

SUPPORTING INVESTMENT CLIMATE REFORMS THROUGH POLICY ADVOCACY

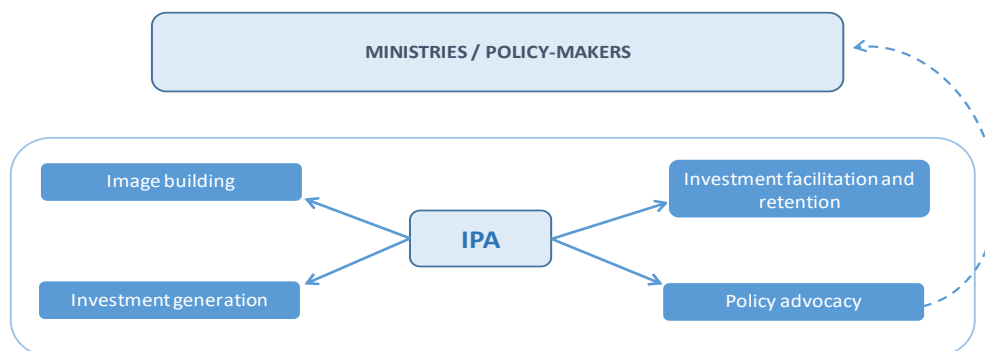
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This note explores how investment promotion agencies (IPAs) handle and adopt policy advocacy in OECD countries. It presents the main trends across IPAs, provides an overview of how IPA characteristics influence policy advocacy priorities and highlights some key challenges and ways to address them.

Background and rationale

Policy advocacy is one of the four core functions commonly associated with investment promotion agencies (IPAs), along with image building; investment generation; and investment facilitation and retention (Figure 1). It consists of actions conducted by the IPA: *i*) to monitor the investment climate and identify existing bottlenecks – notably through investors’ feedback; and *ii*) to channel these concerns, often jointly with recommendations, to relevant policymakers, either formally or informally. Typical policy advocacy issues include the legal and regulatory framework for investment, red tape and bureaucracy affecting business establishment and operations as well as broader aspects touching upon the investment climate, including tax, trade, infrastructure or skills.

Figure 1. Scope of IPA core functions



Source: OECD.

Policy advocacy is at the crossroad of investment policy, promotion and facilitation, and presumes that these disciplines are complimentary. Effective policy advocacy assumes that sound policies and regulations are important for investors, both new and existing ones. The OECD Policy Framework for Investment, one of the most comprehensive tools supporting governments conducting investment climate reforms, specifies that *“investment promotion and facilitation can be powerful means to attract investment and maximise its contribution to development, but their success depends on the quality of investment-related policies and on the overall investment climate”* (OECD, 2015).

Policy advocacy also supposes that IPAs are not policymakers or regulators themselves. Their main mission is to encourage investment, not to design policies.¹ But because they regularly interact with businesses, IPAs are particularly well placed to identify bottlenecks in the investment environment and to make their voice heard to policymakers to influence certain policies and regulations. Policy advocacy reflects the twin objective of IPAs that have a public sector driven agenda to generate economic and social benefits, on the one hand, while also serving private companies, on the other hand.

IPAs need to operate efficiently in a network of public and non-public stakeholders, where different mandates and activities are often not clearly delineated. In this context, IPAs are by no means the sole government actors that can influence the investment climate. Investment reforms are often whole-of-government endeavours and governments across countries have different mechanisms in place to consult businesses and propose investment climate reforms. Ombudspersons, chambers of commerce and public-private platforms, for example, can also play a similar or complimentary policy advocacy role.

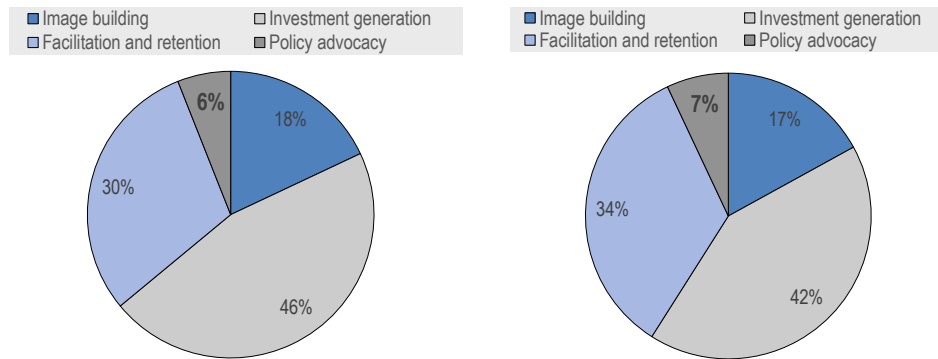
This note explores how IPAs in OECD countries handle and implement policy advocacy. It builds on the results of the Survey of Investment Promotion Agencies undertaken by the OECD jointly with the Inter-American Development Bank (IDB) in 2017-2018. The note is also illustrated by examples of policy advocacy practices and processes. It starts with the main trends across IPAs, provides an overview of how policy advocacy is affected by IPA size, governance, interactions with external partners, and other IPA core functions. It then presents some of the main challenges for practitioners and ways to address them. The note ends with some key findings and issues for discussion.

Main trends across IPAs

IPAs often consider policy advocacy as a key component of their investment promotion and facilitation business, as they recognise the need for investors to operate in a sound policy environment. The share of resources dedicated to policy advocacy vis-à-vis other core functions varies largely across agencies, however. The results of the OECD-IDB Survey of IPAs reveal that the average trend among OECD IPAs is to allocate the bulk of their resources to investment generation and to investment facilitation and retention. Policy advocacy, conversely, is the function that receives the least resources (Figure 2).

¹ This, at least, is frequently the case in OECD countries, although more integrated models combining promotion and regulatory mandates can be found in other regions.

