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FDI Promotion in Ukraine: Blueprint for a Restart

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FDI Promotion in Ukraine: Blueprint for a Restart

Executive Summary

The attraction and promotion of foreign direct investments (FDI) is an important component of Ukraine's economic reform agenda. FDI could act as a motor for economic growth and welfare. Using the positive effects of FDI, Ukraine could catch up to the competitiveness level of the globally leading industrial economies much faster than by relying only on strengthening domestic firms. 'Could', because Ukraine's current stock of FDI is still too small and powerless. Although Ukraine has benefited from the prosperous global FDI market in the years 2005-2008 before the global crisis, it was not able yet to reach pre-crisis the level of FDI inflows. Other Eastern European economies have been much more successful in continuously attracting and promoting FDI, thus enjoying a higher level of welfare.

Behind this background, the Ukrainian government decided to redesign the institutions that are involved in FDI promotion. The most recent action has been the liquidation of 'InvestUkraine' – the Ukrainian center for foreign investment promotion. Ukraine has now the chance for a restart for FDI attraction and for rebuilding an investment promotion agency. This paper sketches a blueprint for a globally competitive investment promotion agency and explains the necessary steps to be undertaken. The focus is on greenfield and expansion investments rather than M&A or privatisation transactions.

The following table highlights the essence of our recommendations.

Strategic success factors	Focus on high-potential sectors Focus on investment facilitation
Instruments	Investment scouts Investment mentors Post-investment care State-of-the-art website
Organisational success factors	Operational freedom Accountability: systematic monitoring and reporting Qualified and experienced staff Sustainable funding Information and knowledge management

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1. Introduction

Foreign direct investments (FDI) could act as a motor for economic growth and welfare, making an important contribution to reach the ambitious objectives of Ukraine's economic reform agenda. The most important benefit of FDI is the generation of knowledge spill-over (technology, skills, experience).[1] Advanced technological and economic knowledge increases long-term sustainable growth potential und thus improves Ukraine's global competitiveness. Therefore, both FDI promotion and strengthening Ukraine's domestic firms are complementary economic policy measures.

However, Ukraine's current stock of FDI is too small and has too few potential for long-term sustainable growth impulses. Ukraine was able to benefit from the prosperous global FDI market in the years 2005-2008 and attracted higher amounts of FDI inflows compared to the previous years. However, Ukraine was not yet able to reach pre-crisis level of FDI inflows. In fact, FDI inflows have even been decreasing further in 2010.[2]

Other Eastern European economies have been much more successful in continuously attracting and promoting foreign direct investment (FDI). What do those countries do different from Ukraine? They have – among other features - effective and efficient national investment promotion agencies (IPAs), which are highly ranked in international benchmarks. In contrast, Ukraine's foreign investment promotion center 'InvestUkraine' has performed poorly and could not bear international comparison.[3] Consequently, the new Ukrainian government decided to redesign the institutions of FDI promotion.[4] The most recent action is the liquidation of 'InvestUkraine'.[5]

Ukraine has now the chance for a restart for FDI attraction and for rebuilding a foreign investment promotion center or creating an integrated IPA. The aim of the paper is to support this reform process by giving recommendations that adapt international experiences to the specific challenges of Ukraine. At the same time, there is an EU Twinning project that supports the Ukrainian government in building organisational capacity for FDI promotion activities.

The paper is organised as follows. Firstly, we sketch best practices and success factors of the world's best IPAs. The paper concentrates on greenfield and expansion investments rather than mergers & acquisitions or privatisation transactions. Secondly, we analyse the current situation of FDI promotion in Ukraine - with the focus on governmental institutions that actively promote FDI - and point to the mistakes made in the past. Thirdly, we derive policy recommendations, taking into account the respective current political and economic debate. We will sketch a blueprint for a new state-of-the-art Ukrainian IPA and explain the necessary steps to be undertaken.

[1] Further commonly sought benefits of FDI include access to international goods markets, employment, import substitution, contributions to regional development and strengthening of export capacity.

[2] For the 1st half of the 2010 the FDI inflow summed to USD 1.8 bn, which is 44% less than for the respective period of 2009. Source: Ukrstat.

