



# Lessons from Five Small-Country Successful Investment Promotion Agencies Part II: The Organizational Framework



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## KEY TAKEAWAYS

The Investment Promotion Agencies (IPAs) in Singapore, Ireland, Mauritius, Rwanda, and Costa Rica are widely regarded as successful organizations that have contributed to the economic success of their host countries and are based in small (population and area) sized countries.

Successful IPAs have a mandate that gives them significant power and authority over other ministries and agencies in government. They are autonomous, embedded in wider government effectiveness, have significant private sector involvement, are dynamic organizations, motivate their staff, and have a significant overseas presence.

## Executive Summary

### Introduction

- ✧ IPAs have become central to contemporary globalization in both developed and developing countries.
- ✧ The IPAs in Singapore, Ireland, Mauritius, Rwanda, and Costa Rica are widely regarded as successful organizations that have contributed to the economic success of their host countries and are based in small (population and area) sized countries.

### The Data and Political History of IPAs

- ✧ There is excellent survey data about the global working of IPAs.

- ✧ All five small countries – Singapore, Mauritius, Ireland, Rwanda, and Costa Rica – had political histories that supported the efforts by their IPAs to promote rapid investment-led economic growth.

## Mandate and Authority

- ✧ Global best practice is for an IPA to be set up with sufficient authority and political backing to “*compel other agencies and institutions*” to support its policies and decisions.
- ✧ The five IPAs in our sample are very diverse. The EDB in Singapore has extensive independent powers to invest and offer incentives to firms, as well as to compel those firms to abide by any agreed targets such as levels of exports or investment. At the other extreme is CINDE in Costa Rica, which is a purely privately operated organization that acquires influence because of the political and economic importance of its corporate membership and the quality of its research and policy advocacy.
- ✧ Authority is better achieved if an IPA reports directly to a President or Prime Minister than if it is an agency located in a ministry reporting to a relevant minister.

## Autonomy

- ✧ Best practice is for an IPA to be established with sufficient autonomy to pursue its mandated goals without undue interference (or with useful backing) from other entities in government.
- ✧ An IPA needs autonomy to implement support services for investors (such as visas, land acquisition, and environmental clearance) according to its own agenda rather than those of the ministries who are nominally responsible for it.
- ✧ Financial autonomy can help achieve operational autonomy from the government but survey evidence shows this is very difficult to achieve in practice.

## Embedded in wider Government Effectiveness

- ✧ There is a body of work that suggests ministries, central banks, or other agencies of government can work well as a ‘pocket of effectiveness’ (PoE) even in a wider context of dysfunctional, corrupt, or ineffective governance.
- ✧ There is no evidence for this being true in the case of IPAs. IPAs need to engage in extensive cooperation with other ministries and agencies of government. A PoE will not work.
- ✧ All five IPAs studied in this policy brief were operating in an environment of much wider good governance, as measured in absolute and comparative terms.

## Private Sector Involvement

- ✧ Best practice sees a strong involvement of the private sector in the functioning of IPAs.
- ✧ Private sector involvement in IPAs can occur either through private membership of an independent board to which the IPA leadership reports, or the IPA itself being a private or semi-private organization.

## Motivating Staff

- ✧ High performing IPAs tend to pay staff wages that are comparable to those offered in the private sector.
- ✧ Best practice is also to link the budget of the IPA to the success of the IPA program to incentivize IPA staff.

## Overseas Offices

- ✧ IPAs should open overseas offices as part of a carefully considered strategy of pro-actively pursuing foreign firms that are compatible with their priority sector goals.

# Introduction

This is the second in a two-part series of policy briefs looking in detail at general and case-study evidence on the role of Investment Promotion Authorities (IPAs) in promoting economic growth and development. It can be read in conjunction with Part I or as a standalone report. Much of the information contained in this Introduction is common to both parts of the series.

An often-neglected aspect of contemporary globalization is the growing role of IPAs. Between 2002 and 2018, the number of national and subnational IPAs registered in the World Association of Investment Promotion Agencies (WAIPA) grew from 112 to 170, encompassing both developed and developing countries<sup>1</sup>. While involved in promoting domestic investments, IPAs tend to focus on attracting foreign direct investment (FDI), which is a key component of globalization.

