TPOs and IPAs: Are they merging?

Jose Prunello
Chief, Trade Support Institutions Strengthening section
What is an IPA?

It’s an institution whose purpose is to attract investment to a country, region or city.

- More than 80% of the countries have a national IPA
- The main goal of most IPAs is to attract inward investment
- Outward investment aspect has been somehow neglected
## Differences between TPOs and IPAs

<table>
<thead>
<tr>
<th>Domain</th>
<th>TPO</th>
<th>IPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>Public and Private</td>
<td>Public</td>
</tr>
<tr>
<td>Mode of engagement</td>
<td>Trade Shows</td>
<td>One on one meetings</td>
</tr>
<tr>
<td>Performance Indicators</td>
<td>Export Volume</td>
<td>FDI value</td>
</tr>
<tr>
<td>Target clients</td>
<td>SMEs</td>
<td>MNCs</td>
</tr>
</tbody>
</table>

Source: UNCTAD (2013), Optimizing government services: A Case for Joint Investment and Trade Promotion?
Most TPOs have investment promotion functions

Source: ITC Research conducted in 137 websites of different TPOs
Number of mergers increased since 2000

Source: Research conducted in 137 websites of different TPOs
67% of high income countries have merged TPOs and IPAs (40%-50% for Developing Countries)
66% of small and medium-small countries (Pop of less than 6M) have merged TPOs and IPAs.
No clear trend observed with FDI as a percentage of GDP

<table>
<thead>
<tr>
<th>Category</th>
<th>Not Merged</th>
<th>Merged</th>
</tr>
</thead>
<tbody>
<tr>
<td>High (&gt;5%)</td>
<td>14</td>
<td>18</td>
</tr>
<tr>
<td>Upper middle (3-5%)</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Lower middle (1-3%)</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Low (&lt;1%)</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>
Why are they merging?

Organizational reasons
- Cost efficiency
- Creation of synergies
- Efficient leadership

Economic reasons
- A small domestic market requires FDI to be export oriented
- Better use of resources in order to achieve higher impact in promotion overseas

Reasons related to policy, strategy and operations
- Policy coherence
- Knowledge sharing

Source: UNCTAD (2009), Promoting investment and trade: practices and issues.
Trade and investment links

- Investments facilitate industrial linkages, technology transfer and spill-over effects, enhancing productivity and export competitiveness
- The process of internationalization can use exports to “test” a market before investing
- Open trade policies and regional integration encourage investments
- Benefits of FDI on balance of payments facilitate more open trade policies
- Overall, the complementarity seems to be higher in developing countries than in developed ones
Trade and Investment reinforce each other

+1% Investment -> +0.81% trade (IDRC*)
+1.21% investment (IDRC*) -> +0.75% trade (IJEC**)
+1% Trade

*International Development Research Centre, Canada
** International Journal of Economics and Finance
Challenges of mergers

- Merged but not co-ordinated: silos
- Managing staff with different skills and mind-sets
- Different time frames, with generally a longer time perspective in investment promotion
- Different clients and contact points in companies
- Different target markets
- FDI and ODI
Conclusions

• There seems to be a trend to merging trade and investment promotion functions.

• The trend is more clear among higher income and smaller size countries.

• There are clear and increasing complementarities between trade and investment.

• Is necessary to learn more and collect good practices on how to overcome the challenges.
Thank you