[3] World Bank Group (2009a).

[4] 'Prosperous society, competitive economy, efficient state'. Program of economic reforms for 2010 - 2014. Committee for economic reforms by the President of Ukraine. Version for discussion as of 2 June, 2010, pp. 40-41.

[5] Cabinet of Ministers of Ukraine, Order No. 570.

2. International best practice

2.1 Role of investment promotion agencies

An IPA is one important instrument for attracting FDI among other instruments such as tax policy, customs policy, technical standardisation and certification requirements, land acquisition regulation etc. The IPA cannot compensate for a poor investment climate; however, it can make important contribution by offering the government low-cost, high-impact pathways for reform.

Global FDI is a trillion dollar market and in order to compete successfully on that market, a country needs – as it the case in any other type of market - marketing and sales activities. Marketing and sales are the tasks of the national IPA. And since competition for FDI is getting fierce, the IPA needs to act fast, effectively and professionally.

Best practices from international experience show that activities of most IPAs cover the following functions:[6]

- Policy advocacy, e.g. improving general investment climate through systematic research about investor's needs and problems
- Information dissemination to potential foreign investors and building a positive image of the country as investment destination
- Direct targeting/direct marketing of selected investors in high potential sectors
- Investment facilitation, e.g. pre-investment and implementation services
- Post-investment care services, e.g. facilitate ongoing operations and expansion investments (especially important for poorer countries).

2.2 Success factors of investment promotion agencies

The success factors that can be derived from international experience are grouped into three dimensions: strategy, instruments and organisation.[7]

2.1.1 Strategic success factors

The most successful IPAs **focus on priority sectors**. The IPA management together with the government identifies economic sub-sectors with the highest short-term and sustainable long-term potential in terms of their impact on the countries economic development. Potential foreign investors in those priority sectors form the target group of the IPA's marketing strategy. All promotion instruments and the organisational design of the IPA are in line with the specific characteristics of the target sectors and the specific needs of the target group.

The second most important strategic success factor is the focus on investment facilitation and post-investment care services, which are the simplest and most effective functions. The other IPA functions mentioned above are carried out as well, but with fewer resources allocated.

[6] OECD (2006).

[7] Here and in the following: UNCTAD (2010); World Bank Group (2009a), (2009b); OSCE (2006); OECD (2006).

2.1.2 Instruments

The most effective and cost-efficient instrument of the world's leading IPAs is the use of **account managers**. The account manager supports an investor through the entire investment life-cycle from first contact to successful investment implementation. This is easy to conclude from above explained strategic success factors. Consequently, each account manager is appointed to one priority sector.

Further common instruments include: inquiry management system, website, investor information system, database of investment opportunities and available land, knowledge and relationship management etc.

2.1.3 Organisational success factors

The world's leading IPAs operate **independently from political administration**. The IPA strategy is defined by the policy makers, which use the expertise of the IPA management in order to ensure an appropriate means-end-framework. Operations of the IPA are not controlled by the government, which means that the IPA-Management can decide on its own about the allocation of necessary resources in order to achieve the strategic goals. The self-responsibility of IPA-Management concerns - above all - the staffing, because the employees are the key resource of an IPA.

Having operational freedom does not mean that the IPA has no **accountability**. Quite the opposite: The best IPAs use a systematic monitoring and reporting system. Promotion and support processes are monitored, together with the progress of investment. This is important for evaluating the effectiveness and efficiency of the instruments. At the same time the IPA continuously reports its success to responsible policy makers. Success of the IPA is the extent to which it achieves its strategic high-level goals; success is measured by pre-defined clear indicators.

In order to ensure operational freedom, most of the world's leading IPAs are autonomous bodies, reporting directly to the government at top-level.

The most important organisational success factor is the employment of **qualified and experienced staff**. The best IPAs employ people with private sector experience, specific sector knowledge, industry network linkages and appropriate language skills. In order to attract and retain talented staff, the IPA needs to compensate its staff with competitive salaries and bonuses according to private sector benchmarks; and for that it needs a sufficient and sustainable funding.