Figure 2. OECD IPAs’ budget and personnel allocation across core functions

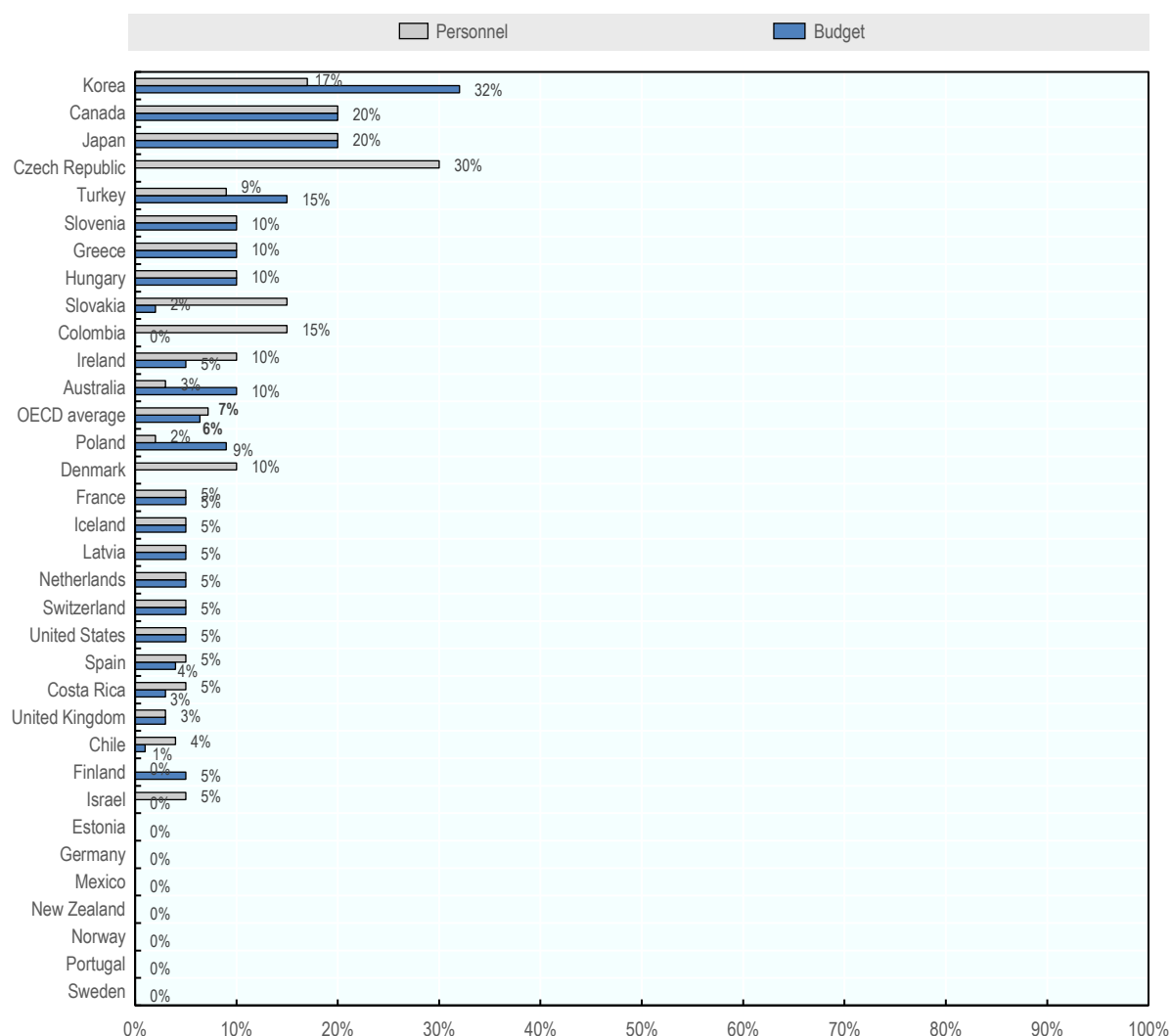


Note: To be consistent with the series of *Mapping of Investment Promotion Agencies* conducted by the OECD recently (OECD, 2018; OECD, 2019; Volpe Martincus and Sztajerowska, 2019), Colombia and Costa Rica (forthcoming OECD members) are counted in the total IPA sample but not in the OECD averages. This is valid for the whole note.

Source: OECD-IDB Survey of Investment Promotion Agencies (2017).

The way IPAs implement policy advocacy activities can also vary greatly from one agency to another. Some decide to dedicate specific resources to this function (either staff or budget, or both) while others apply a horizontal approach and require different parts of their agency to be involved in their advocacy process. Figure 3 illustrates the differences across OECD IPAs in terms of staff and budget utilised for policy advocacy (vs. other core functions) and demonstrates the diverse approaches adopted across agencies.

Figure 3. Share of OECD IPA staff and budget dedicated to policy advocacy (estimate %)

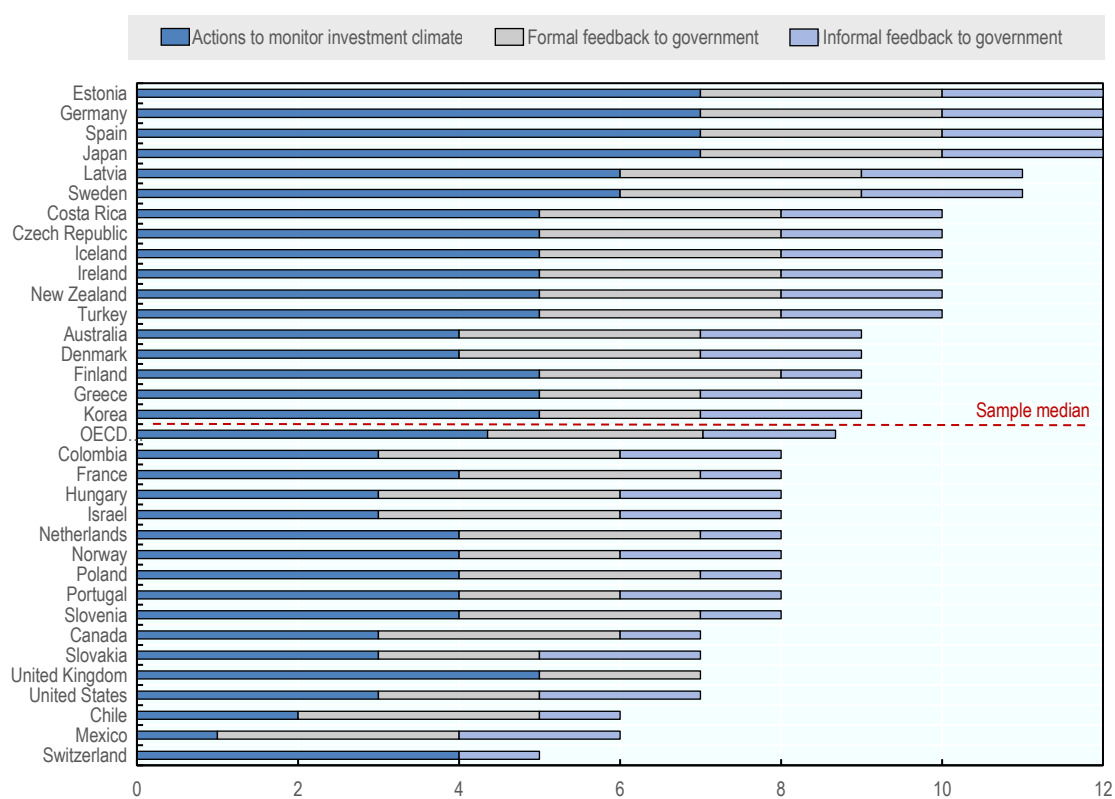


Source: OECD-IDB Survey of Investment Promotion Agencies (2017).

The fact that some agencies do not dedicate specific staff or budget to policy advocacy does not mean that they are not involved in policy advocacy activities. Figure 4 shows the extent to which all agencies covered in the survey conduct each of the policy advocacy activities listed in the questionnaire. Almost all OECD agencies perform at least half of the policy advocacy activities listed in the OECD-IDB survey.

