OECD MAPPING OF MED IPAs 2018

PRELIMINARY ANALYSIS

October 2018

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DES POLITIQUES MEILLEURES
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Mapping of IPAs in MED countries: Outline

1. Institutional choices and organisational characteristics
2. Co-ordination and co-operation
3. Functions and activities
4. Prioritisation strategies
5. Monitoring and evaluation

1. INSTITUTIONAL CHOICES AND ORGANISATIONAL CHARACTERISTICS

Creation of IPAs and recent organisational reforms

- The average IPA age in the MED region is 21 (20 years for OECD countries)
- Some IPAs were created in the 70s in order to foster the industrialisation of the countries
- The majority of IPAs was created after 1995

Date of creation of MED IPAs

IPA	Date of creation	Former name
GAFI	1971	General Authority For Investment and Free Zones (GAFI)
APII	1972	Agence de Promotion de l'Investissement (API)
IDAL	1994	The Investment Development Authority of Lebanon (IDAL)
FIPA	1995	Foreign Investment Promotion Agency (FIPA)
JIC	1995	Jordan Investment Board (JIC)
ANDI	1995	Agence de Promotion, de Soutien et de Suivi de l'Investissement (APSI)
PIPA	1998	The Palestinian Investment Promotion Agency (PIPA)
PIB	2002	Privatization and Investment Board
AMDIE	2009	Agence Marocaine de développement de l'Investissement (AMDI)
TIA	2017	Tunisia Investment Authority (TIA)

Recent reforms aimed at addressing some of MED IPA' s main challenges

Challenges faced by MED and OECD IPAs to attract investment in the next 5-10 years

Challenges	MED	OECD
Emergence of New Players in the Market	1	6
Inadequate Resources	2	1
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?" 1 refers to the most important challenge and 6 to the least important one.

- Other challenges MED IPAs cited: Wrong perception from international media, geopolitical issues, and no offices abroad.

- The majority of the IPAs have undertaken at least two reforms in the past 10 years. Reforms were mainly linked to regulatory reforms and often to a change in the scope / mandate of the IPAs.

Autonomous public agencies dominate the organisational landscape of MED IPAs

MED and OECD IPAs' legal status

	MED	OECD
Autonomous public agency	100%	60%
Governmental (department or unit in a ministry)	0%	31%
Joint public-private agency	0%	6%
Private agency	0%	3%

MED IPAs are more in contact with the highest political authorities than OECD IPAs

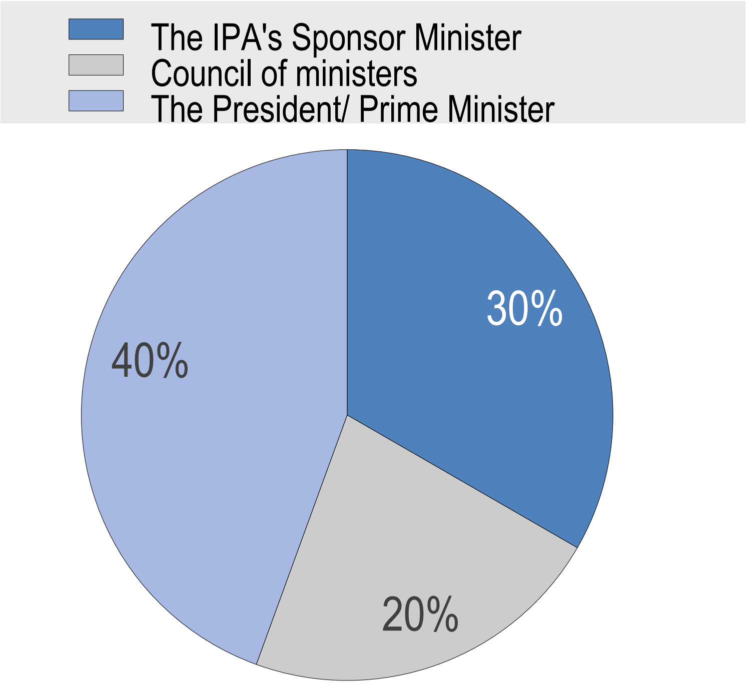
MED IPAs' reporting lines

	Head of government	Minister	Several ministers	Sub-ministerial level	Board of director	Other
DZA		Industry & Mining				
EGY		Investment				
JOR	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	Investment			X	

- Only 16% of OECD agencies report to the head of government.
- in OECD countries the majority of IPAs report to economy and trade ministries and in some cases to the ministry of foreign affairs.

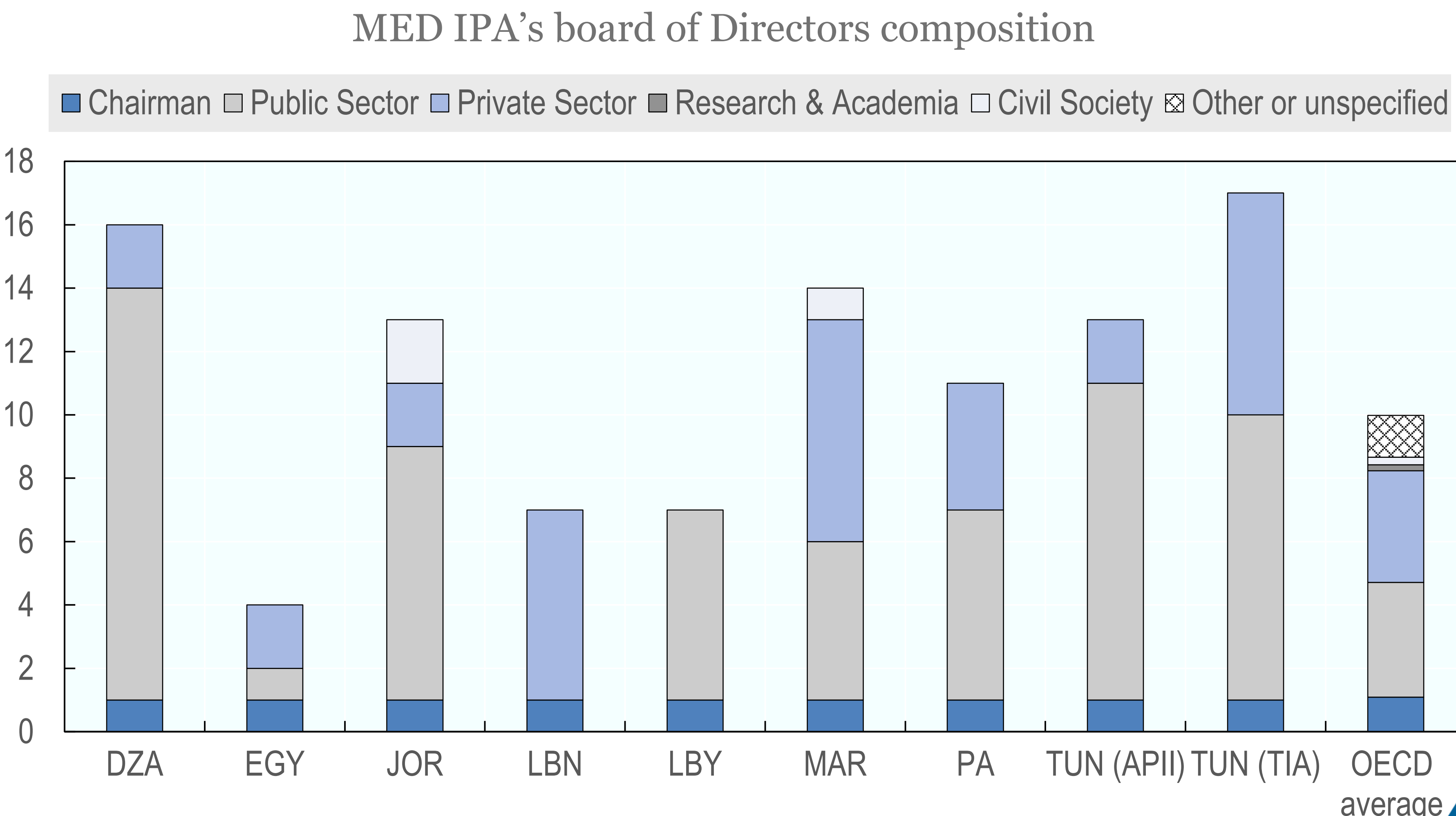
Heads of IPAs are often appointed by the highest executive authorities in their countries

Authority appointing the head of the IPA in the MED region



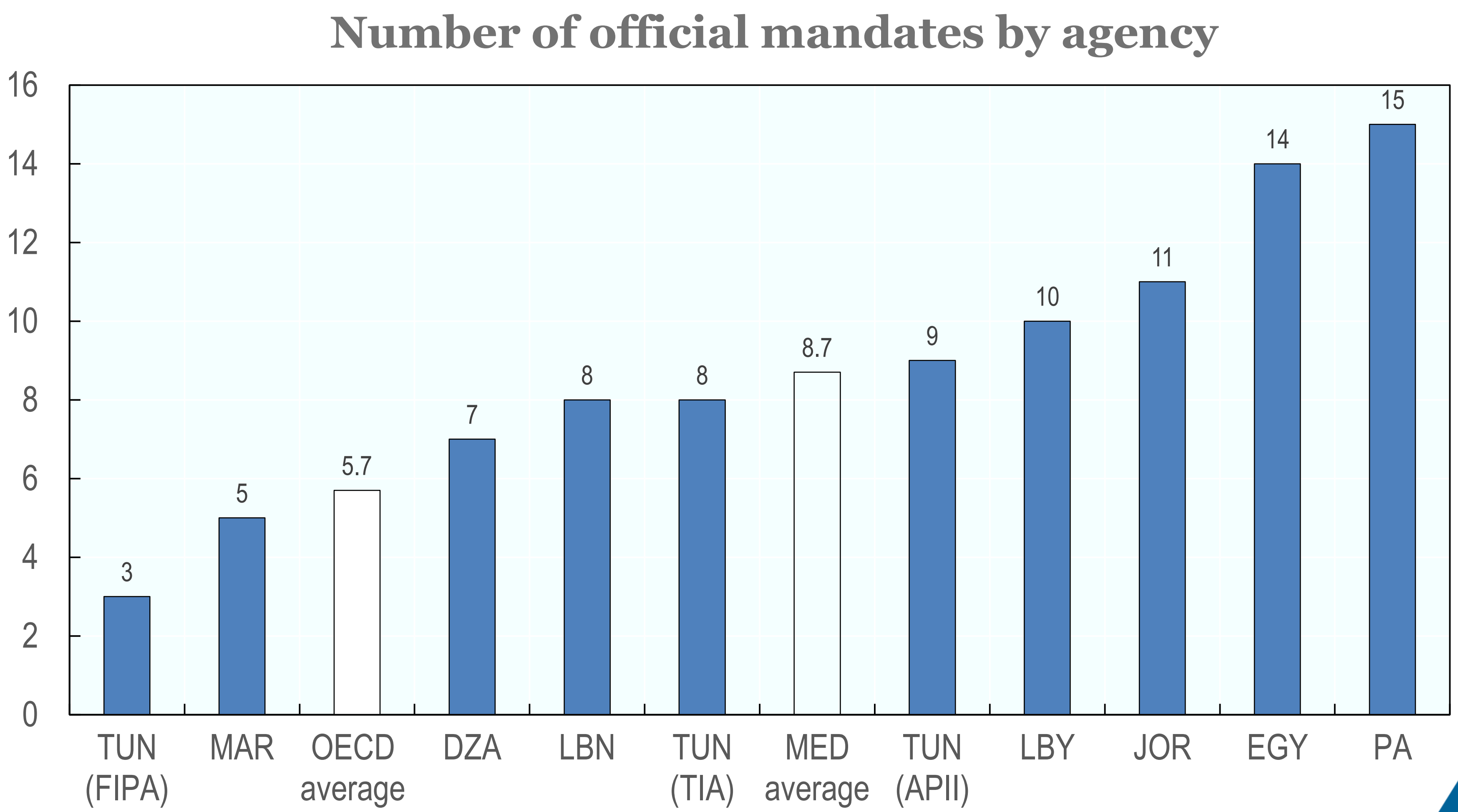
- In contrast, in OECD countries, most heads are appointed by the Board of Directors of the IPA.