Sub-national IPAs are common in those countries with a strong federal system and devolved economic responsibilities such as the US, India, Spain, and Tanzania (including Zanzibar), or regions with particular economic needs, for example, post-industrial regions<sup>2</sup>. IPAs are not expensive; a survey of IPAs across the Organisation for Economic Co-operation and Development (OECD) and Latin America found they had a median budget of only \$7 million with a staff of 100 (the largest have budgets of over \$200 million and staff of 1,000 plus)<sup>3</sup>. However, IPAs can provide a role that transcends their budgetary resources in targeting investors, offering them a quick service to provide the bundle of necessary government licenses and associated incentives. IPAs can also monitor and assist investors over the long-term.

This policy brief studies the organizational set-up and policy practice of five IPAs. These are, the Economic Development Board (EDB) in Singapore, established in 1961 as a statutory body mandated to deal with the private sector, especially large foreign corporations<sup>4</sup>. In Ireland, the Industrial Development Authority was founded in 1949, took on a role in both attracting FDI and formulating industrial policy in the late 1960s, and was restructured as the Industrial Development Agency (IDA) in 1994<sup>5</sup>. The Rwanda Development Board (RDB) was created in 2008 by merging eight existing government agencies<sup>6</sup> and was mandated to facilitate and promote investment in Rwanda<sup>7</sup>. In Costa Rica, the Coalición Costarricense de Iniciativas de Desarrollo (CINDE) was founded in 1983 as a private, non-profit organization by 76 prominent business people, supported by the government of Costa Rica and financed by grants from United States Agency for International Development (USAID)<sup>8</sup>. In Mauritius, the EDB is mandated to both provide support to the government for strategic economic thinking, as well as more narrowly to promote Mauritius as an investment destination. The EDB was set up in 2017, though has other earlier incarnations, such as the Board of Investment from 2010<sup>9</sup>.

These five IPAs have been chosen because they are all operating in small countries making comparisons between them more applicable (See Table 1). They also span the range from wealthy developed to low-income developing countries.

**Table 1: Population and GDP Per Capita in Five Small Countries**

Country	Population, 2022 (m)	Land Area (km <sup>2</sup> )	GDP per capita, 2022 (\$)
Rwanda	13.78	26,338	966
Singapore	5.6	734.3	82,807
Costa Rica	5.18	51,100	13,365
Ireland	5.13	84,421	103,983
Mauritius	1.26	2,040	10,256

Source: World Bank (2024)

This policy brief is focused on learning from examples of success. These five IPAs are widely cited in academic literature, policy documents, and media sources as globally successful IPAs that have made a positive contribution to the economic transformation of their host countries. The IDA in Ireland and EDB in Singapore are both regarded as being among the best in the world<sup>10</sup>. CINDE in Costa Rica has maintained a high global profile, especially since its successful efforts to attract the semiconductor manufacturer Intel in the mid-1990s.<sup>11</sup> CINDE was ranked as the world's top organization for attracting FDI for 5 consecutive years by the International Trade Centre<sup>12</sup>. The EDA in Mauritius and RDB in Rwanda are both credited with contributing to the rapid and sustained economic growth in both countries, and in the case of Mauritius, industrialization; this, despite the recent genocide (1994), the landlocked geography of Rwanda, and constraints of near total dependence on a weakening sugar cane crop in Mauritius in the 1970s<sup>13</sup>.

Part I of this policy brief series concentrated on what IPAs do. Part II focuses here on how IPAs should be organized. The following areas are considered: mandate and authority, autonomy, embedding in wider government effectiveness, private sector involvement, dynamic organization, motivation of staff, and overseas offices.

## Policy Lessons

- ✧ IPAs have become central to contemporary globalization in both developed and developing countries.
- ✧ The IPAs in Singapore, Ireland, Mauritius, Rwanda, and Costa Rica are widely regarded as successful organizations that have contributed to the economic success of their host countries and are based in small (population and area) sized countries.

# The Data and Political History of IPAs

This policy brief draws on two sources of data. Two surveys of IPAs, one conducted by the World Bank in 2002 of 75 IPAs and the other by the 2020 Global Investment Promotion Agencies Survey of 91 IPAs, which was jointly conducted by the World Bank and the World Association of Investment Promotion Agencies (WAIPA)<sup>14</sup>. The second data source is a wide range of both empirical and case studies of IPAs and other organizations, such as the management authorities of Special Economic Zones (SEZs), that attempt to derive or empirically measure successful policy practice or organizational structure that best promotes investment to support rapid economic and export growth and structural change.