Comparing Figures 3 and 4 provides interesting insights. Some agencies with no or little resources fully dedicated to policy advocacy (as indicated on Figure 3) still conduct a wide spectrum of policy advocacy activities (reflected on Figure 4), probably demonstrating a horizontal approach to the function. This is, for example, the case of the IPAs of Estonia, Germany and Sweden.

Figure 4. Policy advocacy activities performed by OECD IPAs



Source: Author's calculations based on OECD-IDB Survey of Investment Promotion Agencies (2017).

When IPAs are involved in policy advocacy, they can decide to focus on specific activities over others – also reflected in Figure 4. In the OECD-IDB the survey, policy advocacy is divided into three main groups of activities:

- 1) performing actions to monitor the investment climate (e.g. tracking of rankings, meetings with the private sector, business surveys, consultation with embassies);
- 2) providing formal feedback to the government on how to improve the investment climate (e.g. meetings with government officials, production of position papers); and
- 3) providing informal feedback to the government on how to improve the investment climate (e.g. participation in periodic meetings, events, press articles).

These groups of activities reflect the cyclical nature of policy advocacy. The example of the French IPA, Business France, illustrates how activities can be sequenced all along this process (Box 1). It also demonstrates that while not all activities are necessarily vital in the policy advocacy cycle, IPAs have to find ways to prioritise them, for example, by relying on their public and private partners (this will be further discussed below).

OECD IPAs perform on average 72% of the policy advocacy activities listed in the OECD-IDB survey: 62% of those relating to actions aiming to monitor the investment climate, 89% of those aiming to provide formal feedback to the government and 82% of those aiming to provide informal feedback to the government. Half of the IPAs examined in this note are performing at least three quarters of the policy advocacy activities (proposed in the survey), while the other half is less active.

Box 1. Business France’s policy advocacy process

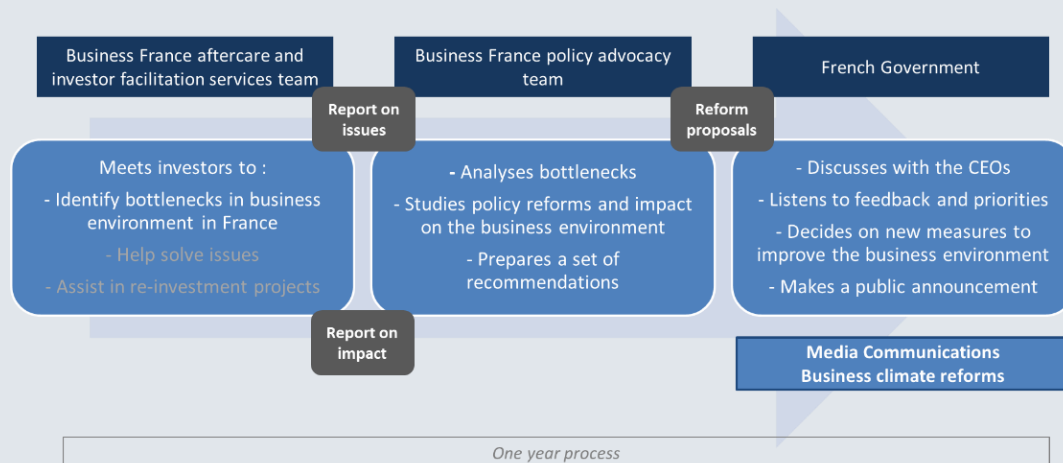
Every year, Business France sends a confidential report to the French government presenting about 20 proposals to improve the country’s attractiveness. These measures result from a careful listening of foreign companies supported by the agency in their investment or expansion projects in France. The Ministry of Economy’s overseas services enrich the analysis with data on attractiveness policies and key reforms carried out abroad.

Proposals are then prioritised by investors themselves: a panel of CEOs of foreign affiliates is jointly consulted with a private law firm to gather their views on the level of priority to be given to the various recommendations.

Among the proposed measures that have been implemented in recent years, examples of successful changes include:

- the creation of multi-year residence permits;
- the extension of the impatriate regime;
- the creation of a single entry point for foreign investors in Business France and in French regions; and
- the establishment of an information website for foreign investors and talents “Welcome to France: Helping you to settle in!” www.welcometofrance.com.

The policy advocacy process in France can be summarised in the figure below:



Source: Business France, July 2019.

Trends and determinants of policy advocacy

A number of factors – be they internal or external – can determine whether and how IPAs perform policy advocacy activities. As demonstrated in the *Mapping of Investment Promotion Agencies in OECD Countries*, different activities, approaches and strategies are suitable for different agencies, even in similar economic contexts (OECD, 2018). IPAs adopt certain organisational choices, focus on specific functions and activities, and co-operate differently with external partners. These strategic choices can all affect how they approach policy advocacy. In this section, we explore how the trends in IPA policy advocacy are affected by: *i*) IPA size; *ii*) IPA governance; *iii*) IPA interactions with external partners; and *iv*) other IPA core functions. For the purpose of the analysis, two

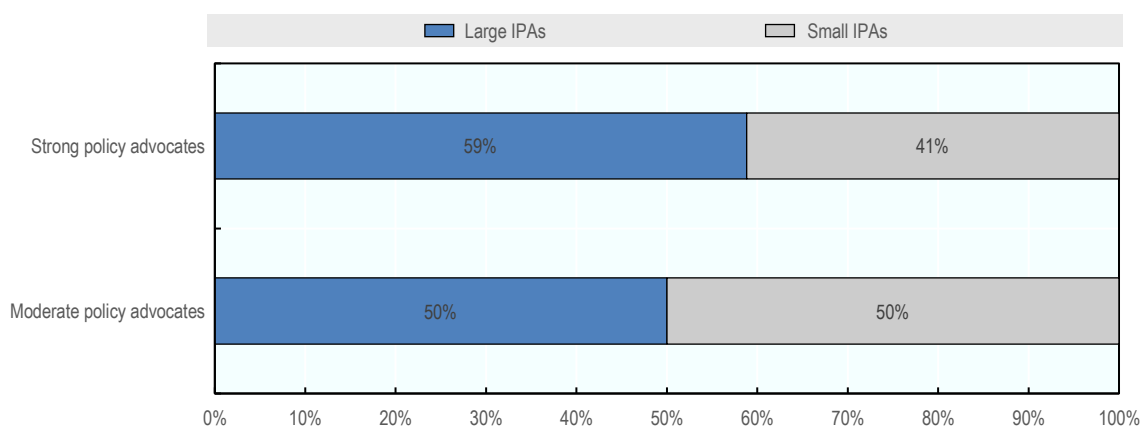
groups equal in numbers have been created based on the results reflected in Figures 3 and 4 above (more information can be found in the methodological note in annex):

- *Strong policy advocates* dedicate at least 5% of their human and financial resources on average to policy advocacy and at least two thirds (67%) of all policy advocacy activities proposed in the OECD-IDB survey; and
- *Moderate policy advocates* are the remaining IPAs. As indicated above, some can perform many policy activities with few dedicated resources, or vice versa, but only the combination of both allows them to be considered as *strong policy advocates* in this analysis.

