

City of Tabora: Workshop on Tools and Techniques of Attracting Productive Private Sector Investment

A Workshop offered by: Millennium Cities Initiative, January 2011

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Approach

- Identifying commercially viable investment opportunities
- Developing promotional materials, e. g., investment potential guides, by sector and opportunities, and investor guides and dissemination of the materials to potential investors
- Researching and developing databases of potential investors to target in identified sectors; assisting and advising on outreach to potential investors.
- Strengthening the capacity of the city to attract new domestic and foreign direct investment (FDI)

Regional Partnership to Promote Trade and Investment in Sub-Saharan Africa

- A project under the Millennium Cities Initiative (MCI), in partnership with:
 - Tabora, Tanzania; Mekelle, Ethiopia; Kumasi, Ghana
 - Funding from the Government of Finland
 - Co-financing from the partner cities
 - Duration of first phase: 18 months, ending February 2013.
 - Second phase of 18 months, depends on results in phase one and additional funding.

Activities to be Supported by MCI over next 12 months

- Focus on three of the sub-sectors recommended in the KPMG study, e.g.,
 - Honey Processing, Cotton, Jatropha
- Assist with identifying companies whose profile and investment patterns most closely match with the priority sectors and opportunities
- Advice and assist Tabora team on how to target investors and handle inquiries
- Organize, together with Tabora, both investors days in Tanzania and outside

Tabora Investment Initiative— Medium and Longer-Term Activities

- MCI to develop and publish an investors' guide for Tabora
- MCI to organize Tabora's participation in international investment day in Helsinki, Finland (early 2013)
- Tabora to develop an effective after-care program to retain investors and foster re-investment
- Develop a sustained policy advocacy function to the national level through appropriate regional and national entities.

Objectives of this Workshop

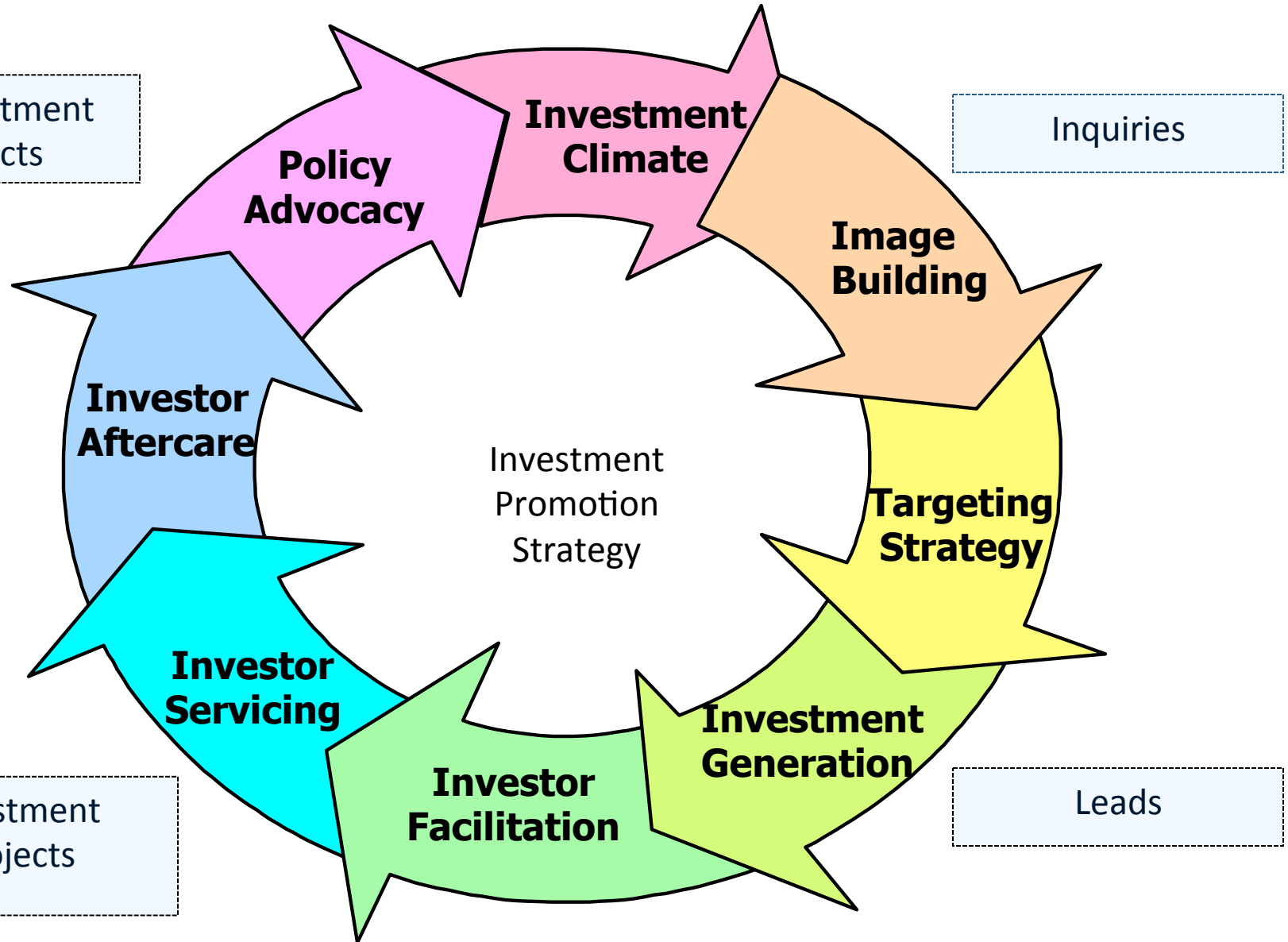
To help staff responsible for investment promotion in the City Administration of Tabora to:

- deepen their understanding of the investment promotion process;
- enhance their knowledge, skills, tools and techniques to support the work of attracting new private sector investment;
- develop a plan of action to identify and target potential investors.

