

Third workshop of the OECD IPA Network

Maximising the benefits of FDI through
investment promotion and facilitation

Summary Report

22 October 2018

OECD Conference Centre
Paris, France



SUMMARY OF THE WORKSHOP

On 22 October 2018, the OECD organised a workshop on **Maximising the benefits of FDI through investment promotion and facilitation** at the OECD Headquarters in Paris, France. It was the third meeting of the OECD Investment Promotion Agency (IPA) Network.

The workshop featured over 100 participants from approximately 50 OECD and non-OECD countries, including senior representatives from 37 IPAs as well as policymakers and representatives from the private sector, civil society and international organisations.¹

As in previous years, the workshop was divided into two main parts. In the morning, IPAs, policymakers and stakeholders from OECD and non-OECD economies attended a plenary session to launch the *Mapping of Investment Promotion Agencies in OECD countries* and preview the *Mapping of Investment Promotion Agencies in Latin America and the Caribbean (LAC) and OECD countries* followed by a discussion on the role of IPAs and other stakeholders to maximise the benefits of foreign direct investment (FDI) on host countries. In the afternoon, IPAs from OECD countries (and others included in the OECD-IDB survey) engaged in breakout discussions on monitoring and evaluation and on organisational choices of IPAs.

Highlights²

IPA mapping: high-level launch & preview

The first session of the IPA workshop was dedicated to the high-level launch of the *Mapping of Investment Promotion Agencies in OECD countries* and the preview of the *Mapping of Investment Promotion Agencies in LAC and OECD countries*.

Mari Kiviniemi, the OECD Deputy Secretary-General, provided the opening speech and officially launched the publication. After recalling the key role played by the OECD to support evidence-based discussions, Ms. Kiviniemi welcomed the publication of the report, which represents a significant step forward in investment promotion and facilitation research, according to her, by providing an extensive comparative analysis of IPAs. She thanked the Inter-American Development Bank for the excellent collaboration as well as all participating IPAs, in particular those who sponsored the project. She stressed the need to bring together different investment communities around the table, as well as other stakeholders, to ensure that investment contributes to inclusive growth and sustainable development.

Presentations followed by the OECD and IDB secretariats on the main findings of the mapping reports for the OECD and for LAC. While Ana Novik, Head of the OECD Investment Division, provided an overview of trends, practices and profiles of IPAs in OECD countries, Christian Volpe, Principal Economist at the IDB, emphasised the cross-regional perspective and highlighted some of the main similarities and differences between OECD and LAC agencies.

¹ Participating IPAs in the plenary sessions included those from: Azerbaijan, Brazil, Chile, Colombia, Costa Rica, Croatia, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Jordan, Kazakhstan, Korea, Latvia, Lebanon, Libya, Lithuania, Mexico, Morocco, Netherlands, Palestinian Authority, Peru, Poland, Spain, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, United States and Uruguay. Other countries were represented by their Investment Committee delegates. International organisations included the Inter-American Development Bank, the World Association of Investment Promotion Agencies, the International Trade Centre, the World Economic Forum and the World Bank Group.

² The discussions took place under Chatham House rules, therefore discussions reported here can be only general in nature and not attributed to any particular country or institution.

Heads of IPAs from different regions with which the OECD is engaged in the mapping project commended the OECD for building a body of knowledge for IPAs and for the role that the organisation plays in disseminating it and supporting experience sharing amongst peers. They highlighted the importance to have at their disposal this comparative evidence on current trends and practices in investment promotion and facilitation, and their intention to use the mappings as an instrument to conduct internal reforms and inform their agencies' strategic orientations. It not only allows them to compare their IPAs with their peers, but also to understand how agencies work in practice, what are the main similarities and differences and how to address some of the key challenges they face. As such, the process itself appears to have played an important role in the self-reflection of IPAs beyond the results as such that are now available to the public.

Measuring and maximising FDI impact

The high-level launch was followed by a plenary session on the impact of FDI on inclusive growth and sustainable development. It started with a keynote address by H.E. José Ramón Valente Vías, the Chilean Minister of Economy, thanking the OECD for this initiative and recalling the impact of FDI on growth, productivity and diversification in his own country. The Minister highlighted the challenges and opportunities of the recently established Chilean IPA and raised several key questions for debates.

