

# BACKGROUND PAPER FOR THE EIGHTH COLUMBIA INTERNATIONAL INVESTMENT CONFERENCE ON INVESTMENT INCENTIVES: PRESENTATION OF SELECTED DATA

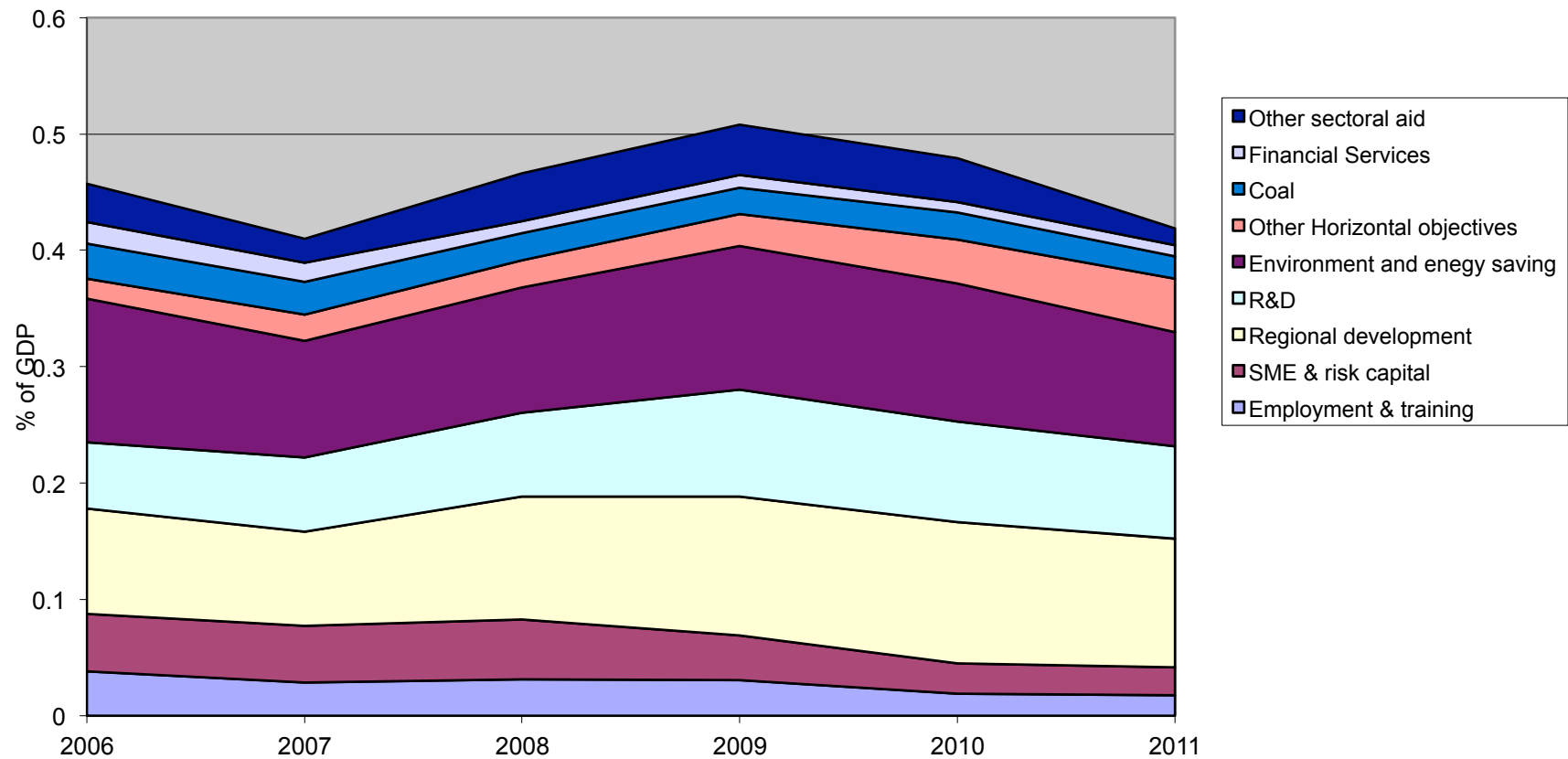
Investment Consulting Associates (ICA)

November 2013



# EU STATE AID EMPHASIZES ENVIRONMENT, REGIONAL DEVELOPMENT, R & D

Trend in level of non-crisis aid to industry and services (horizontal objectives and sectoral aid) as % of GDP; EU27, 2006-2011



