

Mapping of Investment Promotion Agencies MIDDLE EAST AND NORTH AFRICA



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Foreword

Investment is central to growth and sustainable development. It expands an economy's productive capacity and drives job creation and income growth. Recognising this, governments around the world have established investment promotion agencies (IPAs) to create awareness of existing investment opportunities, attract investors that can foster job creation and productivity growth, and facilitate their establishment and expansion in the economy.

This report provides an inventory of existing practices among IPAs in the Middle East and North Africa region. It covers eight southern Mediterranean (MED) economies: Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, the Palestinian Authority, and Tunisia. Each MED country has one national IPA with the exception of Tunisia, where three agencies have investment promotion functions. The survey was therefore conducted with ten different agencies. The mapping exercise covers a wide range of areas pertaining to investment promotion and facilitation with a view to enhancing peer-learning among practitioners. The objective of the mapping is to support heads of IPAs and investment policymakers in understanding options for effective investment promotion and facilitation strategies, based on comparative analysis with other agencies, and statistics on their own organisational setting. It aims to help them improve their policy advocacy role and make evidence-based decisions.

The mapping exercise was conducted in 2018 in close consultation with MED IPAs. It is part of a wider mapping project of IPAs, based on an extensive survey designed and conducted by the OECD and the Inter-American Development Bank (IDB). In light of the dearth of comparable information on IPAs' structure and approaches to promotion and facilitation, the OECD and the IDB collected in 2017, through a survey, information on key IPA functions, activities and priorities for 32 OECD and 19 additional Latin American and Caribbean economies (outside of the OECD). Some sections of this report draw on the *Mapping of Investment Promotion Agencies in OECD Countries* published in 2018.

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The report was supported by financial contributions from the EU in the framework of the EU-OECD Programme on Promoting Investment in the Mediterranean. The Programme supports MED economies' efforts to boost the quality and quantity of investment to and within the Mediterranean region. The IPA mapping report paves the way for further evidence-based work and peer-learning activities on topics of interest to MED economies

in the framework of this Programme. The outcomes of the report will help inform the prioritisation of activities of the EU-OECD Programme in 2019 and beyond.

Abbreviations and acronyms

AMDIE	Agence Marocaine de Développement de l'Investissement et des Exports (Morocco)
ANDI	Agence Nationale de Développement de l'Investissement (Algeria)
APII	Agence de Promotion de l'Industrie et de l'Innovation (Tunisia)
CEO	Chief Executive Officer
CRM	Customer Relationship Management
FDI	Foreign Direct Investment
FIPA	Foreign Investment Promotion Agency (Tunisia)
FTA	Free Trade Agreement
GAFI	General Authority for Investment (Egypt)
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IDAL	Investment Development Authority of Lebanon
IDB	Inter-American Development Bank
IIA	International Investment Agreement
IPA	Investment Promotion Agency
JIC	Jordan Investment Commission
KPI	Key Performance Indicator
LAC	Latin America and the Caribbean
M&A	Merger and Acquisition
MNE	Multinational Enterprise
OECD	Organisation for Economic Co-operation and Development
OSS	One-Stop Shop
PFI	Policy Framework for Investment
PIB	Privatisation and Investment Board (Libya)
PIPA	Palestinian Investment Promotion Agency
PR	Public Relations
RBC	Responsible Business Conduct
R&D	Research and Development
SME	Small and Medium-sized Enterprise
TIA	Tunisian Investment Authority
USD	United States Dollars
WEF	World Economic Forum

Table of contents

Abbreviations and acronyms	5
Overview	9
Introduction	15
1. Institutional choices and organisational characteristics	21
Recent institutional reforms aimed at addressing IPAs’ main challenges	21
Scope and diversity of IPA mandates	28
Resources and internal organisation	32
Annex 1.A. MED and OECD agencies’ number of mandates and staff	37
Annex 1.B. Official Mandates of MED IPAs	38
Annex 1.C. Tunisia’s investment promotion framework: What does the mapping reveal?	39
2. Functions and activities	41
IPAs’ resource allocation across the four core functions of investment promotion	43
IPA activities within core functions.....	46
3. Prioritisation strategies for FDI attraction and generation	53
What is prioritised and why?	53
How does prioritisation work?.....	57
4. Monitoring and evaluation	61
Organisational setting and reporting, data tracking tools and feedback processes	62
Methodologies and indicators	66
5. Co-operation and co-ordination	71
IPA’s co-operation network.....	72
Co-operation and co-ordination with agencies and representations abroad.....	74
Co-operation and co-ordination with sub-national entities.....	75
6. The way forward	77
Guide MED IPAs in their efforts to streamline their institutional setting	77
Support MED governments in strengthening their investment facilitation framework	77
Provide MED IPAs with practical recommendations to evaluate their impact	78
Bibliography	79

Tables

Table 1. Summary typology of MED and OECD agencies.....	11
Table 1.1. Challenges by MED and OECD IPAs to attract investment in the future.....	24
Table 1.2. Number of organisational reforms in the last decade	25
Table 1.3. Date of creation of MED IPAs	25
Table 1.4. MED IPAs’ reporting lines.....	26
Table 2.1. The four core functions of IPAs	41
Table 2.2. Preliminary list of economies within IPA categories	45

Table 3.1. Existence of a dedicated unit and staff for priority sectors/countries in MED IPAs.....	59
Table 5.1. General framework of IPA institutional co-operation and co-ordination.....	72
Table 5.2. Obstacles to the attraction of FDI in the regions according to IPAs	76

Figures

Figure 1. Global FDI flows, Q1 2014-Q3 2018	15
Figure 2. FDI inflows in the southern Mediterranean are below their peak level in 2008	16
Figure 3. Regional integration is limited in the southern Mediterranean basin.....	16
Figure 1.1. Creation of MED IPAs and recent organisational reforms	24
Figure 1.2. MED IPA's board composition.....	27
Figure 1.3. Authority appointing the head of the IPA	27
Figure 1.4. Number of mandates by agency	28
Figure 1.5. Share of MED and OECD IPAs reporting the function as an official mandate	29
Figure 1.6. Other national and sub-national agencies performing the following functions	31
Figure 1.7. IPAs' investment promotion budgets in comparison to the size of their economies	33
Figure 1.8. Proportion of IPA budgets and employees dedicated to investment promotion	34
Figure 2.1. Average IPA budget & personnel allocation across core functions of investment promotion.....	43
Figure 2.2. Resource allocation across the four core functions, by IPA	44
Figure 2.3. Image building activities in MED IPAs	47
Figure 2.4. Investment generation activities in MED IPAs.....	48
Figure 2.5. Investment facilitation activities in MED IPAs	49
Figure 2.6. Investment aftercare activities in MED IPAs.....	50
Figure 2.7. Policy advocacy activities in MED IPAs	51
Figure 3.1. Overview of the prioritisation strategies of IPAs in MED countries	54
Figure 3.2. Criteria used to prioritise specific sectors and countries in MED economies.....	55
Figure 3.3. Criteria used for prioritisation of investment projects	57
Figure 3.4. Government bodies responsible for approval of the prioritisation strategy	58
Figure 3.5. Types of services provided to priority investors by MED IPAs	59
Figure 4.1. Frequency of objective setting and report documents.....	63
Figure 4.2. MED IPA's evaluation unit organisational setting	63
Figure 4.3. Possibilities offered by CRM systems	64
Figure 4.4. Scope of activities tracked in CRM software.....	65
Figure 4.5. Events triggering corrective action	66
Figure 4.6. IPAs' evaluation methodologies	67
Figure 4.7. Number of indicators used by IPAs	68
Figure 4.8. Output indicators used by IPAs	69
Figure 4.9. Outcome indicators used by IPAs.....	70
Figure 5.1. Number of organisations with which MED IPAs interact	73
Figure 5.2. MED IPAs top strategic relationships.....	73
Figure 5.3. Reasons why IPAs contact sub-national agencies.....	76

Boxes

Box 1. About the OECD survey of MED Investment Promotion Agencies	19
Box 1.1. MED IPAs institutional choices and organisational characteristics: A snapshot	22
Box 1.2. Institutional reforms: The good and bad reasons for merging mandates	30
Box 2.1. Definitions of core investment promotion functions	42
Box 2.2. Policy Advocacy role of MED IPAs: The legal framework	52

Overview

Recognising the positive effects of investment in supporting economic growth and sustainable development, governments around the world have established investment promotion agencies (IPAs) to create awareness of existing investment opportunities, attract investors that can foster job creation and productivity growth, and facilitate their establishment and expansion in the economy. One size does not fit all, however, and different activities, approaches and strategies are suitable for different countries.

Based on a survey of eight economies, this report presents a comprehensive mapping of IPAs in the Southern Mediterranean area (MED) and compares them with each other and their OECD counterparts. Comparisons are also made with Latin America and Caribbean (LAC) peers, whenever appropriate. Each MED country has one national IPA with the exception of Tunisia, where three agencies have investment promotion functions. The survey was therefore conducted with ten different agencies. The report addresses: *i*) IPAs' institutional choices and organisational characteristics, *ii*) their functions and activities; *iii*) their monitoring and evaluation processes and tools; *iv*) their prioritisation strategies for investment promotion; and *v*) their approaches to co-operation and co-ordination with various partners.

IPAs in the southern Mediterranean share a number of common features...

The report finds that the greatest challenges MED IPAs face to fulfil their investment promotion mandate going forward are inadequate resources, the emergence of new players in the market and the inadequacy or instability of their mandates. MED IPAs have gone through many organisational changes in the past, affecting their operational scope. MED economies are also vulnerable to competition from other markets as they attract investments mostly in labour-intensive activities. While OECD IPAs also cite inadequate resources as their primary concern, the other challenges are not major impediments that affect their capacity to attract investors.

The recent wave of institutional reforms of IPAs in MED economies responds to some of these challenges. Some reforms have provided agencies with more political support than before: today more MED agencies are autonomous public agencies or report directly to the prime minister (or a higher investment council) than in the OECD. Other reforms have expanded MED IPAs' mandates, for instance by integrating investment and export promotion missions into a single agency. These recent developments illustrate the growing importance of MED IPAs within their respective countries' institutional ecosystems.

MED IPAs often have a broader scope of mandates than the average OECD agency, albeit with lower and stagnating budgets. Their missions, which tend to go beyond the core businesses of OECD IPAs, reflect the specificities of their own economies. For instance, most MED agencies operate One-Stop Shops (OSS), most likely to remedy challenging business climates. The breadth of MED IPA mandates may affect their ability to properly achieve their core investment promotion mission. Furthermore, such wide mandates means

that the responsibilities of IPAs often overlap with those of other government institutions, to a greater extent than in OECD countries.

MED IPAs focus on different functions and activities than OECD and LAC agencies. Most notably, the former dedicate, on average, a greater proportion of their resources to image building activities. The priority given to reducing information gaps and correcting potential misconceptions might be prompted by growing competition from other emerging markets and the volatile political and security context in some countries. Also unlike OECD and LAC IPAs, MED agencies on average allocate resources fairly evenly across image building, investment generation, and investment facilitation and retention, with the latter receiving the most human resources. In contrast, OECD and LAC IPAs concentrate the majority of their resources on investment generation. While both OECD and MED IPAs dedicate around a third of their staff to investment facilitation and retention, the types of activities differ. Most MED agencies run OSSs, which provide some basic facilitation services. Fewer agencies conduct more advanced facilitation and retention activities, such as aftercare and forging linkages between multinational enterprises (MNEs) and local companies.

All but one MED IPA target certain countries and sectors in their investment promotion activities, and the majority also prioritise investment in specific projects. These prioritisation decisions often come from the highest levels of government, but some IPAs have more autonomy in electing priority sectors, in line with the government's wider development goals. Agencies seek projects that will have a positive impact on, for example, domestic firms' production capabilities, the country's image, regional development, jobs and innovation. All agencies that prioritise by sector target industries that have the potential to diversify the economy, and the vast majority target sectors that promote regional development and reinforce their competitive position vis-à-vis other countries. This reflects an effort to find the right balance between diversifying and tapping into strong domestic capabilities. IPAs that prioritise country-specific investment primarily favour partners in international investment and free trade agreements. Such agreements are a less important factor for OECD IPAs in their targeting. This difference is probably due to higher barriers to trade and investment in MED economies compared to OECD countries.

Most IPAs in the MED region report having a dedicated monitoring and evaluation (M&E) unit, extensively using a customer relationship management (CRM) tool, and deploying a plethora of indicators to measure the agency's performance and impact on the economy. Such responses are hard to reconcile with the fact that robust M&E is costly as well as difficult to implement and thus often not well-developed, including among OECD IPAs. It is nonetheless a priority for MED IPAs to improve their monitoring and evaluation procedures, as these are often inconsistently implemented. Agencies' responses also reflect the pressing demand by MED governments to get the most out of FDI to support economic development. MED agencies privilege measuring whether their activities have an impact on attracting FDI that creates jobs or supports local development instead of indicators assessing their operational efficiency; often agencies are required by law to report on their activities and impact. Relatedly, according to the respondent IPAs, they are more likely to take corrective action if investors do not deliver on their job creation promises than if they breach responsible business conduct (RBC) standards. It is the opposite for OECD IPAs.

Like all IPAs, MED agencies operate in a dense and complex network of public and private stakeholders. MED IPAs work much more closely with the highest levels of government than do OECD IPAs; their top strategic relationships are more frequently with the president or prime minister than OECD IPAs, while the MED agencies work less frequently with the

foreign ministry, innovation agencies, diplomatic missions abroad and sub-national and local authorities. It is costly to have offices or staff abroad (which the majority of OECD IPAs have, compared with only three MED IPAs). Around a third of MED IPAs never contact agencies at the sub-national level, and report difficulties working with local governments, including a lack of adequate skills. Most MED countries have a centralised approach to investment promotion at the sub-national level compared to OECD countries, working with their own branches at the local level rather than separate, decentralised entities.

...But they also have unique challenges and distinct characteristics

The mapping reveals that there are important variations among MED IPAs with respect to their institutional setting, the activities they prioritise, their M&E tools, and their co-ordination mechanisms with other entities. Table 1 summarises MED and OECD IPAs' main institutional and strategic characteristics in a simple typology based on more detailed categorisations presented in subsequent chapters. It uses the following criteria:

- The columns classify IPAs according to their total number of staff and mandates (see Chapter 1);
- The rows categorise IPAs according their strategic profile, in line with the main focus of their activity mix (see Chapter 2). “Promoters” refers to IPAs that focus on image building and investment generation activities, “facilitators” on investment facilitation and “balanced” focus equally on all activities.

Table 1. Summary typology of MED and OECD agencies

	Large Specialist	Small Specialist	Large Generalist	Small Generalist
Promoters	France Germany Sweden	Austria Chile Greece Iceland Morocco Netherlands New Zealand Slovak Republic Switzerland Tunisia (FIPA) United States	Estonia Libya Korea	Slovenia Poland
Facilitators	Australia Ireland Japan United Kingdom	Denmark	Czech Republic Norway Tunisia (APII)	Hungary Tunisia (TIA)
Balanced	Finland Spain Turkey	Canada Israel	Algeria Egypt Jordan Latvia Mexico Portugal	Lebanon Palestinian Authority

Notes: (1) *Large/Small* IPAs include those with a higher/smaller number of staff than the median, while *Specialist/Generalist* include IPAs with a smaller/higher number of mandates than the median.

Source: Based on OECD survey of MED Investment Promotion Agencies 2018 and OECD (2018a).

The results of the typology recapitulate two major findings of the report. First, most MED agencies, either large or small, are generalists (i.e. they have broader mandates) in comparison with their OECD peers. Second, the majority of MED IPAs have a balanced mix between promotion and facilitation activities while most OECD agencies are “promoters”. The typology also highlights some of the distinct features of the ten MED agencies, which can be grouped into the following five categories:

- **Large generalist and balanced: Algeria, Egypt and Jordan.** Few OECD agencies fall under this category. Agencies in the three countries are relatively large, have broader mandates than the median OECD and MED IPA and share their resources fairly equitably between promotion and facilitation. This is consistent with the fact that they all operate one-stop shops (OSS). GAFI in *Egypt* is one of the largest IPAs among MED and OECD countries. The agency focuses on broader investment aspects, including policymaking, setting regulations and managing a wide network of free zones. The breadth of ANDI’s mandates in *Algeria* is wide but closer to the median IPA than GAFI. It is one of the few agencies deploying local offices with single-window services in all governorates. JIC in *Jordan* shares similar features with ANDI and GAFI, with the major exception that it also promotes exports.
- **Small generalist and balanced: Lebanon and the Palestinian Authority.** No OECD agencies fall under this category. Both IPAs are balanced in their mix between investment promotion and facilitation. Nonetheless IDAL allocates slightly more financial resources to image building while PIPA dedicates a larger proportion of its budget to facilitation. The major difference between the two agencies, in addition to their smaller size, is the scope of their mandates, which is much larger for the *Palestinian* agency PIPA than the *Lebanese* IDAL. The OECD mapping showed that IPAs in smaller economies often have more mandates than larger and more advanced countries, as the latter tend to distribute mandates across other agencies, leaving IPAs more specialised.
- **Generalist and facilitator: Tunisia (APII and TIA).** Few OECD agencies fall under this category. The two *Tunisian* IPAs have mandates that are centred on investment (i.e. no export promotion), though these mandates are broader than for the median IPA. They both dedicate most of their resources to investment facilitation activities, which is a key difference with other agencies. APII has nonetheless strong similarities with GAFI in Egypt and ANDI in Algeria. The three agencies are the largest in size in the MED region because of their wide network of local offices. While some of the Tunisian agencies’ work is complementary, there are also unavoidably significant overlaps. The mapping could help Tunisia in assessing the potential gains and costs from uniting mandates under one agency or keep the *status quo*.
- **Generalist and promoter: Libya.** Few OECD agencies fall under this category. PIB in *Libya* has a wide range of mandates. The bulk of activity focuses on the privatisation of state-owned companies. With respect to the narrower investment mandate, PIB is found to be an “image builder”, dedicating most of its human resources to promoting the country’s image as an investment destination. The priority given to improving the image of the country and correcting potential misconceptions is prompted by the political and security context in the country.

- **Small specialist and promoter: Morocco and Tunisia (FIPA).** A large number of OECD agencies fall under this category. AMDIE in *Morocco* and FIPA in *Tunisia* are the most specialised agencies in the MED region as the number of their mandates is limited, with a focus on investment promotion activities. One radical difference with the other MED IPAs is that they do not run one-stop shops. In the case of FIPA, facilitation is handled by the two other Tunisian agencies (APII and TIA). In contrast with FIPA, the Moroccan IPA is the only agency in the region that focuses on investment generation, making it similar to most OECD IPAs. This strategy is consistent with the organisation of AMDIE into sector-specific (or value chain specific) departments instead of a structure by geographical regions.

Introduction

Virtually all governments worldwide seek to promote foreign direct investment (FDI) to support growth, welfare and prosperity. Decision-makers can adopt a wide array of policy instruments to attract multinational enterprises (MNEs) and have established dedicated organisations to do so, mostly known as investment promotion agencies (IPAs). Before reviewing and comparing the different choices, approaches and strategies adopted by IPAs in MED economies, it is worthwhile recalling the rationale for investment promotion. This introductory chapter seeks to explain the rationale for FDI promotion by briefly reviewing recent trends in inward FDI and highlighting the key role of the policy and institutional framework for investment. It then examines why IPAs have been created and their specific role in attracting FDI. It ends by explaining the purpose and methodology of the IPA mapping exercise presented in subsequent chapters.

Competition for foreign investment is increasingly important

Competition for foreign investment is more than ever growing among countries, particularly in an economic environment of lacklustre international trade and investment activity. Global FDI trends have been stagnating, or even declining, since the global financial crisis over a decade ago. Following a modest recovery, inward FDI has been declining since 2014 (Figure 1). Global FDI flows fell 35% to USD 432 billion in the first half of 2018 compared to the previous six months, hitting their lowest level since the first half of 2013. Also, FDI flows in Q2 2018 reached only one- to two-thirds of the quarterly levels recorded over the last four years (OECD, 2018b).

Figure 1. Global FDI flows, Q1 2014-Q3 2018

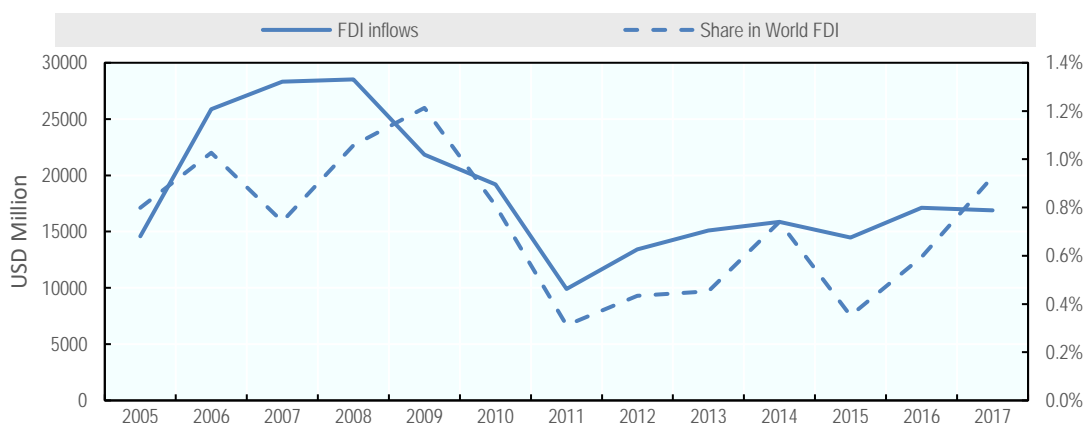


Source: OECD International Direct Investment Statistics (database).

MED countries have a strong potential to attract larger amounts of cross-border investment. Despite its strategic geographic location, and considerable market size, the Mediterranean basin is a minor destination for FDI globally. The area faces high competition from other

emerging regions, notably Southeast Asia, which has been increasingly attracting the attention of international investors. In the aftermath of the global financial crisis, FDI flows to MED economies have been evolving irregularly and their share of total flows has decreased over time to the benefit of other emerging economies, particularly over 2008-15 (Figure 2). The MED share recovered in 2016 and 2017, accounting for nearly 1% of global FDI inflows.

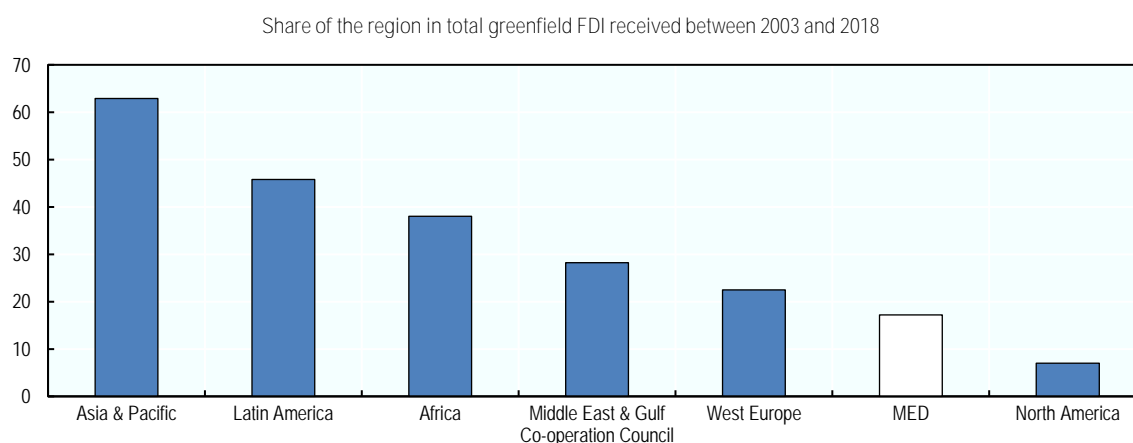
Figure 2. FDI inflows in the southern Mediterranean are below their peak level in 2008



Source: OECD International Direct Investment Statistics (database) and IMF BOP statistics.

It is expected that economies with regional proximity, such as MED countries, compete with each other to attract foreign investment. The MED region could however benefit more from the gains associated with regional economic integration. Only 20% of the total greenfield FDI in the southern Mediterranean region between 2003 and 2018 originated from within the region (Figure 3). In Asia and the Pacific, this ratio is three times higher. Limited integration between countries in the MED region is one of the causes behind their modest participation in global value chains. In Southeast Asia, regional integration through trade and investment underpinned the integration of the region in global value chains.

