Improving Transparency of Incentives for Investment Facilitation

Key Considerations Drawing on Novel Data from 15 Developing Economies

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Disclaimers

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This policy paper has been produced in the context of the OECD's work on investment incentives, which has the overarching objective of improving transparency on the availability and design of investment incentives and advancing understanding of their effectiveness. The work is developed jointly by the Tax Policy and Statistics Division at the OECD's Centre for Tax Policy and Administration and the Investment Division at the OECD's Directorate for Financial and Enterprise Affairs. It builds on ongoing work on improving transparency in the area of corporate income tax (CIT) incentives, while expanding the notion of investment,

Table of contents

FIGURES

TABLES

Executive Summary

Despite the widespread use of investment incentives – including tax and non-tax benefits – in many countries there is a lack of public information on their provision, administration, and governance. Many governments do not make readily available, or regularly update, lists of all available incentives and practical information for investors. Even if information on incentives is published, it is not necessarily easy for investors and the public to find or understand. Yet many governments have made commitments to increase transparency on investment incentives, including in the OECD Declaration on International Investment and Multinational Enterprises, and in the concluded text-based negotiation of the Investment Facilitation for Development Agreement amongst more than 110 WTO members. If the benefits of greater transparency are widely recognised, it is less clear what transparency entails for different policy goals, and how, concretely, governments should best improve transparency of their incentives policies.

This paper proposes how governments can enhance transparency of investment incentives, notably for investment facilitation purposes. It proposes three overarching principles of transparency that can be used to better inform policy design: availability, accessibility and clarity of information. It also sets out a framework to understand the scope of incentives offered in a country and identify what information could support transparency, drawing on novel data collected on investment incentives.

The paper first makes the case for greater transparency of investment incentives, to improve investment facilitation, policy evaluation and good governance. Greater incentive transparency can benefit national governments, domestic and international investors, and other stakeholders. Yet keeping information up to date, and ensuring clarity of information and successful dissemination requires human, financial and technical resources, and increasing transparency can be challenging in practice.

The analysis and policy considerations presented draw on novel data collected on the use and level of transparency of investment incentives in a sample of 15 emerging and developing economies in the Middle East and North Africa, Sub-Saharan Africa, and Southeast Asia and data on corporate income tax (CIT) incentives in over 58 developing economies covered by the OECD Investment Tax Incentives Database (ITID) in 2023. The data on other tax and non-tax incentives (including financial, in-kind, regulatory and non-financial benefits) was collected from the 15 sample countries in 2023.

The analysis confirms that there are significant gaps to the transparency of investment incentives. Constraints can be due to the extent of publicly available information on investment incentives, linked in part to the scope of benefits offered (tax and non-tax), as well as how incentives are designed and granted. Incentives tend to be granted by multiple agencies beyond tax authorities, including Investment Promotion Agencies (IPAs), Special Economic Zone authorities, sectoral ministries and other government agencies. Eligibility conditions can be spread across four or more pieces of legislation or regulations. Further complicating transparency, in some cases these requirements are based on loosely defined or non-quantifiable performance criteria, and for certain incentives, competent authorities have wide discretion to determine which investors benefit or even the nature of the benefit. This confirms finding from previous work on CIT incentives (Celani, Dressler and Wermelinger, 2022[1]).

Based on these gaps in transparency, this paper proposes a basis for future guidance for governments on how to improve transparency on investment incentives. It does so by first suggesting a novel framework for identifying and classifying investment incentive types – delineating the scope of policies under consideration – and their most relevant dimensions. This is outlined as a typology of investment incentives. This is an important first step, as the absence of a clear understanding on what constitutes an investment incentive, and how to categorise policies that fall under this label, makes it difficult for governments to identify where transparency is lacking and how to improve it. Second, this work sets out key principles and a first set of guiding questions that can be part of a checklist to follow by policymakers in order to improve transparency of investment incentives.

First, the typology sets out three overarching types of investment incentives – tax, financial and in-kind, and regulatory and non-financial incentives. These types are further sub-categorised by instrument (e.g., CIT incentives, direct grants, provisions related to infrastructure and land). The typology then proposes three dimensions of policy design and implementation to further structure the information (drawing on the structure of the OECD Investment Tax Incentives Database): incentive design, eligibility conditions, and governance. In order to support transparency on incentives for investment facilitation, it is important to understand (A) how incentives benefit firms, (B) the conditions an investor must meet to qualify for a certain incentive, and (C) how the incentive is authorised (within or outside law) and granted (governance).

Second, this work proposes three overarching principles of transparency to frame guiding questions for policymakers: availability, accessibility and clarity of information. The starting point for governments to enhance transparency on incentives is to ensure relevant information and legislation on all incentives is available to investors and the public, and up to date (*availability*). The typology suggests what type of information may be relevant. However, simply making laws and regulations public does not necessarily mean that they are easy for investors to access. Providing access to relevant legislation is particularly important given that incentive details are often not consolidated into one legal act. Issuing updated consolidated legal acts, with all relevant amendments and details from regulations, could help promote transparency. This could also be done through incentive guides (*accessibility*).

This work posits that transparency is not only about making information available and accessible, but also how successfully this information is communicated – how clear the information is – including the complexity of the policy itself. While incentive guides or inventories can help improve *clarity* for investors, how incentives are designed, conditioned and granted also affects their transparency. The typology provides structure and can help digest the complex information related to incentive policies. In addition, when eligibility conditions are not clear, not quantifiable, and/or when granting authorities have wide discretion to select beneficiaries, or even determine incentive generosity, investors may not easily understand what is required to benefit, which risks generating an uneven playing field. The more incentives are granted based on clear criteria, with minimal discretion from granting authorities, the more transparent they are to investors.

The typology and guiding questions developed through this work can assist governments in improving transparency of investment incentives. The typology provides a common guiding framework for governments to identify existing incentives, gain a structured understanding of the complex policy design and governance features, and assess their current degree of transparency (how available, accessible and clear the information is to investors and the public). Where necessary, the typology - or parts of it - can be used to create an inventory of incentives to be used by government officials or in exchange with potential investors and the public. While the typology and the guiding questions are relevant for the different policy goals; this work focuses on transparency for investment facilitation. Future work could explore how governments could best be supported to enhance transparency for policy evaluation.

More broadly, these guiding questions could be seen as one part of a future wider checklist towards smarter use of investment incentives, from incentive design to implementation, evaluation and potential reform. Greater transparency on incentives is a key first step towards understanding, promoting, and assessing policies, essential for more effective and efficient use of investment incentives.

1 Introduction

Governments use investment incentives – including tax, financial, in-kind and regulatory benefits – widely to promote investment in specific sectors and locations and encourage certain investor behaviour. Yet in many countries there is a lack of transparency on these policies, including sometimes on how investors can benefit from them. Opaqueness may not only affect their potential uptake, it also complicates assessments of their costs and benefits. This paper makes the case for greater transparency of investment incentives and proposes how governments can enhance transparency of these measures, notably for investment facilitation purposes. It proposes three overarching principles of transparency that can be used to better inform policy design: availability, accessibility and clarity of information. It also sets out a framework to understand the scope of incentives offered in a country and identify what information could support transparency, drawing on novel data collected on investment incentives in a sample of 15 developing economies.

This note sets out the economic rationale for greater transparency of investment incentives and proposes how governments can enhance transparency of these measures, including for improved investment facilitation. The analysis and policy considerations draw on data on the use and level of transparency of investment incentives (including tax, financial, in-kind, regulatory and non-financial) in a sample of 15 emerging and developing economies in the Middle East and North Africa, Sub-Saharan Africa, and Southeast Asia (Table 2.1)[1], and on data on corporate income tax (CIT) incentives in over 58 developing economies covered by the OECD Investment Tax Incentives Database (ITID). The key principles of transparency proposed here could inform a future wider checklist towards smarter use of investment incentives, from incentive design to implementation, evaluation and potential reform. Greater transparency on incentives is a key first step towards understanding, promoting, and assessing policies, essential for more effective and efficient use of investment incentives.

The note is developed in the context of the OECD's programme of work on investment incentives, which aims to support enhanced transparency of these measure, better understand their impact, and improve their design and governance towards increased effectiveness. The work is jointly developed by the Tax Policy and Statistics Division at the OECD's Centre for Tax Policy and Administration and the Investment Division at the OECD's Directorate for Financial and Enterprise Affairs, with support from the European Union (Box 1.1. The findings in this note build on ongoing work on improving transparency in the area of CIT incentives, while expanding incentives under consideration beyond CIT to other forms of tax, financial, in-kind, regulatory and non-financial investment incentives.

Governments use investment incentives widely to attract investors, promote investment in specific sectors and locations, and encourage certain investor behaviour. Yet the net benefits of these policies are not well understood. Incentives have the potential to increase investment and achieve other objectives related to the Sustainable Development Goals (SDGs), but their costs, including their impact on tax revenues and government spending, as well as the risk of distorting resource allocation, may outweigh their benefits. Crucially, transparency around investment incentives is often lacking, potentially limiting investment and complicating assessments of whether policies in place achieve their policy goals, and at what costs.

While a host of policies and economic conditions co-determine investment in a country, investment incentives are generally understood to refer to targeted measures that seek to encourage investment –

and often a particular type of investment – by providing advantages to specific investors beyond those available to all firms in a jurisdiction. This focus on targeted measures still covers a wide range of policies. While there is no comprehensive inventory on the scope of investment incentives used across countries, available data from different regional studies and research by the OECD shows that developing and OECD economies use a wide mix of tax, financial, and in-kind benefits, and some regulatory incentives.[2]

Often, there is a lack of transparency around the investment incentives offered by governments and received by investors. This is sometimes attributed to a reluctance to publicise the relevant information, with governments seeking to preserve maximum policy flexibility and firms seeking to protect confidential business information. Transparency is also often limited by the ways in which incentives are authorised and granted. Governments tend to grant tax, financial, regulatory and other incentives in numerous pieces of legislation, decrees and executive orders, and multiple agencies may be responsible for granting benefits. While some governments publish incentives guides, these are not always exhaustive or regularly updated, and may not include even basic information on the details of the incentive, eligibility conditions or policy goals. Some incentives are by their nature non-transparent, with the amount of a tax or financial benefit, and even eligibility conditions, at the discretion of implementing authorities. In addition, governments may negotiate large incentives privately with investors, through ad-hoc contracts.

Box 1.1. Ongoing OECD work on investment incentives

Objectives

OECD work on investment incentives, to which this note contributes, has the overarching objective to enhance transparency of investment incentives and improve their design and governance towards increased effectiveness, including by better understanding impacts. It specifically aims to:

- Understand what transparency of investment incentives means, explore reasons for gaps in transparency and why increasing transparency is beneficial for different stakeholders.
- Develop a clearer understanding of what investment incentives are, how they differ from the general policy framework for investment, and which tax, financial and regulatory policies may be considered investment incentives.
- Engage in data collection on investment incentives, particularly on corporate income tax (CIT) incentives, to better understand how investment incentives are used across countries.
- Understand to what extent investment incentives contribute to or may harm the implementation of national and international policy objectives, including with respect to the SDGs, and investment and public revenue mobilisation.
- Advance international dialogue on investment incentives across various policy communities, particularly in the area of investment, tax and development cooperation policies.