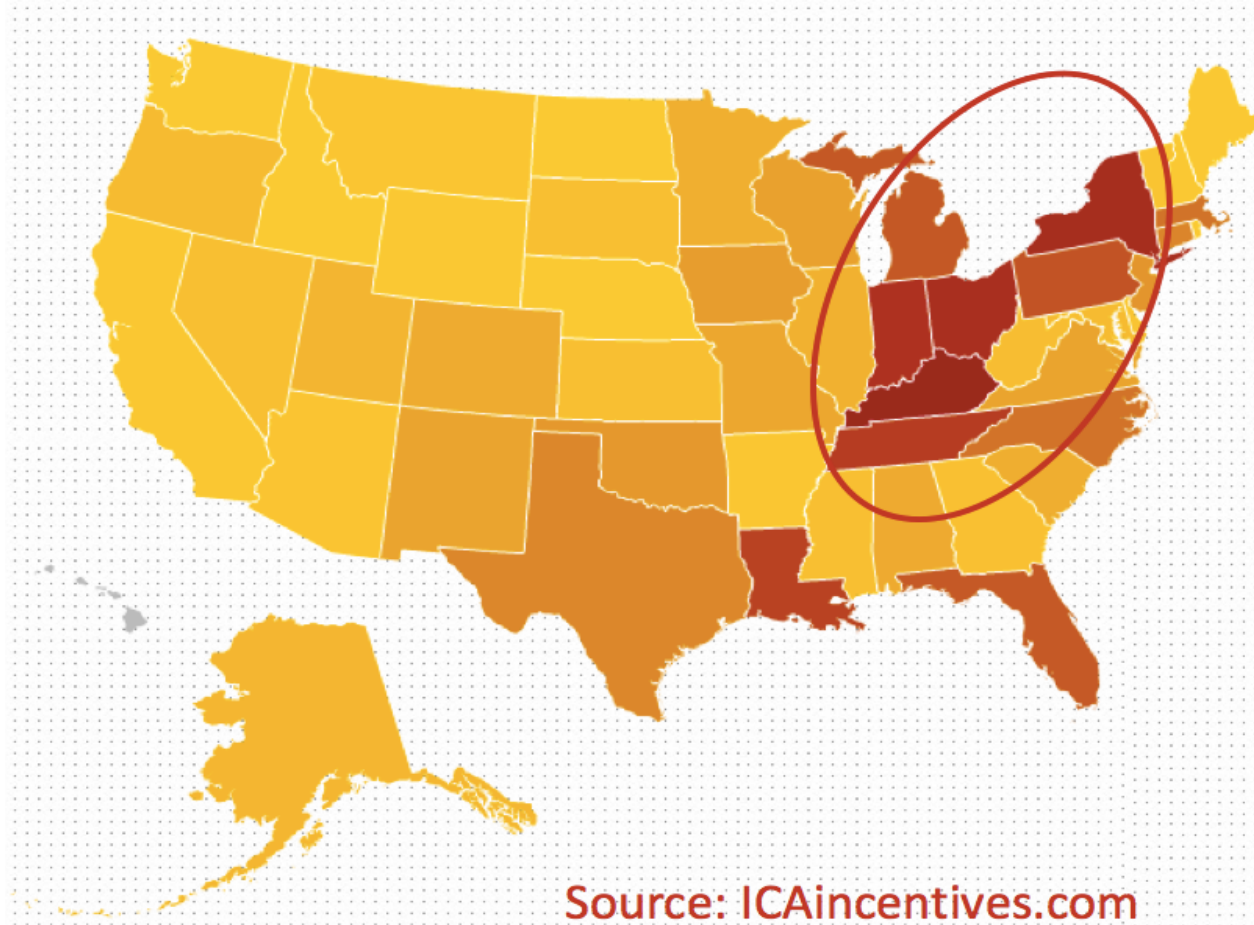
# COMPARISON OF UK & CZECH REPUBLIC INCENTIVES

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	UK	Czech Republic
Avg Value of Incentives	\$3.41m	\$8.61m
% Capex <sup>53</sup>	15%	36%
Avg New Jobs per Deal <sup>54</sup>	79	110
Avg Incentive Value per Job <sup>55</sup>	\$20,288	\$67,088

Source: [www.ICAINcentives.com](http://www.ICAINcentives.com) by Investment Consulting Associates (ICA) - 2013