Further success factors derived from international benchmarks are summarised under the term '**visibility and accessibility**', which includes a state-of-the-art website, an easy-to-reach office and quick responses to investor's inquiries.

In order to achieve strategic goals with a maximum effectiveness, the world's best IPAs enjoy **strong political support** by the national government.

The last important success factor is the so-called '**credibility'** and can be influenced by the IPA-Management itself. 'Credibility' means providing foreign investors with a clear and balanced picture of investment advantages and disadvantages. The worst thing an IPA can do is to disappoint an investor, because disappointed investors transport a bad country image into the international business community.

Box 1
The German IPA

Germany Trade & Invest ('GTAI')	
Strategic success factors	Focus on priority sectors (4 sectors, 16 sub-sectors) Focus on investment facilitation: comprehensive support offer
Instruments'	Investor Consulting': 29 sector specific account managers Overseas offices: 9 country specific account managers German Market Intelligence Service Website with comprehensive investor information service, 8 languages Online database of international tenders 'E-trade-center': online business directory Marketing & PR department: 24 specialists
Organisational success factors	Autonomous legal entity: private legal status, but owned by the state Qualified staff with expert knowledge and private sector experiences Systematic investment project management and monitoring Cooperation model with regional IPAs of German federal states Cooperation with the worldwide German Chamber Network (AHK) Broad network with private sector associations and state authorities
Success story	GTAI is among the 6 best national IPAs (of 181) in the Global Investment Promotion Benchmarking Report 2009 of the World Bank Group.

3. Situation of FDI promotion in Ukraine

3.1 Level and structure of FDI

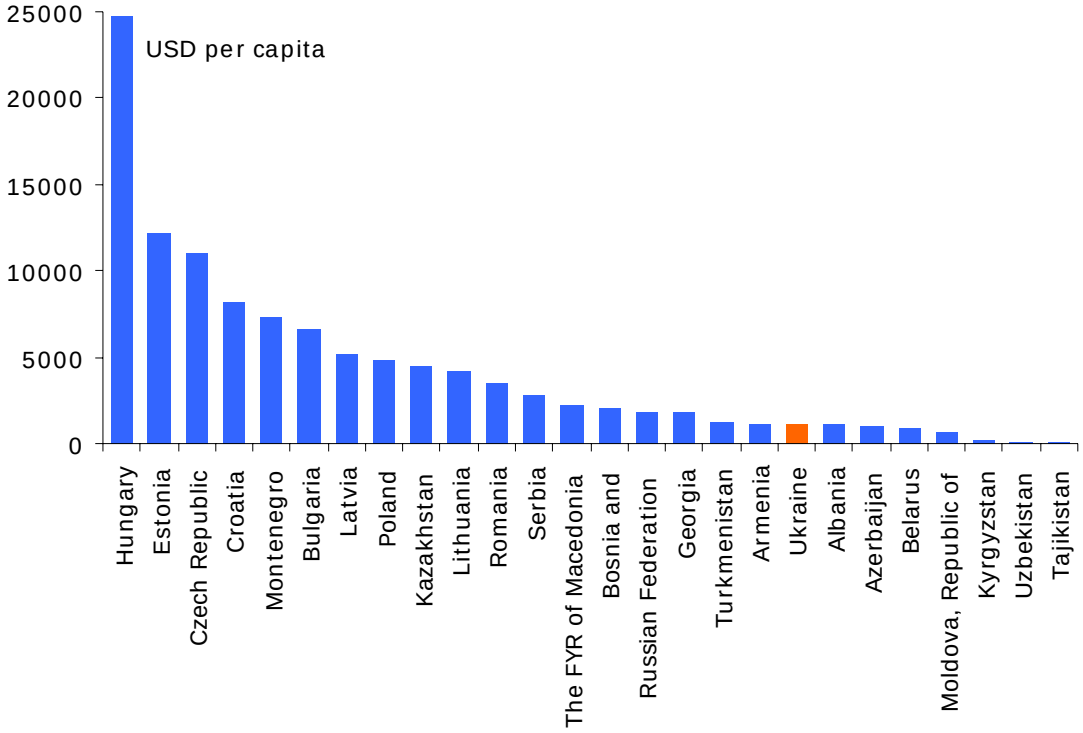
Since independence, Ukraine has failed to attract significant amounts of the FDI. According to the State Statistics Committee of Ukraine, total amount of the FDI inward stock in Ukraine has reached USD 40 bn in January 2010, which corresponds to USD 872 of FDI per capita. The latter indicator is extremely low compared to the majority of transition countries, including those in the Central Europe and the CIS. According to the World Investment Report 2010, the FDI inward stock per capita in Hungary – for instance - reached almost USD 25,000 at the end of 2009 (Picture 1). The only transition countries that perform worse than Ukraine are Albania, Central Asian countries like Uzbekistan, Kyrgyzstan and Tajikistan, and Moldova and Belarus.