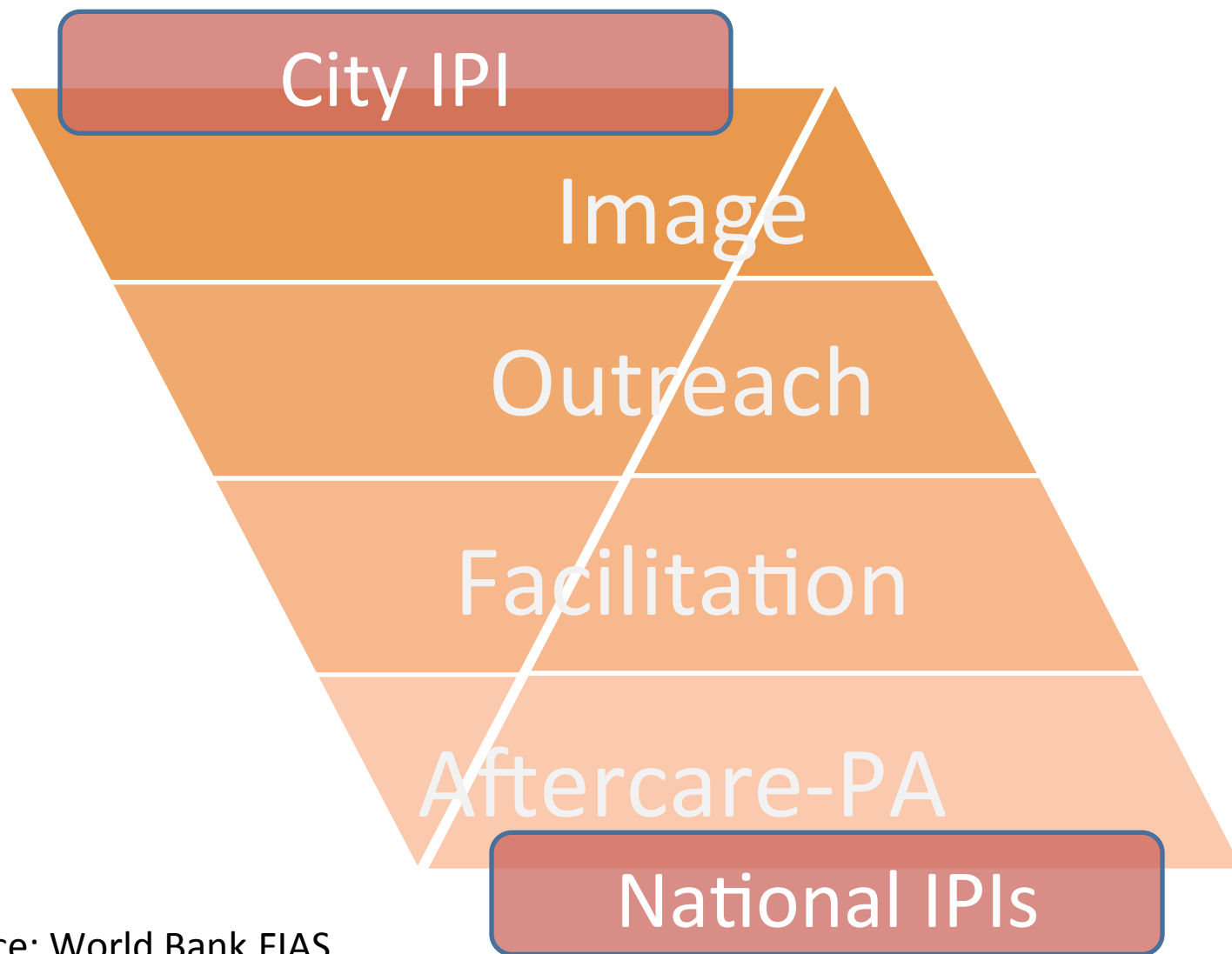
The Format of this Workshop

- Some presentations, followed by small group exercises where you will have to work hard on understanding the strengths and weaknesses of Tabora as an investment location.
- Work on developing a value proposition.
- Carry out research of potential investors.
- Be prepared at the end of the workshop to carry forward the work program for the coming year.

Full Investment Promotion Cycle



Investment Promotion Roles—the City and the National IPI (TIC)



Importance of Private Sector Investment

| Benefit | FDI | Domestic investment |
|--|-----|---------------------|
| Job creation | ✓ | ✓ |
| Skill transfer | ✓ | ✓ |
| Technology transfer | ✓ | |
| Spillover effects on local economy | ✓ | ✓ |
| Infrastructure development | ✓ | ✓ |
| Access to international marketing networks | ✓ | ? |
| Source of external finance | ✓ | |
| Balance of payments | ✓ | |

1 USD FDI generates 1 USD domestic investment
(IMF study, 58 developing countries)

Developing a Strategy and Understanding Your location

Developing an Investment Promotion Strategy and Action Plan

- Decide on key sectors/sub-sectors to be promoted.
- Develop thorough understanding of your location within the national, regional and global context
- Identify potential competitors for the sectors of interest to Tabora.
- Real Estate, Taxes, Access to Finance, Business Environment, Infrastructure/Logistics, and any factors a company will evaluate based on their business model.

Developing an Investment Promotion Strategy and Action Plan (2)

- Develop a 'compelling' selling proposition for each sector or sub-sector to be targeted.
- Market Tabora through all available channels
- Identify companies that could be potential investors in those sub-sectors
- Target potential investors
- Set up the structures to handle inquiries, host site visits, and facilitate potential investment.