IPA size

The size of an IPA can affect how resources are allocated across core functions. As shown in Figure 5, *strong policy advocates* tend to be larger on average (in terms of employees), but this is not a significant tendency across OECD IPAs, as the share of *moderate policy advocates* across large and small IPAs is the same.

Figure 5. IPA policy advocacy activities according to their size



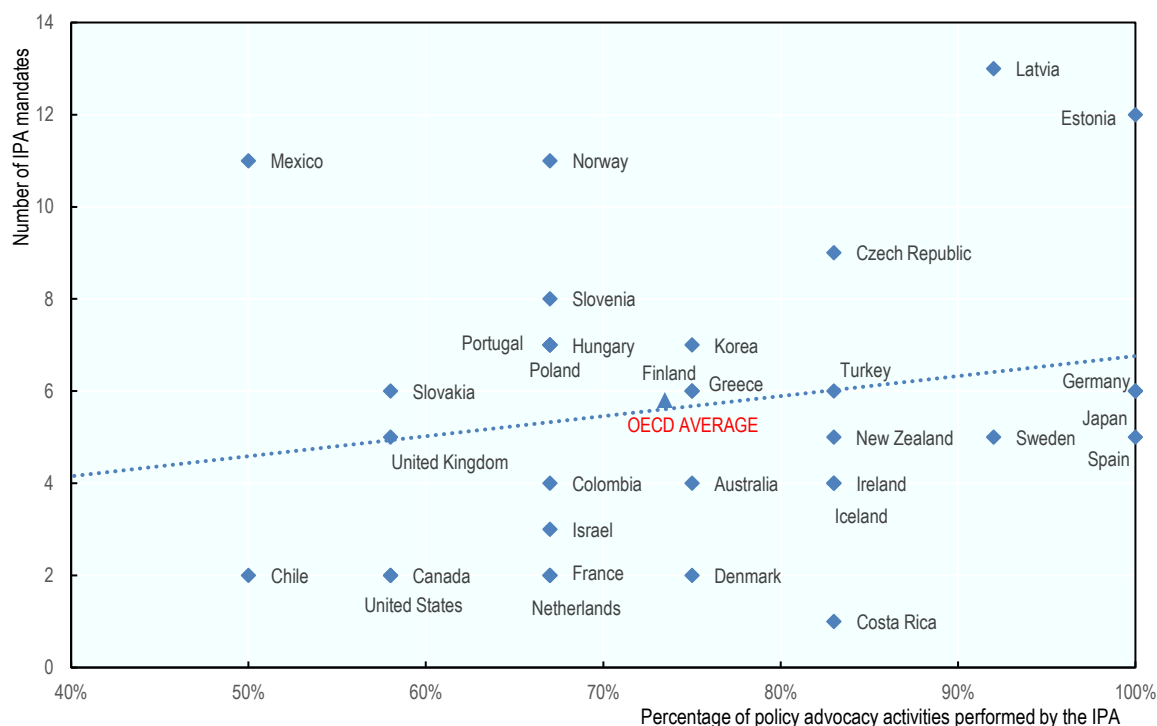
Note: The definitions of “large” and “small” IPAs are those used in the *Mapping of Investment Promotion Agencies in OECD Countries*: “large” IPAs are those with a higher number of total staff than the median (135) and vice versa.

Source: Author’s calculations based on OECD-IDB Survey of Investment Promotion Agencies (2017).

On a related aspect, the number of policy advocacy activities is also positively correlated with the number of official mandates under the responsibility of the IPAs. Figure 6 shows that the higher the number of mandates within an IPA, the wider the scope of policy advocacy activities performed by the agency. The trend is not very significant and could be driven by some outliers, but it seems that multi-mandated agencies tend to be more comprehensive policy advocates.

This tendency is not surprising, as the nature of this function makes it important for agencies to work on aspects that can go beyond investment but can ultimately influence the business environment. When certain mandates are under the responsibility of the IPAs (e.g. innovation, export promotion, etc.), it certainly makes it easier for them to directly influence these specific policy areas.

Figure 6. IPA mandates vs. policy advocacy activities



Note: Some outliers do not appear on the figure.

Source: Author's calculations based on OECD-IDB Survey of Investment Promotion Agencies (2017).

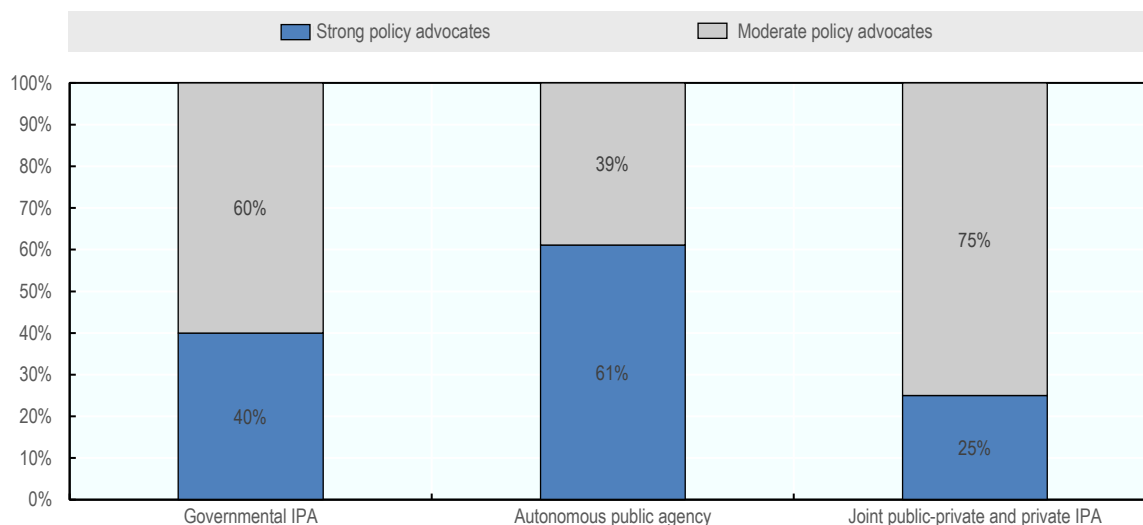
IPA governance

The governance of an IPA relates to the way it is supervised, controlled and managed. The agency's governance policy – including its legal status, board (if any) and line ministry – determines the IPA's broader strategy. It thus influences its functions and activities.

The legal status is one of the most important aspects of an agency's governance, as it determines, among others, its autonomy vis-à-vis the government. The *Mapping of Investment Promotion Agencies in OECD Countries* found that IPAs that are legally closer to their government (i.e. those that are part of a ministry) tend to use more systematically dedicated staff for policy advocacy. While 90% of governmental IPAs use dedicated policy advocacy staff, about two thirds of autonomous public agencies and semi or fully private IPAs use specific staff to the function (OECD, 2018). The picture is slightly different when taking also into account the scope of activities: autonomous public agencies tend to perform a wider spectrum of policy advocacy activities than governmental ones.

