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ADVANCING DIGITAL TOOLS FOR INVESTMENT PROMOTION & FACILITATION IN THE MENA REGION

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SUMMARY AND KEY FINDINGS

This policy brief accompanied discussions at the regional workshop “Integrating digital tools and solutions into MENA IPA activities”, organised on 14 October 2021 by the *EU-OECD Programme on Investment in the Mediterranean*¹, in collaboration with the *OECD IPA Network*. The workshop gathered IPA practitioners from MENA and peer countries (including Estonia, the United Kingdom and Dubai, UAE) to share specific digital practices and tools adopted, as well as challenges and opportunities faced by IPAs in digitalising activities. This brief sets out points for discussion, drawing on the results of the OECD Survey on Investment Promotion & Digitalisation. The survey was completed online by IPAs from Egypt, Jordan, Morocco, Palestine, Libya and Tunisia² in summer 2021, as well as by IPAs from 36 OECD countries for comparative analysis. The brief was updated after the workshop to incorporate key points shared by MENA and peer IPAs.

Notable findings from the survey and interactive discussions between MENA and peer IPAs include:

- Many MENA IPAs use, and have recently expanded, digital tools to support investors throughout the investment process, from investment promotion (i.e. targeting and attracting investors) to investment facilitation (i.e. supporting entry of operations); some have also introduced tools to provide aftercare services following project establishment. MENA IPAs use digital tools for internal processes, but noted that maintaining consistent use for customer relationship management is a challenge.
- MENA IPAs seem to use digital tools for a wider range of activities than OECD agencies. This may reflect advancements to ease administrative procedures for investors in jurisdictions where steps to invest can be lengthy and cumbersome. Compared to OECD countries, a greater proportion of MENA economies have digitised most procedures to invest and set up a business.

¹ This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the author and do not necessarily reflect the views of the European Union.

² References to Tunisia's IPA throughout this note refer to the Tunisian Investment Authority (TIA). Tunisia operates more than one national IPA, however, only TIA completed the second half of the OECD Digital survey, on which this policy note focuses.

- The types of digital tools MENA IPAs offer are not always technologically complex; though high-tech solutions are not necessarily required to support investors. There is also wide variation in the digital skills of MENA IPAs, reflecting in part their different national digital advancements.
- The COVID-19 pandemic accelerated a digital shift for IPAs. All MENA agencies said that they increased their use of digital tools during the crisis, and all reported that they plan to extend their use of digital tools and processes in the future, including to showcase potential opportunities and to ease procedures for investors. Expanding digitalisation is in turn prompting MENA IPAs to reassess their strategies and the nature of services offered.
- Realising these digital shifts will require resources and wider political support. Most MENA agencies said that the greatest challenges to integrating digital tools are changing corporate culture and coordinating with other government agencies. Peer agencies at the workshop noted the importance of educating staff on the benefits of digital tools, and securing political support for digitalisation.
- MENA and peer IPAs agreed that while the pandemic rendered digital tools essential, these tools cannot replace all IPA activities. Digitalisation can provide opportunities for IPAs to reach more investors, and conduct operations more efficiently. But adopting digital tools also has costs, and requires strategy on where tools can be most effective.

Introduction

One of the greatest shifts accelerated by the COVID-19 pandemic has been the rapid digitalisation of government agencies and services. With the closure of offices and restrictions on in-person meetings, governments were forced to adapt quickly to provide existing services to citizens and firms remotely, as well as roll out new assistance, securely and on a large scale. Investment Promotion Agencies (IPAs) – which are at the forefront of business attraction, establishment and expansion – saw both a shift in their modus operandi as operations moved online, as well as renewed urgency to best support firms and promote investment amid an economic crisis. Those with more developed digital services saw the benefits of earlier digitalisation strategies as new and existing digital tools, from online marketing and events to virtual site visits, digital investor portals and COVID-19 information hubs, became essential for IPAs to advance their missions, while also allowing for more efficient means to reach a greater number of existing and potential investors. Now a year and a half after the pandemic began, many disruptions no longer appear temporary. Government or company policy in many countries continues to restrict cross-border travel and in-person events, and both government agencies and firms are considering the cost effectiveness of moving more operations online. This is forcing IPAs to reflect on their digitalisation strategies, and to consider more fundamentally to what extent the future of investment promotion and facilitation is digital.

