

# TOWARDS THE NEXT GENERATION OF INVESTMENT PROMOTION AGENCIES

**Video #3 – Module 1 content video. This video helps explain salient points in Module 1. This is an animated presentation with voiceover.**

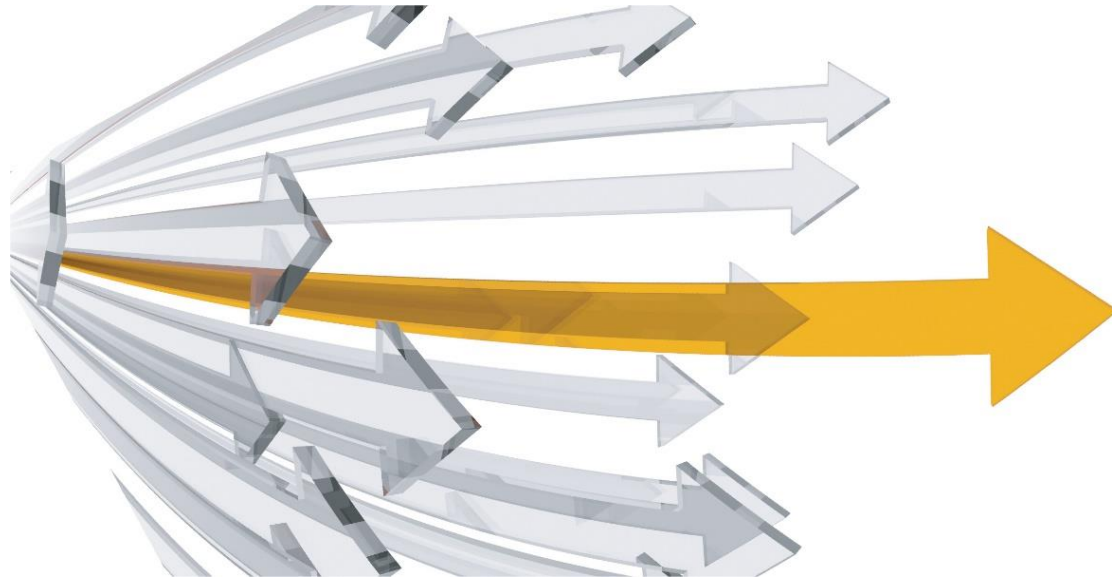
Estimated time: 3 to 4 minutes

## **Establishing an IPA: Activities, Functions, and Important Factors to Consider**

Welcome. In this video, we will take a close look the broad activities of an IPA, the functions common to all IPAs, as well as the important factors to consider when establishing an IPA, highlighting the role of governance.

IPAs carry out a broad range of activities, including:

- Creating a national FDI strategy that details target sectors and objectives
- Building the country image to attract investment
- Targeting investors
- Providing information during the decision stage and seeking to convince the investor
- Assisting investors after the decision to invest has been made to obtain permits and licenses.
- Providing aftercare that encourages the investment to stay in the country and even expand
- Offering input to government policy-making, and
- Advocating for policies that contribute to a conducive investment climate



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Accounting for diversity, the following four functions are common to all IPAs: Provision of information, investor facilitation, post-investment aftercare, and advocacy. These activities and main functions will be discussed in greater detail throughout this course series.

One can use the following table to help visualize the functions of an IPA:

When establishing an IPA, there are several important factors related to the organizational and institutional structure that should be considered:

**Legal status:** The IPA must be a legal entity, which is usually established by the government with a mandate.

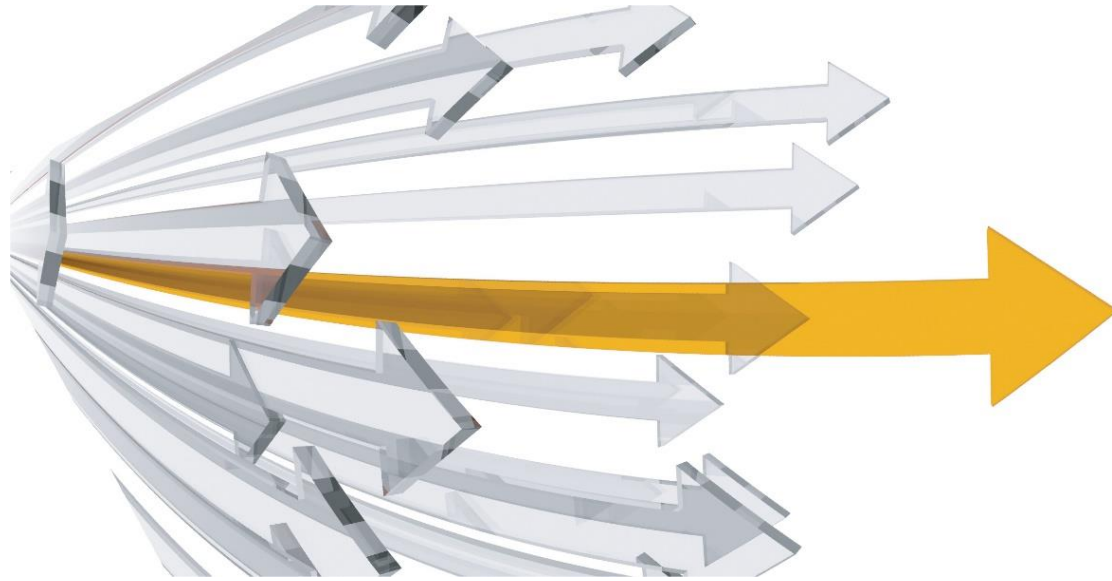
**Line of reporting:** The IPA should have a clear reporting structure to ensure proper oversight, accountability, and focus on objectives.