Figure 7 shows that there are a higher number of *strong policy advocates* across autonomous public agencies (61%) than across governmental IPAs (40%). This figure is even smaller for those IPA that are semi or fully private (25%). Being autonomous from the government is hence not necessarily a prerequisite to be a strong advocating agency. Agencies that are part of the government have a more direct access to policymakers. Although they dedicate staff more systematically to policy advocacy, they do not necessarily need to conduct all the related activities. Semi or fully private agencies may have more difficulties in successfully reaching government officials and influencing them.

Figure 7. Policy advocacy activities according to IPAs' legal status



Source: Author's calculations based on OECD-IDB Survey of Investment Promotion Agencies (2017).

Other aspects of the IPA governance have less bearing on their involvement in policy advocacy. For example, an important aspect of an IPA's governance policy is the existence of a board, either supervisory or advisory. As indicated in Table 1, having a board does appear not to affect their inclination to dedicate more or less efforts or resources to policy advocacy.

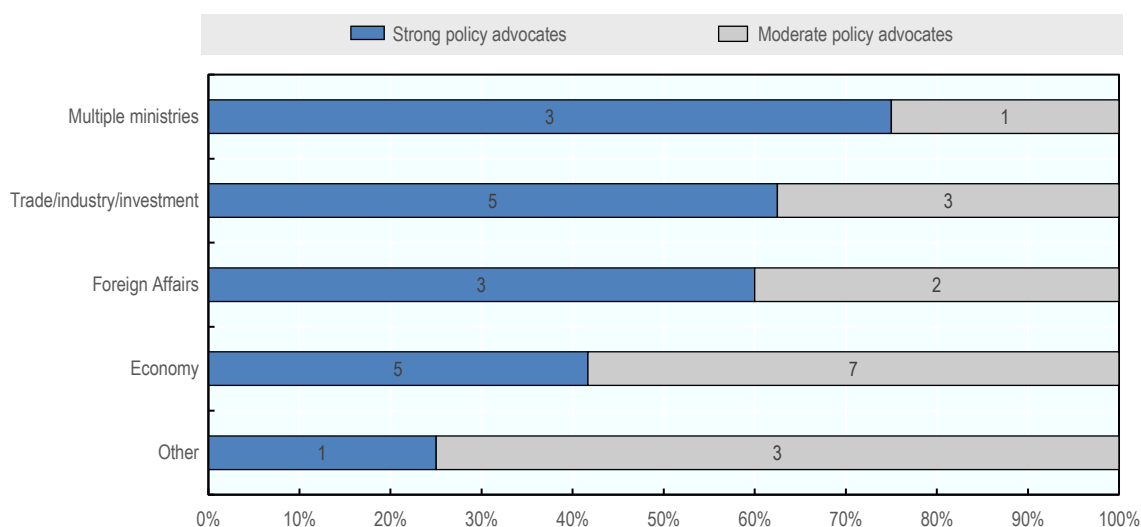
Table 1. IPA policy advocacy activities according to the existence of a board

	IPA with a board	IPA without a board
Strong policy advocates	12	5
Moderate policy advocates	12	4

Source: Author's calculations based on OECD-IDB Survey of Investment Promotion Agencies (2017).

Similarly, IPAs also report to different line ministries across countries, but this does not seem to influence significantly their policy advocacy efforts (Figure 8). Agencies interacting with multiple ministries are naturally more inclined to report on, and act upon, issues affecting the investment climate, which by nature depend on different ministries.

Figure 8. IPA policy advocacy according to their reporting lines



Source: Author's calculations based on OECD-IDB Survey of Investment Promotion Agencies (2017).

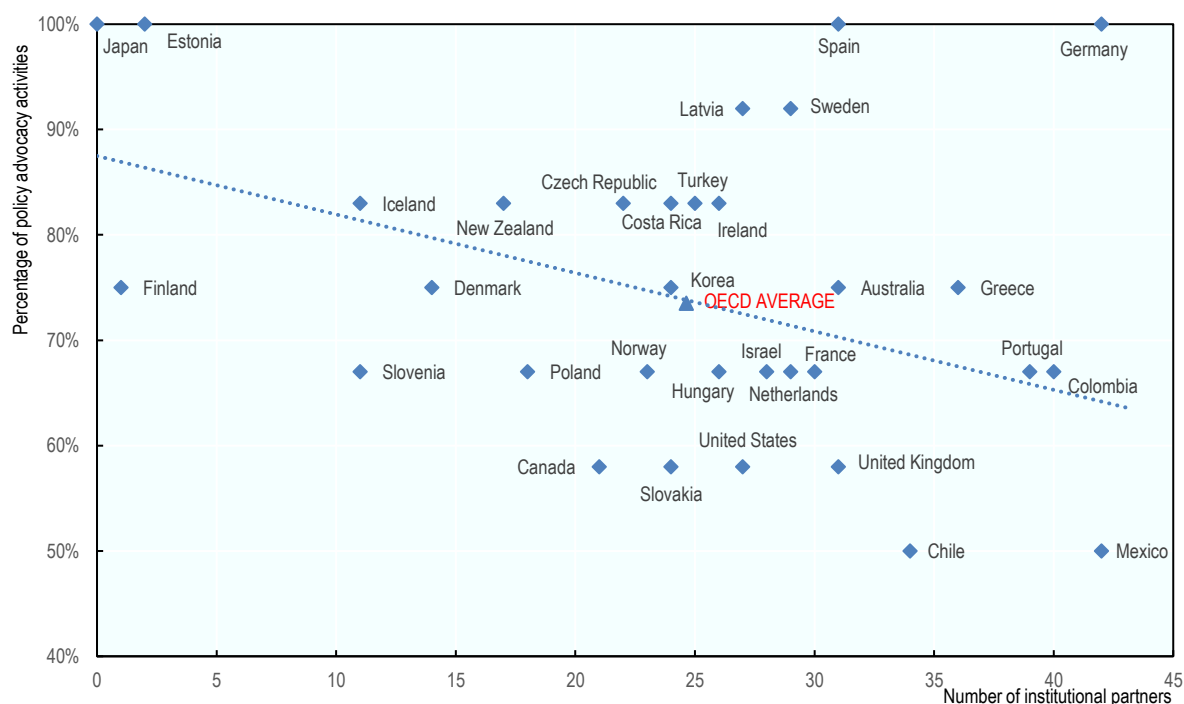
Interactions with partners

Given the nature of their activity, IPAs have to operate in a complex network of stakeholders at the crossroads of policy and business. Interacting with external partners – private sector representatives on the one hand and governmental institutions on the other – is a key part of advocating for policies that can contribute to improving the investment climate. These interactions can take varying degrees, from communication to collaboration, depending on the cases. Interactions with the private sector are key to identify recurring challenges faced by investors while co-ordination with public bodies – ministries, public and semi-public agencies – is meant to channel adequate policy, regulatory and administrative responses to these challenges.