Key Sectors Identified by KPMG Study

- **Near term opportunities:**
 - Honey Processing
 - Edible Oils
- **Longer term opportunities:**
 - Biofuel inputs
 - Tourism
 - Dairy Products
- **Possible opportunities**
 - Cotton Processing
 - Timber

Understanding the Investment Decision Process

Drivers of Location Decisions

Most important factors influencing location of companies in 2007-2009 (% of TNC responses)

- 1. Size of market (21%)**
- 2. Growth of local market (20%)**
- 3. Access to international/regional market (10%)**
- 4. Stable investment environment (10%)**
- 5. Availability of skilled labor force (9%)**

Source: UNCTAD World Investment Prospects Survey 2007-09

Understanding the drivers of location decision by sector

| Primary sector | Manufacturing sector | Services sector |
|--|--------------------------------------|--|
| Access to natural resources | Size of local market | Size of local market |
| Stable investment environment | Growth of local market | Growth of local market |
| Government effectiveness, incentives | Government effectiveness, incentives | Stable investment environment |
| Access to international/regional markets | Low labor cost | Access to international/regional markets |

Source: UNCTAD World Investment Prospects Survey 2007-09

Business Conditions matter—Locally and Nationally

- Decisions to invest go beyond the availability of inputs, infrastructure and market demand for products.
- The investors needs to be able to set up and operate a business at reasonable costs and within reasonable timeframes.
- Legal, regulatory, and administrative conditions are important, both locally and nationally.

Factors at National Level in Tanzania Influencing Investment

World Bank's Annual Doing Business Survey, ranks countries on key dimensions of ease of starting, operating and winding up a business in 189 countries/regions.

DB 2012 Rank

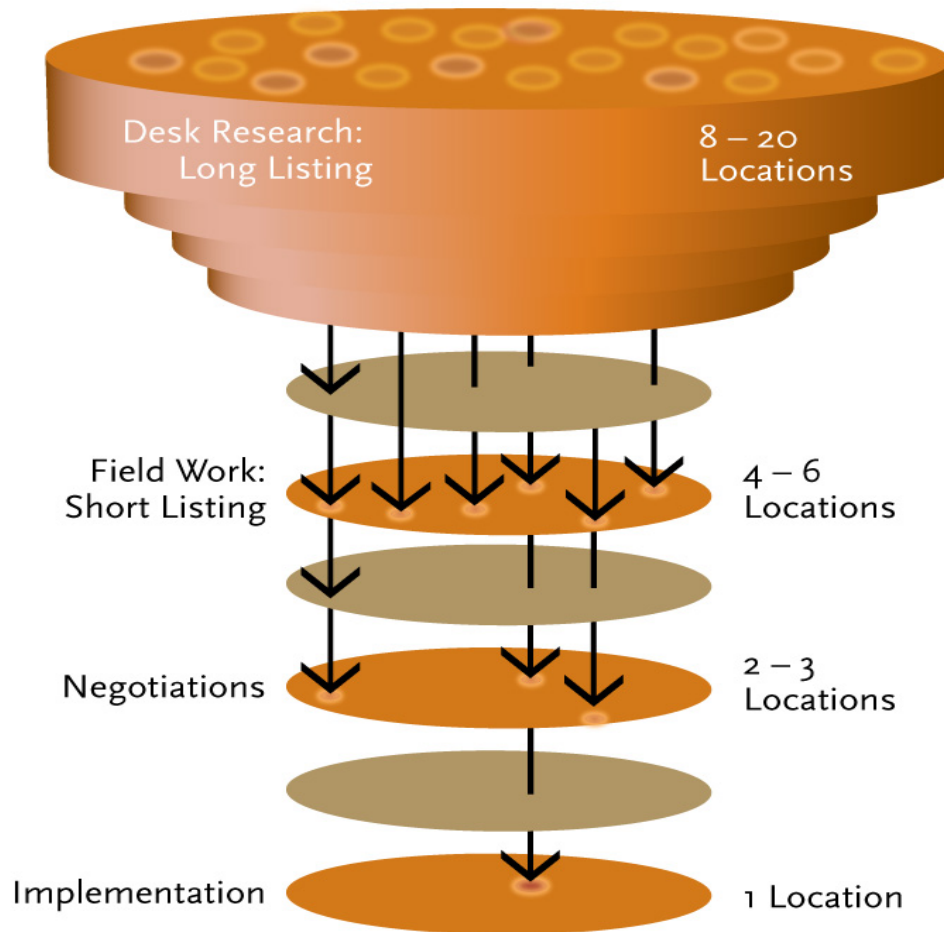
- | | |
|-------------------------------------|-----|
| • Starting a Business | 123 |
| • Dealing with Construction Permits | 176 |
| • Getting Electricity | 78 |
| • Registering Property | 158 |
| • Getting Credit | 98 |

Factors at National Level in Tanzania Influencing Investment (2)

DB 2012 Rank

- Protecting Investors 97
- Paying Taxes 129
- Trading Across Borders 92
- Enforcing Contracts 36
- Resolving Insolvency 122

The Investor's Site Location Search Process



If a country does not make it into the long list...

Important information:



The Site Selection Process: It's all about Information

Long listing

- Project drivers
- Success factors
- Project specifications
- Search Area
- Countries/regions
- Fatal flaw analysis
- Compare costs and conditions

IPI provides country and sector information

Short listing

- Field investigations
- Verify screening and process-drill down
- Identify specific opportunities and risks

IPI provides detailed information and field logistics support (site visit)

Negotiations

- Risk analysis
- Real estate
- Incentives
- Permitting

IPI provides quality contacts, prepares development packages and ensures permits are granted speedily

Implementation

- Transition planning
- Facilities plan
- Vendor selection
- Construction ramp-up

IPI services investor to fast-track project implementation

What can the IPI do to influence investors?