Figure 3. Regional integration is limited in the southern Mediterranean basin



Source: OECD based on Wall (2019), The Geography of FDI in the Southern Mediterranean, Background Note prepared for the regional seminar “Measuring FDI and its impact”, 5-6 march, Tunis.

The rationale for investment promotion and the role of IPAs

Governments are responsible for the welfare and prosperity of their citizens. Public policies in market-oriented economies are geared towards achieving national socio-economic objectives. Investment promotion is no exception and consists of government interventions to influence firms' location decisions in order to attract FDI that can meet public policy objectives (e.g. generate jobs, productivity growth, linkages with domestic companies and transfers of skills and know-how).

In this context, governments compete fiercely with one another for each investment decision with appealing location value propositions and this requires efficient and well-coordinated institutions. When establishing a formal structure to conduct investment promotion activities, most jurisdictions, including in OECD countries, have chosen to establish an IPA (OECD, 2018a). In the MED area, all countries have established national or sub-national IPAs. IPAs can help remedy market failures by carrying out a range of services aimed at marketing their country, its competitive business environment, industries and firms, and by simply facilitating business establishment and operations.

The rationale for investment promotion finds its roots in the need to correct or mitigate market imperfections, particularly to overcome information asymmetries (Wells and Wint, 2000; Loewendahl; 2001). International investors, who intend to invest in a foreign market, often lack specific information, including on operational costs, capital expenditures, business partners, competition, taxes and legislation in potential locations (OECD, 2015b). Large MNEs typically have more resources and capacity to collect such information than small and medium-sized enterprises (SMEs).

The nature of – and need for – investment promotion undertaken by IPAs has changed over time, and varies by country. Some MED IPAs were created in the mid-1990s, almost a decade after some OECD agencies. The latter have progressed from being primarily engaged with disseminating information on their country's investment opportunities and business climate to more sophisticated activities to gather business intelligence and attract MNEs (OECD, 2015b). In the MED region, the primary focus of most IPAs is still image building, reflecting both the different stage of development of the agencies and the economic context in the MED region, but MED IPAs do offer a wide array of services, and there is considerable variation among agencies.

The emergence of IPAs in the MED economies included in this study were shaped by various factors including their historical development as well as the economic policy choices of their governments since independence. During the last several decades, several MED economies have not necessarily perceived foreign investment attraction as a top policy priority for various reasons:

- While the majority of the OECD economies opted for openness and free trade as the drivers of their development and have long strived to attract foreign investments, some MED economies adopted socialist models characterised by import substitution policies and their economies were dominated by state-owned enterprises relying on state budgets;
- Countries rich with natural resources, notably oil and gas, were not short of financing;
- Other MED countries were (and some still are) confronted with a challenging geopolitical and security situation that impeded foreign investments.

As a result, some MED countries established institutions aimed at attracting foreign investments earlier than others, particularly non-oil-rich economies such as Egypt, Jordan, Morocco and Tunisia. Other economies, such as Algeria or Libya, established institutions to attract foreign investment much later. Today, most MED economies have recently implemented, or initiated, important reforms to streamline and rationalise the institutional environment governing investment promotion and facilitation. This array of reform efforts may improve and facilitate the complex and time-consuming procedures affecting investors in the region.

While there is an overall consensus on the positive impact and effectiveness of investment promotion activities on host economies,¹ it remains an insufficiently explored discipline. One size does not fit all and different forms of IPAs, institutional settings, activities and strategies for investment promotion can match different government objectives, but also different target enterprises. Even in similar geographic and development contexts, large differences exist among IPAs in terms of strategic priorities, functions, tools, organisational characteristics and governance policy. Investment promotion practitioners need to adapt to changing industry developments, sector trends and investment policy reforms.

Purpose of the MED IPA mapping report

The purpose of this mapping report is to complement existing and ongoing research on investment promotion in OECD and non-OECD countries with a comprehensive inventory and comparative analysis of IPAs in MED economies; their institutional environments, internal organisations, core activities, prioritisation strategies, evaluation methodologies and institutional co-ordination mechanisms.

This study intends to provide evidence-based analysis to practitioners and policy makers in MED countries to allow them to benchmark their institutions against those from other countries as well as to help them better grasp the similarities and differences across agencies. It presents both aggregate and individual datasets and intends to lay out different profiles of IPAs and explain existing trends and practices. This mapping exercise also allows for peer-learning among MED IPAs and provides an opportunity to discuss good practices. It also highlights key considerations for practitioners and policy makers as well as ideas on where further evidence-based work could be conducted.

The data used in this report have been gathered through different means, the most important being a comparative survey developed by the OECD and the Inter-American Development Bank (IDB) (Box 1). It draws on existing literature on FDI and investment promotion and is supplemented by desk research and consultations with senior MED IPA representatives, both individually and collectively.

The mapping report is divided into five chapters, as follows:

1. Institutional choices and organisational characteristics of IPAs
2. IPA functions and activities
3. Prioritisation strategies for FDI attraction and generation
4. Monitoring, evaluation and impact
5. Institutional co-operation and co-ordination

¹ Several academic studies provide evidence suggesting that investment promotion is positively associated with higher FDI inflows. See for example Charlton and Davis (2006), Harding and Javorcik (2012), Hornberger et al. (2011) and Morisset (2003).

Box 1. About the OECD survey of MED Investment Promotion Agencies

The OECD survey of MED IPAs is part of a wider project tracking and analysing existing practices in IPAs in different countries and economic contexts. These surveys are conducted based on a questionnaire designed by the OECD and the IDB for 32 OECD countries and 19 Latin American and Caribbean (LAC) countries in addition to those that belong to the OECD, allowing for benchmarking across economies. The survey provides detailed data on multiple recent policy developments and rich, comparable information on the work of IPAs in different countries. The survey was displayed and shared with IPA representatives from MED countries in the form of an online questionnaire that was divided into nine parts:

- Basic profile
- Budget
- Personnel
- Offices (home and abroad)
- Activities
- Prioritisation
- Monitoring and evaluation
- Institutional interactions
- IPA perceptions on FDI

National IPAs from eight MED economies participated in the survey. The participating agencies are from the following economies: Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, the Palestinian Authority and Tunisia. Each country has one national IPA with the exception of Tunisia, which has three, meaning that 10 agencies were surveyed. Respondents completed the questionnaire between February and June 2018, and provided additional information in October 2018. The data and information gathered through this questionnaire serve as the basis for this mapping. The report also draws on the “Mapping of Investment Promotion Agencies in OECD Countries” (OECD, 2018a), to benchmark MED agencies against OECD IPAs, and the “Mapping of Investment Promotion Agencies in Latin American and the Caribbean and OECD countries” (Volpe Martincus, C. and Sztajerowska, M., 2019) to draw comparisons with the LAC region.

The first chapter of this mapping report covers institutional settings and organisational characteristics of IPAs, including their governance, scope and diversity of mandates, and financial and human resources. The second chapter addresses key IPA functions and specific activities within each function. It identifies the most recurrent activities across IPAs and provides insights on their diverse choices in terms of resource allocation and strategic focus. Chapter 3 looks at how IPAs design and implement their prioritisation strategies to attract investment. Chapter 4 maps the different monitoring and evaluation tools used by IPAs to track and measure their performance. Finally, the fifth chapter examines how IPAs co-ordinate and collaborate with their institutional environment at three different geographical levels: international, national and sub-national.

1. Institutional choices and organisational characteristics

An overview of the scope and variety of mandates and organisational choices of MED IPAs reveals significant similarities across agencies but also points to some key differences. Some organisational reforms have offered agencies more political support: today more MED agencies are autonomous public agencies or report directly to the prime minister (or a higher investment council) than in the OECD or LAC. Other reforms have altered MED IPA mandates, for instance by integrating investment and export promotion missions into a single agency (see Box 1.1). Nevertheless, MED IPAs continue to have broader mandates than agencies in other regions. For instance, and in contrast with their OECD and LAC counterparts, most MED agencies have a one-stop shop (OSS) mandate, probably because of a more challenging, on average, business climate.

The survey revealed large variations in investment promotion and total budgets, reflecting the size of the economy and breadth of the agencies' mandates. Many IPAs in the region reported that their budgets did not change substantially between 2012 and 2017, though a couple of agencies experienced wide fluctuations in resources and substantial cuts. Only two IPAs saw their budget increase. Most IPAs have broad and expanding mandates. Adequate financial and human resources are essential success factors of any institution and IPAs are no exception.

This chapter is divided into two sections: the first addresses the institutional environment of IPAs, including their legal status, governance models and formal mandates; and the second section looks at IPAs' resources and internal organisation, including their budget, personnel and secondary offices.

Recent institutional reforms aimed at addressing IPAs' main challenges

The challenges IPAs around the world face to attract investment reflect the wider economic and institutional contexts of their respective countries. According to the survey, MED agencies consider that the greatest challenges they face in the mid- to long-term to fulfil their investment promotion and facilitation mandate are: inadequate resources, the emergence of new players in the market (e.g. new countries, new investors), and the institutional instability of their mandates (Table 1.1). These challenges contrast somewhat with those of OECD IPAs, for which inadequate financial and human resources are the key impediments to their capacity to attract investors. MED economies are relatively vulnerable to competition from other emerging countries as they all represent untapped market opportunities to foreign investors, mostly in labour-intensive, low-wage sectors.

Box 1.1. MED IPAs institutional choices and organisational characteristics: A snapshot

The **Algerian** IPA was created in the 1990s as the Agency of Promotion, Support and follow-up of Investment (APSI). In 2001, it was transformed into the National Agency of Investment Development (ANDI), with the legal status of an autonomous public entity. This transformation resulted in several institutional changes, such as the creation of the National Council of Investment, a body under the authority of the Prime Minister, in charge of setting strategic priorities. It also led to the creation of regional offices to improve coordination with local development actors. In 2006 there was a change in the reporting line from the Prime Minister to the Minister of Industry and Mining, who also represents the Secretariat in the National Council. The 2016 investment law redefined the functions of ANDI, taking out the mandate of granting incentives to investors. Besides promoting and facilitating investment (including registration), ANDI also has the mission to promote territorial development. Local offices are spread across the 48 governorates and are dedicated to business facilitation, including registration, and territorial promotion.

In **Egypt**, the General Authority for Investment and Free Zones (GAFI), created in 1971, is an autonomous agency operating under the umbrella of the Ministry of Investment and International Cooperation (MIIC). In 2016, a decree created the Supreme Council for Investment, an inter-ministerial body with MIIC acting as the secretariat. The Council takes measures to improve the investment climate, develop legislative and administrative reforms and approve the Investment Plan and major economic projects. Besides promoting and facilitating foreign and domestic investment, GAFI is also the principal body in charge of regulating Free Zones and Investment Zones. At the sub-national level, GAFI established five one-stop shops (OSS) that cover the country's 27 governorates. The creation of these offices is a step towards decentralisation of investment facilitation.

The **Jordan** Investment Commission (JIC) was set up in 2014 as part of a reform aimed at streamlining the institutional framework for promotion and facilitation, previously governed by the Jordan Investment Board (JIB). JIC has the legal status of an autonomous agency, i.e. it is financially and administratively independent. It reports to the Prime Minister, who also appoints the Chairman, and acts as the secretariat of the Investment Council, established after the 2014 reform, to oversee the management and development of investment policy. Unlike in Egypt, the JIC includes representatives from the public and private sectors. The reform increased the mandates held by the Jordanian IPA as a result of a merger of three former bodies: the Export Promotion Department of the Jordan Enterprise and Development Corporation, the Development and Free Zones Commission and the JIB. The commission also has the mandate to operate an Investment Window and to promote regional development. JIC does not have sub-national offices.

The Investment Development Authority of **Lebanon** (IDAL), was established in 1994. The public agency enjoys financial and administrative autonomy and reports directly to the Prime Minister (President of the Council of Ministers). The Authority is administered by a Board of Directors of seven members, all from the private sector, appointed by the Council of Ministers. In addition to its role as a promotion and facilitation agency, IDAL also has the mandate to promote exports, as in Jordan and Morocco. As per the law itself, IDAL has a predefined list of sectors that shapes its mandate. For instance, the authority helps support and promote Lebanese products, with a focus on agricultural products and materials used in the agro-industry. IDAL is also entrusted with the task of participating in the capital of

joint-stock companies in the ICT and packaging sectors. The authority does not have sub-national branches but envisages doing so in the near future.

The **Libyan** Privatization and Investment Board (PIB) was created in 2009 to oversee and regulate foreign investment in the industrial sector. While PIB's mandate includes foreign investment promotion, it essentially serves as a screening agency for foreign investors and its activity is limited to processing investors' inquiries. PIB is also in charge of supporting the privatisation of public firms by facilitating the transfer of ownership to the private sector and of reviewing related regulatory policies. Another mandate of the agency since 2013 is to provide window services.

The **Moroccan** Agency for Investment and Exportation Development (AMDIE), was set up in 2017 to streamline the institutional framework for investment promotion. The agency has the status of a public institution with financial autonomy. It operates under the supervision of the Ministry of Industry, Investment, Trade and Digital Economy. AMDIE is the result of the merger of three structures: the Moroccan Investment Development Agency, the Moroccan Centre for Export Promotion and the Office of Fairs and Exhibitions of Casablanca. In terms of mandate, AMDIE implements the State's strategy for the promotion of domestic and foreign investment as well as exports. It hosts the National Contact Point (NCP) in charge of promoting the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. The agency does not have local offices. It cooperates with the Regional Investment Centres (CRI), which are under the governorates' authority and attached to the Ministry of Interior.

The **Palestinian** Investment Promotion Agency (PIPA) was established in 1998 as an autonomous agency, following the promulgation of the Investment Promotion Law of 1998. Its powers have been strengthened by the 2014 Amendment to the Investment Promotion Law. PIPA's Board of Directors is composed of 11 members from both the public (7 members) and private sector (4 members). The agency reports to the Minister of National Economy, who also chairs the Board. PIPA has the mandate to promote and facilitate foreign investment (it operates as a one-stop window for investors) and, since the 2014 revision, it is also mandated with the granting of fiscal incentives. The agency has one sub-national branch and a department that acts as a liaison office with local authorities.

In **Tunisia**, the 2016 investment law redefined the institutional framework for investment promotion and facilitation. As in Egypt, the reform led to the creation of a Higher Council of Investment – chaired by the Prime Minister – in charge of approving investment policies and strategies. It also set up a new authority, the Tunisia Investment Authority (TIA), which proposes to the Council investment-related reforms and helps facilitate investment alongside other authorities. It has the mandate to operate as an OSS and handle procedures and incentives for projects of more than 15 million dinars. Below this threshold, procedures and incentives are managed by the Agency for Industry and Innovation Promotion (APII), which reports to the Ministry of Industry and Trade. The APII, established in 1972, has also the mandate to support industrial development and innovation. It offers OSS services in each governorate. FDI promotion is handled by the Foreign Investment Promotion Agency (FIPA), created in 1995 as a public institution under the supervision the Ministry of Development, Investment and International Cooperation. Before that, the agency was a department within the APII. FIPA has several offices abroad. See Annex 1.C for more on Tunisia's three agencies.

Source: OECD (2018c)

Table 1.1. Challenges by MED and OECD IPAs to attract investment in the future

Challenges	MED	OECD
Inadequate Resources	1	1
Emergence of New Players in the Market	2	6
Inadequacy or Instability of the Mandate	3	4
Lack of Political Support for the IPA	4	5
Wider Business Climate or Regulatory Framework	5	3
Inadequate Staff	6	2

Note: The survey question is the following: “What biggest challenges do you see that can limit the ability of your IPA to attract investment into your country in the next 5-10 years?.” Some MED IPAs reported that they do not find any of the aforementioned challenges to be necessarily reflecting those faced by their agencies.

Source: OECD survey of MED Investment Promotion Agencies 2018 and OECD (2018a).

IPAs’ establishment and recent reforms

Today the average age of an IPA in the eight MED economies is about 21 years, roughly the same as OECD IPAs (Figure 1.1). This average is, however, skewed by agencies initially created to promote the development of industrial activities, such as the *Agence de Promotion de l’investissement* (API) in 1972 in Tunisia and the General Authority for Investment and Free Zones (GAFI) in 1970 in Egypt. In other countries such as Morocco, the central administration, not an agency, handled investment promotion. Several countries also established export promotion agencies at this time, for instance Tunisia Export was created in 1973 and Maroc Export in 1975.

Figure 1.1. Creation of MED IPAs and recent organisational reforms

Source: OECD survey of MED Investment Promotion Agencies (2018).

Fully-fledged investment promotion agencies seeking to attract FDI did not emerge until the 1990s. At this time, many MED economies adopted greater openness and promoted trade, in a context of intensified competition to attract foreign investment at the global and regional levels. Lebanese authorities established IDAL in 1994, FIPA was created in Tunisia in 1995, the JIB (predecessor of the Jordan Investment Commission) and ANDI in Algeria in the same year. In other countries, governments established IPAs later due to political reasons that influenced the liberalisation of the economy and openness to trade: the Palestinian Authority created PIPA in 1998 shortly after the Oslo Accords and the Libyan Privatisation and Liberalization Board (PIB) was established in 2002 after the alleviation of economic sanctions.

Authorities have made several reforms and organisational changes to IPAs since their creation to adapt to changing environments and new challenges. As reflected in Tables 1.2

and 1.3, the vast majority of IPAs (nine out of ten) have undergone an organisational restructuring at least once in the last decade, and six IPAs have had at least two restructurings. Reforms have often followed the adoption of a new legislative framework for investment. They also have given IPAs new missions, such as operating OSSs, or integrated mandates within the agency (e.g. trade promotion, innovation or investment zones). Only one reform involved dividing an agency or removing some of its responsibilities; in 2016 Algeria removed ANDI's mandate of granting incentives to investors.

Table 1.2. Number of organisational reforms in the last decade

No reform	1 reform	2 reforms	3 reforms	4 or more reforms
TUN (FIPA)	DZA LBN TUN (TIA)	JOR LBY MAR TUN (APII)		EGY PA

Note: The creation of TIA is the outcome of an organisational reform in Tunisia in 2016.

Source: OECD survey of MED Investment Promotion Agencies (2018).

Table 1.3. Date of creation of MED IPAs

IPA	Creation	Former name
EGY	1971	General Authority For Investment and Free Zones (GAFI)
TUN (APII)	1972	Agence de Promotion de l'Investissement (API)
LBN	1994	The Investment Development Authority of Lebanon (IDAL)
TUN (FIPA)	1995	Foreign Investment Promotion Agency (FIPA)
JOR	1995	Jordan Investment Board (JIB)
DZA	1995	Agence de Promotion, de Soutien et de Suivi de l'Investissement (APSI)
PA	1998	The Palestinian Investment Promotion Agency (PIPA)
LBY	2002	Privatization and Investment Board
MAR	2009	Agence Marocaine de développement de l'Investissement (AMDI)

Source: OECD survey of MED Investment Promotion Agencies (2018).

Legal status and reporting lines

The governance of an IPA is related to the way it is supervised, guided, controlled and managed. When IPAs are established, their legal status will determine many organisational and functional aspects of the agency. It will have a particular effect on the degree of autonomy the IPA has from the government, particularly in terms of financial and human resources management. From the least to the most autonomous agencies, the most common types of legal statuses for IPAs are the following:

- Governmental department or unit (often within a ministry)
- Autonomous public agency
- Joint public-private body
- Privately-owned organisation

IPAs' institutional independence may help them to be less subject to governments' budget volatility and political cycles and thus more effective when it comes to accomplishing their

functions. According to the IPA surveys conducted by the OECD, autonomous public agencies are the most common forms of IPA legal status across both developed and developing countries. All IPAs in the MED region and 60% of those in the OECD are autonomous public agencies. Across OECD agencies, the second most frequent legal status – just below a third – are governmental IPAs (part of a ministry) and the remaining 9% are private or semi-private. Private and joint public-private entities are particularly common in LAC countries (Volpe Martincus and Sztajerowska, 2019).

IPAs can have different reporting lines, depending on their legal status and the broader institutional environment (Table 1.4). Half of MED IPAs have multiple reporting lines. The most common one is to the line minister (eight out of ten), followed by board of directors (six IPAs). Some recent organisational reforms have given MED agencies more political support as five of them report directly to the head of the government which, in some cases, also chairs the board of directors of the IPA (e.g. Jordan). In contrast, only a few agencies in LAC or OECD countries report to the head of government (Nicaragua, El Salvador and Turkey). As in LAC countries, line ministers tend to be ministries of investment and industry. In OECD countries the majority of IPAs report to the ministry of economy and, in some cases, the ministry of foreign affairs.

Table 1.4. MED IPAs' reporting lines

	Head of government	Minister	Several ministers	Sub-ministerial level	Board of directors	Other
DZA		Industry & Mining				
EGY	X	Investment			X	
JOR	X				X	
LBN	X				X	X
LBY		Economy	X	X	X	
MAR		Industry, Investment & Trade				
PA	X	Economy		X	X	
TUN (APII)		Trade & Industry			X	
TUN (FIPA)		Investment				
TUN (TIA)	X	Development, Investment & International Cooperation			X	

Source: OECD survey of MED Investment Promotion Agencies (2018).

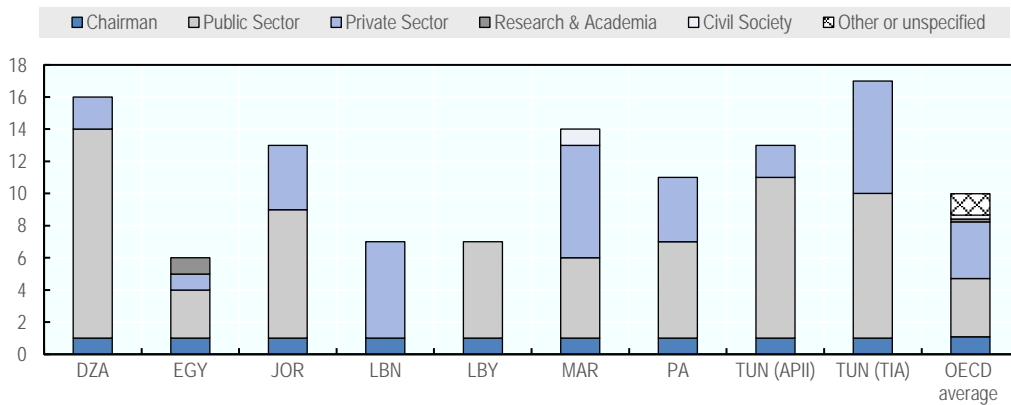
An important part of the governance of IPAs is the board, which allows for an external entity to supervise and/or advise the work of the agency. Boards can vary greatly from one organisation to another in terms of their decision-making power and composition, with potential representatives from the public sector, private sector, research/academia, civil society or other parts of society.

All MED IPAs have a BoD, whose role and composition has been enshrined in the investment law. As illustrated in Table 1.4, only five IPAs report to their boards while the remaining agencies have BoDs with more advisory roles. The size of the board varies from one agency to another and does not appear to be correlated with the size of the agency (Figure 1.2). In OECD and LAC countries the median size of this board is ten members (Volpe Martincus and Sztajerowska, 2019). In MED IPAs, the size of the board is related to the number of public entities represented on the board. In Egypt, a reform in 2018 changed the size and composition of GAFI's BoD, which now includes four members from

the public sector, including three from GAFI, one from the private sector and one from academia. BoDs in other IPAs tend to be larger as they include more public entities.

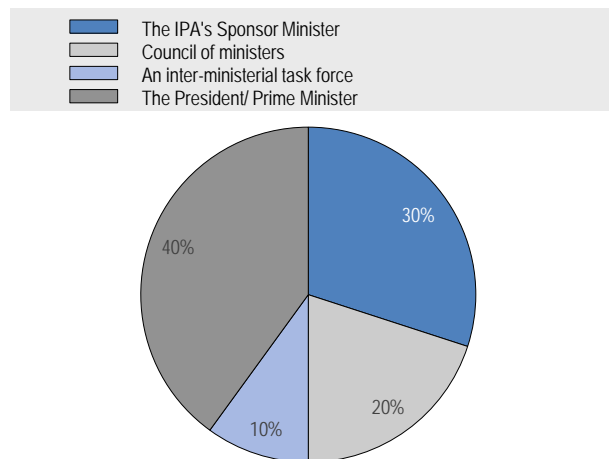
IPA boards are less diverse in the MED region than in OECD and LAC countries. They are mainly composed of public sector representatives, though the private sector has a relatively strong presence on boards in Egypt, Morocco, Lebanon and Tunisia (TIA). Having a private sector representative on the board is a positive initiative, as it ensures that the views and interests of businesses are taken on board in IPAs broad strategic directions. As a matter of comparison, in OECD and LAC IPAs, boards include respectively 38% and 63% of private sector representatives on average (Volpe Martincus and Sztajerowska, 2019). Only a couple of MED agencies have representatives from civil society or academia (Egypt and Morocco). A similar trend is observed in OECD and LAC agencies.