Best attracting and assisting firms is vital to spur the necessary investment to support economic recovery from the ongoing pandemic. This is perhaps even more urgent in the Middle East and North Africa (MENA) region, where the COVID-19 crisis has compounded already pressing socio-economic challenges, in some countries to devastating effects. Foreign direct investment (FDI) inflows to MENA economies covered by the *EU-OECD Programme on Investment in the Mediterranean* (MENA focus economies)³ declined by around 27%⁴ in 2020 compared to 2019. This is less than the staggering 51% decline observed in OECD

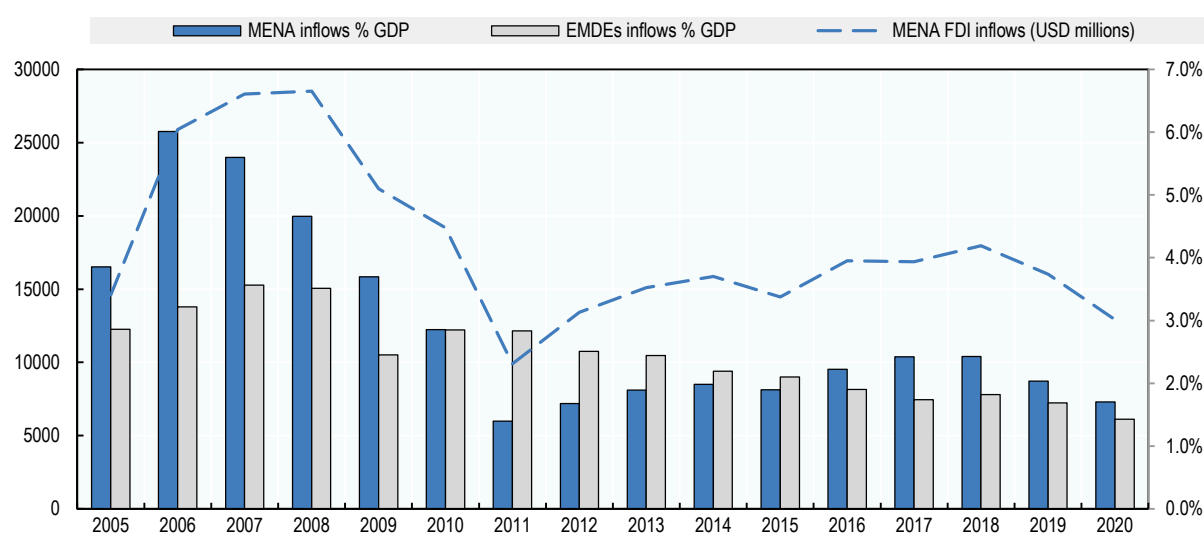
³ MENA focus economies refers to the eight beneficiary economies of the *EU-OECD Programme on Investment in the Mediterranean*: Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, the Palestinian Authority, and Tunisia.

⁴ This figure excludes Lebanon due to data constraints.

economies, but still represents a substantial drop in financing (OECD, 2021^[11]). In both absolute value and as a percent of GDP, FDI inflows to the region are now at their lowest levels since 2011 (Figure 1).

Economic activity has also stalled. All the MENA focus economies but Egypt saw negative GDP growth in 2020, with an average contraction more severe than all other emerging and developing regions⁵ (World Bank, 2021^[2]). Already high unemployment and public debt have also increased substantially, making the region even more vulnerable to internal and external shocks. Increasing private investment is therefore critical both to restart growth and to support longer-term economic stability (OECD, 2021^[3]). While this will require a concerted effort across government, IPAs have a key role to play in promoting their markets, supporting investors, and encouraging business climate reforms. With this bold mission, and often constrained budgets, boosting efficiency and effectiveness of IPA activities is key. Digitalisation may provide an opportunity for agencies to have a greater impact, at a reduced cost. But not all IPA activities are easily digitalised. Agencies must also reflect on the extent to which digitalisation is a strategic goal, and the required shifts in strategy and organisational culture this may require.

Figure 1. MENA FDI inflows reach lowest levels since 2011



Note: EMDEs: emerging and developing economies. FDI inflows data for 2020 is preliminary. The MENA aggregate includes data for the eight focus economies. 2020 data for the MENA aggregate is estimated using available country data from the IMF BOP database and from national sources websites.

Source: OECD based on IMF Balance of payments database & OECD International Direct Investment Statistics (FDI inflows) and IMF World Economic Outlook Database (GDP).

