

# **Second workshop of the OECD IPA Network**

Trends and practices in investment  
promotion and facilitation

## **Summary & Future Work**



## **SUMMARY OF THE WORKSHOP**

### **Background**

On 16 October 2017, the OECD organised a workshop on **Trends and practices in Investment Promotion and Facilitation** at the OECD Headquarters in Paris, France. It was the second meeting of the recently created OECD IPA Network.

Most governments pursue active investment promotion and facilitation policies in the hope of generating jobs and productivity growth in the local economy, among other things. Investment promotion agencies (IPAs) have been established to attract investment and better capture its benefits. Although many countries have adopted this approach, one size does not fit all and different activities, approaches and strategies have been chosen to best suit the specific objectives pursued by governments. Thus, even in similar geographic and development contexts, large differences exist among IPAs in terms of strategic priorities, functions, tools, institutional settings and governance.

The OECD has a long-standing experience in enhancing the contribution of international investment to growth and sustainable development by advancing investment policy reform and international co-operation. Following a first successful workshop dedicated to IPAs in October 2016, the OECD embarked upon a mapping of IPAs and partnered with the Inter-American Development Bank (IDB) to develop a survey and gather data on IPA activities and their institutional settings in OECD and LAC countries. The objective of this work is to establish an up-to-date, comprehensive, fact-based knowledge on investment promotion and facilitation practices and provide evidence-based support for peer-learning and good practice exchanges among IPAs. This workshop provided an opportunity to present preliminary results of the survey and of the mapping exercise. Senior IPA representatives and investment policy practitioners were invited to engage in discussions about the results and how they relate to their own experience. The following note presents some highlights from these discussions.

### **Highlights**

The workshop featured about 130 participants from over 50 OECD member countries and emerging economies, including senior representatives from 37 IPAs as well as policymakers and representatives from international organisations<sup>1</sup>.

The workshop was divided into two main parts. In the morning, IPAs and investment policymakers from OECD and non-OECD economies attended a plenary session with a general presentation of the preliminary results of the OECD-IDB survey of IPAs, followed by a discussion and good practice exchange on policy advocacy. In the afternoon, IPAs included in the OECD-IDB survey engaged in small group discussions on prioritisation strategies and institutional co-ordination.

Participants shared their experience and discussed emerging trends and good practices on:

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<sup>1</sup> Participating IPAs in the plenary sessions included those from: Australia, Belgium, Brazil, Cambodia, Chile, Colombia, Costa Rica, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Japan, Jordan, Latvia, Lebanon, Libya, Lithuania, Morocco, Norway, Peru, Poland, Romania, Slovenia, Spain, Sweden, Switzerland, Tunisia, Turkey, United Kingdom and United States. 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 World Bank Group and the World Trade Organization.

- *policy advocacy* – the complementary roles of IPAs and investment policymakers in facilitating investment and fostering investment climate reforms, with a focus on the human and financial resources allocated to this function as well as the detailed activities agencies perform to promote a policy framework conducive to private investment;
- *prioritisation strategies* – how IPAs build their targeting strategies to focus their resources to attract investment that delivers most benefits to the local economies, including what IPAs prioritise (countries, sectors, types of projects, types of investors), why, and how (decision-making process, selection criteria and exclusion criteria);
- *co-ordination* – interactions of IPAs with their institutional environment, including external cooperation (with the government and other public sector organisations, private sector, civil society and international organisation) and internal co-ordination (notably with their affiliated offices at sub-national level and/or abroad).

Several common themes emerged in the discussion:<sup>2</sup>

First, survey results and ensuing discussions both confirm the wide variety of settings and practices as regards investment promotion and facilitation. Data and indicators from the survey show high dispersion figures in almost all areas of the analysis, including mandates, resources, resource allocation practices, prioritisation strategies, institutional landscape, networks of affiliated offices and evaluation tools and methods. These results suggest that evidence-based work on investment promotion and facilitation can hardly aim at providing an “average picture”. It should rather aim to provide the full picture of this wide variety of practices and offer illustrations and examples of well-working settings and processes to inspire practitioners, bearing in mind that every IPA operates in a specific context, with its specific constraints. The information on institutional, strategic and operational differences of IPAs can guide future discussions on factors that influence differences in performance of IPAs.

Second, in the area of policy advocacy, IPAs can find it difficult to find the right balance between a “push” approach – i.e. providing feedback and perspectives from foreign investors to feed the policymaking process – and a “pull” approach – i.e. conveying policy objectives to influence FDI project developments. Limiting policy advocacy to the “push” approach may be perceived as lobbying for the private sector. However, finding ways and processes to develop the “pull” approach can be challenging. One way to tackle this issue and provide a balanced framework for policy advocacy, as emerged in the discussions, is to focus on sectors or on policy topics that are essential to the national economic development strategy, such as skills. Narrowing the approach can facilitate the policy dialogue between policy-makers and the private sector, and enable to clarify the IPA’s mandate. Another aspect of policy advocacy is that to be effective, IPAs need to be in a position where they can exert some influence, which requires institutional legitimacy and adequate representation or support at the level of the decision-making.

