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**BUSINESS CLIMATE
REFORM**

May 28th Session

GNIA's Investment Promotion Strategy

Dusan Kulka, May 2007

1. Brief intro

Planning process



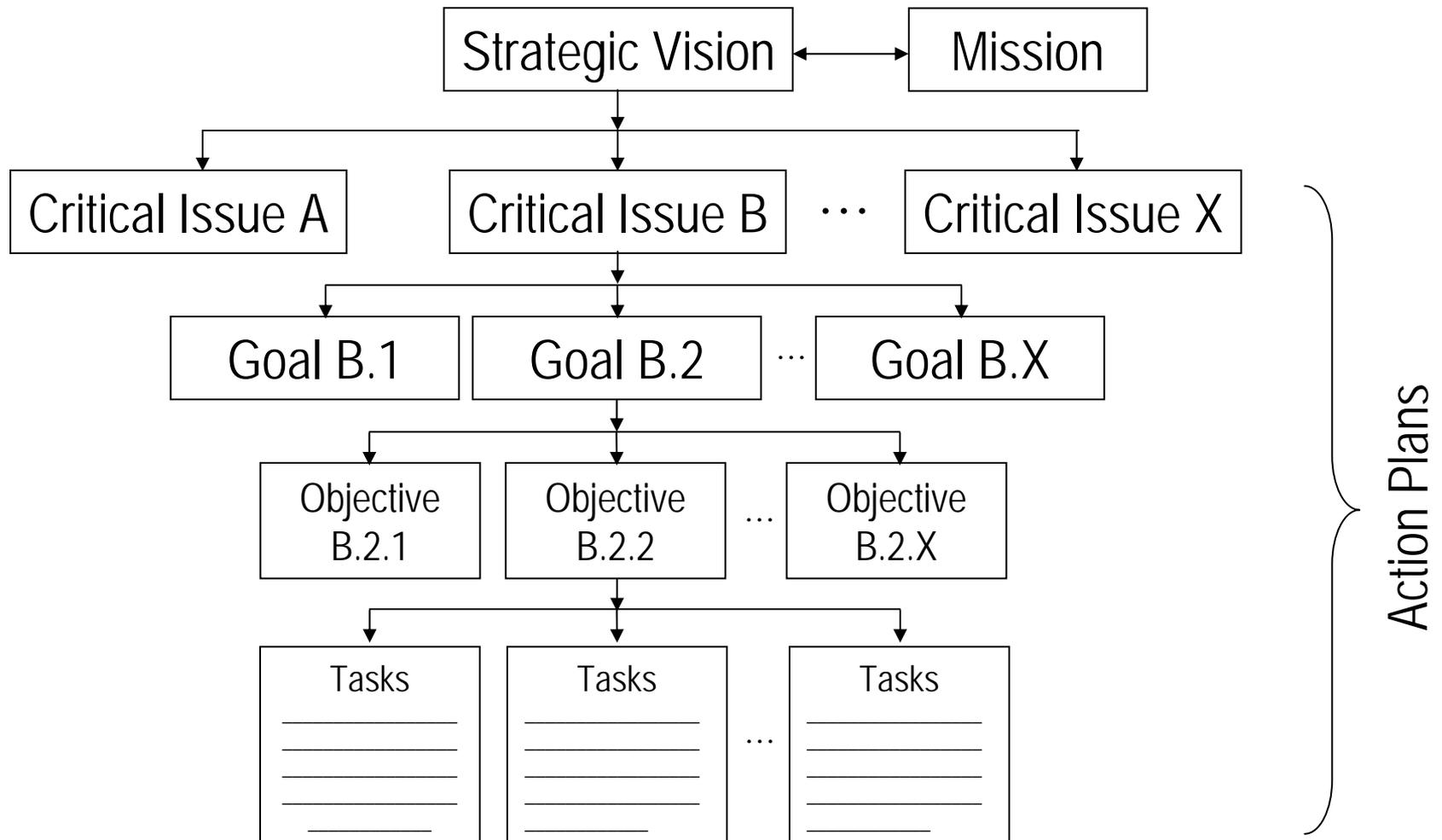
- Stakeholders
- Profile
- Socio-economic analyses and surveys
- Benchmarking
- SWOT
- PEST
- Alternative scenarios

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- Strategic Vision
- Mission statement
- Critical Issues
- Action plans
- Global goals
- Goals
- Objectives
- Tasks

- Priorities
- Responsibilities
- Timing / Due dates
- Management
- Monitoring system
- Updating

Strategy



Vision & Mission

- **Strategic vision:** Describes desired shape, achievements and important features in a long-term perspective.
- **Mission statement:** Purpose, basic principles and values of planning effort and an entity / persons involved.