Make it into The Long List!!

- Understand companies objectives in priority sector
- Target only those sectors where Tabora is able to compete (benchmark your location against others repeatedly)
- Have quality information available to meet company needs at long-listing stage
- Be able to source more detailed information for the company at the short-listing stage
- Provide international business standards of customer service, e.g., respond to inquiries with relevant information within 48 hours.
- Understand who makes decisions

Motivated Staff are Key to Making Investment Promotion Efforts Successful

- Requires staff who understand the drivers and role of private sector investment
 - Staff should develop a solid understanding of the key sectors being promoted
- Requires staff who have a ‘can do’ attitude in terms of being proactive to promotion as well as responsive to investors
- Good English language skills in addition to own language (even non-native English speaking investors tend to communicate in English)
- Staff should report to someone high enough in the City Administration to be able to take key decisions and make things happen.

Key Takeaways

- The decision to invest is typically part of the strategic investment drivers to grow markets, lower costs, deepen or upgrade the value chain – and sometimes a combination of the above.
- The location determinants of investment, both domestic and foreign depend on the sector and individual investment project.
- There are key interventions that a city IPI can make at steps in the process to ensure the city is considered for investment

**Identifying Challenges and
Opportunities
(weaknesses and strengths)
and
Creating a Value Proposition**

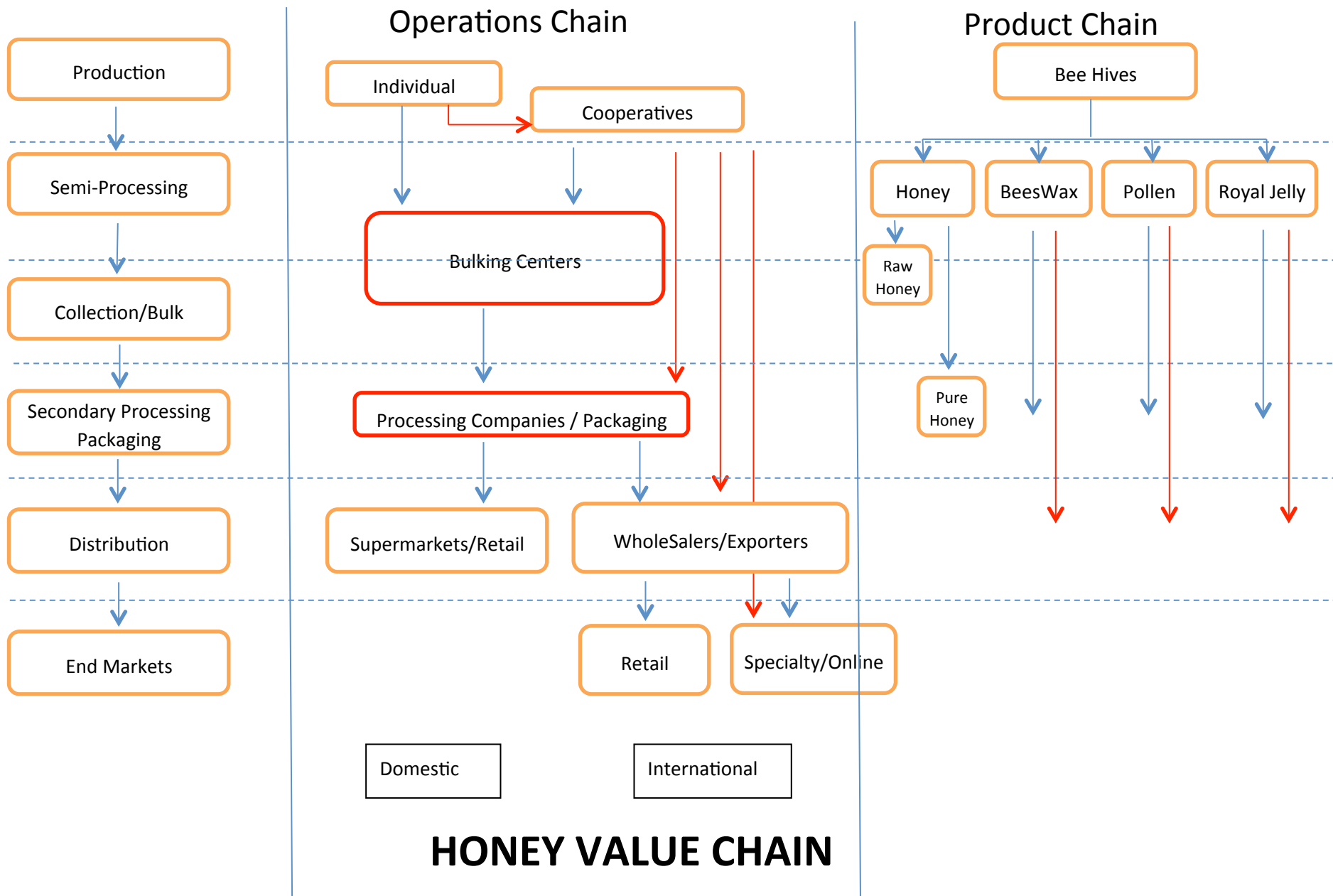
Creating a “Value Proposition”

- Why should a customer buy your good? Why should a firm invest here? Why right now or in next 5 years?
- *based on a limited set of unique selling points of a location that gives potential investors an indication of the costs of doing business compared with the quality of the business environment*
- ROI = Quality, Cost, Proximity to Market, Consistent Supply, Favorable Tax Structure, Access to Finance, Regulatory Environment, etc....
- Need to apply the corporate business model and find synergy

Creating a “Value Proposition”

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- A Value Proposition is that distinct or appealing idea that sets you apart favorably.
- Examples
 - With over 500 honey farmers and a scalable packaging and processing facility, we have no less than 10 different types that can be shipped worldwide.
 - With Tabora’s strong domestic sunflower seed demand, newly identified seed sources, and 1000 HA of freshly designated sunflower fields, we are positioned well for an investor who wants to increase production for summer retail campaigns.