The private sector has a stronger presence in some MED IPAs Board of Directors

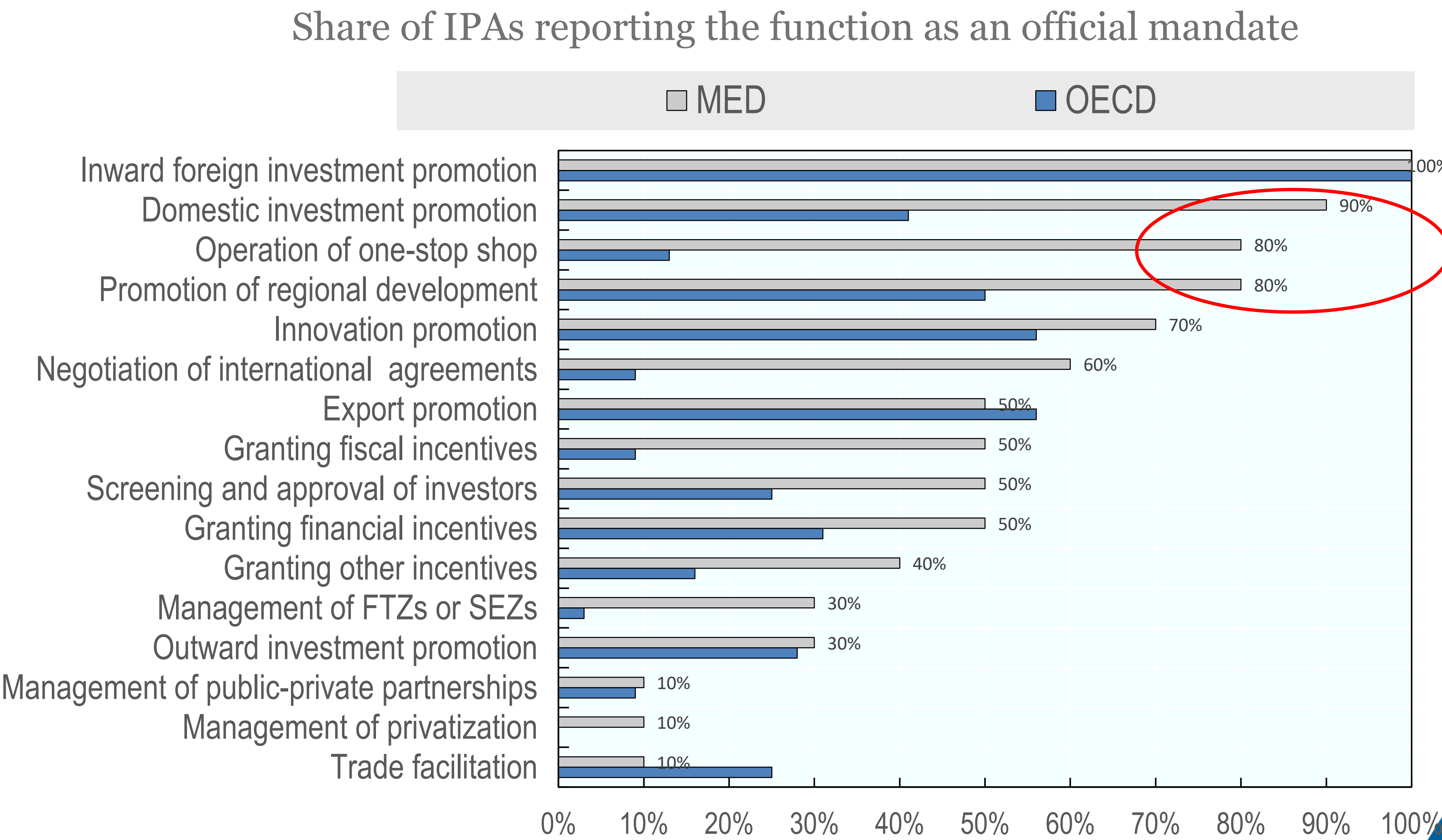


Note: data for FIPA are not available. Jordan has an Investment Council that has a broader role than an IPA board.

MED IPAs often have broader mandates than the average OECD agency



MED IPAs mandates often reflect their countries' economic priorities

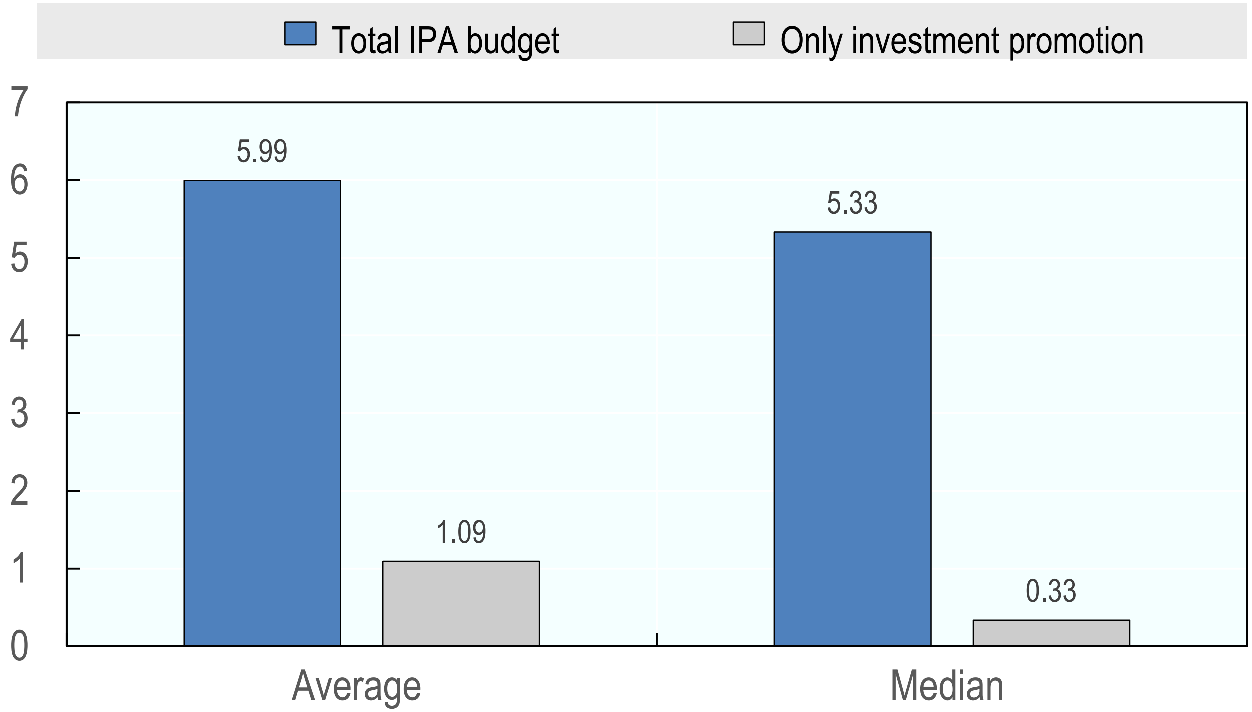


Mandates performed by MED IPAs are also often carried out by other national agencies

Other national and sub-national agencies performing the following functions

MED IPAs allocate on average 18.3% of budget to promotion (17.4% for OECD)

Average MED IPA budget in USD million (excluding incentives), last available year (2016 or 2017)



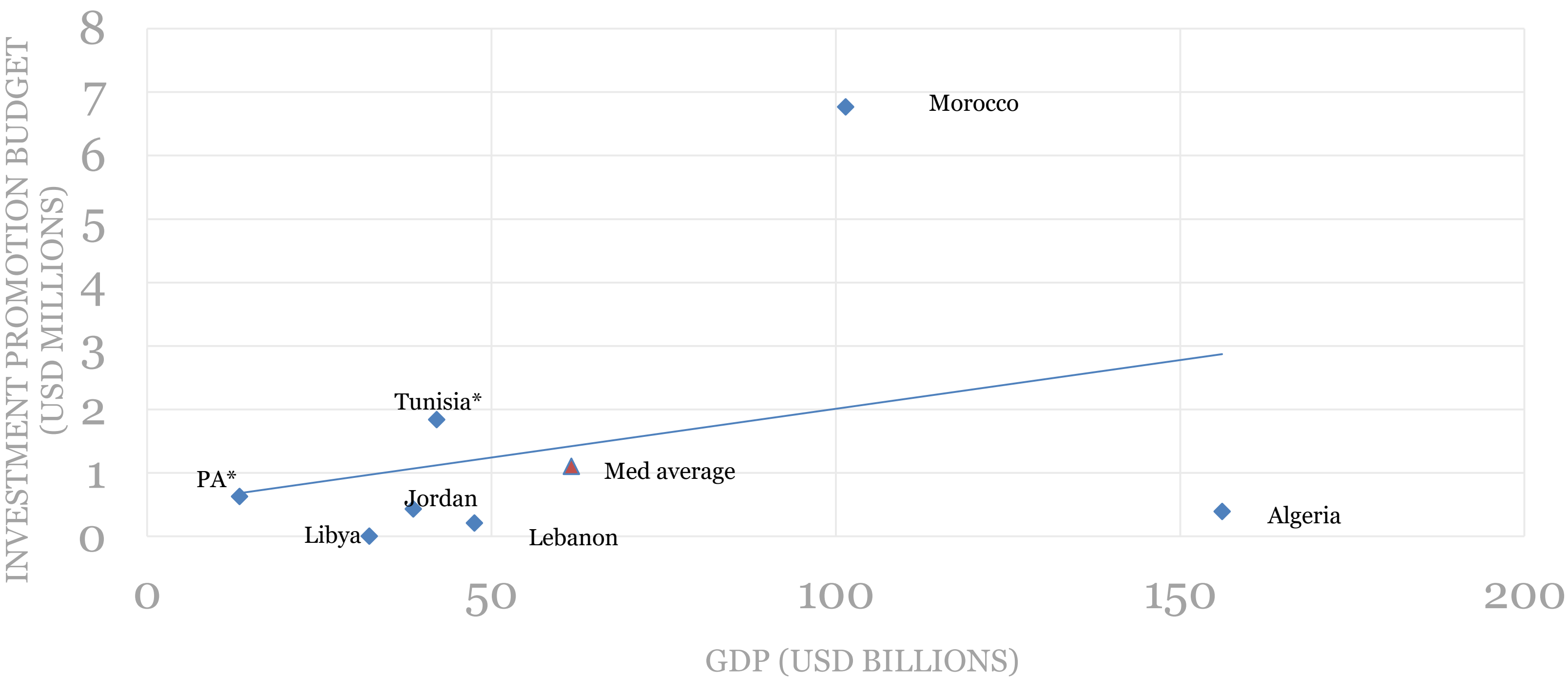
Note: Data for GAFI is not available. The 2018 provisional budget for the TIA was reported as the institution was established in 2017. This figure makes the assumption that IDAL's budget was 3 USD million in 2017.

