

OECD Workshop on

Good Practices in Investment Promotion & Facilitation

How to improve Investment Promotion
Agencies' impact and relevance

Summary & Future Work



SUMMARY OF THE WORKSHOP

Background

On 18 October 2016, the OECD organised a workshop on **Good Practices in Investment Promotion and Facilitation: How to Improve Investment Promotion Agencies' Impact and Relevance** at the OECD Headquarters in Paris, France.¹

Most governments are actively pursuing to promote and facilitate investment in the hope to generate jobs, revenue and productive growth in the local economy, among others. Investment Promotion Agencies (IPAs) have been established to attract investment and better capture its benefits. IPAs compete with each other for certain investment opportunities but, at the same time, they also share similar challenges. Together with policymakers, they need to make optimal choices regarding their organisational structure and activities, reflecting their economy's context and priorities, and ensure an adequate allocation of scarce resources. Some policy practices work better than others and exchanges with peers and evidence-based analysis can increase IPA chances of making the most of the budget available to them.

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. Thus far, its work on investment promotion and facilitation has evolved primarily on the use of the *OECD Policy Framework for Investment*² and punctual work undertaken at the request of interested countries.³ Increasingly, practitioners and policymakers have requested the OECD to conduct in-depth analytical work and facilitate peer-learning in this area for the benefit of the OECD members and other economies. This workshop was a starting point to respond to this request – with the positive feedback received, the OECD stands ready to help interested governments and their IPAs.

Highlights

The workshop featured about 100 participants from over 40 OECD member countries and emerging economies, including senior representatives from 22 IPAs as well as policymakers, researchers, representatives from the private sector and international organisations.⁴

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

- *complementary roles of IPAs and policymakers in creating an enabling environment for attracting and retaining investment as part of a coherent policy framework – with a special focus on the importance to ensure that IPAs are properly integrated in a whole-of-government institutional ecosystem, the key role of IPAs in dispute prevention and resolution, and the need for increased international collaboration on investment promotion and facilitation;*

¹ See: www.oecd.org/daf/inv/investment-policy/workshop-good-practices-in-investment-promotion-and-facilitation.htm

² For more information, see: www.oecd.org/investment/pfi.htm.

³ See, for example: www.oecd.org/investment/investment-policy/chile-investment-promotion-strategy.htm

⁴ Participating IPAs included those from: Brazil, Chile, Costa Rica, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Kazakhstan, Laos, Peru, Poland, Portugal, Netherlands, Spain, Sweden, Turkey, United Kingdom, United States and Viet Nam. 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.

- *the institutional and governance options and tools used by IPAs to design, implement and monitor their activities* – including the need to carefully select the sectors to be targeted by the IPA, the challenge in developing sophisticated aftercare systems focusing on the most impactful foreign direct investment (FDI) projects and the importance of maintaining strong links with the private sector to ensure efficient policy advocacy;
- *the current practices and challenges to monitor and measure the impact and effectiveness of IPAs in their activities* – which include the need to better understand the role of the IPA in influencing a given investment decision and to measure the direct and indirect impact of assisted investment projects and firms on the local economy.

The workshop was divided into three sessions during which representatives of the IPAs and international experts presented, followed by a peer-to-peer discussion.

Several common themes emerged in the discussion:⁵

First, all IPAs face a similar dilemma regarding an appropriate institutional set-up and an optimal allocation of staff and resources across activities. IPAs budgets are often under pressure and the agencies undergo frequent reforms. In this process, they face choices as to which functions to retain, attain or shed. For example, some agencies opt for an integrated approach to trade and investment promotion, while others rely on other agencies for this task. Similarly some IPAs undertake both inward and outward investment promotion while others focus on one aspect only. Various other functions are also undertaken to a varying degree. Cross-country evidence on best practices and peer-to-peer discussions can therefore assist IPAs management and policymakers in selecting the appropriate organisational design.

Second, all IPAs are interested in measuring the impact of their activities on investment projects and the local economy. This does not only help them tailor and adjust their own activities but also communicate with the government and the general public at large on the impact of their activities and the role of investment in the economy more generally. Some agencies have more sophisticated tools than others at their disposal for this task, using the available public and private data and various quantitative and qualitative methods. In all cases, adequate impact assessment is both time- and labour-intensive and poses a challenge to the IPAs. Assistance from international organisations and academia can be hence fundamental.