These two policy briefs (Part I & Part II) focus narrowly on the policy practice and organizational attributes of IPAs identified in cross-country surveys and in five specific small country case studies. We do not have the space or academic freedom in such a brief policy document to consider in detail the full political history background of our five key IPAs. However, the political leadership in all five countries was deeply committed to economic growth and gave political backing to the efforts of all them in promoting investment that boosted economic growth. As noted below, the political backing for economic growth is an important component of what makes for a developmental state. While not being able to discuss this topic at greater length, we can conclude that the wider political situation was favorable to supporting the IPAs in their efforts to boost growth-enhancing investment.

All five countries were shaped by a strong-domestic political environment that promoted rapid economic growth and development. In Singapore this was, in part, due to a sense of external isolation, after being forced to leave the Malaysian Federation in 1965<sup>15</sup> and the effort involved in warding off the regional challenge of communism (China and Vietnam) as a small, poor, and vulnerable nation. In Ireland, an alternative, inward-looking, self-reliant economic strategy was discredited by decades of economic stagnation up to the 1990s. Similarly, Mauritius's inward-looking economic strategy ran into a profound economic crisis in the late 1970s in the face of falling sugar prices, cyclones that destroyed the national sugar crop, rising global oil prices, recession-induced declining markets in developed countries, and massive unemployment<sup>16</sup>. Costa Rica, likewise, suffered a similar economic crisis in the late 1970s. In Rwanda, the crisis was more existential, with the 1994 genocide and subsequent military takeover, which gave the new Prime Minister, Paul Kagame, the freedom to focus on his personal mission to promote rapid economic growth and development.

## Policy Lessons

- ✦ There is excellent survey data about the global working of IPAs that helped to inform the discussion here.
- ✦ All five small countries (Singapore, Mauritius, Ireland, Rwanda, and Costa Rica) had political histories that supported the efforts by their IPAs to promote rapid investment-led economic growth suggesting that IPAs require a supportive political environment to succeed.

# Mandate and Authority

Global best practice is for an IPA to be set up with sufficient authority and political backing to “compel other agencies and institutions” to support its policies and decisions<sup>17</sup>.

In some cases, the IPA has authority derived from a mandate that gives it power with a central coordinating role over other government ministries and agencies. This practice was common in those countries that were what scholars refer to as ‘developmental states’. Many economic success stories have been managed by developmental states (such as South Korea, Taiwan, and Singapore), defined as: “states whose politics have concentrated sufficient power, autonomy and capacity at the centre to shape, pursue and encourage the achievement of explicit development objectives, whether by establishing and promoting the conditions and direction of economic growth, or by organising it directly, or by a varying combination of both”<sup>18</sup>. Among the characteristics of a developmental state is that economic co-ordination and development is managed by a planning authority or IPA that differs from the normal practice of such organizations in the “real power, authority, technical competence, and insulation in shaping development policy”<sup>19</sup>.

Among the countries studied here, Singapore is one of the most famous such examples of a developmental state; though nominally under the Ministry of Trade and Industry, the EDB has extensive independent authority. The EDB was founded with a wide mandate, including extensive powers to finance industries and provide funding for industrial estates, as well as being given responsibility for monitoring investors to ensure compliance with the terms and conditions attached to initial permission to invest and EDB-provided incentives<sup>20</sup>. The EDB had real authority to ensure firms would export, utilize new technology, or source inputs from local firms. The EDB website confirms that today it invests in high-growth technology sectors such as ICT, health care, and emerging technologies<sup>21</sup>.

Globally, the organizational set-up of IPAs is very diverse. The 2020 World Bank survey found that IPAs are either semi-autonomous public bodies (37%), sub-units of a ministry (26%), or autonomous public agencies (18%) that report directly to the Ministry of Industry or Commerce (32%)<sup>22</sup>. It is common throughout Africa that IPAs are established and operated as agencies in a line ministry (typically the Ministry of Trade and Industry) reporting upwards to a relevant minister.