Help governments make informed decisions in relation to their investment incentives policies.

The broad lack of transparency on investment incentives raises important questions on why many governments do not better advertise and assess these policies, on the benefits and costs from increasing transparency, and how much and what type of transparency is beneficial for different policy goals. Goals include the desire to attract and facilitate investment, support policy evaluation, improve incentive design, as well as to encourage better governance. Most reports acknowledge that an absence of data on incentives and understanding of how they are used inhibits more detailed analysis on the effectiveness of these policy tools to reach their stated objectives.[3] Better understanding and evaluating the use of investment incentives is particularly important in the current context of declining global investment flows, more constrained public finances and growing public debt.

The note is organised as follows. Section 2 outlines the case for greater transparency around investment incentives. It explores how to understand transparency of incentives, explaining existing gaps in transparency and the challenges to overcoming them. It presents key findings on the use and level of transparency of incentives in a sample of 15 countries in the Middle East and North Africa, Sub-Saharan Africa, and Southeast Asia. It then summarises how greater transparency could benefit different stakeholders and policy goals.

Based on this assessment, Section 3 suggests guidance for governments on how to improve transparency of incentive policies. In a first step, it proposes a framework for identifying and classifying the main types of investment incentives – delineating the scope of policies under consideration – and their most relevant dimensions. This is outlined as a typology of investment incentives. The objective is to support a structured understanding on the types of incentives offered in a country and their complex designs, to help identifying where transparency is lacking and how to improve it. Annex A provides further details on the proposed typology and relevant definition. In a second step, Section 3 sets out key principles (availability, accessibility and clarity of information) and a first set of guiding questions that can be part of a checklist to follow by policymakers in order to improve transparency of investment incentives. It is hoped that this two-fold approach can support governments in fulfilling their own stated commitments to increasing transparency of their incentive policies.

2 The case for greater transparency on investment incentives

Transparency of investment incentives is not an end in itself, but an instrument for achieving other goals (OECD, 2003[2]). Improving transparency of investment incentives may take different forms and could have at least three main and interlinked policy objectives – investment facilitation, policy evaluation and good governance:

- From the perspective of investment facilitation – i.e., improving practical procedures for investors entering and operating in a market – greater transparency could facilitate investment decisions (e.g. making available and regularly updating all practical steps needed to understand and benefit from an incentive).
- For policy evaluation, transparency is key and may require more detailed information on the incentive design, revenue cost (public spending or revenue forgone), additionality[4], and the investment project realised.
- To support good governance, transparency could help reduce opportunities for discretionary behaviour, or even corruption, by making processes and requirements to receive incentives specific and public. This would also increase government accountability.

The target audience for transparency – who transparency is for – and the kind of information they need, varies depending on these goals, and includes investors, policymakers and the wider public. A distinction can also be made between whether transparency involves merely providing information or is concerned with how successfully this information is communicated. This second, broader view considers that transparency results from successful two-way communications about policy between governments and other interested parties. Relevant factors include the means of communicating information (via what channels, and how well these channels reach their target audience), as well as how clear the information is, including the complexity of the policy itself (OECD, 2003[2]). The extent to which transparency is successfully communicated could also affect its ability to achieve its goals. This section explores some of the main reasons for gaps in transparency around incentives and why increasing transparency is beneficial for different stakeholders.

2.1. Explaining incentive transparency gaps

Despite the widespread use of investment incentives and the variety of policy goals for which they are offered, in many countries there is a lack of public information on the provision, administration, and governance of incentives. It is not always clear what specific measures governments offer investors and what requirements firms must fulfil in order to benefit from them. Investment Promotion Agencies (IPA) in many countries publish information on prominent incentive schemes or may include descriptions of available incentives in investor guides, and Special Economic Zones often actively promote available incentives. In some countries, tax authorities publish fairly detailed overviews of all tax incentives offered to investors through tax expenditure reports.

However, many countries do not make readily available, or regularly update, lists of all available incentives – including tax and non-tax – and practical information for interested investors, such as eligibility criteria, the process for granting incentives, legal reference, and any monitoring requirements (OECD, 2013[3]; Berger and Sauvant, 2019[4]; Jedlicka and Sabha, 2017[5]; Tavares-Lehmann, 2016[6]). Even if information on incentives is public, it is not necessarily easy for investors to find or understand. This may be linked to governance challenges. It is also the case that many governments do not seem to systematically track how incentives are used in order to conduct policy evaluation. Determining whether incentives achieve their policy goals and at what costs requires, at a minimum, descriptive statistics on what incentives are offered, which firms receive them, and indicators on their benefits (including if they bring additional investment) and costs (including direct spending, revenue foregone, administrative and compliance costs). Few governments compile expenditure reports for tax incentives with a view towards conducting cost-benefit analysis (Redonda and Neubig, 2018[7]).

Data collected for the OECD Investment Tax Incentives Database (ITID), and on other tax, financial, in-kind and regulatory incentives in a sample of 15 countries in the Middle East, Africa and Southeast Asia, revealed substantial gaps in easily available public information on incentive design features and legal frameworks (Celani, Dressler and Wermelinger, 2022[1]; OECD, 2021[8]; OECD, 2019[9]).[5] These findings are detailed in the next section. Understanding how exactly incentives apply and who can benefit might require significant time and resources; a process large investors may easily afford, but which could discourage smaller investors or those less familiar with the jurisdiction. This also contributes to an uneven playing field between investors.

The transparency of investment incentives appears to be constrained by several factors, including:

- **Incentive design**: Some incentives are by their design non-transparent. The details of the benefit – such as the eligibility criteria of a tax exemption or value of a grant – are sometimes not made explicit in primary legislation. Eligibility criteria to receive incentives may also not be specific and automatic, requiring interpretation and approval from an administering authority. Investment laws in several developing economies allow for unspecified "additional benefits" for "projects in the national interest", leaving granting authorities with wide leeway to determine who can receive the incentive and the nature of the benefit, particularly when these matters have not been further specified in regulations (OECD, 2021[8]). This approach may allow for policy flexibility to tailor benefits to specific investors, and to respond quickly to opportunities that might be constrained by cumbersome approval procedures. Yet it also reduces transparency, government accountability and increases the risk of rent-seeking behaviour (Oman, 2000[10]).
- **Governing framework**: Governments grant tax, financial, regulatory and other incentives in numerous pieces of legislation, decrees, and executive orders, and multiple agencies may be responsible for granting benefits. In many countries, even tax incentives are administered by multiple different agencies and authorised in a variety of investment, zone, and sectoral laws, beyond the tax code (Celani, Dressler and Wermelinger, 2022[1]; OECD, 2021[8]). These different authorities may not coordinate publishing information on investors, internally or for the public.
- **Costs to promote transparency**: It may be that governments are struggling to coordinate across institutions involved in administering incentives in order to maintain regularly updated lists of incentives offered. IPAs could support this, but do not always have the resources or mandate to do so (OECD, 2018[11]; OECD, 2019[12]; OECD, 2020[13]). Keeping information up to date, and ensuring clarity of information and successful dissemination requires human, financial and technical resources, and increasing transparency can be challenging in practice (OECD, 2003[2]).
- **Competitive pressure**: Governments may be reluctant to advertise their incentive packages for fear that it will give other countries an opportunity to match or offer more generous benefits (Oman, 2000[10]). But international firms have used secrecy around incentives to both shop around for

benefits and negotiate generous concessions. The global minimum tax agreed by almost 140 members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), suggests that many jurisdictions see advantages to placing multilaterally agreed limits on tax competition.[6]

There are many other reasons why transparency may be constrained, including that vested interests may benefit from non-transparent policies. A lack of transparency may be "the single greatest cost of incentive-based competition", due to the behaviours and distortions it can encourage (Oman, 2000[10]).

2.2. State of transparency of investment incentives across countries

Data analysis from a sample of 15 developing and emerging economies collected in 2023 (Table 2.1) confirms that there are significant gaps in publicly available information on investment incentives in terms of availability, accessibility and clarity.[7] This is linked in part to the scope of benefits offered (including tax and non-tax), as well as how incentives are designed and granted. To assess transparency of incentive policies across the sample countries, data was collected on incentive design, eligibility conditions, and governance with a view to understand if relevant information for investors is available, accessible, and sufficiently clear. A typology of investment incentives was developed to guide data collection as outlined in Section 3 of this note following the methodological approach of the OECD Investment Tax Incentives Database (ITID) (Box 2.1). Information was collected in each country for three categories (tax, financial and in-kind, regulatory and non-financial incentives) based on primary government sources.8 For more details on the categories, classification and definitions, the reader is referred to Section 3.2. Due to constraints defining regulatory incentives in a comparable way across countries, and lack of data on these instruments, these benefits are not included in the below analysis (see Box 2.2 for a few examples of regulatory incentives for large investors).

Table 2.1. Country coverage data collection on investment incentives

Middle East & North Africa	Southeast Asia (ASEAN)	West Africa (ECOWAS)	Southern Africa (SADC)
Egypt	Malaysia	Ghana	Botswana
Jordan	Philippines	Nigeria	Mauritius
Tunisia	Thailand	Senegal	Namibia
	Viet Nam		South Africa
			Zambia

There are challenges with and limitations to comparing transparency across countries and types of incentives. These include that many different forms of incentives are granted, that authorities have varying discretional power in granting incentives. Assessing the informational value to investors is also partly a subjective exercise. With these caveats, the data collection involved tagging incentives based on a few indicators of transparency that measure the availability, accessibility and clarity of information.

To assess the availability of information, the data tracked whether the legal basis of the incentive is available online. To evaluate the accessibility of information the data tracks several dimensions: i.e. whether the legal documents are translated into English[9][10], whether the government publishes guidance[11] on the incentive, the number of different pieces of legislation required to understand the incentive, and if multiple pieces of legislation exists, whether a consolidated law is available. Measuring the clarity of information involves several variables: i.e., whether eligibility conditions to receive the incentive are quantifiable, and if not, if they are based on specific or vague criteria. In addition, it is useful to understand the level of discretion authorities have in selecting a beneficiary and the amount of the benefit. This will depend amongst others on whether incentives are based on clear and measurable criteria when an application process is required.