Honey (Tabora) - Training in modern harvesting, packaging and storage practices for quality honey and higher yields, separation of honey from nearby tobacco smoke, transportation costs.

Exercise: Identifying the Main Challenges and Opportunities for Tabora Honey

- Break into two groups:
 - List all of the challenges you can identify to further developing the honey sector and related sub-products, e.g., beeswax, royal jelly.
 - For each challenge, identify what actions--policy, practice, technology, infrastructure, business relationships--would be needed to address challenge
 - Time for task: One Hour

Debriefing the Exercise

- Categorize the challenges:
 - By type, e.g., policy, practice, infrastructure, business relationships, other
 - By severity—how many are ‘binding’ constraints, i.e., what will prevent moving forward?
 - Who needs to take what action to address the challenges/constraints?
 - How long will it take to address the most serious binding constraints?

Exercise: Market Supply and Demand For Honey (Group 1)

- What is the current production of honey in Tabora? How many producers?
- How much is processed locally?
- How much is consumed locally?
- How much sold to traders? In what form?
- For honey sold to traders, what happens to it? Further processed and branded as Tabora honey? Mixed with inferior syrups?

Exercise: Who are Tabora's Competitors in the Honey Sector? (Group 2)

- Who else competes for the same market (locally, nationally, regionally, internationally) as Tabora?
- What size is their market share?
- To whom do they sell?
- What would make Tabora be able to compete successfully with these competitors?

Exercise: Develop and Investment Proposal for Honey

Break into two groups:

- Based on your challenges and opportunities, develop a proposal to present to an investor for honey (and possibly related products).
- The proposal should have a clear and credible 'selling proposition', i.e., type of opportunity, with facts and figures, type of investment sought, assumptions about supply and demand.
- Time for task: One hour

Debriefing the Exercise

- Has each group developed the same investment proposal? If not, how are they different.
- Discuss pros and cons of each proposal.
- Can we have more than one proposal?
- Are we targeting different investors/buyers?
- Should we pick one or both to further refine?

Develop the 'Package' with your Selling Proposition(s)

- Once a selling proposition has been refined to the point of being ready for sharing with investors, Tabora investment promotion team will need to develop a clearly written and presented set of materials to share with potential investors.
- This 'package' should have a clearly presented overview of the sub-sector, e.g., facts and figures on local supply, local demand, factor costs, infrastructure, legal, regulatory matters and administrative procedures.
- This is work that should be completed after the workshop, over the coming weeks.

**Marketing Your Location:
Making Tabora and its Advantages
Better Known**

Marketing and Image Building

- Expanding the direction set by strategy, once selling proposition has been developed.
- Marketing has two main functions:
 - To create awareness of the city as a location for new investment among potential investors and multipliers (organizations that advise investors, such as consultants, lawyers and real estate companies).
 - To provide sales and marketing materials to investors to demonstrate that the location is an excellent candidate for their investments.

Marketing Flow Chart



Targeting Yields Best Results

- Marketing is general, targeting is specific.
- Targeting pitches a well-crafted 'compelling' selling proposition directly to potential investors.
- Targeting requires researching, identifying, and approaching investors
- Targeting requires being able to respond to investor inquiries for additional information and providing reliable information

Investor Targeting and Outreach: Identifying and Approach Potential Investors and Traders

Investor Targeting and Outreach

- A technique to attract inward investment in greater quantity and quality, making the most effective use of limited resources.
- involves well-researched and planned approaches to specific managers in the targeted companies about niche “business opportunities” in a city.
- The major advantages of investor targeting are:
 - Focuses effort on the best prospects.
 - Can greatly increase investor and broker (investment advisors) awareness.
 - Investors respond best to material relevant to them.
 - Can help develop local industry clusters.
 - Cost effective – takes time more than money.

Investor Targeting

Networking for investment leads

- The main networks that can be used for lead generation include:
- Existing foreign investors with presence in the country
- Domestic companies that have strong ties with export markets
- Cross-border partnerships with IPAs and ministries elsewhere

Investor Targeting

Identifying Potential Investors pg 78

There are two main approaches a city IPI can use to identify target investors:

- Carefully conducted research to build a database of potential investors.
- Networks with relevant organizations to identify investment leads.
- Sector based value chain analysis leads

What kind of tools do you need?

Internet

Databases

Free on-line company
Databases

On-line paying
company Databases

Your own IPI
company Database

Media

General Media /
newspapers and
magazines

Sector Specific
Media /
Newspapers,
Magazines and
Newswires

Company websites

About the
company section

News

Contacts /
Executives

Investor Targeting

Research Potential Investors:

- Identify, through Internet search, the major players in the sectors/sub-sectors of interest to Tabora, both international and Tanzanian-based companies.
 - Where are Tanzania's major exports going?
 - What sectors are Tanzania's major exports in?
 - Who are the other leading exporters, both from within Tanzania and internationally in those sectors?