An IPA is more effective when it reports to the highest possible level of government, such as the President or Prime Minister. This ensures that the IPA has a derived authority that can help induce cooperation and coordination across other ministries, departments, and agencies<sup>23</sup>. In the 2020 World Bank survey of IPAs, two-thirds reported that regular interagency meetings and specific interagency working groups were the best coordination mechanism between the IPA and other agencies of the government. There was a wide-spread feeling among IPAs that they lacked the authority to impose their priorities and policies on the rest of the government; 53% of IPAs noted the lack of a mandate or powers to ensure effective cooperation, and 39% reported having no communication or cooperation<sup>24</sup>. In Ethiopia, the Industrial Parks Development Corporation, established in 2014, is mandated with the role of developing SEZs, especially in attracting FDI. The organization reports directly to the Prime Minister where the Prime Minister’s Office (PMO) is fundamental, not only for the coordination among the senior representatives from line ministries such as foreign affairs, industry, finance and agriculture, but also for signaling high-level support for the SEZ strategy to potential investors<sup>25</sup>.



In Rwanda, the IPA does report directly to the President but has a much more limited mandate. The RDB was not given the same powers as the EDB in Singapore; rather than pro-actively driving industrialization through incentives and its own investment, the RDB was mandated to be an “investor hub” and to “provide business with an effective platform to deal with the government”<sup>26</sup>. It was hoped that consolidating eight government institutions into one would streamline the bureaucracy faced by investors. An interview with the CEO of RDB in 2017 confirmed that much of the mission goal of the RDB revolves around making it easier to start a business, to acquire land, and to obtain all the necessary government permissions<sup>27</sup>. The RDB works in partnership with global firms, such as Visa or Marriot Dubai, and acts as a mediator to help ensure that wider government policy is enacted quickly and efficiently<sup>28</sup>. Of particular note in Rwanda was the establishment of the one-stop shop business center in the RDB in 2009 to facilitate this process<sup>29</sup>.

Much of the thinking inside the RDB is centered around how to improve Rwanda’s ratings and scores on the World Bank Doing Business Index and there is a dedicated unit inside the RDB tasked with trying to accomplish this objective. The work performance of the unit employees are measured in terms of particular quantifiable tasks, such as registering businesses and improving rankings by a particular percentage<sup>30</sup>. In recent years, the RDB has taken a more active role in directing investors to strategic sectors and ensuring that targets (in line with national goals) are included in their contracts. However, government officials in other ministries argue that the RDB has little capacity to monitor and discipline companies who do not meet targets<sup>31</sup>.

The EDB in Mauritius has gone through various incarnations but currently operates under the EDB Act 2017 and is based in the Ministry of Finance, Economic Planning, and Development. Like the RDB in Rwanda, the EDB seeks to help investors negotiate their way through the country’s legal and regulatory requirements. The EDB has a customer service unit that receives investor suggestions and complaints. It also organizes workshops, investment promotion missions and roundtable sessions to inform investors about changes in investment policies. In 2021, the EDB set up a Business Support Facility that provides facilitation and advisory services to all businesses in Mauritius<sup>32</sup>. The EDB is a useful resource for investors exploring business opportunities in Mauritius and assists with occupation permits, licenses, and clearances by coordinating with relevant local authorities. Foreign investors may apply through the EDB for necessary permits or, alternately, investors may apply directly to the relevant authorities<sup>33</sup>.

CINDE in Costa Rica is mandated with no formal powers and is a purely privately operated organization that acquires influence because of the political and economic importance of its corporate membership and the quality of its research and policy advocacy.

## Policy Lessons

- ✧ Global best practice is for an IPA to be set up with sufficient authority and political backing to “compel other agencies and institutions” to support its policies and decisions.
- ✧ The five IPAs in our sample are very diverse. The EDB in Singapore has extensive independent powers to invest, offer incentives to firms, and compel those firms to abide



by any agreed targets (such as exports or investment). At the other extreme is CINDE in Costa Rica, which is a purely privately operated organization that acquires influence because of the political and economic importance of its corporate membership and the quality of its research and policy advocacy. There is no one size fits all model for a successful IPA.

Authority is better achieved if an IPA reports directly to a President or Prime Minister than if it is an agency located in a ministry reporting to a minister.