Major successes in investments attraction were observed since 2005. A hike in 2005 was attributed to the second privatisation of 'Kryvorizhstal' that brought the record amount of USD 4.8 bn. Next years significant capital inflows came mostly in the form of the M&A, mostly in the banking sector. The world financial crisis led to a decrease in the FDI in 2009. Ukraine was not yet able to reach pre-crisis level of FDI inflows. In fact, FDI inflows have even been decreasing further in 2010.[8]

[8] For the 1st half of the 2010 the FDI inflow summed to USD 1.8 bn, which is 44% less than for the respective period of 2009. Source: Ukrstat.

Figure 1

FDI inward stock per capita in transition economies (end of 2009)



Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics).

The composition of inflows is biased towards the service sector, mainly financial intermediation, and less so to manufacturing. The financial services, retail services and real estate together account for 53,6% of FDI stock.[9] FDI in the service sector generate little positive externalities in terms of knowledge spill-over. The long-term growth impulses of FDI in the service sector are much lower than those of FDI in manufacturing and technology-based industries. Additionally, FDI in manufacturing and technology-based industry sectors would increase Ukraine's long-term export capacity.[10]

3.2 Institutional analysis

Describing the situation of FDI promotion in Ukraine from an institutional perspective is rather complicated, because the FDI organisation is very complex, quite unclear and has experienced several waves of re-organisation during the last couple of years.

The public non-profit organisation named 'InvestUkraine - Ukrainian Center for Foreign Investment Promotion' ('InvestUkraine' in the following) has been in charge of active FDI promotion from 2005[11] till 2010. 'InvestUkraine' was sub–ordinated to the Ministry of Economy in 2005. In parallel, the governmental State Agency of Ukraine for Investments and Innovations (SAUII) was founded in 2005; 'InvestUkraine' has later been sub-ordinated to the SAUII in 2006.[12]

[9] As of 01 July 2010, Source: Ukrstat, available at: [http://www.ukrstat.gov.ua].

[10] For a detailed discussion of the structure of FDI in Ukraine see Kirchner/Movchan/Giucci (2007).

[11] The CMU order No. 666, August 2005.