Box 2.1. OECD Investment Tax Incentives Database

To better understand how tax incentives are used across countries, the OECD Investment Tax Incentives Database (ITID) systematically compiles quantitative and qualitative information on the design and targeting of CIT incentives, using a consistent data collection methodology. For each tax incentive, it includes information along three dimensions: instrument-specific design features, eligibility conditions and legal basis. This allows for cross-country comparisons on how countries design their tax incentives and what types of business and project characteristics benefit from incentives. As of July 2023, the database covers 58 developing countries in Eurasia, Latin America and the Caribbean, the Middle East and North Africa, Southeast and South Asia as well as Sub-Saharan African economies. The ITID includes the 15 sample countries covered in the data collection for tax (excluding CIT), financial and regulatory incentives.

Source: (Celani, Dressler and Wermelinger, 2022[1]; OECD, 2022[14]).

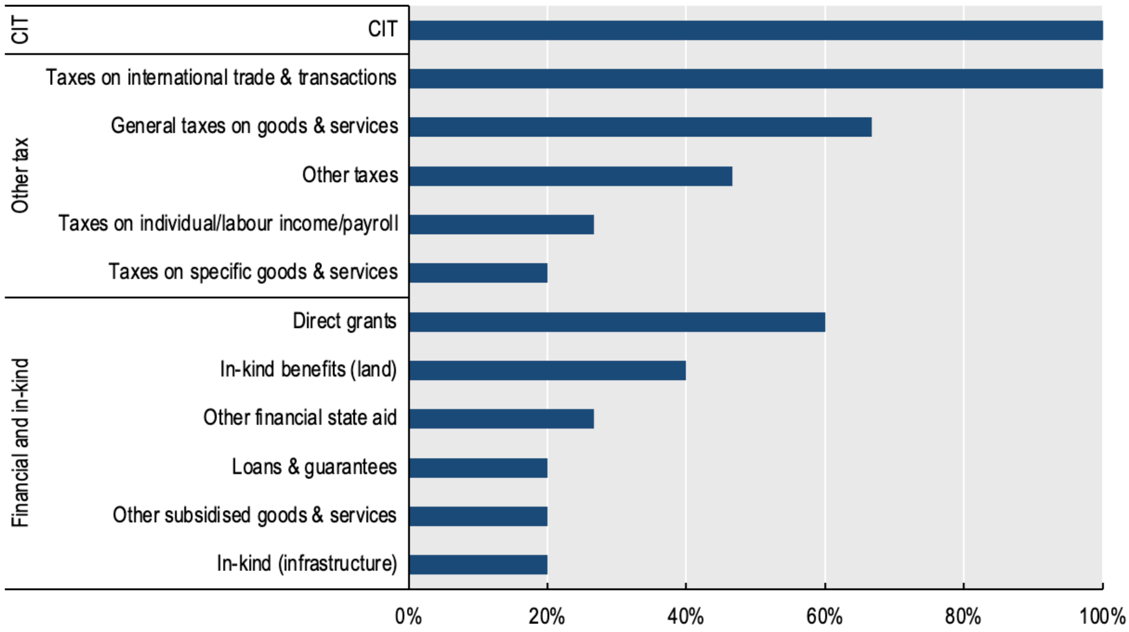
The vast scale and scope of investment incentives offered by governments pose challenges to fostering transparency, particularly as various agencies administer these incentives. The data collection reveals that governments offer a wide range of investment incentives (see Section 3.2.1 and Annex A for a list of all incentives tracked in the context of this work). In addition to benefits provided through the CIT system, tax incentives granted across the sample countries include reductions or exemptions on general taxes on goods and services (e.g., VAT, sales tax) to lower production costs for businesses. Customs duties and import taxes can also be waived or reduced in designated economic zones or free trade areas to encourage international trade. Governments also use financial incentives (e.g., direct grants, loans and guarantees) such as wage subsidies or training grants to boost job creation and skills development.

Incentives related to CIT and international trade and transactions are the used across all 15 countries (first two rows in Figure 2.1). Over one-quarter of all support measures on customs and import duties are granted exclusively to projects in SEZs. For example, one country provides exemptions on import duties of manufacturing machinery in zones. Another one offers customs duty exemptions on imported machinery or equipment, unavailable locally, and necessary for depollution projects in SEZs. Other sub-categories of tax incentives can also relate to excises on specific goods or services or to property taxes.

More than two thirds of countries also provide investment incentives outside the tax system (non-tax incentives), including financial benefits (11 out of 15 countries) and in-kind benefits (9 out of 15 countries). Among non-tax benefits, direct grants are most commonly used, by two-thirds of the countries covered. For example, one country provides partial or full coverage of infrastructure costs for certain projects. Firms in another country receive grants to export locally manufactured goods. In-kind incentives can include government provision of land or infrastructure. For example, investors can receive land free-of-charge in one country for projects deemed strategic, while three other countries offer land rent exemptions to firms in certain sectors.

Figure 2.1. More than two-thirds of sample countries offer a mix of CIT, other tax and financial incentives

Share of economies with at least one investment incentive, by incentive type



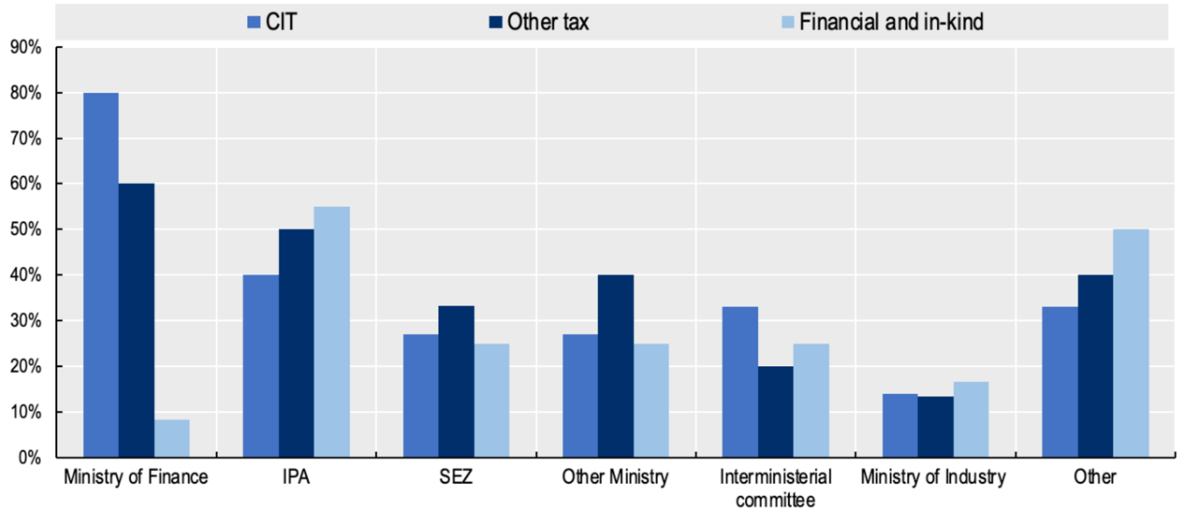
Note: Regulatory incentives as a fourth category are not included in the analysis.
Source: Data on the sample of 15 countries for tax and non-tax incentives (i.e. 426 incentive entries) collected in 2023, and OECD ITID for CIT incentives, accessed in June 2023.

A wide range of revenue and non-revenue authorities are involved in granting and administering investment incentives, which can improve policy alignment but can also raise the risk for redundancy and discretionary allocation of these incentives (Figure 2.2). Most of the 15 countries grant at least one CIT incentive through the Ministry of Finance, but nearly half of the countries also grant CIT benefits through different agencies and ministries (and some incentives are granted by multiple authorities). For example, 40% of the sample countries administer at least one CIT incentive through the IPA, and more than one-quarter of countries grant one or more CIT benefit through SEZ authorities or other ministries, including ministries of investment, agriculture, or science and innovation.

The administration of other tax incentives (excluding CIT but including general taxes on goods & services, customs and import duties, or taxes on specific goods, see Annex Table A.1) is spread even more widely across different governmental authorities. Most countries grant some other tax incentives through ministries of finance, and ministry representatives also sometimes sit on inter-ministerial committees tasked with granting certain incentives. Half the countries administer at least one other tax incentive through an IPA (notably IPAs often seem involved in granting customs and VAT incentives). In 40% of the countries, other ministries or agencies grant exemptions or reductions to other non-CIT tax incentives, including ministries of environment, agriculture, and information technology. For example, a regional development agency in one country is tasked with administering import and stamp duty exemptions to certain projects. Overall, tax incentives – even CIT incentives – are rarely consolidated under one government authority.

Figure 2.2. Numerous authorities are responsible for granting tax and non-tax incentives

Share of economies with at least one investment incentive, by granting authority and incentive type



Notes: Data is based on incentive entries for which granting authority details are available (i.e. 422 incentive entries).
Source: Data on the sample of 15 countries for tax and non-tax incentives (i.e. 426 incentive entries) collected in 2023, and OECD ITID for CIT incentives, accessed in June 2023.

Financial and in-kind support incentives are most commonly overseen by non-revenue authorities. More than half of the countries in focus task the IPA with granting financial benefits, although multiple authorities can be involved in assessing grant or loan applications. Half of the countries covered grant financial and in-kind benefits through other agencies, such as central banks and government funds. For example, a central bank in one country offers subsidised loans to SMEs and agricultural projects. Other ministries also grant financial and in-kind benefits depending on the nature of the project, including ministries of tourism, agriculture, and industry, science and technology.

Reflecting the different granting authorities, tax and non-tax incentives are authorised in a range of laws. More than three quarters of the 15 countries grant at least one CIT incentives through their tax law. However, none of the countries covered have consolidated all CIT incentives under one piece of legislation, often offering other CIT benefits through multiple other laws, regulations or decrees. Similarly, other tax incentives (excluding CIT) are rarely consolidated in one legal act. Over one third of countries grant at least one (non-CIT) tax incentive through laws governing investment or SEZs, and/or dedicated customs and VAT laws. Financial and in-kind incentives are also spread across different legal acts, including investment laws (in more than one third of countries) or other types of legislation (in almost half of countries).

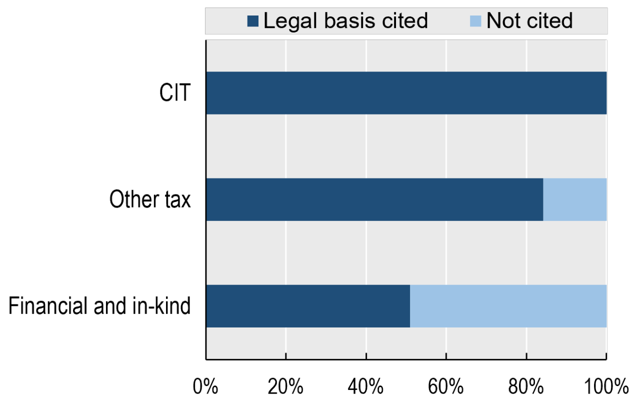
2.2.1. Availability and accessibility of information on investment incentives

The availability of information on investment incentives often constitutes the first barrier to transparency for investors. At times, investment incentives are publicised (for example on an IPA or SEZ website) without reference to authorising laws and relevant regulations (Figure 2.3, Panel A). While a legal basis could be identified for all CIT incentives included in the analysis, this was not always the case for other tax and non-tax incentives. Notably, one third of the countries included have listed several financial and in-kind incentives on government websites without reference to their legal basis. This could create uncertainty for investors on whether the incentives are still offered and limits their ability to confirm relevant information directly in source law (e.g., eligibility conditions, granting procedure).