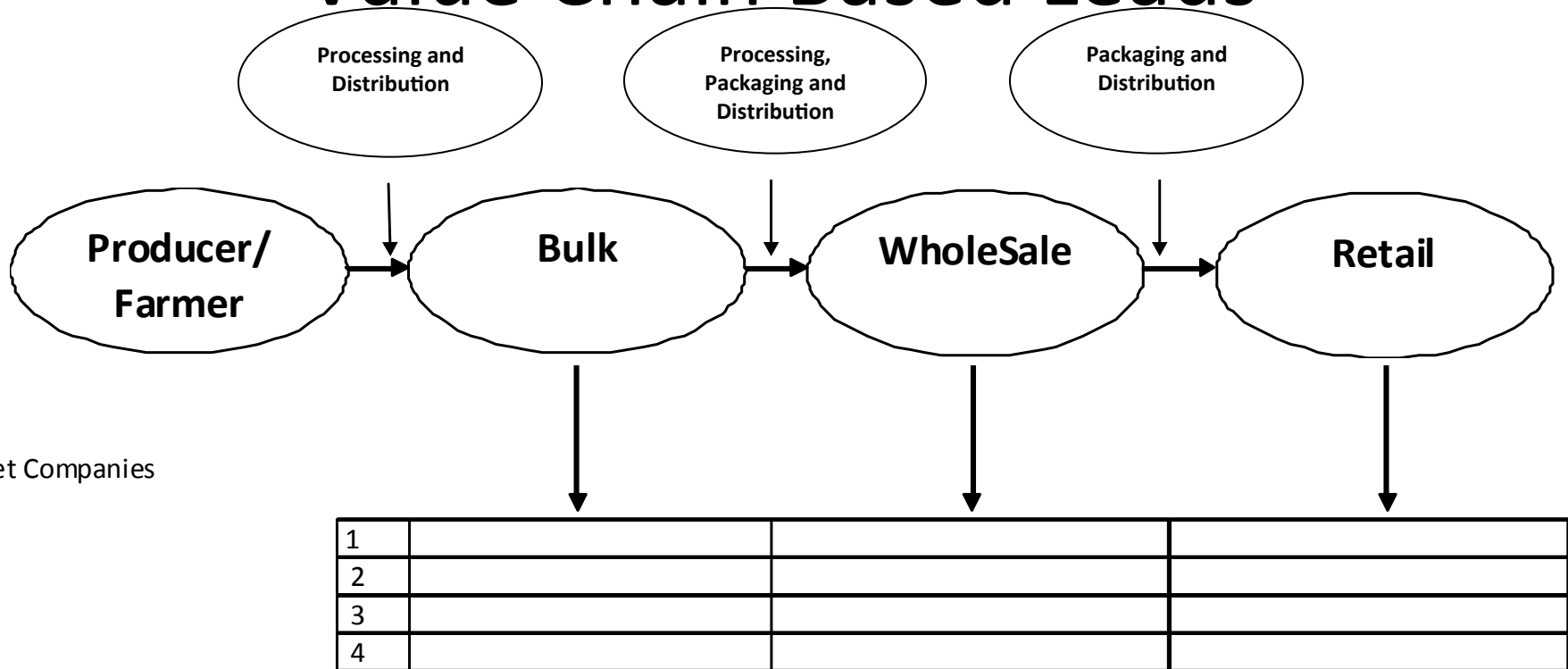
Approaching Investors

- Who to Approach - Titles

| Position | Type of FDI project |
|-----------------------------------|---------------------|
| CEO | All major projects |
| SVP/VP Marketing | Most projects |
| SVP/VP Operations | Most projects |
| VP Finance | Most projects |
| VP Corporate Development/Strategy | Most projects |
| Director Government Affairs | Most projects |
| Country managers | Most projects |
| VP Research & Development | R&D projects |

Investor Targeting

Value Chain Based Leads



Exercise: Use google to find top 3 companies in each part of value chain. Also find top importers by country for certain product.

Exercise 5: Identify the major potential investors or buyers for honey in Tanzania and internationally

Break into two groups:

- Based on the value proposition(s), identify investors/buyers, in Tanzania, the East Africa Region and internationally that could be potentially targeted as investors in honey (and possibly related products).
- Develop a 'database' of pertinent information on each company identified (see template and Excel spreadsheet).
- Indicate why you think these are appropriate targets.
- Time for task: One hour