Discussions then focused on the role of governments, IPAs, businesses and civil society in attracting and promoting quality and responsible FDI, and on how to measure and maximise its benefits on the host economy. IPA presented how and why they measure the impact of FDI on their economy and the challenges they face in doing so. They noted the need to focus their attraction efforts on "quality investments" and, to do so, the need to understand more precisely the role of FDI on their economy, its direct and indirect effects, its spillovers as well as its social and environmental implications. Some of them are looking at how FDI helps them to implement the Sustainable Development Goals (SDGs) and are planning to develop evaluation methodologies to measure the impact of FDI on responsible business conduct. Others are considering the role that the use of different indicators and formal economic analysis can play in this process. IPAs also noted the role of multi-stakeholder engagement and of policy advocacy to advance the government's agenda on maximising the benefits of investment to society.

A private sector representative highlighted how companies can integrate sustainability objectives in their business operations. He stressed the importance of the local institutional environment, the need for authorities to embrace sustainability objectives jointly with the private sector and the necessity for businesses to adopt a long-term vision instead of a lobbyist speech. The civil society representative highlighted the relevance of IPAs in achieving the SDGs and the need to perceive the latter as opportunities for businesses and to link them with the OECD Guidelines for Multinational Enterprises.

The session demonstrated that the social and environmental dimensions of sustainable development are on equal footing with the economic pillar. Governments, IPAs, businesses and civil society all four agreed that investment has a key role to play to respond to burning challenges such as unemployment, climate change and rising inequalities and that the OECD Guidelines for Multinational Enterprises can help in this regard. As such, future work at the OECD in this area could address the impact of FDI on the local economy as well as the relative role that IPAs play in this regard. Data availability is, however, often a constraint. IPAs and their

governments that wish to engage further with the OECD, should consider what data from national sources could be used in the analysis.

Breakout session on monitoring & evaluation

In the afternoon, the first breakout session was dedicated to monitoring and evaluation: how do agencies go about monitoring and evaluation (M&E) and what can be done to improve M&E in the future. To kick-off the discussions, participants benefitted from the presentations of:

1. UK Department for International Trade on the agency's approach to assessing its effectiveness in attracting FDI, in particular attempting to address the issue of 'additionality';
2. Invest in Israel on the recent analytical work and research undertaken by the agency to quantify the impact of FDI on the local economy;
3. The IDB on the recent experience in conducting impact evaluations with several IPAs in the LAC region, notably Costa Rica and Uruguay, and the main findings;
4. Uruguay XXI on specific data sources, tools and partnerships that the agency entered to improve M&E as well as opportunities and challenges related to rigorous impact evaluation.

Participants discussed in detail various M&E strategies, commenting and enquiring about the approaches presented by the speakers. A particular interest attracted an issue of assessing the impact of IPAs' activities on FDI attraction as well as of FDI on the local economy to help guide the IPAs' strategies and facilitate the communication with the government and other relevant stakeholders. The potential role that the OECD, and other international organisations, can play in this regard, notably by providing baseline methodologies, delivering impact evaluations to help minimise the associated costs and ensure the use of robust and comparable methodologies as well as facilitating peer-to-peer dialogue among IPA experts has been highlighted as important by the participants. It was also stressed that such evidence can assist IPAs in their policy advocacy roles as well as more generally communication with the public.

Experts from IPAs have also exchanged on the specific details of their M&E strategies, including the issues related to the access to the national statistical systems, the role of client surveys, the definition of IPA's "assistance" of projects and the criteria used, the approach to measuring IPAs' "additionality", the design of customer management systems (CRMs), the use of *ex ante* and *ex post* approaches to project evaluation and the role of different indicators in IPAs' prioritisation and evaluation efforts, among others. The discussions have shown the wealth of different approaches across IPAs and the scope for learning from others as well as improving the existing M&E systems. Overall, participants expressed a strong interest in the subject of monitoring and evaluation and a potential future work at the OECD. An informal meeting among the interested IPAs, which took place under the initiative of the UK's Department for International Trade the following day, explored further the scope of potential future work in the area at the OECD, including via cross-country work and work with individual IPAs.