Figure 1.2. MED IPA’s board composition



Source: OECD survey of MED Investment Promotion Agencies (2018), (OECD, 2018).

Figure 1.3. Authority appointing the head of the IPA



Source: OECD survey of MED Investment Promotion Agencies (2018).

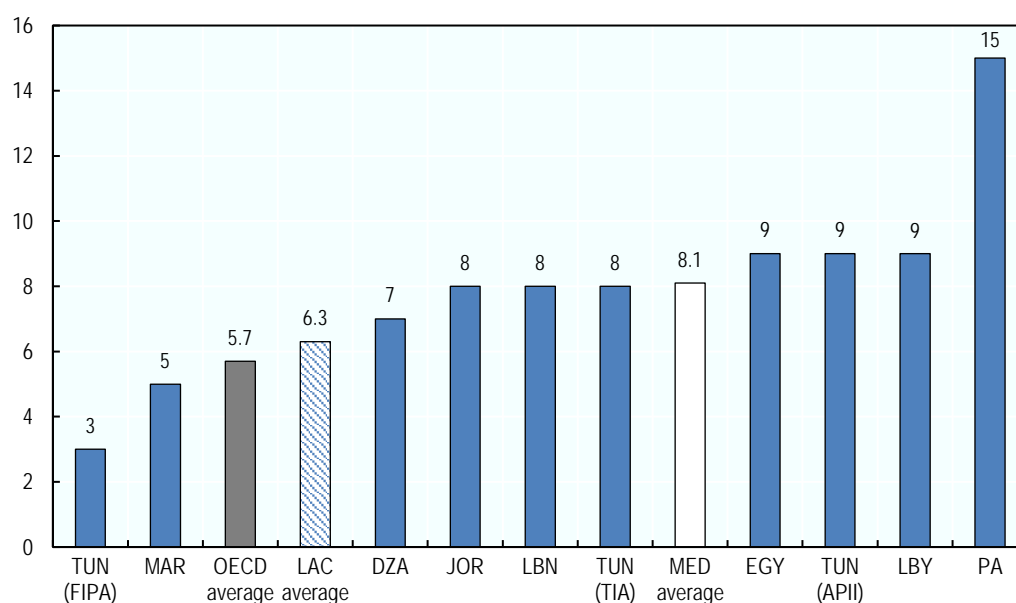
The appointment and function of head of IPA in MED countries depends more on political considerations than in the OECD and LAC economies. In the region, all the heads of agencies are appointed by the executive branch: 40% by the head of state, 30% by the line minister, 20% by a council of ministers (often headed by the president of the prime

minister) and 10% by an inter-ministerial task force (Figure 1.3). In about half of LAC IPAs the board appoints the Chief Executive Officer (CEO) or general manager while in the OECD economies, this is the case for 27% of IPAs that have a board. A political appointment may give IPAs more weight in the broader institutional ecosystem and a stronger capacity to deliver on their mandates. It could fuel internal instability however, in case of frequent political changes. It may also reduce transparency due to possible political pressures on IPAs' decision-making process (e.g. discretionary choices in promoting some investors over others).

Scope and diversity of IPA mandates

IPAs have been created with the primary mandate to promote and attract inward foreign investment. There are substantial variations in the number and scope of mandates for IPAs in the MED region as well as in OECD and LAC countries. MED IPAs are often part of a larger agency that has many mandates in addition to core investment promotion functions (such as negotiating trade agreements, or managing privatisations or economic zones), and so tend to have a wider set of responsibilities than OECD and LAC agencies (see Annexes 1.A and 1.B for full list of MED IPA mandates). All IPAs in the region have at least two other mandates beyond investment promotion. Nearly half of MED IPAs have nine or more different mandates, which is above the average for OECD and LAC IPAs (of about six mandates (Figure 1.4), although there is a high heterogeneity across the different agencies. Across the three regions, IPAs in smaller economies often have more mandates than larger and wealthier economies, as the latter tend to distribute mandates across other government agencies, leaving IPAs more specialised.

Figure 1.4. Number of mandates by agency

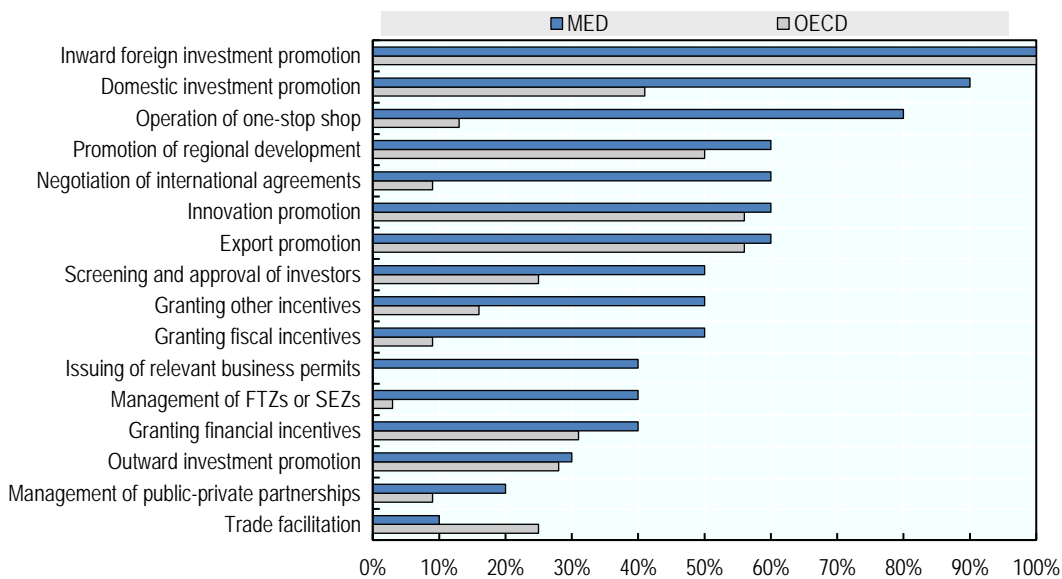


Source: OECD survey of MED Investment Promotion Agencies (2018), OECD (2018a), Volpe Martincus, and Sztajerowska (2019)

There is substantial heterogeneity among MED agencies. For instance, AMDIE in Morocco has five mandates while the Palestinian and Egyptian agencies have 15 and 9 mandates respectively. FIPA only has three mandates, reflecting its role as a specialised agency focused on FDI promotion. Tunisia's two other agencies (TIA and APII) have several overlapping mandates (see Annex 1.C for a review of the three Tunisian agencies). Agencies with similar numbers of mandates may differ in their operational scope. For example, the Egyptian IPA manages Free Zones, Investment Zones² and privatisations, but not export or innovation promotion, while the opposite is true for Jordan's IPA (which is mandated to promote exports and innovation but does not supervise zones or privatisations).

In addition to promoting inward foreign investment, most MED IPAs also promote domestic investment and regional development (Figure 1.5). Operating OSSs, aimed at facilitating business transactions and reducing the cost of doing business due to bureaucracy and red tape, is the third most common mandate among MED agencies. This is a key difference with OECD and LAC IPAs, only 13% and 12% of which operate OSSs. This difference is likely due to generally larger and more complex institutional bureaucracies in emerging markets, including MED economies.

Figure 1.5. Share of MED and OECD IPAs reporting the function as an official mandate



Source: OECD survey of MED Investment Promotion Agencies (2018) and OECD (2018a).

Other mandates that are common among MED IPAs include: granting fiscal incentives, negotiating international agreements and managing SEZs. All these activities are performed by around half of MED IPAs, while they are not often observed in OECD and LAC agencies. Issuing relevant business permits is an official mandate for four MED agencies. The mandates of MED IPAs also reflect government priorities, such as innovation promotion to attract investment in higher value-added and technology sectors, similar to OECD IPAs.

² Excluding SEZs such as the Suez Canal Economic Zone.

Half of MED IPAs are in charge of promoting both inward investment and exports. Among the MED IPAs with an export promotion function, only PIPA has also a trade facilitation mandate while in the OECD it is the case for one agency out of four. Merging trade and investment into a single agency, if properly undertaken, can help maximise synergies and opportunities for economies of scale by grouping qualified foreign trade and investment staff under the same roof. This is particularly appealing for governments seeking to attract export-oriented investors, as agencies can target similar industries and markets.

Box 1.2. Institutional reforms: The good and bad reasons for merging mandates

Institutional mergers are complex, with results measured over time (three to five years depending on the case). It is a carefully-prepared undertaking that requires a risk-benefit analysis at the institutional and operational levels prior to the merger. The central challenge lies in creating a new corporate culture in light of different core activities and goals. There are various reasons why IPA agencies were merged with other entities such as SME, innovation and export promotion agencies. There are good and bad reasons for mergers:

Five good reasons to merge:

1. To improve coherence of public policies and simplify the system;
2. To help pinpoint synergies to create added value;
3. To bolster efficiency that leads to joint operations, shared tools (in both directions), and sharing of international networks;
4. To increase the agency's advocacy power through enhanced visibility;
5. To encourage the development of new skills and offer new perspectives for employees.

Four bad reasons to merge:

1. To create a one-stop shop for exporters and investors – two targets with different service requests;
2. To rationalise budget and personnel: a merger does not necessarily represent a source of savings, especially at the beginning, when taking into account the cost of the merger itself;
3. To simplify human resources management with a unique profile of workers suitable for both operations, since the roles are complementary but not the same, and each call for specific operational profiles;
4. To develop a single overall mission including both export and investment operations.

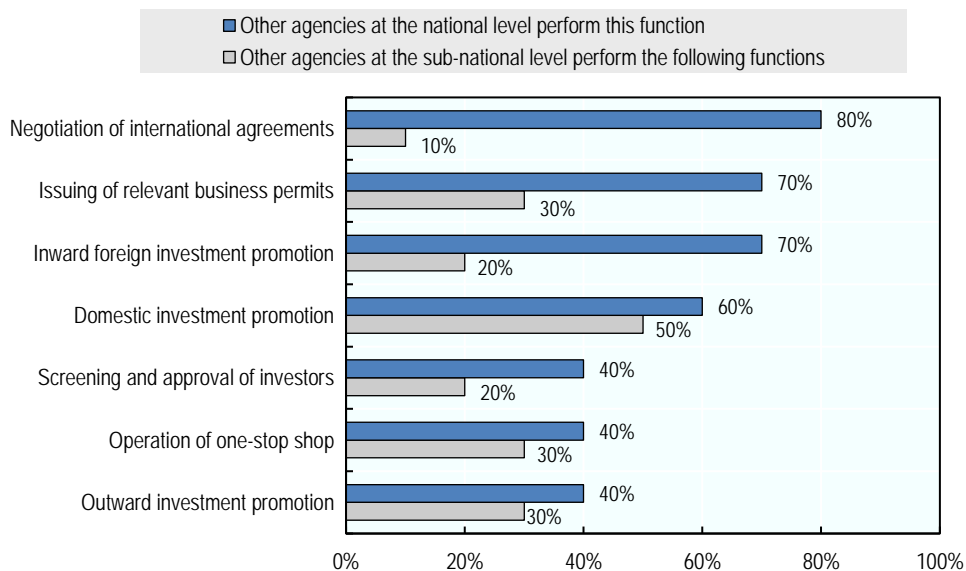
Source: OECD and Business France (2018), The institutional transformation of investment promotion agencies and a case study, document prepared for the seminar on “Institutional transformation of investment promotion agencies”, 30-31 January 2018, Rabat, Morocco, <http://www.oecd.org/mena/competitiveness/REPORT-Institutional-Reforms-Investment-Promotion-Agencies-20180130.pdf>,

Export promotion is the second most common mandate among OECD IPAs, after investment promotion (OECD, 2018a). France, Greece, Poland and Sweden merged these two mandates in the last five years. Such institutional mergers are complex and the motives behind undertaking them are not always well-thought out *ex ante* (Box 1.2). In the MED region, Jordan and Morocco reformed their IPAs to include export promotion in 2015 and 2017 respectively. PIPA is in the process of adding an export mandate. In other MED countries, IPAs focus on exports in strategic sectors. For instance, Lebanon’s IPA primarily promotes exports in the agricultural and agribusiness sectors. There are notable exceptions to this trend, however, such as IDA Ireland, CzechInvest and GAFI.

The multiplicity of mandates observed in MED IPAs may lead to a duplication of tasks with other public entities, particularly in settings where institutional co-ordination mechanisms are poorly designed. According to the survey, functions performed by IPAs in the region are also carried out by other national agencies or ministries (Figure 1.6). Other national organisations also have the mandate to negotiate trade agreements, issue business permits and, notably, promote foreign and domestic investment. That Tunisia has three IPAs may to some extent be driving the high percentages of functions performed by several national agencies in Figure 1.6.

There is limited overlap between the functions of national and sub-national IPAs in the MED region (Figure 1.6). This may stem from the fact that sub-national IPAs often belong to the national agency in the region. Sub-national IPAs are sometimes involved in operating an OSS, which is the case for Tunisia, Algeria and Morocco, and in domestic investment promotion in Morocco. In most OECD reporting economies, sub-national IPAs are independent from national IPAs and perform the same core mandate of investment promotion. In close to two thirds of them, they also issue business permits while none of the national OECD IPAs perform this task (OECD, 2018a).

Figure 1.6. Other national and sub-national agencies performing the following functions



Source: OECD survey of MED Investment Promotion Agencies (2018).

Resources and internal organisation

This section describes the strategic aspects of IPA's internal organisation, including the level, sources and use of budget. Not all IPAs reported detailed historical information on their budgets, therefore the results presented in this section are not a complete picture of agencies' finances. Many agencies found it challenging to estimate the percentage of their total budget they allocate to investment promotion staff and activities, as opposed to other mandates. This may be due to differing definitions of what constitutes investment promotion work, and to the fact that in many agencies' staff work towards advancing multiple mandates.

The survey revealed large variations in investment promotion and total budgets and personnel, reflecting the size of the economy and breadth of the agencies' mandates. Many IPAs in the region reported that their budgets did not change substantially between 2012 and 2017, though a couple of agencies experienced wide fluctuations in resources and substantial cuts. Only two IPAs saw their budget increase. As discussed above, most IPAs have broad and expanding mandates. Adequate financial and human resources are essential success factors of any institution and IPAs are no exception.

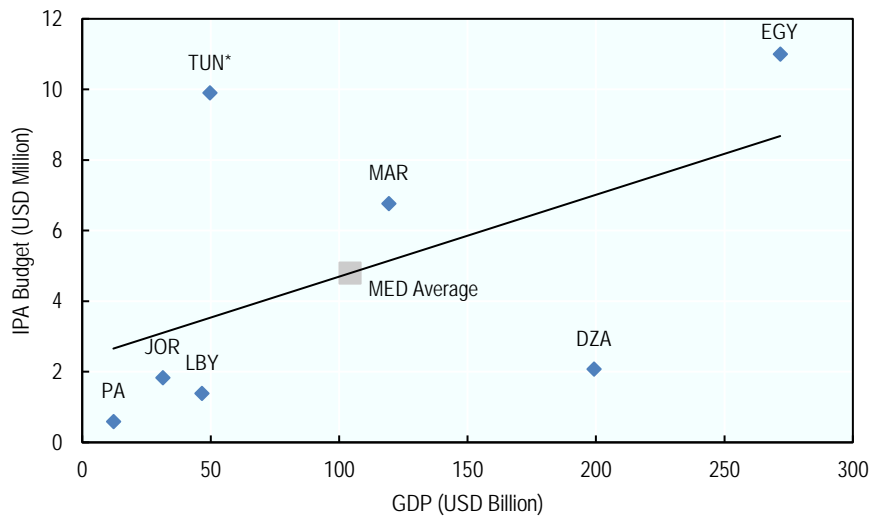
Financial resources: budget size, source and spending

An IPA's financial resources determine the scope of its activities, the quantity and quality of staff, the mechanisms to evaluate success, and other aspects including presence abroad and number of regional offices. The median total budget of MED IPAs (excluding incentives) was USD 10.8 million in 2017. Excluding the total budget of GAFI, the region's largest agency, the average total budget was nearly USD 8 million.³ This is higher than average budget among LAC agencies (USD 16 million), and lower than the average budget for OECD agencies (69 million).

The survey asked IPAs to estimate how much of their budget and staff they allocate to their investment promotion mandate. This mandate covers four functions: image building, investment generation, investment facilitation, and policy advocacy (see Chapter 2 for the definitions of the different functions). As discussed earlier in this chapter, some IPAs are in charge of promoting regional development and export, or managing SEZs, in addition to conducting their investment promotion mandate.

Large variations exist in investment promotion budgets, with the maximum around USD 11 million and the minimum USD 0.6 million. In comparison, the average LAC agency dedicates USD 4.3 million to investment promotion (median 4.2), while OECD IPAs allocate around USD 12 million (median 13.9 million). Agencies in Egypt and Morocco have the highest investment promotion budgets, while Libya and the Palestinian Authority have the lowest. This reflects disparities in terms of size and income levels within the MED region, but also the different breadth of IPA responsibilities (Figure 1.7). In general, the combined surveys for MED, OECD and LAC indicate that larger and wealthier countries tend to have larger IPAs both in terms of budget and staff.

³ The three Tunisian agencies are treated as one agency for the purposes of these calculations.

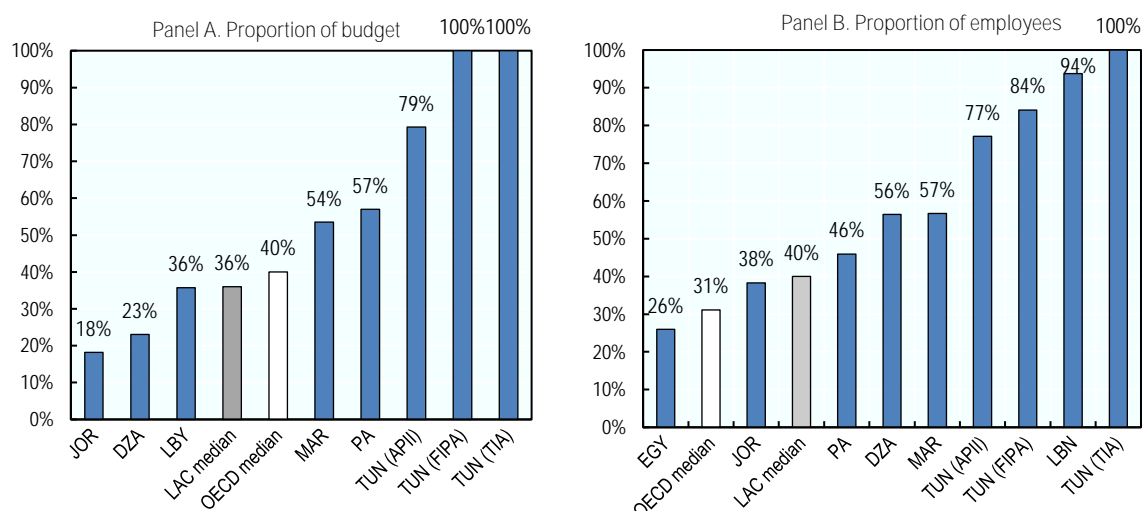
Figure 1.7. IPAs' investment promotion budgets in comparison to the size of their economies

Note: *The investment promotion budget for Tunisia is an aggregate of its three IPAs (TIA, FIPA and APII). All budgets for 2017 except for TIA (2018 budget used).

Source: OECD survey of MED Investment Promotion Agencies (2018) and the World Development Indicators.

There is also large variation among agencies in terms of the proportion of the budget dedicated to investment promotion. The three Tunisian IPAs reported that all or nearly all of their budget goes towards investment promotion, whereas the Jordanian agency dedicates less than 20% of its total budget to promotion activities (Figure 1.8, Panel A). The Moroccan agency, which recently merged the investment and export promotion mandates, splits almost equally its budget between the two activities. There is similarly a substantial variation among OECD and LAC agencies. The median LAC and OECD IPA dedicates around 35% to 40% of its total budget to investment promotion. For many IPAs, investment promotion is only a portion of their work. But differences in budget allocation may also be due to the challenges of calculating the exact share of the total budget that goes towards investment promotion staff and activities.

Despite having broader mandates, MED IPAs dedicate a higher share of their staff to investment promotion functions than their OECD counterparts (Figure 1.8, Panel B). This result also holds in terms of absolute staff number (see Annex 1.A for further information of staff number). The median IPA in the MED region counts 52 staff dedicated to investment promotion activities while in the OECD 42 employees are assigned to such activities (OECD, 2018a). Shares of employees dedicated to investment promotion often mirror the corresponding budget shares, but not always. In the case of Algeria and Jordan, IPAs' share of budgets allocated to investment promotion functions are significantly lower than staff shares.

Figure 1.8. Proportion of IPA budgets and employees dedicated to investment promotion

Note: Does not include budget for GAFI (Egypt) or IDAL (Lebanon). Budget for TIA (Tunisia) from 2018.
Source: OECD staff based on the OECD survey of MED Investment Promotion Agencies (2018), OECD (2018), Volpe Martincus and Sztajerowska (2019)

Evolution of IPA budgets and staff

The budgets of most IPAs have remained relatively stagnant over the past few years. Two agencies recorded high fluctuations in their budgets since 2012; in Libya's case, this was due to a temporary suspension of all state funding due to instability. Three IPAs reported reductions of their budgets: agencies in Algeria and Libya operated on 20% less funding in 2017 compared to 2012. Morocco has seen a 45% decrease in its budget since 2012, though expects its funding to increase to reflect the inclusion of export promotion in its mandate. Only two IPAs reported a clear increase in financing since 2012: by 40% in Lebanon and 68% for FIPA in Tunisia.

Personnel has decreased in half of the agencies surveyed. The largest reduction in staff since 2012 has been in Morocco, where the IPA cut staff by 30% between 2012 and 2017. Only Jordan and TIA in Tunisia have increased their staff; Jordan's agency grew its personnel by 20% since 2014, and TIA, as a new agency, slightly increased staff between 2016 and 2017. Jordan has also increased the number of employees working on investment promotion activities since 2014. Most IPAs did not substantially change the number of employees focused on investment promotion activities in the past six years.

Human resources: skills, gender and wages

Quality skills are first and foremost determined by the combination of the level of education and previous experience of staff. The majority of employees of MED IPAs have a higher-education degree. On average, 65% of staff working on investment promotion at a given agency have finished university studies, 17% have finished post-graduate studies (masters and doctorates). The remaining 18% have finished secondary school. In OECD agencies, over half of IPA employees have a university degree and an additional 40% have completed post-graduate studies, a higher share than MED IPAs.

In terms of gender balance, there is substantial variation among MED IPAs. The Algerian, Lebanese and Palestinian agencies, and APII in Tunisia, have a roughly equal numbers of male and female staff. Morocco's IPA and FIPA and TIA in Tunisia have more female than male staff. The largest gender imbalances are in Egypt, Jordan and Libya's IPAs.

Regarding wages, the majority of IPAs in the region pay salaries that are higher than the average wage in the public sector (TIA in Tunisia and agencies in Lebanon, Jordan and Algeria). The Palestinian, Libyan and Tunisian (FIPA) IPAs reported that they pay salaries at the level of public sector wages. In the OECD, the majority of IPAs that provide wages above the level of the public sector are autonomous public agencies, which reflects their higher degree of management flexibility vis-à-vis governmental IPAs (OECD, 2018a). MED IPAs are all autonomous public agencies. Often, legal provisions indicate whether salaries should strictly follow the public sector scale or whether exceptions are possible.

