



OECD  OCDE

Local Economic and Employment  
Development (LEED) Programme

# **Foreign Direct Investment Policy in Lviv Region – Report Findings**

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# Aims

- Explore strengths and weaknesses of current Lviv approach
- Make policy recommendations to regional and local authorities in Lviv Oblast
- Present learning model approaches from other countries
- Illustrate challenges and potential responses to other regions in Ukraine and East Europe

# Method

- Diagnostic work (Autumn 2004)
- Study mission (Nov. 2004)
- Draft report (March 2005)
- Consultation (Spring & Summer 2005)
- Seminar (July 2005)
- Final report (Dec. 2005)

# Strengths and weaknesses

- Locational advantages: EU border, skills, costs etc
- FDI services offered: information, visits etc

But,

- Unpredictability of application of legislation
- Complex land ownership, poor infrastructure
- Poor image and brand awareness
- Largely reacting to companies expressing interest (market and resource seeking)
- Complex and under resourced promotion activity
- Lack of understanding of the role of aftercare and embedding

# A MORE PROACTIVE APPROACH

- Focus on strategic FDI – mobile, contestable, strong net additionality
- Match FDI attraction effort with regional comparative advantages
- Build comparative advantages (specialist labour, sites, suppliers)
- Monitor existing FDI for problems and provide support
- See FDI as a channel for technology transfer, SME development, skills upgrading and infrastructure improvement

# An FDI attraction strategy

- Develop a regional FDI strategy, which:
  - Fits with the overall regional economic strategy.
  - Narrows promotion to a few sectors
    - Lviv comparative advantage
    - FDI growth sector
    - FDI complements local industry
  - Is shared by all implementing agencies.
- Research the strategy
  - Monitor FDI to competitor locations.
  - Monitor source markets.
  - Evaluate competitive position.
  - Set sector, market and company targets.

# An FDI attraction strategy

SECTOR	COUNTRIES	COMPANIES
Food processing	USA	Cargill, Du Pont, Mars
Transport equipment	Germany, Japan	VW, Denso, Sumitomo
Tourism	France, UK	Accor, Societe du Louvre, Holmes Place

# An FDI attraction strategy

- Organise FDI attraction
  - Set up a one-stop-shop to co-ordinate bodies in the region (dedicated agency, partnership, regional arm of national IPA)
  - Provide sufficient powers and budget
  - Train staff
- Develop the comparative advantage
  - Adjust school/college training to future FDI skill requirements
  - Establish dedicated sites with infrastructure (utilities, road, telecoms), services, living accommodation
  - Seek public-private partnerships

# An FDI attraction strategy

- Undertake promotion
  - Launch effective marketing and promotion tools.
  - Target companies.
  - Generate leads.
  - Build relationships and manage accounts
- Develop highly targeted business cases for specific sectors, differentiating Lviv from its competitors

# An FDI aftercare strategy

- FDI put off by local administration and regulations
- Assist investors to achieve their full planned project and to schedule (company friend)
- Ensure consistent and transparent application of local regulations, e.g.
  - Customs and excise
  - Tax and social security
  - Building and land improvements
- Establish mediator for dispute settlement

# An FDI embedding strategy

- Stipulate performance requirements for investment incentives (where permitted under WTO and bilateral agreements)
  - Performance of R&D
  - Training of local staff
- Encourage collaboration with suppliers and research institutions on technology transfer
- Strengthen potential suppliers in the region
- Facilitate research and training linkages by modernising university curriculums
- Build 'clusters' with sectorally targeted infrastructure, skills, entrepreneurship and FDI policies

# Points for discussion

- Views on the recommendations
- Views on how to make the recommendations happen
- Views on priorities