- An OECD average IPA allocates USD 12 million to investment promotion.

Preliminary analysis

Promotion budgets reflect countries' size and income disparities but also the breadth of IPAs mandates

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

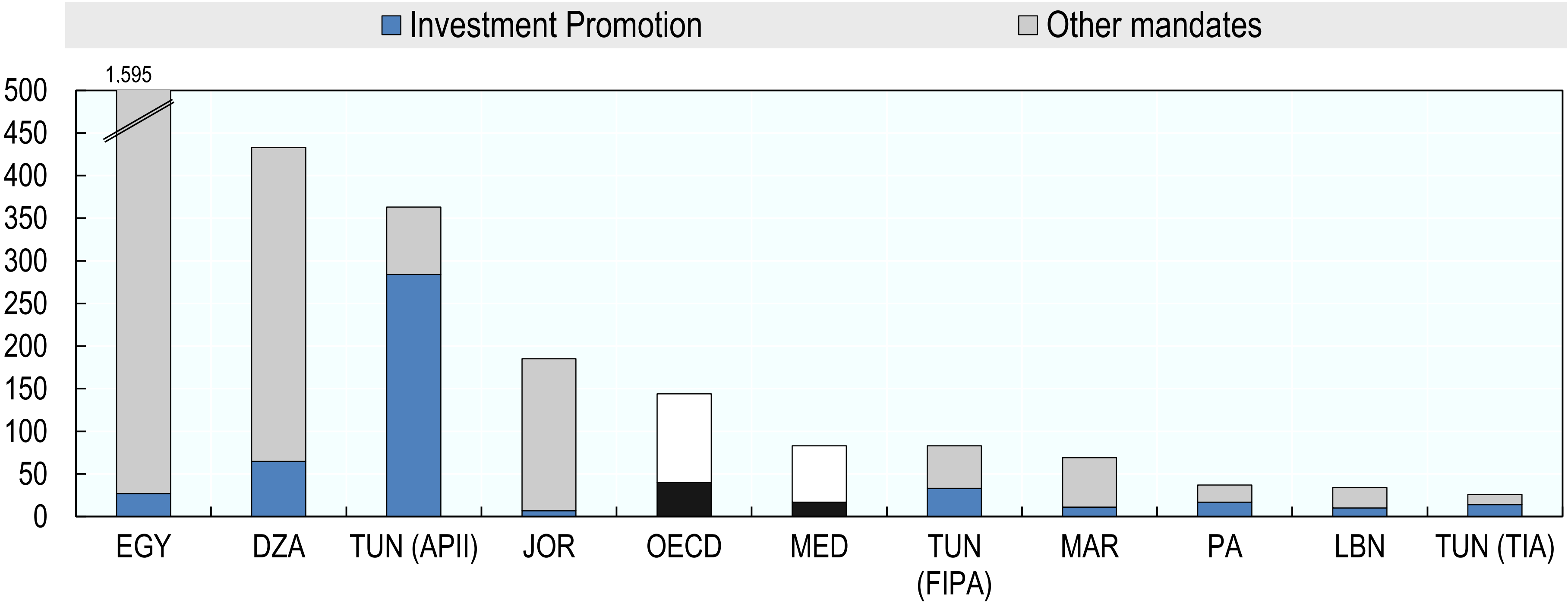


Note: The investment promotion budget for Tunisia is an aggregate of its three IPAs (TIA, FIPA and APII). The 2018 provisional budget for the TIA was reported as the institution was established in 2017. This figure makes the assumption that IDAL's budget was 3 USD million in 2017.

Preliminary analysis

Median MED IPA dedicates 20% of staff to investment promotion and OECD IPA 28%

Total Number of FTE Employees : Investment promotion versus other mandates



- Median MED IPA has 83 staff among which 17 are dedicated to promotion.
- Median OECD IPA has 44 staff dedicated to promotion and LAC IPA 21.
- This is not surprising in light of the breadth of MED IPAs mandates.

Preliminary analysis

Human resources: Skills and wages

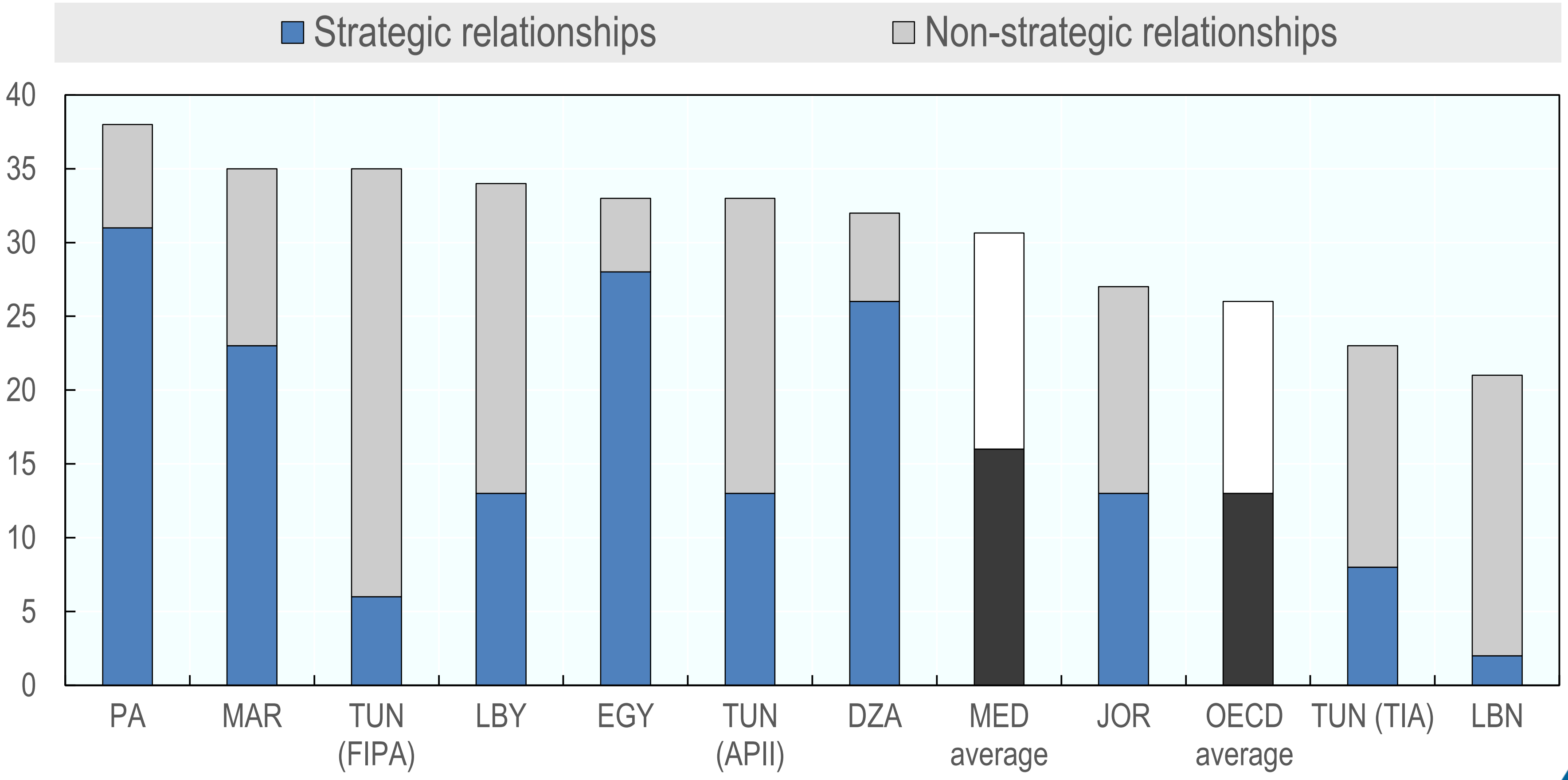
- There is not enough information provided by the agencies to analyse personnel expenditure and skills.
- Only preliminary conclusions can be drawn regarding wages of agency employees:
  - The majority of the IPAs pay salaries that are higher than the average wage in the public sector (TIA, IDAL, JIC, ANDI).
  - Some pay salaries at the level of public sector wages (PIPA, PIB, FIPA).
  - AMDIE pay both salaries that are higher than and similar to other public sector agencies.