# Autonomy

Global best practice is for an IPA to be established with sufficient autonomy to pursue its mandated goals without undue interference (or with useful backing) from other entities in government. To meet the needs of investors an IPA needs to offer a wide range of support services that cross various ministry responsibilities, including customs, land use and zoning, taxation, business registration and licensing, immigration, and environmental and labor law<sup>34</sup>. An IPA needs autonomy to implement these support services according to its own agenda rather than those of the ministries that are nominally responsible for them. Empirical work from the early 2000s showed that FDI flows are significantly lower in countries where the IPA is part of a ministry rather than an autonomous body or a joint private-public institution. When the agency reports directly to a country's President or Prime Minister and all other factors are equal there are higher FDI flows.<sup>35</sup>

The RDB was established as a permanent, independent national organ with administrative and financial autonomy. The RDB leadership reports directly to the President of Rwanda<sup>36</sup>. In Mauritius, the EDB is a corporate body that operates under the aegis of the Ministry of Finance, Economic Planning & Development<sup>37</sup>. The IDA in Ireland derives autonomy from a strong corporate identity with a stable executive leadership that is placed outside the conventional civil service, giving it a flexible internal organization and freedom to maneuver – unusual for state agencies in Ireland. With a tradition of promoting people from inside the organization, the IDA is an autonomous and cohesive unit within the Irish state, with a clear agenda to attract FDI. The IDA has been able to build up significant skills internally in terms of knowledge of international markets and the politics/economics of industrial location<sup>38</sup>. The CINDE in Costa Rica is a fully private organization that has complete autonomy from the government and general freedom from political interference. Funding from USAid was large enough to strengthen the autonomy of CINDE and flexible enough to allow CINDE the freedom to allocate those resources in accordance with internal organizational priorities<sup>39</sup>. Complete autonomy could have meant complete irrelevance if the government declined to listen to its policy advice. CIINDE has acquired policy-relevance through the recognition of its expertise and proven track-record in attracting FDI, alongside the quality of its research and policy advocacy<sup>40</sup>.

Generating autonomy by achieving financial independence following the CINDE model is unlikely to be achieved in practice by most IPAs. A survey in 2002 found that on average 75% of IPA budgets, 80% specifically for those in developing countries, came from government funding. External funding has made some crucial contributions but such funding has tended to assist with IPA start-up costs and then be phased out after a few years. There are various ways in which private sector funding can be obtained (i.e. fees for licenses or for attendance at conferences) but the 2020 World Bank survey found few examples of these and they did not make a substantial impact on budgetary income<sup>41</sup>. CINDE remains one of the few IPAs to have nearly reached financial self-sufficiency<sup>42</sup>.

## Policy Lessons

- ✧ Best practice is for an IPA to be established with sufficient autonomy to pursue its mandated goals without undue interference (or with useful backing) from other entities in government.

- ✧ An IPA needs autonomy to implement support services for investors (such as visas, land acquisition, and environmental clearance) according to its own agenda rather than those of the ministries who are nominally responsible for them.
- ✧ Financial autonomy can help achieve operational autonomy from the government but survey evidence shows this is very difficult to achieve in practice.

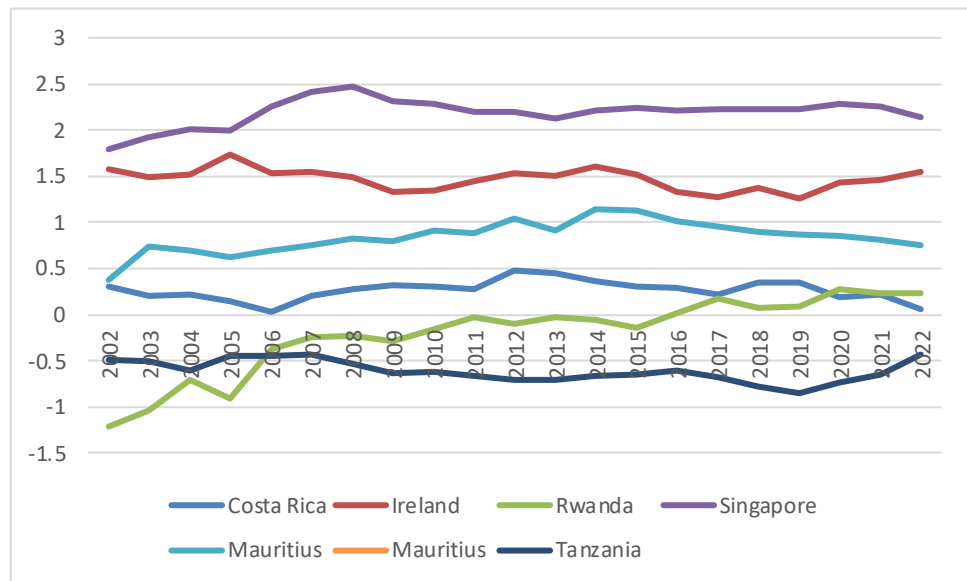
## Embedded in wider Government Effectiveness