The number of institutional partners varies greatly from one IPA to another. As reflected on Figure 9, it is negatively correlated with the scope of policy advocacy activities performed by IPAs – in other words, the more interactions an IPA has with external partners (either public or private), the less policy advocacy activities it conducts. One reason could be that some of these IPAs have multiple mandates and can take actions themselves without interacting with other governmental bodies. Alternatively, it could also be that the more an IPA collaborates with other public agencies, the more these activities are handled by other ministries and agencies and do not need to be performed by the agency itself. It thus seems that agencies maintaining a dense network of institutional interactions do not perform many policy advocacy activities themselves.

Across the OECD, 63% of IPAs also interact with inter-ministerial investment committees, which could be an adequate route to channel the private sector's concerns on business environment challenges. *Strong policy advocates* and *moderate* ones interact with such committees on equal proportions.

Figure 9. IPA policy advocacy activities vs. number of institutional partners

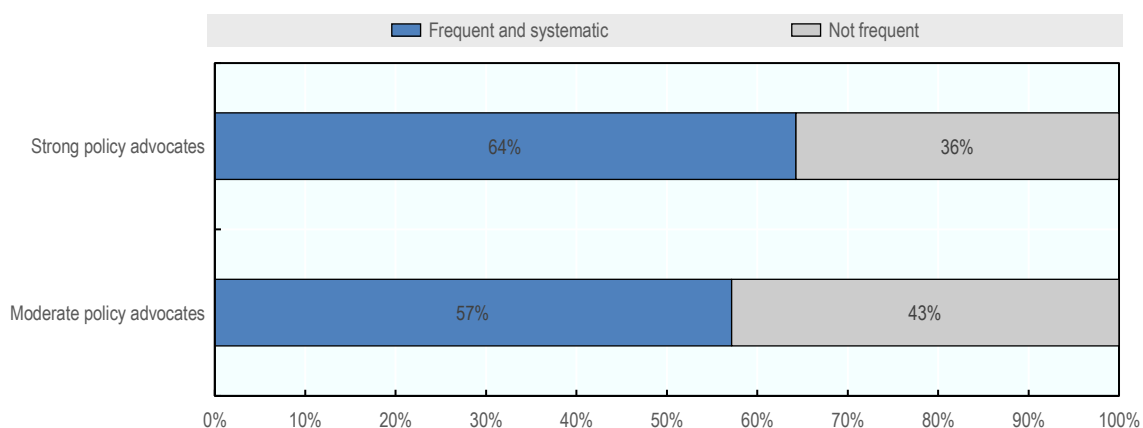


Note: Some outliers do not appear on the figure.

Source: Author’s calculations based on OECD-IDB Survey of Investment Promotion Agencies (2017).

When looking specifically at the private sector, namely chambers of commerce, industry associations or individual firms, the survey shows that the majority of both categories conduct frequent and systematic interactions with the private sector (Figure 10). There is no significant difference between the two categories, suggesting that all IPAs have to interact and listen carefully to investors to offer quality services, including relevant advice to policymakers.

Figure 10. IPA interactions with the private sector



Note: “Frequent and systematic” interactions are defined as those conducted on a daily, weekly or monthly basis. “Not frequent or when required” are interactions conducted less frequently or only when requested.

Source: Author’s calculations based on OECD-IDB Survey of Investment Promotion Agencies (2017).

IPAs often rely on their aftercare teams to collect feedback from the private sector. They are in direct contact with existing investors and well placed to identify bottlenecks in the investment climate. Other agencies rely on – or combine it with – a more systematic approach by conducting surveys of foreign companies present in the country. This allows them to get a wider overview of how foreign businesses perceive the challenges in the business environment and insights on ways to overcome them. The example of the Spanish IPA, ICEX-Invest in Spain, illustrates the importance of well-designed surveys to allow the formulation of accurate recommendations for policymakers (Box 2).

Box 2. ICEX-Invest in Spain’s business climate barometer

ICEX-Invest in Spain produces an annual report on the “*Barometer of the Business Climate in Spain from the Perspective of Foreign Investors*”. The report is based on responses from over 500 companies to a survey on their experience as foreign firms in Spain and on their future prospects. Survey responses allow the IPA to identify both strengths and weaknesses in the Spanish investment climate. The report aims to reflect the positive aspects highlighted by surveyed companies but also to stress the efforts that are needed to improve its weaknesses.

This survey contains a series of questions that address the main business climate areas and reflect the most pressing concerns for foreign investors. The questions asked relate to their prospects in Spain, including investment, employment and exports. The survey also seeks their opinion on issues such as the labour market, taxation, human capital, quality of life, infrastructure, costs, financing, innovation and the size of the market. ICEX-Invest in Spain enquires on the reasons for settling in Spain and on the measures that they perceive as necessary to increase investment.

ICEX then uses the data collected to conduct analysis on the strengths and weaknesses in the Spanish investment climate. It also performs some firm-level analysis to understand better the characteristics and specific needs of foreign firms, depending on their sectors and countries of origin.

Source: ICEX-Invest in Spain, July 2019.

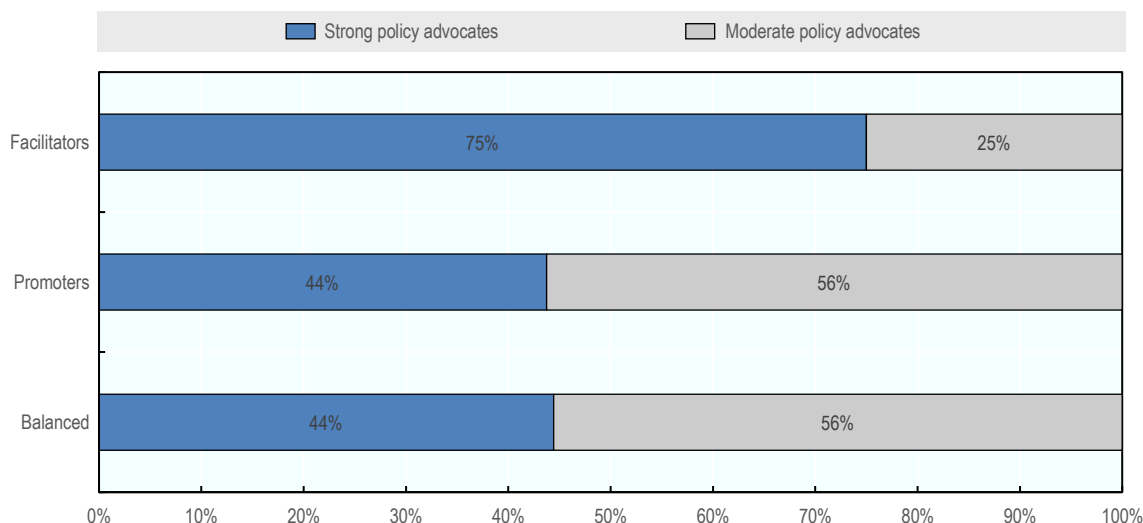
IPA functions

As highlighted in the introduction, IPAs typically undertake four core functions: *i*) image building; *ii*) investment generation; *iii*) investment facilitation and retention; and *iv*) policy advocacy. Depending on their government’s broader institutional framework or on their own strategic choices, some agencies focus on some functions over others. In the *Mapping of Investment Promotion Agencies in OECD Countries*, IPAs have been categorised according to the emphasis they put on some of these functions (OECD, 2018). Agencies that focus on image building and investment generation are labelled as *Promoters*, those that put the emphasis on investment facilitation and retention are categorised as *Facilitators* and those that put equal efforts on promotion and facilitation functions are defined as *Balanced*.

