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INVESTMENT PROMOTION AGENCIES AND THE WORLD COMPETITION FOR FOREIGN DIRECT INVESTMENT: A SURVEY OF INSTITUTIONAL FRAMEWORKS

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“Investment Promotion Agencies and the world competition for foreign direct investment: a survey of institutional frameworks”¹

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Abstract

This paper upsurges from the idea that investment promotion activity is an important element of national development policies. It argues that the establishment of Investment Promotion Agencies (IPAs) has been one of the strategies adopted by several countries in order to compete more fiercely for Foreign Direct Investments (FDI).

On this perspective the aim of this paper is analysing the role of selected IPAs on the attraction of FDI, as well as investigating their different institutional models.

The purpose of this discussion consisted on identifying elements originated from the empirical experiences of some countries which have successfully implemented IPAs and have subsidized the formulation of a proposal of an IPA for the State of São Paulo.

The methodology was essentially qualitative and based on interviews carried on selected international IPAs (IDA Ireland, ITDH Hungary, CzechInvest and PALiLz Poland and Prosperar Argentina). These interviews were based on a structured guideline pointing out the following items: (i) institutional frame work; (ii) mission and objectives; (iii) fiscal incentives and relative autonomy; and (iv) selectivity of FDI.

The preliminary results put evidence on the strategic importance of IPAs on attracting FDI and recommend that countries should keep this kind of activity. Depending on the scope of the IPA and on its autonomy level it could prospect and select more qualified investments, such R&D (Research and Development) ones. Even IPAs whose mission is less complex, basically oriented to promote the country abroad and make information available, they may influence positively investor's decisions.

¹ We would like to register that the ideas and arguments developed in this paper were benefited from the joint work among the members of the project. We would like to thank I. Costa for participating of the international interviews and contributing to the reflection. Finally, it's worth noticing that the ideas expressed in this article are responsibility of the authors.

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1. Introduction

The potential contribution of FDI to the industrial development of national economies has been a point of debate on the last decades. Some studies argue that Foreign Direct Investments (FDI) may contribute to the enhancement of productive activity, job creation and access to foreign markets. Besides positive spillover effects may encompass the development of technology capability in host countries due to the access to foreign technologies and knowledge accumulation. Despite the inconclusive results of these effects both developed and developing countries have spent efforts on the attraction of general FDI, and also on technology activities.

The establishment of Investment Promotion Agencies (IPAs) has been one of the strategies adopted by innumerable countries to compete more fiercely for FDI. The creation of World Association of Investment Promotion Agencies (WAIPA), in 1995, is an evidence of this fact. Nowadays, WAIPA is constituted by 205 IPAs of 154 country members.

Within this context, the aim of this paper is analysing the role of selected IPAs on the attraction of FDI, as well as investigating their different institutional models. The purpose of this discussion consisted on identifying elements originated from the empirical experiences of some countries which have successfully implemented IPAs and have subsidized the formulation of a proposal of an IPA for the State of São Paulo (Brazil).

The article is structured in six sections, including this introduction. Section 2 brings a brief review of the literature about the issue in order to detail IPA's institutional characteristics and forms of acting. The third section presents the applied methodology based on interviews to five selected IPAs - IDA Ireland, ITDH Hungary, CzechInvest and PALiLz Poland and Prosperar Argentina. Section 4 makes a consolidated analysis about these IPAs, highlighting their institutional framework, mission and objective, autonomy to conceive incentives and the selectivity of FDI. Section 5 describes Brazilian experience on structuring an IPA. Finally, section 6 brings the practical application of the study represented by a proposal of a regional IPA for the State of São Paulo.

2. The role of IPAs among the world competition for FDI

Within the world competition to attract FDI the presence of IPAs has been increasingly common among countries, both in developed and developing ones. According to UNCTAD (2001), few governments around the world do not present a specialized agency to intermediate and negotiate foreign investments or even carry on prospective activities of new investment opportunities abroad.