2. Draft GNIA's Vision & Mission

The role of FDI in accelerating Georgia's growth:

- Georgia is an **open free-market economy** with a competitive business climate, and a skilled and productive labor force.
- Foreign investors increasingly choose Georgia over other competing locations for their **high-value added and export-oriented manufacturing operations and service functions**.
- Multinational companies appreciate Georgia's strategic location, business-friendly legislation and improving infrastructure as **a preferred base for their activities in the Caucasus region**.
- FDI activity is **instrumental in reviving, restructuring and upgrading** Georgian economy on national, regional and local levels.

GNIA's role in FDI attraction:

- GNIA is a respected, professional and results-oriented investment promotion agency.
- By the end of 2010, GNIA's assistance is going to help more than **30** multinational companies establish their operations in Georgia (including brand names such as **XXX, YYY, ZZZ**), that will invest or commit to invest over **3 billion US dollars** and create or pledge to create over **45 thousand new jobs** in the key value chains and strategic industries of the Georgian economy.
- GNIA is to become a logical and preferred first point of contact for foreign investors within the Georgian environment and it is determined to provide superior quality assistance and service to its clients.

GNIA's organizational values and development:

- ***Staff.*** The GNIA's team is dynamic, responsive, professional and highly qualified. Everyone throughout the agency understands supports and strives to help GNIA achieve its vision and mission. All team members are highly motivated, fluent in at least one foreign language, and constantly working on improving their knowledge and skills. The working environment is collaborative, collegial, friendly and customer focused.
- ***Resources and capacity.*** GNIA is properly funded from multiple sources, operates from adequate and well equipped offices and creates a collaborative alliance network of partners in ambitious regions and cities that are dedicated to and capable of integrating foreign investors in their economies and communities.
- ***Stakeholders.*** Everyone in GNIA knows the customers, founders, partners and other stakeholders. The roles and importance of these stakeholder groups for the agency and its functions are well understood. These include:

GNIA's stakeholders:

- Customers / investors
- GNIA's team / employees
- Georgian government
- Georgian cities and regions
- Business associations / chambers of commerce
- Relevant international organizations and donors
- Credible international consultants
- General public / Georgian citizens
- ?