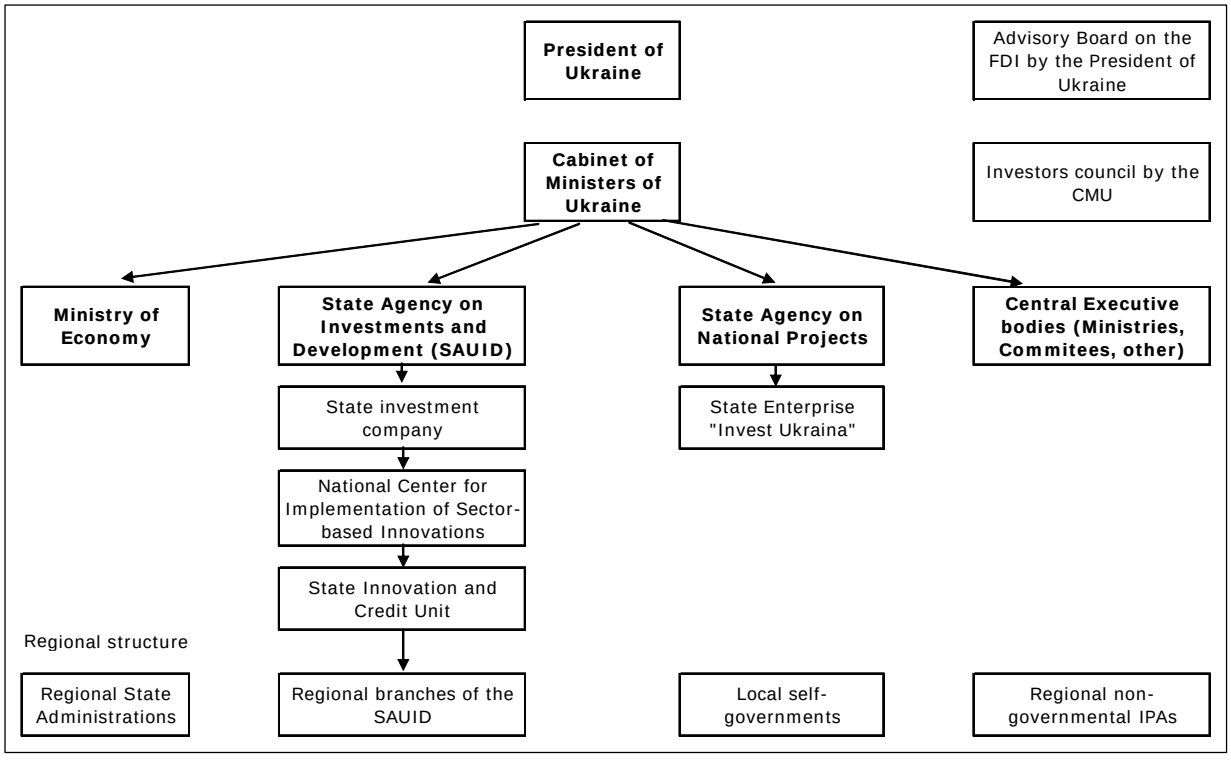
[12] The President's Decree No. 1873/2005; the CMU Order No. 771, June 2006.

In 2009, 'InvestUkraine' has been sub-ordinated to a newly created governmental institution named National Agency for Foreign Investments and Development (NAUID)[13]. Additionally, a separate institution, a state enterprise with the name 'Invest Ukraina' was founded and sub-ordinated to the NAUID, too. The aim of 'Invest Ukraina' is to sell investment facilitation services, as opposed to 'InvestUkraine' that offered their services for free.

In May 2010, the new government again re-organized FDI promotion. SAUII was renamed into State Agency of Investments and Development (SAUID)[14], the NAUID was incorporated into the SAUID, and 'InvestUkraine' was sub-ordinated to the SAUID (again).

In July 2010, the government decided to liquidate 'InvestUkraine'. At the same time a new government authority – State Agency for Implementation of National Projects ('Natsproekt') – was created on the basis of the 'InvestUkraine'. 'Natsproekt' inherits the budget of 'InvestUkraine', but the tasks of 'Natsproekt' are different: Instead of FDI promotion, it is responsible for national development projects such as building public infrastructure. 'Natsproekt' is responsible for the still existing state enterprise 'Invest Ukraina'. 'Invest Ukraina' currently employs only two people. (The budget of 'InvestUkraine' used to cover the employment of 27 people.) The current authorities involved in investments attraction and promotion are shown on Figure 2.

Figure 2.
Authorities involved in the activities of investments attraction and promotion



Source: Legislation of Ukraine

As it can be seen from the following table, some non-governmental organisations (NGOs) and even private companies carry out parts of the FDI promotion functions, too.

[13] The CMU Order No. 48, January 2009.

[14] The CMU Order No. 356, May 2010.