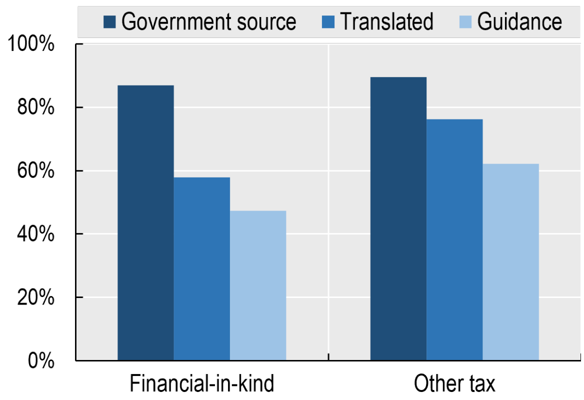
In cases where references to legal instruments are available, the laws are not always accessible to investors or may not contain all relevant information to understanding an incentive. While the majority of relevant laws for incentives with a known legal basis are available through a government source, just over half of laws are translated to English for financial and in-kind incentives, compared to 76% of laws granting other tax incentives (Figure 2.3, Panel B).

Figure 2.3. Legal basis for incentives at times unavailable, inaccessible, or insufficient to understanding an incentive

Panel A.



Panel B.



Notes: Panel B is based on data of incentive entries for which legal basis details are available (i.e. 312 incentives) and excludes CIT incentives. Guidance is defined as details on eligibility conditions, benefits of an incentive, and application process. This guidance can be included in legislation or featured in a stand-alone guide.
Source: Data on the sample of 15 countries for tax and non-tax incentives (i.e. 426 incentive entries) collected in 2023, and OECD ITID for CIT incentives, accessed in June 2023.

Fewer countries provide detailed guidance with relevant information for investors, either directly in the law, secondary legislation or via a separate incentive guide. Relevant information includes incentive eligibility conditions, how it benefits firms (generosity) and granting procedure. Just under half of financial and in-kind incentives across the 15 countries are publicised with all or most relevant guidance for investors, compared to 62% of other tax (non-CIT) incentives. Notable examples include one country whose IPA publishes a guide on each available tax and non-tax incentive, summarising eligibility conditions, benefits and application process required to benefit.

Providing relevant legislation in an accessible and publicly available format is particularly important, as many incentives prompt investors to consult different laws and regulations to understand how the benefit applies. For example, granting legislation might not include details on eligibility requirements of a given incentive. This may be because many countries grant incentives in a framework law, and authorise which firms are eligible in regulations, which can be more easily amended. Sometimes details from implementing decrees are later consolidated into the granting law. Of the tax incentives (non-CIT) with a known legal basis, less than half (44%) have eligibility requirements consolidated in a single piece of legislation. Moreover, only a few countries publish yearly guides to account for potential tax incentive reforms (e.g., VAT and customs). In one country, for example, the revenue authority publishes annual guides on VAT, customs and excise rates applicable in a given year.

When eligibility requirements are not consolidated in legislation, investors might need to consult up to four or five pieces of legislation to see if they qualify for an incentive. This is the case for nearly half of all tax (non-CIT) and financial incentives, where investors consult four different legal acts to capture the eligibility details of a particular incentive. For example, one country's investment law authorises direct grants to cover costs incurred in technical training of employees in certain regions. The eligibility requirements for such grants are included in the implementing regulation and clarified in two subsequent decrees.

2.2.2. Clarity of investment incentives

The design and granting process of incentives can also contribute to their transparency, particularly when eligibility conditions are clear and granting authorities have less discretion to select beneficiaries or even determine incentive generosity.

In many cases, eligibility conditions for incentives are fairly clear. But the data collected from the 15 sample countries also provides examples where granting authorities have wide discretion in determining which investors benefit as well as the nature of the benefit. In one country, an investment council decides the level of financial support (with a ceiling set by law) extended to projects of national interest. Often it appears that granting authorities have more discretion regarding incentives for large investors, including regulatory benefits (see Box 2.2). For example, large investors in one country can negotiate directly with the IPA for a wide range of incentives, including exemptions of taxes or duties, in-kind benefits, and relief towards utilities. In another country, the council of ministers determines the incentives package provided to priority projects on a case-by-case basis, which may include in-kind benefits, such as allocation of land free-of-charge, or utilities below market level. As noted earlier in this note, discretion afforded to granting authorities when it comes to determining the benefits of incentives can contribute to an uneven playing field among investors.

In addition, the eligibility requirements to benefit from an incentive can be based on loosely defined or non-quantifiable performance criteria. Examples include a country which offers direct grants for investments with "high impact on economic growth", while another country offers reductions on land-related taxes if the project contributes to the transition towards a green economy, innovation or environmental protection. Conversely, certain incentives have non-quantifiable conditions that are clearly defined. For example, firms contributing to environmental protection in one country receive exemptions from import duties, based on a clearly defined list of eligible activities in the authorising legislation. However, non-quantifiable criteria add to the discretion of granting authorities if requirements cannot be easily measured or assessed objectively and could contribute to a lack of clarity on which investors and projects can benefit.

In addition, the data collected from the 15 countries reveals that most financial, in-kind and other tax incentives require investors to apply to benefit from them. Almost all available financial and in-kind incentives are granted on the basis of an application – arguably due to the nature of these incentives. When application processes are standardised and clearly spelled out, they can improve clarity of incentives design and governance. In the absence of clear criteria, they may foster discretionary policymaking that lacks transparency. While CIT incentives are often granted automatically, other tax incentives are not, requiring the approval, e.g. of the IPA. When incentives are granted on basis of approvals, it is particularly important to establish clear criteria for determining eligibility and assessing applications.

Box 2.2. Large investors in particular seem to benefit from tax and non-tax incentives, including regulatory benefits

Governments frequently use tax and non-tax incentives to target large investors. Across more than 50 countries covered by the ITID in 2022, nearly two-thirds have at least one CIT incentive with a minimum investment condition, either a minimum investment amount or a minimum employment requirement. Around 20% of these investment size conditions require a minimum value of more than EUR 10 million invested (OECD, 2022[14]). Financial incentives and in-kind incentives are also offered based on a minimum investment requirement in the sample of 15 countries covered in this note. For example, investors in two countries are eligible for rent exemptions for lengthy periods if their investments meet specific thresholds, with one country requiring minimum EUR 1 billion and the other EUR 100 million in investment.

At times benefits to large investors are part of customised packages. Laws in several of the sample countries authorise exceptional additional tax, financial and in-kind benefits (often not defined) to certain large, strategic projects on a case-by-case basis. Regulatory incentives also appear reserved partially for large investors (sometimes also negotiated on an individual basis). The scope of regulatory incentives is difficult to define, including measures such as fast approvals or administrative assistance, derogation from regulations or standards, and/or preferential contracts. For example, one country provides exemptions from any changes in regulations for investments of minimum EUR 5 million, and a one-time administrative approval for investments of at least EUR 10 million. Several countries provide customised labour requirements to businesses, including to large investors. For example, one country provides exemptions from national labour regulations for large investors (of minimum EUR 150 thousand) in SEZs, allowing investors to provide several short-term contracts to workers. Incentives favouring large investors exclude businesses with less negotiating power, and could provide benefits to firms that may have entered the market regardless of the incentive.

Source: Data collected on the sample of 15 countries for tax and non-tax incentives (i.e. 426 entries), and OECD ITID for CIT incentives.

Overall, transparency gaps can vary to some extent based on region, as outlined in Annex A. In the Middle East and North Africa region, for example, only one of the three countries covered advertise at least one incentive without citing the relevant legal basis. While the availability of information is sufficient, the legal basis published on government sources is at times untranslated, creating a barrier to investors seeking to access further information. By contrast, in southern Africa, four of the five countries covered advertise at least one incentive without citing the relevant legal basis, leaving limited information available for investors on the offered incentives. Investors can also face distinct barriers to the clarity of information depending on the region. For example, three of the four countries covered in southeast Asia offer at least one investment incentive with full eligibility details spread across multiple legal acts, likely due to the intricate regulatory and legal framework in the region.

While the overall state of transparency in the sample countries suggests various areas of improvement, the data also provides some positive practices in publicising information on investment incentives. For example, several countries maintain lists or inventories of all available tax and non-tax incentives. Incentive-specific guidelines are published in a number of countries to help investors access and benefit from the support measures. The mapping includes examples of countries which maintain official gazettes, making available all investment-related legal acts and their amendments if not consolidated. Other examples include countries which clearly define the eligibility conditions of incentives, including non-quantifiable conditions, to minimise discretion of granting authorities. These examples of reinforced transparency can contribute to forming overall guidance on how to increase the availability, accessibility and clarity of investment incentives.

2.3. Incentive transparency could benefit multiple stakeholders

This section summarises the main arguments in favour of greater transparency, and the potential benefits for governments, investors, and other stakeholders. Transparency also involves costs that may be country and context-specific, and importantly depend on the degree of transparency that is sought. Improving transparency requires balancing benefits and costs in the context of governments' limited resources.

2.3.1. Benefits for national governments

Incentives to attract investors are ineffective if investors are not aware of them, or inefficient if only advertised to a limited set of investors. Increasing transparency, for example by making public a list of available benefits, eligibility criteria and granting processes **could help countries better facilitate quality investment and attract untapped investment sources** by levelling the playing field among investors**.** For example, small and medium enterprises (SMEs) have fewer resources to navigate the often complex legal framework governing incentives, and less power to negotiate agreements directly with governments. These investors may be deterred by incentives that require lengthy or complex approval processes. Foreign investors that are less familiar with the local market may not be aware of potential assistance to support new investment; greater transparency could help overcome information asymmetries (Jedlicka and Sabha, 2017[5]).

Making incentives more transparent is key to **evaluating impact and effectiveness of incentives**. Reporting on all available incentives, their duration and policy goals can help policymakers determine whether the goals of incentives align with wider policy or development objectives and inform analysis on whether an incentive was successful in generating additional investment (i.e. investment that would not have come without the incentive). More in-depth data on the revenue costs of incentives (direct, revenue forgone) and administrative costs would support evaluation on cost-effectiveness of policies, as is currently the case with tax expenditure reporting where it applies (Redonda and Neubig, 2018[7]; Heady and Mansour, 2019[15]). Monitoring of firm compliance with the terms of the incentive (for example, if incentives are bound to outcomes such as jobs created) could also support improved understanding of whether incentives contribute to policy goals. Transparent information is key to assess whether interventions are justified (if benefits outweigh costs), and to support reform of potentially outdated, ineffective, and inefficient policies.