Breakout session on IPA organisational choices

The second breakout sessions focused on IPAs' organisational structures and institutional characteristics: how do they affect investment promotion strategies and activities. To kick-off the discussions, participants benefitted from the presentations of:

1. Enterprise Greece on how they merged trade and investment promotion into a single agency, the challenges they faced and the advantages that came out of it;
2. HIPA, the Hungarian IPA, on its organisational characteristics, why trade and investment promotion were separated and how it is structured around the creation of ecosystems;
3. Business Finland on how the agency recently integrated innovation promotion, how it influences FDI promotion activities and leads to new opportunities to create ecosystems;
4. PAIH, the Polish IPA, on a recent in-depth reform that includes the creation of new offices abroad and how it allows extending FDI expertise to other mandates (e.g. trade).

Participants discussed extensively the key question of merging or not merging trade and investment promotion, the different existing trends and approaches. The same question was also asked about innovation promotion and some participants highlighted the need and/or challenge in balancing between different mandates. They noted that what matters is to keep a client perspective and the necessity to respond to the needs of customers. If an agency is to merge two mandates, the key question is how to merge and how to best exploit synergies. IPAs agreed that an organisational structure by sector could help better serve clients and develop appropriate ecosystems. The relationship with offices abroad is key in an IPA strategy, which requires aligning the staff with different mandates (e.g. investment, trade, innovation) around common objectives.

IPAs addressed other institutional questions and exchanged on the reporting lines. Agencies around the table adopt different approaches to the reporting lines, as one agency stressed the efficiency of having a single reporting line and another pointed to the greater visibility given to the IPA with multiple reporting lines, particularly in a context of multiple mandates. Participants also discussed the role of an IPA board and exchanged their practices. Some agencies have a board consisting only of private sector members meant to guide the agency's strategic orientations and sectoral activities, while others have more political boards helping aligning the different governmental strategies in the IPA's action. Others IPAs reported to have no board while one explained that its agency has two distinct boards.

Main outcomes and next steps

Participants provided positive feedback about both the third edition of the IPA workshop and the mapping reports that were presented and launched. The role of the OECD to provide evidence-based analyses to support the exchange of experience and good practices was particularly appreciated.

At the end of the workshop, the OECD Secretariat presented ideas of activities and topics to be further explored in the next biennium. The proposition focused on potential additional research projects. Participants were asked to provide feedback and ideas for future work in the context of the annual meeting of the OECD IPA Network.

Several outcomes and next steps emerged from the discussions:

- Participants valued the opportunity to exchange with peers – both in a plenary session and in break-out groups – on areas of common interest and encouraged the OECD to sustain the OECD IPA Network and possibly extend its duration to a day and a half or two days to allow for sufficient time for exchanges on selected topics.
- Participants valued the idea of conducting new research projects but highlighted the need to hold on to the existing benchmarking and to connect any additional research with the findings of the mapping report. If a follow-up research project was to go ahead, participants seemed to opt for the monitoring and evaluation proposal.
- Participants proposed new ideas to implement in future editions of the OECD IPA workshop, including:
 - Preparing and discussing best practices based on the results of the mapping and focusing on selected topics of interest to IPAs (e.g. policy advocacy, IPA governance, monitoring and evaluation);
 - Mainstreaming other OECD areas of expertise in the workshop discussions (e.g. climate change, economic foresight, science and technology, digital economy, research and development, skills, etc.).
- Participants also proposed other ways of supplementing or following up on the mapping reports, including by looking more in-depth at the causality of specific IPA settings on the agencies' performance/results or by conducting more sophisticated IPA classifications that take into account the size and type of their economies.

Participants have been invited to consider providing financial support to the OECD work on investment promotion and facilitation. Such contribution would enable the OECD to continue its analytical work and organise annual workshops on a long-term basis.

Based on these different suggestions, the OECD Secretariat will prepare a proposed work plan for the OECD engagement with IPAs in the next biennium. This work plan will include proposed topics to explore and to discuss at the next editions of the IPA workshop.