to high
3.16	Expand the information provided on the Live More. Pomerania website.	2023	Regional government	More investment (work) relevant content on the Live More. Pomerania website	Medium	Low
3.17	Promote establishment of International School of Pomerania.	2027	Regional government Academia	An international school established in Pomerania	Medium	Low

D. Advocacy services

Actions needed		Timeline	Stakeholders involved	Output	Expected impact	Cost implications
3.18	Design and periodically execute a biannual investor survey.	2023	FDI projects IiP Board	Investor survey (project performance, investment climate, sector ecosystem, expansion/re-investment potential)	Medium	Medium
3.19	Regularly collect information on foreign investors' issues and promote solutions with relevant local government officials and stakeholders.	2024	FDI projects IiP Board	A list of investment climate issues/barriers and progress report on their removal	High	Low

Actions needed		Timeline	Stakeholders involved	Output	Expected impact	Cost implications
3.20	Report on the investment climate/ecosystem for priority sectors.	2024	FDI projects IiP Board PAIH	A widely disseminated report on investment climate/ecosystem for priority sectors with a list of policy recommendations	High	Medium