Debriefing the Exercise

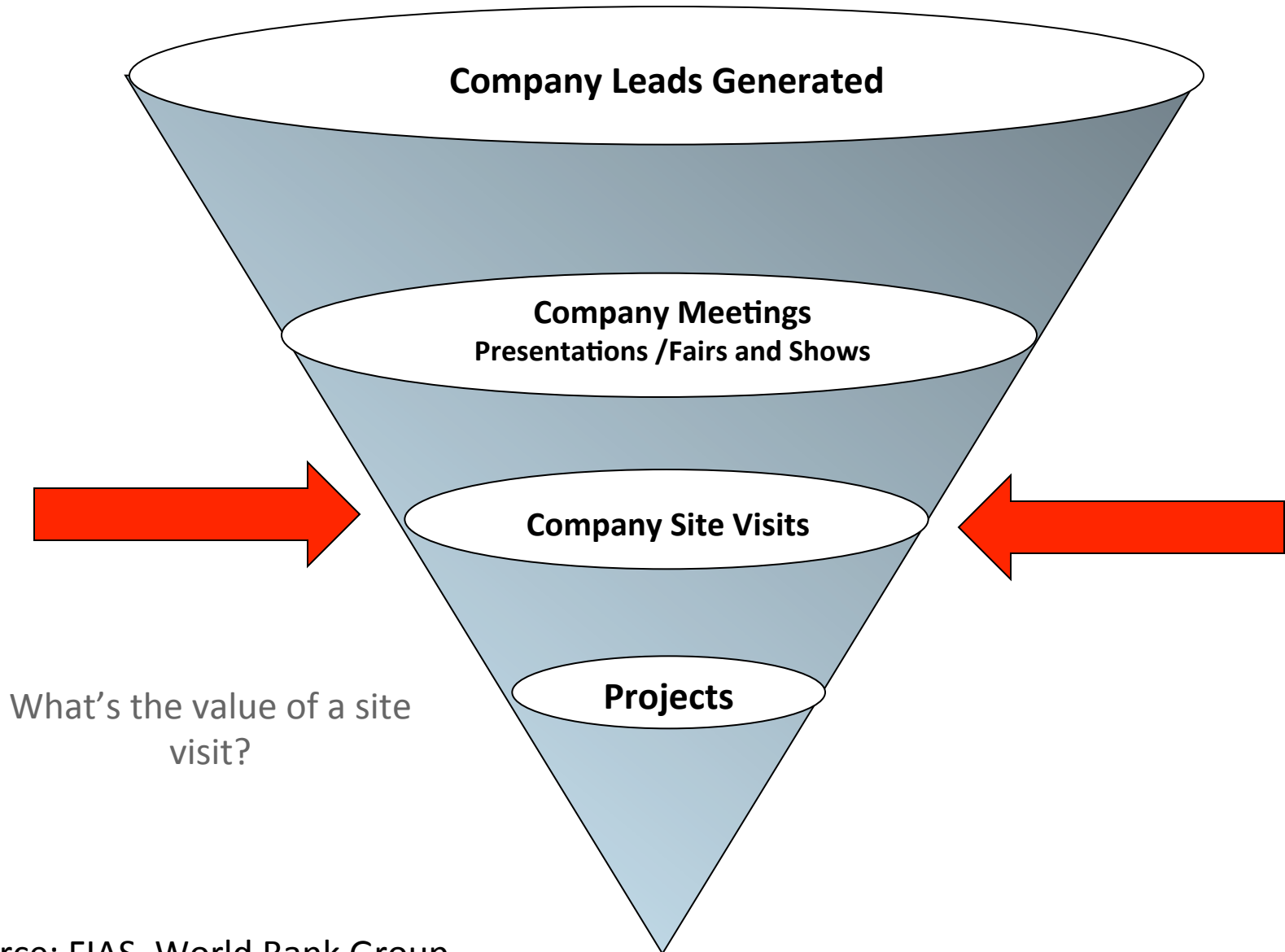
- Top five targets from each group
- Why these?
 - Familiar with Tabora?
 - Biggest brand names in Tanzania?
 - Well-known internationally?
- If they are already familiar with Tabora, why have they not already invested here?
- What are next steps in approaching these?

Organizing Site Visits to Tabora

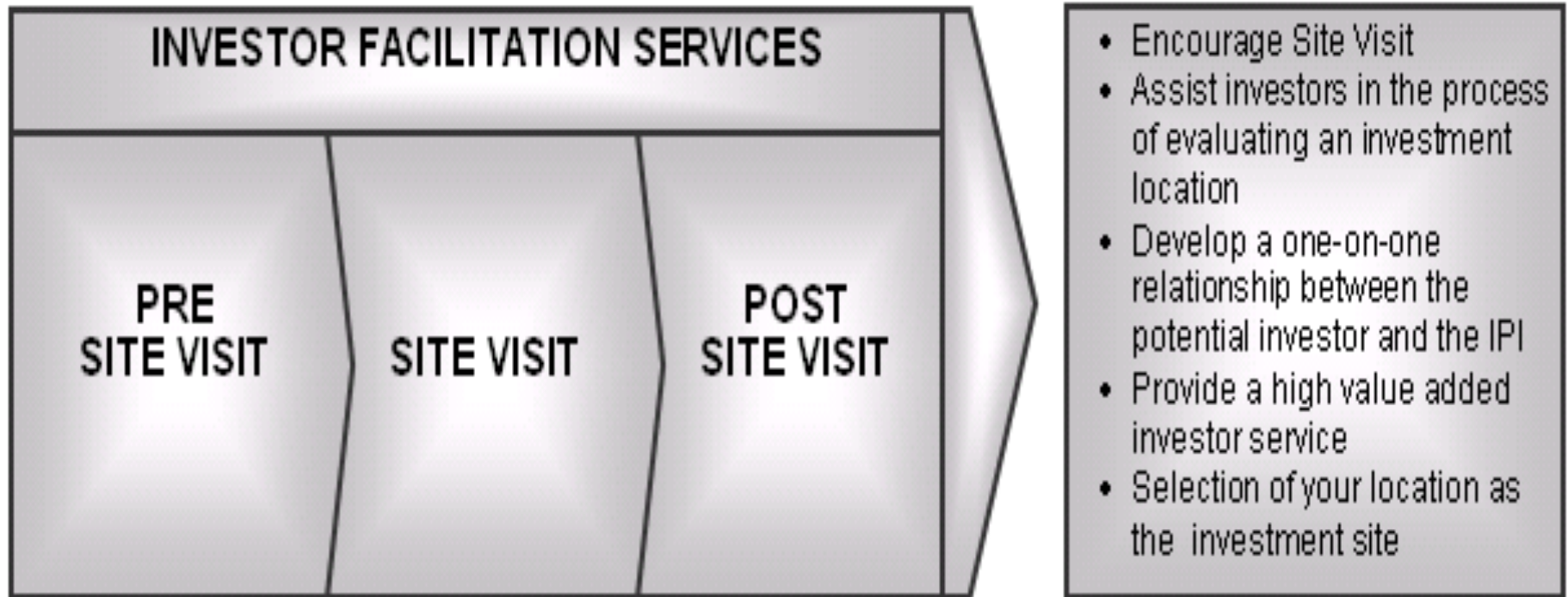
The Potential Investor Wants to Visit Tabora

- No matter how compelling the selling proposition, no investor moves forward without visiting the location.
- If investor decides to visit, this is already an indication of interest, thus the site visit is really important.
- You have spent a lot of time and effort getting to this point, so handling the site visit well is absolutely crucial.

