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Abstract

Die österreichische Betriebsansiedlungsagentur, Austrian Business Agency (ABA), ist eine öffentliche Institution, die für die Schaffung von Arbeitsplätzen durch das Anwerben von ausländischen Investoren zuständig ist. Das Ziel dieser Masterarbeit ist es, zu beantworten, ob die ABA diese Aufgabe effizient erfüllt. Dazu werden zwei Parameter verwendet: 1) die Kosten für die Schaffung eines Arbeitsplatzes, die im Zeitraum von 2018 bis 2020 der ABA anfielen, verglichen mit jenen, die dem AMS anfielen, sowie 2) eine Hochrechnung der steuerlichen Rückflüsse von angesiedelten Unternehmen verglichen mit dem Budget der ABA. Nach einer Auswertung der Jahresberichte beider Agenturen, einer Hochrechnung der steuerlichen Rückflüsse, die bei einer internen Studie 2013 der ABA erhoben wurden, und einer ausführlichen Literaturrecherche, zeigte sich die ABA angesichts beider Parameter effizient. Ein geschaffener Arbeitsplatz kostete das AMS zwischen dem Doppelten (2020) bis zu dem Viereinhalbfachen (2018) der ABA. Das Budget der ABA betrug 15,82 % der steuerlichen Rückflüsse zwischen 2018 und 2020. Unter der Annahme, dass Unternehmen zehn Jahre in Österreich tätig sein würden, belief sich das Budget auf bloß 4,23 %.

Inhalt

Table of figures.....	5
List of Tables	6
Abbreviations.....	7
1. Introduction.....	8
2. Structure and Methodology.....	10
3. What is an Investment Promotion Agency?.....	12
3.1. General.....	12
3.1.1. Structure, staff and services	12
3.1.2. Diversity of mandates	15
3.1.3. The Four Key Functions of an IPA.....	16
2.2 Austrian Business Agency.....	29
2.2.1. A short history	29
2.2.2. Structure and mandates	30
2.2.3. Policy advocacy	32
2.2.4. Image building	33
2.2.5 Investment generation.....	37
2.2.6. Investor services.....	39
4. The importance of IPAs	43
4.1.1. What makes a foreign investor special?	45
4.1.2 R&D.....	49
4.2. How does the situation look in Austria?.....	52
4.1.1.4. Why are jobs from foreign investors a good thing for employees?	53
5. Evaluating the ABA's performance.....	57
5.1 A comparison of the costs for a job generated by the ABA and a job created by the AMS	57

5.1.1. Integration subsidies/”Aktion Come Back” (BEBE).....	58
5.1.2. Subsidies for the first employee (EPU).....	59
5.1.3. Non-profit employment projects (GBP)	60
5.1.4. Subsidies of socio-economic companies (SÖB)	60
5.1.5. Combination wages (KOMB).....	60
5.1. Comparing the costs for creating jobs	61
5.2.1. Calculating the effectiveness	61
5.2.1. Comparing cost efficiency	67
5.3 An approximation of the ABA’s monetary returns.....	71
5.3.1. Methodology of the 2013 study	72
5.3.2. Results of the 2013 study.....	74
5.3.3. Extrapolation for the ABA results of 2018 – 2020	75
6. Conclusion	78
References.....	81

Table of figures

Figure 1, ABA Budget between 2015 and 2021	30
Figure 2, progression of cost-efficiency of the AMS (2018-2020).....	67
Figure 3, Progression of cost-efficiency of the ABA (2018-2020).....	68
Figure 4, Progression of cost-efficiency of the ABA and the AMS (2018-2020).....	70
Figure 5, Progression of cost efficiency of the ABA and the AMS, excluding KOMB (2018-2020).....	71

List of Tables

Table 1, U.S. News Best Country Rating Austria	34
Table 2, Number of investments per year 2006 - 2020.....	39
Table 3, Average costs per employee (data from 2019).....	52
Table 4, 2018 amounts of € spent on the creation of jobs by type of subsidy.....	62
Table 5, 2019 amounts of € spent on the creation of jobs by type of subsidy.....	64
Table 6, 2020 amounts of € spent on the creation of jobs by type of subsidy.....	66
Table 7, Calculation of total tax volume of major enterprises (2008-2010)	75
Table 8, Calculation of total tax volume of small-scale enterprises (2008 - 20010).....	75
Table 9, Assumed distribution of major and small-scale enterprises (2018 - 2020)	76
Table 10, Extrapolated tax revenue in €.....	76

Abbreviations

ABA.... Austrian Business Agency
AMS... Arbeitsmarktservice (Public Employment Service Austria)
AWS ... Austria Wirtschaftsservice GmbH
BEBE ... Integration subsidies
ECA... Economic Cooperation Administration
EPU ... Subsidies for a company's first employee
FDI... Foreign Direct Investment
FFG ... Austrian Research Promotion Agency
GBL... Gesellschaft des Bundes für industriepolitische Maßnahmen
GBP ... Subsidies for non-profit employment projects
ICD Austria ... Industrial Cooperation and Development Company Austria
ICT ... Information and communications technology
IDA... Industrial Development Authority (Ireland)
IPA... Investment Promotion Agency
KOMB ... Combination wages
MIGA Multilateral Investment Guarantee Agency
MNC... Multinational Company
OECD ... Organisation for Economic Co-operation and Development
ÖIAG... Österreichische Industrieholding AG
R&D ... Research & Development
SDG... Sustainable Development Goals
SÖB ... Subsidies for socio-economic companies
UNCTAD ... United Nations Conference on Trade and Development
WAIPA... World Association of Investment Promotion Agencies

1. Introduction

What is the unifying factor between Ireland's corporate taxes, Silicon Valley, and a €800.000 subsidy for the production of a James Bond movie in 2015¹? All of them are factors that attract investors towards specific countries.

Just like companies compete for the best employees on the job market, countries compete for foreign investments. Another of these factors which countries can use to their advantage are investment promotion agencies, or IPAs for short. The function of these institutions is in the name – they promote investment in their home country by interacting with foreign investors.

Austria is one of the many countries that provides potential investors with such a helping hand. The Austrian Business Agency (ABA) is a highly decorated IPA, whose tasks will, in all probability, only gain in importance in coming years.

The ABA is also the focus of this thesis, more specifically its efficiency.

To discuss these aspects, I will first delve into IPAs in general, in order to provide a broader understanding of their functions and mandates. A special focus will be given to the four key functions of an IPA: policy advocacy, image building, investment generation and investor services.² As a best practice example for policy advocacy in particular, I will take a closer look at the Irish IDA.

Afterwards, I will put the focus the ABA itself. To do so, I will first give a short history, before discussing the ABA's mandates and structure. This includes analysing the way the ABA handles its key functions in detail.

Moreover, I will talk briefly about the importance of IPAs by looking at what makes foreign investors special, both for the economy and for the general public.

Finally, I will use two parameters to evaluate the ABA's performance: the cost-efficiency of the ABA's effort to create jobs compared to the AMS' services meant to do the same, as well

¹ FISA (n.d.). James Bond – Spectre.

² Wells, L. T. Jr. & Wint, A. G. Marketing a Country: Promotion as a Tool for Attracting Foreign Investment. Page 158.

as an extrapolation of the monetary returns the Republic of Austria receives in form of tax revenue from companies the ABA serviced prior to their investment in Austria. The results of these analyses will be discussed in the last section of this thesis.

2. Structure and Methodology

In order to answer the question of the benefit that investment promotion agencies (IPAs) offer to the public, a systematic literature review was conducted as to provide a structured overview of current research about IPAs.

As basis for this thesis, I used the seminal publication “Marketing a Country: Promotion as a Tool for Attracting Foreign Investment” by Louis T. Wells and Alvin G. Wint, which first defined the tasks of an IPA in 2001 (revised edition). This information was supplemented by a variety of literature, as well as information from an interview with one of the ABA’s employees, Karin Derdak-Schwindt.

Using this information, I first gave a general overlook of the nature of an investment promotion agency. This includes the structure, staff and services as well as the diversity of mandates and especially the four key functions Wells and Wint defined for an IPA: policy advocacy, image building of the home country, investment generation and investor services. To exemplify the importance of policy advocacy in particular, I used the Irish IPA, IDA, which is considered a best practice example by experts. Since investor services include a wide array of tasks, I distinguished between pre-investment, implementation, and post-investment services.

Secondly, I profiled the focus of my thesis, the Austrian Business Agency (ABA). After a short history of the company, I discussed its structure and mandates, detailing the different services and approaches for each of the four key functions.

To further explore the importance of IPAs, I took a look at the most important benefits of an IPA for both the home country’s economy at large as well as for employees. The former includes discussions of different kinds of spillovers and the disproportionate contribution foreign investors make to an economy’s R&D investments, while the latter focusses on the higher wages and qualification profiles of foreign-investor created jobs.

For the evaluation of the ABA's performance, I used two different methods:

- A comparison of the average costs of a job created by investments facilitated by the ABA and those created by the AMS' subsidies compared to both companies' budgets.
 - For the ABA's costs I used its budget between 2018 and 2020, dividing it by the number of created jobs. For a more detailed analysis, I looked at both the total numbers and the numbers of each year.
 - For the AMS' costs I did not use the company's entire budget, but just the money used for certain subsidies (integration subsidies (BEBE), subsidies for a company's first employee (EPU), non-profit employment projects (GBP), subsidies for socio-economic companies (SÖB) and combination wages (KOMB)) which are used for the creation of new jobs. Combination wages were only partly considered since the creation of jobs is a possibility with this subsidy, but not the main focus.

To provide a detailed analysis, I not only looked at total numbers as well as year-specific data, but also at the differences between the subsidies.
- The ratio of the monetary returns the Republic of Austria receives via tax revenue paid by companies that have invested in Austria with help from the ABA and the state-provided budget the ABA receives. To do so, I used a 2013 internal study done by Leitner and Leitner and extrapolated the tax returns for the years 2018, 2019 and 2020, before comparing it to the ABA's budget.

3. What is an Investment Promotion Agency?

3.1. General

3.1.1. Structure, staff and services

As the name suggests, an investment promotion agency (IPA) is an institution tasked with bringing foreign direct investments (FDI) to its home country. Since the mandate or mandates of an IPA are issued by its government, 90% of all IPAs are public institutions.³ These institutions can either be integrated into the responsible ministry (18%), the president's office (9%) or be kept as either an autonomous or semiautonomous agency (26% and 37%, respectively).⁴ IPAs that are part of their ministry rely on its budget, while autonomous agencies have an independent budget, of which 85% are allocated by the government.⁵ Overall, the median budget for an IPA is an annual US\$7 million with an extra US \$2.3million for investment promotion. In OECD countries, the budgets are even higher, with a median of US \$13.9.⁶ At the same time, the allocated funds for some IPAs are even higher with budgets exceeding US\$200 million.⁷

As a public institution, an IPA has to report to higher ranked officials. These can be one or more ministries, a board of directors, the home country's prime minister or president, or both a ministry and a board of directors.⁸ Of all those options, reporting to a minister is by far the most common one, with 60% of IPAs, which responded to the WAIPA (World Association of Investment Promotion Agencies) Survey in 2019, doing so. In comparison, only 14% respectively report to an agency board or the Prime minister's office of their home country.⁹ However, these numbers seem to be in flux, since in 2004, two-thirds of IPAs still reported to a board of directors and only 10% to either the prime minister or the president of the home

³ Morisset, J. & Andrews-Johnson, K. (2004). The Effectiveness of Promotion Agencies at Attracting Foreign Direct Investment. Page 46.

⁴ World Association of Investment Promotion Agencies (WAIPA) (2020). State of Investment Promotion Agencies: Evidence from WAIPA-WBG's Joint Global Survey. Page XII.

⁵ Ibid. 18.

⁶ Volpe Martincus, C., Sztajerowska, M. (2019). How to Solve the Investment Promotion Puzzle: A Mapping of Investment Promotion Agencies in Latin America and the Caribbean and OECD Countries. Page XXIII.

⁷ Volpe Martincus, C. et al. (2020). How Effective is Investment Promotion? Firm-Level Evidence. Page 1.

⁸ Morisset & Andrews-Johnson (2004). The Effectiveness of Promotion Agencies. 47.

⁹ WAIPA. State of Investment Promotion Agencies. 10.

country. The slow growth of IPAs that report to a head of state may be explained on the grounds that studies show that, if all other factors stay the same, IPAs secure higher FDI flows if they report directly to either the president or the prime minister. This is mainly attributed to the higher importance of investment promotion that this organisational structure signifies, as well as a more direct way to influence policies.¹⁰

Yet, while IPAs are public in nature, their character is more often influenced by the private sector. One indication for this is the make-up of the board of directors, if the IPA reports to one: in OECD countries, 38% of board members are representatives from the private sector, in Latin America and the Caribbean it is as high as 63%.¹¹ While the public servants on the board link the IPA to its government, the members from the private sector offer the IPA visibility and credibility to potential investors, the clients of an IPA.¹² In the eyes of them, a representative may be more trustworthy when they have a background in the private sector, while government institutions seem biased more easily. The agency itself also profits from the connections those board members have. Advocating for policies on both investment issues and management of the IPA also may be easier.¹³

Experiences in the private sector are also valuable because the board of directors is usually responsible for the creation of an IPA's global strategy.¹⁴ In 2019, 70% of the IPAs which responded to the World Association of Investment Promotion Agencies' (WAIPA) Census of IPAs stated that they had a multiyear strategy.¹⁵ These strategies are strongly influenced by Sustainable Development Goals (SDG), especially for the identification of sectors and/or activities for investment, as well as the establishment of strategic partnerships with policymakers.¹⁶ Since IPA's tend to focus on too many sectors at once¹⁷, employing members of the board who come with detailed knowledge about the goings-on in the market can help to narrow down the number of sectors. Pinpointing the right ones can be vital, considering that in 2010, a study compared the FDI inflows in targeted vs non-targeted sectors and found that in

¹⁰ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies. 49.

¹¹ Volpe Martincus & Sztajerowska. How to Solve the Investment Promotion Puzzle. XXIII.

¹² Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies. 47 – 48.

¹³ Ibid.48

¹⁴ Ibid. 47.

¹⁵ WAIPA. State of Investment Promotion Agencies. 1.

¹⁶ Ibid. 2.

¹⁷ Ibid.

developing countries, targeted sectors receive more than twice as much FDI as non-targeted sectors.¹⁸

Furthermore, the Global Investment Competitiveness Report from 2019/2020, has shown that many IPAs do not reach their full potential because of three reasons: an inability to respond to new global developments in a timely and/or satisfactory fashion, a lack of strategic focus or a variety of services that fail to include the ones investors truly need.¹⁹ An up-to-date strategy with clearly defined goals and sectors can combat these restrictions.

At the same time, individuals, who have been previously in the investor's position, are more likely to identify the services that a client would profit from.²⁰

Playing into the problem of not offering the required services, IPAs tend to focus their services on the stages of investment attraction and establishment, while investors would prefer services across the entire investment cycle.²¹

In general, investors appreciate the help of IPAs. Two-thirds of the investors surveyed in the Global Investment Competitiveness Report considering the services provided either "important" or even "critically important".²² This is especially impressive since investment promotion is a relatively new phenomenon, with a majority of IPAs having been established in 1980 or later.²³

However, it isn't just the board of directors in which private sector experience and diversity are important. Nevertheless, out of the 104²⁴ to 161 people²⁵ an IPA employs on average, only 60% have held positions in the private sector before²⁶, although staff with private sector experience is one of the factors linked to better performance²⁷. Employees that have been trained in public

¹⁸ Harding, T. & Javorcik, B. (2010). Roll out the Red Carpet and They Will Come: Investment Promotion and FDI Inflows. Page 17.

¹⁹ Heilbron, A. & Kronfol H. (2020). Increasing the Development Impact of Investment Promotion Agencies. 170.

²⁰ Ibid 175.

²¹ Ibid. 176

²² Ibid. 176.

²³ Harding & Javorcik. Roll out the Red Carpet and They Will Come. 1.

²⁴ Volpe Martincus & Sztajerowska. How to Solve the Investment Promotion Puzzle. XXIV.

²⁵ WAIPA. State of Investment Promotion Agencies. XII.

²⁶ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies. 47.

²⁷ Heilbron & Kronfol. Increasing the Development Impact of Investment Promotion Agencies. 174.

institutions have the tendency to be task-, instead of customer-focussed, which can be a hindrance in a field like investment promotion.²⁸

3.1.2. Diversity of mandates

Usually, an IPA is not only responsible for foreign investment promotion, but also has additional mandates. The most common one is the promotion of domestic investment, but IPAs can also be tasked with the promotion of export, privatisation, or a mix of all three. Studies have shown that the more restricted the income level of a country, the more likely it is that the IPA has more than one mandate. Literature suggests that this might be because agencies have to combine tasks when their budget is restricted.²⁹ If entrusting IPAs with several mandates is helpful or not has not been decided yet.³⁰ Synergies could be found in areas like administration, image building or foreign offices, however merging mandates with the sole goal of reducing spending could divert time and resources away from investment promotion. There is also a negative association between FDI inflows and the combination of investment promotion and trade and/or outward investment.³¹

Other studies suggest that the influence of the number of mandates varies over the life cycle of the IPA. In IPAs in developing countries, such as the Rwanda Development Board, which tend to have been established more recently, there is a negative association of the number of mandates and the FDI flow it produces.³² The effectiveness in procuring FDI flows of IPAs from developed countries, however, does not seem to be impacted by the number of mandates.³³

²⁸ Ortega, Celia & Griffin, Carlos (2009). *Investment Promotion Essentials: What Sets the World's Best Investment Facilitators Apart From the Rest*. Page 2.