Network of secondary offices

The survey shows that IPAs in the MED region rely less than their OECD counterparts on a network of secondary offices abroad but have a greater presence at the local level. In OECD countries, three agencies out of four have their own offices abroad with personnel dedicated to promotion. LAC IPAs have little presence both overseas and locally (Volpe Martincus and Sztajerowska, 2019). These different trends may be explained by IPAs' financial and human resources as well as their strategic orientations (OECD, 2018a). Different options are available with regard to the number of secondary offices to establish and how best to strike a balance between headquarters vs. local presence and headquarters vs. overseas presence.

A greater presence of national IPAs at the local level in MED countries may be related to the relatively limited institutional decentralisation of investment policies compared with OECD countries. It may also be driven by their mandate to establish OSSs. Four MED agencies have more than two offices in the country. ANDI in Algeria has the most, with 59 offices outside its headquarters. Egypt's IPA, GAFI, has 23 "representative offices", and seven one-stop-shop branches. APII in Tunisia has 28 offices in the country in addition to its headquarters, including offices in each of the 24 governorates that perform investment promotion and facilitation services. It is the only agency whose secondary offices have a higher cumulative budget than its headquarters. Among MED IPAs, only APII and GAFI employ more staff overall in other offices than in headquarters.

IPAs' overseas offices appear to make a difference for the agencies' ability to attract FDI (Volpe Martincus and Sztajerowska, 2019). They can, however, strongly weigh on agencies' finances. In the MED region, only three out of ten IPAs indicate having secondary offices abroad: AMDIE in Morocco (one office), FIPA in Tunisia (eight offices), and PIPA (four offices). The Palestinian agency began in 2018 to work with foreign embassies in four countries, placing one PIPA staff member in diplomatic missions in the UK, Germany, Kuwait and Russia. MED agencies disagree on the benefits of operating foreign branches. AMDIE recently closed some offices it previously ran abroad and is planning to close its last remaining one, noting that it did not see the rewards given the high cost. Tunisia's FIPA said that they do see benefits of their foreign presence. But nearly all agencies inquired about the cost-benefit of these branches and sought further evidence on their usefulness in attracting FDI.

IPAs have different arrangements to operate their secondary offices overseas with reduced cost. As several IPAs are part of broader agencies covering other mandates, their overseas offices may perform different functions (e.g. trade and investment). Some OECD agencies

hire local staff in foreign offices to lower costs, an approach a few MED agencies said they are considering. Other agencies do not have their own staff abroad, but cooperate closely with foreign diplomatic offices. Egypt for example relies on embassies to connect the business community to its national IPA. There is no consensus among IPAs on how effective this approach is: Tunisia's FIPA indicated that in its experience the staff at embassies do not necessarily have the additional skills to best conduct investment promotion. It is the only agency that has a higher budget for its overseas office than its national office. See Chapter 5 for further information on the coordination practices of IPAs with other national and international stakeholders.

Annex 1.A. MED and OECD agencies' number of mandates and staff

Annex Table 1.A.1. MED and OECD agencies' number of mandates and staff

Country	Number of mandates	Total agency staff	Investment promotion staff
OECD			
AUS	4	1056	132
AUT	2	23	23
CAN	2	66	66
CHE	5	104	5
CHL	2	50	50
CZE	9	147	93
DEU	6	360	65
DNK	2	50	50
ESP	5	614	30
EST	12	50	50
FIN	6	299	40
FRA	2	1480	150
GBR	5	2315	420
GRC	6	62	33
HUN	7	129	129
IRL	4	307	307
ISL	4	4	4
ISR	3	25	25
JPN	6	1773	n/a
KOR	7	1043	n/a
LVA	13	235	12
MEX	11	576	288
NLD	2	87	100
NOR	1	689	3
NZL	5	41	34
POL	7	104	43
PRT	7	447	23
SVK	6	60	14
SVN	8	47	5
SWE	5	474	32
TUR	6	141	60
USA	2	40	40
MED			
DZA	7	727	410
EGY	9	2834	736
JOR	8	183	70
LBN	8	32	30
LBY	9	472	n/a
MAR	5	67	38
PA	15	37	17
TUN (APII)	9	346	267
TUN (TIA)	8	34	34
TUN (FIPA)	3	88	74

Source: OECD survey of MED Investment promotion agencies 2018 and OECD (2018a).

Annex 1.B. Official Mandates of MED IPAs

Annex Table 1.B.1. Official Mandates of MED IPAs as reported in the Mapping of MED IPAs

	DZA	EGY	JOR	LBN	LBY	MAR	PA	TUN		
	ANDI	GAFI	JIB	IDAL	PIB	AMDIE	PIPA	FIPA	APII	TIA
Inward Foreign Investment Promotion	X	X	X	X	X	X	X	X	X	X
Outward Investment Promotion		X				X	X			
Domestic Investment Promotion	X	X	X	X	X	X	X		X	X
Operation of One-Stop Shop (e.g. Business Registration, Permits, Licenses)	X	X	X	X	X		X		X	X
Screening and Prior Approval of Investment Projects with Foreign Participation (e.g. economic needs test) or Investor Registration		X	X		X		X			X
Issuing of Relevant Business Permits				X	X		X			X
Negotiation of International Trade & Investment Agreements		X	X		X	X	X		X	
Export Promotion			X	X		X	X		X	
Trade Facilitation (e.g. Single Window for Trade, Assistance in Custom Matters)							X			
Innovation Promotion				X			X	X	X	X
Management of Free Trade- or Special Economic Zones (SEZs) or Industrial Parks		X*	X						X	
Granting Fiscal Incentives	X	X	X	X			X			
Granting Financial Incentives	X						X		X	X
Granting Other Incentives	X	X		X	X		X			
Management of Privatizations					X					
Management of Public-Private Partnerships (PPPs)							X			
Negotiation and Administration of Public Concessions										
Promotion of Regional Development	X				X		X	X	X	X

Note: *GAFI manages Free Zones and Investment Zones excluding SEZs (including the Suez Canal Economic Zone. Other incentives granted by IPAs include: tax and customs exemptions (Libya), logistics and package incentives depending on the sector and location (PA), and for Lebanon “Up to 50% reduction on work and residence permit fees and on Construction Permit Fees, Exemption from the obligation of including Lebanese natural and legal persons in their Boards of Directors, 100% exemption from Land Registration Fees at the Real Estate Register and from fees needed for annexation, sub-division, mortgage and registration of rental contracts at the Real Estate Register.”

Source: OECD survey of MED Investment promotion agencies (2018).

Annex 1.C. Tunisia’s investment promotion framework: What does the mapping reveal?

Tunisia is unique among the MED countries in operating more than one national IPA. Its three agencies handle different aspects of investment promotion and facilitation, though there are some overlaps in their mandates and activities. The Foreign Investment Promotion Agency (FIPA) has the narrowest mandate; it promotes inward foreign investment, as well as innovation and regional development. The agency is primarily an “image builder” (Table 2.2), allocating most of its resources to boosting the country’s image as an investment destination, but has been recently moving more towards investment generation activities.

The Agency for Industry and Innovation Promotion (APII) and the recently created Tunisian Investment Authority (TIA) have much broader mandates. APII for example handles export promotion, negotiates international trade or investment agreements and manages free/special economic zones. It also supports regional economic development. Both promote foreign and domestic investment, and run OSSs, but handle projects of different sizes. APII assists investments worth less than 15 million dinars, while TIA delivers investment incentives for projects above this threshold. APII allocates the majority of its resources to investment generation, while TIA spends most of its budget on facilitation and retention.

In line with their budget allocations, APII carries out more generation activities, and offers fewer facilitation services than TIA. The two agencies also provide different aftercare services: TIA offers trouble-shooting, conflict mitigation and ombudsman intervention to investors, while APII supplies more linkages services between investors and local firms. This includes offering a database of local suppliers, capacity building support to local firms, and supporting cluster programs, none of which TIA provides. Notably, though FIPA dedicates the majority of its budget to image promotion, it also conducts many generation and facilitation services. All three conduct policy advocacy.

The three IPAs have relatively similar strategies and criteria for prioritising investment. All prioritise by sector and country. The country’s investment law sets out several priority sectors, including automotive, aircraft, agribusiness, ICT and renewable energy industries. The boards of FIPA and TIA also have some authority over determining priority sectors. In terms of criteria for selecting priority sectors, all three agencies look for the investment’s potential to increase Tunisia’s competitive position vis-à-vis other countries, diversify the economy, and add to regional development and agglomeration effects. Criteria for selecting priority countries are also similar across the agencies and include if the country is a source of high technology, has a high-quality regulatory framework, and is signatory to free trade and international investment agreements. FIPA and TIA also prioritise by project; FIPA reported that it looks for high value-added activities, while TIA stated it prioritises job creation.

While some of the three agencies’ work is complementary, there are also unavoidably significant gaps as ultimately all conduct core investment promotion functions. The creation of the TIA in Tunisia’s 2016 Investment Law suggests a possible future streamlining of agencies. The OECD mapping could help Tunisia in assessing the potential gains and costs from uniting investment promotion mandates under one large agency or keeping the status quo. Indeed, one key question that emerges from the mapping of OECD and MED IPAs is the effectiveness of agencies with broad scopes in promoting and retaining investment in a sustainable manner.

2. Functions and activities

To promote countries as attractive investment destinations, IPAs can carry out a large variety of marketing and servicing activities. These are traditionally categorised into four core functions, following a first classification by Wells and Wint (2000): image building, investment generation, investment facilitation and retention, and policy advocacy. These activities range from e-marketing, investor targeting and administrative support to dedicated processes enabling dialogue between investors and the government, either to solve problems or influence policies. IPAs thus require a wide range of skills to properly fulfil their mandate.

Each of the four core functions of investment promotion has a specific objective (Table 2.1). Image building activities aim to raise potential investors' awareness of the host country's strengths and brand it as an attractive investment destination. Investment generation involves directly reaching out to potential investors to generate leads and projects in the host economy. Investment facilitation and retention consist of services designed to accompany the investor in defining the project and during its establishment phase, as well to provide additional assistance once the project is implemented and encourage expansions and reinvestments through aftercare. Policy advocacy is a "horizontal" function as its purpose is to contribute to the creation and enhancement of an enabling national investment policy framework by using feedback from investors.

Table 2.1. The four core functions of IPAs

	Image building	Investment generation	Investment facilitation and retention	Policy advocacy
Main objective	Create awareness and generate positive feelings about a country as investment destination	Reach out to foreign investors and convince them to locate their investment in the home country	Facilitate the implementation of investment projects, maximise their economic benefits and generate follow-up investments	Monitor foreign investors' perception of the host country's investment climate and propose changes to improve the investment policy
Examples of activities	<ul style="list-style-type: none"> • Marketing plans • Media campaigns • Website • Brochures • General communications and public relations (PR) events 	<ul style="list-style-type: none"> • Meetings with foreign investors • Reaching-out campaigns • Targeted communication and PR events (sector-specific or investor-specific) 	<ul style="list-style-type: none"> • Provision of information • Site visits • Administrative support (including one-stop-shop services) • MNE-SME linkage programmes 	<ul style="list-style-type: none"> • Global rankings • Surveys of foreign investors and industry associations • Policy impact assessment • Meetings with the government

This chapter analyses the specific activities that the ten surveyed MED IPAs carry out within the four core functions of investment promotion (the exact definition and scope of these functions can slightly vary from one organisation to another and are described in Box 2.1). The chapter first describes how MED IPAs allocate resources between these different functions, and categorises each IPA based on its strategic profile. It then identifies the most frequent activities MED agencies perform and explores how this is linked to their resource allocation.

It should be noted that MED IPAs tend not to structure their investment promotion budgets into the four categories, therefore the budget breakdowns presented in this chapter are based on estimates provided by the agencies, and should be treated as approximations. As described in Chapter 1, investment promotion is one – albeit a central – mandate of IPAs, and there are large variations in investment promotion budgets among agencies.

Box 2.1. Definitions of core investment promotion functions

1. **Image building** comprises all general marketing activities (website and web services, TV, print, and promotion materials such as brochures), and general public relations events (road-shows and fora as well as general mission abroad and incoming missions).
2. **Investment generation** encompasses intelligence gathering (raw data analyses and market studies), sector and investor-specific events (such as road-shows and missions abroad and incoming missions) and direct targeting of investors (one-to-one meetings, pro-active campaigns and inquiry and request handling).
3. **Investment facilitation and retention** consists of assistance with project definition (information on local suppliers and clients, working meetings, site visits and airport pickups), assistance with administrative procedures (such as support to obtain visas, tax registration, etc.) and with obtaining financing, aftercare services (structured troubleshooting, ombudsman, intervention, and conflict mitigation), and specific business support programmes (linkage programmes including local supplier database, cluster programmes, and personnel recruitment programmes).
4. **Policy advocacy** entails actions to monitor the investment climate (tracking of rankings, meetings with the private sector, consultation with offices, Embassies and Consulates abroad, investor and expat survey and inputs on Regulatory Impact Assessment), formal feedback to government on how to improve the investment climate (meetings, participation in taskforce or councils, and production of reports or position papers), and informal feedback to the government on how to improve the investment climate (participation in periodic meetings with the private sector and public awareness campaigns or events).

Source: OECD survey of MED Investment Promotion Agencies 2018

The average trend among MED IPAs is to allocate the majority of their investment promotion resources to image building and investment generation. Five out of ten agencies dedicate the greatest proportion of their promotion budget – between 40-50% – to image building activities. The priority given to marketing economic opportunities may be prompted by the volatile political context in some MED countries and growing competition from other emerging markets. Investment generation follows closely as the second most important function for MED IPAs in terms of resource allocation. Facilitation and retention

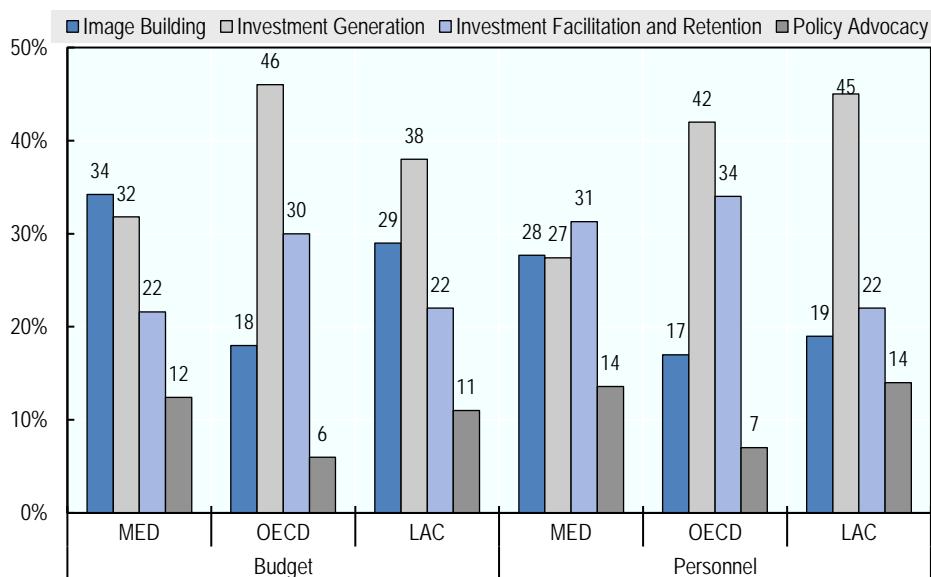
activities and policy advocacy services receive the lowest budgets on average. Policy advocacy also has the fewest personnel. Conversely, IPAs on average allocate personnel fairly evenly across image building, investment generation, and investment facilitation and retention, with the latter receiving the most human resources. The majority of MED IPAs carry out all or most of the activities of the four core functions listed in the survey, providing more services than OECD IPAs.

IPAs' resource allocation across the four core functions of investment promotion

The way IPAs allocate their resources across the four core functions of investment promotion differs from one agency to another and is driven by different factors. First, some activities cost more than others if they are personnel-intensive, or require sector-specific and high-skilled workers. This is the case for investment generation or some facilitation services, whereas many policy advocacy activities require fewer budget expenditures. Second, IPAs' objectives vary; some agencies face lower expectations to deliver investment retention activities, for example, than others.

MED IPAs allocate on average slightly more than a third of their budget to image building activities, a third to investment generation, around 20% to investment facilitation and retention, and around a tenth of their budgets to policy advocacy (Figure 2.1). In contrast, OECD economies concentrate their resources primarily on investment generation, followed by facilitation and retention. LAC IPAs also dedicate the majority of their resources to investment generation, but dedicate around 29% of their budget to image building activities (more than OECD and less than MED IPAs). MED economies face considerable competition from other emerging markets to attract foreign investors, and political and security challenges in the region over the past several years have had an adverse effect on investment. This may explain why some MED IPAs allocate up to half of their resources to bolstering their country's image as an investment destination.

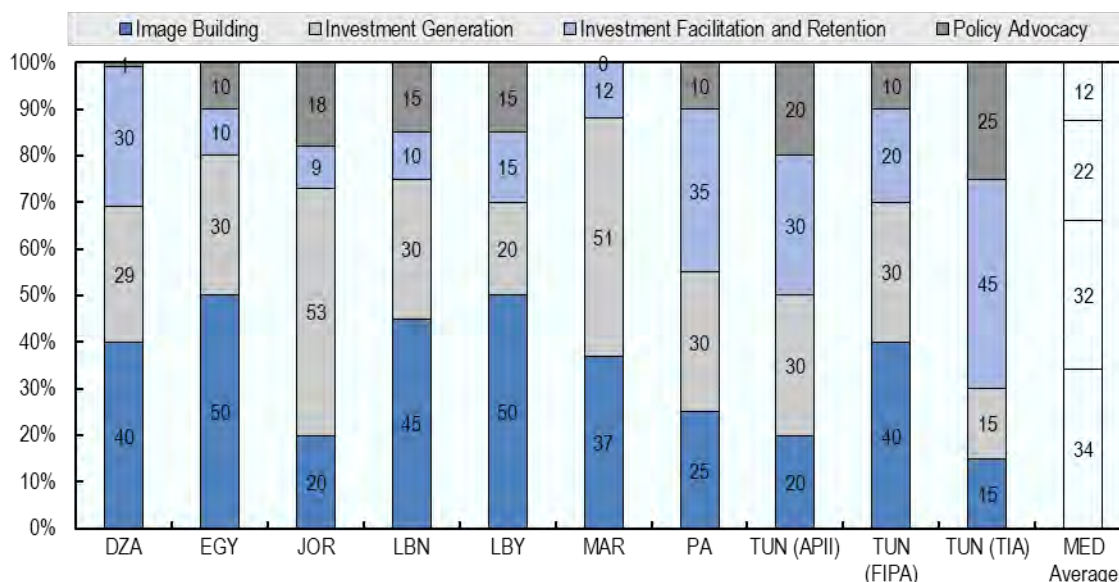
Figure 2.1. Average IPA budget & personnel allocation across core functions of investment promotion



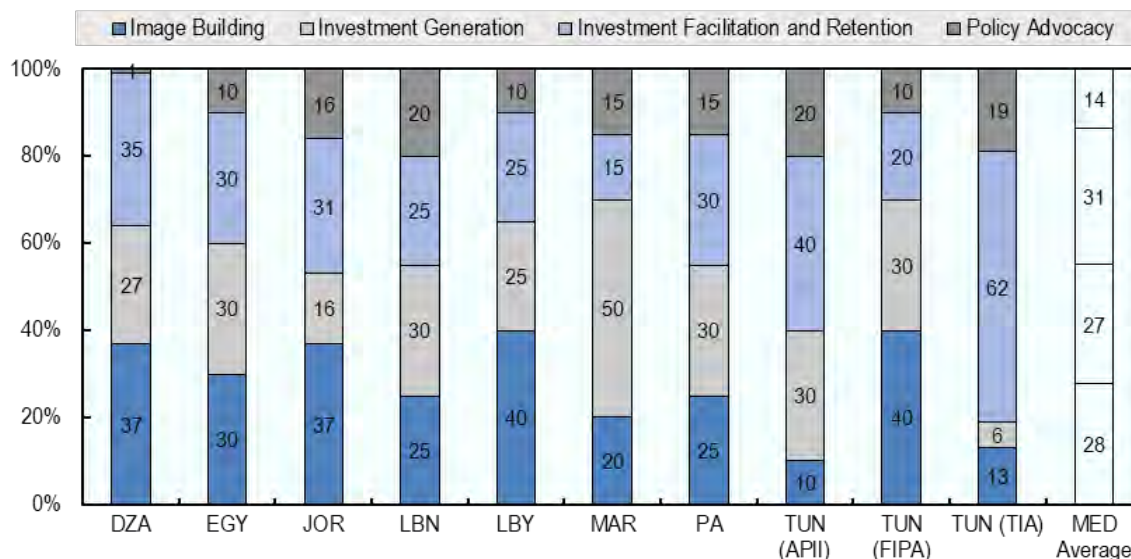
Source: OECD survey of MED Investment promotion agencies 2018, OECD (2018), Volpe Martincus and Sztajerowska (2019)

Figure 2.2. Resource allocation across the four core functions, by IPA

Panel A. MED IPAs investment promotion budget allocation pattern (% total budget), 2017



Panel B. MED IPAs investment promotion human resource allocation pattern (% of employees), 2017



Source: OECD survey of MED Investment Promotion Agencies (2018).

Average budget breakdowns across the four core functions of investment promotion hide important differences among IPAs in the region. For instance, Egypt and Libya allocate half of their promotion budgets to image building activities, while the Jordanian, Palestinian, and Tunisian agencies (APII and TIA) allocate less than 25% to these activities (Figure 2.2, Panel A). Investment generation is the second most important function for MED IPAs, and the most important for four agencies. Six agencies allocate around 30% of their budget to generation activities and two agencies (Jordan and Morocco) allocate more than 50%. Morocco’s focus on investment generation is coherent with AMDIE’s recent

decision to reorganise into sector-specific departments, similar to OECD agencies such as GTAI in Germany.

All IPAs allocate less of their budget to investment facilitation than promotion (i.e. image building plus investment generation). Nonetheless, MED agencies dedicate an unexpectedly low proportion of their budget to investment facilitation while most of them have a mandate to operate a one-stop shop (OSS). One explanation could be that operating an OSS is a labour-intensive task that does not require high-skilled workers. In addition, ministries or agencies often pay the salaries of the employees they detach to the OSS, even if it is managed by the IPA. In some cases these employees receive an additional allowance from the IPA (e.g. Egypt). MED agencies appear not to dedicate much resources to more advanced and costly facilitation and retention activities, such as improving linkages between MNEs and SMEs.

Human resource allocations follow a somewhat different pattern than budget expenditures (Figure 2.2, Panel B). MED IPAs allocate roughly a third of their personnel to each of the following: image building, investment generation, and investment facilitation and retention. In contrast, LAC and OECD agencies allocate the majority of their staff to investment generation, followed by facilitation, and dedicate fewer human resources to image building than MED agencies.

The survey shows a relatively large gap in the way MED IPAs allocate their financial and human resources to investment facilitation and retention activities. While these activities account, on average, for only 22% of MED IPA's budget, they receive 31% of IPA's personnel. This supports the earlier argument that OSS operations can be labour-intensive but have a limited impact on IPA budgets. That image building activities receive slightly more financial resources than human resources is perhaps due to the outsourcing of these activities to international marketing and public relations firms that have a global reach. This difference is especially large in the case of Jordan. Consistent with the budget breakdown, MED agencies dedicate only 14% of personnel to policy advocacy.

Categorising IPAs into strategic profiles to understand their activities

To better understand the different activity focus and choices of MED IPAs, Table 2.2 classifies them into four groups according to their resource allocation patterns across the four core functions. The categorisation is based on personnel allocation, under the assumption that personnel estimates are more reliable than budget breakdown, because they do not necessarily correspond to accounting systems (OECD, 2018a). Examining the activity mix of IPAs in the light of these “strategic profiles” provides insights into how they differ in the way they define their missions and conduct their operations.

Table 2.2. Preliminary list of economies within IPA categories

<i>Image builders</i>	<i>Generators</i>	<i>Facilitators</i>	<i>Balanced</i>
LBY TUN (FIPA)	MAR	TUN (APII) TUN (TIA)	DZA EGY JOR LBN PA

Source: OECD survey of MED Investment Promotion Agencies (2018).