Preliminary analysis

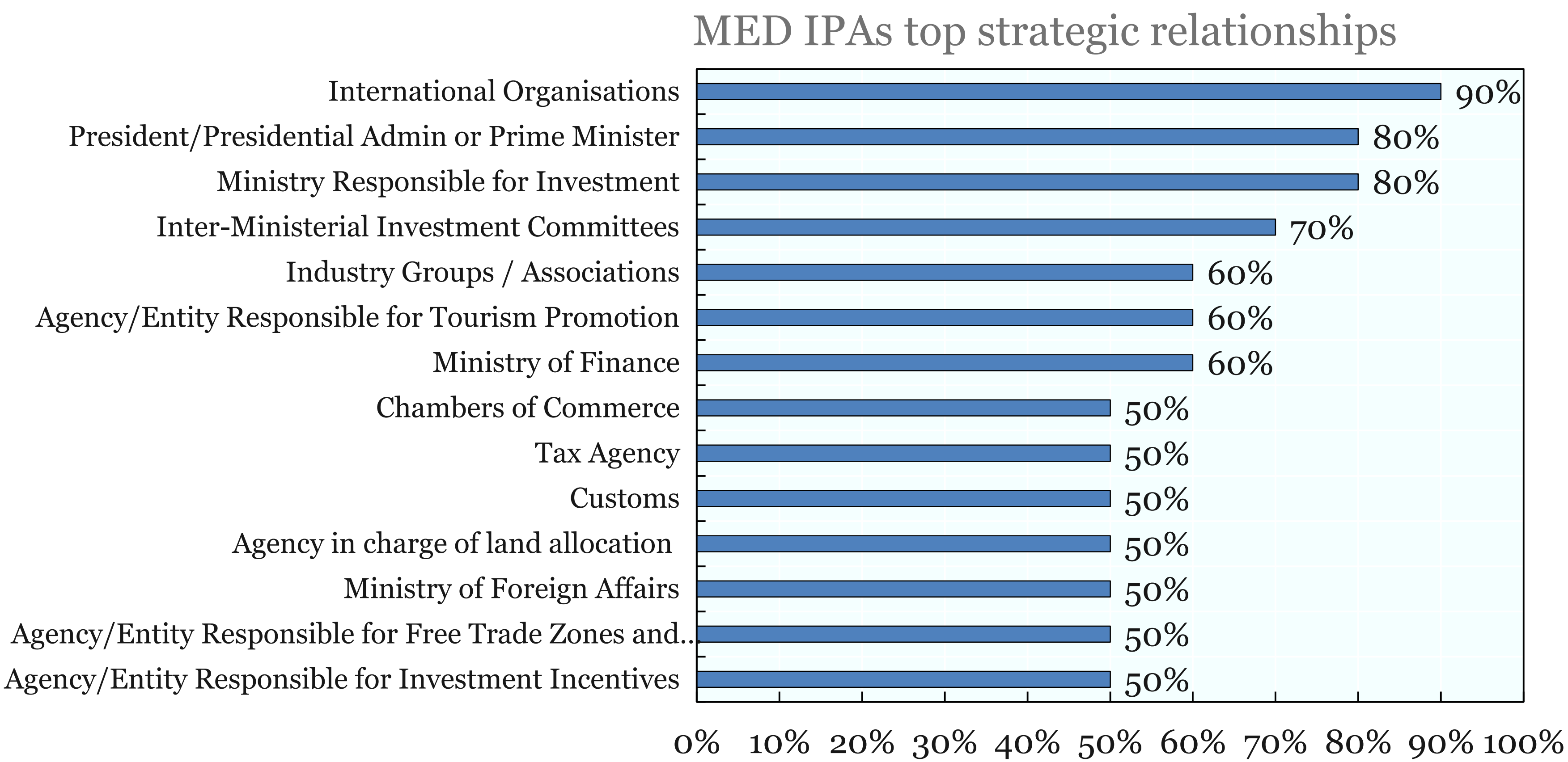
2. COORDINATION AND COOPERATION

On average MED IPAs interact with 31 different organisations (26 for OECD)

Number of organisations with which MED IPAs interact



MED IPAs work much more closely with the highest levels of government than OECD IPAs do



Note: Top strategic relationships are those that considered strategic by at least 50% of the IPAs.

- OECD IPAs work more frequently with the foreign ministry, innovation agencies, diplomatic missions and sub-national authorities.

MED IPA offices abroad performing investment promotion

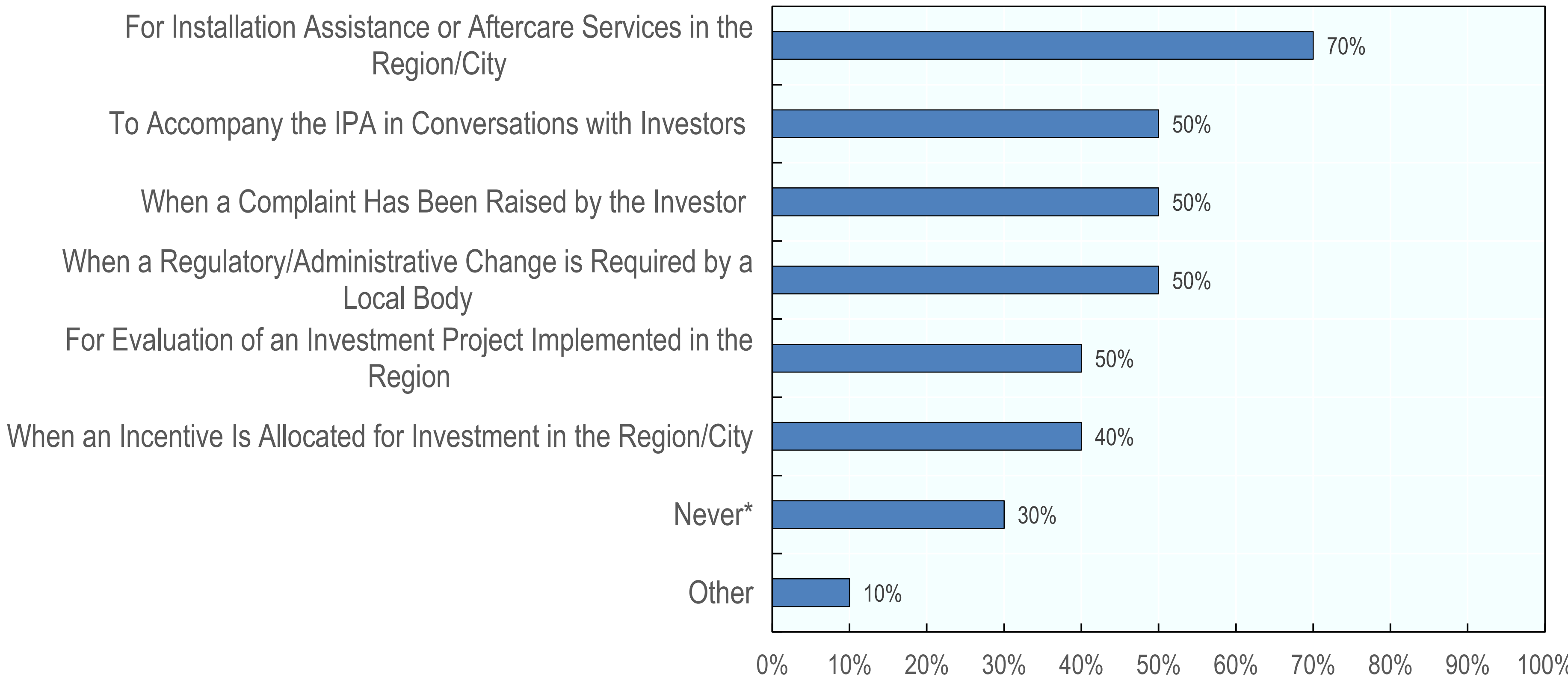
- Only a few IPAs report having offices abroad:
  - AMDIE: 1 office
  - FIPA: 8 offices
- No information available regarding offices shared with other agencies or personnel located in embassies/consulates.
- OECD: The most widespread type of offices performing investment promotion are those affiliated to the IPA (63% of all IPA foreign offices), while other set-ups are shared offices with another agency (25%), personnel located in embassies and consulates (11%).

Missing information regarding the IPA's cooperation network

- IPA interactions with government, public, semi-public institutions
- IPA interactions with the private sector, academia and international organisations
- MED IPAs abroad performing investment promotion
- Interactions of MED IPAs with embassies and consulates

co-operation at the sub-national level: focus on the provision of facilitation and aftercare

Reasons why MED IPAs contact sub-national agencies



Note: The numbers reported 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.

Infrastructure and interactions with local government are important obstacles to attract FDI to regions

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 (e.g. 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	5	2
Lack of dedicated State support (e.g. special economic zones, etc.)	6	6

The survey question is the following: "What biggest challenges do you see Most Important for Attracting Investors Outside of the Capital City / into Different Regions?" 1 refers to the most important challenge and 6 to the least important one.

- Other obstacles cited: lack of regional funds, access of governmental agencies to obtain the necessary permits, and political instability.

- There is considerable variation among MED IPAs:
  - The Libyan and Palestinian agencies cited political instability.
  - Lack of skilled labour is a key issue for agencies in Morocco and Tunisia.

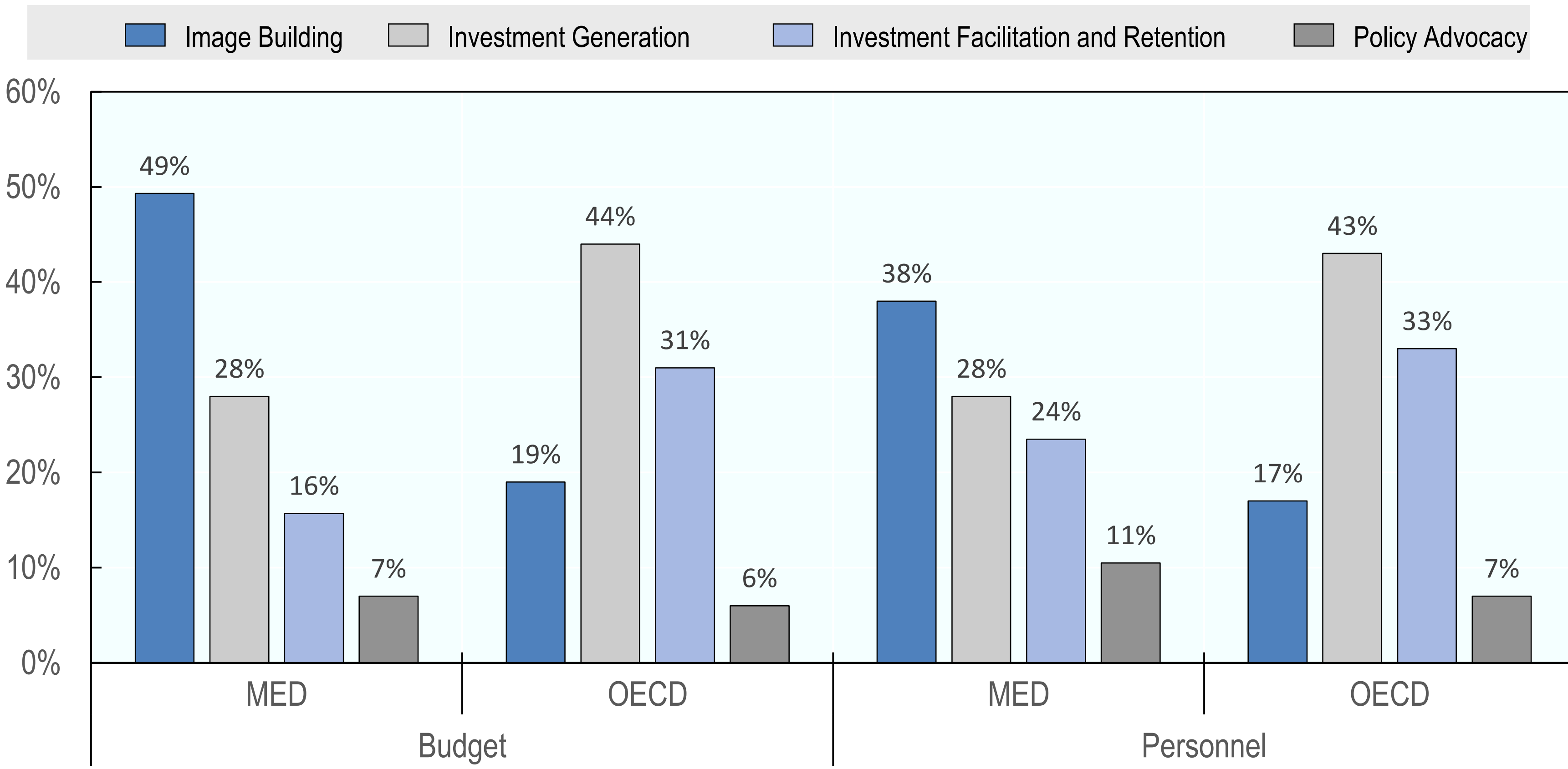
Missing information regarding the level of Cooperation with sub-national agencies