²⁹ Morisset & Andrews-Johnson. *The Effectiveness of Promotion Agencies*. 48.

³⁰ Heilbron, A. & Kronfol H. *Increasing the Development Impact of Investment Promotion Agencies*. 173.

³¹ Ibid. 174.

³² World Bank Group (2020). *Global Investment Competitiveness Report 2019/2020: Rebuilding Investor Confidence in Times of Uncertainty*. Page 182.

³³ Morisset & Andrews-Johnson. *The Effectiveness of Promotion Agencies*. 50.

In their study on the effectiveness of investment promotion agencies in attracting FDI Morisset and Andrews-Johnson (2004) included a list of possible mandates, which included the following³⁴:

- “Promotion of FDI
- Promotion of domestic investment
- Export promotion
- Promotion of privatisation
- Foreign investor registration or licencing
- Granting fiscal or other incentives
- Management of industrial estates or free trade zones
- Financial assistance to local entrepreneurs
- Technical assistance or training to local entrepreneurs”

3.1.3. The Four Key Functions of an IPA

In 2001, Louis T. Wells, Jr. and Alvin G. Wint published a study with the title “Marketing a Country: Promotion as a Tool for Attracting Foreign Investment”, the first of its kind. In it, they described the basic functions and the structures of IPAs. Even nowadays, the general ideas of the authors hold true.

Initially, Wells and Wint defined three key functions of an IPA, later adding a fourth one³⁵:

- Image building of the home country
- Investor services
- Investment generation
- Policy advocacy

³⁴ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies. 73.

³⁵ Wells, L. T. Jr. & Wint, A. G. (2001). Marketing a Country: Promotion as a Tool for Attracting Foreign Investment. Page 158.

The effectiveness, especially compared to the cost of the function itself, differs between the different tasks, which is neither always reflected in the emphasis put on each function, nor in the visibility of the task in the public's eye.

In the following paragraphs, I will take a closer look at the key functions, in the chronological order an IPA can work to generate investment: policy advocacy, image building, investment generation and investor services.

3.1.3.1. Policy advocacy

Any investment promotion is in vain as long as the climate in the IPA's home country does not offer good conditions for investment. Therefore, any attempt to attract investments should start before the first contact with an investor. As a connection between investors and governments, IPAs have a unique position from which they influence their home country's policies and through that, the business climate.³⁶

Policy advocacy can be divided into two large subsections: corrective and strategic. Corrective advocacy relates to IPAs pinpointing a specific problem and advocating on how to solve it, while strategic advocacy tries to create new ways of attracting business by influencing policy in several different, but interconnecting areas.³⁷ Both of those can influence the general investment climate, whose quality is positively correlated with the effectiveness of an IPA. This, in turn, promises higher FDI inflows. In general, policy advocacy appears to be the function with the most effect on FDI flows.³⁸

However, only 7% of the average budget of an IPA is spent on it.³⁹ Additionally, 76% of IPAs state that policy advocacy is part of their mandates, yet 35% of them recognise their failure in engaging in it.⁴⁰

This may help explain why IPAs are mostly associated with the attraction of investment, image building and investor services.

³⁶ Heilbron, & Kronfol. Increasing the Development Impact of Investment Promotion Agencies. 175.

³⁷ ECORYS (2013). Exchange of Good Practice in Foreign Direct Investment Promotion. Page 23.

³⁸ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies. 36.

³⁹ Ibid. 6.

⁴⁰ Heilbron, & Kronfol. Increasing the Development Impact of Investment Promotion Agencies. 175.

3.1.3.1.1. The IDA as a prime example for policy advocacy

An interesting case to look at when discussing policy advocacy and its effect on a country's appeal to foreign investors is Ireland, and its IPA, the Industrial Development Authority (IDA). While most of Europe had already moved towards a freer trade in the 1950s, Ireland still held on to its protectionist policies for another ten years, leading to a staggering growth and employment rate. In the middle of this period, the IDA was founded in 1949 as part of the Department of Industry and Commerce.⁴¹ The instalment of the IDA was part of an overall switch in ideology from protectionism to a more outward orientation, whose goal it was to turn Ireland into an exporting economy. To do so, the government strove to modernise and re-orient the Irish economy itself, while at the same time, attracting foreign investment.⁴² Within this new strategy, the IDA was first given two main tasks: initiation of proposals for the creation of industries and the attraction of foreign investors, as well as the review and conduct of tariff policy.⁴³ The latter was an attempt to free the decisions on subjects such as tariffs, quotas and duty-free import licenses from political influence, which had been in the hands of changing politicians until then, and therefore was highly debated.⁴⁴ For the initiation of proposals, the same held true. Especially the Ministry of Finance was opposed to handing over control to another agency, instead suggesting that the IDA should merely provide facts and statistics to potential investors.⁴⁵ While the power to offer industrial grants would be added to the IDA's mandates later, An Foras Tionscal, an agency that had been established for only this task, would take care of the offering of grants until 1969.⁴⁶

While at first, the IDA had focussed on the attraction of products to the export pool, it only took until November 1949 until the IDA proposed the first change in policy: the waiving of the Control of Manufactures Act after a number of potential American investors had been prevented

⁴¹ Barry, Frank. (2008). Ireland - Politics, institutions and post-war economic growth. Page 24.

⁴² O'Donnell, R. (1998). Ireland's Economic Transformation – Industrial Policy, European Integration and Social Partnership. Page 4.

⁴³ Ibid. Page 463.

⁴⁴ Ibid. 464.

⁴⁵ Barry & Ó Fathartaigh (2015). The Industrial Development Authority. Page 466.

⁴⁶ Ibid. 472.

from investing in the UK.⁴⁷ As a piece of clearly protectionist legislation, the Control of Manufactures Act was diametrically opposed to the IDA's interests.

While the Department of Finance still insisted that the IDA should focus its efforts on import substitution, it soon became obvious that the IDA would not accept this as its "sole and specific task."⁴⁸ As American investment was still highly sought after, the IDA took a two-phase programme, called the "I.B.E.C. Technical Services Corporation report", which the US Economic Cooperation Administration (ECA) published regarding the IDA's efforts to recruit American investors, very seriously. In this paper, the ECA proposed first an appraisal of Ireland's industrial potential, and the specific attractiveness of different sectors, followed by the IDA focussing on a select number of prospects with high potential, instead of the prior attempts to attract investors in a more general manner. This would have helped to target the IDA's attention to worthwhile investment opportunities. While the approach suggested by the ECA wasn't adopted by the IDA, the report made the IDA aware of a tax system reform by Puerto Rico with the goal of making the island a more attractive destination for manufacturing. When the IDA published a report on a visit to the United States in 1956, the tax reform was featured prominently, especially since many US firms had asked after concessions.⁴⁹ In the same year, the Taoiseach, the Irish prime minister, John A. Costello announced the introduction of export tax relief.⁵⁰

As the IDA still focussed on the USA, it instated a special representative there in 1956, which led to the establishment of a branch office in New York. At the same time, the Irish government published a list of reasons why Ireland should be considered an attractive market for foreign investment. With these measures, the stock of American manufacturing FDI in Ireland rose from nothing to \$8 million between 1958 and 1964. Within another two years, it would make up 0,7% of all US manufacturing investment in Europe, a total of \$61 million.⁵¹

⁴⁷ Barry & Ó Fathartaigh. *The Industrial Development Authority*. 473.

⁴⁸ *Ibid.* 474.

⁴⁹ *Ibid.* Page 475.

⁵⁰ *Ibid.* 478.

⁵¹ *Ibid.* 477.

In 1969, the IDA merged with An Foras Tionscal, transferring the latter's mandates to the IDA's, giving it the power to offer industrial grants as well as turning the IDA into an autonomous state-sponsored corporate body.⁵²

While grants had been offered before by An Foras Tionscal, they had only been used as incentives to invest in the less economically developed western regions of the country instead of the eastern ones, the IDA could now offer grants to companies to attract new investment to Ireland.⁵³

Finally, in 1984, the IDA's influence had become so important that the Vanderbilt Journal of Transnational Law, Eugene P. Fanning called it "probably the most powerful governmental agency in Ireland. It acts as both coordinator and lobbyist for all matters relating to manufacturing and service industries as well as the industrial infrastructure (...) In short, the IDA is a full-service investment agency. If the IDA supports a particular investment, other officials rarely withhold their approval of consent."⁵⁴

The same can be said about the IDA nowadays, as it is still one of the IPAs most cited for best practice.⁵⁵ It helped transform Ireland from hardly interesting for foreign investment into a success story with a "cumulative FDI stock of US\$909 billion (UNCTAD 2019) is 237 percent of GDP and 2.6 times the European Union (EU) average."⁵⁶ This was possible, since the IDA helped shape legislation, by providing the Irish government with proposals for concrete improvements to better the business climate.

3.1.3.2. Image building of the home country

To make sure that investors consider the home country of an IPA as a potential location for expansion, image building is particularly important. Strongly influenced by the government's policy, the success of building a country's image depends both on the condition an IPA finds in its home country prior to its establishment and on the influence, it wields when it comes to new legislation. Done well, image building is the second most effective measure when it comes

⁵² Industrial Development Act (1969)

⁵³ Barry, F. (2008). Ireland- Politics, Institutions and Post-War Economic Growth. Page 24.

⁵⁴ Fanning, Eugene P. (1984). United States investment in Ireland. Pages 573-574.

⁵⁵ Morisset & Andrews-Johnson. The Effectiveness of Promotion. Page 2.

⁵⁶ World Bank Group. Global Investment Competitiveness Report 2019/2020. 190.

to investment promotion, following policy advocacy.⁵⁷ To promote a country, Morisset and Andrews-Johnson list a variety of possible activities, including focused advertising, public relations events, and the generation of favourable news stories by cultivating journalists.⁵⁸

In trying to bring FDI to a country, the country itself acts as the “product” which has to be advertised and sold to the potential buyer, the investor. Since decisions made by managers are not only influenced by facts and logics, but also by intangible factors like perceptions and stereotypes, it is possible to change them by image building. Just like with another kind of product, a preconceived notion about a country and its attractiveness can hide flaws and enhance positive aspects.⁵⁹ As Papadopolous et al. put it in their 2018 paper: “[...] country branding is concerned with the holistic image of a country as it includes political, economic, and sociocultural perspectives.”⁶⁰

During early site selection, managers develop a long list of possible investment locations, typically including 8-10 countries. These countries are usually part of one of these three groups: part of the most popular FDI locations worldwide, countries in proximity of the home country, or emerging FDI locations. This is the step of the process where a well-built and well maintained image of a country can help to convince a manager to consider it as a target for expansion, especially if the home country is part of the third category.⁶¹ Another important aspect for IPAs is to know what the potential investor is looking for, as to highlight the appropriate advantages.⁶²

In his 1998 paper “Location and the Multinational Enterprise: A Neglected Factor?”, John H. Dunning outlined four main reasons why a firm considers investing in another country:⁶³

- Resource-seeking: availability, price and quality of natural resources as well as the infrastructure to exploit them and export the resulting products, local partners to jointly

⁵⁷ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies. 4.

⁵⁸ Ibid. 7.

⁵⁹ Papadopolous N. et al (2018). The Role of Country Branding in Attracting Foreign Investment: Country Characteristics and Country Image. Page 91.

⁶⁰ Ibid. 92.

⁶¹ Harding & Javorcik. Roll out the Red Carpet and They Will Come. Page 5.

⁶² Wilson, R. T., Baack D. W., Baak, D. (2014): Foreign Direct Investment Promotion: Using Advertising To Change Attitudes And Behaviors. Page 110.

⁶³ Dunning, J. (1998). Location and the Multinational Enterprise: A Neglected Factor? Page 53.

promote knowledge and/or capital intensive resource exploitation with, investment incentives such as tax holidays

- Market-seeking: growing domestic and adjacent regional markets such as the EU, availability and price of skilled labour, presence of related firms such as suppliers, quality of infrastructure and institutional competence, less spatially related market distortions but increased role of agglomerative spatial economies and local service support facilities
- Efficiency-seeking: freedom to engage in trade, especially via agglomerative economies such as export processing zones and the availability of specialised clusters as well as opportunities for new initiatives, investment incentives such as tax breaks or grants, production cost related issues such as affordable labour, materials and machinery
- Strategic asset-seeking: availability of knowledge related assets, especially in an age where geographical dispersion of those is growing and has to be sourced from various locations, price and availability of “synergistic” assets, possible exchange of localised tacit knowledge and ideas, access to different cultures, institutions and systems, as well as different consumer demands and preferences

If an IPA can provide strong arguments for the appropriate set of country attributes, it is possible to change a manager’s attitude, as long as other aspects of the country’s image, such as government policy, are acceptable to the investor as well. Is that not the case, advertisements may even have a negative effect and be considered “insincere, lacking credibility, and possibly as propaganda”.⁶⁴ Morisset and Andrews-Johnson argue that “to be effective, image-building activities should be pursued only if the image of a country is actually worse than the real contentions [...]”⁶⁵.

When it comes to the advertisements themselves, it seems that it can be of more use to have an advertisement which is generally well-liked compared to presenting only compelling arguments and information.⁶⁶ However, it is important to keep in mind that, while related, country

⁶⁴ Wilson, Baack, Baak. Foreign Direct Investment Promotion. 110.

⁶⁵ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies. 35.

⁶⁶ Wilson, Baack & Baak, Foreign Direct Investment Promotion. 119.

promotion and branding for investment need different constructs and abilities, with promotion being part of marketing, but not enough to constitute country branding.⁶⁷

Country branding has to relate to more than just investment and plays a bigger part in the interventionist view of investment promotion, which considers good business climate to not be enough to attract FDI. Additionally, it needs a favourable perception of the country and awareness of the investment process once the firm has invested. Opposed to this is the neoclassical view of investment promotion, which expects an investor to choose an FDI location only based on the business climate it offers.⁶⁸

However, there are differences between Dunning's location factors when it comes to the persuasion power. The most easily influenced are market- and strategic asset-seeking factors.⁶⁹ Efficiency-seeking factors do not seem to influence the decision for or against an investment.⁷⁰ At the same time, efficiency-seeking factors are the ones where attitude shifts are the most likely when investors are faced with an unfamiliar country.⁷¹

Image building measures for efficiency-seeking factors for familiar countries suffer in this aspect, since the attention of the individual is focussed on confirming existing knowledge, instead of trying to process new information. This difference may lie in the nature of the assets themselves: whereas market- and strategic assets are observable, efficiency-seeking assets are more related to government work and the expectations of its development.⁷²

As there is an overwhelming amount of information about every possible investment location available, it is unsurprising that IPAs have started to shift from more general, unfocussed promotion to promotion which highlights specific and available location advantages and features. This can make an especially strong impact, since IPAs are often the first entity which is contacted when a country is considered by an investor.⁷³

⁶⁷ Papadopoulos et al. The Role of Country Branding in Attracting Foreign Investment. 93.

⁶⁸ Ibid.

⁶⁹ Wilson, Baack & Baak, Foreign Direct Investment Promotion. 119.

⁷⁰ Ibid.

⁷¹ Ibid.

⁷² Ibid.

⁷³ Harding & Javorcik. Roll out the Red Carpet and They Will Come. 6.

3.1.3.3. Investment generation

Investment generation, just like policy advocacy and image building, happens before a potential investor has entered into a conversation with an IPA. It includes more general activities, such as targeting specific sectors when it comes to advertisements and policy advocacy, as well as finding companies which could potentially be interested in investing in the home country. Morisset and Andrews-Johnson (2004) include the following activities in investment generation: identification of potential sectors and investors, direct mailing, telephone campaigns, investor forums and seminars, and individual presentations to targeted investors.⁷⁴

As the first point of contact of an investor, IPAs can be seen as a catalyst between traditional FDI determinants and investor decisions.⁷⁵ Still, it is only ranked last when it comes to association with FDI inflows.⁷⁶

The decision which industries to target is an especially important one since targeted sectors receive substantially more FDI than non-targeted sectors. In developing countries, for example, targeted sectors have more than double the FDI as non-targeted ones. In US affiliates abroad, the employment in targeted sector is 68% above the employment in non-targeted sectors.⁷⁷ According to a 2007 article by Charlton and Davis, out of 120 national investment promotions, 70% report having target industries, with more than half of them having specialised staff as well.⁷⁸ This highly specialised staff and the ensuring travel costs are what makes investment generation expensive and not as cost effective as policy advocacy, for example.⁷⁹

Out of the 70% of IPAs with targeted sectors, eight in ten offer specialised services to potential clients and all of them prioritise investors from those industries.⁸⁰ Some IPAs, such as Invest Lithuania, also prioritise certain markets, in this case Northern Europe and the USA. To do so, it has representative offices in Belgium and the USA.⁸¹

⁷⁴ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies. 33.

⁷⁵ Papadopoulos et al (2018). The Role of Country Branding in Attracting Foreign Investment. 94.