Most MENA IPAs have already begun a digital shift

While the pandemic necessitated a renewed focus on digitalisation, most MENA IPAs had already begun a digital shift. The six MENA agencies surveyed differ substantially, but many reported that they use a range of digital tools and procedures to conduct both investment promotion (to target and attract investors) and investment facilitation (to support entry and expansion of operations). As most OECD IPAs⁶, MENA

⁵ GDP growth contracted by an estimated 10.3% in 2020 in the eight focus economies, and by 5.2% excluding the staggering declines in Lebanon and Libya. Growth in Latin American & the Caribbean, the second hardest hit emerging and developing region by the pandemic, contracted by 6.7% (World Bank, 2021^[2]).

⁶ All comparisons with OECD IPAs based on de Crombrugge and Moore (2021^[6]) and on OECD IPA responses to the OECD Survey on Investment Promotion & Digitalisation, completed between April and June 2021.

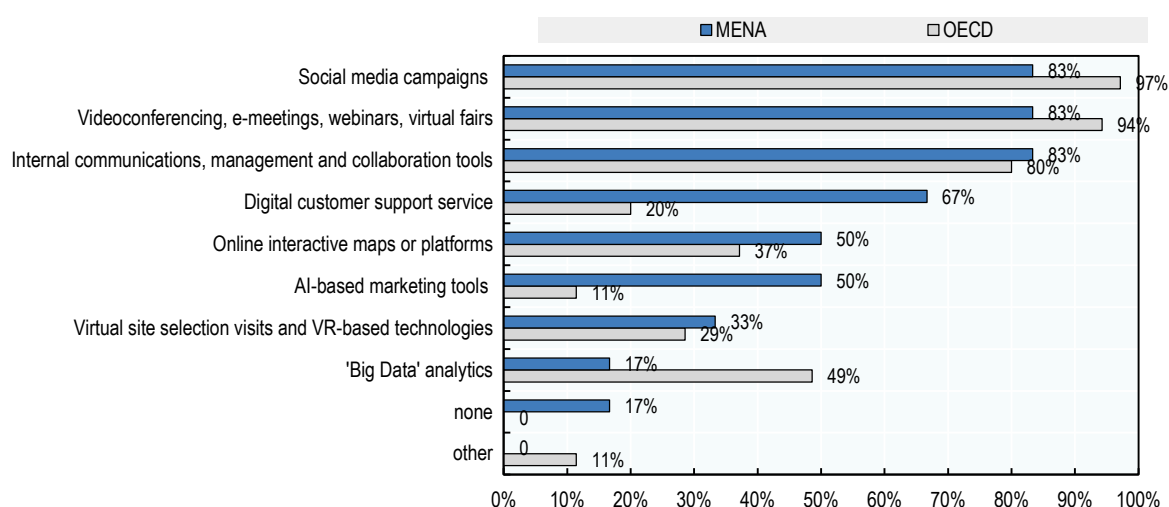
agencies carry out many marketing and promotion activities digitally, through for example, interactive websites in multiple languages, social media campaigns, and digital brochures on specific sectors (Figure 2). Most MENA IPAs also use digital tools internally to support the management of investor queries, although customer relationship management (CRM) systems are not always used consistently, and agencies noted difficulties ensuring staff enter and track all appropriate information in CRM software (OECD, 2019^[4]). Most agencies also reported providing some digital customer support, a broad category that could include basic digital communications (such as an online contact form, used by nearly all agencies) or more technologically complex solutions such as an AI-based chat bot (operated by Tunisia and under development in Jordan).

Several MENA agencies also offer digital tools for investment facilitation, i.e. to set-up and expand a project. For example, Egypt's IPA GAFI introduced in 2017 a digital interactive map to assist potential investors with site selection. Most agencies offer some type of online portal where investors can digitally complete certain procedures to invest or set up a business, though the scope and effectiveness of these portals varies. Morocco's regional investment centres (CRI) advertise that they offer all procedures for investment online through their digital platform. They also provide interactive information on required forms and estimated wait times for procedures. Tunisia's TIA allows investors to submit project authorisation and incentives requests, as well as incorporate a business online. Egypt also has an e-portal where investors can incorporate a business and register company names, as well as register decisions ratified by shareholders and amend the structure of a company. Jordan facilitates online approvals related to employment of foreign and domestic workers, and the issuance of licenses for tourism and agricultural projects. The Palestinian IPA's e-services include applications for visitor permits and project registration. A couple of agencies also support investor aftercare; both Jordan (JIC) and Morocco (AMDIE) allow investors to digitally submit grievance claims.