Other studies reinforce this fact highlighting the growth of this phenomenon – IPA's creation – mainly in the last twenty years. The justification is based on the proposition that these agencies may play the difference on attracting or not foreign investments to national territories (UNCTAD, 2001; Loewendahl, 2001; Morriset, 2003). The foundation of WAIPA and the increasing number of its associate members reflect the global character of investment promotion activities.

As already emphasized there are several IPAs institutional framework, which vary among state organizations, for instance institutional models with regional configurations, mixed models combining both public and private orientations and even purely private agencies maintained by class entity resources.

Of the 205 WAIPA institution members, 149 are national agencies oriented to national investment promotion. Related to sub-national agencies (regional ones), there are 39 affiliates in WAIPA, being all of them from countries with national agencies as well⁶.

Complementary to this fact, UNCTAD (2001) arguments that this increase on WAIPA's associate members occurred mainly from 1990s, influenced by an array of elements including the opening of Eastern Europe economies and the liberalization of many developing country FDI regimes. OECD countries also contributed to enlarge IPA's numbers, specially the regional ones. These regional agencies have been growing more rapidly than the national ones. This growth has also occurred in large countries such as Brazil, China, India, Russia, South Africa and Spain.

However, in most of the countries investment promotion is considered a national government task. UNCTAD's survey (2001) showed up that 80% of the 101 studied IPAs are linked to the government, generally related to an Economy, Industry or Development Ministry. The others 20% are divided between mixed public and private initiatives, exclusively privates (around 5%) and other arrangements. Among those governmental ones there is a small part (20%) that are independent institutions what guarantees a larger autonomy as well as the opportunity of disseminate a more corporative culture inside the institution.

There are national IPAs that have a network of regional offices, located on regions, provinces or states, delegating to them some investment promotion efforts. Regional agencies are, in most cases, independent organizations and not affiliate of national ones. In this case, national IPAs work as a coordinator which orients investors to local agencies avoiding competition among them. This structure is more commonly found in large countries and that present decentralization and regional policies. A significant part of OECD country members (2 of 3) also have a regional agency network. Some IPAs have also the international offices oriented towards the proximity to potential investors. Most of them are European and have the USA as their mainly target, followed by the UK and Japan (UNCTAD, 2001).

Therefore, on one side there is a consensus among public managers about the importance of maintaining institutional frameworks oriented to promote and attract foreign investments; on the other side this debate still has to be more discussed. Among the reasons for a more profound research of this issue is the scarce knowledge about IPAs best practices, as well as how effective they are related to the aim of attracting FDI. Maybe because of the fact that IPAs origin is a recent phenomenon, there still are few studies that search to analyse their characteristics and configurations. Besides there are only few researches focused on the effectiveness of IPAs actions.

Facing these lacks, there are some exceptions. One may highlight, for example, Morriset's study (2003) which showed up that IPAs, in general, have been effective on attracting FDI and their positive results have occurred instead of their different frameworks. However, the author calls attention to the need of pondering such observation due to the fact that a set of factors inherent to the country where IPA operates and to the performance of the agency may interfere on its effectiveness. These factors may be:

- The quality of country's investment environment and its growth rates – the larger the return perspectives to the investors, the larger there will be their investments. For this IPAs may be inefficient in case of unfavourable investment environment;
- The scope of activities carried on by IPAs (including policy advocacy), the built of national image and the quality of support services offered to the investors;

⁶ It is worth noticing that not all regional initiatives are registered in WAIPA, as was observed in the case of Germany, that only its national agency is registered.

- The institutional links between IPAs and government managers – maintaining efficient mechanisms of relationships with policy makers (ministers and even the president in the case of a national agency) and the need of strengthen the commitment with IPA’s image.

Summing up, one may notice that investment promotion activities have been improving motivated by the intense competition among national economies. Nevertheless, the literature about IPAs suggests that these agencies make no difference between qualitative or quantitative investments. The focus of most IPAs has been FDI in general, when there are a few examples of IPAs focused specifically on those high technology investments, such Research and Development (R&D) ones.