Putting a value on the Site Visit



Site Visit Facilitation - Phases



Key aspects by step

- **Pre-Field Visit**

- Understand investor needs—clarify before he/she arrives in Tabora
- Prepare draft agenda—who does the investor need to meet, what does the investor need to see?
- Inform counterparts about the investor
- Logistics—arrange the visit, designate someone knowledgeable to accompany the investor on site

Key Aspects: The Site Visit

- Start with a briefing on the first day for the investor
- Have appointments already made with the key people he/she needs to meet.
- Arrange for a de-briefing before investor departs. Did he/she get all the information needed. What to expect next—from them, from you.
- Establish a single point of contact to follow up with investor after site visit.

Remember: An unsatisfactory site visit can lead to loss of interest on the part of the investor!

Key aspects: Follow-up Post-Site Visit (1)

- Follow up with a phone call to thank the investor and discuss any issues on which he/she needs further information.
 - Honor all promises made during the visit, within the time frame specified
- Evaluate Progress: Is Tabora still in the running for investment? What needs to be done to 'close the deal'?

Key aspects: Follow-up Post-Site Visit (2)

- If Tabora is still In the running, try to establish:
 - Timelines to investment or partnership
- If Tabora is no longer in the running, use the opportunity to learn from the experience,e.g.,
 - Ask the investor to provide you with feedback on why he/she is not investing—location did not match expectations? Better location found—where/why?
 - Ask if there was something Tabora could have done that it did not do to land the investment.

Investment Facilitation

- The aim of investment facilitation is to convert a site visit into an actual investment.
- Once investor decides to move ahead, you need to be able to give clear directions on next steps, e.g.,
 - What licenses, permits and approvals are required to start up business, e.g., environmental, health, safety, construction permits? Other?
 - Is there a need to register the company locally?
 - Is there an appropriate site for the company to establish its operations?
 - How can the Tabora investment promotion team help to facilitate such procedures.

Post-Investment

- The relationship does not end once the investor locates in Tabora.
- Keeping investors is just as important as attracting them in the first instance.
- Existing investors, if satisfied, expand their operations, make new investments, and also provide a positive signal to other investors.
- Need in the longer-term to have a sustained program of 'Aftercare'.

Investment Days and Trade Shows

Investment 'Days' (1)

- Investment days can be an opportunity to showcase Tabora's opportunities to a wider audience than direct targeting.
 - Advantages include enhancing the image of Tabora and attracting attention of investors one would not have directly targeted, including foreign investors.
 - Intensive preparation required to have key messages and well-prepared materials to interested investors

Investor Days (2)

- Need to give thought to the invitation list, and be sure to include 'multipliers', e.g., consulting firms, bilateral agencies and donors.
- Try to have a good understanding of what each of the firms/organizations attending actually does, where they are active, etc.
- Have a firm follow-up plan and execute it well. Contact everyone who attended, whether you think they are interested or not.

Trade Shows (1)

- Trade Shows can be a huge waste of time and money, unless you attend them with a plan of action.
- Your strategy should be not just to stand around at your booth until someone of interest shows up (though that, too).
- You should know what companies are attending, who you want to speak to and what message you want to convey.

Trade Shows (2)

- Follow up systematically with those individuals/firms that you think might be potentially interested in Tabora and its products, regardless of whether for trade or investment.
- Add these companies to your database of contacts.

Harnessing Technology to Support Your Work

E-Marketing (1)

- E-Marketing is a mix of passive and proactive promotion of your location.
- Websites are 'passive' in this context, but vital to have. Most companies looking for information on a location start with an on-line search. Thus, a good Website, kept up to date, carrying accurate and relevant information is a key tool in your promotional efforts.

E-Marketing (2)

- E-Newsletters— proactive outreach to database of target companies and organizations. Can use a standardized ‘cover’ email to send the newsletter.
- Can have short, introductory texts and then link to longer content to keep actual newsletter brief.
- Low cost, increasingly popular way of outreach.

Client Relationship Management (CRM) Tools

- A good CRM is an invaluable tool to create contact databases, track inquiries and responses, and generally manage relationships with potential and actual investors.
- A good CRM also allows you to create reports on your activities and helps you monitor progress towards your goals.

Moving from Talk to Action: Putting it All Together

Putting it all together—moving from talk to action!

- Over last two days we have covered everything from developing a strategy, a plan, the tools and techniques needed to move forward with active investment promotion.
- As a reminder, let's take one more look at what is involved in investment promotion:

Investment Promotion Cycle



Source: FIAS, World Bank Group

Next Steps (1)

- Deo Msilu is the key local MCI contact person.
- Tabora Investment Promotion Team will work closely with Deo and other MCI specialists over the coming year.
- Deo and MCI team in New York will be setting up a work program with you over the next few weeks.
- There will be calls and e-mail exchanges organized by Deo and MCI specialists to discuss progress, issues and plans on a regular schedule.

Next Steps (2)

- Deo and George will be working closely with Joerg and Karin to organize investor days in Dar Es Salaam (2012) as well as in Helsinki (2013).
- The entire team of MCI will be available to provide advice and assistance on all matters pertaining to investment promotion tools, techniques and related matters.

Thank you!

From the MCI team (in alphabetical
order)

Karin Millett

Deo Msilu

Joerg Simon