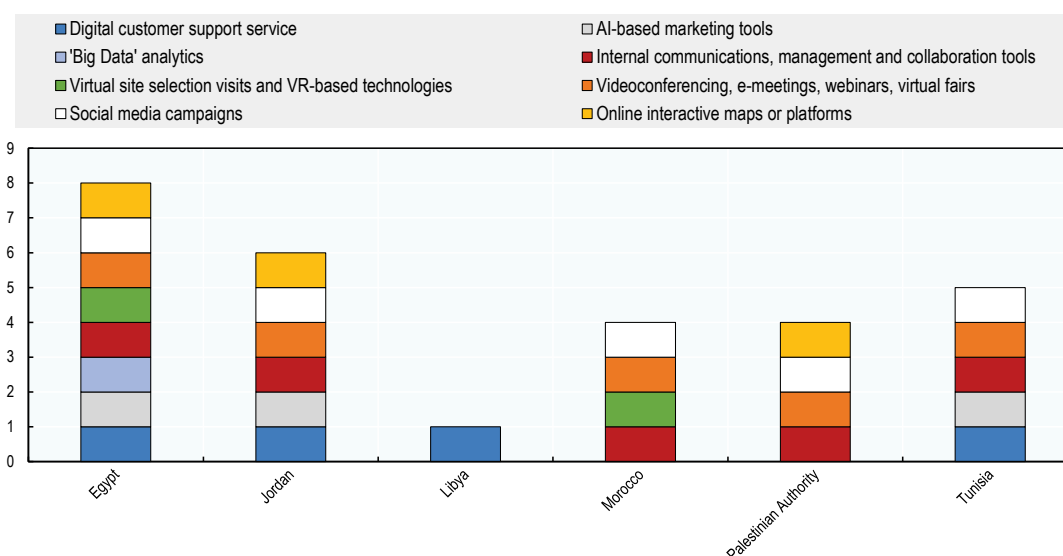
Overall, MENA agencies seem to use digital tools for a wider range of investment promotion and facilitation activities than OECD IPAs, the majority of which reported using digital tools primarily for marketing activities and internal organisation and research (Figure 2). This may reflect MENA agencies' long-held aim to clarify and ease procedures in jurisdictions where steps to invest can be lengthy and cumbersome. Indeed, MENA IPAs report that a higher proportion of their economies have also digitised most procedures to invest and set up a business in their countries (67% compared to 49% of OECD countries surveyed).

Figure 2. MENA agencies use a range of digital tools

Panel A: As a percentage of total IPAs



Panel B. By individual IPAs



Note: IPAs were asked "What digital tools does your IPA use to promote and attract FDI?" Averages are indicative of broad trends only, MENA averages for six respondent IPAs only, OECD averages for 35 IPAs.

Source: OECD survey on investment promotion and digitalisation, 2021.

The types of digital tools MENA IPAs offer are not always technologically complex (such as online investor guides or basic e-services such as an online registration form); though high-tech solutions (such as virtual reality or AI-supported tools) are not always required to support investors remotely. There is also wide variation in the digital skills of MENA IPAs. Some have benefited from funding to increase their digital presence prior to the pandemic, while others have suffered from wider digitalisation gaps in their countries. The existence of a digital tool also does not speak to its effectiveness. Online portals that are slow to load, or applications that are prone to crash can also deter investors, while websites that do not comply with the security standards set by international companies will receive little traffic. MENA agencies noted that even simple tools can require substantial work to on-board, including training employees, and upkeep, such as to keep guides of investment location opportunities up to date.

MENA IPAs have high digital ambitions, yet face several challenges

The pandemic accelerated the necessity of using digital tools. All MENA agencies said that the COVID-19 crisis increased their use of digital tools in promotion activities, substantially for most. The pandemic initially tilted IPA activities towards supporting existing firms to navigate the immediate effects of the crisis, i.e., a focus on aftercare rather than attracting new investors. Multiple agencies, including in Tunisia and Lebanon, set up web portals with key information for investors on government restrictions and availability of support measures (OECD, 2020^[5]). As the crisis continued, many agencies also began to shift in-person promotion events online, holding virtual investment summits and webinars. IPAs also introduced new digital services. Jordan developed a mobile phone application to assist remote communication with investors. Egypt and Morocco reported initiating virtual site selection visits, and both Palestine and Jordan are developing online interactive maps.