3. Methodology of analysis

The methodology is essentially qualitative and based on interviews carried on some selected IPAs. These interviews were conducted based on a structured guideline developed along the research project named “Development policies of technology activities of multinational Brazilian affiliates”⁷.

Aiming at verifying what Brazilian competitors countries are doing in terms of FDI promotion and attraction policies one may notice the relative importance of the institutional dimension, in this case the IPAs.

In this context a range of questions were raised about the way of acting of these agencies, their role on attracting FDI, their institutional framework and relation with public and private institutions etc. Answering to these questions is fundamental to subsidize the proposal of an IPA for the State of São Paulo.

The guideline encompassed five basic items, such as: (i) the institutional framework; (ii) mission and objectives; (iii) fiscal incentives and relative autonomy; and (iv) selectivity of FDI. The first item investigates the institutional model of the agency, as well as its relation with other public and private organizations in order to understand which may be the more appropriate framework.

The second item verifies two main points: firstly, whether the FDI attraction is part of national development and industrial policy given the importance attributed to this investment; and secondly, whether IPA activities go beyond the provision of information to the investors. The capacity of negotiation and prospecting of opportunities denote a wider scope of acting, which can be enlarged by support services to potential investors.

The third item analyzes the autonomy level of the agency to negotiate the concession of incentives and whether this is related to the IPA institutional framework and to its scope of acting. It also verifies the establishment of counterparts and criteria to the concession of incentives, such as the creation of a determinate number of job posts or the establishment of a firm R&D lab in the country. The last item investigates the existence or not of a specific focus on sectors or corporate activities to attract FDI.

⁷ This project was financed by FAPESP, the São Paulo State main Funding Agency, and was composed by professors and researchers of the three main state universities of São Paulo - UNICAMP, USP and UNESP. It was also developed in partnership with the Secretariat of Development of the State of São Paulo. The project aimed at contributing to formulate public policies capable of leveraging technology investments of MNC Brazilian affiliates. One of the results of the research consisted on a proposal of a State IPA.

This guideline was applied on five selected international IPAs: *Industrial Development Authority (IDA)* - Ireland, *Hungarian Investment and Trade Development Agency (ITDH)* - Hungary, *Investment and Business Development Agency (CzechInvest)* – Czech Republic, *Polish Information and Foreign Investment Agency (Palilz)* – Poland e *National Agency of Promotion Investments (ProsperAr)* – Argentina. The detailed information about these IPAs is presented at Table 1.

Table 1. Interviewed IPAs.

	<i>Country</i>	<i>Foundation</i>	<i>Institutional link</i>	<i>Site</i>
<i>IDA Ireland</i>	Ireland	1949	Semi-state/ Ministry of Trade and Labour	www.idaireland.com
<i>ITD Hungary</i>	Hungary	1989	Governmental/Ministry of Economy and Transport	www.itdh.com
<i>CzechInvest</i>	Czech Republic	1992	Governmental /Ministry of Industry and Trade	www.czechinvest.org/en
<i>Palilz</i>	Poland	1990s	Governmental /National Treasure	www.paiz.gov.pl
<i>ProsperAr</i>	Argentina	2006	Governmental /Ministry of Economy and Production	www.prosperar.gov.ar

Source: Elaborated by the authors based on the interviews and sites of the Agencies.

Nowadays, Brazil does not present a national IPA on the framework analyzed abroad, but has some regional initiatives. In doing so, the analysis of Brazilian experience was based on the functioning of these regional agencies – INDI and PoloRS – searches to national sites and workshops with specialists on the issue.

The selection of these agencies reports, in the case of IDA, was due to its well succeeded and last longing performance. In the other four cases the criteria of choice was based on several aspects, such as: (i) they are recent agencies from developing countries and that are in evidence on FDI attraction; (ii) as recent agencies they still are improving their institutional framework what may contribute to the Brazilian initiative in this sense.

