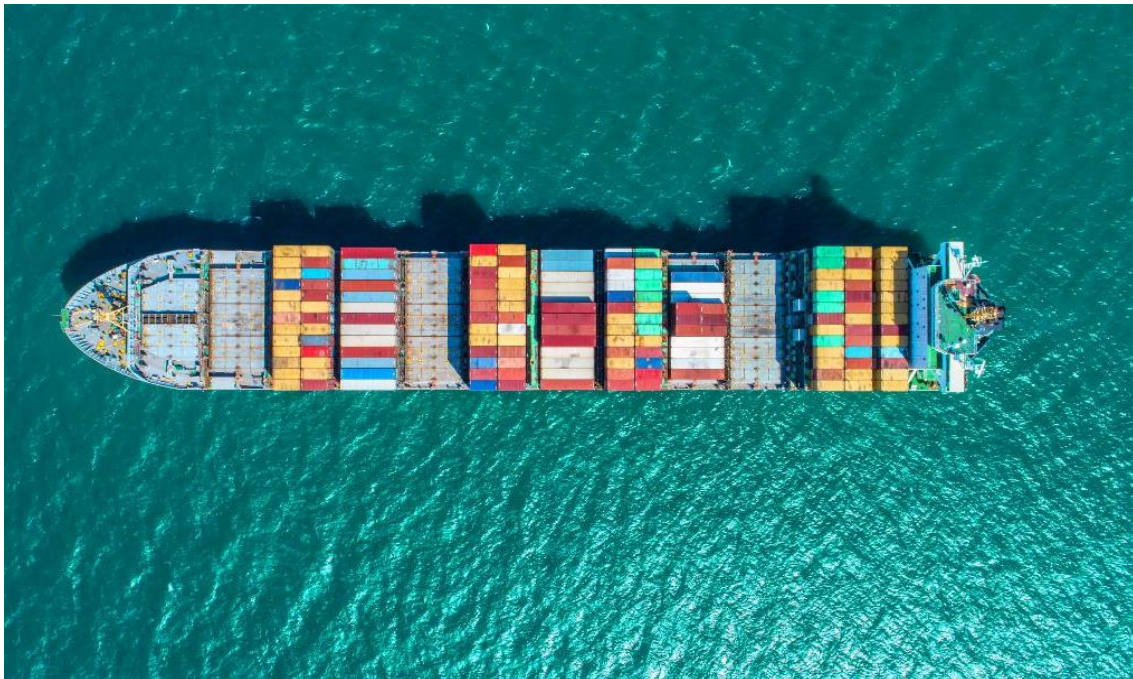


Evaluation

Evaluation of the Federal Funding of the German Trade and Invest GmbH (GTAI)

Summary



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Date

June 2022

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1959

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CH-270.3.003.262-6

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English, German, French

VAT-ID

CH-107.308.511

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Table of contents

1	Evaluation Object and Methodology	- 1 -
2	Key findings of the performance review	- 2 -
3	Recommendations for action	- 4 -
	Imprint / Disclaimer	- 6 -

1 Evaluation Object and Methodology

Germany Trade and Invest - Gesellschaft für Außenwirtschaft und Standortmarketing mbH (GTAI) is a limited liability company in which the German government holds a 100 percent stake. It is funded by the German Federal Ministry of Economics and Climate Protection (BMWK) in the form of non-refundable institutional grants and a staff secondment by the Federal Office of Economics and Export Control (BAFA). With a broad portfolio of services, it supports German companies doing business abroad and foreign companies establishing themselves in Germany. The GTAI is anchored in the agency system of foreign trade promotion. This is where government and private actors, associations and chambers act to support German companies in foreign trade and to encourage foreign companies to make direct investments in Germany.