**Institutional relationship:** This may be autonomous or tied. An autonomous IPA is relatively independent, while a tied IPA is financially dependent on the reporting authority for all financial decisions and has little flexibility.

**Dialogue with the private sector:** The IPA needs to have direct and close relationships with the private sector to understand issues and challenges, as well as opportunities.

**Governance structure:** Research shows that a proper system of governance enables IPAs to achieve their goals and objectives.

**Key performance indicators or KPIs -** An IPA needs a clear set of outcomes that are measurable and in line with its mandate to drive performance and hold it accountable.



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Human capital: Since almost all IPAs are public sector institutions, but the nature of their activities implies the need to have more of a private sector approach, IPAs must recruit staff that are able to work within such a system.

Overseas presence: Some level of overseas presence is important to regularly interact with potential investors in the target country.

Each of these are important factors to consider when establishing an IPA.

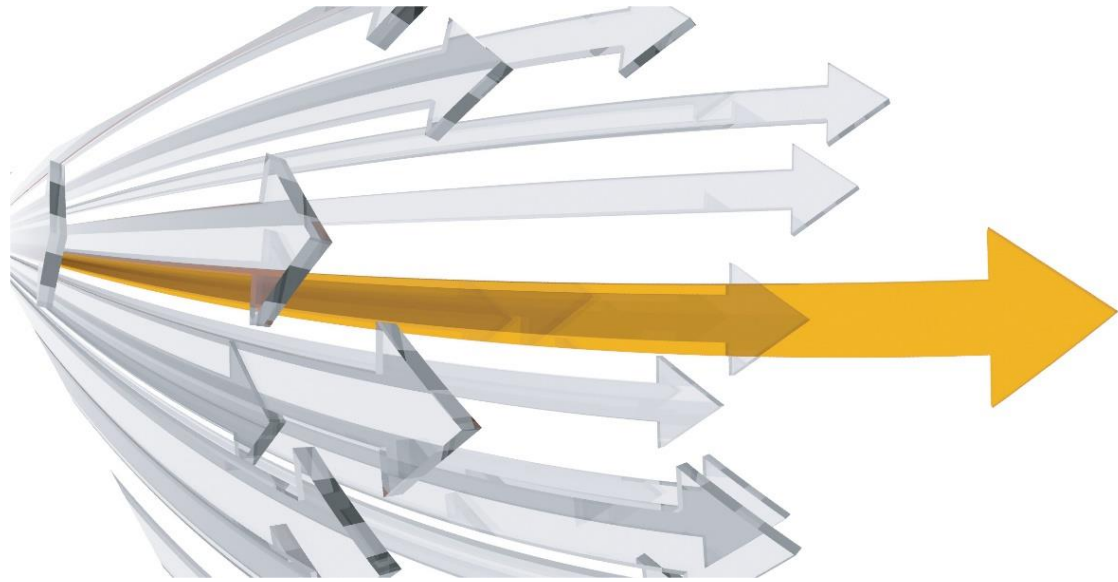
Let's next look at one of these factors, governance, more closely.

Governance in public sector organizations is relatively new and arose from use in the private sector. In general, *governance* refers to the processes and structures used to direct, control, and hold organizations accountable.

As IPAs engage in a diverse and complex collection of political, economic, and social objectives, it must conduct its affairs with a high level of transparency and accountability.

The International Federation of Accountants has produced a framework for governance of IPAs, which is shown here. The framework emphasizes behaving with integrity, ensuring openness, defining outcomes, determining necessary interventions to achieve the outcomes, developing the capacity, managing risks and performance, and using transparent reporting practices.

These aspects of governance relate back to activities, functions, and importance factors to consider when establishing an IPA.



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