⁷⁶ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies.34

⁷⁷ Harding & Javorcik. Roll out the Red Carpet. 2.

⁷⁸ Charlton A. & Davis, N. (2007). Does Investment promotion work? Page 6.

⁷⁹ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies. 35.

⁸⁰ Charlton. & Davis. Does Investment promotion work? 6.

⁸¹ Miškinis, A. & Byrka, M. (2014). The Role of Investment Promotion Agencies in Attracting Foreign Direct Investment. Page 54.

There are two rationales for the targeting of both sectors and markets: to focus resources where they will have the largest effect on the volume of FDI and to focus them where they will help most to improve the quality of FDI.⁸²

Investment generation also is often the mandate an IPA focusses on. In the seminal 2001 paper by Wells and Wint, out of the ten IPAs that were examined, seven had started with a focus on image-building. Six of those agencies had shifted their focus to investment generation instead over time, while, at the time of the study, the seventh was also moving to an emphasis on investment generation.⁸³ This makes sense, since image building only works if the image is worse than the actual conditions.⁸⁴

Compared to image building, the promotional material used for investment building has to be more personal, involving direct contact instead of advertisements geared towards groups of investors. This can go as far as to establish oversea offices to communicate with specific companies more directly.⁸⁵

3.1.3.4. Investor services

In general, there are three types of investment services an IPA can offer⁸⁶:

- Pre-investment decision services
- Implementation services
- Post-investment decision services

Investor services start once an investor has decided that an IPA's home country is a potential FDI location, but they can, and should, last over the whole investment cycle of an investor. This attitude has changed dramatically since the early 2000s. Before, investment promotion was mainly used to influence and attract investors, without a significant offer to help investors after their decision to invest in the home country.⁸⁷ This lack of focus on implementation and post-

⁸² Charlton & Davis. Does Investment Promotion Work? 6.

⁸³ Wells & Wint. Marketing a Country. 40-41.

⁸⁴ Morisset & Andrews-Johnson. The Effectiveness of Promotion Agencies.33.

⁸⁵ Wells & Wint. Marketing a Country. 147.

⁸⁶ Ibid. 161.

⁸⁷ Heilbron A. & Aranda-Larrey Y. (2020). Strengthening Service Delivery of Investment Promotion Agencies: The Comprehensive Investor Services Framework. Page 1.

establishment services can pose a problem, since they also are valuable to investors. Overall, 60% of investors consider at least one IPA service “critically important” and almost 90% find at least one service “important” or “critically important”.⁸⁸ Often overlooked, services offered in the post-investment phase, are vital for the business decisions.⁸⁹ This asymmetry may lead to IPAs offering services that are not valued by investors, while at the same time failing to provide more sought-after help.⁹⁰ Investor-centric IPAs should keep in mind that it is important to offer services at every stage of the investment cycle: “attraction, entry and establishment, retention and expansion, linkages and spillovers (host country’s perspective)”⁹¹ or “planning, exploration, validation of the selected location establishment, operation, expansion, diversification and linkage, and transition (investor’s perspective).⁹²”

Governments can also offer and be active in all three types, but mainly focus on two of the other main activities of IPAs, image building and investment generation.⁹³

3.1.3.4.1 Pre-investment services

To decide on an FDI location, investors need detailed information on those locations. Providing this information in an accessible and low-threshold way is part of an IPAs tasks.

The service most used during the decision-making process by investors to gain knowledge is an IPA’s website. Therefore, the information presented on the website must be credible, up-to-date, comprehensible, and relevant to the sector the investor is part of. Sector, or even segment-specific data for the targeted fields is important.⁹⁴ This can include information on logistics, costs, infrastructure, local and regional markets, competitors, and available markets.⁹⁵ At the same time, inquiries by interested parties have to be responded to quickly and with care. A well-handled inquiry may influence the upcoming decision process and can set a precedent of trust early on. Furthermore, requests for information on the home country are a good source for

⁸⁸ Heilbron & Kronfol. Increasing the Development Impact of Investment Promotion Agencies. 175.

⁸⁹ Ibid. 176.

⁹⁰ Heilbron & Aranda-Larrey. Strengthening Service Delivery. 2.

⁹¹ Heilbron & Kronfol. Increasing the Development Impact. 172.

⁹² Ibid.

⁹³ Wells & Wint. Marketing a Country: Promotion as a Tool for Attracting Foreign Investment. 26.

⁹⁴ Heilbron & Aranda-Larrey. Strengthening Service Delivery. 7.

⁹⁵ Ibid. 7-8.

investment leads, which are more efficient and less costly than other, proactive activities. However, IPAs are often not handling these inquiries to the best of their ability, with a global downward trend visible in the Global Investment Promotion Best Practices of 2012.⁹⁶

3.1.3.4.2. Implementation services

Once an investor is convinced to invest, the implementation phase starts. Since the investor usually has no, or little, experience with business in the host country, the IPA can help with the implementation. The farther away the home country of an investor is, the more important this type of service.⁹⁷ In some countries, these services are offered by private sector groups, for example law or accounting firms, however, in countries where there is a lack of these companies, they are not well organised or their services are too expensive, IPAs may continue to support the investor.⁹⁸ This kind of long-term relationship is something most investors strive for, since a healthy relationship with an IPA can be a stepping stone towards a beneficial relationship with the future host economy. Services like this should offer support with regard to operation, retention, and expansion.⁹⁹ For example, the IPA may establish contact between the investor and potential local suppliers or partners for a joint venture or help with dealing with red tape.¹⁰⁰

The Global Investment Competitiveness Report (2019/2020) found that two thirds of investors consider the assistance of an IPA with their business operation “important” or “critically important”.¹⁰¹ This continuous work alongside an investor also has a benefit for the IPA: it helps with understanding the problems investors face better, makes an IPA more attentive to the investor’s needs and through that, can help with their effectiveness as policy advocates.¹⁰²

⁹⁶ International Finance Corporation; World Bank; Multilateral Investment Guarantee Agency (2013). Global Investment Promotion Best Practices 2012: Seizing the Potential for Better Investment Facilitation in the MENA Region. Page 29.

⁹⁷ Heilbron & Aranda-Larrey. Strengthening Service Delivery of Investment Promotion Agencies. 8.

⁹⁸ Wells & Wint. Marketing a Country. 162.

⁹⁹ Heilbron & Aranda-Larrey (2020). Strengthening Service Delivery of Investment Promotion Agencies. 3.

¹⁰⁰ Charlton & Davis. Does Investment promotion work? 1.

¹⁰¹ Heilbron & Kronfol (2020). Increasing the Development Impact of Investment Promotion Agencies. 170.

¹⁰² Wells & Wint. Marketing a Country. 161-162.

3.1.3.4.3. Post-investment decision services

Looking at the investment cycle, half of it is made up of post-establishment stages from the host country's perspective, and almost half from the investor's project cycle.¹⁰³ Therefore, post-investment services, also called aftercare, are an important part of an IPA's tasks. Still, most IPA activities are focussed on facilitation instead of aftercare, with 59% of agencies providing facilitation services, while only 36% provide post-investment decision services.¹⁰⁴

Aftercare is designed to help existing investors to operate more successfully, expand or diversify their operations or link them to local suppliers.¹⁰⁵ The most offered aftercare service is structured trouble-shooting with individual investors (81%), compared to matchmaking with local suppliers (65%), assistance in recruiting local staff (39%) and training or educational programmes for local staff (19%). Training of staff often is carried out by other public institutions.¹⁰⁶

The idea behind these tasks is that an already established investor will try to widen their influence within the host country, and through that, will attract other investors.¹⁰⁷ FDI can also lead to productivity spillovers to local firms, especially amongst local suppliers, which, in turn, helps to attract more investment.¹⁰⁸ If a firm transfers know-how to an affiliate or plant in another country, domestic firms can learn about it in non-market transactions. In most cases, this happens along industry or regional lines. Within industries information usually is transferred via informal contacts, discussions between suppliers and distributors or trade shows. Regional spillovers happen via job transfers.¹⁰⁹ Haskel et. al. estimated that the per-job value of FDI spillovers to be approximately \$4,300 in 2000 prices.¹¹⁰

¹⁰³ Heilbron & Kronfol. Increasing the Development Impact. 172.

¹⁰⁴ OECD (2018). Mapping of Investment Promotion Agencies in OECD countries. Page 43.

¹⁰⁵ Heilbron & Aranda-Larrey. Strengthening Service Delivery of Investment Promotion Agencies. 6.

¹⁰⁶ OECD (2018). Mapping of Investment Promotion Agencies in OECD countries. Page 46.

¹⁰⁷ Harding & Javorcik. Roll out the Red Carpet and They Will Come. 3.

¹⁰⁸ Ibid.

¹⁰⁹ Haskel, J. E., Pereira, S. C., & Slaughter, M. J. (2007). Does Inward Foreign Direct Investment Boost the Productivity of Domestic Firms? Page 483-484.

¹¹⁰ Ibid 482.

Also, just like with the implementation services, post-investment decision services can help the IPA to understand the barriers investors face, making them more proficient when it comes to policy advocacy.¹¹¹

2.2 Austrian Business Agency

2.2.1. A short history

The Austrian Business Agency was established in 1982 under the name Industrial Cooperation and Development Company Austria (ICD Austria). This first iteration of an Austrian investment promotion agency was a subsidiary of the Österreichische Industrieholding AG (ÖIAG), which held 100% of the shares until 1983. Since the ÖIAG's state-owned industries had problems in certain areas of Austria, the ICD's designated purpose was the creation of jobs there, as well as in areas with general industrial difficulties. Since the ICD Austria was limited to suggesting locations to investors, who would make the final decision, it wasn't particularly well suited for that purpose.¹¹²

Therefore, in 1984, the ÖIAG sold 51% of shares to the Republic of Austria, holding the rest for only another five years. In 1989 the Gesellschaft des Bundes für industriepolitische Maßnahmen (GBI) bought the remaining 49%.

Independently from changes in ownership, the ICD Austria also made efforts to expand its operations by establishing offices in San Francisco (1985), Tokyo (1987), and Wiesbaden (1990). While temporarily successful, the offices in the USA and Japan were closed down in 2013 due to budgetary reasons.

In 1992, the GBI increased its stake in the company to 80% of shares, the rest remaining with the Republic of Austria.

Finally, in 1995, the Federal Ministry for Economic Affairs bought the entirety of shares, becoming the sole owner of the newly rechristened Austrian Business Agency. This ownership

¹¹¹ Wells & Wint. Marketing a Country. 162 – 163.

¹¹² K. Schwind-Derdak (11.10.2021). Personal communication. As no official history of the Austrian Business Agency is available, this following chapter is based on a conversation with Ms Schwind-Derdak, who has access to internal documents due to her job at the ABA. Exclusions are marked and cited accordingly.

structure has not changed since then. However, new departments and tasks were added to the ABA's mission: FILM in AUSTRIA (formerly Location Austria) and Work in Austria.

The effort made by the ABA was acknowledged on a global stage, with the British company GDP Global and the World Bank subsidiary Multilateral Investment Guarantee Agency (MIGA) awarding the ABA the third place worldwide in their IPA Performance Benchmarking report in 2004.¹¹³ Five years later, in 2009, the World Bank Group even called the ABA the best IPA worldwide in their Global Investment Promotion Benchmarking report.¹¹⁴ In 2012, the ABA's website was awarded the first place among OECD high-income country IPAs¹¹⁵ as well as the seventh place in inquiry handling.¹¹⁶

2.2.2. Structure and mandates

The Austrian Business Agency (ABA) is a public institution which reports to the Federal Ministry for Digital and Economic affairs, which holds 100% of the shares.¹¹⁷ As such, the entirety of the budget comes from the Republic of Austria. Between 2015 and 2018 these funds stayed relatively stable, with a steep increase in 2019.¹¹⁸

	2015	2016	2017	2018	2019	2020	2021
Budget (in € millions)	5,8	4,9	4,5	5,0	8,0	7,2	7,2

Figure 1, ABA Budget between 2015 and 2021¹¹⁹

Currently, ABA has 32 employees, as well as 11 working for Work in Austria¹²⁰, and 3 employed by FILM in AUSTRIA¹²¹. Apart from usual division, such as into administrative staff, communication staff, etc., the ABA staff is divided into geographical areas, which said

¹¹³ K. Schwind-Derdak (11.10.2021). Personal communication.

¹¹⁴ Multilateral Investment Guarantee Agency (2009). Global Investment Promotion Benchmarking Report: Eyes on COMESA. Page 59.

¹¹⁵ Multilateral Investment Guarantee Agency (2012). Global Investment Promotion Benchmarking Report: Eyes On Africa, The Caribbean and The Pacific. Page 18.

¹¹⁶ Ibid. 28.

¹¹⁷ Austrian Business Agency. (n.d.). Aba – Invest in Austria: About Us

¹¹⁸ Bundesministerium für Finanzen (2020). Beteiligungsbericht 2021. Page 168.

¹¹⁹ Ibid.

¹²⁰ Work in Austria (n.d.). Mitarbeiter.

¹²¹ FILM in AUSTRIA (n.d.). About FILM in AUSTRIA (formerly Location Austria)

staff works with, and for.¹²² These divisions are highly influenced by the extent of interest investors from these areas show in investing in Austria. For example, both North and South America are handled by one team of three employees, while there are two teams who are focussed on Germany (divided into North and South).¹²³

The following divisions exist¹²⁴:

- Germany North
- Germany South
- Italy and Slovenia
- United Kingdom
- Western Europe
- South-Eastern Europe
- CEE
- Asia
- The Americas
- Africa and Middle East

For organisational reasons, both South-Eastern Europe and the United Kingdom are handled by the same team.¹²⁵ Additionally, there are departments for strategic investment, start-ups, communication, information management and research, as well as administration.¹²⁶

As most IPAs in more developed countries, the ABA only takes care of Wells' and Wint's four key mandates, with a focus on promotion of FDI as well as the support of already existing companies that are planning expansions in Austria. Important for a firm that wants to make use of the ABA's services is that the planned investment is either located in Austria, or, in case of a joint venture, has an Austrian partner that holds at least 25,1% of the shares of the new company.¹²⁷ One especially impressive example of an investment project that was tended to by

¹²² Austrian Business Agency (n.d.). Aba – Invest in Austria: Our Team

¹²³ K. Schwind-Derdak (11.10.2021). Personal communication.

¹²⁴ Austrian Business Agency. Aba – Invest in Austria: Our Team

¹²⁵ K. Schwind-Derdak (11.10.2021). Personal communication.

¹²⁶ Austrian Business Agency. Aba – Invest in Austria: Our Team

¹²⁷ K. Schwind-Derdak (11.10.2021). Personal communication.

the ABA is the German Infineon, which produces power semiconductors in Villach, and invested more than €1.6 billion in the enlargement of their Austrian headquarters in 2018.¹²⁸

2.2.3. Policy advocacy

Since the ABA reports directly to the Federal Ministry for Digital and Economic affairs and, at the same time, has hands-on experience when it comes to the problems new investors face in Austria, the Ministry occasionally draws on that expertise when it comes to reforms.

One such example is the 2017 reform of the Red-White-Red card.

Introduced in 2011, the Red-White-Red card was designed to offer qualified personnel an easy way to migrate to Austria and investors the option to install trusted employees in top positions when investing in Austria.¹²⁹ A good, but imperfect instrument, the decision was made to adjust the criteria necessary to obtain a Card, reduce bureaucratic obstacles as well as make it possible for start-up founders and university graduates with a bachelor's degree or a doctorate to apply for it. It also added incentives for students, who finished their degree in Austria, to stay in the country afterwards.¹³⁰ All these improvements, especially the start-up visa, were fleshed out in close collaboration with the ABA, as they had serviced countless investors during the process of application.¹³¹

In addition, the ABA offers a yearly advisory opinion on the quota of people that should be given a Red-White-Red Card, with a special focus on self-employed.¹³² In 2021, the quotas were defined as follows¹³³:

- Employed: 52
- Self-employed: 64
- Without employment: 37

¹²⁸ Austrian Business Agency. (05.12.2018). Infineon launches Austria's largest investment project.

¹²⁹ Austrian Business Agency (01.03.2019) Reform of the Red-White-Red Card: These are the highlights.

¹³⁰ Austrian Business Agency (02.03.2017). Mitterlehner/Mahrer: Red-White-Red Card to be made more attractive – launch of a new startup visa.

¹³¹ K. Schwind-Derdak (11.10.2021). Personal communication.

¹³² Ibid.

¹³³ Bundesregierung (2020). Verordnung der Bundesregierung, mit der die Anzahl der quotenpflichtigen Aufenthaltstitel und die Höchstzahlen der Beschäftigungsbewilligungen für befristet beschäftigte Fremde und Erntehelfer für das Jahr 2021 festgelegt werden.