As one may notice, ProsperAr is the most recent agency and still on process of consolidation. Despite this fact its experience adds important elements to the elaboration of a Brazilian IPA, especially for regional aspects. Firstly, Argentina is the second country in South America after Chile that has a national IPA; secondly, it was observed that it is one of the regional competitors to Brazil on technology FDI, mainly in the pharmaceutical and software sectors. Therefore, studying how Argentina is structuring its FDI attraction is fundamental for the Brazil institutional improvement.

4. International IPAs: a description of selected experiences

This section is organized in four items that presents the main elements of the interview guideline described at the methodological section.

4.1. Institutional framework

Among the five IPAs interviewed four are governmental, except for IDA Ireland which is a non-profitable semi-state agency.

IDA is directly related to the Ministry of Trade and Labour, although it has an institutional framework joined to the private sector. Additionally, the agency counts on several regional

and international offices what enlarge considerably its scope of action. Despite IDA's relative autonomy the Irish government is responsible for the policy decisions. This institutional framework also collaborates with the articulation among other ministries and public departments, what may permit the joint solution of some identified difficulties along the negotiation with foreign investors. The articulation with the Ministry of Education, for example, may contribute for orienting the educational area to the market demands identified by the IPA. This articulation and the continuing government action have been determinant factors for the consistency and continuity of IDA's measures.

ITD Hungary is related to the Ministry of Economy and Transport. It was initially created to be an investment promotion entity and in 1993 it became the Hungarian Investment and Trade Development Agency, focusing also at trade and development. Nowadays investment promotion activities have more significance than trade promotion. ITDH maintains various regional offices around Hungary being all subordinated to the central office in Budapest. The agency preserves a strict relation with the Ministry of Labour in the sense of providing demanded workforce. This is evidenced in some educational changes made by the Hungarian education system to attend market demands in areas such as electronics, biotechnology and services. On the opposite side the mining area is losing its relative economic importance and consequently has received less attention in university programs.

CzechInvest is related to the Ministry of Industry and Trade, but also have relations with Ministries of Labour, Social Relations, Education, Finance and Regional Development. The agency identifies investment opportunities by both its regional and international offices, as well as by contracting specialized consultancies to elaborate prospective studies. Thus identified potential targets the agency prepare its projects and search for the responsible staff within the respective firms to present Czech Republic as a potential location for investments and also to offer the agency's services.

PAIilZ, on its turn, is related to the Polish National Treasure. However, on June 2006⁸ there was a law project to change its link to the Ministry of Economy. In Poland there are several regional agencies, but differently from the other countries they are not directly related to PAIilZ, although they provide information and identify new opportunities jointly with the central agency. PAIilZ has no offices abroad and establishes its international contacts with commerce chambers and embassies in other countries. Its activities are mainly concentrated at providing information about Poland economic characteristics to potential investors and aiding investors during the negotiation process and the establishment of the firm in the country. Therefore its scope of action is more limited than the other cases above.

Argentina's agency – ProsperAr – is a decentralized entity created in 2006 within the Ministry of Economy and Production. It has its own budget what may be fundamental for its continuity during instability economic periods, more frequent in Latin America countries. Before its creation Argentina counted on an unique office to attend investors, subordinated to the Secretariat of Industry, Trade and Small and Medium Firms. ProsperAr is a recent agency and its scope of action is still limited. It has no international or regional offices and there is no monitoring of the established investments. The agency considers that its function is contributing for facilitating investors' access in the country.

Summing up, based on the described experiences above one may notice that the more structured agency in terms of institutional framework is IDA. PAIilZ and ProsperAr are more limited on their structure inside and outside the countries and on their scope of action.

⁸ Period of time when the interview was conducted.

4.2. Mission and objectives

In general IPAs aim at national industrial and technological development utilizing investment promotion and attraction activities. However each one has its specific objectives, often related to the industrial development context of the country.