All of the MENA IPAs surveyed plan to extend their use of digital tools and processes in the future. Consistent with the scope of activities MENA agencies have begun to digitalise, nearly all agencies reported that they plan to extend digital tools for promotion activities – including investment targeting and image building – in order to showcase potential opportunities. See Box 1 for examples of digital tools used

to raise awareness of investment opportunities adopted by peer agencies. Nearly all MENA agencies also noted plans to extend digital tools for investment facilitation, to ease administrative procedures for investors, and aftercare. Comparatively, only half of OECD agencies plan to extend digital tools for facilitation and aftercare activities. Examples of digital tools for facilitation and aftercare include digital OSS (with all procedures to invest centralised and digitalised) and digital matchmaking platforms to connect investors with suppliers. These types of tools go beyond how most agencies – across MENA and OECD countries – have traditionally used digitalisation, i.e. as a means to support marketing and outreach. Some peer agencies have been moving in this direction for some time, adopting or expanding user-friendly digital tools to support investors to establish and operate (Box 1).

Box 1. Examples of digital tools adopted by peer IPAs

Tools to raise awareness of investment opportunities

Estonian Investment Agency

Estonia is a leader in digital solutions for investment promotion. EIA offers numerous digital tools to inform potential investors of opportunities and market information, including an electronic investment advisor, which provides automated, tailored value propositions with information on locations and sectors, as well as on procedures to establish a company and apply for permits. EIA is also developing a new location attractiveness model that will allow investors to compare, through a digital interactive platform, Estonia's business environment with that of other European countries. Investors will be able to select the importance of different elements in location attractiveness, including human resources and infrastructure. EIA noted this will also serve as an important source of data on investor priorities.

Business Sweden

Business Sweden provides an interactive online site selection map, with around 150 greenfield and brownfield sites promoted. Each site includes specific information such as property type, size, infrastructure details and suitable sectors, along with pictures. The online interactive map also includes information on where specific industry clusters are located, as well as on demographics, talent pool, how many potential customers are reachable within different radii, and drive times from locations.

Tools to support investment facilitation & aftercare

Dubai FDI

Dubai FDI launched in early 2021 Invest in Dubai, a fully digital OSS for business establishment. Services available include electronic submission of approvals for commercial and trade licenses and trade name registration. An automated response to a questionnaire provides information on availability of instant licensing options and costs depending on activity and company type. The platform also supports investors through their set-up with a personalised webpage with information on requirements.

Invest Lithuania

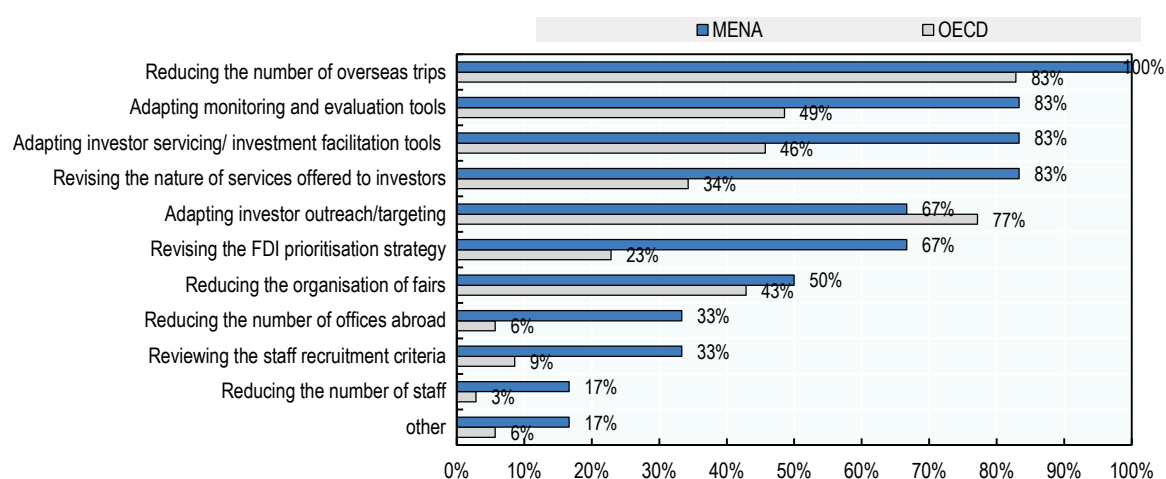
Invest Lithuania has established a CRM system that allows IPA practitioners to view all communication between Invest Lithuania and investors, including automatic marketing campaigns and tailored support. It also allows the agency to track any problems during the investment process and information on the project. The system also provides reminders for investment advisors to perform "health check-ups" with their clients to support quality customer service.