Figure 11 shows that there are clearly more IPAs focusing on policy advocacy among *Facilitators* (75%) than among *Promoters* and *Balanced* agencies (both 44%). In other words, *strong policy advocates* tend also to be stronger *Facilitators* and, conversely, IPAs that focus their activities on promotional functions seem to be on average less involved in policy advocacy. This might seem natural, as investment facilitation and retention is by definition a function that involves assisting investors and responding to

their administrative and regulatory requests. It naturally goes hand in hand with policy advocacy in its ultimate objective to improve the business environment. These findings are hence aligned with the OECD’s broader approach to investment facilitation, which considers it as a whole-of-government process that includes – but goes beyond – measures to support business establishment and expansion to comprise wider policy reforms and institutional processes (Novik and de Crombrughe, 2018).

Figure 11. IPA policy advocacy activities according to the focus given to other functions



Source: Author’s calculations based on OECD (2018) and OECD-IDB Survey of Investment Promotion Agencies (2017).

Facilitators are usually IPAs with strong aftercare teams, which are well placed to help identify recurring challenges and support the policy advocacy process. They are also often well-connected agencies that maintain strong ties with other national and sub-national institutions that are equally critical for successful investment facilitation and retention. The case of the Australian IPA – the Australian Trade and Investment Commission (Austrade) – categorised as a *Facilitator* in the *Mapping of Investment Promotion Agencies in OECD Countries*, illustrates how building a strategic network of key relationships is critical in ensuring that policy advocacy is effective and successful (Box 3). It shows that both getting accurate information from investors (often via the IPAs’ aftercare teams) and nurturing constructive relationships with relevant public bodies are equally critical in the policy advocacy process.

Box 3. Austrade's Policy Influence Strategy: building on a strategic network of partners

Austrade's strategic priorities for 2018-2022 include “*expanding the agency's policy influence by harnessing its unique understanding of international markets and the commercial interests of its clients to proactively inform and influence policy*”. Austrade works across government to represent the views of its line ministry and advocate for its clients – and the broader exporter and investment communities – in policy debates and decision-making processes.

Austrade has been developing a Policy Influence Strategy to maximise its policy resources. Its practitioners perceive their knowledge of government policy agendas and decision-making processes – and their ability to translate it to their clients' benefit – as a core element of their competitive advantage. The agency often faces an asymmetric playing field, however, as other parts of government have more resources and direct policy responsibility. It thus needs to carefully pick its policy battles.

Against this background, Austrade recognises the need to develop and nurture the relationships in its policy ecosystem – not just with government agencies but also with other stakeholders. Using those relationships to prosecute policy arguments at the highest levels within government and the policy ecosystem can help maximising the number of successful cases. The Australian IPA also seeks to use the right tools, including data to ground their policy arguments and commercial insights from the agency's client-facing teams and their policy networks. Austrade is the only Federal government agency that can provide commercial-level input into policy debates.

The agency is working on the best ways to routinely get insights from its client-facing teams, who are busy servicing clients and may not always understand what client problems the IPA can solve. Austrade set up monthly policy meetings with trade and investment colleagues and its regular policy updates have been well received. They recognise, however, that this will more likely be an organic process achieved through issue-by-issue interactions, where practitioners can show how they can deliver value. Building external relationships, particularly with large policy agencies, and bringing something to the table is critical to get a seat at the table. Partnering with other like-minded agencies in policy processes helps amplify the voice and arguments of Austrade. It helped Austrade achieve a few success this year, including:

- Complementary medicines and use of the Australian Made logo: successfully advocating for the sector's preferred approach of legislative change to the Australian Consumer Law;
- Temporary skills shortage visa: working with the Department of Home Affairs (DHA) to develop the criteria for a new category for businesses;
- Global Talent Visa: influenced DHA's programme design to meet the needs of the tech sector;
- Client engagement: worked with other departments to help ensure the agriculture industry was ready for the timely implementation of new security arrangements for air cargo exports.

Source: Australian Trade and Investment Commission, July 2019.

Main challenges and ways to overcome them

Policy advocacy is not a clear-cut function and IPA practitioners can encounter challenges in conducting actions that are supposed to lead to positive developments for both business and society. Some challenges are similar to those of other functions while others are unique to policy advocacy. They include: *i*) optimising the effectiveness and relevance of their feedback and co-ordination tools; *ii*) monitoring and evaluating the

impact of their activities, including to help them prioritise actions; and *iii*) ensuring IPAs' policy advocacy activities serve public policy purposes and are not associated with lobbying.

How to ensure effective feedback and co-ordination mechanisms?

Policy advocacy is a process in itself, where interactions with external partners are instrumental to reach positive outcomes. To be effective policy advocates, IPAs thus need to: *i*) collect relevant feedback from businesses on the ground that can be used to identify trends in investment climate strengths and weaknesses and *ii*) channel this feedback, together with suitable recommendations, to relevant ministries and government agencies that can take appropriate actions on the identified weaknesses. As discussed previously, it is key for IPAs to create and develop a strategic network of public and private partners to make this process successful.

Many IPAs rely on their aftercare teams and on investors' surveys to collect feedback from businesses. The case of the Dutch IPA, the Netherlands Foreign Investment Agency (NFIA) illustrates that one can gather comprehensive feedback from businesses through the combination of various sources of information that also includes evidence on why unsuccessful FDI projects have not materialised (Box 4). This information then needs to be analysed and processed before it is relayed to policymakers who can take actions.