The evaluation period under consideration extends from 01.01.2017 to 31.12.2020. The evaluation serves to provide accountability in accordance with the requirements of the Bundeshaushaltsordnung (BHO) § 7. In addition to the ex-post evaluation, recommendations for the further development of the GTAI's business activities were developed. Consequently, the central questions of the evaluation for monitoring the success of the GTAI's business activities are:

1. To what extent have the objectives associated with export promotion, investor attraction, location marketing and promotion of the new German states been achieved? (Control of achievement of objectives)
2. Were the activities of the GTAI suitable for achieving the objectives? Were the observable or expected effects causally attributable to GTAI's activities? (Impact control)
3. Was the measure cost-effective in terms of implementation (efficiency) and in terms of the overall balance sheet (efficiency of the measure)? Are there any indications of the appropriateness of the use of funds?

When conducting the performance review, it is important to note that the promotion of Germany's foreign trade is part of a continuum of activities and a system of different actors and interests. This promotion involves not only other federal ministries but also actors such as state governments and trade associations. These various bodies intervene in a targeted and supportive manner with concepts to promote German foreign trade relations. In addition, Germany's foreign trade development is significantly linked to global economic development and the business strategies chosen by companies. One of the central challenges of the evaluation is tracing the chain of effects from the government's contribution to an agency to the expansion and maintenance of economic prosperity (also in the sense of causality). Since individual indicators cannot capture the full picture, the focus of the evaluation is placed on the qualitative analysis of the impact logics and the reconstruction of the intended impact mechanisms.

Data collection and methodological approach

The evaluation is based on a broad empirical foundation and includes quantitative and qualitative analysis steps (see Fig. 1). Initially, desk research was conducted as part of the conception phase, which included both document and process data analysis. Based on the document analysis and the preliminary interviews, the logic behind the GTAI's activities was described and developed into the framework of two impact models as the final step of the design phase. The impact

models structured the work of the evaluation and served as a basis for the subsequent assessment.

An online survey was conducted to record the objectives set and to measure the key impacts of the GTAI's activities. The survey is based on the impact models developed for the Trade and Invest areas of activity. The survey complements the data collected by the GTAI over the past five years in internal and external surveys of clients and non-customers. It allows a more differentiated analysis of participants' experiences and assessments of the services, activities, and results of the GTAI's work regarding the central evaluation questions. In total, there were 576 responses to the survey (377 for Trade, 199 for Invest), of which 250 (Trade) and 108 (Invest) could be used for evaluation.

In addition to the online survey, a short survey was sent to the German missions abroad via the Federal Foreign Office. In total, responses were received from 65 missions abroad. The data sets were not all complete, but nevertheless provide a valuable perspective regarding perceptions of GTAI activities abroad.

An additional element in the primary data collection were guided interviews with different stakeholders. The aim of the expert interviews was to map the internal view of the GTAI's work and the external perception of the GTAI's performance. A total of around 50 interviews were conducted with companies, foreign employees of the GTAI and chambers of commerce abroad, representatives of business development agencies and foreign agencies for foreign trade promotion.

To develop a context analysis, 4 foreign agencies were examined in more detail. The aim of the context analysis was to identify best practices for foreign trade promotion. Best practices include both the support offered by the agencies in their respective countries and their governance.

2 Key findings of the performance review

This ex-post evaluation of federal grants to the GTAI covers the period from 2017 to 2020. The evaluation monitors success in accordance with the Federal Budget Code (BHO), and it also develops recommendations for action to further develop business activities. The operational objectives of the GTAI (export promotion, investor attraction, location marketing, promotion of the new federal states) are central bullet points.

Regarding **objective achievements**, the GTAI is found to be perceived by the target group for the provision of neutral information due to its portfolio of tasks and the range of services. Both the quality and quantity of the support services offered are described as good. The GTAI is well placed to identify foreign investors due to its existing working relationships with the chambers of commerce abroad. The process of GTAI employees supporting foreign companies finding a location in Germany and passing on their willingness to invest to the federal states is considered targeted and structured. The investor recruiters are represented at 13 locations worldwide. In their work, they rely on support from GTAI headquarters and on network partners on the ground.