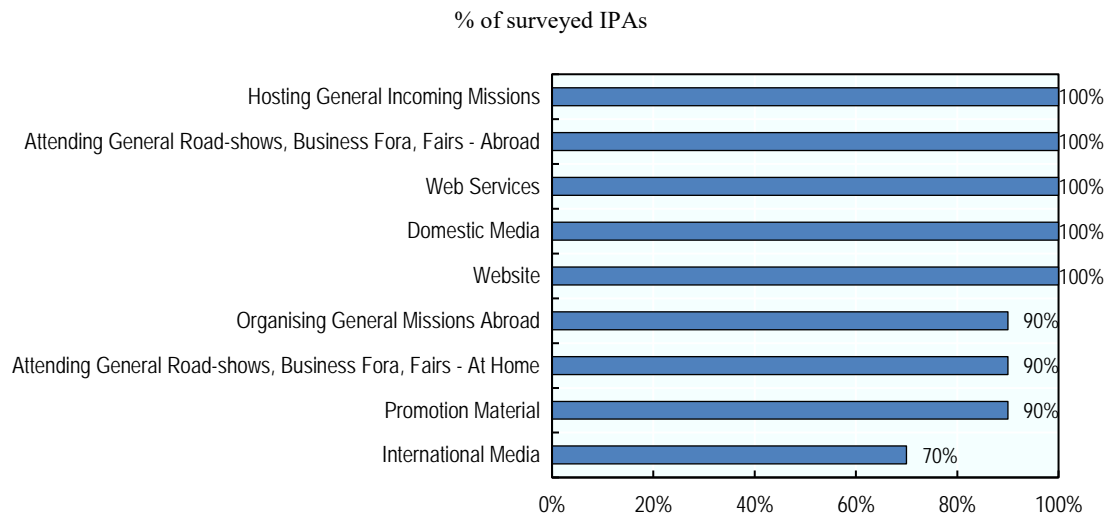
Most MED IPAs are “balanced”, sharing human resources fairly equitably between image building, investment generation and investment facilitation and retention, and dedicating fewer resources to policy advocacy. The Jordanian agency follows a slightly different trend, allocating most of its resources to image building and investment facilitation, and fewer personnel to generation and policy advocacy. Two agencies (in Libya and FIPA in Tunisia) are “image builders”, dedicating at least 40% of their human resources to promoting their country’s image as an investment destination, while the other two Tunisian agencies dedicate more than 40% of their resources to facilitation activities. In contrast, most OECD and LAC IPAs are generators – compared to only one agency in the MED region, Morocco. Less than 7% of OECD IPAs are image builders. It is notable that two of the three Tunisian IPAs (APII and TIA) belong to the same category, which in combination with the information on their mandates could suggest potential duplication of work, (see Annex 1.C in Chapter 1 for further evidence on Tunisia).

IPA activities within core functions

In the MED region, all IPAs perform a wide range of activities to: build the image of the host country as an attractive investment destination, attract investment projects, facilitate projects’ implementation and re-investments, and advocate for investment-friendly policy reforms. Most MED IPAs perform all of the nine activities classified in the survey under image building (Figure 2.3) and all nine investment generation activities (Figure 2.4). Most agencies also carry out all of the investment facilitation activities (Figure 2.5.), although fewer agencies conduct aftercare services (Figure 2.6). Finally, despite receiving the lowest budget and personnel allocations, most IPAs conduct all 12 policy advocacy activities (Figure 2.7). It is noteworthy that MED IPAs report performing on average more activities across the four core investment promotion functions than their OECD peers.

Image building activities

Image building appears to be a core part of investment promotion for MED IPAs, more so than for OECD and LAC agencies. Most agencies perform all nine activities listed in the survey (Figure 2.3). All the IPAs perform five activities, including promoting the image of their country as an investment destination through their websites. Having a website is a cost-efficient way to offer centralised, available, up-to date and key information for a large audience of potential investors. These websites are increasingly comprehensive, detailing comparative advantages, investment procedures, legislation, media and events, business opportunities, research/case studies, successful stories, the agency’s services, contact information and links to other useful resources. Most websites are available in at least three languages – eight languages for Morocco’s IPA including Mandarin, Japanese and Korean. In addition, all the IPAs use web services (GoogleAds, social media, etc.) as a more interactive tool to attract investors and collect data and feedback.

Figure 2.3. Image building activities in MED IPAs

Note: Questions left blank treated as negative responses; averages calculated as number of positive responses out of the ten agencies surveyed.

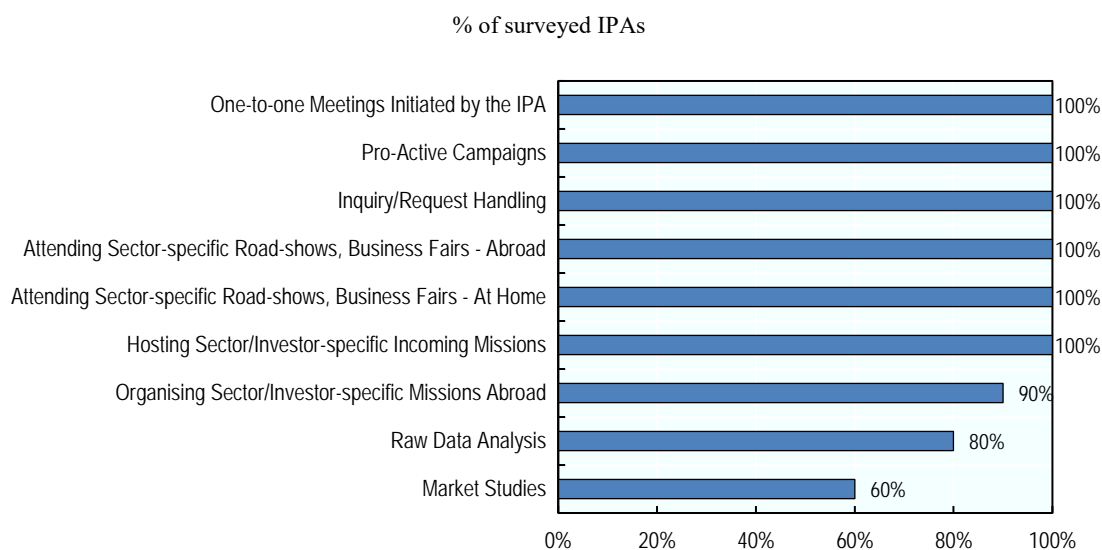
Source: OECD survey of MED Investment Promotion Agencies (2018).

MED IPAs also use more traditional marketing tools such as general brochures and investment guides tailored to the needs of specific investors, often in certain sectors. These documents are also often available on IPA websites. Most or all MED IPAs also organise and participate in public relations and technical events at home and abroad, such as road shows and business fairs, and organise high-level international missions involving the prime minister or president. MED IPAs have also a strong media presence (print and TV) both at home and in most cases abroad, despite the high cost of these activities and their lower ability to target specific investors. This contrasts with OECD IPAs, slightly more than half of which work with international and domestic media.

Investment generation activities

Investment generation, particularly targeting of investors, is the second – and for some first – most important function carried out by IPAs in the MED region. More than half of MED IPAs carry out all nine generation activities listed in the MED survey and six activities are carried out by all agencies (Figure 2.4). For example, all MED IPAs report that they organise or participate in sector- or investor-specific events at home and abroad. In addition, all agencies handle enquiries and requests from foreign investors and conduct proactive emailing or phone campaigns.

All but two MED agencies perform raw data analysis, such as of press articles, proprietary data and company data, while just over half of the agencies conduct market studies. Comparatively, 97% of OECD IPAs conduct raw data analysis and 90% draft market studies (OECD, 2018a). Four agencies do other types of intelligence gathering, the Palestinian agency for example runs a diaspora database. Most OECD IPAs perform all of the nine investment generation activities asked in the survey, conducting, on average, more intelligence gathering and analysis than MED IPAs.

Figure 2.4. Investment generation activities in MED IPAs

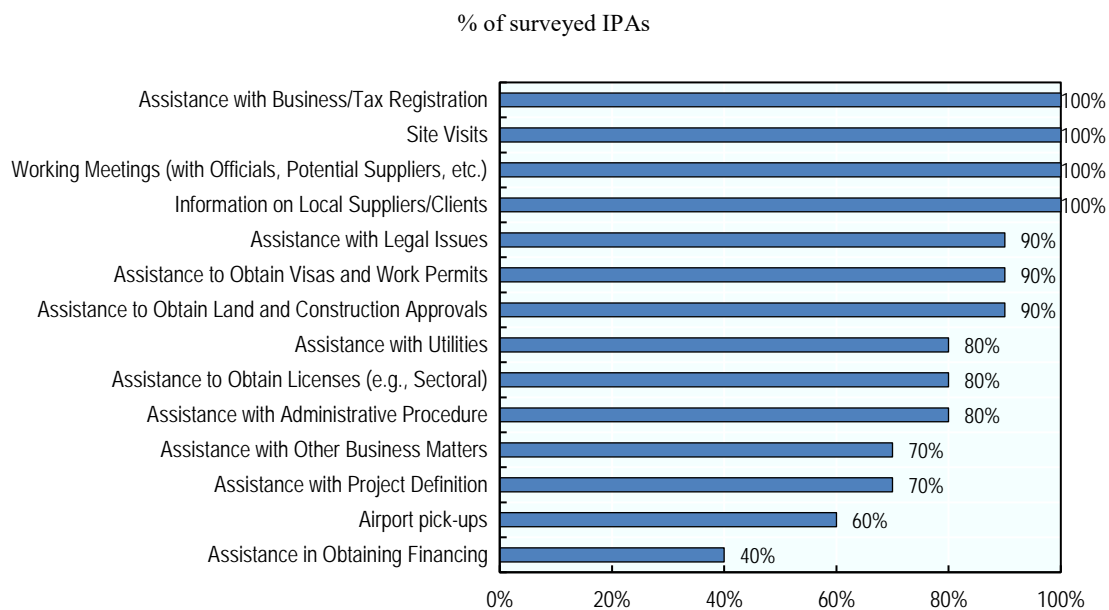
Note: Questions left blank treated as negative responses; averages calculated as number of positive responses out of the ten agencies surveyed.

Source: OECD survey of MED Investment Promotion Agencies (2018).

Investment facilitation and retention activities

Investment facilitation and retention activities are performed less consistently across agencies than image building or investment generation. These activities fall into two categories: i) facilitation services to support new investors' project implementation; and ii) aftercare or retention services that help established investors develop and expand their activities, with a view to trigger re-investments (or at least maintain existing investments). Facilitation services include information provision, visits and meetings in the host country, as well as assistance with administrative procedures. Aftercare activities comprise solving problems encountered by businesses, and helping them expand their activities, including by anchoring them in the local economy.

According to the survey, MED IPAs offer on average a wider range of facilitation services than OECD and LAC IPAs, and the most common activities differ. For example, all MED IPAs offer assistance with business registration, while this is a less common practice among OECD and LAC agencies. In these economies, other agencies may provide this assistance, or business registration procedures may be more streamlined. The majority of IPAs in both the OECD and MED region organise meetings with local stakeholders and provide information on local suppliers and clients, but MED agencies much more frequently provide assistance to obtain land and construction approvals and help with legal issues. Assistance obtaining financing is one of the most common activities among OECD IPAs, and the least frequent activity for MED agencies, offered by four IPAs (Figure 2.5).

Figure 2.5. Investment facilitation activities in MED IPAs

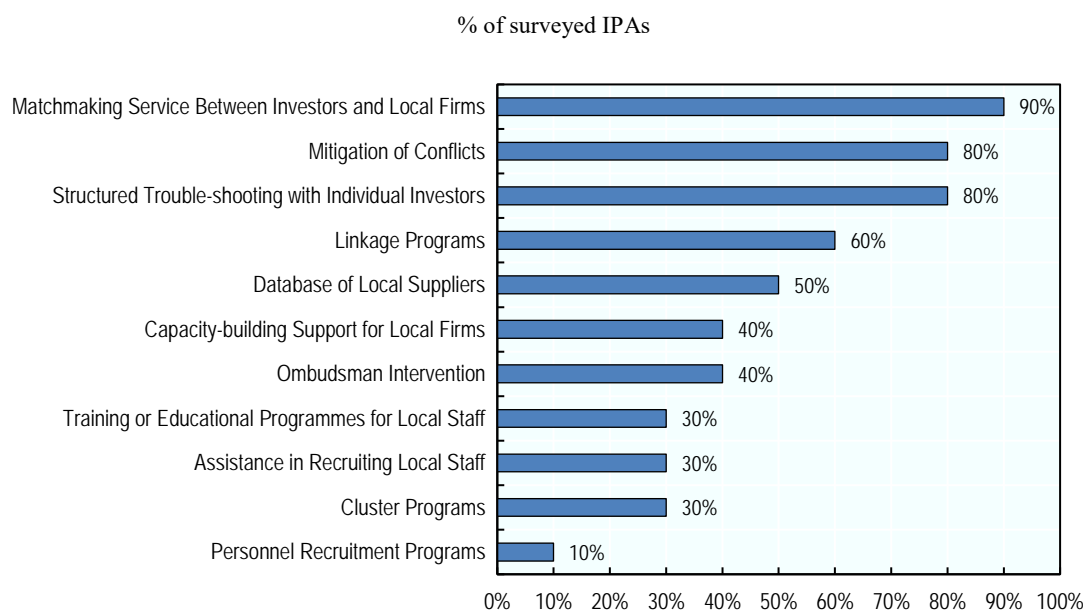
Note: Questions left blank treated as negative responses; averages calculated as number of positive responses out of the ten agencies surveyed.

Source: OECD survey of MED Investment Promotion Agencies (2018).

These differences in focus are perhaps due to complex bureaucracies in the MED region and the IPA goal to alleviate investors' concerns regarding red tape. To this end, the majority of the countries in the region established OSSs for foreign investors including at the regional level that handle some of these facilitation services.

Conversely, less than half of the IPAs offer the majority of aftercare services asked in the survey, though this rate is still higher than in OECD countries (where the majority of IPAs provide only three aftercare services). The most widely offered aftercare service is matchmaking between investors and local firms, which all but one MED IPA provide (Figure 2.6). Relatedly, half of IPAs in the MED region also strive to better connect investors with the local environment by providing, *inter alia*, a database of local suppliers. One interesting exception is FIPA, which provides matchmaking services but uses the local supplier database of another Tunisian agency, APII. The characteristics of the database differ across IPAs. For instance, only the Lebanese and Palestinian IPAs report including on their database whether local suppliers hold international certifications.

All but two agencies also offer mitigation of conflict services, unlike most OECD and LAC IPAs. Conversely, in OECD, LAC and MED countries, it is common for IPAs to provide structured troubleshooting with individual investors to solve issues. While such tailored troubleshooting should in theory support investors, some agencies noted that some companies considered aftercare to be a constraint or means of control, as it requires frequent reporting of potentially sensitive information to the IPA. Agencies should therefore be mindful of the number of requirements it asks of investors. Less than half of MED agencies offer an ombudsman service (similar to OECD IPAs). Locating such a service within the framework of investment promotion can be an efficient way to leverage it to improve the overarching policy framework through policy advocacy.

Figure 2.6. Investment aftercare activities in MED IPAs

Note: Questions left blank treated as negative responses; averages calculated as number of positive responses out of the ten agencies surveyed.

Source: OECD survey of MED Investment Promotion Agencies (2018).

Few agencies provide further services to link investors to the local economy. Cluster programmes are performed by a minority of IPAs, as in OECD countries. Only three agencies provide services to reinforce local hiring through providing assistance to recruitment, and three provide training of local staff. Only PIB in Libya occasionally provides both. These tasks are often carried out by other government entities, such as SME development agencies, but it is not clear if that is the reason why so few agencies provide the service. Indeed, many facilitation and aftercare services require specific skills, such as capacity-building support for local firms or building effective business linkages between MNEs and SMEs. As in OECD countries, most facilitation and aftercare services provided by MED IPAs appear focused on providing ex ante assistance to firms, such as reducing information asymmetries, rather than longer-term business support services.

Policy advocacy activities

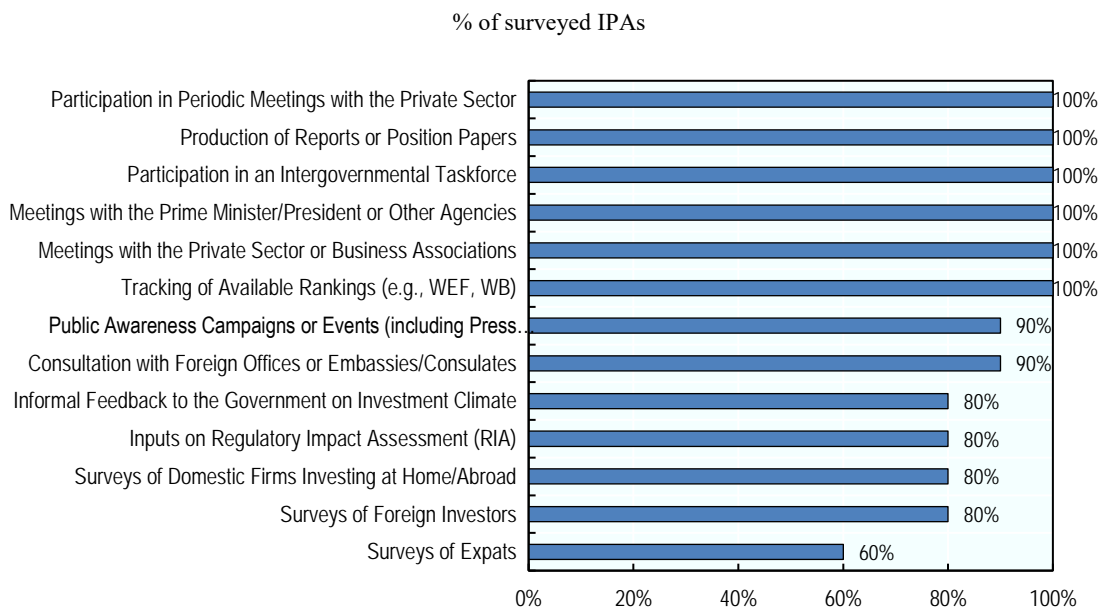
Most MED IPAs have the legal mandate to help improve the investment climate, in many cases by reviewing legislation and proposing policy changes (Box 2.2). IPAs in the MED region are also well-placed to provide feedback on the investment climate, as they often operate single-window offices or one-stop-shops, putting them in direct contact with investors. Their reporting lines – often to the heads of government or government agencies – also give them, in many cases, more access to senior decision-makers than OECD agencies.

MED IPAs allocate on average only 12% of their budget and 14% of their staff to policy advocacy activities. Resource allocation is similarly low in OECD countries, although some of these activities are not very costly, and horizontal in nature. Despite limited resources, MED agencies employ a range of methods to influence policy. All the activities relating to policy advocacy in the survey are performed by six out of ten IPAs in the MED

region. All agencies perform six of these activities (Figure 2.7), including monitoring the investment climate through participation in periodic meetings with the private sector, producing reports or position papers, and meeting with senior government officials. TIA in Tunisia for example produces yearly reports on the main challenges investors face, and proposes reforms to a Strategic Council on Investment, chaired by the Prime Minister. The Egyptian and Jordanian agencies have contributed to drafting investment legislation. All but two agencies report that they provide informal feedback to their government.

Only the Lebanese, Palestinian and Tunisian (TIA) agencies have units/divisions dedicated to policy advocacy work, but the majority of IPAs dedicate between 10-20% of personnel to policy advocacy. Only Algeria reports dedicating 1% of staff to advocacy. Most OECD IPAs report that they allocate some staff to policy advocacy activities, but on average perform fewer advocacy activities than MED IPAs. It is not clear how frequently MED agencies perform these activities (e.g. participation in meetings with public and private stakeholders).

Figure 2.7. Policy advocacy activities in MED IPAs



Note: Questions left blank treated as negative responses; averages calculated as number of positive responses out of the ten agencies surveyed.

Source: OECD survey of MED Investment Promotion Agencies (2018).

MED IPAs report using analytical tools to monitor the investment climate. Notably, agencies appear to use existing indices rather than creating their own: all the IPAs track available rankings such as the World Bank's Doing Business Score and the World Economic Forum Global Competitiveness Index. Several countries in the region – including Morocco and Tunisia – have also established inter-ministerial task forces that integrate or work closely with the IPAs toward improving these rankings given their importance for attracting international investors. In OECD, LAC and MED countries, surveys of expatriates is the least frequently conducted policy advocacy activity.

It is difficult to assess an IPA's success in carrying out policy advocacy, in part because it may take time to effect policy change. One challenge, cited by MED agencies, is

convincing relevant stakeholders of the benefits of investment climate reforms. Agencies in charge of tax policy and regional development may have conflicting priorities, whereas some companies that benefit from the status quo may be opposed to legal or regulatory changes. Future work could explore strategies for mobilising a diverse set of stakeholders to support and implement reforms. MED IPAs also reported that agencies and governments should strike a balance between using reforms as a positive signal to investors, and implementing too many regulatory changes, which can confuse or defer investors seeking stability.

Box 2.2. Policy Advocacy role of MED IPAs: The legal framework

All but two IPAs in the MED region have a legal mandate to conduct policy advocacy to improve the investment climate. The scope and detail of these directives varies, however. More than half of ten MED IPAs are explicitly charged with reviewing laws and regulations related to investment and proposing reforms. Two agencies (in Egypt and Jordan) have the authority to draft investment legislation, while three IPAs (in Lebanon, Palestinian Authority and Tunisia) have units/divisions dedicated to policy advocacy work.

A preliminary stocktaking of relevant legislation reveals several common methods of IPA advocacy. For example, the following IPAs have the explicit legal authority to:

- Draft investment legislation: Egypt and Jordan.
- Review legislation and propose changes: Egypt, Lebanon, Libya, Morocco, Tunisia (TIA) and the Palestinian Authority.
- Conduct studies on investment climate: Egypt, Morocco, Lebanon and Tunisia (TIA).
- Conduct surveys of investor challenges: Lebanon.

Source: OECD based on the Investment laws of MED economies.

3. Prioritisation strategies for FDI attraction and generation

IPAs undertake a panoply of activities to attract, help establish, and retain investors in the economy. Through prioritisation, i.e. choosing to focus on certain types of sectors and countries, investment projects, or individual investors (either because they have a higher probability of being realised or because they may bring unique benefits to the host economy), agencies can better focus their resources and tailor the services offered to investors. Prioritisation allows for strategic use of limited resources, focusing on activities where returns are the highest, for example in terms of the value or type of FDI. This can have far-reaching consequences on what the IPA does and how, as well as on its impact (in terms of investment assisted).

The existing research finds that countries obtain higher levels of FDI in the sectors that their IPAs target.⁴ But prioritisation raises many methodological questions related to what to support (i.e. what sectors, projects and investors), why (i.e. using what criteria) and how (i.e. offering particular services or adopting a particular institutional or managerial approach) and poses a challenge to most IPAs. The choice regarding an optimal strategy resides not only in a decision on what to prioritise but also on what to exclude. The agencies or their supervising authorities, or both, hence face a difficult task of choosing what to support, on what basis, and how.

This chapter aims to provide an overview of prioritisation strategies of MED IPAs, discuss what sectors, countries and projects are prioritised and why. It then presents preliminary findings on how prioritisation works in practice: how it is decided and implemented. These choices seem to come from the highest levels of government, suggesting that efforts are being made to align MED IPAs' prioritisation strategies with national development objectives. Decisions on which types of sectors and countries to prioritise also differ significantly from OECD IPAs, reflecting different economic and development aims. Every MED IPA but PIB in Libya prioritises specific sectors or countries in their investment promotion strategies. Most agencies, with the exception of APII in Tunisia, ANDI in Algeria and IDAL in Lebanon, also target specific investment projects. Egypt and Tunisia's FIPA are the only agencies that prioritise individual investors.

What is prioritised and why?