- Total: 153

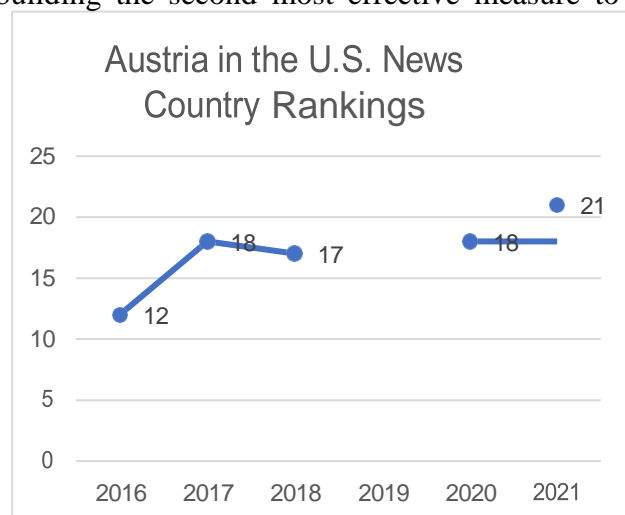
Moreover, the government programme presented in 2020 included a submission to expand the responsibilities of the new ABA unit Work in Austria, making it into a one-stop-shop for the Red-White-Red Card additionally to its other tasks. This should erase unnecessary red tape and help to recruit skilled workers from third countries.¹³⁴ As of now, a service centre has been established at the ABA, which helped 400 companies to get Red-White-Red Cards for their employees free of charge.¹³⁵

The ABA also took on an advisory role in the fiscal reform of 2005 where the corporate income tax was reduced from 34% to 25%, as well as the 2007 reform of the Trade, Commerce and Industry Regulation Act, which aimed to simplify the recognition of business licences from third countries. Additionally, the ABA is a member of the board of advisors for foreign trade of the Federal Ministry for Digital and Economic affairs as well as the Austrian Economic Chambers.¹³⁶

2.2.4. Image building

Morisset and Andrews-Johnson call image building the second most effective measure to increase FDI flows, after policy advocacy.¹³⁷

Austria, in general, has no problem with its international image, which makes promoting it as an investment location easier, especially since image building that isn't based on facts can have the opposite effect as intended.¹³⁸ In 2019, the consulting agency Mercer ranked Vienna the most liveable city in the world for



¹³⁴ Bundesministerium für Digitalisierung und Wirtschaftsstandort, Bundesministerium für Inneres, Bundesministerium für Arbeit, Familie und Jugend, Bundesministerium für europäische und internationale Angelegenheiten (26.02. 2020). Vortrag an den Ministerrat. Fachkräfteoffensive für den Standort Österreich. Weiterentwicklung der RWR-Karte als erster Schritt einer Strategie zur kontrollierten, qualifizierten Zuwanderung.

¹³⁵ Danzer, A. (07.12.2021). Österreichs Problem, Fachkräfte ins Land zu bekommen.

¹³⁶ K. Schwind-Derdak (11.10.2021). Personal communication

¹³⁷ Morisset & Andrews-Johnson. The Effectiveness of Promotion. 4.

¹³⁸ Wilson, Baack, Baak, Foreign Direct Investment Promotion. 110.

expats for the tenth time¹³⁹ and Austria ranks at 21 in overall life quality in 2021, according to U.S. News.¹⁴⁰ Irrespective of Austria's good image, the ABA invested €206 962 in Marketing and Public Relations in 2019.¹⁴¹

Year	2016 ¹⁴²	2017 ¹⁴³	2018 ¹⁴⁴	2019 ¹⁴⁵	2020 ¹⁴⁶	2021 ¹⁴⁷
Ranking	12	18	17	/	18	21

Table 1, U.S. News Best Country Rating Austria

2.2.4.1. Offline

Although most marketing by now is done on the internet or via email, the ABA puts importance on face-to-face contact with potential investors. This mostly happens by organising, or participating in, events over all the world. These include, but are not limited to, seminars, trade fairs, summits, congresses, and conferences, which allow the directors of the respective sectors to come into contact with interested entrepreneurs. In total, 70 – 100 such events take place per year, although in 2020 and 2021 they often have been temporarily replaced by online alternatives, because of contact restrictions. These occasions are used both for direct acquisition of investors and the promotion of Austria as an investment location.¹⁴⁸

To complement this strategy, the ABA used to organise large direct mailing campaigns. At the zenith of these, up to 300 000 potential investors were contacted via letters. Due to the increasing digitalisation of business contacts, the campaigns were stopped in 2017/2018. Nonetheless, 50 000 investors were still contacted at this time by mail.¹⁴⁹

¹³⁹ Stadt Wien (n.d.) Lebensqualität - Wien ist und bleibt Nummer eins.

¹⁴⁰ U.S. News (2019). Best Countries 2019. Global Rankings, international news and data insights.

¹⁴¹ K. Schwind-Derdak (11.10.2021). Personal communication

¹⁴² U.S. News (2016). Best Countries 2016. Global Rankings, international news and data insights.

¹⁴³ U.S. News (2017). Best Countries 2017. Global Rankings, international news and data insights.

¹⁴⁴ U.S. News (2018). Best Countries 2018. Global Rankings, international news and data insights.

¹⁴⁵ U.S. News (2019). Best Countries 2019. Global Rankings, international news and data insights. Austria was not included in the rating in 2019.

¹⁴⁶ U.S. News (2020). Best Countries 2020. Global Rankings, international news and data insights.

¹⁴⁷ U.S. News (2021). Best Countries 2021. Global Rankings, international news and data insights.

¹⁴⁸ K. Schwind-Derdak (11.10.2021). Personal communication

¹⁴⁹ Ibid.

2.2.4.2. Online

While the focus had been on ad campaign and print media for a long time, it shifted to online marketing in 2016/2017.¹⁵⁰

A large part of this strategy is ads on Google as well as LinkedIn.¹⁵¹ The ABA is also present on most social media platforms, such as LinkedIn, Facebook, and Twitter. Most important, however, is the ABA website, which was awarded first place of the OECD-High Income Countries in a 2009 World Bank Ranking of IPAs worldwide.¹⁵² The authors especially praised that the website, even back then, was available in multiple languages, but especially the “concise overviews of its sectors with excellent downloadable brochures, along with “key facts” of certain interest to investors. The key facts section of the Web site provides comparative statistics that benchmark Austria second, third, or even fifth behind other countries. These comparative data [sic] enhance the overall credibility of Austria’s claims as the destination of choice.¹⁵³”

While the website has changed since then, it still offers statistics that all depict Austria as one of, but not necessarily, the top-ranked country in categories such as quality of life, labour productivity and motivation of staff. It also highlights Austria’s central location in Europe, which is especially advantageous for investors who already do business in Central or Eastern Europe or are planning to do so.¹⁵⁴

For potential investors who are planning to found a start-up, or who are particularly interested in R&D, there are separate sections with information tailored to their needs¹⁵⁵, for example best practice examples¹⁵⁶ or information on research funding¹⁵⁷.

¹⁵⁰ K. Schwind-Derdak (11.10.2021). Personal communication

¹⁵¹ Ibid.

¹⁵² Multilateral Investment Guarantee Agency. Global Investment Promotion Benchmarking Report: Eyes on COMESA. 59.

¹⁵³ Ibid. 17.

¹⁵⁴ Austrian Business Agency (n.d.). Why is Austria an attractive country for international investors?

¹⁵⁵ Austrian Business Agency (n.d.). ABA. Your easy access to Austria.

¹⁵⁶ Austrian Business Agency (n.d.). Success stories - Companies in Austria.

¹⁵⁷ Austrian Business Agency (n.d.). Research funding in Austria

However, visitors of the website can also find more general information, such as a business guide about legal and tax issues, brochures with facts and figures, as well as checklists for starting a business in Austria.¹⁵⁸

Additionally, the website offers a number of “success stories”, which present small profiles of companies that have invested in Austria successfully, along with personal commentary from founders, managers, and employees about why they chose Austria in particular and their experiences with both the country and the partnership with the ABA.¹⁵⁹

2.2.4.3. Forschungsplatz

Introduced in 2008, the international campaign “Forschungsplatz Österreich” was designed to attract especially R&D investment promotion to Austria.¹⁶⁰ It also included a headquarters and cluster offensive aimed at companies that had invested in Austria with help of the ABA before. These companies should be prevented from leaving Austria again by intensifying the ABA’s aftercare, as well as incentivising potential moves of the companies’ headquarters to Austria.¹⁶¹ At the same time, there were active efforts to convince companies without an active investment to move headquarters or leading competence units to Austria.¹⁶²

While Germany, as the most important market, stayed important, there was a new focus on Eastern Europe as well as countries such as Brazil, India, China, and Japan. Furthermore, there was an emphasis on Austria’s geographically advantageous position in Europe to do business in Eastern Europe.¹⁶³ At the same time, the campaign shifted from mainly promoting tax benefits that investing in Austria could offer to highlighting innovation and new markets.¹⁶⁴ In conjunction with this change, the ABA focussed mainly on companies active in R&D, service and in creative industries with this campaign.¹⁶⁵

¹⁵⁸ Austrian Business Agency (n.d.). Downloads.

¹⁵⁹ Austrian Business Agency (n.d.). Our Blog.

¹⁶⁰ APA (2008). Internationale Kampagne für “Forschungsplatz Österreich”.

¹⁶¹ Austrian Business Agency & Bundesministerium für Wirtschaft, Familie und Jugend (2010). Ansiedlungs-Offensive für den Standort Österreich [press conference]. Page 1.

¹⁶² Ibid. 5.

¹⁶³ Ibid.

¹⁶⁴ Ibid. 1-2.

¹⁶⁵ Ibid. 2.

“Forschungsplatz Österreich” included an international ad campaign, increased presence at trade fairs both in Europe and the United States, seminars, press trips and informational material on the sectors automotive, information- and communication technology, life sciences as well as environmental engineering.¹⁶⁶ By 2021, the focus on automotive and environmental engineering has been dropped to focus more on the other sectors.¹⁶⁷

Because of the success of “Forschungsplatz Österreich”, the initiative has been extended until 31.12.2021 with a planned extension under its new name “Strategic Investment”.¹⁶⁸

2.2.5 Investment generation

In 2019, a vast majority of realised projects were still acquired without the help of online marketing.¹⁶⁹

The most effective method, with a total of 95 projects out of a total 462, was telemarketing. In these cases, potential investors were contacted directly, after they had shown interest in Austria as an investment location before, either by responding to an email campaign before, or by downloading a brochure from the ABA homepage, which required signing in with either an email address or a phone number.¹⁷⁰

The second and third most effective methods in 2019 were multipliers (77 projects) and consultants (72 projects). Both would contact, or be contacted by, potential investors who already had an interest in Austria as an investment location and direct them towards the ABA as a first contact point to gather information and later help with planning the investment. Multipliers are individuals who have come into contact with the ABA or its employees in some way, for example, ambassadors or people working in the embassy (both Austrian embassies abroad as well as embassies in Austria), bankers, institutions, such as export promotion agencies of the investor’s home country, and their employees. Personal contacts of the ABA’s employees could also act as multipliers. Consultants include those who have a contract with the ABA and receive a fixed income, plus a success fee for each finalised investment project, as well as

¹⁶⁶ Bundesministerium für Wirtschaft (18.09.2021) Forschungsplatz Österreich stärken [press release].

¹⁶⁷ K. Schwind-Derdak (11.10.2021). Personal communication.

¹⁶⁸ Ibid.

¹⁶⁹ Austrian Business Agency (2020). Jahresbericht 2019. Page 13.

¹⁷⁰ Ibid.

independent consultants, who receive only success fees for finalised projects. All in all, the ABA work with approximately 30 consultants, two thirds of them on a premium-only basis. Markets with high potential are more likely to have a hired consultant working for the ABA, such as Germany, Italy, Hungary, or the United States. However, the number and location of the consultants is prone to change: countries such as Russia or Japan used to have consultants, but do not anymore.¹⁷¹

Seminars hosted by the ABA also help to garner interest of potential investors. In 2019, 37 of 462 projects were acquired during these events, while they also help to promote Austria as an investment location in general.¹⁷²

Another important way for the ABA to generate new projects was aftercare of already finalised investments. Companies that already worked with the Austrian Business Agency in the past used its services again for expansions in Austria, either because they were contacted by the ABA or because they reached out themselves. All in all, 32 projects were created like this in 2019.¹⁷³

While the ABA's direct mailing initiatives had been stopped in 2017/2018, during those last initiatives, 50 000 potential investors had still been contacted by mail.¹⁷⁴ Since, on average, 12 months pass between first contact and the completion of the project¹⁷⁵, by 2019, 25 of the finalised investments were still results of direct mailing campaigns.¹⁷⁶

Finally, foreign trade offices, branches of the Austrian Economic Chambers, also helped with the acquisition of products. The 70 "AußenwirtschaftsCenters", which are located on five continents¹⁷⁷, connected 17 investors with the ABA.¹⁷⁸

Including the 43 finalised investments which could not be assigned to any of the mentioned categories above, the ABA helped 462 companies to invest in Austria in 2019, compared to 355

¹⁷¹ Austrian Business Agency (2020). Jahresbericht 2019. Page 13.

¹⁷² Ibid.

¹⁷³ Ibid.

¹⁷⁴ K. Schwind-Derdak (11.10.2021). Personal communication

¹⁷⁵ Ibid.

¹⁷⁶ Austrian Business Agency. Jahresbericht 2019. 13.

¹⁷⁷ WKO (n.d.). Austria ist überall: Die AußenwirtschaftsCenter.

¹⁷⁸ Austrian Business Agency. Jahresbericht 2019. 13.

completed projects in 2018. These investments add up to a total sum of €1 851,83 million (2018: €723 85million) and 4 896 new jobs (2018: 2 888).¹⁷⁹

German companies made up the majority of these investments with 31%, followed by Italy with 10% and Switzerland with 6%. Investments from both the United States and the United Kingdom accounted for 5% of projects. The combined markets of Central and Eastern Europe as well as South Eastern Europe amounted to 19%. The remaining 24% of projects came from various other countries.¹⁸⁰ In total, companies from 55 countries utilised the ABA's services.¹⁸¹

Information- and communication technology was the most prolific sector when it comes to investments (68 projects), followed by business-related services (55 projects) and wholesale (51 projects).¹⁸²

In 2020, the Covid-19 pandemic resulted in dropping investment numbers. However, the ABA still helped 353 international companies to set up operations or expand to Austria, generating a total of €580,2 million and creating 2 165 jobs.¹⁸³

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Investment	152	201	256	158	198	183	201	228	276	297	319	344	355	462	353

Table 2, Number of investments per year 2006 - 2020

2.2.6. Investor services

On their website, the ABA defines its services as follows¹⁸⁴:

- “Comprehensive information about all aspects of Austria as a business location
- Identification and selection of appropriate sites, office locations and commercial properties
- All issues pertaining to company start-ups, and practical support in the initial phases

¹⁷⁹ Austrian Business Agency. Jahresbericht 2019. 12.

¹⁸⁰ Ibid. 13.

¹⁸¹ Ibid. 1.

¹⁸² Ibid. 13.

¹⁸³ Austrian Business Agency (2021). Minister Schramböck: Third-Best Business Location Results Despite the Coronavirus Crisis [press release]. Page 1.

¹⁸⁴ Austrian Business Agency (n.d.). ABA – Invest in Austria: Service in Austria – What we can do for you

- Incentives and financing
- Labor, tax and legal issues
- Identifying potential Austrian partners and supplier linkages
- All business location issues after project realization”

All services are free of charge to investors and can be adjusted and added to in order to suit the client’s needs. The length of the relationship between the ABA and the investor also depends on what kind of help is wanted: while the average time that passed between first contact and the completion of the project is 12 months, it can be less, if the client is only looking for general information, or can span several years.¹⁸⁵

As a very first step, the ABA offers information to answer questions about Austria as an investment location on its website. This information includes 15 tips for starting a business¹⁸⁶, general facts and figures about the country and different aspect of the culture¹⁸⁷, as well as special sections about R&D as well as start-ups¹⁸⁸. The “Downloads” section provides interested investors business guides about legal and tax issues, checklists for starting a business in Austria, different info-folders, and infographics.¹⁸⁹ Additionally, information about different economic sectors is available.¹⁹⁰

Once an investor is convinced to seriously consider an investment in Austria and contacts the ABA, the team responsible for the investor’s country of origin can work on providing data tailored to their needs. This often includes comparisons between Austria and other countries in aspects like taxes, laws and regulations and costs. However, information can also be more detailed, for example prices of specific property types or average salaries of employees in the client’s business sector. The ABA also offers help with finding office locations or commercial properties with the help of the federal states’ IPAs and private real estate agencies.¹⁹¹

¹⁸⁵ K. Schwind-Derdak (11.10.2021). Personal communication.

¹⁸⁶ Austrian Business Agency (n.d.). #BusinessLocationAustria - 15 tips for successfully setting up business in Austria.

¹⁸⁷ Austrian Business Agency (n.d.). Why is Austria an attractive country for international investors?

¹⁸⁸ Austrian Business Agency (n.d.). ABA. Your easy access to Austria.

¹⁸⁹ Austrian Business Agency (n.d.). Downloads.

¹⁹⁰ Austrian Business Agency (n.d.). ABA. Your easy access to Austria.

¹⁹¹ K. Schwind-Derdak (11.10.2021). Personal communication.