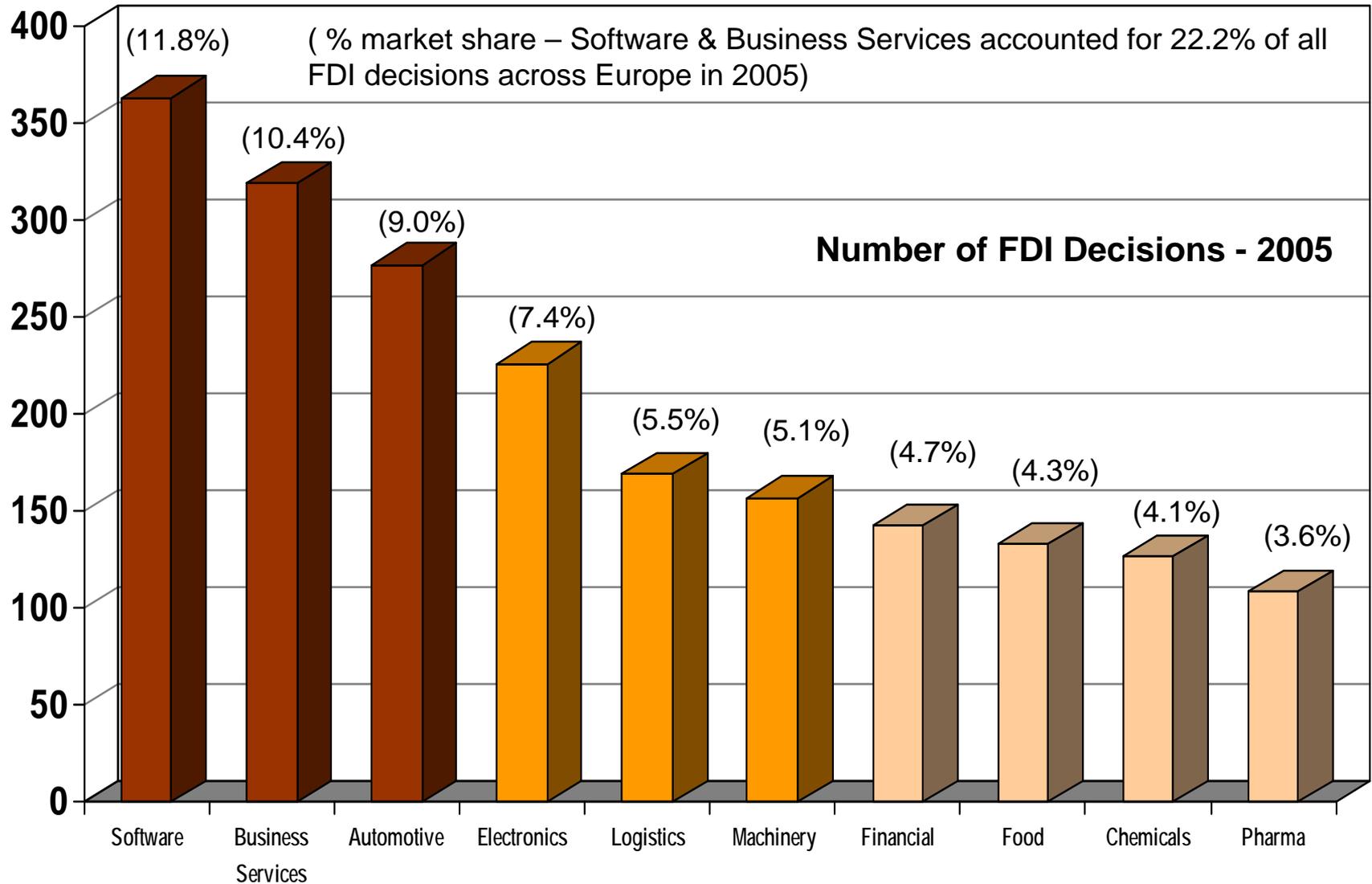
GNIA's differentiation:

- Commitment to excellence
- Customers are at the centre of GNIA's activities
- High degree of responsiveness
- GNIA always has something more to offer
- No soviet-minded creatures work with GNIA
- ?

3. Targeting

Demand Dynamics

European Investment Decisions



Source: Ernst & Young 2006 European Attractiveness Survey

Supply Dynamics – Targeting

Playing to your strengths

- **Investment Promotion is a dynamic process: Georgia's attributes vis-à-vis the competition constantly change**
- **What can Georgia “supply” to potential investors?**
(GNIA must have a clear understanding of what the country can offer companies and how that compares to competing locations)
- **Location Audit** - Provides dynamic element to static benchmarking and investment analysis – helps IPA to identify fundamental issues needed to improve location environment