Maintaining and updating lists of investment incentives internally can also **help foster coordination across different government agencies** involved in granting incentives and improve **alignment with wider policy strategies**. In many countries, the ministry of finance and the tax administration, investment promotion agencies, investment councils, special economic zone authorities, as well as ministries of energy, innovation, transport, and urban development all administer some incentives to investors. Without mechanisms to share information between these agencies, incentives may overlap, be inconsistent, or work at cross-purposes (OECD, 2013[3]). Improving coordination is even more important when subnational agencies or local governments grant competing incentives. Sharing information across levels and bodies of government on beneficiaries of incentives could also curb redundancies in granting benefits to the same investors (Jedlicka and Sabha, 2017[5]).

Transparency on investment incentives, combined with good governance, can also help reduce **opportunities for rent-seeking behaviour** and aggressive tax planning by investors, as well as the risk of corruption by firms and government officials (IMF-OECD-UN-World Bank, 2015[16]). As noted, many incentives are subject to the discretion of implementing authorities, with details of the available benefits and eligibility criteria not made clear. Across OECD and developing economies, large investors can succeed in negotiating generous benefits long after they have entered a market, and sometimes regardless of their profitability, raising questions on the efficacy of a given incentive package and increasing risks of market distortions (Krakoff and Steele, 2016[17]). While most firms will tend to seek cost reductions, in countries where governance frameworks lack strong accountability, incentives can contribute to more aggressive privilege-seeking and corruption by firms. Bilateral deals are more difficult to monitor if there are no reporting requirements on incentives granted (Mahmood and Slimane, 2018[18]).

2.3.2. Benefits for domestic and international investors

Investors would benefit from access to clear and regularly updated information on the availability of and processes for receiving tax, financial or other benefits **to assess new investment opportunities**. As outlined above, companies may not be aware of investment incentives, or understand conditions to receive them. Government transparency also supports **policy consistency and certainty**. Incentives are often subject to frequent amendments without clear communication about these changes or the policy rationale behind them, which can create confusion and act as a deterrent for investors (OECD, 2021[8]). Well-maintained lists of available benefits would support trust in governments that policy changes are not arbitrary and have been clearly communicated.

Investor surveys conducted by the World Bank and the Multilateral Investment Guarantee Agency in developing countries (between 2009-2013 and 2017) have found that around a quarter of foreign investors have cancelled projects or withdrawn existing investment due to “a lack of transparency and predictability in dealing with public agencies” (World Bank, 2019[19]). More than 80% of investors said transparency and predictability in conduct of public agencies was important to their investment decision; higher than the share of investors who rated investment incentives themselves as important (56%). Similarly, a majority of respondents to an OECD business survey reported that uncertainty in tax was very or extremely important to investment and location decisions (IMF-OECD, 2017[20]) Pilot studies from seven countries conducted by the World Bank on investor-state grievances also found that investors considered arbitrary conduct around taxation and compliance with investment incentives to be among the most common grievances linked to government conduct and arbitrary regulatory changes (World Bank, 2019[19]). While transparency does not guarantee certainty or predictability of government policies, it is a key step to communicating changes and promoting government accountability to investors and the wider public.

Transparency on available benefits, alongside good governance that reduces discretionary granting of incentives, can **support an even playing field** for investors. Rules that are applied in an ad-hoc manner across investors create unfair competition. Incentives tend to benefit the largest investors, with the greatest resources to find and negotiate benefits (Andersen, Kett and von Uexkull, 2018[21]). As noted above, these investors may not be the firms most in need of incentives, and therefore are likely to receive windfall gains from government support. In locations where competition is already constrained – due for example to prevalence of large state-owned or politically-connected firms – a lack of transparency on incentives can give the appearance of an uneven playing field on incentive policy (Mahmood and Slimane, 2018[18]). Clarifying eligibility criteria, granting decisions, as well as procedures for appeal against an administrative decision not to grant the incentive, would support confidence that incentives are granted in a fair and transparent manner. If resources are constrained, even a list of available incentives can be a major step in increasing confidence among firms and the accountability of government bodies. Making information on incentives more widely available could also encourage uptake by domestic firms, which may not have information on available benefits.

2.3.3. Benefits for other stakeholders

In addition to the aforementioned benefits, transparency is also key to ensure **government accountability about how public money is spent**. Even simple reporting on all available benefits and policy goals would help empower all stakeholders – including civil society – to hold governments accountable for their policy actions (IMF-OECD-UN-World Bank, 2015[16]). Civil society has a role in promoting good incentive policy, to ensure government revenue is best utilised, and that ineffective policies do not monopolise resources that could be used elsewhere. Transparency on measures granted and eligibility criteria can help allay potential concerns among the public on how incentives are granted.

2.4. Efforts to increase incentive transparency are growing

The benefits of greater transparency on investment incentives are widely recognised by the tax and investment policy communities.[12] The 1976 OECD Declaration on International Investment and Multinational Enterprises includes an instrument on International Investment Incentives and Disincentives, whereby adhering countries agree to "endeavour to make such measures as transparent as possible, so that their importance and purpose can be ascertained and that information on them can be readily available" (OECD, 2011[22]). However, there have been no procedural decisions to clarify how governments should best improve transparency, or what transparency entails.

The OECD's Task Force on Tax and Development went further in proposing the need for a more effective global transparency framework for tax incentives for investment in developing countries – to promote transparency in decision-making processes, increase the information available on costs and benefits, limit discretion in granting benefits, and increase accountability (OECD, 2013[3]). It proposed ten principles to promote better management and administration of tax incentives for investment, including making public all tax incentives for investment and their objectives, consolidating all tax incentives under the authority of one government body, and collecting data to monitor and review the effects and effectiveness of these measures. A joint IMF-OECD-UN-World Bank report to the G-20 Development Working Group on improving use of tax incentives in low income countries similarly stresses transparency as an essential element of good governance (IMF-OECD-UN-World Bank, 2015[16]). The OECD FDI Qualities Policy Toolkit emphasises the importance of transparent investment incentives in better understanding the effectiveness of such incentives in achieving sustainable development objectives (OECD, 2022[23])The importance of transparency of incentives is also stressed the in the OECD checklist for Foreign Direct Investment Incentive Policies (2003[24]), and in the OECD Policy Framework for Investment, particularly on tax incentives (2015[25]). In addition to these commitments and guidelines, there are examples of legal frameworks that compel countries to be more transparent about some incentives. The EU requires member states to publish detailed information on individual award data provided[13] and on the impact of tax expenditures on revenue, a key step towards conducting analysis on the costs of tax incentive programmes.[14] Several countries outside the EU also have legal requirements to produce tax expenditure reports[15], which can include descriptions of all tax incentives and estimates of revenue forgone (Heady and Mansour, 2019[15]). These reports could serve as examples for how to improve transparency to support policy evaluation and what information to provide in transparency initiatives. Several international investment agreements (IIAs) encourage or require greater transparency on investment incentives, through provisions on disclosure on all regulations relevant to investment, including incentives (Johnson, 2016[26]). The EU is increasingly including more explicit provisions on investment incentives transparency in its external agreements, proposed Economic Partnership Agreements and Sustainable Investment Facilitation Agreements (EU, 2021[27]; EU, 2021[28]).

Fostering transparency of investment incentives is also an important objective of the recently concluded agreement on Investment Facilitation for Development at the WTO. During the negotiation, discussions have included that governments make available and regularly update a description of all practical steps needed to invest, including requirements and procedures related to public incentives offered to investors. These international commitments suggest widespread and growing consensus on the need for and benefits of greater transparency on investment incentives, though the goals of transparency differ. Where there have been efforts to increase transparency for investment facilitation, policy evaluation, and better governance, these have for the most part been general, without specific guidance on what exactly transparency means, and how governments can best be supported to meet transparency goals or requirements.

3 A potential approach to improving transparency on investment incentive policies

This section aims to provide guidance for governments on how to improve transparency on investment incentives. It does so by first suggesting a framework for identifying and classifying investment incentive types – delineating the scope of policies under consideration – and their most relevant dimensions. This is outlined as a typology of investment incentives (Section 3.2) and has the objective to provide a structured framework on the types of benefits offered in a country and their scope, as well as to understand what information on these incentive types could support transparency. This is an important first step, as the absence of a clear understanding on what constitutes an investment incentive, and how to categorise policies that fall under this label, makes it difficult to identify where transparency is lacking and how to improve it. It is also not always clear what is required from governments to be transparent on these measures, in order to advance different policy goals.

Second, this work proposes three overarching principles of transparency – availability, accessibility and clarity of information – to frame guiding questions for policymakers seeking to improve transparency. These were developed based on analysing incentive policies in a sample of 15 developing economies collected in the context of this work, and on corporate income tax incentives in 58 developing economies collected through the OECD ITID (see Section 2).

Considering these principles can support governments to fulfil their own stated commitments to increasing transparency of their investment incentives. For example, it could assist governments to create an inventory of investment incentives, by providing a common guiding framework to identify all incentives offered, understand what information is most pertinent, and consider how transparent this information is to investors and the public. While the typology and principles of transparency are relevant for the different policy goals of transparency described in the first section – investment facilitation, policy evaluation and good governance – the approach primarily enhances transparency for investors, i.e. for investment facilitation, and can be seen as a first step to improve policy evaluation and governance, i.e. by providing government officials with a good overview of what incentives are available and under which conditions.

3.1. Understanding investment incentives

While there are limitations in any attempt to categorise policy, the lack of a commonly agreed understanding and classification of types of investment incentives adds to challenges of promoting transparency. It makes it difficult to assess the scope of incentives offered in one country and their alignment with stated policy objectives, to evaluate their effectiveness and efficiency, or make descriptive comparisons across countries and time. Though it should be noted that comparing incentives across countries and time is inherently challenging, as the baseline treatment of investors varies substantially across jurisdictions.[16] A common understanding of investment incentives can provide a framework for identifying and analysing the most frequently used measures that governments employ to attract certain investors or to influence characteristics of an investment project.

Investment incentives could cover a range of measures. In the broadest sense, the quality of the whole investment climate, including the laws and regulations that govern investors' entry and operations, the tax regime, quality of infrastructure, skills of the workforce, as well as strategies and tools to promote and facilitate investment, are dimensions entering a firms' decision making on whether, where and how much to invest in an economy. For foreign investors, bilateral or multi-lateral agreements such as tax treaties, IIAs and free trade agreements (FTAs) also aim to incentivise foreign direct investment (FDI) by clarifying rules of engagement and often, granting preferential treatment to investors from a particular country.