Source: Estonian Investment Agency, Business Sweden, Dubai FDI, Invest Lithuania, and (De Crombrughe and Moore, 2021^[61]).

Expanding digitalisation is prompting MENA IPAs to reassess their strategies and services (Figure 3). Five out of the six MENA IPAs surveyed said that the development of digital tools has led or will lead them to revise the way they operate. Like OECD IPAs, the advancement of remote conferences and meetings is reducing the number of overseas trips MENA IPA representatives take. It remains to be seen to what extent cross-border travel will resume at previous levels as the pandemic eases. Also like OECD IPAs, the adoption of digital tools does not seem to be affecting numbers of staff, though Egypt and Tunisia reported that they are reviewing recruitment criteria. Digitalisation is also prompting a review of monitoring and evaluation tools to better assess impact of IPA activities.

Digitalisation is also changing the nature of services offered to investors. Four agencies said they have adapted (or plan to adapt) investor outreach and targeting (as reported by a similar proportion of OECD agencies), and all but Libya said they were adapting investor facilitation tools. For example, GAFI reported working to fully digitalise their Investor Services Centres, located across 12 governorates. The Palestinian Investment Promotion and Industrial Estates Agency (PIPIEA) is also developing an online OSS. Fewer OECD agencies seem to be considering fundamental changes to their services as a result of digitalisation

Figure 3. Digitalisation is changing the strategic decisions of MENA IPAs



Note: % of IPAs. IPAs were asked “Has the development of digital tools influenced strategic decisions of your IPA (both in the recent past and for the future)?” Averages are indicative of broad trends only, MENA averages for six respondent IPAs only, OECD averages for 35 IPAs. Source: OECD survey on investment promotion and digitalisation, 2021.

Realising these digital shifts will not be easy. Challenges to digitalisation vary considerably across the MENA agencies surveyed, reflecting their different digital advancements, institutional set-up, and country context, including national digital infrastructure. A lack of experience and lack of adequate skills or training tended to be ranked among the more important challenges, similar to OECD IPAs (which ranked these issues as among the top three challenges). Increasing digital skills of staff is essential to any digital strategy. Half of the MENA IPAs said costly technology was not a significant challenge, while the other half reported costly technology or allocating resources as a top challenge. On average, this was the main challenge reported by OECD agencies, perhaps suggesting differences in the types of digital tools agencies are pursuing. Cost may also be a factor depending on government requirements for web domains, if IPAs are allowed to contract out services and to whom, and costs of complying with security requirements. MENA IPAs also noted that management and maintenance of digital tools (such as keeping administrative forms and investment opportunities up to date) can be more costly than initial implementation, requiring sufficient human and financial resources.

Unlike OECD IPAs, most MENA agencies rated difficulty of changing corporate culture and the necessity to coordinate with other government agencies as the or among the greatest challenges to integrating digital tools. This indicates that adopting digital solutions requires more than just purchasing specific tools. Many promotion and facilitation activities have relied on in-person events and face-to-face meetings, and seasoned IPA practitioners may not be accustomed to using digital services. MENA agencies reported convincing staff of the benefits of digital tools to be a challenge, and many emphasised that digital tools should not replace key IPA activities. Some IPAs also noted that trust in and familiarity with digital tools varies between regions; some investors may expect a less digitalised experience, others may place greater value in digital procedures.

Digitalising services such as setting up a business or filling out forms to receive tax and financial incentives also requires that other agencies digitalise their procedures. Moving internal procedures online, within and between agencies, necessitates wider government support. Governments need to invest in digital infrastructure to support this digital shift, including high-speed internet for government offices. As noted above, websites need to be outfitted to handle huge volumes of traffic, and cybersecurity made a priority to protect both government and investor data. Design and user-experience, key components of successful digital firms, may also influence the attractiveness of an IPA's digital services, compared to other agencies. Digital tools that are not well executed – because they are slow, difficult to use, or appear vulnerable to cyber-theft – may actually deter the investors they are designed to support.

The pandemic revealed that not keeping up with digital trends has substantial risks, aside from missed opportunities. Digitalising services for investors can help IPAs reach more investors, and provide more and better services, at reduced overall cost. However, successful digitalisation of services requires strategic thinking on where value can be added, given digital constraints different agencies and countries face.

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