

Intelligent Incentives: Responsible and Responsive

Investment Consulting Associates understands that locations are strategic assets. Every community and site brings different strengths and liabilities for a company that determine the competitiveness of the business environment and the capability of attracting investments. The last decade has witnessed a specialization of corporate investment incentives and increased facilitation of economic diversification. To stay competitive in the global arena of business attraction, authorities need to optimize their incentives and shape their investment policies to attract more high-quality investments.

ICA uses its global incentives experience and knowledge of corporate site selection to help authorities and policy makers better understand current and future business needs when designing incentive frameworks and strategies. ICA shows how these opportunities can help its clients enhance their economic development policies whilst simultaneously designing incentive strategies responsive to the location-specific opportunities and business environment. In other words, ICA makes incentive regimes responsible for sustainable economic growth in an accountable and prudent manner.

Process of Designing Incentive Strategies

1. Incentives Identification

The first critical step is to understand the organizational activities and current incentive structure. Together with future strategies and economic development objectives, this allows a holistic and sound incentive strategy approach. Existing incentive schemes are thoroughly reviewed, assessed and evaluated by making use of various techniques and tools.

2. Incentives Optimization

After the existing incentive scheme has been positioned, the next step is to customize and (re)develop incentive schemes according to the overall economic development strategy. Performing - amongst others - cost-benefit analyses and competitiveness benchmarks leads to identification of Best and Worst Practices and prioritization of the most economically performing industries and activities.

3. Incentives Implementation

An effective and efficient implementation strategy of the designed incentive scheme requires a coherent policy framework in which the incentive scheme is aligned and integrated with existing visions, strategies and policies. In addition, roles and responsibilities need to be defined as well as the incorporation of straightforward monitoring and evaluation methods.

Client Credential

NIC and ODC, Namibia

Request: ICA was engaged by the Namibia Investment Centre (NIC) and Offshore Development Company (ODC) to conduct a full scale review of Namibia's existing incentive schemes and EPZs.

Deliverable: ICA conducted a full review of Namibia's existing incentive programs and assessed the contribution of EPZs to economic development. ICA designed four incentive regimes based on cost-benefit analysis that had been executed for four priority industries.

How can ICA help you with identifying, optimizing and implementing your incentive regime?

Qualitative Incentive Design Issues:

- Is the application procedure straightforward, and does it consistently check the compliance of potential incentive beneficiaries with conditions?
- Are eligibility criteria clearly defined and aligned with pre-established strategic policy objectives, vision, and mission statement?
- What type of financial benefits does the incentive program offer, and is the type of incentive the most optimal with regards to the objectives the incentive framework aims to achieve?
- What M&E systems are in place, and do they adhere to principles of transparency and public accountability?

Quantitative Incentive Design Issues:

- How do the incentive beneficiaries perform in terms of direct and indirect economic impact?
- Do the incentive beneficiaries achieve the anticipated requirements in terms of their contribution to economic growth?
- Does the individual incentive program achieve its strategic objective(s)?
- How does the specific incentive program perform in comparison to other, similar incentive programs?
- How are financial benefits and funds disbursed with regard to the performance beneficiaries? of the incentive.

Corporate Perspective

Investment Consulting Associates has frequently been engaged with corporate incentive and location strategy advisory as well as incentive package negotiation. As a result, we understand the principles of corporate location decision-making, which we apply to our public incentive services line and in corporate in our strategic incentive