IDA, for example, surged in 1949 from a strategic industrial development policy with full commitment of Irish government. At the beginning the objective of attracting FDI intended to generate job posts. Along with economic advance and job increasing the agency was reoriented to attract more value added investments, such as in technology and R&D activities.

ITD Hungary, CzechInvest and PALiZ are still more oriented to create jobs and so their investments are strongly concentrated in manufacture, despite emphasize the focus on R&D activities and high technology sectors.

On the other side, ProsperAr related that R&D activities are not part of its scope, aiming at attracting both service and industrial investments. Since the agency is operating there was no investment in technology activities in Argentina.

4.3. Incentives and autonomy

The literature suggests that public incentives are not the most important factor in determining a country's attractiveness for investors, but can influence the final decision when all other factors are comparable for competing locations (Zanatta, Costa e Filippov, 2006).

Thus in some cases IPAs may negotiate fiscal incentives to FDI, as IDA does. In this specific case incentives are conceived based on some counterparts, as the creation of a determinate number of qualified jobs or the establishment of a R&D lab. The subsidies are conceived retrospectively and consist of four types: a) to capital (building); b) to training; c) to job; and d) to R&D (customized to each project).

Another important dimension regarding concession of incentives is the monitoring of given incentives, mainly to avoid some costs incurred in the case of benefited investments and that may change to other location after a period of time.

The counterpart instrument is also utilized by ITDH. Both in IDA and ITDH cases they maintain monitoring activities of established investments, in the sense of accompanying what has been done by the firm and offering after care services. This is because it is more difficult to attract a new firm than to maintain and improve the one already installed in the country.

CzechInvest and PALiZ do not present this kind of pre-defined criteria to offer incentives and their after care services are still incipient. PALiZ, for example, acts as a mediator between govern and investor. However this agency has organized information about investments already established in Poland and how many jobs were created by these investments, as one may see at Table 2.

Table 2. Mainly investments assisted by PAIIZ in 2006.

<i>Firm</i>	<i>Country of origin</i>	<i>Sector</i>	<i>Value (€milhões)</i>	<i>Jobs</i>
Shell	UK	BPO*	6,80	800
Toyota	Japan	Automotive	134	255
Toshiba	Japan	Electronics	42	1034
Funai	Japan	Electronics	17,4	500
Green Source	Spain	Biofuel	150	150
Polimoon Group	Norway	Chemistry	10	200
Humax	Korea	R&D	1,6	110
Sharp	Japan	Electronics	150	3000
Bridgestone	Japan	Tyres	200	759
Dell	USA	Electronics	200	3000
Carlsberg	Denmark	Logistic Centers	0,93	280

*BPO - Business Process Outsourcing. Source: <www.paiz.gov.pl>.

ProsperAr, on its turn, does not present incentives on its own and not even direct subsidies for the selection of projects and activities. Incentives are not granted (no budget for that) because this practice is not consistent with the guidelines of industrial policy of the country. Incentives are seen as irrelevant to the decision of the investment, which should be based on other factors related to local competitiveness.

4.4. Selectiveness in FDI Attraction

This item searches to investigate whether some factors, such as economic, social, cultural ones, tend to interfere on the orientation of FDI policy and on the mission of the agency. It was observed that each agency defines its sectoral or corporate activity focus according to its mission. All three agencies of the Eastern Europe countries are strongly committed to create job posts, and consequently to attract manufacturing investments. However, they are also increasingly focusing on the attraction of more value added activities (R&D and BPO – *Business Process Outsourcing*) and high-tech sectors (biotechnology, electronics and Information and Communication technologies).

ProsperAr has no selection of sectors or activities as Argentina is still searching to highlights its recent economic and political stability to become an attractive location for general investments.