While the whole policy framework for investment[17] and economic characteristics of a country play a role in attracting and retaining investors, investment incentives are generally understood to refer narrowly to specific and targeted policy tools. Drawing on definitions proposed by different international organisations and the relevant literature[18], investment incentives are typically described as targeted measures that: (1) seek to encourage new investment, expand or relocate existing investment; and (2) provide advantages to a subset of investors, beyond those available to all firms in the territory. Incentives often also aim to influence the type or nature of investment, or encourage a particular economic activity.

Based on these proposed criteria, policies that are available to all firms, and that seek to increase investment overall, fall outside the scope of the typology. Though these overarching policies may be central to a firm's investment decision, they are not considered for this work, which seeks to shed light on the host of targeted benefits governments offer. These criteria view investment incentives as country-specific and relative to a national benchmark, i.e., as provisions that deviate from the standard rules applicable at the country level to firms irrespective of their economic activity or any other investor- or project-specific characteristics. In this context, a relatively lower standard CIT rate (the benchmark rate for most firms) would not qualify as an investment incentive in a specific country, even if it is lower than the standard rate in a peer country. Similarly, labour or environmental standards that are less stringent in one country compared to another will not be considered.

The criteria indicate that intent matters; that is, incentives are policies that aim to influence investment or investor activity, excluding policies that might by their nature attract investors but are not designed or marketed with this as their primary goal.[19] This could include anything from education policy to sectoral regulations, or benefits that indirectly advantage certain firms. Several policy measures would still fall in a grey area and may have to be evaluated on a case-by-case basis.

Covering every investment incentive is beyond the scope of this work. For example, it is proposed that investment incentives, for the purposes of the typology, do not include protection provisions granted in IIAs or provisions in tax treaties that accord investors from one or several countries preferential tax treatment. Though these provisions provide exemptions from standard treatment, they apply to all investors from a particular country. Arguably, these incentives apply to a scope of investors that is too broad to be included. It could also be argued that their primary aim is to influence which countries invest, not, as a first goal, the size, location, sector, activity or behaviour of the project. Under this logic, preferential withholding taxes on interest, royalties and dividends set out in tax treaties would not be included, but such taxes would be considered if they are targeted towards specific investors beyond those from a particular country.

3.2. Typology of investment incentives

Based on the criteria introduced above, defining what constitutes an investment incentive, and building on classifications used in existing international initiatives, this section presents a typology of investment incentives, which sets out the main incentive types, and creates a framework for understanding their most relevant dimensions.[20]

3.2.1. Types of investment incentives

Drawing on the most commonly used distinctions from the literature[21], it is suggested that the typology include three overarching types of investment incentives – tax, financial & in-kind, and regulatory & non-financial incentives (Table 3.1). Annex A provides more details and examples on each incentive type.

Investment incentives can be further classified by several sub-categories of benefits – more specific instruments by which the government supports investing firms (Figure 3.1). This allows for identifying which specific policies classify as investment incentives, limiting the scope of policies under consideration. The categories of instruments for tax incentives draw on the OECD Classification of Taxes for the Global Revenue Statistics Database (OECD, 2020[29]), with some modifications to re-group incentives based on most frequently used instruments; financial, in-kind, regulatory and non-financial incentive instrument types are derived from the EU State Aid Scoreboard (EC, 2021[30]), OECD (2003[24]), UNCTAD (2003[31]), and Tavares-Lehmann et al. (2016[32]). Tax and non-tax support measures are differentiated based on the OECD definition of taxes, which are "confined to compulsory unrequited payments to the general government or to a supranational authority. Taxes are unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments" (OECD, 2020[29]). Financial and in-kind benefits are grouped together in order to differentiate incentives with an identifiable monetary value from regulatory and non-financial incentives. Annex A provides more detailed descriptions of these sub-categories and examples of incentives that fall under them.

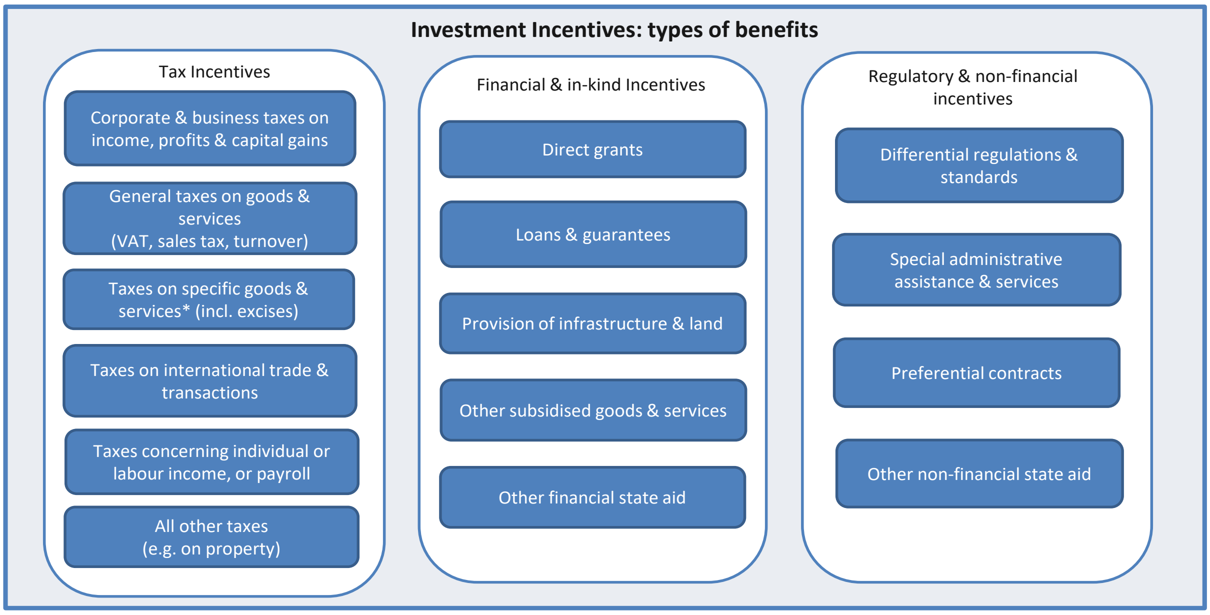
Table 3.1. Investment incentives proposed main categories

Incentive category	Description
Tax incentives	Investment incentives that affect government revenue collection, such as preferential treatment under tax and customs duties and other benefits
Financial & in-kind incentives	Direct transfer of government funds, other government financing mechanisms or support, and state provision of goods and services at below market value, with an identifiable monetary value
Regulatory & non-financial incentives	Derogations from standard rules and regulations, some specialised regulation, specialised assistance and services, and other non-financial government support

Source: OECD

Regulatory and non-financial incentives are less straightforward to define, and as a result were not included in the data analysis presented earlier. However, the typology aims to cover the full range of incentives governments offer investors, which includes in many countries specialised advantages that do not involve tax or financial support. For example, Special Economic Zones or Free Trade Zones have allowed firms derogations from labour and environmental standards (OECD, 2001[33]). Elsewhere, IPAs may offer eased administrative procedures for large investment projects with specific characteristics. Classifying which types of policies, among the broad policy framework for investment, may be considered as investment incentives is particularly challenging in the area of regulatory and non-financial policies as almost any regulatory measure that is sector-specific and thus only available to a subset of investors could be an investment incentive, if these measures seek to incentivise investment, according to the proposed definition. But classifying all these regulatory measures as investment incentives may not be practical.

Figure 3.1. Investment incentives typology: proposed categories of benefits



Note: *Taxes on specific goods and services excludes taxes on international trade and transactions, covered in the following category.
Source: OECD

Indeed, any strict categorisation of benefits is fraught; some incentives will not easily fit these delineations, and incentives that are less advertised or harder to identity are by nature more difficult to define. The typology is thus meant to be a guide, a starting point to creating a common framework for supporting countries in promoting transparency, potentially collecting data and reporting on incentives, across government agencies and countries.

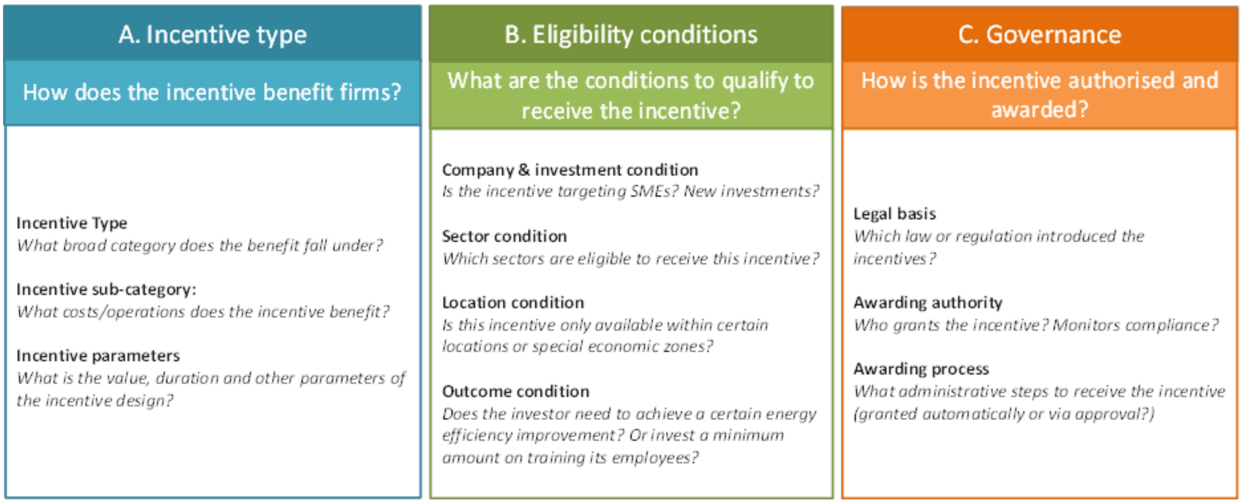
3.2.2. Key dimensions of investment incentives

The second goal of the typology is to create a structured framework for understanding key dimensions of investment incentives. Drawing on the structure of the OECD Investment Tax Incentives Database, three dimensions of investment incentives are pertinent: incentive type and design, eligibility conditions, and governance (Figure 3.2) (Celani, Dressler and Wermelinger, 2022[1]). In order to support transparency on incentives, it is important to understand (A) how incentives benefit firms, (B) the conditions an investor must meet to qualify for a certain incentive, and (C) how the incentive is authorised (in law) and granted (governance).

This typology guided the data collection on tax and non-tax incentives presented in this note drawing from the framework of data collection for the OECD ITID (Box 2.2). However, it is not an exhaustive list of what is required from governments in order to be transparent, for different policy goals. Rather, it suggests different dimensions along which it is pertinent to provide information to enhance transparency of incentive policies, particularly for investors. While this baseline information can support other goals beyond investment facilitation, additional information is required for monitoring and evaluating incentive policies, including enhanced transparency on costs of incentives.