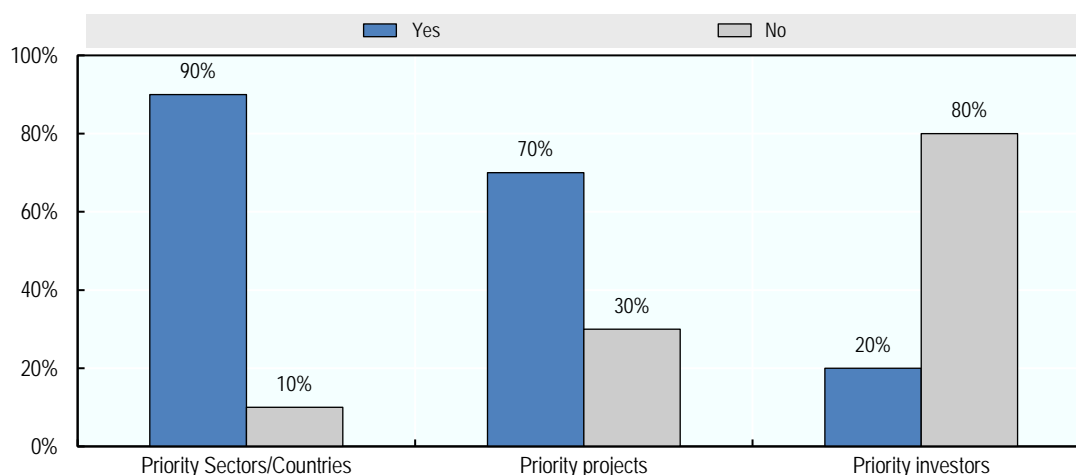
Overview of strategies

Nearly all MED agencies prioritise some investments over others. Only Libya's IPA reported not targeting specific sectors or countries in their investment promotion strategies (but it does target certain projects and thus is only addressed in this chapter under project

⁴ Harding and Javorcik (2011) focus on FDI flows from the United States and analyse the impact of targeting efforts of 97 agencies worldwide. They find that sector prioritisation translates into higher FDI inflows: a dollar spent on investment promotion of a specific sector translates into USD 189 of FDI inflows.

prioritisation). The majority of IPAs in the region also prioritise specific investment projects, as is the case among OECD IPAs. But only two agencies (in Egypt and Tunisia's FIPA) prioritise specific investors, compared to nearly half of OECD agencies (Figure 3.1).

Figure 3.1. Overview of the prioritisation strategies of IPAs in MED countries



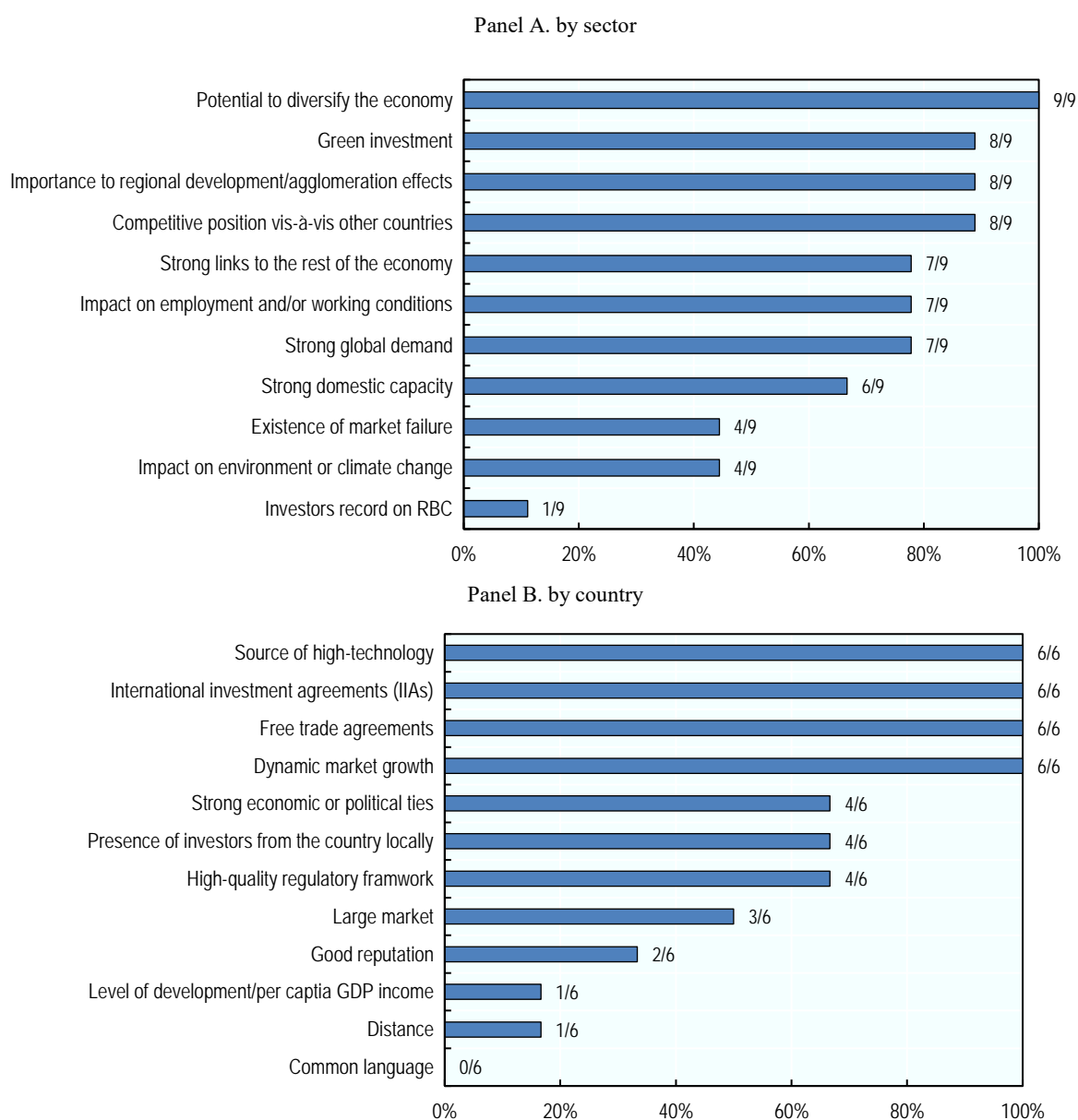
Source: OECD survey of MED Investment Promotion Agencies (2018).

In general, IPAs can also prioritise by excluding certain types of investment from their promotion activities or assistance when approached by investors. Exclusion can mean different things, from not assisting at all a particular investment or devoting fewer resources to it. Half of MED IPAs reported that they exclude certain countries and sectors (compared to a third of OECD IPAs), for many different reasons. For example, APII in Tunisia reported that they do not prioritise the financial sector because there is strong growth without the agency's assistance. Algeria's agency excludes activities that have a weak value-added due to market saturation and low impact on employment, in line with Algeria's national development plan. Lebanon's priority sectors are outlined in its investment law; it does not promote, or provide assistance to, other sectors. It is the only agency that also excludes specific projects, as Lebanon's investment law stipulates that projects must be a certain size to receive assistance. Notably, FIPA in Tunisia is the only agency that excludes specific investors, if they are not "eco-friendly".

All agencies will naturally exclude from their prioritisation strategy investment in sectors that are closed to foreign investors or from countries with poor or no political relations. This mixed picture is similar to OECD IPAs, which primarily exclude sectors based on a perceived lack of need for the IPA's intervention, national security considerations and market maturity.

Priority sectors and countries

All but one IPA in the MED region prioritise investments in certain sectors, and six prioritise investments from specific countries. For example, Jordan has the only IPA to have a specific list of priority countries, whereas the Palestinian agency prioritises investments from certain regions. Most MED IPAs prioritise similar sectors, including ICT, tourism, agribusiness, renewable energies, and some high value-added industries (such as automotive and aerospace).

Figure 3.2. Criteria used to prioritise specific sectors and countries in MED economies

Note: All agencies surveyed except PIB of Libya prioritise by sector. Six IPAs also prioritise by country: Egypt, Jordan, Palestinian Authority, and the three Tunisian agencies.

Source: OECD survey of MED Investment Promotion Agencies (2018).

All MED IPAs that prioritise by sector seek investments that have the potential to diversify the economy (Figure 3.2, panel A). The vast majority target sectors that promote regional development and reinforce their competitive position vis-à-vis other countries. This is similar to OECD IPAs and suggests an effort to find the right balance between aims to diversify and tapping into strong domestic capabilities. Many IPAs also focus on sectors that can have a positive impact on employment or local working conditions and that can reinforce local capacity. Green investment is a priority sector for all economies but Lebanon. But only one IPA, in Morocco, seeks investors with a record of responsible

business conduct (RBC). No OECD IPAs prioritise investors with a RBC record, but this is a more common criterion for LAC agencies.

IPAs that prioritise country-specific investment primarily favour partners in international investment and free trade agreements. This is similar to LAC agencies, but such agreements are not a critical factor for OECD IPAs in their targeting. This difference is probably due to higher trade and investment barriers in MED economies compared to OECD countries. Trade agreements can help facilitate market access, whereas international investment agreements (IIAs) may be more important for investors to MED countries than in other markets, as they offer certain legal protections. Some agencies stipulated that such agreements are not an effective prioritisation tool, particularly in light of the absence of investment facilitation clauses. Other agencies mentioned that they use their Regional Trade Agreements for prioritising investment from specific regional groups.

All six agencies that prioritise by country look for countries that can be sources of high technology, which is also the primary prioritisation criteria for OECD agencies. MED agencies also noted that they often de facto prioritise by country in their sector prioritisation strategies, if certain countries excel in a particular field. Only one-third of MED IPAs favour countries with whom they have strong economic or political ties, which is the second most frequent criteria among OECD IPAs. Except FIPA of Tunisia, agencies tend not to consider distance or language in their country-targeting.

Priority projects

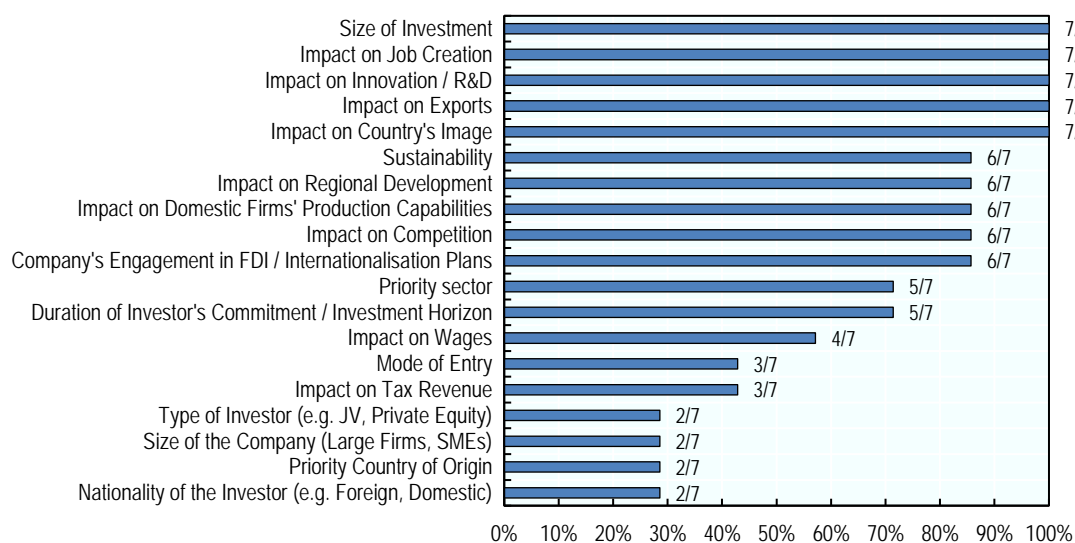
Besides prioritising certain countries and sectors, the majority of IPAs in the MED region (seven out of ten) also prioritise specific investment projects, referred as “high quality”, “strategic” or “priority” projects. All these IPAs consider the size of the investment and its impact on the country’s image, job creation, exports and innovation/R&D as important to prioritise investment projects (Figure 3.2). The majority of the IPAs also look at the project’s sustainability, whether the project is in a priority sector, the duration of the investor’s commitment, and the project’s impact on regional development, domestic firms’ production capabilities, and competition.

The impact of investment projects on wages and tax revenues plays an important role only for four out of seven IPAs while the type of investor (e.g. joint-venture, private equity) and the size of the company (large firms, SMEs) is deemed important by only two IPAs out of seven. It is also notable that the nationality of the investment project and projects originating from a priority country rank at the bottom of the criteria to determine priority projects. Most OECD IPAs also prioritise by project, but the most frequently used criteria is the project’s impact on innovation.

Other prioritisation elements

Only two MED IPAs prioritise specific investors. GAFI in Egypt uses the same criteria to select investors as it does to identify priority sectors, including whether the project can support job creation, technology transfer and export potential.

All MED IPAs that prioritise countries and sectors indicated that they preferred greenfield FDI (i.e. new investment projects) with only the Algerian agency equally favouring the expansion of existing projects. This is similar to OECD countries; nearly two-thirds of agencies target greenfield FDI.

Figure 3.3. Criteria used for prioritisation of investment projects

Note: Algeria, Lebanon, and APII in Tunisia do not prioritise by project.

Source: OECD survey of MED Investment Promotion Agencies (2018).

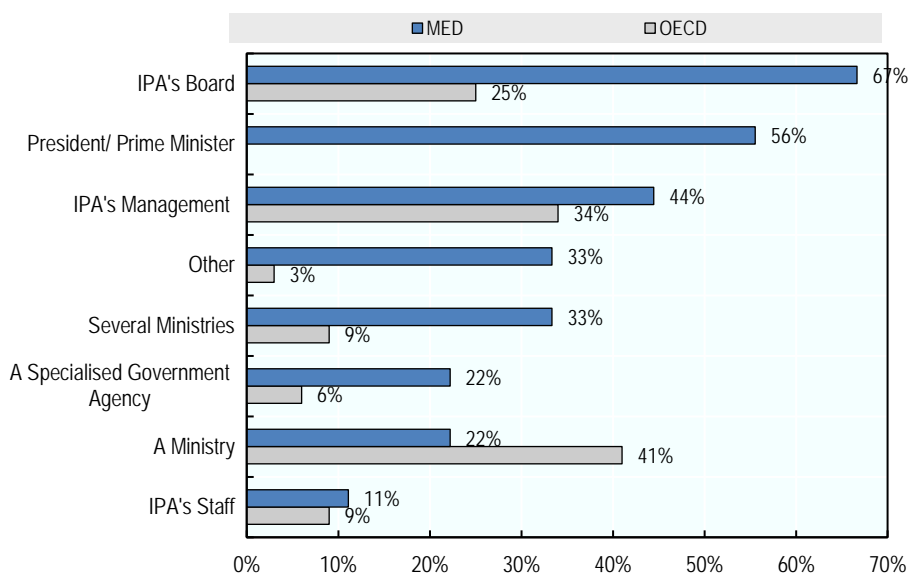
How does prioritisation work?

While all agencies prioritise activities in one way or another, so far little is known about how this is done in practice. Who decides about priorities and how? How do agencies use their resources to prioritise and what services do they offer? And, last but not least, how do agencies ensure that prioritisation is effective and achieves the intended results?

How is it decided?

In MED countries the decision regarding priority investments is often taken at the highest level of the executive branch, notably the prime minister/president for five out of nine IPAs, several ministries (for three out of nine), or cabinet (two out of nine). Some IPAs implement the national strategy set by the government, while others have more autonomy in selecting priority sectors that will help achieve the government's wider economic goals. For example, Tunisian law sets out certain priority sectors, but the government also seeks to prioritise investment that will further certain development goals, and Tunisia's APII has considerable leeway in selecting specific sectors with high-value added to target. Other agencies have authority to focus on industries they believe will generate the most jobs. The Algerian agency on the other hand primarily executes the directives set by the executive branch. Most agencies however provide inputs to the national policy agenda (see Policy Advocacy activities in Chapter 2).

Prioritisation involves the IPA board in six out of nine agencies or the agency's management (four out of nine). In a few cases, priority investments are decided by the ministry responsible for investment, the IPA staff or a specialised government agency (Figure 3.3). On average, prioritisation decisions in the MED region involve more actors than in OECD economies, where the decisions are often made by a single ministry (41% of the surveyed IPAs) and the IPAs' management (33%). In some countries IPAs promote only the industrial sector while other specialised agencies focus on specific activities such as tourism or agriculture.

Figure 3.4. Government bodies responsible for approval of the prioritisation strategy

Note: MED percentages based on the nine agencies that prioritise by country/sector.

Source: OECD survey of MED Investment Promotion Agencies (2018), OECD-IDB survey of Investment Promotion Agencies (2017).

The process to determine IPA priorities is also complex, involving consultations with a large number of actors and studies. The survey reveals that in the MED region the decisions also rely on:

- **Internal decision making:** six out of nine IPAs consult with the IPAs management, five with the board of the agency, four with their staff and for one agency (FIPA in Tunisia) with its offices abroad.
- **Political agenda:** The majority of IPAs (eight out of nine) rely on national development plans or government strategy; six also look at decisions made by several ministries while six rely on a strategy made by a single ministry. Prioritisation depends more rarely on laws/decrees or ad hoc political agendas: Algeria refers to both of these, and Lebanon to a specific law.
- **Market studies:** for eight out of nine IPAs, decision-making is based on the analysis of comparative positioning vis-à-vis competitors and of global demand. Five agencies base decisions on domestic supply and three on the identification of market failures. The Palestinian agency confers with a local consultant.
- **Extensive consultations with external stakeholders:** All IPAs consult with domestic firms and seven out of nine with ministries and external experts and consultants. Six agencies discuss prioritisation plans with subnational authorities, technical institutes, universities, international investors and five consult the Prime Minister's or the President's office.

How is it implemented?

Agencies differ in how they implement their targeting strategies, i.e. how they allocate staff and resources and what services they offer as part of their prioritisation strategies. Some IPAs may choose to have formal organisational structures – e.g. dedicated units – or dedicated staff for target sectors, projects or clients; while others may rely on less formal

approaches. Agencies may also allocate their budgets differently or perform a different total number or type of activities depending on their prioritisation choices.

Answers to the MED IPA survey illustrate that agencies in the region have rarely devoted formal units or allocated dedicated staff to priority projects/investors (Table 3.1). Only three agencies out of the nine that prioritise based on country/sector have a dedicated unit and four allocate dedicated staff to target investments. In comparison, 16 OECD agencies have a formal prioritisation unit (OECD, 2018a).

Table 3.1. Existence of a dedicated unit and staff for priority sectors/countries in MED IPAs

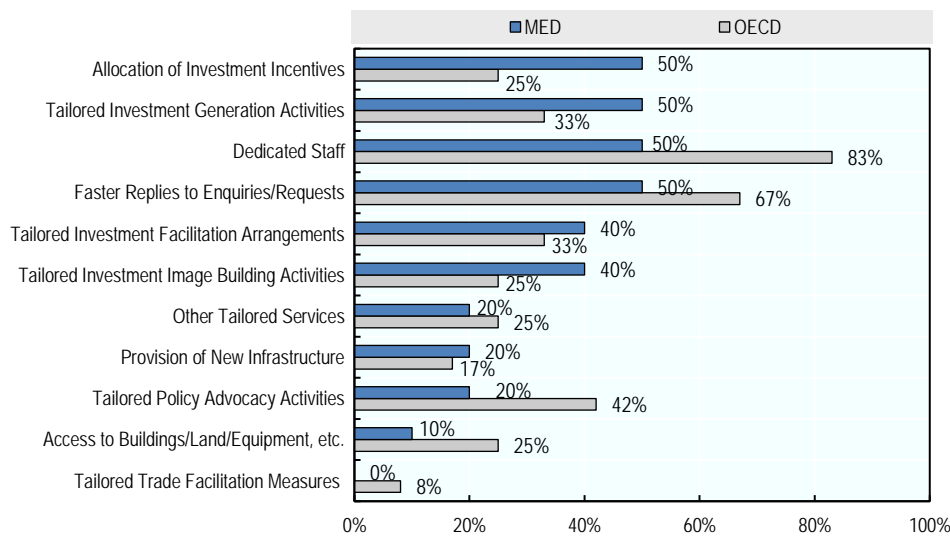
	Dedicated Unit	Dedicated Staff
DZA	No	N/A
EGY	Yes	Yes
JOR	No	Yes
LBN	No	Yes
MAR	Yes	N/A*
PA	Yes	No**
TUN (APII)	No	N/A
TUN (FIPA)	No	N/A
TUN (TIA)	No	Yes

Note: * to be defined after the restructuring of the AMDIE; ** Prioritisation is the responsibility of the Board of Directors.

Source: OECD survey of MED Investment Promotion Agencies (2018).

Most popular services provided to priority investors by MED IPAs include the allocation of investment incentives, faster replies to enquiries or requests, and tailored investment generation activities (provided by half of the ten IPAs) (Figure 3.4). Several agencies also provide tailored investment facilitation arrangements and image building activities. Only the Moroccan and Palestinian agencies offer policy advocacy activities. Finally, the Palestinian IPA and FIPA in Tunisia are the only ones that facilitate the provision of new infrastructure and only GAFI in Egypt provides access to buildings, land and equipment.

Figure 3.5. Types of services provided to priority investors by MED IPAs



Note: Averages of MED countries considering all ten agencies.

Source: OECD survey of MED Investment Promotion Agencies (2018).

4. Monitoring and evaluation

Ensuring the efficiency of public action is a constant preoccupation of governments, and investment promotion is no exception. IPAs are expected to provide evidence and reports on their results and performance in attracting FDI and generating related economic benefits. Pressure on MED IPAs to demonstrate success has been growing in the past few years, because of tighter budgets as well as increasing uncertainties regarding the benefits and costs of FDI on economic development.

The purpose of monitoring and evaluating IPAs is two-fold. The first aim is to measure the outcomes of an IPA's action, that is to say assess its impact on the economy and whether the underlying policy objectives for investment promotion are met, and the second is to measure the outputs of an IPA, which means to assess the efficiency of an IPA in conducting its activities. The first aim is the most challenging. Data on annual FDI inflows and number of jobs created are easily accessible, but it is a complex task to demonstrate economic benefits such as local development or skill improvement as a direct result of an IPA's actions; this requires relevant and reliable data that are usually unavailable. The second aim is more prosaic as it is common to most organisations, and it essentially requires adequate management tools and processes. Key performance indicators (KPIs) used to assess IPAs according to the two aims of monitoring and evaluation can be subsequently classified into outcome indicators (first aim) and output indicators (second aim).

Monitoring and evaluating are two complementary actions both relating to performance assessment and improvement. Monitoring consists of verifying that an ongoing activity or project's status is in line with its schedule and intermediary objectives, and proposing corrective measures if it is not. Evaluation, on the other hand, is an exercise consisting of rating an organisation, an activity or a project's performance against a set of criteria within a time frame. When performance is not in line with expectations, a feedback process is launched to remedy underlying causes.

Most IPAs in the MED region report having a dedicated internal evaluation unit, full-fledged customer relationship management (CRM) tracking software, and a plethora of sophisticated tools and indicators to measure their performance and impact on the economy. These answers are difficult to reconcile with the fact that robust monitoring and evaluation are notoriously skill-intensive, challenging to implement and therefore not well developed, including in OECD IPAs with large financial and human resources. Qualitative discussions with agencies clarified that many agencies seem to have some sort of audit or quality control, but few have a proper horizontal unit dedicated to monitoring performance.

Further information on the frequency and accuracy of use of various monitoring and evaluation tools may, hence, be required. Most MED agencies noted that they are required, by law or by their board, to report on their activities and the outcomes of their actions. As such, agencies often require promoted investors to report on certain outcomes, such as the number of jobs created. In addition, while the survey suggests that MED IPAs widely use CRM software to conduct internal monitoring and evaluation, it does not capture how

consistently this software is used. In-person discussions suggest that many agencies apply such software in an ad hoc manner.

Agencies' responses to the survey point to further thought-provoking observations. MED IPAs' evaluation units report directly to the agency head or board while in the OECD many agencies report to IPA management. They also use their CRM tool more extensively to take corrective action if investors do not deliver on their (job) promises than OECD agencies. Relatedly, MED agencies appear to give important weight to the use of outcome indicators to measure their impact on the economy, based on the number of indicators used and discussions with agencies. This difference may reflect the pressing demand by MED governments to maximise FDI socio-economic benefits.

The chapter starts by exploring the organisational setting, reporting and feedback processes and data tracking tools of agencies' monitoring and evaluation. It then describes the methodologies and indicators MED IPAs employ to effectively assess and evaluate their actions and rate their performance, and benchmarks them with their OECD counterparts.