Third, IPAs do not operate in vacuum but operate in a wider investment policy environment. They need to interact with other agencies responsible for similar or related functions, including their peers at the sub-national level, as well as responsible Ministries. They need to develop tools and practices that allow them to undertake such coordination and communication functions effectively. In addition, some aspects of investment climate lie outside of their control and require a broader governmental support and reform agenda. As such, IPAs need to dispose of tools to identify the challenges and help the government to tackle the encountered problems – including through structured dialogue with investors and adequate policy advocacy tools. Again, with its access to policymakers and regulators and tools for whole-of-the-government reforms, the OECD can play an important facilitating role in this regard.

⁵ 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.

Main outcomes

Positive feedback was received about the event and the role that the OECD in facilitating such discussions and providing evidence on best practices in investment promotion and facilitation. At the end of the workshop, participants were asked to identify the main issues on which the OECD should focus its work to best support investment promotion and facilitation practitioners and policymakers to whom they report.

Several outcomes emerged:

- Process
 - Given the success of the first edition, the OECD has been encouraged to initiate a series of similar workshops, at least once a year, for experience sharing and good practice dissemination; following workshops should feature more focused and in-depth discussions on key topics of interest
 - Similarly to the first edition, participants of future workshops should include a mix of IPAs, policymakers and external experts, with a possibility of break down sessions providing an opportunity for focused discussions
 - OECD member countries, key partners and associates should be the main participants of future workshops but larger fora with more participants (including from less developed countries) could be organised back-to-back

- Substance (topics to discuss and/or develop in the future):
 - Guidance and exchanges on the most appropriate IPA structure
 - Proactive vs. reactive investment promotion
 - Measuring the impact of investment promotion and facilitation
 - Strengthening the impact of investment to society
 - National vs. sub-national investment promotion and coordination
 - Improving FDI statistics for investment promotion and facilitation purposes
 - The role and impact of policy advocacy
 - Better inter-governmental coordination for better FDI promotion and facilitation
 - The role of investment incentives
 - The role of ombudsmen and IPAs as facilitator/mediator
 - Future trends of IPAs – how can IPAs adapt to changed priorities of firms?
 - Linking investment policymaking and investment promotion and facilitation
 - Linking investment promotion and trade policy (role in global value chains)
 - Linking FDI attraction and education/skills policies

- Role of the OECD
 - Create an investment promotion and facilitation platform by organising and hosting similar workshops on a regular basis
 - Conduct research and evidence-based analysis on selected topics to inform the discussions and support IPAs in their strategic decision-making⁶

⁶ The role of the OECD in providing this output will depend on the availability of funding.

THE WAY FORWARD

Investment promotion and facilitation platform

Given the success of the workshop and the positive feedback from participants, the OECD will institutionalise this event as a regular activity. Future workshops will be arranged on a yearly basis and be held, similarly to the first edition, during the last Investment Committee week of the year (usually held in October). The platform will follow the same approach as the initial workshop and gather a mix of IPAs and policymakers to ensure a fruitful combination of the traditional role of the OECD of providing advice to policymakers and a more practical support to investment promotion and facilitation practitioners. It will also help building bridges within governments between different investment communities and keep a link with the Investment Committee.

Future workshops will gather participants from OECD member countries and several emerging economies. Coordination with other international organisations will be ensured to avoid overlap and potentially collaborate on issues of common interest. Discussions will be focused around specific topics that will be decided in coordination with a subset of IPAs in advance. Breakout sessions could be held to allow targeted and interactive discussions in smaller groups. Larger sessions with more participants (including IPAs from less developed economies) can be held back-to-back with a view to share experience and disseminate good practices.

Analysis and policy advice

Depending on the availability of external funding, the OECD will conduct research, evidence-based analysis, prepare comparative studies, and provide applied policy advice on selected topics to inform the workshop discussions and support IPAs in their strategic priorities. Potential topics could include:

- Mapping/inventory of IPAs
- Impact and effectiveness of investment promotion
- FDI statistical data collection and use by IPAs
- Scope and definition of investment facilitation
- FDI impact in the host economies
- Case studies