- The number of IPA's affiliated sub-national offices performing investment promotion

3. FUNCTIONS AND ACTIVITIES

MED IPA's allocate most of the budget to image building while OECD to investment generation

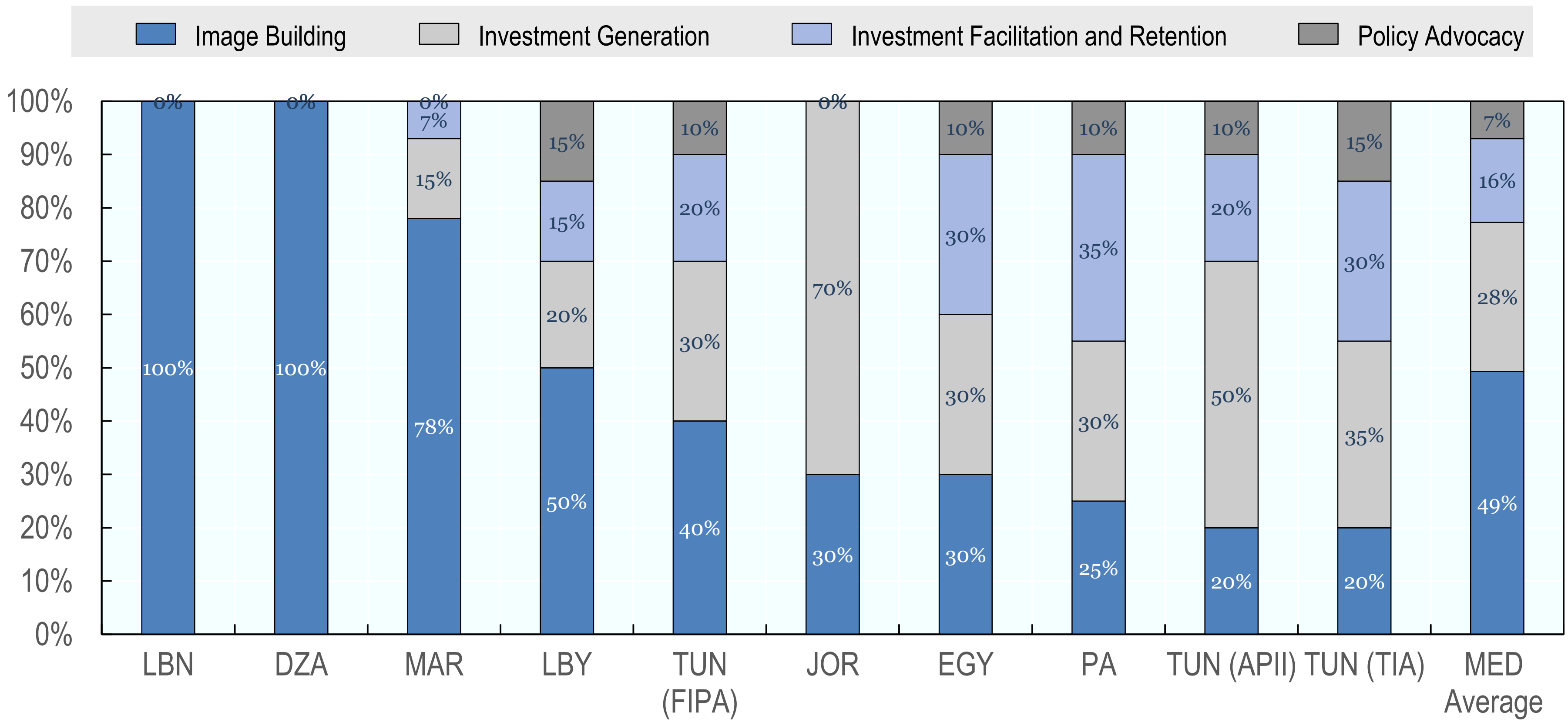
IPA budget & personnel allocation across core functions of investment promotion (% of total of 4 functions)



Preliminary analysis

Majority of promotion budget allocated to image building or investment generation

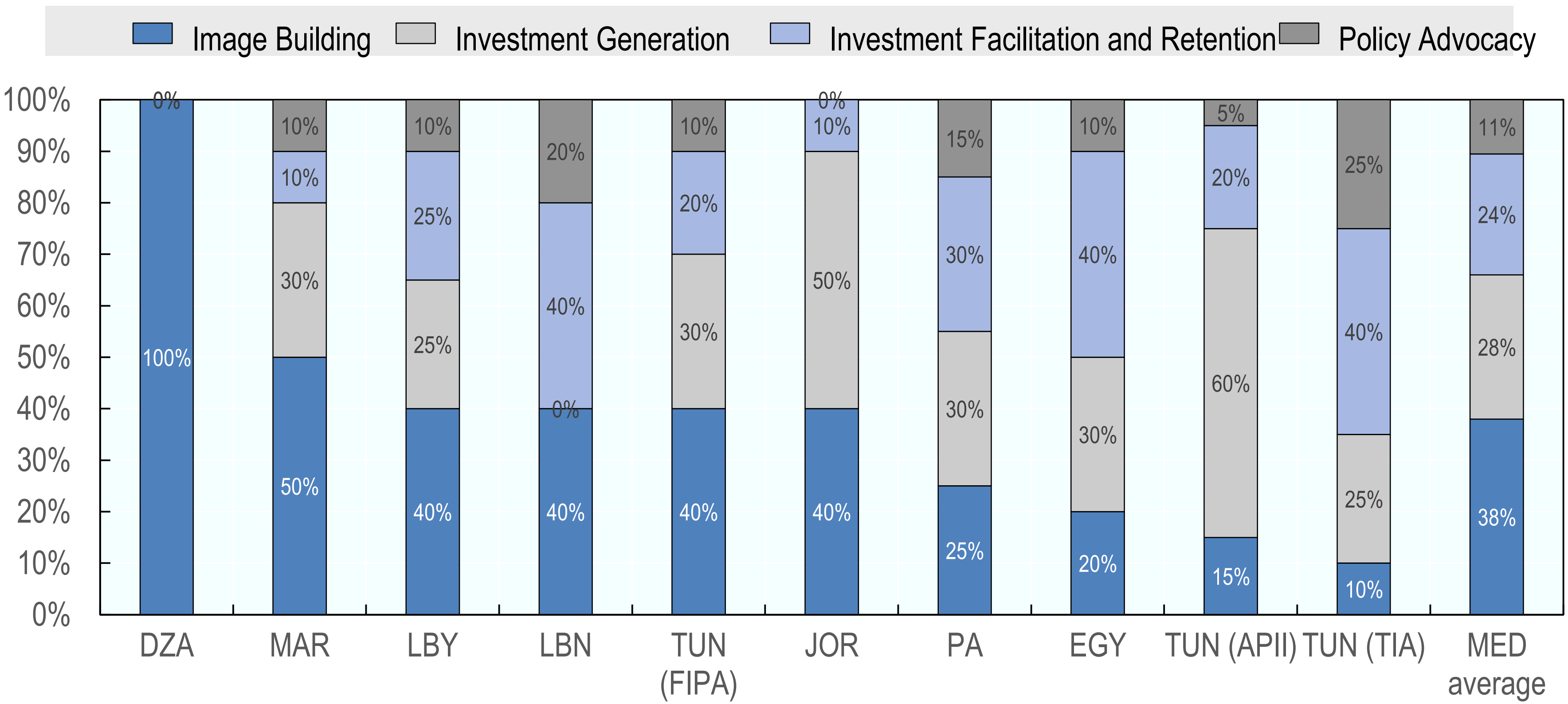
IPAs investment promotion budget allocation pattern (% total budget)



- Some responses require to be revised and completed
- some IPAs indicate allocating 100% of their budget to image building while performing all the remaining functions as well.

Allocation of human resources across IPAs function is more spread than budget

IPAs investment promotion human resource allocation pattern (% of staff)



- Some responses require to be revised and completed
- This figure combined with the previous one can allow us to highlight some inconsistencies

Most MED IPAs are *image builders* while OECD IPAs are *generators*

Categorising IPAs into strategic profiles to understand their activities

Image builders	*Generators*	*Facilitators*	*Balanced*
DZA	JOR	TUN (TIA)	EGY
LBY	TUN (APII)		LBN
MAR			PA
TUN (FIPA)			

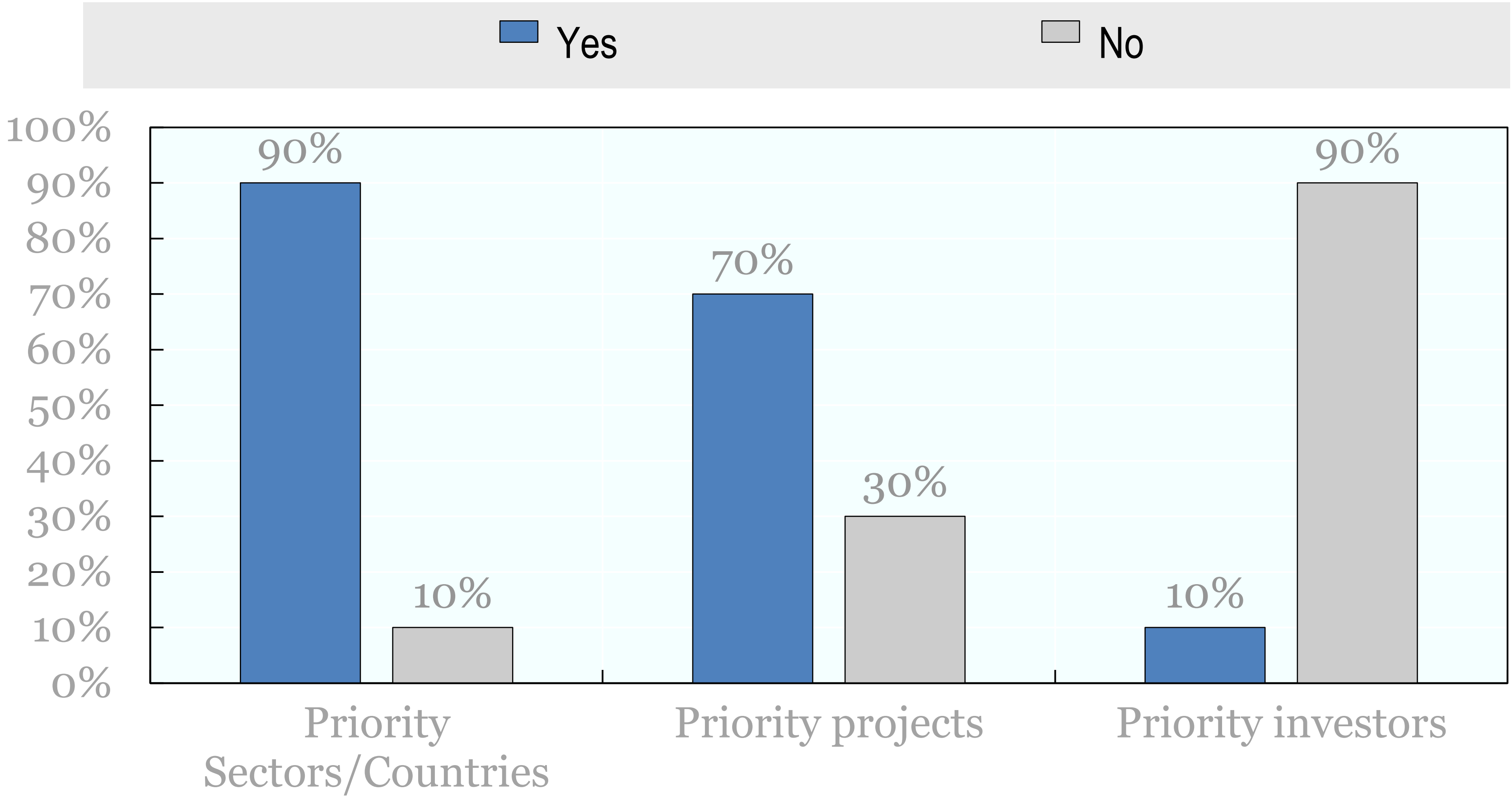
- Most MED IPAs are "image builders": allocating at least 40% of their resources these activities.
- Three agencies are "balanced": allocating resources fairly equitably to a range activities.
- In contrast, most OECD IPAs are generators (only two are image builders)