# U.S. INCENTIVES HIGHLY DIVERGENT BY STATE

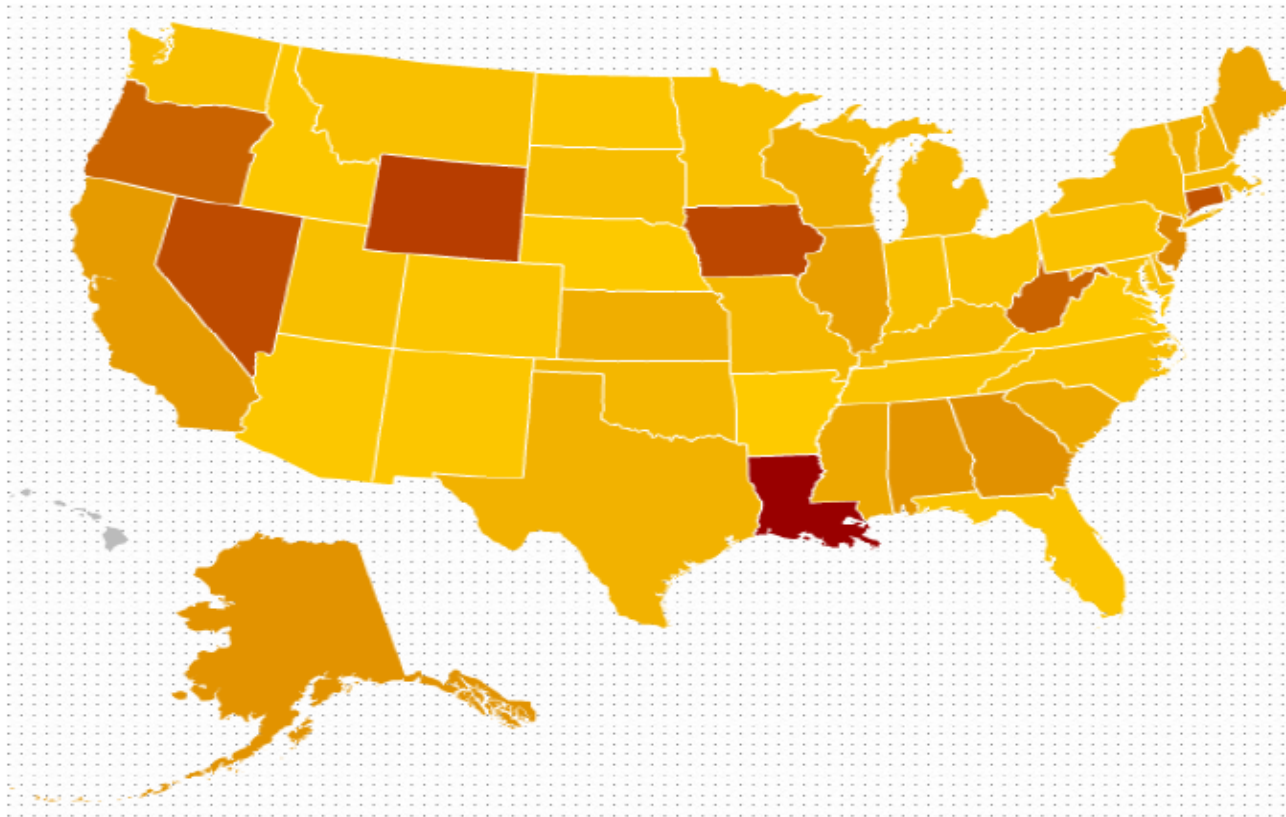


## Top-15

- Kentucky: 202
- New York: 176
- Ohio: 169
- Indiana: 159
- Tennessee: 143
- Louisiana: 137
- Pennsylvania: 120
- Michigan: 115
- Florida: 114
- North Carolina: 89
- Massachusetts: 88
- Connecticut: 71
- Texas: 68
- New Jersey: 54
- Oklahoma: 51
- **Total: 2,315**

# U.S. INCENTIVES VALUES PER JOB VARY WIDELY

Incentive Value per Job Created (USD)



## Top-15

- Louisiana: \$223,000
- Wyoming: \$155,300\*
- Iowa: \$145,200
- Nevada: \$140,500\*
- Connecticut: \$129,800
- West Virginia: \$114,600\*
- Oregon: \$114,400\*
- New Jersey: \$73,400
- Georgia: \$63,700\*
- Alaska: \$62,000\*
- Alabama: \$58,400
- California: \$53,500\*
- Illinois: \$47,900\*
- Maine: \$41,100\*
- Mississippi: \$38,500\*
- **Average: \$34,440**

\* Less than 30 incentive deals

# U.S. MINIMAL CORRELATION BETWEEN INCENTIVES VALUES AND RESULTS

Top-5 Value of generated Capital Expenditure (USD million)					
Company	Destination State	Capital Expenditure (USD million)	Awarded Incentive Value (USD million)	Created jobs	Type
1. Shell Chemicals	Pennsylvania	\$2,500	\$1,650 (Tax Credit)	1,000	Greenfield
2. Sasol	Louisiana	\$2,100	\$2,000 (Tax Credit)	1,253	Greenfield
3. CF Industries	Louisiana	\$2,100	\$5 (Tax Credit)	93	Expansion
4. CF Industries	Iowa	\$1,700	\$71 (Tax Credit)	100	Expansion
5. Dow Chemical	Texas	\$1,700	\$1 (Cash Grant)	150	Expansion