The GTAI's diversified target group definition is appropriate to its task, but regarding export-oriented SMEs, it still has untapped potential. In addition, there is no clearly communicated definition explaining which actors the GTAI considers as customers, because network partners and intermediaries are also included.

Regarding **impact**, the GTAI succeeds in providing export-oriented companies with an authority that helps them make decisions about their export business. The effects achieved are multi-layered and can be seen above all in the improvement of skills and know-how, while to a lesser extent in the creation of jobs. Due to its independence and the quality of its publications, the GTAI has succeeded in establishing itself as an important point of contact for the provision of information (trust authority). The influence of the GTAI's support services for internationalization is perceived as evident or very evident by the companies surveyed.

The GTAI's measures for attracting investors from abroad are suitable for increasing the commitment of foreign companies in Germany. The GTAI, both nationally and internationally, maintains close relations with other players in foreign trade. It also facilitates access to Germany as a business location through its support services and close-knit networks. The GTAI is seen as an important - but not the only - point of contact.

The GTAI's location marketing and on-site presence contributes to a positive image of Germany as a business location abroad. However, the advantages and obstacles of Germany as a business location are also known independently of the GTAI's work.

In the relationship with the economic development agencies of the new German states, the work and services of the GTAI are described as helpful and expedient. The federal government's involvement is seen as helpful regardless of the structural conditions in the states, even if it competes in part with traditional responsibilities. The GTAI draws attention to special funding opportunities in the NBL.

In summary, based on the various survey steps, the effects of the GTAI are diverse and occur in conjunction with the services of other actors such as chambers of commerce abroad, business development agencies or partner organizations (DIHK, associations, etc.). The spectrum of perceived effects ranges from an improved knowledge base to created or secured jobs.

In terms of **cost-effectiveness**, the GTAI's activities are carried out economically, both in terms of implementation and measures. Although it was not possible to measure the benefits quantitatively, the good satisfaction ratings (especially in the investment sector) and the wide range of effects (especially in terms of increasing skills, know-how and practical information, and to a lesser extent market development, increased sales, and job creation) mean that it is economically viable. Due to the major economic benefits of foreign trade for German companies and the importance of foreign direct investment by international investors (jobs, inflow of knowledge, etc.), the operation of the GTAI and the associated costs (federal subsidy and staff secondment by BAFA) can be regarded as economical in the light of the resulting effects.

The **context analysis** conducted with four foreign agencies shows that each country has a slightly different focus in supporting export activities and attracting foreign investment. All the agencies (except for S-GE) have financial resources, some of which are significantly higher than those of the GTAI. Most of the agencies also have significantly greater leeway in supporting companies. In contrast to the GTAI, all the comparator agencies generate additional private income by paid services or membership fees. Apart from IDA Ireland, all the agencies considered combine activities in the fields of trade and invest under one roof. All agencies prioritize certain sectors when

attracting investors. The portfolio of services offered is very similar. The services differ more in terms of the intensity of support, which can be explained by the different financial scope. Performance monitoring has both quantitative and qualitative elements at all agencies. While all agencies monitor their quantitative targets themselves, qualitative performance monitoring is partly carried out by external independent companies. All indicators are collected on an ongoing basis over several years, and their fit is usually evaluated only after three to five years. The maximum number of overarching indicators is 15.

In conclusion, the operational target dimensions of the GTAI's activities are primarily tasks that the GTAI performs during its activities as a foreign trade agency. For these tasks, neither a benchmark is provided, nor a review of the development based on a time series is possible. During the performance review, it was therefore only possible to examine whether the GTAI fulfills its tasks and the required performance indicators.

3 Recommendations for action

The GTAI is a viable entity that accompanies Germany's progress in foreign trade in the long term, its continuous development and establishing new focal points strategically. Nevertheless, recommendations are presented from the evaluation with the intent of further developing the programmatic and strategic-organizational orientation of the GTAI.