Further information on resource allocation is required

- It is noteworthy that MED IPAs perform more activities than OECD countries across the functions
- Further clarification is required to better understand budget and human resources allocations
- There are some discrepancies in the data: Notably, image building activities receive more financial than human resources

4. PRIORITISATION STRATEGIES

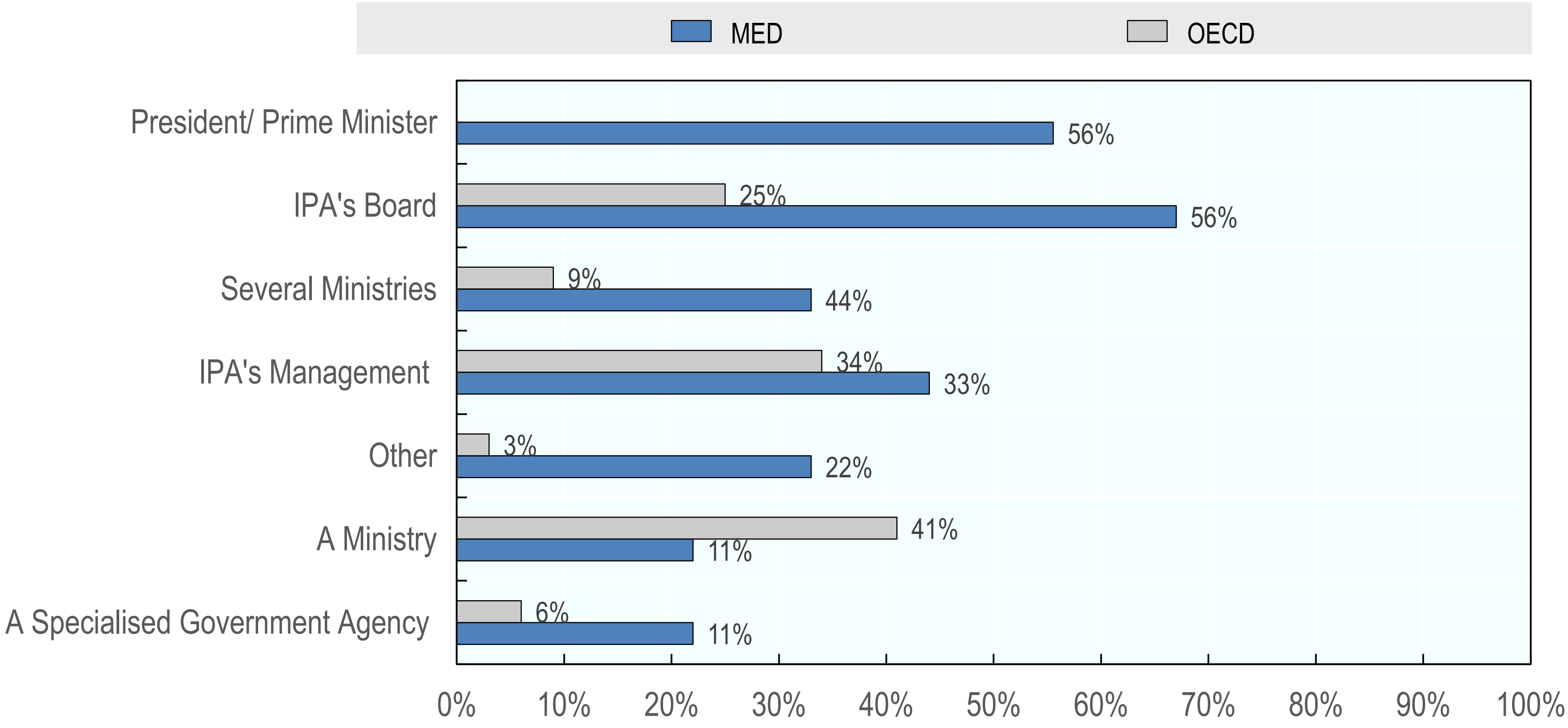
Overview of the prioritisation strategies of IPAs in MED countries



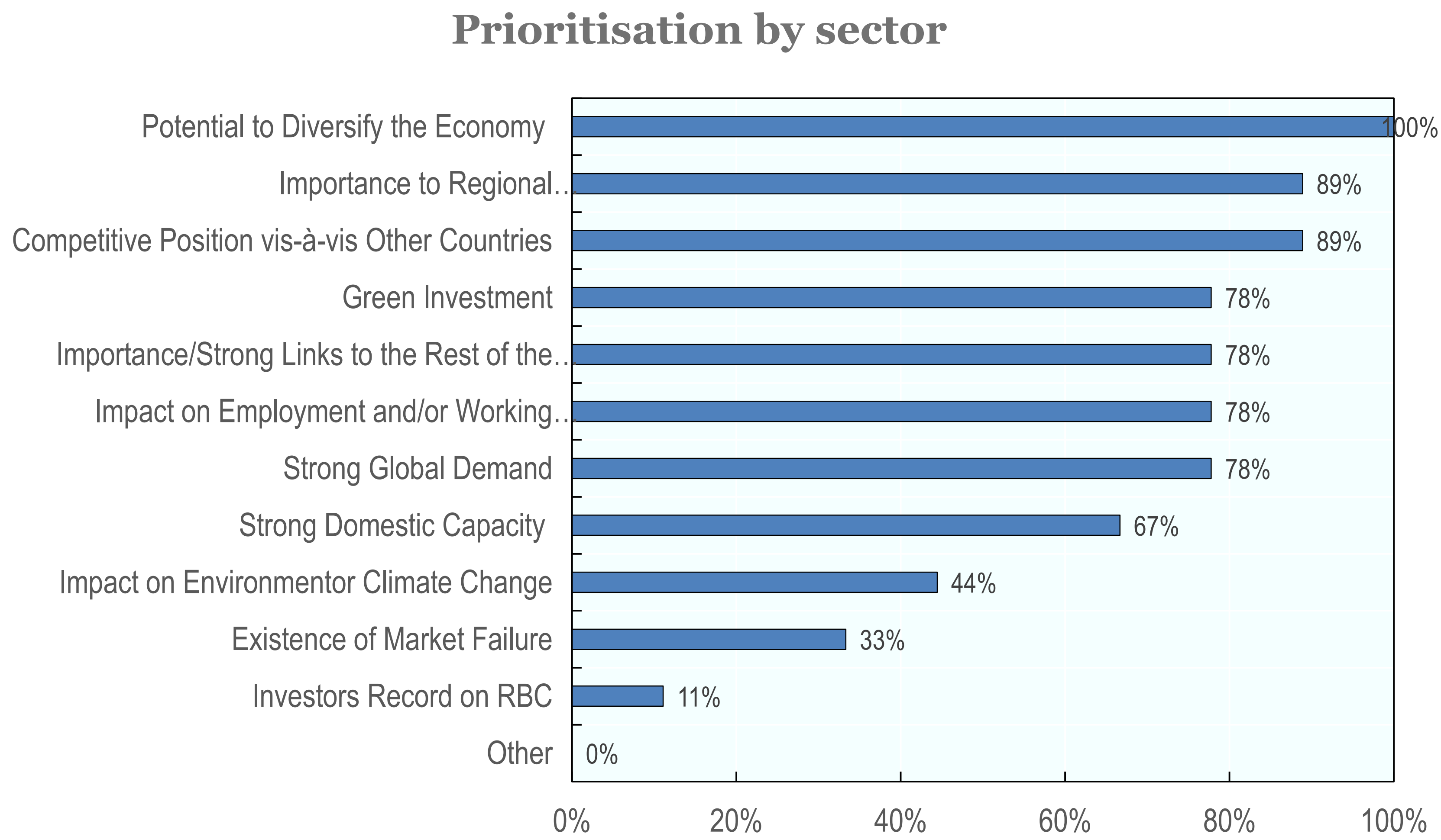
- Libya's IPA reported not prioritising specific sectors or countries
- Egypt's IPA prioritises specific investors (50% in OECD agencies)

Prioritisation strategy is often taken at the highest levels and involves multiple actors