As a next step, the ABA looks for applicable public funding options in the form of non-repayable grants, guarantees or subsidized loans. This happens both in-house and later with help from the Austrian Research Promotion Agency (FFG) and Austria Wirtschaftsservice GmbH (AWS).¹⁹²

Furthermore, the ABA works to connect investors with local institutions and experts. Through its network of lawyers and tax accountants the ABA can provide expert support for legal and tax issues. The initial session at these agencies is free of charge for the investor. To offer options how to fund the investment, the ABA also establishes connections between clients and banks. In case that the investor is looking for partners in a joint venture, the ABA also assists in finding those.¹⁹³

For key employees or companies from non-EU countries, the ABA helps with applications for the Red-White-Red Card, which, in the best-case scenario still takes six to seven weeks.¹⁹⁴ If requested, the ABA also helps with more personal tasks, for example by finding housing or organising schooling for children of employees.¹⁹⁵

How much aftercare an investor receives after the completion of the project depends mainly on the size of the investment: it's in the ABA's interest to stay connected with larger companies, in case of expansions in the future. Smaller firms can contact the ABA if they require help, otherwise the ABA only reaches out if there are news of an upcoming expansion.¹⁹⁶

Regarding the ABA's services, the World Bank Group justified its #1 ranking in the Global Investment Promotion Benchmarking report as follows:¹⁹⁷

“The Austrian Business Agency was the top performer overall, even though it was not the best performer in the individual assessments. It consistently delivered good service, because Austria has invested time and resources into training its staff and the staff in turn has devoted efforts into researching, building expertise, and developing detailed material of interest to foreign

¹⁹² Austrian Business Agency (n.d.). Public Funding for Startups in Austria.

¹⁹³ K. Schwind-Derdak (11.10.2021). Personal communication.

¹⁹⁴ Danzer, A. (07.12.2021). Österreichs Problem, Fachkräfte ins Land zu bekommen.

¹⁹⁵ K. Schwind-Derdak (11.10.2021). Personal communication.

¹⁹⁶ Ibid.

¹⁹⁷ Multilateral Investment Guarantee Agency. Global Investment Promotion Benchmarking Report: Eyes on COMESA. 57.

investors. [...] Austria's inquiry handling was excellent, but not because it submitted the best responses—the information was there but not compiled or organized as well as that of other locations. The agency did well because its staff is superb at project management—they responded quickly to GIPB inquiries and could talk through projects on the telephone, conveying key pieces of information that they already knew. On the software project, the project manager was immediately able to advise where the key clusters were in Austria and also where competition for staff may prove to be an issue (while simultaneously mentioning well-known investors and the locations of major universities with computing facilities). Unlike most IPIs, the Austrian Business Agency offered excellent “customer care.” It was one of the few agencies to proactively check whether responses had arrived, and staff also checked in with GIPB reviewers at appropriate times to find out how “the investor” had responded and whether there was anything else that they could supply. The Austrian Business Agency is, in short, an IPI that has substance behind the marketing—it can actually deliver a value-adding service to investors.”

4. The importance of IPAs

As an institution that reports directly to the Federal Ministry for Digital and Economic affairs, the ABA should, however, not only add value for potential investors, but just as much for the Republic of Austria. Prior studies suggest that it, along with IPAs in general, does.

The following chapter will show the general importance of IPAs across the world, as well as the specific benefits the ABA offers to the public.

In developing countries, sectors that have been targeted by IPAs potentially receive up to 155% higher FDI inflows, compared to the untargeted sectors.¹⁹⁸ In 2007, this translates to \$1 dollar spent on investment promotion leading to \$189 in FDI inflows¹⁹⁹ (\$261 in 2022 when adjusted to inflation). Looking at the creation of new jobs in foreign affiliates, the same study states that an IPA spends \$78 on creating such a job.²⁰⁰ Productivity spillovers from FDI investments, however, needed to be \$4,300 (in 2000) to create a new job²⁰¹ (\$7,123 in 2022). Investing funds into investment promotion and the work of IPAs therefore is far more cost effective than other job creation methods.

However, apart from the quantitative successes of investment promotion, there are qualitative aspects to consider as well, for example the attraction of investments that will lead to R&D in growing and important sectors.²⁰² This is due to innovation becoming an important driver of business productivity, regional competitiveness, and long term economic growth, which both developing and developed countries are prioritising.²⁰³ Sectors that are prime targets for a more qualitative-minded investment promotion strategy often are knowledge-intensive, such as ICT, bio- or nanotechnology, and creative industries. Especially the IPAs of developed countries are

¹⁹⁸ Harding & Javorcik (2010). Roll out the Red Carpet and They Will Come. 17.

¹⁹⁹ Ibid. 2.

²⁰⁰ Ibid. 18.

²⁰¹ Haskel, J. E., Pereira, S. C., & Slaughter, M. J. (2007). Does Inward Foreign Direct Investment Boost the Productivity of Domestic Firms? Page 482.

²⁰² Miškinis, A. & Byrka, M. (2014). The Role of Investment Promotion Agencies in Attracting Foreign Direct Investment. Page 43.

²⁰³ Filippov, & Guimón, J. (2009). From quantity to quality: challenges for investment promotion agencies. Page 5.

making use of this tactic.²⁰⁴ The ABA is one of them, highlighting the following sectors on their website²⁰⁵:

- “Automotive Industry
- Data Centre
- Environmental Technologies
- Information and Communication Technology
- Logistics
- Tourism
- Chemical Industry
- Electronics
- Digitalisation
- Life Science
- Mechanical Engineering”

The former Forschungsplatz campaign – now Strategic Investment – is also part of a qualitative approach to investment promotion, intended to especially attract R&D investments to Austria.²⁰⁶ Further steps have been taken in the recent past to tighten the focus further and pay more attention to potential investors from the sectors digitalisation, life sciences and MedTech.²⁰⁷

Which sectors are focussed on can help steer a country’s entire economy in a certain direction, since investments generate spillovers and can spark innovation. This process is intensified if policy initiatives and the local government also support the IPA’s strategy.²⁰⁸

However, the sector that is focussed on by an IPA is not the only important criterium when evaluating the quality of an investment. Especially when looking at job generation, the nationality of the firm’s owner should be kept in mind. While foreign-owned companies create

²⁰⁴ Filippov, & Guimón, J. (2009). From quantity to quality: challenges for investment promotion agencies. Page 6.

²⁰⁵ Austrian Business Agency (n.d.). ABA. Your easy access to Austria.

²⁰⁶ APA (2008). Internationale Kampagne für "Forschungsplatz Österreich".

²⁰⁷ APA (2021). Schramböck: Drittbestes Ansiedlungsergebnis trotz Corona-Krise.

²⁰⁸ Filippov & Guimón. From quantity to quality. 22.

more jobs than domestic firms on the whole, both the wages offered to future employees and the skill-level of work differs depending on the investor's home country.²⁰⁹ Is it a developed country, it's safe to assume the quality of jobs will be higher than if it is a developing country. On one hand side, Southern investors tend to offer less-skilled work, while on the other, Northern investors are known for providing higher wage premiums.²¹⁰ One country, which has become especially important in this discussion over the last years is China, whose investors usually generate more blue-collar jobs when setting up a foreign subsidiary but pay less for both skilled and unskilled labour. This holds true when comparing Chinese investments both to domestic companies and foreign investors from other countries.²¹¹

This may offer an additional aspect for IPAs to consider during targeting their efforts, regardless of psychological distance of the host country.

4.1.1. What makes a foreign investor special?

Overall, the addition of another company set to employ citizens should be considered a good thing. However, this general positive effect is not the only reason which makes foreign investors especially attractive to a country. Instead, there are several.

4.1.1.2. Spillovers

Spillovers describe the impact economic actions have on other aspects of the same market, industry, or whole economy. This includes monetary expenditures, knowledge, technology as well as other actions that have the potential to influence others around you.

For spillovers to be possible, investing companies have to have a productivity advantage over their domestic counterparts.²¹²

Firms that decide to invest abroad are typically more technologically advanced than others in the same field and spend more on research and development as well as keeping their technology

²⁰⁹ Coniglio, Prota, F., & Seric, A. (2015). Foreign Direct Investment, Employment and Wages in Sub-Saharan Africa. Page 1246.

²¹⁰ Ibid.

²¹¹ Ibid. 1261.

²¹² Coniglio & Seric (2015). Foreign Direct Investment, Employment and Wages in Sub-Saharan Africa. 1245.

state of the art.²¹³ These competitive advantages have the possibility of spilling over to domestic firms as well as to the host country economy at large in five main ways: demonstration/imitation, labour mobility, exports, competition, and backwards and forwards linkages with domestic firms. Of those five main channels, demonstration by the foreign investor and imitation by local companies is the most common way of spillovers.²¹⁴ However, spillovers, and especially demonstration effects, decrease with distance²¹⁵, for example because workers do not switch as easily between foreign and local firms and thus, cannot transfer knowledge²¹⁶. The efficacy of these technology spillovers also depends on the characteristics of the investor, the type of FDI, the host country, the operating sector, and the already existing domestic firms.²¹⁷

4.1.1.2.1. Technological spillovers

Multinational enterprises who seek to invest abroad usually hold a productivity advantage over domestic firms.²¹⁸ At the same time, they tend to be more technologically advanced.²¹⁹ Therefore, the technology they bring to their host country often is more efficient, better suited to the field of operation or more modern than the one their local counterparts use. While the introduction of new technology may be both risky and (too) expensive for domestic firms, they can benefit from an investor's modernisations.²²⁰

Competition in itself can be an incentive for domestic firms to concentrate more on improving their use of resources and technology, as well as the development of new technology.²²¹ Additionally, a superiority of foreign products may lead to local producers improving their own products' quality and the efficiency of their production processes.²²² If technology spillovers

²¹³ S.R. Behera (2004). Do Domestic Firms Really Benefit From Foreign Direct Investment? The Role Of Horizontal And Vertical Spillovers And Absorptive Capacity. Page 59.

²¹⁴ Ibid. 58.

²¹⁵ Crespo, N. & Fontoura, M. P. (2007). Determinant Factors of FDI Spillovers – What Do We Really Know? Page 6.

²¹⁶ Youxing H. & Yan Z. (2017) Wage, foreign-owned firms, and productivity spillovers via labour turnover: a non-linear analysis based on Chinese firm-level data. Page 1994.

²¹⁷ Crespo & Fontoura. Determinant Factors of FDI Spillovers. 4.

²¹⁸ Coniglio, Prota, Seric. Foreign Direct Investment, Employment and Wages in Sub-Saharan Africa. 1245.

²¹⁹ S.R. Behera (2004). Do Domestic Firms Really Benefit From Foreign Direct Investment? Page 59.

²²⁰ Ibid. 58.

²²¹ Crespo & Fontoura. Determinant Factors of FDI Spillovers. 2.

²²² Behera. Do Domestic Firms Really Benefit From Foreign Direct Investment? 58.

happen, they depend on the similarities between an investor's and a local firm's product: the more similar they are, the more likely a spillover is. In this case, both the product itself and the process technology affect the probability.²²³

However, technology spillovers can also be due to imitation of new technology, along with the hiring of former employees of the foreign investors, who have experience with said technology and know how to best apply it in the domestic firms.²²⁴

Still, the mere possibility of knowledge or technology spillovers is not enough to benefit domestic companies. The firms also have to be capable of using the acquired skills or devices.²²⁵ Narula and Marin (2003) coined the term of "absorptive capacity": a local competitor has to possess the capacity to internalise the available knowledge in a useful way. This includes "the ability to internalise knowledge created by others and modifying it to fit their own specific applications, processes and routines"²²⁶, which is "a subset of technological capability, which in addition to absorptive capability includes the ability to generate new technologies through *non-imitative* means. This does not imply that absorption is purely about imitation"²²⁷. Instead, a firm needs its own research and structures to make sense of the new information and integrate it into its own structures and processes.²²⁸

Moreover, there needs to be a technological gap between the foreign investors and the domestic companies, since there are few benefits that can be transferred from one firm to another when both have a similar level of expertise.²²⁹ While the technological gap cannot be too small, it also shouldn't be too large. In that case, the absorptive capacity of a company wouldn't be sufficient to make sense of the new information.²³⁰

²²³ Behera. Do Domestic Firms Really Benefit From Foreign Direct Investment? 58.

²²⁴ Ibid.

²²⁵ Ibid.

²²⁶ Narula, R. & Marin, A. (2003). FDI spillovers, absorptive capacities and human capital development: Evidence from Argentina. Page 23.

²²⁷ Ibid.

²²⁸ Ibid.

²²⁹ ²²⁹ Crespo, N. & Fontoura, M. P. (2007). Determinant Factors of FDI Spillovers – What Do We Really Know? Page 4.

²³⁰ Crespo, N. & Fontoura, M. P. (2007). Determinant Factors of FDI Spillovers. 4.

4.1.1.2.2. Backward and forward linkages

The arrival of foreign investors doesn't just affect competing domestic companies, but suppliers and buyers as well. "Backward linkages" can benefit local suppliers since they increase the demand for local inputs.²³¹ Additionally, Crespo and Fontoura list the following ways a supplier could be influenced positively by multinational enterprises: "providing technical support for the improvement of the quality of goods or for the introduction of innovations, through labor training for instance: providing support for the creation of productive infrastructures and for the acquisition of raw materials, as well as support at the organizational and management levels".²³² The competition between companies looking to become the multinational company's (MNC) suppliers may also increase efficiency.²³³

"Forward linkages" concern the domestic companies that a foreign investor seeks to supply: they can mostly offer higher quality products or lower prices than their domestic competitors. In case of the increased quality, this, however, usually leads to price increases.²³⁴

4.1.1.2.3. Degree of ownership and intellectual property protection

The degree of foreign ownership in MNC investments strongly influences the probability of spillovers since the degree of commitment directly affects how likely it is that a firm transfers more advanced technology to the subsidiary. Full ownership over a subsidiary makes it more likely that the parent company allows the use of state-of-the-art technology, while minority ownership decreases the possibility as not to give away trade secrets. This directly influences how much information can be obtained for domestic firms.²³⁵

The chance of spillovers also strongly depends on the home country's intellectual property rights: strong protection poses an additional cost to domestic firms, and therefore may limit their benefits.²³⁶ At the same time, multinational enterprises are far more likely to invest in a

²³¹ Crespo, N. & Fontoura, M. P. (2007). Determinant Factors of FDI Spillovers. Page 3.

²³² Ibid.

²³³ Ibid.

²³⁴ Ibid.

²³⁵ Ibid. 7.

²³⁶ Ibid. 8.

country with strong intellectual property rights, and will opt for either a fully-owned subsidiary (preventing the transfer of information which is part of joint venture operations) or focus on distribution instead of production abroad. Weak protection concerning intellectual property theft also tends to attract low-technology operations, which offer fewer possibilities for knowledge spillovers in general.²³⁷ Considering these aspects, strict intellectual property rights should benefit especially the quality of knowledge spillovers.

4.1.2 R&D

One of the factors that greatly influences productivity is how much a country spends on R&D.²³⁸ Therefore, it comes as no surprise that the European Union's Lisbon strategy set innovation as a general policy objective, while, amongst other actions, defines a spending goal of 3% of a state's the gross domestic product on R&D.²³⁹ Since public budgets tend to constrain spending and might hinder the state from incentivising local firms to invest in R&D, another way to increase R&D funds, as well as innovation, is bringing foreign investors to the country and relying on potential R&D spillovers.²⁴⁰ Along FDI spillovers, R&D spillovers are sources of productivity growth when knowledge and technical prowess is disseminated among competitors, suppliers and contractors.²⁴¹

Multinational companies generally are the most technologically advanced and spend more than strictly domestic firms on R&D to maintain their technological advantage.²⁴² As an example, only 3,3% of all firms in Austria in 2019 were foreign-owned but they still spent €4.5 billion on R&D, which made up 51,5% of all investments.²⁴³ There can be several reasons related to R&D for a company to decide to expand their operations abroad, too, such as benefitting from a country's technology clusters (e.g. the United States' Silicon Valley) and the chance to adapt

²³⁷ Crespo, N. & Fontoura, M. P. (2007). Determinant Factors of FDI Spillovers. Page 8.

²³⁸ Zhu, L. & Jeon, B. N. (2007). International R&D Spillovers: Trade, FDI, and Information Technology as Spillover Channels. Page 956.

²³⁹ Ben Hassine, Boudier, F., & Mathieu, C. (2017). The two ways of FDI R&D spillovers: evidence from the French manufacturing industry. Page 3.

²⁴⁰ Ibid.

²⁴¹ Spithoven, A. & Merlevede, B. (2022). The productivity impact of R&D and FDI spillovers: characterising regional path development. Page 20.

²⁴² Behera. Do Domestic Firms Really Benefit From Foreign Direct Investment? 59.

²⁴³ Statistik Austria (05.10.2021). Inward-FATS – Auslandskontrollierte Unternehmen in Österreich

products to foreign market conditions and thus developing new product ideas.²⁴⁴ Moreover, there are the classic reasons pointed out by Dunning's Ownership, Location, and Internalisation paradigm:²⁴⁵

- Resource-seeking
- Market-seeking
- Efficiency-seeking
- Strategic asset-seeking

Going multinational as a company also seems to be an incentive to invest more in R&D, including expenditures to better tangible and intangible assets.²⁴⁶ Multinational Companies (MNCs) can also go abroad with their R&D efforts to gain knowledge from their host country, which helps both the domestic and the foreign market.²⁴⁷ This usually doesn't lead to a decrease in R&D activity at home, but only to an increase in the total amount of R&D.²⁴⁸

However, it is difficult for firms to keep all the benefits of their in-house R&D activities to themselves, including voluntary sharing of information, leading to spillovers. These can involve other firms or even different industries, whose productivity increases.²⁴⁹ At the same time, R&D investments by companies in the chosen host market can benefit both the foreign affiliates of an investor and their parent company.²⁵⁰ Compared to spillovers that benefit local companies, however, the effects of reverse spillovers are less significant and pronounced.²⁵¹ Therefore, local firms tend to profit more from R&D-heavy investments by foreign investors than the other way around.²⁵²

²⁴⁴ Ben Hassine, Boudier, F., & Mathieu, C. (2017). The two ways of FDI R&D spillovers. 3.