Organisational setting and reporting, data tracking tools and feedback processes

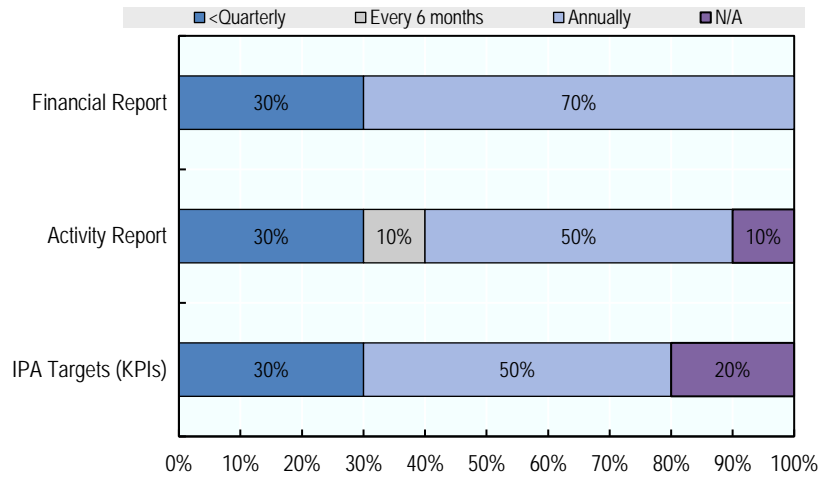
Investment promotion, monitoring and evaluation relies on several organisational dimensions: how is the evaluation work organised? What tools are available to track and process the relevant data? How are results used to improve performance? Answering these questions allows for a better understanding of how MED IPAs organise the assessment and communication of their own performance.

Organisational setting and reporting processes

All MED IPAs produce financial reports and 90% of them produce activity reports that are submitted to the government or/and the board of the organisation. Several agencies reported that many of their procedures, such as time to reply to inquiries, are stipulated in the law, and that they report weekly to the board on performance targets. 80% of the IPAs in the region set target objectives, a lower level than in OECD economies (97%). Eight agencies set business plans, while all MED IPAs produce activity and financial reports. These reports are produced annually and some less than quarterly. Morocco reports on IPA targets (KPIs) monthly. Most of these documents are not publicly available on the websites of the organisations or other government websites, however, which limits the external assessment of IPAs' performance. One exception is the Palestinian agency PIPA, which publishes progress on KPIs, including number of projects per sector and direct jobs created. It also publishes yearly independent auditor's report.

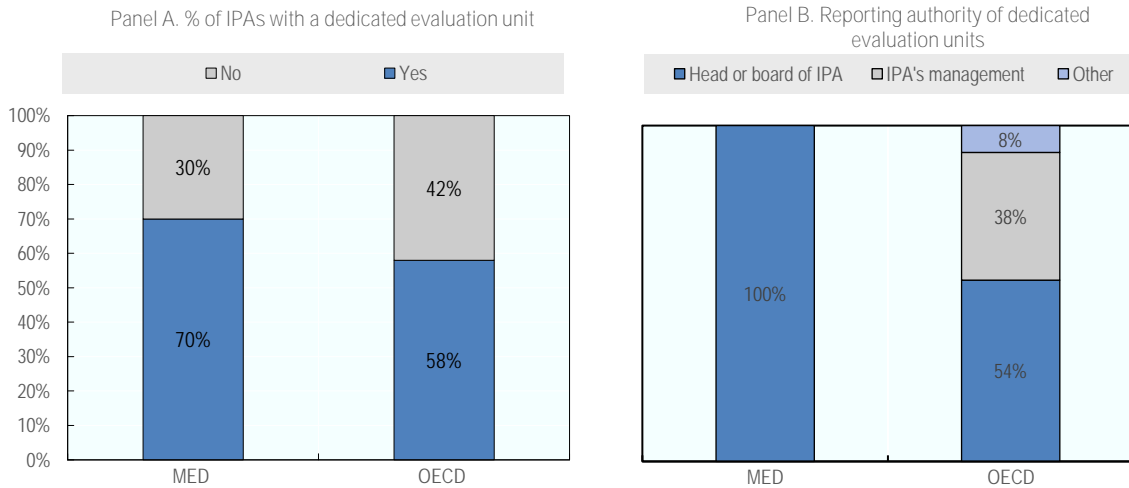
With the exception of APII and FIPA in Tunisia and JIC in Jordan, all other IPAs in the MED region indicated having a dedicated internal evaluation unit (Figure 4.2, Panel A.). This is higher than in the OECD economies, where only 58% of IPAs have such a unit. All the evaluation units in the MED region report directly to the IPA's head or board while in the OECD four units out of ten report to IPA management (e.g. a director of department) (Figure 4.2, Panel B). It may be useful to further examine the characteristics of evaluation units in MED (e.g. number of staff, budget, etc.) and compare them to OECD IPAs as the existence of such units does not provide information on their quality.

Figure 4.1. Frequency of objective setting and report documents



Source: OECD survey of MED Investment Promotion Agencies (2018).

Figure 4.2. MED IPA’s evaluation unit organisational setting



Note: Panel B. results are based on answers from seven MED IPAs; Panel A based on answers from 10 IPAs.
 Source: OECD survey of MED Investment Promotion Agencies (2018), OECD-IDB survey of Investment Promotion Agencies (2017).

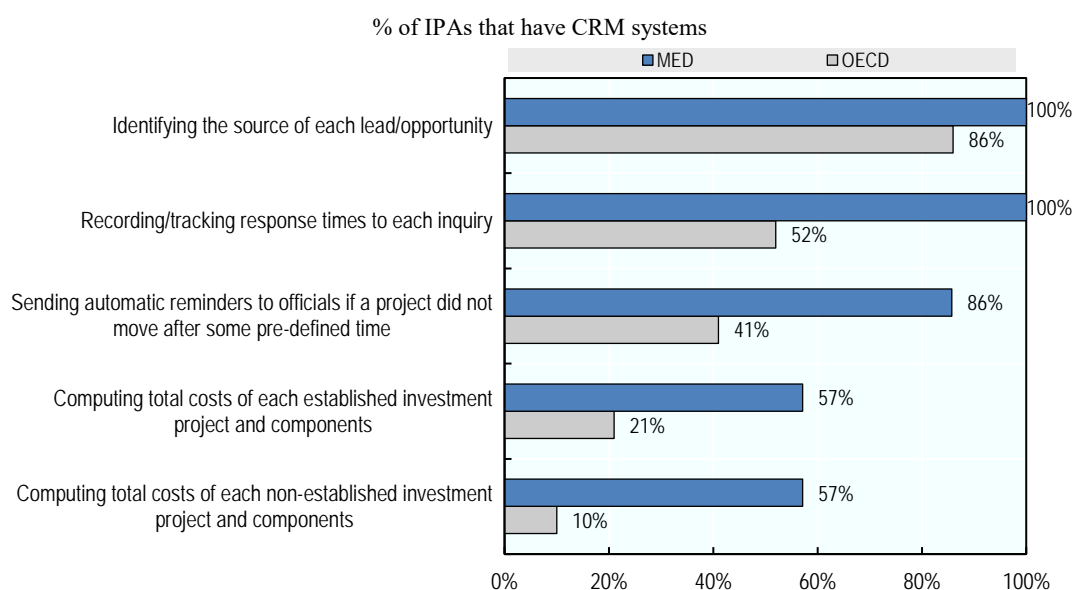
Data Tracking and processing tools: CRM

Customer relationship management (CRM) systems are very popular among sales and marketing functions of public and private companies. This tool supports organisations in managing their relationships with prospects and customers and in collecting and analysing related data. These systems are also useful to monitor and evaluate performance due to their data collection, processing and analysis functions. IPAs can use CRM systems to track their interactions with investors and ensure end-to-end monitoring of each relationship with prospective investors (OECD, 2018a).

According to the survey, the majority of MED IPAs use CRM software, with the exception of the Tunisian agency APII and the Libyan agency, compared to 94% of OECD agencies. The Palestinian agency is beginning to implement a CRM system and therefore does not yet have data on the scope of its use. The main two applications of the CRM tool are the identification of the source of each project lead and tracking response time (seven out of seven IPAs that have an operational CRM) (Figure 4.3). MED IPAs thus use CRM systems to monitor their responsibilities and responsiveness to each project as well as the effectiveness of their investment channels (and to identify the most successful ones). IPAs also use their CRM tool to trigger follow-up actions if the organisation has been slow to respond to an enquiry or request. Four IPAs in the MED region indicate using CRM systems to calculate the total costs of successful projects or of lost and suspended projects, an activity done less frequently among OECD IPAs (Figure 4.3).

At the same time, MED agencies reported that often CRM systems are not uniformly applied and are used in an ad hoc manner. Some agencies said that using certain software takes too much time and so is not fully utilised across the agency. Sometimes staff use their own methods of tracking relationships with prospective investors, rather than a formal system.

Figure 4.3. Possibilities offered by CRM systems



Note: MED averages out of seven countries with functioning CRM systems; the Palestinian agency will have a CRM starting this year, PIB in Libya and APII in Tunisia do not have CRM systems.

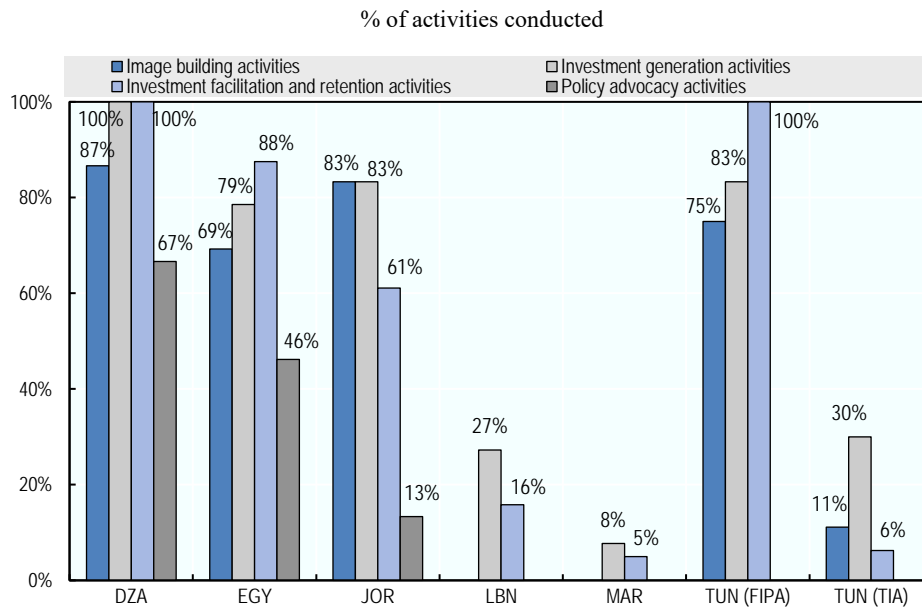
Source: OECD survey of MED Investment Promotion Agencies (2018), OECD-IDB survey of Investment Promotion Agencies (2017).

CRM tracking of IPA activities

There is wide variation between agencies in terms of the scope of use of CRM systems. IPAs in Algeria, Egypt, Jordan and FIPA in Tunisia track the majority of their investment promotion activities with CRM software, whereas Lebanon, Morocco and TIA in Tunisia track only a small portion of activities (Figure 4.4). The Moroccan agency noted that while they have a CRM system, it is not widely used.

Overall, agencies mainly use CRM software to track investment facilitation and investment generation activities. For instance, nearly all IPAs that have a CRM system use it when they organise meetings and events. Egypt's IPA reported that their new Investment Map is connected to the CRM system, which puts interested investors in touch with personnel dedicated to providing information. Many agencies also track image building activities, primarily the organisation of missions. Fewer IPAs track policy advocacy activities.

Figure 4.4. Scope of activities tracked in CRM software



Note: The Palestinian agency does not yet have data on the extent of CRM software use; Libya's PIB and APII in Tunisia do not use a CRM system.

Source: OECD survey of MED Investment Promotion Agencies (2018).

In OECD IPAs, investment facilitation and investment generation are also the two core functions that IPAs track and monitor the most via their CRM systems (OECD, 2018a). These results reflect that investment generation and facilitation are the functions that involve most direct interactions with investors. IPA services to support project definition and implementation, such as working meetings, site visits, administrative assistance, and problem-solving, are the most tracked activities, along with handling requests and direct marketing campaigns. Conversely, OECD IPAs hardly use their CRM tools to monitor analytical work, consultations, media campaigns or meetings for policy advocacy purposes.

Feedback process

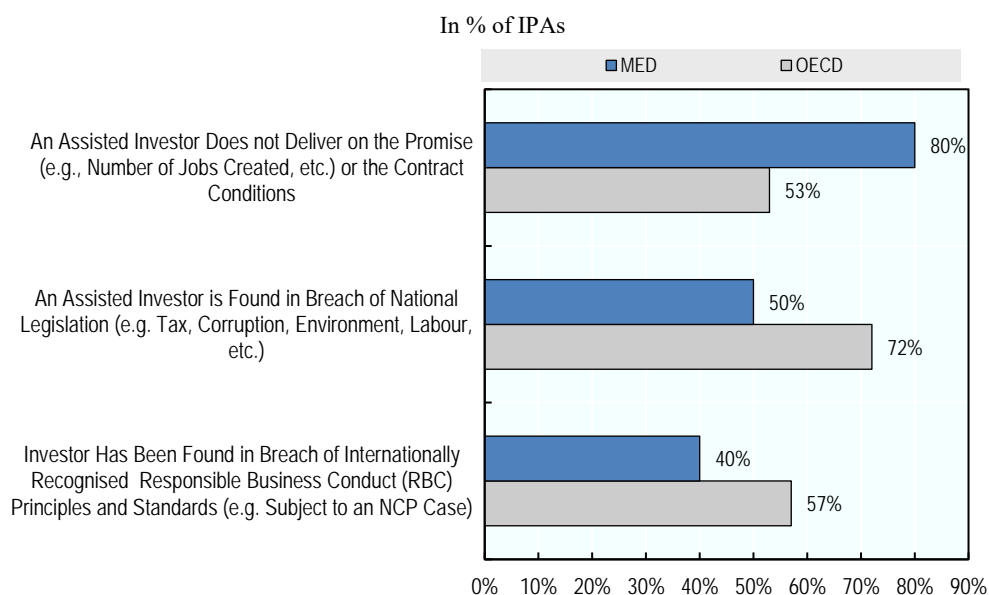
Generating and using feedback as a result of evaluation and monitoring is a critical process without which a monitoring and evaluation function is incomplete. A feedback process informs the management about identified problems and proposes corrective actions such as readjusting strategic objectives, re-allocating resources or increasing specific capabilities. Feedback processes also increase the overall institutional knowledge of the agency by formalising information about performance and the underlying causes of successes and failures, thus enabling learning curves. An example of such a feedback process may be taking action when specific events occur (see Figure 4.5). More generally, it implies the use of information obtained through monitoring and evaluation into the agency's strategic decision-

making (e.g. on the distribution of resources or management of staff). According to the survey, a majority of IPAs use feedback processes and take action not only when they do not meet their targets, but also sometimes in case of issues due to investors' behaviour.

All MED IPAs, with the exception of IDAL in Lebanon and TIA in Tunisia (CRM under development), indicate that they take actions if they do not reach their targets. Corrective actions range from revision of KPIs, to identification of the blocking points, to revising the strategy or design of an action plan. There can also be financial consequences that can affect the budget of the IPA.

IPA feedback processes are also designed to respond to problems originating from investors' behaviour. In the MED region, nearly all IPAs take action when the investor does not deliver on the promise or contract conditions (Figure 4.5). In contrast, they intervene less than their OECD counterparts when investors breach the national legislation or when they are not complying with international responsible business conduct (RBC) principles. Corrective actions can take the form of revision of the contract and its conditions, cancellation of the support the investor is receiving and termination of the contract. Tunisian (FIPA) and Palestinian agencies indicate that they do not take corrective actions in any of the situations mentioned in Figure 4.5.

Figure 4.5. Events triggering corrective action



Source: OECD survey of MED Investment Promotion Agencies (2018), OECD-IDB survey of Investment Promotion Agencies (2017).

Methodologies and indicators

To assess their performance in attracting inward FDI and its impact, IPAs can rely on an array of methodologies and indicators. While methodologies provide a comprehensive framework to analyse specific IPA activities or aspects of investment promotion (such as investor satisfaction and economic impact assessment), indicators measure a specific achievement and allow for comparison with target objectives. Depending on the assessed activity or project, methodologies can be either quantitative or qualitative, rely on internal

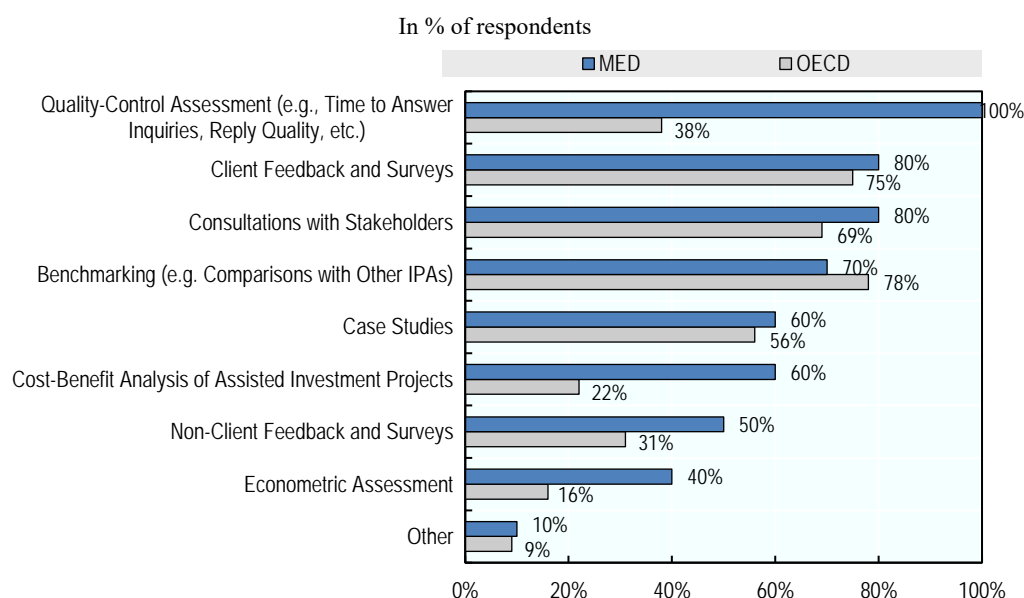
or external data, and involve internal or external assessment. Most of the time, IPAs rely on different combinations of methodologies and indicators.

Evaluation methodologies

IPAs in the MED region appear to use a wider set of evaluation methodologies than OECD IPAs albeit, as mentioned above, further analysis would be required to assess their quality (Figure 4.6). They also tend to favour some methodologies over others. For instance, all the IPAs in the region use quality-control assessment, such as the time to answer inquiries and the quality of their answers, to evaluate their interaction with investors. Most agencies carry out quality control assessments monthly. In some cases, such as in Egypt, the law stipulates that agencies respond to certain requests within a particular timeframe. In contrast, only a third of OECD agencies use this evaluation methodology. Consultations with stakeholders is also frequently used as an evaluation methodology. Agencies explained that they often require companies to report on certain outcome indicators, such as jobs created, which assists their evaluation. This is usually conducted quarterly or semi-annually.

The preferred methodologies of OECD IPAs are benchmarking themselves with other agencies and collecting client feedback through surveys. It is noteworthy that more MED IPAs report using (costly and skill-intensive) quantitative methodologies, such as cost-benefit analysis of assisted investment projects and econometric assessments, than their OECD counterparts. This is the case for the Libyan agencies, which uses econometric tools despite having much fewer resources than the average MED IPA.

Figure 4.6. IPAs' evaluation methodologies



Note: MED percentages based on the ten agencies.

Source: OECD survey of MED Investment Promotion Agencies (2018), OECD-IDB survey of Investment Promotion Agencies (2017).

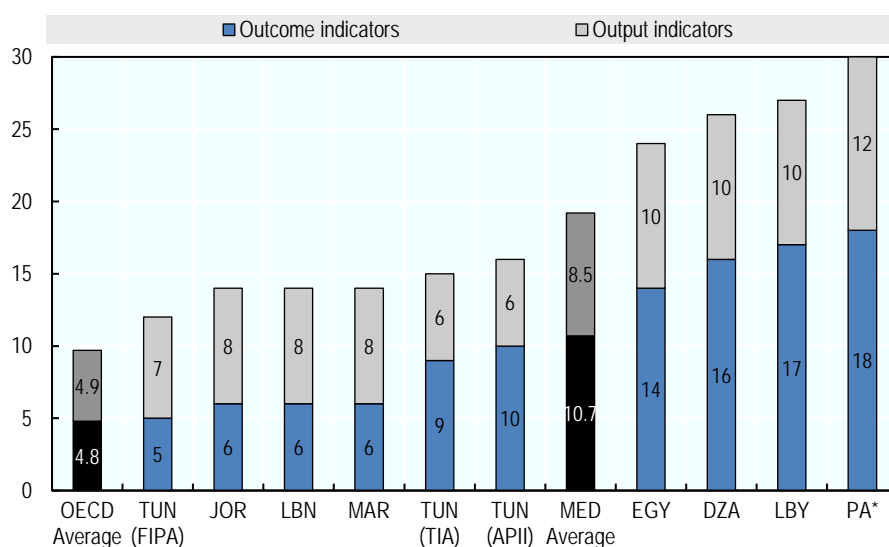
Monitoring and evaluation indicators

Monitoring and evaluation indicators – often referred to as key performance indicators (KPIs) – are metrics that measure organisational performance and success in reaching target objectives. They can measure performance at the level of an entire organisation, a unit, an activity or a project. To be relevant, they should be consistent with the target objectives of the organisation, unit, activity or project they relate to.

IPAs' performance indicators can be divided into two sets following their two broad monitoring and evaluation objectives. The first set of indicators, output indicators, focus on the agency itself, its inputs (e.g. number of campaigns launched), processes (e.g. time to respond) and results (e.g. number of assisted firms) and measure effectiveness and efficiency. The second category, outcome indicators, focuses on the underlying policy objectives of investment promotion and measures the benefits of IPAs' actions for the economy.

The mapping suggests that MED IPAs rely, on average, on 19.2 different KPIs, nearly twice as many as the average OECD IPA (Figure 4.7). This large difference is due to the quantity of outcome measures used. On average MED and OECD IPAs rely on the same number of output indicators (including the number of investment projects, number of firms investing and time to respond to enquiries). But MED IPAs indicate that they use on average 10.7 outcome indicators (such as size of FDI and number of jobs created) compared to only 4.8 for OECD agencies. This might be due in part to requirements by boards that IPAs measure the impact of their work on certain development goals, but it was not possible to assess whether MED agencies are successful in tracking regularly these outcomes. The figures also hide important disparities across MED IPAs. For instance, Palestinian, Algerian, Libyan and Egyptian agencies use more than 20 indicators while FIPA in Tunisia uses only 12 indicators, closer to the OECD average. It should be noted that the Palestinian agency's board only requires that they report on seven KPIs, but internally the IPA uses other indicators unofficially. The three IPAs that do not have an evaluation unit (JIC in Jordan and APII and FIPA in Tunisia) use respectively 20, 15 and 12 indicators, which suggests that the existence of a dedicated evaluation unit does not affect the number of monitoring indicators.