Third, IPA's prioritisation strategies are a complex and evolving topic. While nearly all IPAs have a prioritisation strategy, methods and criteria significantly vary from one agency to another. The choice of prioritisation criteria is linked to the overall investment attraction strategies of countries and IPA plans, and can cover a wide range of different aspects such as sectors,

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<sup>2</sup> 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.

countries, types of investment and economic benefits. The work to establish a list of prioritisation criteria is thus an important part of IPAs' strategic orientations and can influence significantly their operations. Evaluation efforts to ensure that the prioritised activities generate the expected benefits emerge in the discussions as a good practice. IPAs can also contribute to the strategic thinking about a country's value proposition as well as its needs, including at sub-national level. Furthermore, investment attraction objectives evolve over time (half of surveyed IPAs review their prioritisation strategy on an annual basis). For example, some IPAs that targeted greenfield investments in the past have now moved to a more M&A-centered approach. Finally, IPAs also differ in the methods used to define their priorities: some are IPA-led, some government-led, and some involve market studies and other tools. Choice of method has an impact on the level of effort of IPAs. Discussions suggested that there could also be a relationship between the independence of IPAs vis-à-vis the government and the way that they conduct their prioritisation strategy. Once again, in the field of prioritisation, there is no "one size fits all".

Fourth, institutional co-ordination – or co-operation – raises a number of issues for IPAs, given the high number of stakeholders agencies interact with (26 on average) and the different levels of relationships (sub-national, national and international). In particular, facilitating the collaboration with sub-national agencies is a subject of interest for IPAs. While 32% of surveyed IPAs have a network of affiliated offices, a majority interact with independent agencies such as Chambers of Commerce and local development agencies. Whatever the setting, clear distribution of roles and responsibilities is reportedly a key issue and agencies resort to different tools and processes to facilitate exchanges (e.g. Customer Relationship Management (CRM), "code of conduct" or systematised communication processes). IPAs also insist on their "educational" role towards sub-national authorities and agencies in understanding foreign investors' expectations, the relationship between policies and FDI and the importance to have "one single voice abroad". Co-ordination overseas also has its challenges: while Embassies can play a very important role in providing access to new prospects (86% of IPAs interact with Consulates and Embassies abroad), it can sometimes be difficult to get them to truly co-operate, in particular as foreign investment attraction sometimes "competes" with trade and export.

Last, all IPAs are interested in enhancing their evaluation methods to better measure the impact of their action, on the one hand, and to better assess the economic benefits of FDI, on the other hand. However, they report difficulties in obtaining the right data to conduct meaningful econometric assessments. On the side of external data, they point out the unavailability of firm-level data (e.g. confidentiality issues preventing data-sharing from the Central Bank) and unavailability of data fitting their requirements in terms of scope and level of detail (e.g. data from the balance of payments). On the side of internal data, many IPAs work with CRM systems but report confidentiality and data-sharing issues with internal teams and/or external stakeholders, leading to the question of the nature and format of the data that should be reported in the system. Furthermore, CRM systems often require incentives and/or an organisational culture to ensure they are systematically and adequately used and filled. External assistance may help to undertake and improve evaluations activities, among other reasons as it can provide an "objective" point of view.

## **Main outcomes and next steps**

Participants provided positive feedback about both the IPA survey and the discussions during the workshop. 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, participants were asked to identify key areas for further analysis of the survey's results and other potential issues on which to develop new knowledge for future work in the context of the annual meeting of the OECD IPA Network.

Several outcomes and next steps emerged from the discussions.

For the OECD Secretariat:

- Given the success of this second edition, the OECD has been encouraged to continue organising IPA workshops once a year in the context of the Investment Committee, for experience sharing and good practice dissemination among IPAs. Business and other stakeholders could also be invited in the future;
- Discussions held at this second workshop will feed two analytical mapping reports that will build on the results of the OECD-IDB IPA survey. These reports aim to provide a comprehensive picture of IPA activities and institutional settings across economies. One of the reports will be focusing on OECD countries, and the other one will entail OECD and Latin American economies. Both are expected to be released in the first half of 2018;
- The OECD Secretariat will follow-up with the IPAs that participated in the survey to check provided data and ensure overall consistency as part of the analytical work leading to the two reports;
- The OECD Secretariat will consider and launch similar IPA survey initiatives in other regions to enrich the knowledge base that was just created.

For workshop participants:

- 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 and strengthen the OECD IPA Network;
- Participants were invited to share their comments and feedback in writing to the OECD Secretariat on the presentations of survey data and preliminary analyses;
- Participants will be invited to provide their feedback on the drafts of the analytical reports that will be shared in the first half of 2018;
- Participants have been invited to consider providing their financial support to the OECD work on investment promotion and facilitation. Such contribution would enable the OECD to continue its analytical work beyond the two planned IPA mapping reports and organise annual workshops on a long-term basis;
- In this context, IPAs are also invited to suggest possible topics of interest for further analytical work in the future (such as evaluation, coordination and prioritisation).