²⁴⁵ Dunning, J. (1998). Location and the Multinational Enterprise: A Neglected Factor? Page 53.

²⁴⁶ Montresor, S. & Vezzani, A. (2014). On the R&D giants' shoulders: do FDI help to stand on them? Page 38.

²⁴⁷ Montresor, S. & Vezzani, A. (2014). On the R&D giants' shoulders: do FDI help to stand on them? Page 38

²⁴⁸ Ibid. 39.

²⁴⁹ Spithoven, A. & Merlevede, B. (2022). The productivity impact of R&D and FDI spillovers. Page 2.

²⁵⁰ Ben Hassine, Boudier, F., & Mathieu, C. (2017). The two ways of FDI R&D spillovers. Page 3.

²⁵¹ Ibid. 4.

²⁵² Ibid. 24.

The effect spillovers can have on the host country's economy also depend on the absorptive capacity of local firms. How much they can benefit from the presence of foreign investors is strongly influenced by their own R&D efforts as well as the company's size.²⁵³

4.1.1.2.5. Negative aspects of spillovers

Due to the many benefits of foreign investments, countries across the world are trying their best to attract as many investors as possible.²⁵⁴ While a good strategy in general, this competition for FDI can lead to overbidding, for example by offering subsidies and benefits that outweigh the possible spillover gains for the domestic economy. The positive effects from these subsidies can distort the market in the foreign investor's favour, which may lead to welfare losses.²⁵⁵

Also, while most investments bring advanced technology, management systems and marketing skills, FDI can also be technology exploiting, especially in cases of investors that come from developing countries and invest in developed countries. In these cases, it also comes to technological spillovers, however, it is the foreign companies that benefit from the host country's technological advantages.²⁵⁶

If the investing MNC possesses technological advantages, their presence may restrict the market power of domestic firms as well as negatively affecting their efficiency.²⁵⁷ As long as the investor makes an attractive offer to potential buyers, domestic firms will lose market shares, which, depending on the severity, could force them to produce less and limiting economy of scope benefits. This less efficient mode of operation increases average costs of production and may lessen profitability.²⁵⁸ Like this, foreign investors can crowd out now non- competitive firms from the market in the long run.²⁵⁹

²⁵³ Ben Hassine, Boudier, F., & Mathieu, C. (2017). The two ways of FDI R&D spillovers. Page 9.

²⁵⁴ Harding & Javorcik (2010). Roll out the Red Carpet and They Will Come. 1.

²⁵⁵ Behera (2004). Do Domestic Firms Really Benefit From Foreign Direct Investment? 76.

²⁵⁶ Crespo, N. & Fontoura, M. P. (2007). Determinant Factors of FDI Spillovers . Page 9.

²⁵⁷ Ibid. 2.

²⁵⁸ Ibid.

²⁵⁹ Coniglio Prota, Seric. Foreign Direct Investment, Employment and Wages in Sub-Saharan Africa. 1245.

At the same time, domestic companies connected to MNCs through forward linkages may suffer from increased costs of the MNC's products that come hand in hand with an improved quality, if they do not have the capacity of benefitting from this upgrade in quality.²⁶⁰

The added competition within the job market also poses a risk for domestic firms as MNCs often attract the best workers by offering higher wages and benefits than local companies can afford to do.²⁶¹

4.2. How does the situation look in Austria?

In total, 359.660 companies were registered in Austria in 2019.²⁶² Out of those, 3,3% are foreign-owned.²⁶³ However, these 11.718 firms²⁶⁴ contributed more than half of all R&D investments, 51,5%, spending a total of €4.5 billion.²⁶⁵

The same firms also accounted for 34% of total turnover in Austria, generating €286 million in 2019, and 29% of all total value added in factor costs.²⁶⁶

	Austrian companies ²⁶⁷	Foreign-owned companies ²⁶⁸
Number of employees	3.102.231	648.423
Labour costs	140.725.681.000	40.061.000.000
Average costs per employee	45.363	61.782

Table 3, Average costs per employee (data from 2019)

Additional to the benefits foreign investors have on R&D investments, turnover and total value added, they also employ more people than domestic companies compared to the number of foreign-owned firms in the country. In total, 1,185.795 individuals²⁶⁹, or 21% of employees,

²⁶⁰ Crespo, N. & Fontoura, M. P. (2007). Determinant Factors of FDI Spillovers. 3.

²⁶¹ Behera. Do Domestic Firms Really Benefit From Foreign Direct Investment? 58.

²⁶² Statistik Austria (09.02.2022). Unternehmen, Arbeitsstätten.

²⁶³ Statistik Austria (05.10.2021). Inward-FATS – Auslandskontrollierte Unternehmen in Österreich.

²⁶⁴ Statistik Austria (09.02.2022). Unternehmen, Arbeitsstätten.

²⁶⁵ Statistik Austria (05.10.2021). Inward-FATS – Auslandskontrollierte Unternehmen in Österreich.

²⁶⁶ Ibid.

²⁶⁷ Statistik Austria (0.06.2021.). Hauptergebnisse der Leistungs- und Strukturstatistik 2019 nach Klassen.

²⁶⁸ Statistik Austria (01.10.2021). Auslandskontrollierte Unternehmen in Österreich: Absolutwerte.

²⁶⁹ Statistik Austria (09.02.2022). Unternehmen, Arbeitsstätten.

work for foreign-owned companies in Austria.²⁷⁰ For these employees, foreign-owned firms also spend more money than Austrian firms do. On average, a foreign investor spends €61.782²⁷¹ a year per employee, while an Austrian firm spends only €45.363²⁷² per person (for more information see table 3).

Moreover, foreign-owned companies on average employ more individuals than Austrian firms – while the average domestic firm has 9 employees, the average foreign-owned company has 55.²⁷³ These employees also are more productive than those working for domestic firms: the average output value of a domestically-employed worker is €178.000, whereas that of an employee at a foreign-owned firm amounts to €246.000.²⁷⁴

4.1.1.4. Why are jobs from foreign investors a good thing for employees?

Apart from the host country's economy, it's the employees of foreign-owned firms who profit strongly from the presence of FDI. There are three main reasons for this: jobs at foreign-owned companies often require higher qualifications, offer more or better training for employee and/or pay more.²⁷⁵

4.1.1.4.1. Positions with higher qualification profiles

Jobs created in developed countries, like the UK²⁷⁶ or Portugal²⁷⁷, by foreign-owned companies generally require more qualifications than the average domestically created job. The group of developed countries, of course, also includes Austria.

²⁷⁰ Statistik Austria (04.02.2022). Foreign Affiliates Statistics (FATS).

²⁷¹ Statistik Austria (01.10.2021). Auslandskontrollierte Unternehmen in Österreich 2019 nach Wirtschaftsaktivitäten: Absolutwerte.

²⁷² Statistik Austria (0.06.2021.). Hauptergebnisse der Leistungs- und Strukturstatistik 2019 nach Klassen (4-Stellern) der ÖNACE 2008.

²⁷³ Statistik Austria (01.10.2021). Auslandskontrollierte Unternehmen in Österreich 2019 nach Wirtschaftsaktivitäten: Kennzahlen im Vergleich zur Gesamtheit der Unternehmen

²⁷⁴ Ibid.

²⁷⁵ Almeida, R. (2007). The labor market effects of foreign owned firms. Page 2.

²⁷⁶ Ibid.

²⁷⁷ Ibid. 18.

As well as searching for more qualified employees in the first place, foreign-owned firms often offer more²⁷⁸ or better²⁷⁹ training to their workers. Data from the Czech Republic shows that foreign-owned firms spend 4,6% more on employee training and hiring than domestic firms.²⁸⁰ The reason for this may be that MNCs have a technological advantage over domestic firms which influences the training, or that they can afford better, or more modern, technology, which new employees have to be trained to handle.²⁸¹ While the host country also profits from the improvement of its human capital²⁸², workers that received training by MNCs afterwards are often hired by domestic firms or start their own businesses²⁸³.

4.1.1.4.2 Positions with higher wages

In addition to the likely additional training for employees, foreign-owned affiliates also pay higher wages than domestic firms, both in developed and developing countries. Studies show that the difference depends strongly on the host country, ranging from 10% to 70%.²⁸⁴

- Brazil: foreign-owned companies pay 29% more than domestically-owned ones²⁸⁵ (1994-2004)²⁸⁶
- Germany: foreign-owned companies pay 4% more than domestically-owned ones²⁸⁷ (2000 and 2004)²⁸⁸
- Hungary: foreign-owned companies pay 4,5% more than domestically-owned ones (1986–2008)²⁸⁹

²⁷⁸ Almeida, R. (2007). The labor market effects of foreign owned firms. Page 2.

²⁷⁹ Görg, H., Strobl, E., & Walsh, F. (2007). Why Do Foreign-Owned Firms Pay More? The Role of On-the-Job Training. Page 1.

²⁸⁰ Javorcik, B. (2015). Does FDI Bring Good Jobs to Host Countries? Page 78.

²⁸¹ Görg, Strobl & Walsh. Why Do Foreign-Owned Firms Pay More? 1.

²⁸² Görg, Strobl & Walsh. Why Do Foreign-Owned Firms Pay More? 16.

²⁸³ Coniglio, Protta & Seric. Foreign Direct Investment, Employment and Wages in Sub-Saharan Africa. 1245.

²⁸⁴ Javorcik, B. (2015). Does FDI Bring Good Jobs to Host Countries? Page 75.

²⁸⁵ Hijzen, A., Martins, P. S., Schank, T., & Upward, R. (2013). Foreign-owned firms around the world: A comparative analysis of wages and employment at the micro-level. Page 184.

²⁸⁶ Ibid. 176.

²⁸⁷ Ibid. 184.

²⁸⁸ Ibid. Page 176.

²⁸⁹ Javorcik. Does FDI Bring Good Jobs to Host Countries? 77.

- UK: foreign-owned companies pay 12% more than domestically-owned ones²⁹⁰ (1997 and 2005²⁹¹)
- Portugal: foreign-owned companies pay 14% more than domestically-owned ones²⁹² (1997–2004 except 2001²⁹³)
- Morocco: foreign-owned companies pay 4% more than domestically-owned ones²⁹⁴ (1985-1989²⁹⁵)

In one study focussed on UK manufacturing jobs in particular, it was shown that on average foreign affiliates paid 5% higher wages.²⁹⁶

Regarding to why this is so, there are several different theories to explain the wage differences. They consider different qualification profiles of employees, the unfamiliarity of an MNC in foreign markets and differences in productivity.

Since employees that leave a foreign-owned firm, either to go to a domestic competitor or to start their own business, are likely to have been trained in technology or management skills that contribute to the firm's competitive advantage, paying a wage premium could prevent knowledge spillovers.²⁹⁷ If companies want to hire already highly skilled workers, it is likely that they have to pay extra to attract them.²⁹⁸

Also, MNCs have little knowledge of the host country's labour market, which means their search costs for employees are higher and they may be willing to pay more in hopes of keeping workers for a long time. The same unfamiliarity also leads to a lack of power with local unions which can result in higher wages.²⁹⁹

²⁹⁰ Hijzen, Martins, Schank & Upward. Foreign-owned firms around the world. 184.

²⁹¹ Ibid. 176.

²⁹² Ibid. 184.

²⁹³ Ibid. 176.

²⁹⁴ Haddad, M. & Harrison, A. (1993). Are There Positive Spillovers From Direct Foreign Investment?: Evidence From Panel Data for Morocco. Page 58.

²⁹⁵ Haddad & Harrison. Are There Positive Spillovers From Direct Foreign Investment? 56.

²⁹⁶ Almeida, R. (2007). The labor market effects of foreign owned firms. 2.

²⁹⁷ Huang, Y. & Zhang, Y. (2017) Wage, foreign-owned firms, and productivity spillovers via labour turnover: a non-linear analysis based on Chinese firm-level data. Page 1994.

²⁹⁸ Ibid. 1994-1995.

²⁹⁹ Almeida, R. (2007). The labor market effects of foreign owned firms. Page 3.

Due to the geographical, and sometimes psychological, distance between the foreign firm and its affiliates abroad, wage premiums may also be paid as efficiency wages since monitoring is difficult.³⁰⁰

Lastly, the higher wages may just be the result of an MNC's higher productivity and profitability, which is shared with employees.³⁰¹

However, the higher wages paid by foreign-owned companies also have the potential of benefitting employees of domestic firms. With the addition of an MNC in the local labour market locally-owned firms may be forced to also increase their wages in order to keep or find qualified workers.³⁰²

³⁰⁰ Görg, Strobl, & Walsh. Why Do Foreign-Owned Firms Pay More? 1.

³⁰¹ Javorcik, B. (2015). Does FDI Bring Good Jobs to Host Countries? 75.

³⁰² Lipsey, R.E. & Sjöholm, F. (2004). FDI and Wage Spillovers in Indonesian Manufacturing. 322.

5. Evaluating the ABA's performance

To evaluate the ABA's performance, it is helpful to look at what it contributes to the Austrian economy. Therefore, I selected two aspects in which an IPA's performance can be objectively assessed:

- The costs of a job created by the ABA compared to the costs of a job created by the Public Employment Service Austria (AMS)
- The monetary returns the ABA provides to the Republic of Austria through taxes by companies that have been brought to Austria by the ABA

The costs of an ABA-created job will be discussed by looking at the budgets of both the AMS and the ABA and at the number of jobs both agencies create per year.

The monetary returns will be approximated using an internal study by Leitner & Leitner from the year 2013, which looked at the taxes paid between 2006-2008 by companies that were supported by the ABA when establishing subsidiaries in Austria.

5.1 A comparison of the costs for a job generated by the ABA and a job created by the AMS

In the following chapter, I intend to compare the mean cost of the creation of a new job by the AMS and the ABA. Of course, these two firms have very different fields of operation – the ABA works primarily abroad, trying to bring investors to Austria, while the AMS is in charge of finding new jobs for the unemployed within the country. However, both deal in the creation of jobs. While this is the main focus of the ABA, the AMS also possesses instruments to help local companies to both hire new employees and keep people that might otherwise lose their jobs. These subsidies are meant to do domestically what the ABA does abroad: create jobs in Austria.

The ABA cannot support investors coming to Austria with subsidies or funding, but instead provides free information as well as consultancy work for the investors that otherwise would have to be acquired elsewhere and for a price that could, depending on the type, be in the ten thousands. Therefore, it is impossible to use the exact monetary contribution the ABA makes with each investment project for a comparison. Yet, since the ABA's only task is the creation

of jobs and the acquisition of investors, it is viable to compare the ABA's budget per job created to the total subsidies the AMS spends on the creation of jobs and how many are thus created. This, of course, can only ever serve as a heuristic comparison.

In the following chapter, I will base my analysis on the assumption that the investors themselves either make constant and unchanging contributions to the ABA's and the AMS' efforts to create jobs, or none at all. Therefore, their effect on the creation can be neglected for this analysis and only the effects of both companies will be discussed.

To do so, I will use the ABA's budget from 2018 – 2020 and the number of jobs they have managed to create in those years, as well as certain subsidies which the AMS offers and their number of created jobs.

The AMS publishes an annual report about its activities. In this, a section is dedicated to its monetary investments to create jobs, broken down into different funding instruments of which there are ten in total.³⁰³ To analyse the amount spent on job creation not all of the instruments are of importance, just the following five, which offer direct subsidies for the creation of new jobs:³⁰⁴

- Integration subsidies/"Aktion Come Back" (BEBE)
- Subsidies for a company's first employee (EPU)
- Non-profit employment projects (GBP)
- Subsidies of socio-economic companies (SÖB)
- Combination wages (KOMB)

5.1.1. Integration subsidies/"Aktion Come Back" (BEBE)

Generally, all types of employers from all over Austria can apply for this type of integration subsidy. However, there are criteria when it comes to the potential employees whose recruitment can be subsidised³⁰⁵:

- "Unemployed persons over the age of 50

³⁰³ Arbeitsmarktservice Österreich (2021). AMS Geschäftsbericht 2020. Page 82.

³⁰⁴ Ibid.

³⁰⁵ Wirtschaftskammer Wien (01.01.2022). AMS-Förderungen für Unternehmen.

- Persons under the age of 25 who have been unemployed for at least 6 months
- Persons over the age of 25 who have been unemployed for at least 12 months
- Under certain conditions, persons who are acutely threatened by long-term unemployment”

Both the length and the amount of subsidisation have to be agreed upon on an individual basis and are based on legal regulations.³⁰⁶

5.1.2. Subsidies for the first employee (EPU)

Under certain circumstances, an entrepreneur’s first employee can be subsidised by the AMS, which reimburses social insurance expenses on the employer’s side.³⁰⁷ For this to be an option, the following conditions must be met³⁰⁸:

- “The entrepreneur has been paying for social and pension insurance for more than 3 months
- The entrepreneur employs either their first worker in general, or the first worker after 5 years
- The employee has been without work for at least two weeks or has just finished their education
- The employee works at least half the hours per week that have been determined by law or collective agreement
- The employment lasts longer than two months”

This subsidy reimburses a quarter of gross pay for a maximum of one year.