1) Consolidate understanding of target groups and customers while raising profile

The GTAI addresses many different stakeholders: Companies, associations, political actors and others. However, the agency's external image does not yet adequately reflect the differentiated nature of these stakeholders or the different demands and expectations they place on the agency's services. It is therefore advisable to define and disclose a clear understanding of the customer that corresponds to the services offered by the GTAI. Based on this, a central anchoring of a multidimensional customer concept should take place in the strategic documents of the GTAI. At the same time, this step facilitates the definition and controlling of goals while increasing their significance and efficiency.

2) Making controlling affordable

The GTAI has a detailed monitoring system for the targets it has achieved. The existing key indicators are sufficient for monitoring success. However, the monitoring requirements and the resources required for this purpose could be further optimized. The context analyses use an average of 15 indicators to monitor the achievement of agency objectives. Another challenge is that it is difficult to quantitatively measure qualitatively formulated goals and measures. In the future, it will be necessary to contextualize corresponding metrics with the help of qualitative surveys. In addition to the S.M.A.R.T. criteria, replicability as a measure of quality is also a key criterion for deriving developments and trends in meaningful monitoring. To this end, it is advisable that indicators do not change over a longer period.

3) Further strengthening SME orientation

The evaluation of the surveys shows that the GTAI can improve in its specific targeting of SMEs. The more practical this information is, the more likely it is to be of use to SMEs. It would also be conceivable to intensify cooperation with the chambers of industry and commerce, and the chambers of handicrafts to jointly present specific market opportunities to SMEs.

4) Consolidating unique selling points and occupying niches

Even in a crowded environment, the GTAI succeeds in achieving and maintaining unique selling points (neutrality of facts and information in country reports, competence in topic- or sector-specific issues). These form the basis of the GTAI's consolidated role in the differentiated foreign trade scene and its market successes. Thus, the GTAI fills different roles: It provides neutral and high-quality information on issues of foreign market development and market penetration. It is also an intermediary agency for foreign companies in the investment sector. It should contribute to the promotion of structurally weak regions and at the same time take over the location marketing for Germany as a business location. It is therefore recommended that, in addition to the customer concept, the corresponding services should also be sharpened, thus clarifying the profile, and added value vis-à-vis the customer groups ("What we do for you").

5) Focus more strongly on digitization

In the perception of its stakeholders, the GTAI is already responding well to the changes associated with digitalization. We need to build on this and continue to adapt and adjust to digitalization both internally and externally. In addition to customer-oriented information processing, it is advisable to examine the sensible and sustainable implementation of information evaluation (e.g., with the help of big data). In this context, it would be conceivable to integrate existing analyses, reports and studies, as well as other (external) databases, into so-called theme worlds, which are built up according to the specific requests of the users.

6) Strengthening the strategic role as a think tank

On the topics of global and societal challenges, there are issues on which economic actors are looking for reliable information. The GTAI should use its competencies to strategically address such future-oriented issues. In its role as a think tank for German foreign trade, it could develop further unique selling points.

7) Formulate goals realistically and comprehensibly

The GTAI has a comprehensive plan of goals, tasks, and measures. More concretely formulated goals or a clearer idea of what is to be achieved with the help of the grant would make it easier to monitor success. The target agreements introduced from 2020 are an important step in this direction. It is crucial for a more precise measurement of impact to ensure greater transparency between all parties involved about the level of ambition of the formulated tasks associated with the grant. Also, it makes sense to present the cooperation with the partners more clearly and comprehensibly (who does what and why?).

Imprint / Disclaimer

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Composition and layout: Prognos AG
Grafic design: Name Agentur
Print: Name Druckerei
Editing: Titel Vorname [ausgeschrieben] Nachname
Translation: Titel Vorname [ausgeschrieben] Nachname
Picture credit(s):

ISBN: XXXX-XXX
Status: Juli 2019
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The inclusion of this publication in public libraries is not allowed until [bitte Datum TT.MM.JJJJ ergänzen].