There is a body of work that suggests ministries, central banks, or other agencies of government can work well as a 'pocket of effectiveness' (PoE) even in a wider context of dysfunctional, corrupt, or ineffective governance. The literature on PoEs shows us how pockets of good governance can be created by giving ministries or agencies devolved power, resources and high-level political support. Existing examples include the Ministry of Finance in Ghana<sup>43</sup> or the Petroleum Exploration and Production Department (PEPD) in Uganda<sup>44</sup>. There is no evidence for the PoE scenario when it comes to IPAs. This is not surprising and the previous section 'Autonomy' discussed how IPAs need to engage in extensive cooperation with other ministries and agencies of government. A PoE will not work.

A study of the relationship between investment promotion and FDI inflows across 58 countries in 2001 shows that an increase in an IPA budget is positively associated with FDI flows. Furthermore, this effect is magnified when the national investment climate is good rather than poor<sup>45</sup>. The study also shows that improving the general investment climate has much greater effects on incoming FDI than efforts by the IPA to promote FDI. An improved investment climate has two impacts. It will attract more FDI and also increase the effectiveness of the IPA itself<sup>46</sup>. These findings are confirmed by a later study that confirmed that investment promotion activities generate more FDI in a good business environment (variously measured by government effectiveness, regulatory quality, control of corruption, and measures of government accountability)<sup>47</sup>.

These general findings give us a clear rationale, as well as an understanding, of why the five IPAs we are examining in this policy brief performed well. This policy brief uses a measure of government effectiveness<sup>48</sup> produced by the World Bank. While all five IPAs have been used to good effect to boost FDI, they are not PoEs; rather, they are operating in an environment of much wider good governance. Figure 1 indicates that government effectiveness was high and stable in Singapore and Ireland, relatively high, if declining somewhat, in Mauritius, low but stable and positive in Costa Rica, and low but steadily improving in Rwanda. As a point of comparison, we also include measures for Tanzania, where the negative rating for good governance helps to explain the generally unsuccessful performance of its own IPAs, such as the Export Processing Zone Authority (EPZA).

**Figure 1: Government Effectiveness in Six Countries, 2002 to 2022**



Source: World Bank (2024)

## Policy Lessons

- ✧ There is a body of work that suggests ministries, central banks, or other agencies of government can work well as a PoE, even in a wider context of dysfunctional, corrupt, or ineffective governance.
- ✧ There is no evidence for this being true in the case of IPAs. IPAs need to engage in extensive cooperation with other ministries and agencies of government. A PoE will not work.
- ✧ All five IPAs studied in this policy brief were operating in an environment of much wider good governance, as measured in absolute and comparative terms, and this suggests such an environment is a prerequisite for IPA success.

# Private Sector Involvement

Global best practice calls for the strong involvement of the private sector in the functioning of IPAs. This can be achieved in two ways. The first is that the IPA reports to an independent board, and the membership composition of the board contains a significant representation from the private sector<sup>49</sup>. Survey evidence from 2002 shows that the effectiveness of IPAs (in terms of FDI attracted to its priority sectors) is positively related to the number of private members on the board<sup>50</sup>. A second means is for the IPA itself to be a private entity. Evidence shows that private or semi-private IPAs are significantly more likely to be effective than IPAs that are part of a government agency<sup>51</sup>.

Across the five IPAs analyzed in this paper, there is a very strong role for the private sector. In Costa Rica, when CINDE was set up as a private sector organization in 1983, all ten members of its Board of Directors were drawn from its 84-member private sector assembly<sup>52</sup>. A review of the current composition of the CINDE board in 2024 shows little has changed – it now comprises a chairperson, a managing director and a nine-person board. There is one senior ex-government official, a former Minister of Trade (2018-2020), although that member appears only to have been in government briefly and has a professional background as a lawyer. The other members are domestic and foreign and social entrepreneurs from the private sector<sup>53</sup>.