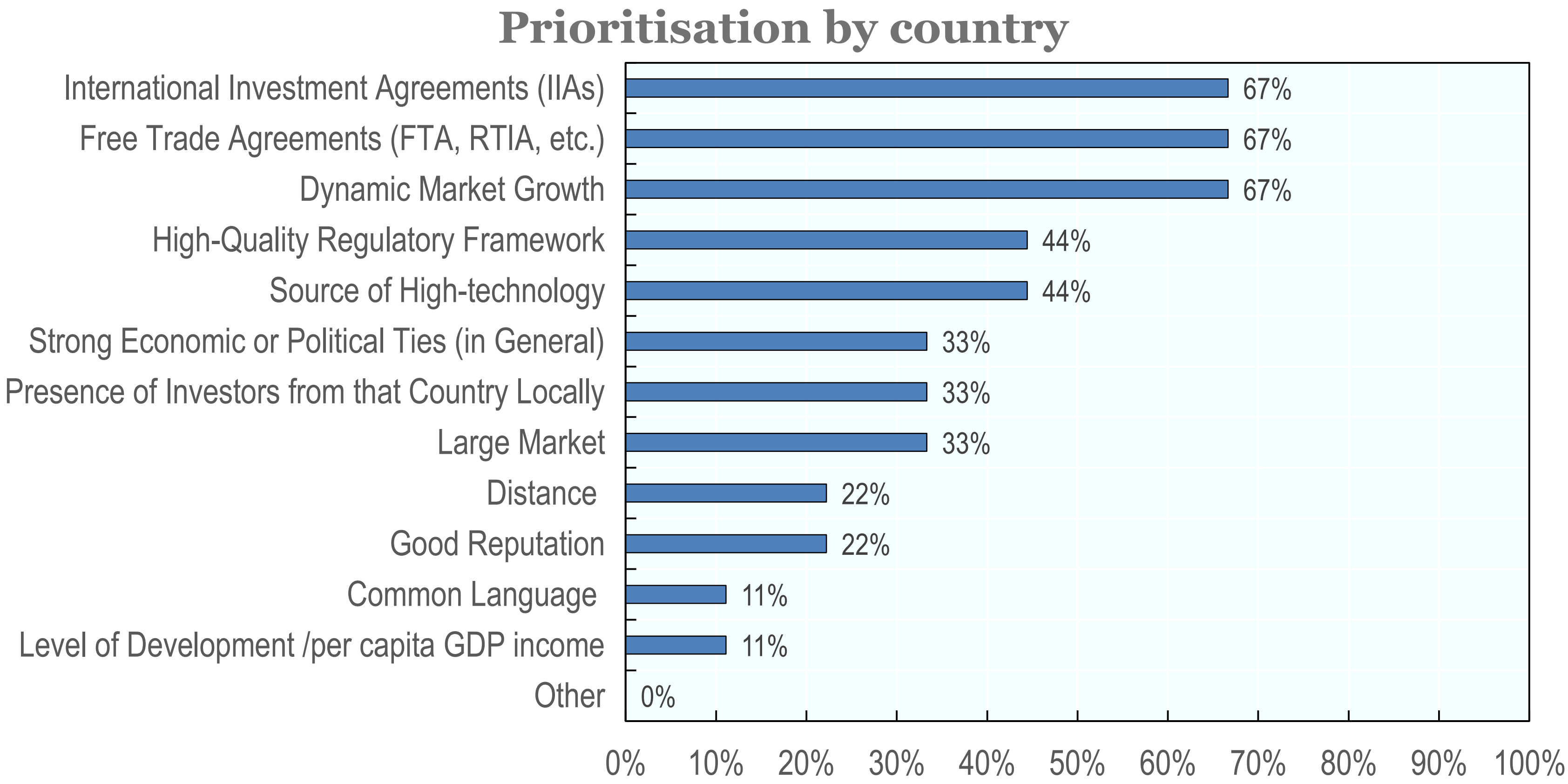
Government bodies responsible for approval of the prioritisation strategy



All MED IPAs that prioritise by sector seek investment with potential to diversify the economy



Criteria used to prioritise specific sectors and countries in MED economies (2/2)



- **International investment and free trade agreements** are not an important factor for OECD IPAs in their prioritisation.
- **Strong economic or political ties** are not important for MED IPAs (2nd most important criteria for OECD agencies)

Three MED IPAs and 16 OECD IPAs report having a formal prioritisation unit

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

	Dedicated Organisational Unit	Dedicated Staff
AMDIE	Yes	N/A*
ANDI	No	N/A
APII	No	N/A
FIPA	No	N/A
GAFI	Yes	N/A
IDAL	No	3
JIC	No	4
PIB**	No	No
PIPA	Yes	No***
TIA	No	Yes

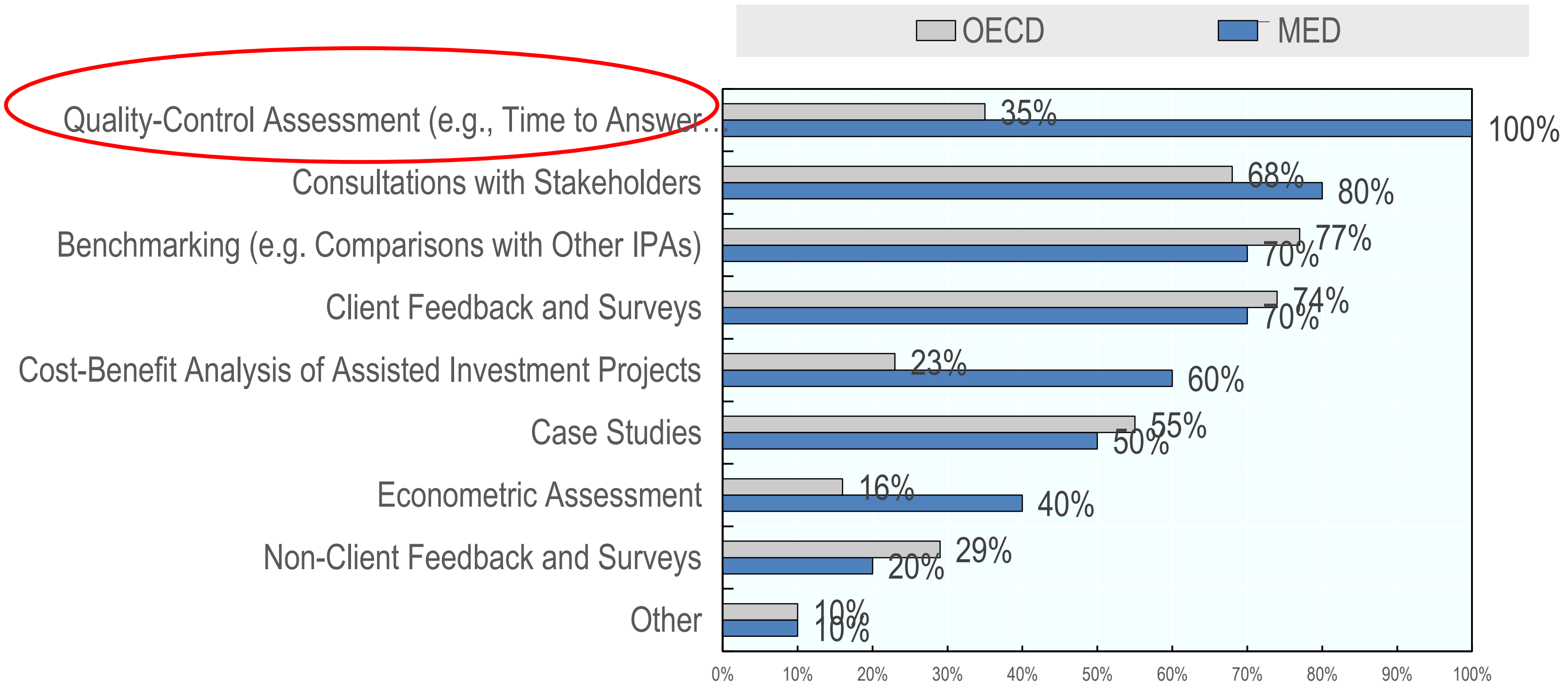
Note: * To be defined after the restructuring of the AMDIE; ** PIB does not prioritise by countries/sectors; *** Prioritisation is the responsibility of the Board of Directors.

- The information provided in this slide needs to be confirmed

5. MONITORING AND EVALUATION

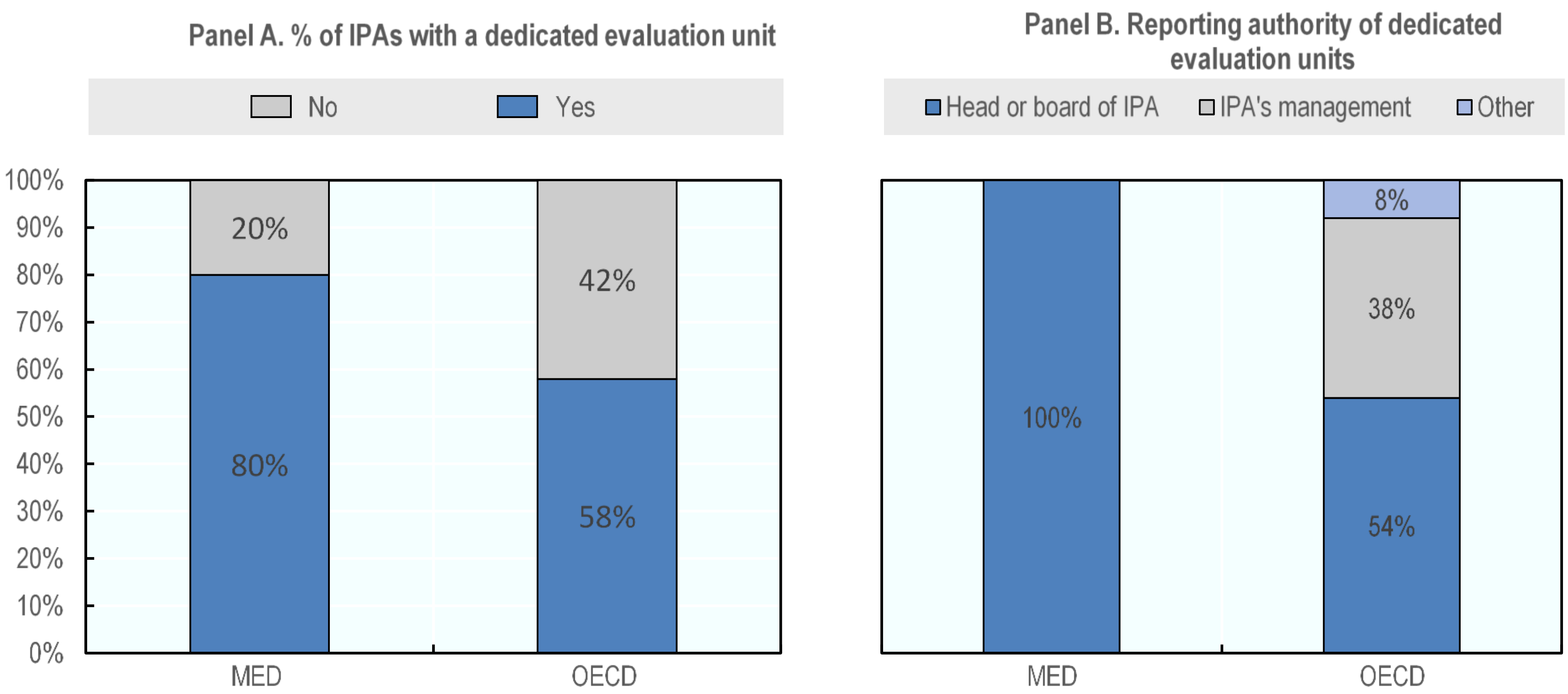
IPAs in MED appear to use a wider set of evaluation methodologies than in OECD