³⁰⁶ Wirtschaftskammer Wien (01.01.2022). AMS-Förderungen für Unternehmen.

³⁰⁷ Ibid.

³⁰⁸ Ibid.

5.1.3. Non-profit employment projects (GBP)

Meant to help disadvantaged persons with finding employment, the AMS subsidises protected and temporary jobs to help with their integration into the job market.³⁰⁹ Prerequisites for a company to receive this kind of subsidy are as follows:

- “Potential employees must be hard to place persons with limited productivity
- The employee must have full social insurance with a focus on the worker, who should be empowered to become part of the regular job market
- A mix of socio-educational, psycho-social, qualifying and otherwise supporting measures, as well as social workers, should lead to an improvement of the worker’s employability”

5.1.4. Subsidies of socio-economic companies (SÖB)

Closely related to the subsidisation of non-profit employment projects, this project funds protected and temporary jobs to help with the integration of hard-to-place persons in the job market.³¹⁰ Again, these subsidies are conditional:³¹¹

- “Beneficiaries must employ hard to place persons with limited productivity
- The employment must come with full social insurance
- Together with a mix of socio-educational, psycho-social, qualifying and otherwise supporting measures, as well as social workers, this transitionary employment should lead to an improvement of the worker’s employability”

5.1.5. Combination wages (KOMB)

Combination wages target unemployed persons who intend to re-enter the job market.³¹² To apply for this subsidy, the following conditions must be met:³¹³

³⁰⁹ Bundesministerium für Finanzen (n.d.) Transparenzportal. Förderung gemeinnütziger Beschäftigungsprojekte.

³¹⁰ Bundesministerium für Finanzen (n.d.) Transparenzportal. Sozialökonomische Betriebe.

³¹¹ Ibid.

³¹² Arbeitsmarktservice Österreich (2021). Kombilohnbeihilfe

³¹³ Ibid.

- “The employee has been unemployed longer than 6 months and has a health condition that affects them negatively on the job market
- The employee has been without a job for longer than 3 months and is older than 50 years
- The employee wants to re-enter the job market after a long absence
- The employee is accepting a job far away from their home
- The employee has completed a job rehabilitative measure
- The employee has formerly received rehabilitation payments”

However, the combination wage is only partly usable for this comparison, since the program’s target isn’t necessarily the creation of new jobs, but mostly to promote employment for persons who either have been unemployed for a long time or are potentially difficult to place. In actuality, this can, and does, also lead to the creation of new jobs.

5.1. Comparing the costs for creating jobs

All the AMS subsidies listed above are designed to directly fund new jobs. However, they also require the potential employers to pay part of the cost of the newly created job, while the ABA’s services are entirely funded by the Republic of Austria. The comparison therefore isn’t perfect, but since the AMS is the only other institution which provides direct subsidies to create jobs in Austria, it’s the only service that could perceivably take up the ABA’s mantle should it not be an effective instrument for job creation.

5.2.1. Calculating the effectiveness

To calculate the costs for a job created by the AMs and therefore its effectiveness, I will look at the funds the AMS has appropriated for the different subsidies listed above between the years 2018 – 2020. I will then compile the number of persons that have been placed in a job that has been subsidised by the AMS, both combining all different subsidies and breaking them down into their individual performance. For the comparison with the ABA, I will use the combined efficiency of all subsidy types, since the ABA also offers a second initiative to create jobs with “Forschungsplatz”, whose efficiency cannot be distinguished from the overall efficiency of the ABA.

For the ABA, I will take the complete budget of the years 2018 – 2020 as well as the number of created jobs per year to calculate how much was spent on creating each job on average.

The term “effectiveness“ will be used to mean not the degree of target attainment, but instead the necessary amount of money spent for the creation of one additional job.

5.2.1.1. 2018

5.2.1.1.1. AMS

In total, the AMS spent €489,89 million on all subsidisation in 2018, a €29,6 million increase compared to the year before.³¹⁴ These funds are allocated as follows and led to the subsequent number of newly employed persons:³¹⁵

Table 4, 2018 amounts of € spent on the creation of jobs by type of subsidy

Name of subsidy	Amount of funds (in million €)	Number of created jobs	Amount spent on the creation of one job in €
BEBE	262,94	35,479	7.411,14
EPU	2,08	484	4.297,52
GBP	51,56	3,900	13.220,51
SÖB	153,03	16,566	9.237,60
KOMB	11,56	4,937	2.341,50
Total	481,17	6.1366	7.840,99

As seen above, the most efficient instrument the AMS has in its arsenal for the creation of jobs is the (only partly applicable) combination wage with €2341,50 being spent on average on the creation of a job. The least effective instrument are the non-profit employment projects (GBP) which cost more than five times what the combination wage costs. While the

³¹⁴ Arbeitsmarktservice Österreich (2019). AMS Geschäftsbericht 2018. Page 73.

³¹⁵ Ibid.

integration subsidies in total create the most jobs, their efficiency ranks in the middle of the listed AMS instruments.

5.2.1.1.2. ABA

Since the ABA does not have a variety of instruments to choose from to create jobs, there are only two numbers that can be used to look at the efficiency of its efforts: the total number of jobs that have been created and the number of investors that have been brought to Austria. Since the AMS does not have the means to convince companies to invest, the number of newly established companies will be mentioned, as well as the average cost of bringing it to Austria, but will not be used for purposes of comparison.

In 2018, the ABA was endowed with a budget of €5,0 million, an increase of €500.000 compared to the year before.³¹⁶ Within the year, they helped 355 companies to invest in Austria, which led to the creation of 2888 jobs total (+8% compared to 2017).³¹⁷ At the same time, the ABA's efforts led to investments of €734,48 million. Breaking those numbers down leads to an average cost of €1721,30 for each job, as well as €14084,51 per company that was created in Austria.

5.2.1.2. 2019

5.2.1.2.1. AMS

In total, the AMS spent a total of €386,5 million on all subsidisation in 2019, a €103,39 million decrease compared to the year before.³¹⁸ These funds are allocated as follows and led to the subsequent number of newly employed persons:³¹⁹

³¹⁶ Bundesministerium für Finanzen (2020). Beteiligungsbericht 2021. Page 168.

³¹⁷ Austrian Business Agency (12.02.2019). ABA-Bilanz 2018: Standort auf Erfolgskurs - 355 Unternehmen und 3.000 Jobs in Österreich. Page 1.

³¹⁸ Arbeitsmarktservice Österreich (2020). AMS Geschäftsbericht 2019. Arbeitsmarktservice Österreich. Page 75.

³¹⁹ Ibid.

Table 5, 2019 amounts of € spent on the creation of jobs by type of subsidy

Name of subsidy	Amount of funds (in million €)	Number of created jobs	Amount spent on the creation of one job in €
BEBE	198,12	32,674	6063,54
EPU	2,32	530	4377,36
GBP	36,81	3487	10556,35
SÖB	130,21	15523	8388,20
KOMB	12,02	4800	2504,17
Total	379,48	57014	6655,91

Just like in the previous year, the combination wage is by far the most cost-effective instrument the AMS has to offer, with an average of €2504,17 spent on the creation of a job. However, the most cost-effective measure that can be “fully” counted towards a comparable efficiency, are the subsidies for the first employee (EPU), which on average cost €4377,36 per job. Compared to the year before, EPU still costs almost €80 more on average.

While non-profit employment projects have gotten more effective since 2018 (€13.220,51), they still cost approximately four times as much as combination wages.

The total effectiveness of AMS instruments has increased with the average cost of the creation of one job decreasing from €7.840,99 to €6.655,91 (-€1185,08), since the cost of all but two instruments (EPU and KOMB) shrank since 2018.

5.2.1.2.2. ABA

Compared to 2018, the ABA’s budget increased drastically in 2019: instead of €5,0 million, the ABA had €8,0 million at its disposal.³²⁰ This was due to the inception of Work in Austria, whose goal it is to bring specialised employees to Austria. To fulfil this role, an additional €3,0 million were added to the existing budget.³²¹

³²⁰ Bundesministerium für Finanzen (2020). Beteiligungsbericht 2021. Page 168.

³²¹ K. Schwind-Derdak (17.05.2022). Personal communication.

With this increased budget, the ABA was able to help 462 investors to establish a company or subsidiary in Austria, and through this helped create 4896 new jobs in the country.³²² To do so, the ABA spent €17.316,02 per company and €1.633,99 per job. This means an increase of €3.231,51 when it comes to the creation of firms, but a decrease of €87,31 per job. In percent, the number of jobs also increased far more than the number of investors (+70% for jobs, +30% for firms)³²³, meaning that the investments of companies led to disproportionately more jobs. A possible reason for this is the higher percentage of F&E companies that invested in Austria in 2019, which doubled compared to 2018.³²⁴

The overall sum of investments also increased by 152% compared to 2018 with a total investment of €1,85 billion (2018: €734 million).³²⁵

5.2.1.3. 2020

5.2.1.3.1. AMS

In total, the AMS spent a total of €5.848,71 million on all subsidisation in 2020, a €5.462,21 million increase compared to the year before.³²⁶ These funds are allocated as follows and led to the subsequent number of newly employed persons:³²⁷

³²² Austrian Business Agency (22.07.2020). ABA - Bilanz 2019: Wirtschaftsstandort Österreich soll gestärkt aus Krise hervorgehen. Page 1.

³²³ Austrian Business Agency (22.07.2020). ABA - Bilanz 2019. Page 1.

³²⁴ Ibid.

³²⁵ Austrian Business Agency (22.07.2020). ABA - Bilanz 2019. Page 1.

³²⁶ Arbeitsmarktservice Österreich (2021). AMS Geschäftsbericht 2020. Page 82.

³²⁷ Ibid.

Table 6, 2020 amounts of € spent on the creation of jobs by type of subsidy

Name of subsidy	Amount of funds (in million €)	Number of created jobs	Amount spent on the creation of one job in €
BEBE	165,18	29,151	5666,36
EPU	2,38	522	4559,39
GBP	37,69	3263	11550,72
SÖB	128,46	12180	10546,80
KOMB	15,85	7048	2248,86
Total	349,56	52164	6701,17

As in the previous years, the combination wage is the least expensive instrument the AMS has to offer, with the lowest cost (€2248,86) of all three years. Apart from the combination wage, integration subsidies were the only other subsidy that gained in cost-efficiency between 2019 and 2020 (-€397,18).

The non-profit employment projects (GBP) also stay the most expensive subsidy, although the costs of subsidies of socio-economic companies (SÖB) increased dramatically (+€2158,60), almost catching up with GBP. The cost of GBP also increased (+€994,37).

Combining all instruments, the cost-efficiency decreased slightly (+€45,17).

5.2.1.3.2. ABA

Just like the rest of the economy, the ABA was also affected by the worldwide COVID-19 breakout in 2020. However, the ABA still managed to achieve its third-best yearly result with 353 companies or subsidiaries established, and 2.165 job created in 2020.³²⁸ With a budget of €7,2 million³²⁹ this means that the ABA spent €3325,63 per created job (+€1.691,64

³²⁸ Austrian Business Agency (28.01.2021). ABA-Bilanz 2020: Drittbestes Ansiedlungsergebnis trotz Corona-Krise. Page 1.

³²⁹ Bundesministerium für Finanzen (2020). Beteiligungsbericht 2021. Page 168.

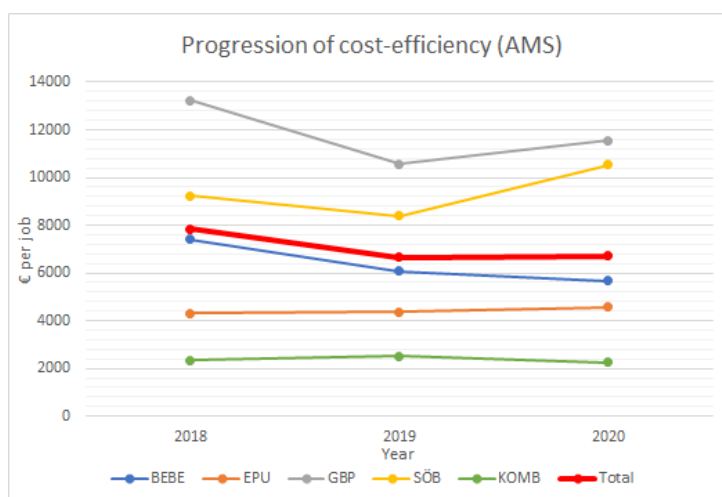
compared to 2019) and €20.396 per newly established company (+€3.080,58 compared to 2019). This increase in cost is best explained by the pandemic, which complicated travel, increased general risk and caused investors to be more cautious than in previous years. The overall investments still added up to €580,20 million.³³⁰

5.2.1. Comparing cost efficiency

In order to find out which institution, the AMS or the ABA, is more cost effective in creating new jobs, I will first take a brief look at both organisation's results over the three-year time span discussed above. Afterwards, I will compare their total cost efficiency.

5.2.1.1. AMS

Figure 2, progression of cost-efficiency of the AMS (2018-2020)



Looking at the progression over the years, a slight decrease in € per job can be seen for the AMS, while the trajectory of cost efficiency varies for the different instruments. Only two of them show a constant trend, on one hand side, integration subsidies (BEBE) whose efficiency improved in the three-year span, on the other hand side, the subsidies for a company's first employee (EPU) which slightly decreased in efficiency.

The latter experienced an increase in cost of €80 between 2018 and 2019, as well as an increase of €182 the year afterwards. A possible reason for the larger jump in cost between 2019 and 2020 could be the pandemic – due to the uncertainty and general poorer economic

³³⁰ Austrian Business Agency. ABA-Bilanz 2020. Page 1.

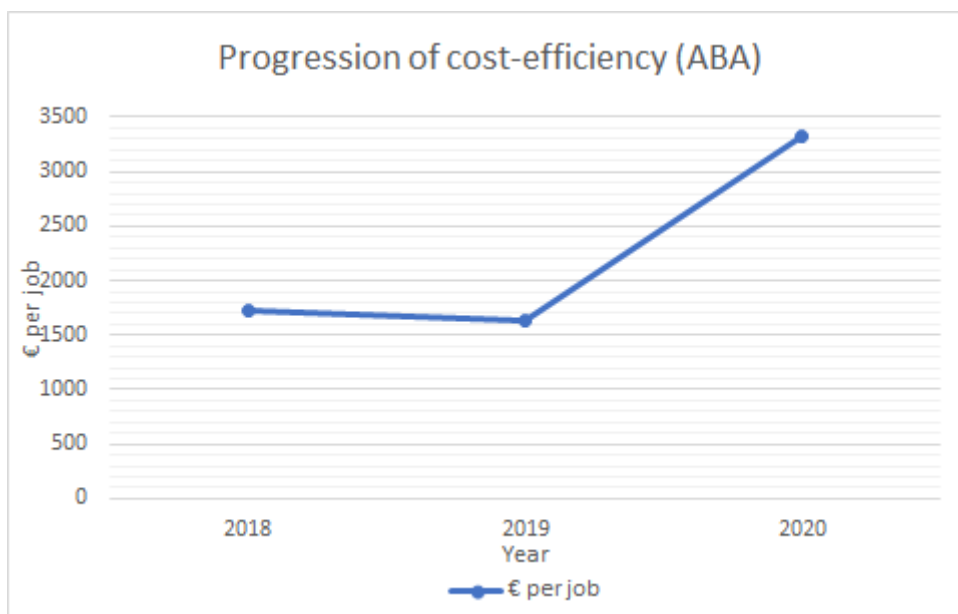
performance, less firms were founded which could need a first employee, and already established single-person firms may have put off hiring.

Two of the instruments with the largest change in cost efficiency are the subsidies of socio-economic companies (SÖB), whose efficiency significantly decreased from 2019 to 2020 (+€2.158 per job), and non-profit employment projects (GBP), whose efficiency increased between 2018 and 2019 (-€2.664 per job), before decreasing again between 2019 and 2020 (+€994 per job). In case of the non-profit employment projects, while the instrument's budget was reduced by 28,61% in 2019, the number of jobs created only decreased by 10,59%.

In total, the cost for the creation of jobs decreased, in turn increasing the efficiency. From 2018 to 2019, the cost dropped from €7.840 to €6.655, an average drop of €1.185 per job. The rise of +€46 in the following year doesn't significantly impact the efficiency.

5.2.1.2. ABA

Figure 3, Progression of cost-efficiency of the ABA (2018-2020)



Starting at a cost of €1.721,30 per job, the ABA increased its efficiency by lowering the cost by €87,31 from 2018 to 2019. Since the budget was boosted significantly in 2019 (from €5 million to €8 million), this shows that the ABA was able to immediately use the additional funds to great effect, especially considering that the number of created jobs was increased by 2008, or roughly 70%, in 2019.

However, the cost per job exploded in 2020 due to the COVID-19 pandemic, which complicated foreign investments worldwide as well as making potential investors more risk adverse. In 2020, an ABA-created job cost €3.325,63; +€1.691,64 compared to the year before. This meant an increase of +103,52% when it comes to cost per job.