In Singapore, a similar review of the composition of the current EDB (2024) board reveals that the chairperson comes from a civil service, government background (Ministry of Trade and Industry) but from roles that meant he engaged with the private sector (CEO of Enterprise Singapore). The Managing Director likewise comes from private-sector facing government agencies (the government Technology Agency). The other nine members of the EDB board are either career-based internal appointments who have risen up the ranks of the EDB, or are hires from similar private-sector facing government sector roles, particularly Enterprise Singapore and Digital Industry Singapore<sup>54</sup>.

In Ireland, the board of the IDA (2023) contains a chairperson, the Chief Executive Officer of IDA Ireland, and ten ordinary members, almost all of whom appear to have a private sector background in consultancy, manufacturing, and finance<sup>55</sup>. They are all appointed by the Minister for Enterprise, Trade and Employment<sup>56</sup>.

In Mauritius, the EDB is administered and managed by a board that is mandated to include a chairperson appointed by the President, a vice-chairperson appointed by the Prime Minister, a representative of the Prime Minister's Office, a representative of the Ministry responsible for the subject of finance, a representative of the Ministry responsible for the subject of housing and land use planning, and between five and seven ordinary members appointed by the Prime Minister<sup>57</sup>. The 2024 board of the EDB is impressive by virtue of its seniority – the chairperson comes from a background of 33 years' experience in private sector manufacturing and the vice chairperson is a former deputy-governor of the Bank of Mauritius. The EDB also comprises very senior civil servants, including the Secretary to Cabinet and Head of the Civil Service, the Deputy Financial Secretary at the Ministry of Finance, and the Senior Advisor and Director of Strategy at the Ministry of Finance. The remaining eight members of the board come from the private sector, including CEOs of Standard Charter Bank Mauritius and other companies, a financial journalist, and the President of the Mauritius Chamber of Commerce, among others<sup>58</sup>.

In Rwanda, the RDB board includes a chairperson who has a background in private sector equity, a vice-chairperson who is a former auditor general of Rwanda and also extensive private sector experience, and also seven ordinary members with backgrounds in private sector banking, investment, agriculture, venture capital, and consultancy<sup>59</sup>.

## **Policy Lessons**

- ✧ Best practice sees a strong involvement of the private sector in the functioning of IPAs.
- ✧ Private sector involvement in IPAs can occur either through private membership of an independent board to which the IPA leadership reports, or that the IPA itself is a private or semi-private organization.



# IPAs as Dynamic Organizations

The first paper in this two-part policy briefing series discussed the benefits from IPAs proactively pursuing individual firms that are compatible with the IPA priority sector plans. This section, as part of the second policy briefing, now shows how the five IPAs are pro-active in evaluating potential investors, in evaluating the success (or otherwise) of their own interventions, and in updating and reforming their own policy approach over time.

The World Bank survey in 2020 shows that 79% of IPAs evaluate investors for potential positive impacts on the economy before deciding whether to provide any services (or recommend/grant approvals), while 60% evaluate investors for negative environmental and/or social impacts. 14% of agencies reported not carrying out any kind of evaluation<sup>60</sup>. External audits are common, with 59% of IPAs having external entities conduct an impact analysis of their activity, and 76% of those agencies conducting this evaluation every year. Unfortunately, only 53% of these IPAs publish the analytical results. The rigorous evaluation of IPAs is compounded by the fact that many IPAs lack clear targets and a baseline against which progress can be measured, such as investment, jobs, or tax revenue attracted<sup>61</sup>.