Table 1
Institutions involved in FDI promotion functions

Function	Responsible Ukrainian GO	NGOs, Other
Policy advocacy	▪ State Agency of Ukraine for Investment and Development (SAUID) ▪ State Committee for Regulation Policy and Entrepreneurship	▪ Chambers of commerce (EBA, ACC, AHK etc.)
Information dissemination to potential foreign investors, image building	▪ State Agency of Ukraine for Investment and Development (SAUID) (until recently 'InvestUkraine')	▪ Professional consultancies ▪ Chambers of commerce
Direct targeting / Direct marketing	None	None
Investment facilitation	▪ State Agency of Ukraine for Investment and Development (SAUID) ▪ Regional branches of the SAUID ▪ Regional state administrations ▪ Local self-governments	▪ Professional consultancies ▪ Regional non-governmental IPAs ▪ Chambers of commerce
Post-investment Care	None (until recently 'InvestUkraine')	Professional consultancies

However, important functions are missed from the responsibilities of any of the authorities; some are performed by several authorities. In general, such separation of functions makes it very difficult to track, who is responsible for which part of the investment promotion.

Currently, there is no central government authority or other public body that deals exclusively with promotion and attraction of the FDI to Ukraine. SAUID is currently appointed as the main government authority for general investment promotion activities. Promotion and attraction of FDI to Ukraine is one of its tasks among others. In particular, SAUID is responsible for taking measures to attract foreign and domestic investments to the national economy, studying world experience of attraction investments and implementation of mechanisms of stimulation of development of economy, and for giving suggestions for adapting international experience to Ukraine. However, SAUID has neither the financial resources nor the personnel to fulfil these tasks comprehensively.

Conclusion 1: Currently, there is no single point of contact that a potential foreign investor can easily find and approach for information and support. It is not clear, which institution will be in charge of the functions of the former 'InvestUkraine'.

3.3 Major problems from the institutional perspective

As described above, there are several institutions involved in foreign investment attraction, but this paper concentrates on investment intermediaries dedicated to actively promoting FDI. The latter task was the assignment of 'InvestUkraine', which has been operating until very recently. Therefore, we put a special focus of our analysis on 'InvestUkraine'. The following list highlights specific problems that we identified regarding 'InvestUkraine' from the institutional perspective:[15]

- No binding strategy, no precise objectives, no detailed budget
- Low visibility for potential foreign investors.
  - Office of 'InvestUkraine' was difficult to find.
  - Low presence on international fairs and exhibitions.

[15] For a detailed analysis of 'InvestUkraine' see reports of the Twinning project 'Enhancing performance of InvestUkraine: the Ukrainian Centre for Foreign Investment Promotion in line with best European practices'.

  - Low number of investor inquiries (only 1-2 inquiries per week; as a comparison the IPA of Poland receives 50-150 inquiries per week)
  - Answering and processing of investors' inquiries are slow and unsystematic, follow-up actions are missing
  - Low level of cooperation with other investment promotion intermediaries (Chambers of Commerce, professional consultancies, business associations etc.)
  - Having two investment promotion institutions with similar brand names at the same time - 'InvestUkraine' and 'Invest Ukraina' - was confusing for foreign stakeholders.
- No operational independence of 'InvestUkraine': Management personnel have been replaced regularly after (rather frequent) elections.
- High fluctuation of staff employed in 'InvestUkraine' - as a typical example: more than the half of the staff has been dismissed in June 2010 -, which led to a loss of specific human capital and organisational knowledge.
- No systematic monitoring of effectiveness and efficiency of 'InvestUkraine'. There are no data available on: amount of investment projects supported, amount of investment projects successfully implemented, number of jobs created, structure of supported investments (form of investment, investment by sector, regional diversification of supported investments) etc.
- No systematic customer relationship and knowledge management
- No feedback collected systematically from investors about support from 'InvestUkraine'.

Conclusion 2: The track record of Ukraine's foreign investment promotion center is rather poor. The new institution that will be responsible for FDI promotion in Ukraine in the future, should take these experiences into account in order to improve the situation.

4. Roadmap towards a globally competitive investment promotion agency

4.1 Immediate action: Ensure continuity

The most current important task is to ensure the credibility and visibility of investment promotion outside Ukraine for potential foreign investors. Foreign investors need to see continuity on investment promotion. Organisational redesign inside Ukraine must not result in a break of operations.

