Interview: Róbert Ésik – President, Hungarian Investment Promotion Agency (HIPA)



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Róbert Ésik, President of the Hungarian Investment Promotion Agency (HIPA), shares his insights into what makes Hungary such an attractive destination for foreign direct investment and ways that the agency will work to increase the amount of FDI in the country. He also discusses the unique Hungarian business culture and offers advice for entrepreneurs looking to enter the Hungarian market.

As an introduction for our readers, could you describe the scope of HIPA's services and purposes within the country, as well as some of your current objectives as President?

HIPA is essentially a state-owned management consulting company specializing in investment. We are focusing on the promotion of foreign direct investments, basically meaning that we are trying to promote and sell Hungary as an investment location for companies around the world. We aim to be a single point of contact for investors, answering any questions they may have on a range of issues. We also deliver our services in an end-to-end manner, meaning that they are independent of the life cycle of the investment. Lastly, everything that we provide is free of charge as we operate as a government service.

To step back a little, you have to understand that Hungary is a relatively small country by European standards. However, at the same time, we have an economic structure that is very

special. We have one of the most open economies of Europe, export over GDP is approximately 101%. With such an economic structure, in order to have sustainable economic growth, you need to continually attract investments and be able to help your established companies become export-capable. This will drive the growth of the economy. Péter Szijjártó, Minister of Foreign Affairs and Trade, is taking the lead on these issues, from an economic structure point of view. These activities are based on three pillars: investment into Hungary, export orientation and the Hungarian Export-Import Bank. Through this we are able to offer a complete financial package to interested investors, allowing us to discuss tax allowances and cash incentives. The general strategy that we follow is simple, we put foreign trade and external economic relations into focus and into the forefront of foreign policy. During the financial crisis we realized that countries with a strong manufacturing footprint were much more resilient. Because of this we decided that we wanted to become the manufacturing hub of Europe, a goal that we have been relatively successful in achieving. Based one these successes, we still have more work to do, including attracting more innovation and value-added technologies to Hungary.

How would you evaluate the impact of international investment, both in the country as a whole and within the healthcare industry?

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At the end of 2015 we had EUR 84.3 billion in FDI, representing roughly 78% of GDP; the highest level in the region. If you take the healthcare sector, Gedeon Richter was the pioneer in 1901 when they began operations, and the country as a whole has a long, vibrant history in the sector. If you look at the current landscape we have Egis, Servier, Gedeon Richter, Teva, Sanofi, and GSK; all of the large international brands. Investments in the healthcare sector are driven by these companies, including the recent conclusion of a major investment by GSK at their vaccine facility in Gödöllő. Additionally, Gedeon Richter has just announced a major investment of EUR 50 million in Debrecen, which was supported by HIPA. We have more investments in the pipeline as well, not just in the pharmaceutical industry but also in medical devices and lenses.

From your perspective what are the qualities of Hungary that make it such a favorable investment destination?

Our historical roots and the tradition of the industry are part of the reason that Hungary is such a favorable destination. We have 19,000 studying in life sciences, leading us to have a continuously strong supply of qualified labor. We also have very strong infrastructure which makes us ideally situated in that sense. Four out of the ten main international corridors cross through the country,

and our road system is very developed, giving us the third highest road density in Europe after Belgium and the Netherlands. Budapest is also connected to all of the major cities via highway, and by 2018 all of these highways will be extended to the border. Our well-developed infrastructure coupled with our strong history in the pharmaceutical industry provides a solid base for any investor.

In addition, the country stands out in terms of political and economic stability. We have a government with a stable majority and in financial terms, we have had a deficit below 3% since 2012 and boasted the third highest growth rate in the EU in 2014. On May 20th of this year we were upgraded to investment grade by Fitch. The main macroeconomic figures tell a strong story in Hungary. The unemployment rate was pushed down to 6% from a high of 11% in 2010. The fundamentals are quite strong, and we have a strategy that makes FDI a priority. What this means for prospective clients is that if somebody is considering an investment, we are able to quickly provide them with an incentive offer within three weeks, which is a binding offer signed by the minister. We find that clients like this because we ask what their internal decision making process is and provide the data when it is needed. We work to make sure that they understand the current situation in Hungary, showing what the opportunities are, so that all of the advantages can be taken into account when the decision is made.

What types of initiatives are being pursued right now, both within the agency and in foreign affairs to maintain Hungary's leadership status in FDI?

If you look at the trend of FDI there are certain things that you can observe. First, there is an increasing interest in Hungary as an investment location: currently we are managing 170 projects, compared to only 96 last year. We have also been able to increase by 20% the number of projects that are going into higher value added sectors, for example R&D. That is definitely a direction that we would like to continue and we have certain initiatives to help us continue this growth. First, we introduced the possibility of financially supporting R&D and service center projects if they employee at least 50 workers. This is a new tool in order to stimulate and foster growth in the sector. These are funds of the government, and we also have European schemes that we can use to incentivize R&D development as well. The financial resources will be doubled in this framework between 2014 and 2020, amounting to more than 2.3 billion euros. Additionally, when it comes to manufacturing, we have introduced a new scheme. A supplier, together with their customer, can apply for a subsidy together, allowing these companies to work together in an integrated way.

Aside from the agency's task of increasing capital inflow you are also responsible for supply development. How would you assess the willingness of local Hungarian

companies to partner with some of the multinational companies?

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We are responsible for supply development, and work to promote it in the following ways. We help Hungarian SMEs to become integrated into the value chains of FDI investors. We have different tools for encouraging this, from training sessions on company and quality management, as well as acquiring capital investment in the starting phase. We have a central database of Hungarian suppliers, and interested integrated companies can register to access this. We simply provide the platform for these partnerships to take place. Typically, these are large volume partnerships as well.

What qualities do you feel define the Hungarian business culture, and what is one piece of advice that you would give an entrepreneur coming to Hungary for the first time?

One great quality of the Hungarian workforce is that they are very loyal to their employers if they are treated fairly. It is very important for employers to motivate their people, and the advice I have for an entrepreneur is to create a work environment where your employees feel comfortable and challenged. This will enable them to deliver the best results.

What were some of the main motivating factors for you when you accepted this position, and what are some of your main goals moving forward?

The complexity and challenge of this job was appealing to me, especially due to the fact that the agency, in this form, was very new. I looked forward to the opportunity to create something new, especially when the benefits of convincing companies to invest in Hungary would be so beneficial to the country. It is very rewarding work.

Speaking to our goals moving forward, we would like to see the agency continue to grow, and to also become a model for how other successful investment agencies should be run. We would like to increase our company level targets as well as reach a level where the FDI per capita in Hungary is the highest in the region.

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