In Ireland, the IDA is clearly a dynamic organization. Its annual reports give detailed updates on progress against quantitative targets and new initiatives. The 2022 *Annual Report* gave details on the degree to which the four-year organizational strategy launched in 2021 has achieved progress related to green and digital transformation<sup>62</sup>. The 2023 *Annual Report* detailed a new initiative, 'Digital Manufacturing Ireland', which aimed to position Ireland as "among the most digitally enabled investment promotion agencies (IPAs) in the world"<sup>63</sup>. Similarly, the EDB website in Singapore details a Rules Review Panel that was set up in 2005 and was expected to convene every five years to review all rules and regulations<sup>64</sup>. In 2021, Rwanda made significant changes to its Investment Code in response to complaints made by previous investors. The changes included new incentives in various sectors, including manufacturing, ICT, tourism, creative arts, horticulture, and affordable housing<sup>65</sup>. The five IPAs have generally been open to learning from, and emulating, good practice elsewhere. In Rwanda, the RDB was modeled after the EDB in Singapore, and in Costa Rica, CINDE was modeled after the pro-active outreach to potential investors model from the IDA in Ireland<sup>66</sup>.

## Policy Lessons

- ◇ Successful IPAs must be dynamic, in the sense that they are pro-active in evaluating potential investors, in evaluating the success (or otherwise) of their own interventions, and in updating and reforming their own policy approach over time.

# Motivating Staff

60% of high-performing IPAs provided pay that is comparable with the private sector, compared to less than 20% for other IPAs<sup>67</sup>. This helps attract highly qualified staff, particularly when IPAs need to attract more staff with extensive experience in the private sector. The best practice is also to link the budget of the IPA to the success of the IPA program to incentivize IPA staff.

In Costa Rica, staff faced targets related to making presentations to foreign investors, assisting in site visits for foreign investors, creating employment, finalizing investment to reach dollar targets, and boosting exports. An incentive program for its sales force was designed to motivate staff<sup>68</sup>. In Rwanda, the concentration of power around the President and high-level party officials, alongside their far-reaching involvement in policymaking to the exclusion of bureaucrats and expert advice, has created a pattern whereby senior leaders impose top-down targets. For example, in the electricity generation sector, top-down pressure, and the replacement of failing senior officials has motivated staff to prioritize the expansion of installed capacity over other considerations. The Presidency replaced the Minister of Infrastructure four times, energy ministers three times, and the head of the Energy Utility three times between 2009 and 2014, all for failing to increase installed capacity quickly enough. Pressure was also demonstrated at annual national leadership retreats, which often serve as a venue for Kagame to berate officials for their failures in delivery<sup>69</sup>. Installed capacity rose exponentially from 39.95MW in 2003 to 218.9MW in 2017 and electrification increased from 6% in 2009 to 24% in 2017<sup>70</sup>. The focus on narrowly defined performance targets can be counterproductive since it reduces the autonomy enjoyed by state bureaucrats, including those in IPAs<sup>71</sup>. This policy brief noted that reporting directly to the President may help strengthen an IPA's autonomy but Rwanda is an example of how autonomy can also be undermined by Presidential intervention.

## Policy Lessons

- ✦ High performing IPAs tend to pay staff wages that are comparable to those offered in the private sector.
- ✦ Best practice is to link the budget of the IPA to the success of the IPA program to incentivize IPA staff.

## Overseas Offices

Part I in this two-part policy briefing series noted how overseas offices of IPAs can better enable pursuit of the goal of pro-actively targeting foreign firms that are compatible with their priority sector goals. High-performing IPAs are three-times more likely to have overseas representation through their own offices than other IPAs<sup>72</sup>. This is true of all five IPAs featured in this second policy paper.

In 2022, IDA Ireland had 19 overseas offices, including 3 in Europe, 7 in the US and 1 in Canada, 3 in China, and 5 in the rest of Asia<sup>73</sup>. EDB Mauritius had overseas offices in countries with significant historical links (France), geographical proximity (Kenya and South Africa), and potential trade and investment links (Dubai, Singapore, India, China and Japan)<sup>74</sup>. In Rwanda, the CEO of RDB declared in a 2017 interview their intention to open new RDC offices in China, Canada, and other key markets in the future<sup>75</sup>. This progress seems to be confirmed by the latest website (2024), indicating that there are now overseas offices of the RDB in China, Canada, and also Turkey<sup>76</sup>. The EDB in Singapore has 20 international offices in 14 countries, which includes Brazil, China (3), France, Germany, India, Indonesia, Japan, Netherlands, South Korea, Sweden, Switzerland, Thailand, the United Kingdom and the US (5)<sup>77</sup>.

### Policy Lessons

- ❖ IPAs should open overseas offices as part of a carefully considered strategy of pro-actively pursuing foreign firms that are compatible with their priority sector goals.

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