IPA's evalutation methodologies



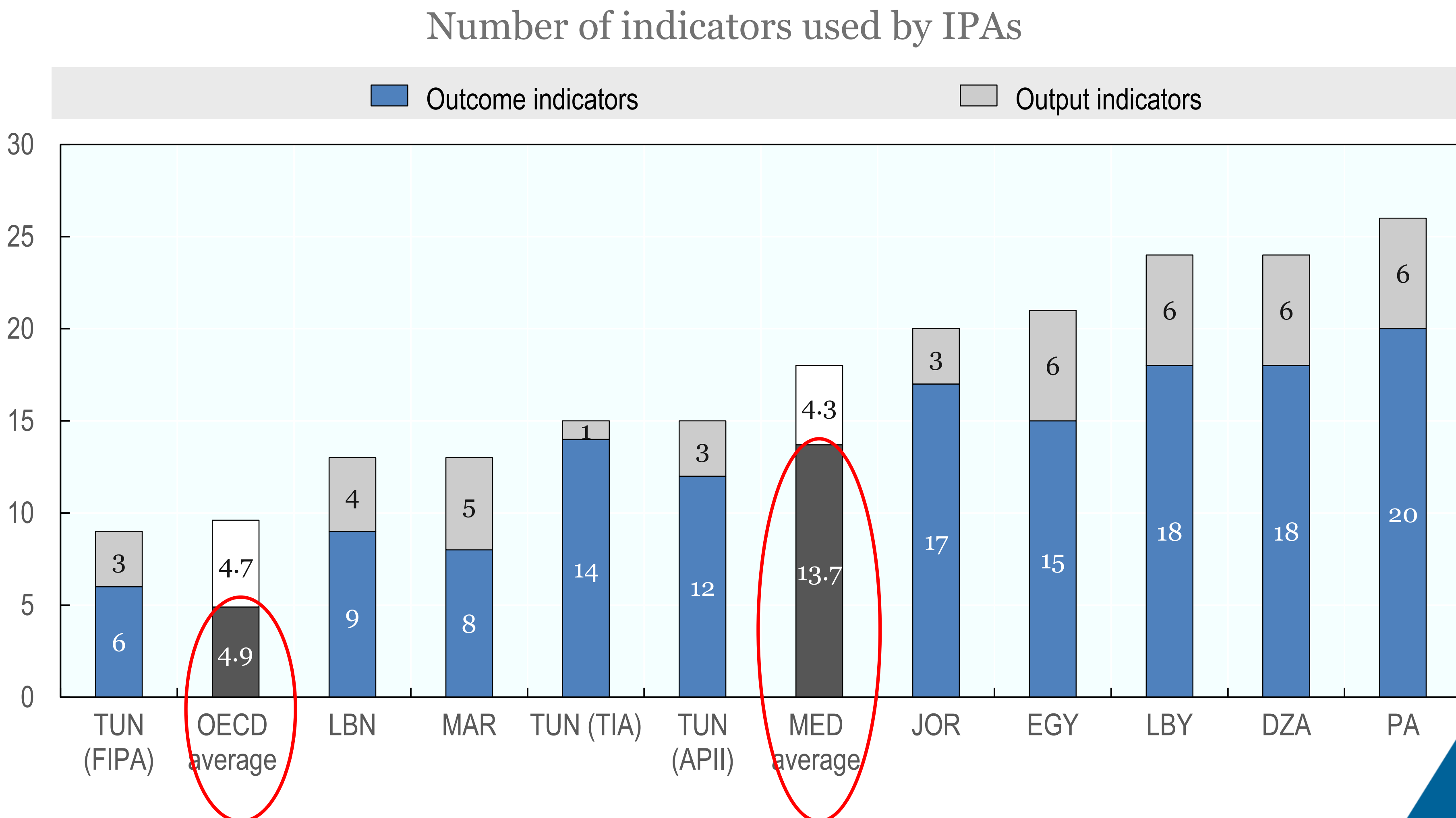
- All surveyed IPAs use a CRM software with the exception of 2 agencies.
- All MED IPAs use quality-control assessment to evaluate their interaction with investors. In contrast, only a third of OECD agencies use this methodology

All evaluation units in MED IPAs report directly to the IPA's head or board

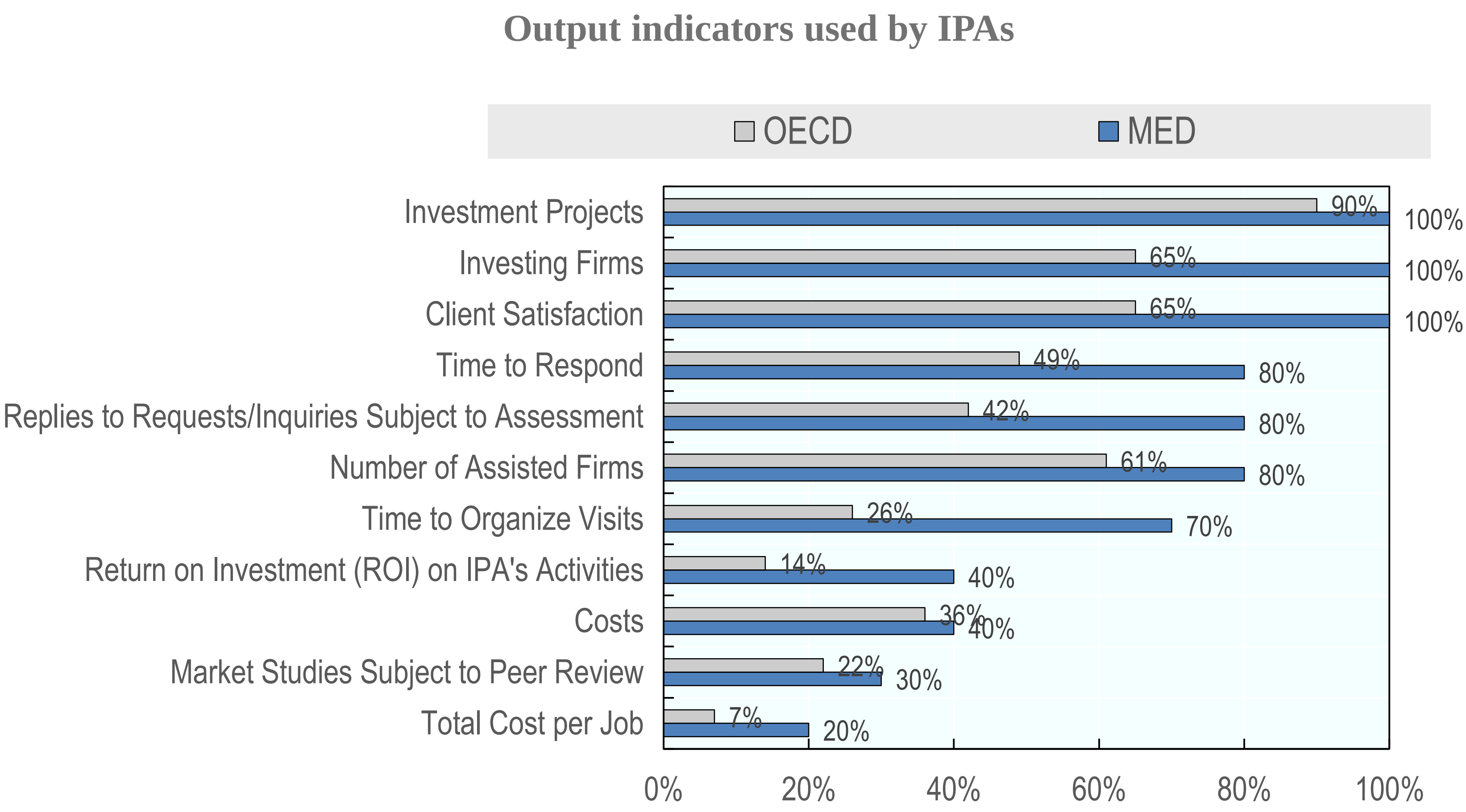


- With the exception of APII and JIC, all the other IPAs in the MED region indicated having a dedicated internal evaluation unit.
- In OECD 40% of the evaluation units report to the IPA management.

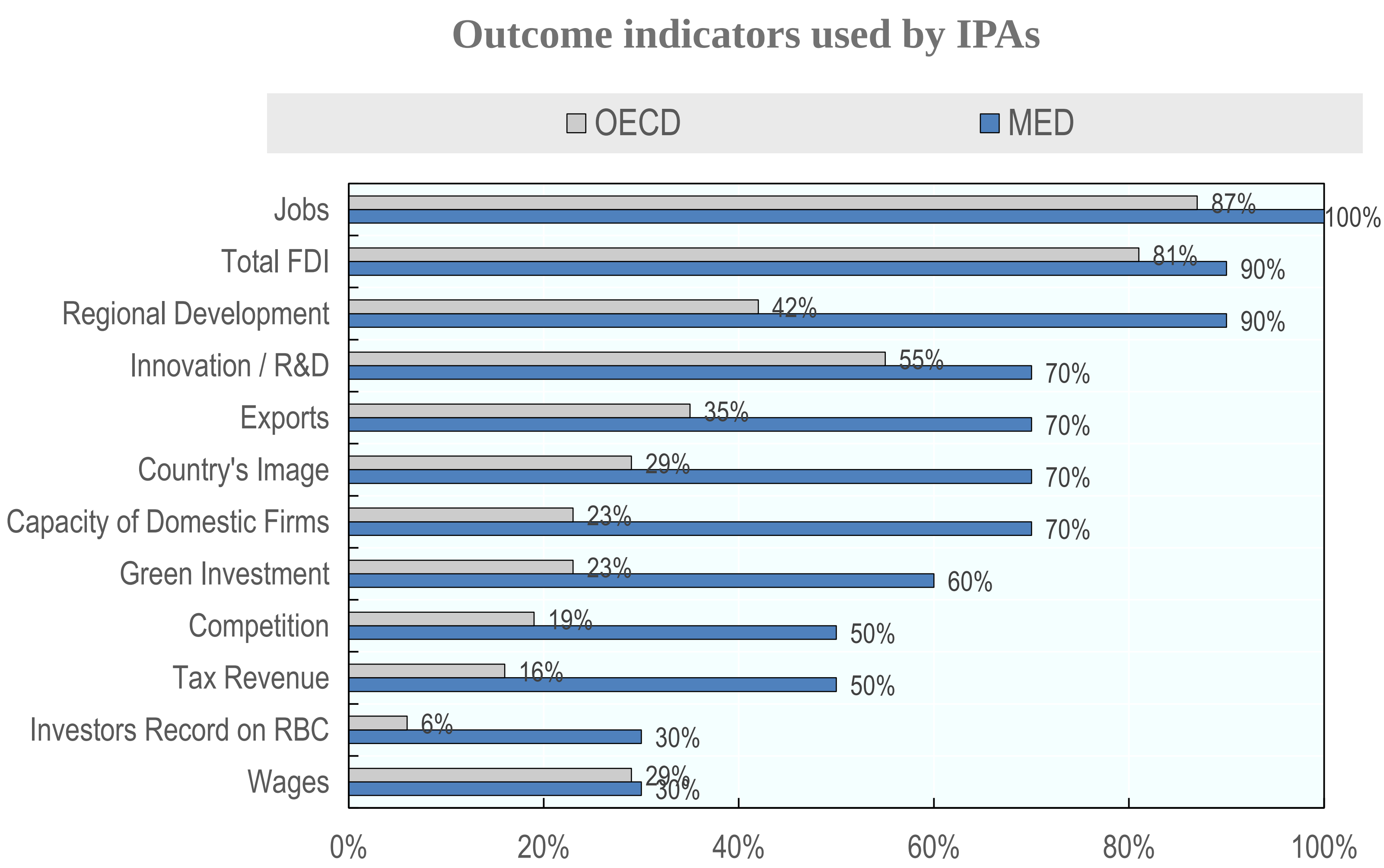
MED IPAs rely on average on 18 different KPI indicators, twice more than in the OECD



Output indicators used by IPAs: Ad hoc measures or tracked through the CRM software?



Indicators to monitor IPAs impact on the type of FDI attracted: In-house or external?



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