Therefore, the first task is to provide a budget and appoint an institution or department responsible for keeping FDI promotion operations running, at least at a minimum level. That includes regular minor updates of 'InvestUkraine'-website and quick and professional responses to investors inquiries.

Additionally, we recommend a quick decision whether or not the brand 'InvestUkraine' should be maintained. The brand could be kept, independently on the decision about the institution that will be responsible for FDI promotion in the future. In case the brand 'InvestUkraine' is kept, then the brand 'Invest Ukraina' should be abolished immediately.

4.2 Strategy definition

The next task is the definition of a clear and basic strategy. It is important to do that at the beginning for ensuring an efficient use of Ukrainian funds and human resources.

Strategic goals should be on high-level only and the extent to which goals are achieved should be easy to measure. A good strategy has a private sector-like clarity of mission and means.

In order to quantify strategic goals of investment promotion, we recommend to develop clear and basic indicators such as: number of inquiries, amount of investment projects supported, amount of investment projects successfully implemented, number of jobs created. Referring to the success factors explained in section 2 we recommend to set clear priorities and allocate resources accordingly. The first strategic recommendation is the **definition of priority sectors**. The range of priority sectors should not be too broad in order to focus expert knowledge and channel promotion resources efficiently to the most promising parts of the economy.

The following questions could help for identifying priority sectors and formulating Ukraine's values proposition in the FDI market.

- What is Ukraine's competitive advantage? How will that competitive advantage evolve in the future?
- What sectors have the highest potential to contribute to Ukraine's economic development?
- What sectors generate substantial value for foreign investors?
- What are Ukraine's most growing industries and most promising industries?
- What are Ukraine's leading research areas?
- What kind of investment does Ukraine want to actively promote: short-term oriented investments such as in the trade sector or long-term oriented and sustainable investments such as in manufacturing?

The identification of priority sectors is very difficult and needs to be based on scientific methods. However, the final decision on the priority sectors is a political decision and thus carries the risk of manipulation from political or commercial pressure groups. Furthermore, the strategy is to be adjusted in case it turns out that the assumptions about future prospects of certain sectors have been wrong.

The second strategic recommendation is to **set the priority on investment facilitation and post-investment care service**. The functions image building and direct marketing should be included in the IPAs responsibilities as well, but with a lower priority for resource allocation. Regarding the policy advocacy, a common function of an IPA, Ukraine needs to consider whether it is necessary to include this function in the duties of an Ukrainian IPA, since there are some other state and non-governmental institutions that perform this task already: State Committee for Entrepreneurship and Regulatory Policy, Chambers of Commerce, business associations etc.

4.3 Account manager

Account manager is the first instrument to be developed and implemented, because investment facilitation has the highest impact-cost-ratio of all investment promotion instruments (according to international benchmarks, see section 2). We recommend starting with at least one account manager for each priority sector and at least one account manager for non-priority inquiries. The tasks of the account managers include:

- Research about investment opportunities, including
    - Sector specific market needs and niches,
    - Advantageous investment sites,
    - Sector specific regulation, policy and investment incentives.

- Build up and manage relationships to local authorities, local investment intermediaries and local private sector representatives.
- Investment facilitation: Support investors through the entire investment life-cycle from first contact to implementation (country visits, negotiations, visits with existing investors, financing, location choice, property, registration, getting licenses, permits, approvals etc.).

Necessary skills of the account managers cover fluent English capability, specific industry knowledge and private sector experiences.

Box 2
'Investment Scouts'

A proposal for a name of the instrument account manager could be '**Investment Scouts'.** That name is a metaphor and describes that the account managers prepare the paths for investors by investigating opportunities and guide the investors along those paths.

Account manager is a best practice instrument of internationally successful IPAs (see section 2). The instrument account manager is named differently in most IPAs, e.g. in Germany it is named 'Investor Consulting' (see Box 1).

The name 'Investment Scouts' also refers to another state-of-the-art instrument of industry policy, which is currently discussed in economic policy science: 'Technology Scout'. The main tasks of the latter are the definition of priority sectors and identification of long-term oriented sustainable investment opportunities for domestic investment promotion policy.