5.2.1.3 Comparing the AMS and the ABA

Looking at Figure 4, it is obvious that the average cost per ABA-created job is significantly lower than the cost of an AMS-created one. Within the three year period that has been analysed, the peak of cost for the ABA is €3.325,63 per created job in 2020. This number is still €3.375,54 less than the minimum cost of an AMS-created job (€6701,179), also in 2020. In fact, the cost for the AMS is more than twice the cost for the ABA when creating jobs, even during the year with the smallest difference in cost.

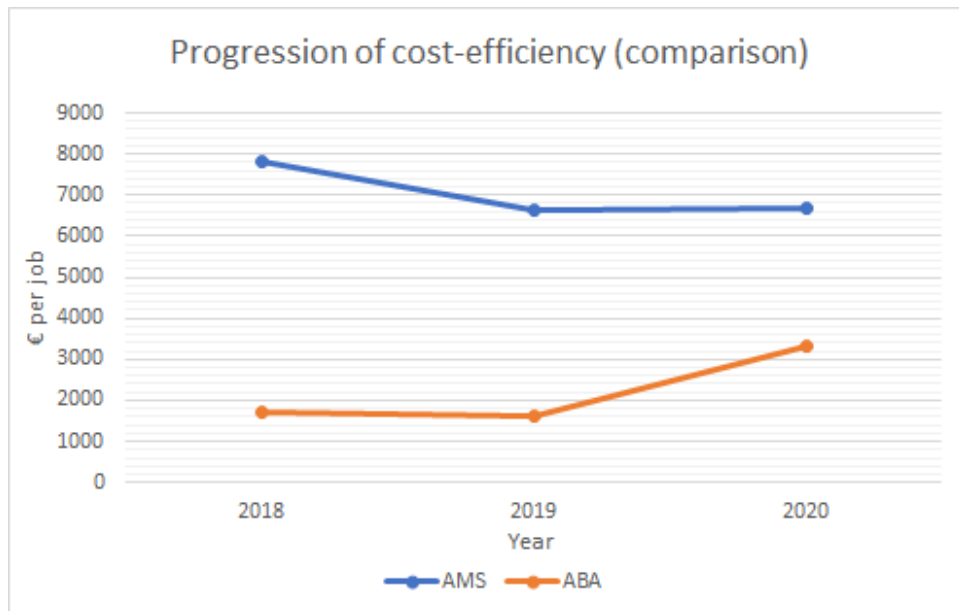
Additionally, the numbers of 2020 do not reflect a “regular” year when it comes to the job market, considering that global foreign direct investments dropped by 42% worldwide.³³¹

While the pandemic hasn’t per se given the AMS an advantage when it comes to cost efficiency, it has complicated the ABA's business model, which relies heavily on open borders and markets, as well as a positive climate for investment.

Moreover, the ABA’s budget was cut by €800.000 in 2020, while retaining the same tasks.

³³¹ UNCTAD (24.01.2021). Global foreign direct investment fell by 42% in 2020, outlook remains weak.

Figure 4, Progression of cost-efficiency of the ABA and the AMS (2018-2020)

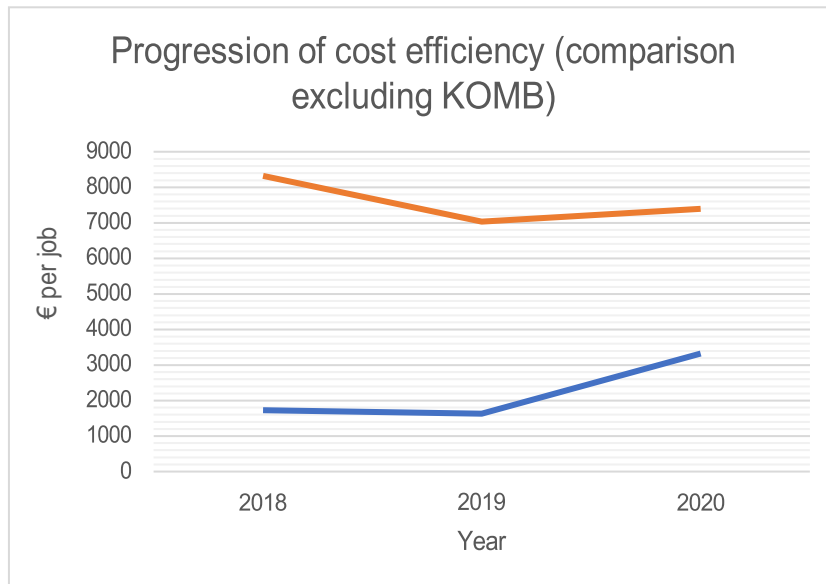


2018 shows the most significant difference in cost between both companies, with the AMS using €7.840,99 on average to create a new job, whereas the ABA only needed €1.721,30. This means that the AMS spent 4,5 times the amount of money the ABA spent on each created job.

Also, this comparison includes the combination wage (KOMB), which only partly works to create new jobs. The main goal of this instrument is to offer employment for long-term unemployed or difficult-to-place persons. Looking through the different programs the AMS offers for the creation of jobs, combination wage is consistently the most effective instrument, costing roughly half of the next most effective measure, subsidies for a company's first employee (EPU).

When the combination wage is excluded, the difference between the cost efficiencies of the ABA and the AMS is even more pronounced (Figure 5).

Figure 5, Progression of cost efficiency of the ABA and the AMS, excluding KOMB (2018-2020)



During the three-year timespan, the difference between the cost efficiency of the AMS and ABA constantly stays between 20-30% (2018: 27,85%; 2019: 23,44%; 2020: 20,93%). This means that in 2018, with the largest difference of efficiency, the AMS' creation of one job on average cost 4,8 times what an ABA-created job cost. In 2020, the year with the least difference, the AMS' services were still 2,2 times more expensive than the ABA's.

Overall, the ABA has consistently been more cost efficient between 2018 and 2020, to an extent that allows the inference that its services generally are more cost efficient when creating new jobs.

5.3 An approximation of the ABA's monetary returns

In 2013, the ABA commissioned Leitner & Leitner to do a study which looked at the monetary returns generated by investments that had been serviced by them previously. To do so, the firms which did invest in Austria between 2006 and 2008 were contacted, and for those which still existed after two years the profit tax paid between 2008 and 2010 was calculated. Since these companies would continue to pay taxes for the length of their existence, the study assumed a (rather low) "life expectancy" of ten years for the various firms, and their paid taxes extrapolated for those ten years.

The total profit tax amount was then compared to the ABA's cumulative budget between 2008 and 2010 in order to calculate if the Republic of Austria is making money from the ABA's efforts.

Since almost ten years have passed since this study was done, I will extrapolate the numbers it presented to get an approximation for the state of things today. To do so, I will use the numbers of new investors in the years 2018 and 2020 and compare them to the ABA's budget in those years. The goal of this is to see if companies that have invested in Austria generate more tax revenue for the state than the ABA costs.

5.3.1. Methodology of the 2013 study

The internal study, which has been provided to me, looked at companies that have invested in Austria between 2006 and 2008 – companies which were established before 2006 and started their operative business between 2006 and 2008 as well as companies which expanded their business operations in Austria between 2006 and 2008. All of these projects must, of course, have been completed with help of the ABA.

According to the provided data, the projects were divided into six subcategories:

- Complete companies: provided fully evaluable commercial registers including the amount of profit tax paid. Complete companies only include new investments, meaning that the full amount of tax can be used for the study.
- Company expansions: while the parent company has already been active in Austria, an expansion project was realised with help of the ABA between 2006 and 2008. The paid profit tax could only be used for the study insofar it was attributable to the expansion project and not the parent firm.
- Functional expansions: a special case of expansion, especially the establishment of headquarters in Austria. Again, the paid profit tax could only be used for the study insofar it was attributable to the expansion project and not the parent firm.
- Private companies: do not have to publish their annual results, which would be necessary to ascertain the exact amount of profit tax paid or are companies in which the annual results are split between partners and therefore doesn't have to be published separately. In case of major enterprises, the average tax return on investment was used

to approximate the necessary data, while for small companies an average score was used for calculations.

- Branch establishments and incomplete data: branch establishments do not have to publish annual results only for the Austrian market; incomplete data refers to companies whose data in the commercial register are incomplete. In case of major enterprises in this category, their results were extrapolated, using the average of the category “complete companies” as well as the amount of their investment. In case of branch establishments, which tend to be used for smaller projects, only 50% of the applicable average was used.
- Not extrapolatable companies: companies which have no entries in commercial register, or which were liquidated. Therefore, no assumptions can be made when it comes to their profit tax and companies in this category were not part of the calculations.

As mentioned above, the companies itself, which the ABA worked with, were also put into two categories:

- Major enterprises with at least 20 employees: In total, 57 companies were considered major enterprises, out of which 32 provided fully evaluable documents, 10 expansions, 3 functional expansions, 5 private companies as well as 7 branch establishments and companies with incomplete data.
- Small-scale enterprises with less than 20 employees: out of the 500 small-scale enterprises, 20% were picked randomly and also analysed fully. These 100 small-scale enterprises were made up of 64 complete companies, 11 private companies as well as 14 branch establishes and companies with incomplete data. The other 11 did not have entries in the commercial register and therefore could not be used for the study; for the other 400 companies it was assumed that 11% would, if fully surveyed, not have commercial register entries as well.

Since small-scale enterprises do not have to publish their statement of income their annual results and corporate income tax cannot be taken directly from commercial register.

Therefore, the yearly tax paid was calculated as followed: Net profits were used as a starting

basis, but changes in the profit/deficit carried forward as well as in reserve funds were considered. This, of course, cannot take the following factors into account:

- Effects of the corporate law deficit carried forward on the tax deficits carried forward
- Reductions in taxes due to an accumulation of minimum corporate income tax payments during years with net deficits
- Differences between fiscal and corporate law ascertainment of profits
- Effects of a fiscal group formations

Based on this, the 25% corporate income tax was calculated.

The calculation of average tax volume also differed between major and small-scale enterprises:

- Small-scale enterprise: the average corporate income tax volume per different year (2008-2010) was calculated and then extrapolated first for the sample of 100 companies, and then for the whole 500 companies in this category.
- Major enterprises: for this category, the tax return on investment rate was calculated by using the ratio of the sum of corporate income tax and the sum of investments of “complete companies”, which were provided by the ABA. In 2013, the sum of corporate income tax was €16.771.000, and the sum of investments was €165.105.000. This meant tax return on investment rate was 10,2%.

5.3.2. Results of the 2013 study

The following figures show the tax revenue of major enterprises (Table 7) and small-scale enterprises (Table 8).

Table 7, Calculation of total tax volume of major enterprises (2008-2010)

Major enterprises	Number of entities	Total investment volume 2008 – 2010 in €	Total tax revenue 2008 – 2010 in €
Complete companies	32	165.105.000	16.771.000
Company expansions	10	262.244.000	11.799.000
Functional expansions	3	1.798.000	15.000
Private companies	5	27.910.000	2.835.000
Branch establishments and incomplete data	7	57.7785.000	2.071.000
Total	57	514.842.000	33.491.000

Table 8, Calculation of total tax volume of small-scale enterprises (2008 - 20010)

Small-scale enterprises	Number of entities	Total tax revenue 2008 – 2010 in €
Total	500	23.381.000

Considering these numbers, all 557 enterprises which were established between 2008 and 2010 with help of the ABA paid a total of €56.872.000 in tax revenue.

5.3.3. Extrapolation for the ABA results of 2018 – 2020

For the following extrapolation of the ABA results (2018 – 2020) I will work with the following assumptions:

- Of all companies that invested in Austria between 2006 and 2010, 10,23% were considered major enterprises, 89,77% were considered small-scale enterprises. For the investments between 2018 and 2020 I will work with the same ratio.

- Between 2008 and 2010, 11% of small-scale enterprises were not considered as part of the study as they did not have an entry in the commercial register. I will assume the same for the investments between 2018 and 2020.

Table 9, Assumed distribution of major and small-scale enterprises (2018 - 2020)

Year	Total # of companies	# of major enterprises	# of small-scale enterprises	# of enterprises not in comm. Register
2018	355	36	319	35
2019	462	47	415	46
2020	353	36	317	35
Total	1.170	119	1.051	116

On average, every major enterprise which invested between 2008 and 2010 had a total tax revenue of €587.561,40. Each small-scale enterprise which invested between 2008 and 2010 had a total tax revenue of €46.762.

Table 10, Extrapolated tax revenue in €

	Total number	Extrapolated total tax revenue in €	Adjusted for inflation (2013 to 2022) ³³²
Major enterprises	119	69.919.806,6	78.560.771,37
Small-scale enterprises	935	43.722.470	49.125.864,85
Total	1054	113.642.276,6	127.686.636,22

Over the three years (2018 – 2020) the ABA had a budget of €20.200.000. Considering this, the budget of the ABA would make up only 15,82% of the total tax revenue during those three years. However, these companies will exist far beyond those three years and will

³³² Finanzen-Rechner.net (n.d). Inflationsrechner.



continue to pay corporate income tax, some expanding, some reducing and some stopping their business in Austria. This means that the return on the investment the Republic of Austria makes by financing the ABA will be higher than these 84,18%.

Assuming that the newly established businesses will exist for the next 10 years and inflation during those will be around +5,0%³³³, and that the average tax revenue per year is €42.562.212,07, this would mean that over 10 years, the ABA's budget makes up 4,23% of the total tax revenue that benefits the Republic of Austria.

³³³ Finanzen-Rechner.net (n.d). Inflationsrechner.

6. Conclusion

The ABA, as an IPA, is a public institution that reports to, and is financed by, the Federal Ministry for Digital and Economic affairs. Based on this affiliation, it is important for the ABA to fulfil its assigned role of investment promotion in a way that benefits the Austrian public as a whole. Just like most other IPAs, the ABA offers all four of Wells' and Wint's core investment promotion services: image building, investor services, investment generation and policy advocacy.³³⁴ Out of those functions, I focussed on the aspect that is easiest to examine from a distance, investment generation.

This thesis means to answer if the ABA is successful in providing additional value for the Republic of Austria based on two main factors: the cost-efficiency of the ABA's effort to create jobs compared to the AMS' services meant to do the same, as well as an extrapolation of the monetary returns the Republic of Austria receives in form of tax revenue paid by companies which were facilitated by the ABA when investing in Austria.

Additionally, section 4.1.1.4. provides an overview of direct positive aspects jobs from foreign investors, which include generally higher qualification profiles, more or better training during employment and higher wages.

To determine the differences in cost-efficiency between the ABA and the AMS I looked at the number of created jobs by both institutions as well as the ABA's entire budget and certain subsidies the AMS provides to boost job creation. These subsidies include integration subsidies (BEBE), subsidies for a company's first employee (EPU), non-profit employment projects (GBP), subsidies for socio-economic companies (SÖB) and combination wages (KOMB). The latter subsidy only partly functions for comparison, since while it does lead to the creation of new jobs, the main focus is promoting employment for persons who have been unemployed for a long time or are potentially difficult to place.

Looking at the data over a three-year period (2018 – 2020), it became obvious that the costs for a job created with help from the ABA is significantly lower than for an AMS-created job. The peak in cost for the ABA (2020: €3.325,63) was still less than half of the minimum cost

³³⁴ Wells & Wint. Marketing a Country. 158.



for the AMS (2020: €6.701,18), although the year in question was the one with the smallest difference in cost between both companies. Also, this does not yet account for the impact of the pandemic on the job market and the economy as a whole, which affected the ABA's business model severely.

During 2018, the year with the highest difference between the ABA and the AMS, the AMS spent 4,5 times the ABA's costs for the creation of each job (AMS: €7.840,99, ABA: €1.721,30). While the differences in cost efficiency decreased in the three-year period, they constantly stayed over 20%.

For the second parameter I used a study done by Leitner & Leitner in 2013 which looked at monetary returns generated by the investments that the ABA had facilitated. To do so, the authors of the study calculated the profit taxes in 2008 – 2010 of the companies that had invested in Austria between 2006 and 2008, giving the companies two years' time to become profitable. Then, the total tax revenue was compared to the ABA's cumulative budget between 2008 and 2010.

I used the tax revenues used in the study and extrapolated them for the years 2018 – 2020 and compared them to the ABA's budgets in those years. This led to an estimated €127.686.636,22 in tax revenue. In contrast, the budget the ABA had between 2018 and 2020 added up to €20.200.000. This means that, even if just these three years are considered, the ABA's budget would only make up 15,82% of the total tax revenue generated by the investments. As it is reasonable to expect most companies the ABA helped invest in Austria to have a life span of at least ten years, the ABA's budget would only add up to 4,23% over a ten year period.

In conclusion, both parameters used in this study show that the ABA offers a public benefit to the Republic of Austria, both when it comes to tax revenue and when cost-efficiency in the creation of new jobs. These new jobs also offer advantages for the general public, as they tend to pay better as well as requiring better qualifications and providing the necessary training during the employment.

Lastly, it is, of course, impossible to ensure that the ABA's results are not affected by the successes, or failures, of IPAs in other countries. If an investor is approached by several IPAs about a possible investment in their home country, the strength of the others' pitches



necessarily influences the success of the ABA's pitch. Therefore, further analysis regarding this question could lead to interesting insights concerning the dynamic between IPAs.



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