Figure 4.7. Number of indicators used by IPAs

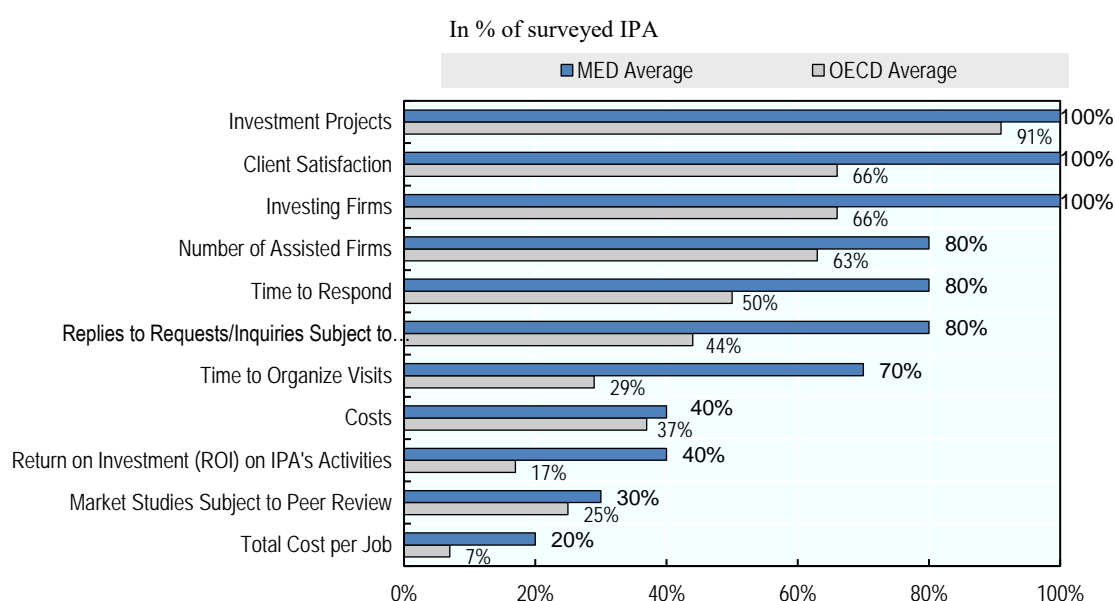


Note: *Breakdown between outcome and output indicators based on OECD definition; the Palestinian agency has only seven official KPIs.

Source: OECD survey of MED Investment Promotion Agencies (2018), OECD-IDB survey of Investment Promotion Agencies (2017).

Based on the survey, all IPAs in the MED region use output indicators to monitor investment projects, investing firms and client satisfaction (Figure 4.8). The use of output indicators is also widespread to monitor the time to respond, replies to requests, inquiries subject to assessment, the number of assisted firms, and the time to organise visits. Most of these indicators can be directly tracked through the CRM system. More analytical indicators such as the return on investment of IPA activities, cost analysis, and the total cost per job are less frequently used. The survey suggests that they are nevertheless more widely used in the MED region than in OECD economies.

Figure 4.8. Output indicators used by IPAs



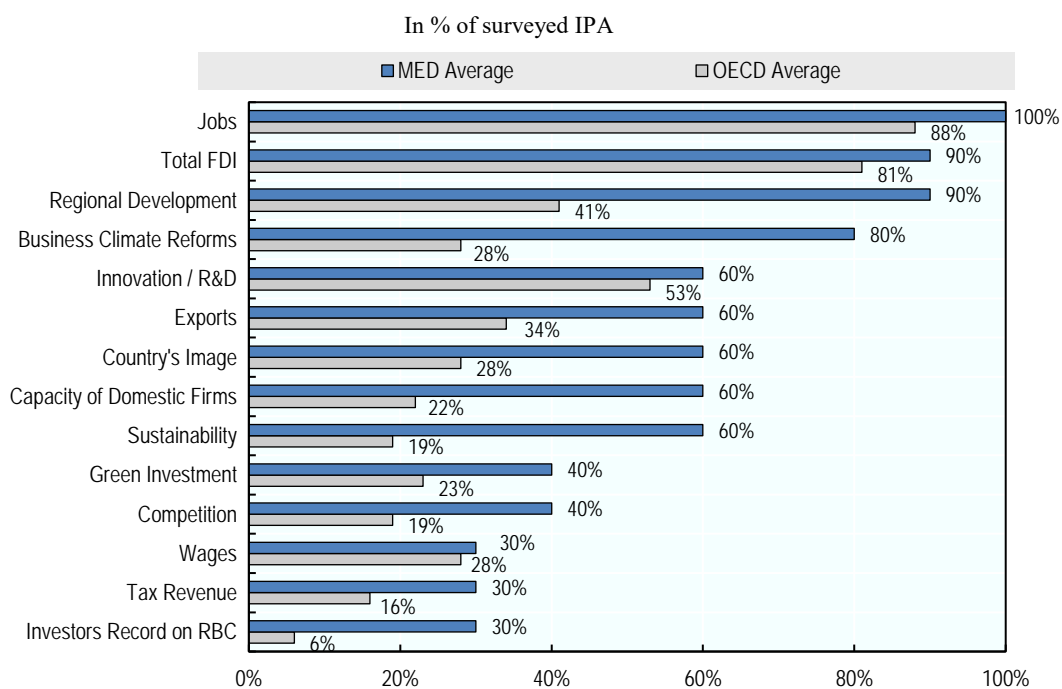
Source: OECD survey of MED Investment Promotion Agencies (2018), OECD-IDB survey of Investment Promotion Agencies (2017).

The large number of indicators that MED agencies rely on to monitor whether their actions have an impact on socio-economic outcomes reflect the pressing demand by their governments to make the most out of FDI. Most agencies said that their boards or supervising authorities require that they measure outcome indicators, which seek to measure the benefits of the agency's actions on the economy, but that this is very difficult to do. Algeria's representatives said that some indicators, such as the number of jobs created by investments they have aided, are easier to build, as promoted companies are required to report these numbers. The majority of IPAs ask companies to estimate ex ante the likely impact of their investment as it determines the amount and type of incentives granted.

The most common outcome indicators used by MED IPAs measure job creation, total FDI and regional development, revealing to some extent different national priorities from those of OECD countries (Figure 4.9). The use of other outcome indicators such as innovation, exports, the country's image, the capacity of domestic firms, and green investments are also widespread. MED IPAs less frequently use outcome indicators on investors' record on

RBC issues and wages, as is the case for OECD and LAC IPAs. This is also due to the complexity of measuring such outcomes. In general, LAC agencies measure socioeconomic outcomes less frequently than both OECD and MED IPAs.

Figure 4.9. Outcome indicators used by IPAs



Source: OECD survey of MED Investment Promotion Agencies (2018), OECD (2018).

5. Co-operation and co-ordination

Given the nature of their activity, IPAs operate in a dense and complex network of stakeholders – both public and non-public – at the cross-roads of policy and business. They have a public sector driven agenda to generate economic and social benefits, but they primarily serve private companies. Their activity also depends on the overarching investment policy framework, which they help design and improve. As examined in the second chapter of this report, their operations involve a wide range of activities that can often concern third parties.

This stakeholder network requires strong co-operation and co-ordination skills and processes. In some cases, relationships are formalised, either through organisational links or some form of agreement (such as a Memorandum of Understanding): these are “co-ordination” relationships. In other cases, IPAs need to interact with other stakeholders with whom they have no formally defined relationship: these are “co-operation” relationships. Relationships with sponsor authorities and with entities formally affiliated to the IPA typically involve co-ordination. IPAs also often need to co-ordinate and co-operate with other public institutions as well as private sector representatives, civil society, academia and international organisations.

IPAs’ institutional co-ordination requires operating at three different geographical levels: international, national and sub-national (Table 5.1). To reach out to and interact with foreign investors, IPAs can rely on a network of overseas entities in charge of national representation abroad. At the national level, they need to align with the overarching investment policy agenda and co-ordinate or co-operate with other agencies involved in investment promotion accordingly. At the sub-national level, their mission often supplements regional development agencies’ missions. They also sometimes need to co-operate with local bodies and agencies, notably for investment facilitation activities.

This chapter describes the networks of MED IPAs and the hierarchy of their relationships, provides information and insights on how IPAs structure their representations abroad and co-ordinate with relevant overseas offices (including – but not limited to – their own), and looks into institutional co-operation dynamics at the sub-national level. It shows that MED IPAs’ primary strategic relationships in the country are with the president or prime minister, their sponsor minister, and industry groups/associations. Instead, OECD IPAs’ main strategic relationships are with the ministry of foreign affairs and diplomatic missions abroad, sub-national agencies (affiliated or not to the IPA), and local authorities and governments (in addition to their sponsor ministry). Most MED IPAs also consider their relationship with international organisations as more strategic than with private sector associations and academia. At the sub-national level, MED IPAs’ co-operation with local government bodies, when it occurs, primarily involves the provision of facilitation and aftercare services for foreign investors in regions.

Table 5.1. General framework of IPA institutional co-operation and co-ordination

	Strategic alignment	Operational co-operation and co-ordination
International level (representation abroad)	<ul style="list-style-type: none"> • Strategic marketing alignment (“one voice” / clear messaging) with authorities abroad 	<ul style="list-style-type: none"> • Investment promotion co-ordination with diplomatic missions and governmental missions abroad
National level (central government and other national agencies and administrations)	<ul style="list-style-type: none"> • Overarching national investment policy and other national economic policies (e.g. industrial development policies) • National branding strategy • Strategic reporting and planning to the Head of Government and Sponsor authorities 	<ul style="list-style-type: none"> • Co-ordination with other national promotion agencies (e.g. innovation and export promotion agencies) and with industry-specific initiatives • Co-ordination with national administrative bodies for facilitation services • Co-operation and co-ordination for troubleshooting (can require strong interactions with different Ministries)
Sub-national level (sub-national authorities and agencies)	<ul style="list-style-type: none"> • Attraction and promotion strategy formulation / offering definition • Strategic marketing alignment (“one voice” / clear messaging) 	<ul style="list-style-type: none"> • Investment promotion at sub-national level • Investment facilitation services (e.g. site visits) • Aftercare (e.g. local cluster programmes) • Local administrative procedures (e.g. for local incentives) • Troubleshooting at sub-national level

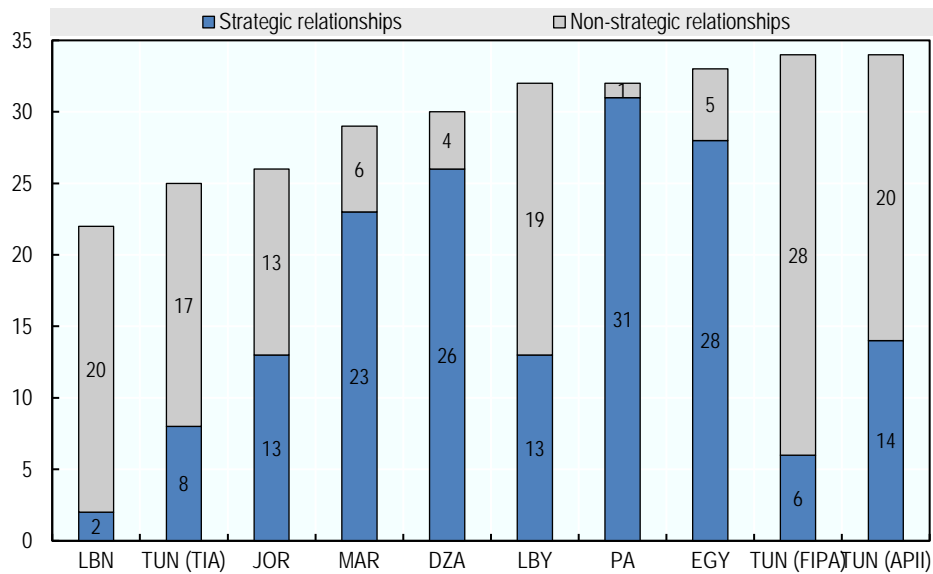
Source: OECD (2018a).

IPA’s co-operation network

Overview of strategic partnerships

On average MED IPAs interact with 30 different organisations, which is slightly more than OECD agencies (which on average interact with 26 organisations) (Figure 5.1). There are however significant variations among MED IPAs. For instance, the Palestinian agency interacts with almost twice as many organisations as Lebanon’s IPA; it also has nearly double the number of mandates. On average MED IPAs have 15 “strategic partners”, which make up around half of their total relationships. There are again significant differences among IPAs. For instance, the Algerian agency views 81% of its interactions as strategic while Lebanon’s agency considers less than 10% of relationships to be strategic.

The vast majority of MED and OECD IPAs’ top strategic interactions (i.e. interactions that are deemed strategic by at least 50% of the IPAs) are with the public sector (national administration and public organisations) (Figure 5.2). This highlights the prominence of IPAs’ co-ordination with their institutional environments. In addition, more MED IPAs view as strategic their relationship with international organisations than their relationship with private sector associations and academia. In contrast, OECD IPAs interact more with partners from the private sector or from academia than with international organisations (OECD, 2018a).

Figure 5.1. Number of organisations with which MED IPAs interact

Source: OECD survey of MED Investment Promotion Agencies (2018).

Figure 5.2. MED IPAs top strategic relationships

Note: Top strategic relationships are those that considered strategic by at least 50% of the IPAs. *if agency is separate; ** e.g., registrations, licensing.

Source: OECD survey of MED Investment Promotion Agencies (2018).

Cooperation and co-ordination with IPAs' broader institutional framework

Interactions with the public sector are by far the most important relationships for MED IPAs as public sector bodies represent 86% of their top strategic relationships. This can be partly explained by the organic link between IPAs and governments: most agencies are public organisations that depend on government funding. Interactions with the public sector

are also key for OECD IPAs (representing 74% of their top strategic relationships). The function of attracting investment in OECD may be less politically relevant however.

MED IPAs' primary relationships are with the president/presidential administration or the prime minister, and the ministry responsible for investment. In addition to working closely with their sponsor ministry, in the OECD area, IPAs' main strategic relationships also include the ministry of foreign affairs and diplomatic missions abroad, sub-national agencies (affiliated or not to the IPA), and local authorities and governments. Only a quarter of OECD IPAs indicate that the relationship with the inter-ministerial committee is strategic for them (OECD, 2018a).

The MED survey suggests that IPAs have strategic relationships with a number of government bodies that play one or several roles with respect to investment policy, promotion and facilitation. The breadth of agencies MED IPAs work with is likely due to their many mandates, which often go beyond core investment promotion and facilitation functions. MED agencies often have strategic relationships with customs agencies, organisations responsible for land allocation, tax agencies as well as the bodies responsible for industrial parks and free trade zones. Other key institutional relationships include the ministry of finance and the agency responsible for tourism promotion.

Co-operation and co-ordination with private, academic and international organisations

MED IPAs have strategic relationships with international organisations and the private sector, but academia and civil society are not frequently considered as strategic partners. For instance, 90% of the IPAs view their interactions with international organisations as strategic. The relationship with the private sector is also important for the IPAs in the region: 70% privilege ties with industry groups/associations and 60% have strategic relationships with the chambers of commerce. Only three out of ten MED IPAs consider interactions with universities as strategic. Only 20% of IPAs in the region view their relationship with the ministry of education as strategic.

Co-operation and co-ordination with agencies and representations abroad

Only a few MED IPAs have offices abroad: AMDIE in Morocco (one office), FIPA in Tunisia (eight offices) and PIPA (four offices) (see Network of secondary offices in Chapter 1). In part to save costs, but also to benefit from existing institutions, agencies sometimes place staff within foreign diplomatic missions. The Palestinian agency for example has staff members at foreign representations. IPAs that do not have their own staff abroad often co-operate closely with diplomatic offices. Egypt's IPA for example relies on embassies to connect it to the local business community.

Relationships with embassies and consulates do not rank as high for MED IPAs as for OECD agencies. The staff at these missions might not have the appropriate skills to carry out investment promotion activities, according to one MED IPA. These relationships are however of critical importance as investment promotion requires maintaining ties with actors in charge of foreign economic diplomacy (OECD, 2018a). OECD IPAs tend to co-operate more than their MED counterparts with agencies and government bodies located abroad. The most widespread type of offices performing investment promotion are those affiliated to the IPA (63% of all OECD IPAs' foreign offices), while other set-ups are shared offices with another agency (25%), personnel located in embassies and consulates (11%) and, to a much lesser extent, consultant contracts (1%). Several OECD countries

rely on a mix of different set-ups. Around 70% of OECD IPA offices abroad have another mandate in addition to investment promotion, the most common being trade promotion (OECD, 2018a). While OECD IPAs emphasise the importance of strong co-ordination with embassies and consulates, they also underline the difficulties of such co-ordination, notably as the investment promotion mandate sometimes competes or overlaps with other foreign policy mandates such as foreign trade.

Co-operation and co-ordination with sub-national entities

Most MED countries have a centralised approach to investment promotion at the sub-national level compared to OECD countries. The majority of MED IPAs have a mandate to attract investment to regions and facilitate businesses operations through OSSs or local offices deployed throughout the country (see Chapter 1). These offices report to the headquarters. Only Morocco has a decentralised approach to investment promotion. The country has sub-national agencies that are separate from the national IPA, under the umbrella of the governorates. The Moroccan approach is similar to the one observed in many OECD countries, although there is considerable variation among agencies.

Each institutional set-up requires co-ordination or co-operation across national and sub-national entities, particularly as IPAs seek to assist foreign investors in project location decisions. The survey suggests that MED IPAs do work with local entities, though the extent and success of these relationships varies. Every agency but Jordan's and TIA in Tunisia reported that they have a relationship with other sub-national or local governments; four communicate with these local entities more than once a month, while Algeria in is weekly contact with sub-national governments. Two agencies (in Libya and APII in Tunisia) communicate with local governments just once or twice a year.

MED IPAs consider that the top three obstacles to directing FDI to the different regions of the country (Table 5.2) are: poor infrastructure and connectivity, image problems, and difficulties interacting with the local government. OECD IPAs on the other hand report the distance to suppliers/clients and inadequate skills as the main impediments to attracting foreign investors to certain regions.

There is considerable variation among MED IPAs however. The Libyan and Palestinian agencies cited political instability as among the greatest challenges to attracting sub-national FDI, while lack of skilled labour is a key issue for agencies in Morocco and Tunisia. Indeed these challenges are linked; weak regional connectivity can affect skills development and inequality that in turn contributes to a region's image challenges. Sub-national agencies (when they exist) also often face capacity and funding issues, which can inhibit co-ordination and co-operation with national agencies. Recent decentralisation reforms in some countries, including Morocco and Tunisia, have sought to address some of these challenges, notably in the case of Morocco, institutional capacity at the sub-national level to promote investment.

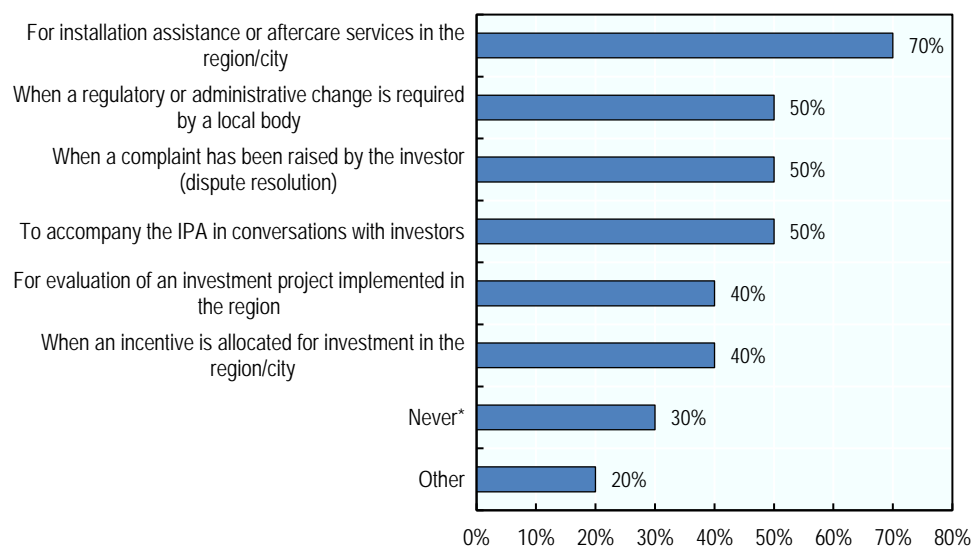
Table 5.2. Obstacles to the attraction of FDI in the regions according to IPAs

Obstacles	MED	OECD
Poor Infrastructure or Connectivity to Important Hubs	1	3
Image Problems (security, lifestyle, etc.)	2	4
Difficulties in Interacting with the Local Government	3	5
Distance to Suppliers and Clients	4	1
Lack of Adequately Skilled Labour or Difficulty of Attracting it into the Region	4	2
Lack of Dedicated State Support (SEZ, etc.)	5	6

Note: Distance to suppliers and clients and lack of adequately skilled labour tied for fourth place. Other obstacles cited by MED IPAs include lack of regional funds, access of governmental agencies to obtain the necessary permits, and political instability.

Source: ECD survey of MED Investment Promotion Agencies (2018), OECD-IDB survey of Investment Promotion Agencies (2017).

MED IPAs' responses to the survey suggest that co-operation at the sub-national level primarily involves the provision of facilitation and aftercare services for investors in the regions (Figure 5.3). Around 70% of MED IPAs contact sub-national agencies or local authorities for assistance during the establishment phase and for aftercare services. Half of the sub-national agencies are also contacted to organise missions with interested investors, to co-operate on regulatory changes or dispute resolution, and to co-ordinate evaluation of projects at the local level. They are less frequently contacted when investment incentives are allocated to a project. Three MED IPAs out of ten, in Jordan, Lebanon and TIA in Tunisia, never contact agencies at the sub-national level, or do not have such agencies.

Figure 5.3. Reasons why IPAs contact sub-national agencies

Note: *The numbers reported in this figure are based on the assumption that IPAs that did not answer the question "Reasons why IPAs contact sub-national agencies" do not contact sub-national agencies.

Source: OECD survey of MED Investment Promotion Agencies (2018).

6. The way forward

This report has provided a mapping of existing practices among IPAs in the southern Mediterranean economies and benchmarked them with each other and with agencies in OECD and Latin American and Caribbean countries. The report draws some conclusions on existing trends and highlights similarities and differences across MED agencies. These are outlined in the Overview section. The results of the mapping pave the way for more targeted policy recommendations and peer-learning activities. The outcomes of the mapping also raise several key questions that remain to be answered by future analysis of the survey results.

MED agencies suggested conducting follow-up surveys in a few years, as IPAs are constantly evolving. Agencies also expressed strong interest in recommendations and good practices on the topics covered in the mapping, and requested that the OECD consider this as a project of the next year of the programme.

The following areas could be areas of future collaboration with MED IPAs:

Guide MED IPAs in their efforts to streamline their institutional setting

The OECD mapping of MED IPAs revealed that most agencies in the region have broader mandates and responsibilities than the average OECD IPA. Such wide mandates also mean that the responsibilities of IPAs often overlap with other government institutions. Future work could address how internal organisational choices and characteristics of MED IPAs affect their investment promotion strategies, core functions and activities – and vice-versa. IPA organisational characteristics to be further analysed will mainly cover IPAs' reporting line(s); their board (existence, role and composition); their mandates (diversity and scope); and the scope of secondary offices (both overseas and at sub-national level).

Peer-learning events would provide key lessons on the relationship between certain organisational characteristics of MED IPAs and their investment promotion strategies. This work would support MED agencies in prioritising their mandates, upscaling the quality of their services by rationalising their functions, and improving their co-ordination mechanisms with other entities both at the national and sub-national levels.

Support MED governments in strengthening their investment facilitation framework

Future work could support MED governments, and more specifically IPAs, in their efforts to streamline their investment facilitation frameworks and, ultimately, improve regulatory coherence. The mapping has shown that nearly all MED IPAs are mandated with the operation of a one-stop-shop. This contrasts starkly with OECD and LAC agencies which are very few to undertake such activity. The mapping also revealed that MED IPAs' investment facilitation mandates often overlaps with other institutions. Operating one-stop-shops may reduce the burden faced by investors in countries with complex administrative

settings, but it may also overshadow IPAs' other core investment promotion activities (e.g. investment generation).

Future regional peer-learning seminars would allow MED policymakers to have a comparative overview of their existing investment facilitation practices. This work would also provide policymakers with a better understanding of the role of business climate regulations on facilitating investment. The work would be structured around the different elements that compose investment facilitation according to the OECD definition, which is often shared by other international organisations. It could also contribute to support MED countries participation in the ongoing WTO Structured Discussions on Investment Facilitation for Development.

Provide MED IPAs with practical recommendations to evaluate their impact

The goal of this activity would be to provide MED agencies with guidance on how to improve their monitoring and evaluation systems to permit meaningful impact of their performance. Future work with MED IPAs would also address practical questions raised by the results of the mapping such as on the effectiveness of IPAs activities in different countries, and which services have the greatest impact on attracting FDI (e.g. image building vs. investment generation activities).

Agencies also noted that they would like to better understand how best to monitor and evaluate outcome-related indicators (e.g. job creation, R&D, territorial development, etc.). In pursuing the aforementioned goals, the OECD would gather examples of good practices across IPAs and facilitate technical interactions among agencies and other relevant experts. This will allow for exchanges on practical challenges and considerations associated with monitoring and evaluation improvements and implementation.

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