Top-5 Value of Top-5 Value of newly created Jobs					
Company	Destination State	Created jobs	Awarded Incentive Value (USD million)	Capital Expenditure (USD million)	Type
1. Apple	Texas	3,600	\$36.10 (Tax Credit)	\$304	Expansion
2. Warner Bros	North Carolina	3,565	\$6.32 (Tax Credit)	\$25.26	Greenfield
3. Kohl's Corporation	Wisconsin	3,000	\$62.50 (Tax Credit)	\$250	Greenfield
4. CFS II	North Carolina	2,000	\$0.50 (Multiple)	\$6.63	Greenfield
5. Hospital Corporation of America	Tennessee	1,750	\$66.0 (Tax Credit)	\$200	Expansion

# LATIN AMERICA: MUCH THE SAME STORY

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	Mexico	Argentina	Brazil
Total no. deals	66	71	138
Total incentive amount (\$m)	482.27	969.76	7960
Total new jobs	24,103	8,716	50,358
Total capex (\$m)	4,180	3,610	2,061
Avg Deal Value (\$m)	22.2	23.2	713.54
% Capex	15%	25%	116%
Avg New Jobs per Deal	365	122	364
Avg Incentive Value per Job	\$31,344	\$109,456	\$765,086
Most common Industry	Consumer Goods	Automotive	Food & Drink
Most Common Incentive	Tax credit	Loan	Tax Credit

# AFRICA: PERVASIVE USE OF INCENTIVES

**Table 4.2** Investment incentives provision, by type and by country

	Capital grants	Tax exemption	Grants for hiring	Training employees	Infrastructure	Others
Burkina Faso	22.2%	55.6%	0.0%	11.1%	11.1%	22.2%
Burundi	25.9%	22.2%	7.4%	7.4%	11.1%	66.7%
Cameroon	3.6%	19.8%	0.9%	4.5%	5.4%	78.4%
Cape Verde	5.9%	66.7%	0.0%	3.9%	11.8%	19.6%
Ethiopia	7.3%	59.7%	0.8%	0.0%	14.5%	41.9%
Ghana	7.5%	18.0%	2.5%	7.5%	3.1%	71.4%
Kenya	25.9%	18.2%	0.3%	2.9%	3.8%	51.5%
Lesotho	2.7%	48.6%	0.0%	5.4%	35.1%	40.5%
Madagascar	11.5%	42.3%	1.9%	11.5%	11.5%	48.1%
Malawi	39.3%	57.1%	14.3%	42.9%	17.9%	21.4%
Mali	7.0%	39.5%	7.0%	25.6%	16.3%	30.2%
Mozambique	7.2%	64.9%	6.2%	11.3%	23.7%	23.7%
Niger	14.3%	28.6%	0.0%	14.3%	0.0%	42.9%
Nigeria	25.6%	30.8%	19.2%	30.8%	26.9%	56.4%
Rwanda	20.0%	65.7%	2.9%	8.6%	22.9%	11.4%
Senegal	12.9%	30.6%	8.1%	17.7%	12.9%	64.5%
Tanzania	15.8%	77.2%	7.0%	22.8%	35.1%	12.3%
Uganda	7.8%	41.8%	4.1%	7.8%	15.2%	38.9%
Zambia	4.7%	30.2%	2.3%	7.0%	4.7%	67.4%



# WORLDWIDE: THE GOOD, THE BAD, & THE UGLY

	Number of Countries Surveyed	Tax holiday/ Tax exemption	Reduced Tax rate	Investment allowance/ Tax credit	Duty/VAT exemption or reduction	R&D Tax Incentive	Super-deductions	SEZ/Free Zones/EPZ	Discretionary process to obtain available tax incentive
East Asia and Pacific	11	91%	91%	82%	109%	82%	9%	100%	36%
Eastern Europe and Central Asia	16	94%	38%	25%	100%	38%	0%	94%	38%
Latin America and the Caribbean	24	79%	29%	46%	67%	13%	4%	79%	29%
Middle East and North Africa	15	80%	47%	13%	67%	13%	7%	80%	27%
OECD	33	21%	30%	61%	79%	76%	18%	67%	27%
South Asia	7	100%	43%	71%	100%	29%	57%	71%	14%
Sub-Saharan Africa	30	70%	67%	77%	77%	13%	33%	63%	47%