Governments could nevertheless use the typology as a basis to understand what policies are under consideration, and what information is relevant. In this way, alongside the key principles of transparency presented in the next section, it could serve to support governments' own understanding of investment incentives.

Figure 3.2. Framework for classifying relevant incentive dimensions



Note: Adapted from (Celani, Dressler and Wermelinger, 2022[1]).
Source: OECD.

3.3. Towards guidelines for greater transparency

The typology supports governments in gaining a structured understanding on the overall incentive policy in a country to identify areas where transparency is lacking and how to improve it; in addition, this work proposes three overarching principles of transparency - availability, accessibility and clarity of information – and a first set of guiding questions that may form part of a checklist for policymakers to follow in order to improve transparency of investment incentives. These principles and accompanying guiding questions aim to provide concrete considerations for governments on how to increase transparency on investment incentives. These components could form the basis of future guidelines for transparency or serve as part of wider guidelines towards smarter use of investment incentives, for which transparency is a key component.

These considerations draw from literature and guidance on investment incentives by international organisations, and reflect where the biggest gaps in transparency seem to be, based on OECD data collection for this project as well as wider OECD work on incentives.[22] As outlined in Section 2.2, in many countries transparency on incentives is limited by the fact that provisions to understand incentives are spread out across numerous laws and regulations, often without a complete picture for investors nor government officials. Some incentives do not have specific and measurable eligibility conditions, and it is not always clear how an investor applies or proceeds to receive incentives. Governments are therefore encouraged to assess whether information on incentives – on incentive type and design, eligibility conditions and governance (as set out in the typology) – is available, accessible and clear to investors. This depends in part on how incentives are authorised and granted; improving good governance of incentives can therefore also help support transparency.

Improving availability, accessibility and clarity of information on incentives is an important first step for greater transparency for investors and the public. But the scope of information suggested below will have to be expanded to support policy evaluation, for example, tracking costs of incentives in terms of revenue forgone, understand the *de facto* governance arrangements, and monitoring performance of incentive recipients. The latter is particularly important to ensure that incentives are indeed contributing to their stated policy goals (e.g. investment facilitation), including for specific sustainable development goals.

3.3.1. Availability and accessibility of information

The starting point for governments to enhance transparency on incentives is to ensure relevant information and legislation on all incentives is available to investors and the public, and up to date. That is, is information on incentive design, eligibility conditions and governance publicly available for the full scope of tax, financial & in-kind, regulatory & non-financial benefits? The typology suggests what information is relevant across these dimensions, and how to define these different incentives (detailed in Annex A). However, making laws and regulations public does not necessarily mean that they are easy for investors or the public to access. All laws relevant to understand the incentive might not be published online, translated into a second language, or easy to find, for example via the IPA website. The data collection found that in many cases it is not clear what the legal basis of the incentive is, particularly for financial and in-kind incentives (i.e., there is no reference to authorising laws on government websites promoting incentives).

Providing access to relevant legislation is particularly important given that incentive details are often not consolidated into one legal act. The amount of tax or financial benefit might be set out in an Investment Promotion Law, with details on eligibility conditions in implementing regulations, subsequently amended by decrees. Issuing updated consolidated legal acts, with all relevant amendments and details from regulations, could help promote transparency. This could also be done through incentive guides, with clear references and links to pertinent legislation, time-stamped to make clear that the information is up to date. Sometimes repealed incentives are still advertised on certain government websites, highlighting the importance of coordination between agencies authorising incentives and IPAs, for example. Further, some relevant details on incentives tend to be more difficult to find than others. This can include full details on eligibility conditions, which are often spread across multiple regulations. Notably, granting process is often not described in incentive guides or government websites, and sometimes the full process is not outlined in the law. Ensuring this process is clear, with a legal basis, is key to granting incentives in a fair and transparent manner.

Governments are also advised to make public the policy goal of incentives. This can help investors understand what is expected of them and allow citizens key information on why public money is being spent. Table 3.2 provides a few guiding questions for governments to gauge if relevant information is available and accessible.

Table 3.2. Availability & accessibility of information: guiding questions

Is legislation granting the incentive publicly available online? Are supporting regulations and amendments online?
Is it clear which legal act authorises the incentive? Are authorising laws and relevant regulations cited in incentive guides or government websites?
Is relevant legislation translated in a second language?
Are all relevant details to understand how the incentive benefits firms, eligibility conditions, granting process and monitoring or other requirements detailed in legislation?
If incentive details are spread out across legislation, is there an incentive guide to help explain the incentive?
Does the incentive guide include all relevant details (eligibility conditions, granting process, etc.)?
Is relevant information up to date? Are guides or information published time-stamped?
Is the rationale and policy goal of the incentive made public?

Source: OECD

3.3.2. Clarity of information

This work posits that transparency is not only about making information available and accessible, but also how successfully this information is communicated – how clear the information is – including the complexity of the policy itself (OECD, 2003[2]). While incentive guides or inventories can help improve clarity for investors, how incentives are designed and granted also affects their transparency. When eligibility conditions are not clear, not quantifiable, and when granting authorities have wide discretion to select beneficiaries, or even determine incentive generosity, it can create confusion for investors on what is required to benefit and raise risks of an uneven playing field. While this allows governments some policy flexibility, it can also make it more difficult to assess whether incentives are contributing to policy goals.

Many incentives have some non-quantifiable eligibility criteria; for example, projects that contribute to economic growth, innovation, or environmental protection. In these instances, it is important for government to clarify the criteria used to select beneficiaries, that this is set out in law, and that investors have access to information and potential redress if not selected. In many countries, even if most incentives have specific eligibility requirements, with value of benefits clear, there are at least some incentives that are reserved for "strategic projects". Most often, certain financial and in-kind benefits are available on a case-by-case basis, determined via application by one ministry or a council of representatives from different ministries. The more incentives are granted based on clear criteria, with minimal discretion from granting authorities, the more transparent they are to investors.

Table 3.3 provides a few guiding questions on supporting clarity of information on incentives. Other elements of good governance of incentive policy can also support transparency. This includes how complex the benefit is and how different incentives can be combined (and coordination across government agencies on beneficiaries). Governments are advised to consider how incentives transparency can in return support better incentive policies.

Table 3.3. Clarity of information: guiding questions

Are incentives granted automatically to investors that qualify (via self-declaration by the taxpayer), or through an application process?
Is the application process based on specific, clear, and quantifiable or measurable criteria? If non-quantifiable, are criteria clear?
Are details on the application and approval process clear and set out in legislation?
Is the timeline for approval process clear?
Is information on incentives consistent across government websites?
Is contact information provided for investors to ask questions or follow-up on the incentives offered?

Source: OECD

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Annex A. Proposed investment incentives typology

The following tables elaborate the scope of investment incentives covered by the proposed typology of investment incentive. Incentives are divided into three overarching categories: tax, financial & in-kind, and regulatory & non-financial benefits. Each of these overarching incentive types can be further sub-categorised into several instruments (for example, financial incentives can include direct grants or subsidised goods and services), which benefit firms in different ways. The ways in which instruments are designed (if firms receive a reduced CIT rate or temporary exemption, or loans are concessional or non-concessional) also affects their use and policy goals. The tables provide examples of the main design features for each incentive instrument, along with an example of how this type of incentive has been used, based on the data collection for the 15 sample countries.

Table A.1. Tax incentives: instruments and design features

Instrument	Details (corresponding to OECD Classification of Taxes)	Design features (example)	Incentive example
Corporate and business taxes on income, profits and capital gains	1200. Corporate taxes on income, profits and capital gains 1300. Unallocable as between 1100 and 1200 (corporate taxes only)	Reduced CIT rates, exemption, Targeted tax allowances and deductions Tax credits and other tax relief	SMEs in certain sectors eligible for CIT exemption Vocational training establishments eligible for CIT rates below standard rate
General taxes on goods & services (VAT, sales taxes, turnover)	5110. General taxes (VAT, sales taxes, turnover)	Exemption or reduction on VAT, sales taxes, turnover and other general taxes on goods & services	Zero-rating on VAT for energy-saving technologies (e.g. solar panels)
Taxes on specific goods and services*, incl. excises	5121. Excises 5120. Taxes on specific goods and services, excluding taxes on international trade and transactions allocated below	Exemption, reduction or refund on excises taxes or other taxes on specific goods and services	Reduced excise duties on alcoholic beverages if local input is used
Taxes on international trade and transactions	5123. Customs and import duties 5124. Taxes on exports 5127. Other taxes on international trade and transactions	Exemption, reduction, drawback or credit on: Customs, import duties, export taxes	Exemption of import duties on raw materials used in manufacturing for export SMEs eligible for exemption of customs duties on machinery unavailable locally
Taxes concerning individual or labour income, or payroll	1100. Taxes on income, profits and capital gains of individuals 2000. Social security contributions 3000. Taxes on payroll and workforce	Exemptions or reductions on personal income tax of employees, social security contributions, or other taxes related to payroll & workforce	Employees of export-oriented companies exempt from personal income tax

	1300. Unallocable as between 1100 and 1200 (taxes on individuals only)		
All other taxes	4000. Taxes on property 5130. Unallocable between 5110 and 5210 5200. Taxes on use of goods 5300. Unallocable between 5100 and 5200 6000. Other taxes	Exemptions or reductions on other taxes paid by firms: E.g. land, building, property taxes; professional activity tax; licensing fees; stamp duty	Investors in least developed areas exempt from property tax Export-oriented companies exempt from licensing fees Investment in northwestern areas eligible for reduction on stamp duty on transfer of land

Note: *Taxes on specific goods and services excludes taxes on international trade and transactions, covered in the following category. Categories adapted from OECD Classification of Taxes for the Global Revenue Statistics Database (OECD, 2020[29]).
Source: OECD; examples of incentives based on preliminary analysis of investor guides and national legislation and OECD (2021[8]).

Table A.2. Financial and in-kind incentives: instruments and design features

Instrument	Design features (examples)	Incentive example
Direct grants	Government direct financing for (e.g.): Capital, initial investment costs Infrastructure, land, building, equipment, utilities Job training, wages	Certain projects eligible for matching grants for R&D and technical training expenses Partial or total state support for infrastructure costs for priority projects
Loans & guarantees	Concessional or non-concessional loans Loan guarantees, government insurance	Loan guarantees for SMEs in certain sectors Subsidised loans for SMEs to adopt green technology in manufacturing and services sectors
Provision of infrastructure & land	Government directly provides infrastructure for specific projects or areas, e.g. Economic Zones; or government provides state-owned land at below market value, or facilitates land acquisition	Export Processing Zones provide factory facilities “at economical rates” Land for certain strategic investment projects given free of charge
Other subsidised goods & services	Government provides other goods or services at below-market value, (e.g. utilities)	Certain projects eligible for reduced electricity costs
Other financial state aid	Other financial support, e.g. equity interventions, debt write off, or purchasing of firms’ goods or services at below market value	

Note: Categories adapted from EU State Aid Scoreboard (EC, 2021[30]).
Source: OECD; examples of incentives based on analysis of investor guides and national legislation and OECD (2021[8]).