Nevertheless it is worth noticing that investments in more value added activities, specifically at Eastern European countries are still smaller than the ones in manufacture. According to Locomonitor data (2006), of the total foreign investment projects (564) carried on Czech Republic since 2002, 290 are in manufacture activities and 28 in R&D. For the two other countries these numbers are quite similar. Hungary received more FDI projects (915) at the same period, being its major part in manufacturing activities (385), and only 24 in R&D. In Poland, investment projects accounted for 829 – 406 in manufacture and 28 in R&D. Ireland, on its turn, has a more positive presence of R&D investments (55) of a total of 603 and 88 projects in manufacture.

In sum, one may say that IDA carries on successfully its task of promoting and attracting FDI what may be, in a certain way, for its long lasting action and the institutional framework that has been created along the years to provide it the adequate instruments. The three others European agencies are more recent and still are improving their activities. However they are all conscious of the challenges they have to face related to attracting more value added

activities. *ProsperAr*, on the other side, is collaborating for the building of a favorable environment to attract FDI to Argentina.

5. The Brazilian experience

Nowadays Brazil does not present a national IPA. The initiatives that exist are some sparse and disarticulated if we consider the growing importance of this instrument in the world competition for FDI. This analysis permits to acknowledge the complexity of Brazilian institutional apparatus and how much there still has to be done to make the country more attractive to investors.

Relating to past experiences, one may highlight the extinct *InvesteBrasil* – the Brazilian IPA, from 1999 to 2002. The discussion of creation of *InvesteBrasil* was conducted on its functioning and institutional framework. The decision was to structure it as a Public Interest Civil Organization (OSCIP) in order to guarantee its political and financial continuity; its resources came from diverse ministries. If on one side *InvesteBrasil* performed well its effort of systematisation of information and of creation of a relation with the investor, on the other side there was a complete lack of negotiation capacity due to its inadequate institutional arrangement. This framework weakened the agency way of acting as it does not had the power to negotiate and bargain with potential investors.

A government initiative that performs some IPA's tasks is the *Apex-Brasil* (Exports Promotion Agency). However this initiative is timid in attracting investments, much more oriented to promote Brazilian products abroad as its name says. There are also some regional agencies such as INDI (Instituto de Desenvolvimento Integrado de Minas Gerais) and PoloRS (Agência de Desenvolvimento do Rio Grande do Sul).

INDI was funded in 1968 under the auspicious of Minas Gerais Energetic Company (CEMIG) and Minas Gerais Development Bank (BDMG) aiming at enlarging and consolidating the industrial park of Minas Gerais state. Nowadays it also operates jointly with the Secretariat of Economic Development (SEDE).

INDI counts on around 100 employees, being around 40 with graduate level. It has a large data base to assistance and support services to investors: location studies, industrial sector analysis, seminars and international trade agreements. The fact that INDI has organized information and centralize negotiation shows up as an important facilitator to support investors that arrives at Minas Gerais searching for investment opportunities

PoloRS⁹ has initiated its operations in 1995 and is structured as a non-governmental organization. Its budget comes from the contribution of a set of companies and also some class entities established at Rio Grande do Sul State. They are also responsible for defining the guidelines of the agency. It has a quite short team composed by an executive director, an economist and an external relationship.

PoloRS is a smaller regional agency when compared to the agencies visited in this research. Although it has been studied as the other it was not possible to establish a comparison with the other agencies given its differences in terms of proportion and function – it is more oriented to a regional development agency than to an investment promotion one. At the beginning its functions were more oriented to attract investments as can be exemplified with the case of the Dell's investment in the state. The company has installed a facility in the state

⁹ PoloRS was also interviewed by the researchers based on the guideline described on the methodology section.

of Rio Grande do Sul after a long contact work that included from climate specifications to graduate projections of the state universities.

PoloRS experience is interesting for its institutional framework that confers to the agency continuity to its activities despite the political and economic changes in the state. However, this framework has not been completely immune to conjuncture oscillations and sufficiently flexible as there were cases of companies that have given up of establishing a facility in the state due to unfavourable political situation to negotiate incentives, for example.