Box 4. Collecting investors' feedback and using it for policymaking: the case of the NFIA

One of NFIA's activities is getting feedback of current and potential foreign investors on the Dutch business climate. The NFIA uses several tools to generate this – positive and negative – feedback:

1. Feedback from daily contacts – Project managers of the NFIA and its regional partners of the Invest in Holland Network have daily contacts with a number of existing and potential investors allowing them to receive signals on the Dutch business climate;
2. Feedback on ad hoc basis – Foreign investors put forward issues in the Dutch business climate during events, at special occasions or by sending emails to the NFIA;
3. Feedback from Investor Relations' meetings – Every year, the NFIA and its regional partners have more than 1000 special IR-meetings with existing investors in the Netherlands, during which a wide range of location factors are being discussed;
4. Feedback from a triannual extended survey on the Dutch business climate amongst existing foreign investors;
5. Discussions of business climate issues during quarterly meetings with the Invest in Holland Network directors;
6. Analysis of lost projects – Every year, the NFIA analyses investment projects, which eventually did not materialise in order to understand the reason(s) why foreign companies finally decided not to invest in the Netherlands;
7. Analysis of the media, external studies and reports on the Dutch business climate (e.g. Global Innovation Index, World Economic Forum's Competitiveness Report).

Before the NFIA provides this feedback to policymakers, it analyses the issues thoroughly and discusses them internally. Questions that are raised include the relevance and frequency of the main issues raised by businesses; whether domestic companies share the same concerns; and to

what extent is there a role for government intervention. The NFIA then relays this feedback and analysis to relevant decision-makers through the following channels:

1. Annual report from NFIA's Commissioner to its reporting ministries (Ministry of Economic Affairs and Climate Policy and Ministry of Foreign Affairs);
2. Discussion between NFIA's Commissioner and high-level official in its reporting ministries based on the annual report;
3. Regular discussions with the ministries and their staff;
4. Annual report on the feedback from Investor Relations' meetings;
5. Triannual report on the extended survey of the Dutch business climate; and
6. Regular report with business climate challenges.

Source: Netherlands Foreign Investment Agency, August 2019.

Channelling investors' feedback to relevant decision-makers is only one side of the coin, however. Ensuring that the IPA's voice is heard and that its proposed recommendations lead to policy reforms can be equally challenging. Grievances and complaints are numerous in all socio-economic areas addressed to government, and IPAs need to engage with strategic partners to be empowered and maximise chances to influence policy reforms. This is well illustrated by the case of Austrade in Box 3 above.

How can policy advocacy activities be effectively measured?

Measuring the efficiency and impact of policy advocacy activities is a challenge for all IPAs. Monitoring and evaluating policy advocacy, like any other functions, is two-fold:

- a) measuring the policy advocacy's outputs, i.e. assessing the efficiency of the IPA in conducting its related activities; and
- b) evaluating its policy advocacy outcomes, i.e. ensuring that the IPA's voice is heard in government and that there is an impact in regulatory/administrative procedures.

In terms of output, IPAs tend not to track most of their policy advocacy activities in their customer relationships' management (CRM) systems: OECD IPAs only track 12% of their related activities in their CRMs on average (OECD, 2018). This could be explained by the fact that policy advocacy activities are often informal or horizontal by nature, thus difficult to be formally monitored in a CRM system. It still makes it difficult for officials to measure their performance and to prioritise their actions accordingly.

By making activities difficult to monitor, it also makes it more challenging for IPAs to assess their impact on the broader business environment. Demonstrating a systematic relationship between policy advocacy activities and investment climate improvements is very difficult for IPAs, who thus often rely on examples of successful reforms to illustrate the impact of their activities.

Improving the measurement of policy advocacy would also help agencies better prioritise their activities. IPAs often face myriad requests from the private sector and have to find the right balance between those that have the best chances to be successfully addressed by decision-makers and those that are perceived by businesses as the most pressing issues. IPAs find different ways to prioritise their policy advocacy activities: some rely on their board and some on businesses themselves, as illustrated by the case

of Business France above (Box 1). In any case, it is important that IPAs are always aligned with their government's overall public policy objectives, as discussed below.

How can policy advocacy be distinguished from lobbying?

The third challenge identified in this note relates to IPAs' specific mission, which is at the crossroad of serving public and private interests. IPAs have a public sector driven agenda to generate economic and social benefits and, at the same time, they provide services to private companies and serve their interests in their advocacy activities.

By channelling businesses' concerns and requests to the government, IPAs have to make sure they constantly do it in the public interest. Practitioners should be aware that there is a risk that large and influential firms – or specific interest groups – may be tempted to use the IPA to lobby for reforms that would benefit them and not necessarily be in the interest of all market participants. Defending selected interests would be considered as lobbying and agencies should thus ensure that their proposals serve the interests of all businesses, regardless of their size or nationality. Individual cases can be addressed in aftercare services but policy reform proposals should address the investment climate – or a specific sector – as a whole rather than a distinct firm or group of firms.

Additionally, to ensure that the recommendations are effective and lead to the desired outcomes, the impact of the proposed policy reforms should be *a priori* evaluated and, if implemented, its actual impact should be carefully monitored *a posteriori* as well. The policy advocacy function should be associated with broader socio-economic outcome indicators to ensure that policy proposals are in the public interest.

Key findings

- ▶ Policy advocacy is perceived by IPAs as a key function by most – if not all – agencies, recognising that investors need to operate in a sound business environment. IPAs tend, however, to address and implement policy advocacy very differently across OECD countries.
- ▶ Size matters, but limitedly: large IPAs tend to be more involved in policy advocacy than small ones; the number of IPAs' official mandates is also positively correlated with the number of policy advocacy activities, suggesting that large multi-mandated IPAs are more inclined to be wide policy advocates.
- ▶ Governance aspects can have a limited influence: there are a higher number of strong policy advocates across autonomous public agencies than across governmental IPAs and across semi or fully private IPAs, suggesting that being autonomous from the government is not necessarily a prerequisite to be a strong advocating agency. The degree of independence may however influence the extent to which an IPA needs to, and can, influence other public bodies via policy advocacy. Other governance aspects, such as the line ministry or the existence of a board, play a limited role.
- ▶ Effective and frequent interactions with partners are key, especially with the private sector: strong policy advocates tend to interact frequently with the private sector – either directly (through their aftercare teams) or with investor surveys. On the other hand, agencies maintaining a dense network of external partners tend to perform less policy advocacy activities themselves, suggesting that effective collaboration and co-operation can allow IPAs not to duplicate policy advocacy activities that can be conducted elsewhere.

- ▶ The allocation of IPA core functions have a strong influence on an IPA's policy advocacy commitment: strong policy advocates tend to be strong facilitators. On average, IPAs that focus their activities on promotion (image building or generation) or those that are balanced are less involved in policy advocacy than are facilitators. This reinforces the idea that investment facilitation and policy advocacy go hand in hand for business climate improvements. It also means that strong policy advocates often rely on strong investor services and aftercare teams.

References and links

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The note was prepared by Alexandre de Crombrughe under the supervision of Ana Novik, Head of the OECD Investment Division. Comments were received from Stephen Thomsen, Monika Sztajerowska, Mike Pfister and Peline Atamer. It builds on the results of the OECD-IDB Survey of IPAs conducted in 2017-2018 and is illustrated by selected case studies. It was prepared in the context of the OECD IPA Network's 2019 Work Plan, supported financially by Costa Rica, Israel, the Netherlands, Switzerland and the United Kingdom.

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