4.4 Investment mentor

'Investment Mentor' is the next instrument that is to be developed and to be implemented. This instrument is an answer to the specific needs of foreign investors planning to invest in Ukraine, taking into account the specific problems of Ukraine.

The 'Investment Mentor' helps investors avoiding the traps of corruption and supports them in important negotiations. The 'Investment Mentor' acts as an investment ombudsman, independent and neutral; he helps to ensure that foreign investors get fair chances on a legal basis. Whereas the instrument 'pre-court dispute settlement' applies only after problems have occurred, the 'Investment Mentor' helps to prevents disputes beforehand.

'Investment Mentors' could be people with high reputation. We recommend one mentor for each investment project that has passed the pre-investment phase and has reached implementation phase. The cooperation of 'Investment Scout' and 'Investment Mentor' establishes a four-eyes principle which is a common approach for corruption prevention. Team composition of 'Investment Scouts' and 'Investment Mentors' should change with each investment project in order to make the four-eyes principle most effective.

4.5 Organisation creation

It is the fifth step to deal comprehensively with the organisational set-up. From the point of view of foreign investors it is important to have one single point of contact that can be easily found and approached for information and support. Therefore, one single authority should be responsible for receiving and processing investor inquiries and afterwards channelling qualified inquiries to regional investment intermediaries.

According to the success factors explained in section 2, we recommend a number of characteristics of the new IPA organisation, which are highlighted in the following:[16]

[16] The EU Twinning project will provide a detailed analysis and recommendations at the organisational level.

- Operational freedom
  - Pursue result-oriented strategy
  - Prevent political interference at operational level
  - Long-term sufficient funding
- Accountability
  - Monitoring of investment facilitation processes
  - Result-based reporting for policy
  - Reporting of resource allocation to Court of Auditors
- Qualified and experienced staff
  - Language skills
  - Private sector experiences
  - Specific industry knowledge
  - Competitive salary and bonuses to retain people
- Professional organisation management incl. transparent budgeting
- Systematic information and knowledge management
  - database on available land plots and investment sites
  - directory of business service providers in Ukraine
  - relationship management system
- Cooperation model with regional authorities and regional IPAs in Ukraine
- Professional network with state authorities, private sector representatives, development organisations and professional consultancies

As a conclusion, our recommendation is to set up the new Ukrainian IPA as an autonomous legal entity. This corresponds to international best practise.

Box 3
CzechInvest's success recipe

'The ideal way to keep the agency flexible and free from the government's administrative stiffness and bureaucracy would be to have the legislation specify that the agency will be autonomous yet accountable, and also to have clear and simple reporting structures.' Jan Havelka, Founder and CEO 1993-1999 of CzechInvest, the Czech IPA[17]

4.6 Website re-launch

After the creation of the IPA organisation, we recommend a re-launch of the website according to the state-of-the-art.[18]

4.7 Presentable office

For personal meetings with investors and stakeholders, it is now time to open an office that is easy to reach and adequately equipped. Not all IPA employees need to work in a prestigious building, but for welcoming investors, the residence should be adequate.

4.8 Post-investment care and outlook

The jewels of the global FDI market are research & development-intensive investments in knowledge-based and high-tech industries. The international competition for R&D-intensive

[17] World Bank Group (2004), p. 14.

[18] Examples for state-of-the-art IPA websites: World Bank Group (2009a), pp. 28-40.

FDI is very fierce, because such investments make enormous and long-term sustainable contributions to the host countries economic development.

Attracting and promoting R&D intensive investment could, therefore, be of interest for a long-term strategy of Ukraine. In order to prepare for this strategic option, we recommend developing and implementing a systematic post-investment care service for the following reasons: R&D-intensive investments are the most complex investments and investment life-cycles last several years. R&D-intensive investments are, therefore, seldom greenfield investments but mostly expansion investments. Investors usually follow a strategic internationalisation path; opening an R&D department is at the very end of this path. To put it in other words: satisfied manufacturing investors of today are the most likely R&D-investors of tomorrow.

The satisfaction of existing investors and the facilitation of ongoing operations and expansion investments are the keys to Ukraine's future leadership in the global FDI market.

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