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PRACTICES AND ISSUES**



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## Note

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## **Preface**

The *Investment Advisory Series* provides practical advice and case studies of best policy practice for attracting and benefiting from foreign direct investment (FDI), in line with national development strategies. The series draws on the experiences gained in, and lessons learned through, UNCTAD's capacity-building and institution-building work in developing countries and countries with economies in transition.

*Series A* deals with issues related to investment promotion and facilitation and to the work of investment promotion agencies (IPAs) and other institutions that promote FDI and provide information and services to investors. The publications are intended to be pragmatic, with a how-to focus, and they include toolkits and handbooks. The prime target audience for series A is practitioners in the field of investment promotion and facilitation, mainly in IPAs.

*Series B* focuses on case studies of best practices in policy and strategic matters related to FDI and development arising from existing and emerging challenges. The primary target audience for series B is policymakers in the field of investment. Other target audiences include civil society, the private sector and international organizations.

The *Investment Advisory Series* is prepared by a group of UNCTAD staff and consultants in the Policy and Capacity-Building Branch, under the guidance of James Zhan.

This study was prepared by a team of UNCTAD staff and international experts led by Paul Wessendorp, comprising Douglas van den Berghe, Andreas Wigren, Stephen Young, and Gianluca Mele, who assisted in the IPA survey. The study benefited from inputs and comments by Rory Allan, Alexandre de Crombrughe,

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Quentin Dupriez and Sehoon Kwak of UNCTAD, and by Eric Buchot from the International Trade Centre. It was desktop published by Teresita Ventura.

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## **Abbreviations**

CEI-RD	Centre for Export and Investment of the Dominican Republic
CIS	Commonwealth of Independent States
DIAE	Division on Investment and Enterprise
DTI	Department of Trade and Industry (United Kingdom)
EAS	Enterprise Estonia
EIA	Estonia Investment Agency
FDI	foreign direct investment
GDP	gross domestic product
HKTDC	Hong Kong Trade Development Council
ICT	information and communication technology
ISA	Invest in Sweden Agency
IT	information technology
ITC	International Trade Centre
IPA	investment promotion agency
JTI	Jamaica Trade and Invest
LDC	least developed country
NZTE	New Zealand Trade and Enterprise
RTA	regional trade agreement
SAR	Special Administrative Region
SDI	Scottish Development International
SIEPA	Serbia Investment and Export Promotion Agency
SMEs	small and medium-sized enterprises
TNC	transnational corporation
TPO	trade promotion organization
UNCTAD	United Nations Conference on Trade and Development
WAIPA	World Association of Investment Promotion Agencies

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## Executive summary

This report focuses on a very topical issue: institutional arrangements for investment and trade promotion. The main rationale for creating institutions that promote investment as well as trade is that both functions have certain activities in common, most importantly the marketing of a country and its key industries. However, it may be argued that investment promotion differs so much from trade promotion that it is necessary to have separate institutions for the two functions.

Through a website review, this report shows that a majority (58 per cent) of the institutions promoting foreign investment at the national level do so exclusively, while 42 per cent also promote trade. The proportions of separate investment promotion agencies (IPAs) and combined agencies were quite similar for developed and developing countries. The website review further indicated that combined agencies were more common in smaller economies (measured in terms of gross domestic product). Integrating investment and trade promotion in a single agency could be a rational approach for smaller countries, where financial and human resources are often scarce and the need for international marketing is likely to be greater.

A follow-up survey was sent out to a sample of agencies to find answers to the question of why some countries have merged investment and trade promotion while others have not. Cost efficiency and potential synergies – especially avoiding duplication of work and enhancing marketing – tend to prevail as drivers for integration. For some of the agencies surveyed, it was too early to

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