6. A Regional IPA proposal

Facing the analysis of an IPA configuration and the empirical evidences observed during the research, the proposal of an institutional framework of promotion and attraction of investments for the State of São Paulo is justified for several reasons that are presented below.

The first reason refers to Brazil's geographical dimension: it is valid that each Brazilian state organizes its own IPA, as one may see in the two cases mentioned before (INDI and PoloRS). Nevertheless this does not eliminate the need of a federal structure that articulates the diverse regional initiatives.

On second place, the State of São Paulo has no unique and specific place ('one stop shop') where investors could obtain important information to their investment negotiation and consequently decision. Generally investors search for information and transit in the diverse State Secretariats what may imply a longer time to the process. That is why it is fundamental that the agency is articulated to the State Secretariats, as well federal institutions, which can support its activities, such as the Ministry of International Relation (MRE), Apex-Brasil and ABDI (Brazilian Agency for the Industrial Development), among others.

Finally it is worth noticing that the political-economic context of competition among Brazilian states justifies the need of São Paulo undertaking efforts to create and maintain an activity of promotion and attraction of investments. Practically every State competes in the so-called "fiscal war"; São Paulo, however, has other mechanisms to attract investments given its major participation in Brazilian GDP (Gross Domestic Product) - it concentrates one third of national industrial production - the diversity of its economic activities and its physical (transport and energy) and S&T (Science and Technology as universities and research institutions) infrastructure, being that researchers at universities and labs located in the state account for 50% of the scientific output (publications) (FAPESP, 2005).

Among the various institutional frameworks that may be drawn – public, private and mixed – each one of them has its own specificities – positive and negative aspects. The main difficulty of the exclusively private model may be the lack of negotiation and bargain power. The public model, by one side, depends on the commitment and consistency of public policies to guarantee the continuity of the agency, but on the other side may be benefited by the government power to negotiate incentives to potential investors, as well as influence some infrastructure changes needed for determined investment. The mixed model – semi-state one – mix both aspects and seems to be the more flexible model what does not necessarily means that it is the most appropriate framework. For this reason, it is necessary to study the existence of commitment of both government and private initiative with investments attraction.

As presented before, more than 80% of world IPAs are governmental ones (UNCTAD, 2001). With this and the other reasons presented above one may propose to the State of São Paulo a governmental agency related to the Secretariat of Development, as many other experiences related to some ministry or department oriented to economic, development or industrial areas.

Another important aspect to be proposed is related to the mission and the objectives of the agency. Its objective may be providing and divulgating information that promotes the State and highlights its comparative advantages in order to attract investments. Its mission may be, in a first moment, develop the State industrial park and its general economic activities, aiming at leveraging its technological content and assisting companies on their project implementation; facilitate the interchange of information and the coordination among institutions involved in the industrial development and recommending strategic and policy actions to promote investments.

It is also proposed that the governance of the agency may be composed by an Executive Director – with government and private representatives – and three main areas of activities:

- Territorial marketing;
- Opportunities prospecting; and
- Support services to investors.

For each of these areas it is important to have sectoral competences in order to orient the negotiation on specific sectors. The first one refers to the divulgation of the State for the other States and abroad as an attractive location for investors that intend to extend their business. In this sense it is important to highlight its comparative advantages, such as qualified workforce, adequate infrastructure (telecommunications, energy, ports, roads, and logistics), universities and research institutes, as well the diversified industrial structure.

Relating to the second activity it is fundamental that the agency establishes mechanisms to search for investments, inside and outside the country. This task needs an specialized team as well as a constant monitoring activity of market changes and companies movements through secondary sources (newspaper, Internet, clippings) and participation in international missions and fairs.

At last, support services to investors should be directed both to provide information to potential investors and technical assistance to those already established and that intend to extend their investments or improve its corporate activities. IDA experience shows up that this service demonstrates government commitment and creates a relation between the company and the location.

Therefore, with these elements one may believe that the regional agency for São Paulo can be structured to start its activities and improve the State position as a potential location for investments.

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