Table A.3. Regulatory & non-financial incentives: instruments and design features

Instrument	Design features (examples)	Incentive example
Differential regulations & standards	Reduced environmental, social, or labour requirements or exemptions from or reduced standards (e.g. in Zones)	Investors in SEZs exempt from national labour regulations, permitted to provide several short-term contracts Hotels and resorts in northwestern areas are exempt from domestic equity requirements
Specialised administrative assistance & services	Eased procedures (e.g. speed and process of obtaining permits, work visas) Administrative exemptions	Large-scale investment projects in certain sectors get one-step administrative approval for all required licenses The IPA facilitates immigration and work permits for certain projects, and assists in securing land for the project

	Specialized IPA assistance	
Preferential contracts	Preference in public procurement or other contracts	[not advertised]
Other non-financial state aid	Other benefits less well defined (e.g. greater benefit from public goods, monopoly rights, free state advertising)	[not advertised]

Note: Categories adapted from OECD (2003[24]) and (2001[33]).
Source: OECD; examples of incentives based on analysis of investor guides and national legislation and OECD (2021[8]).

The following table shows the proposed structured framework for understanding the scope and types of incentives offered in a country, and what information on incentives could support transparency, as a starting point to advance different transparency goals. Three categories of information on incentives are deemed pertinent, drawing on the OECD Investment Tax Incentives Database (ITID): details on incentive type and design, eligibility conditions, and governance. The data collected on tax and non-tax incentives across 15 countries for this work followed the same approach and structure as the OECD ITID, but included additional dimensions that relate to availability, accessibility and clarity of information on each investment incentives and that allow a assessing how transparent information on each incentive policy is. This framework suggests the different areas that are important to start assessing transparency around investment incentives, it is not meant to be an exhaustive or exclusive list.

Table A.4. Proposed framework for relevant information on investment incentives

Category	Sub-category	Suggested questions to guide data collection
A. Incentive benefit	A1. Instrument	Incentive type: What broad category does the benefit fall under (tax, financial & in-kind, regulatory & other)?
		Incentive sub-category: What costs or operations does the incentive benefit? E.g. VAT, grants, loan guarantees
	A2. Instrument parameters	What does the incentive provide? Brief description on: Numerical value, cap If tax incentive, exemption or reduction? Duration
B. Eligibility conditions	B1. Company & investment condition	Is the incentive only available to foreign-owned companies? New investments? Is a min. investment required? SMEs only?
	B2. Sector condition	Which sectors are eligible to receive this incentive? Classified by ISIC 1-Dig, 2-Dig for Manufacturing and Extractive Industries
	B3. Location condition	Is the incentive location-specific? What is the location type (region or zone) and name?
	B4. Outcome condition	What other conditions are required to receive the incentive? E.g., Energy efficiency, domestic inputs, job creation, export turnover Are these quantifiable or non-quantifiable requirements?
	B5. Policy goal	What policy goal do these eligibility conditions seek to advance? Does the incentive seek to advance (in addition to investment attraction)?
C. Governance	C1. Legal basis	What law or regulation authorises the incentive? When was the incentive introduced? Are the details and eligibility criteria spread across multiple laws or decrees?
	C2. Granting authority	Who grants the incentive (granting authority)? Monitors compliance?
	C3. Granting process, level of discretion	Is the incentive granted automatically or does it require approval? What is the approval process? Is the approval process clear? Are eligibility criteria clear & specific or open to interpretation? Is the application process made explicit in laws or regulation or investor guides?

Note: Adapted and revised from Celani, Dressler and Wermelinger (2022[1]).
Source: OECD.

Annex B. State of transparency of investment incentives: regional comparisons

Table B.5. State of transparency of investment incentives: regional comparisons

Region	Availability	Accessibility	Clarity
Middle East & North Africa	One of the three countries covered offers at least one incentive without citing a relevant legal basis.	Two of the three countries covered publish at least one legal act without providing a translated version	All of the three countries covered have at least one incentive providing benefits on a case-by-case basis to large investors.
Southeast Asia (ASEAN)	One of the four countries covered offers at least one incentive without citing a relevant legal basis.	Two of the four countries covered publish at least one legal act without providing a translated version	Three of the four countries covered have at least one incentive with eligibility details spread across multiple legal acts
West Africa (ECOWAS)	One of the three countries covered offers at least one incentive without citing a relevant legal basis.	Two of the three countries covered publish at least one legal act without providing a translated version	Two of the three countries covered provide limited guidance with details on eligibility requirements, generosity and application process, either in legislation or stand-alone guidelines
Southern Africa (SADC)	Four of the five countries covered advertise at least one incentive without citing a relevant legal basis.	Of the incentives with a known legal basis, all five countries covered provide a translated version of the legal act	Three of the five countries covered offer limited guidance on the available incentives

Note: Data on accessibility is based on investment incentives with a known legal basis (i.e. 312 incentives).
Source: Data on the sample of 15 countries for tax and non-tax incentives (i.e. 426 incentive entries) collected in 2023, and excludes CIT.

Notes

[1] These countries were selected to allow for a good balance in terms of geography and size across developing regions.

[2] See, among others: Celani, Dressler and Wermelinger, (2022[1]); OECD (2021[8]; 2019[9]); James (2014[35]).

[3] See, among others: James (2014[35]); Andersen, Kett and von Uexkull (2018[21]); Tavares-Lehmann (2016[6]); OECD (2013[3]).

[4] Additionality implies that an intervention will lead, or has led, to investment that would not have materialised otherwise without the intervention.

[5] In addition to the work mentioned, since 2007, the OECD has worked to extend the international evidence on tax incentives for R&D and innovation (https://oe.cd/rdtax) and has developed methodologies and data infrastructure in this area. This includes indicators on direct government support for business R&D and on expenditure-based R&D tax incentives (Appelt, Galindo-Rueda and González Cabral, 2019[38]; González Cabral, Appelt and Hanappi, 2021[42]). This work has recently been extended to cover income-based tax incentives for R&D and innovation (González Cabral et al., 2023[39]; González Cabral et al., 2023[40]). The STIP Compass is a joint European Commission and OECD database that compiles qualitative information on R&D and innovation policies, covering both tax and non-tax incentives (see https://stip.oecd.org/stip/).

[6] The OECD/G20 Inclusive Framework on BEPS is a collaboration between around 140 countries and jurisdictions on the implementation of 15 measures to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment, see: https://www.oecd.org/tax/beps/

[7] Countries were selected based ongoing OECD regional work in MENA, ECOWAS, SADC and with members of ASEAN to cover different income levels and economy size. All countries are also covered by the OECD ITID.

[8] Incentive guides prepared by third parties, not promoted on government websites, were not consulted.

[9]

[10] Translations to English were included as an indicator of accessibility given its prominence among selected countries as the primary language of translation.

[11] Guidance is defined as details on eligibility conditions, benefits of an incentive, and application process, outlined in legislation or in a stand-alone guideline.

[12] The call to increase transparency and improve governance of investment incentives is not new. As globalisation led to rising international competition for FDI, increased use of investment incentives (particularly tax benefits) prompted several studies in the 1990s and early 2000s on the use and potential benefits and distortions of incentives, including challenges around transparency (Oman, 2000[10]; OECD, 2003[24]; UNCTAD, 1996[34]; UNCTAD, 2003[31]).

[13] The EU publishes detailed information on state aid individual awards, in compliance with the European transparency requirements for state aid, see: https://webgate.ec.europa.eu/competition/transparency/public?lang=en

[14] Council Directive 2011/85/EU.

[15] Several non-EU countries have a legal requirement to produce tax expenditure reports, including Chile, Colombia, Dominican Republic, Ecuador, Guatemala, India, Mexico, Pakistan, South Africa, and Uruguay.

[16] For example, providing a same level of preferential tax treatment across two countries likely has different incentive effects on investors in countries with different levels of infrastructure quality or statutory tax rates. Nonetheless, classifying types of incentives could allow for descriptive comparisons across countries on the types of benefits offered, their scope and policy goals.

[17] The OECD Policy Framework for Investment outlines twelve different policy fields that influence a country's enabling environment for investment, particularly FDI, including investment laws and regulations, promotion and facilitation policies, as well trade, competition and tax policy (OECD, 2015[25]).

[18] For several frequently cited definitions of Investment Incentives in the literature, see: OECD (2003[24]), UNCTAD (2003[31]), James (2014[35]), Tavares-Lehmann et al. (2016[32]).

[19] There is a grey line at the margins of government support designed firstly to influence investment and wider government support that influences the investment climate. This is pertinent for targeted regulations, such as exemptions from emissions standards or energy taxation that are originally introduced for climate policy or revenue raising considerations. If the exemption applies to only a subset of firms or sectors, it could be considered an incentive.

[20] In addition to guidelines outlined in the previous section, OECD work is informed by initiatives of other International Organisations, including the World Bank, which has developed a template to assess tax incentives for investment across four dimensions, including transparency (IMF-OECD-UN-World Bank, 2015[36]; Jedlicka and Sabha, 2017[5]). The International Trade Centre has proposed guidelines for an Investment Incentives Inventory, to support WTO discussions on investment facilitation (Berger and Sauvant, 2019[4]). The OECD's proposed typology differs from both in its scope (covering a wider range of incentives) and goals (to support investment transparency, policy review and governance).

[21] Several definitions classify investment incentives in two or three broad categories. The OECD Checklist for Foreign Direct Investment Incentive Policies (2003[24]) details commonly used fiscal, financial and regulatory incentives specific to foreign investors, alongside their policy rationale. UNCTAD (2003[31]; 1996[34]) compile lists of fiscal, financial and "other" incentives (including regulatory incentives, subsidized services, market privileges and foreign exchange privileges). Other frameworks, including for EU State Aid, forego overarching categories for lengthy lists of on types of instruments. The OECD Inventory of Support Measures for Fossil Fuels, and other OECD work assessing state support that affects trade, make a distinction between direct transfer of funds, tax revenue forgone, other government revenue forgone (e.g. under-pricing access to government land or debt forgiveness), transfer of risk to the government (e.g. loan and credit guarantees and equity injections), and induced transfers (indirect support) (OECD, 2021[41]; 2019[37]).

[22] In addition to works cited under "Efforts to increase transparency are growing", the World Bank presents a methodology to assess transparency as one dimension of benchmarking investment incentives (outlined in (IMF-OECD-UN-World Bank, 2015[36])) and Berger and Sauvant (2019[4]) suggest elements of an investment incentives inventory. The approach here is more tailored to the biggest transparency gaps identified in data collection across developing economies.

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