Supply Dynamics – Targeting

Factors influencing Sector Selection and Territorial Focus

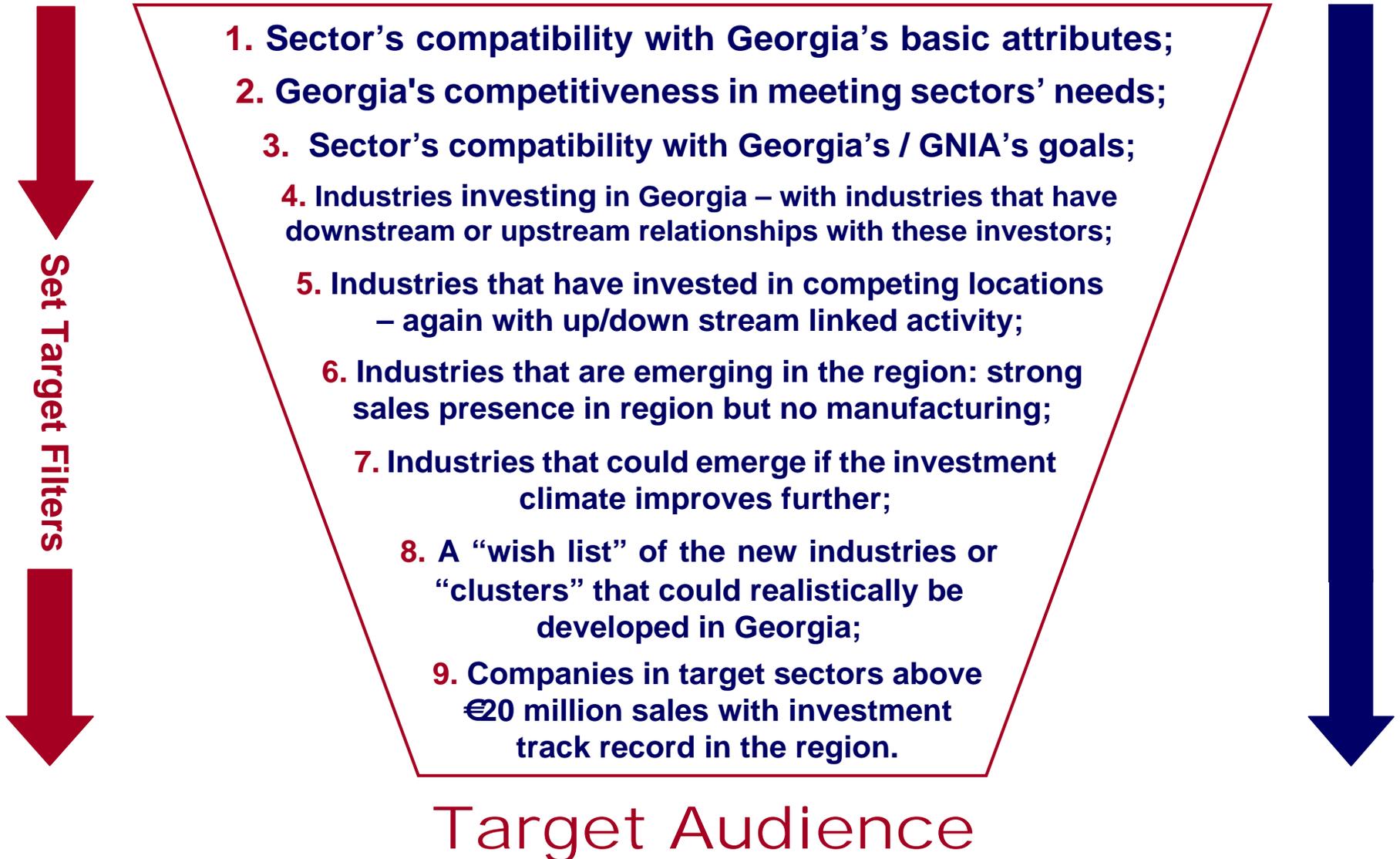
- Demand for investment locations
- Ability of Georgia to competitively satisfy that demand – now or within the next year or two
- Policy preferences of the Government
- Sectors holding out the greatest potential to maximize net economic gains for Georgia
- Import substitution

Supply Dynamics – Targeting

- Examine your countries economic landscape to gauge its investment factor conditions*
- Match attributes with sectors demonstrating strong demand for FDI locations and which are likely to increase economic activity; and
- Identify obstacles to “matchmaking” process and define steps and resources needed to overcome them.

* *According to Porter’s Diamond of Competitive Advantage – factor conditions = the presence of highly specialised pools of skills, technology and infrastructure tailored to the need of particular businesses that are continually upgraded*

Suggested targeting “filters” for Georgia



- **Aerospace**
- **Automotive**
- **Electronics, microelectronics**
- **High-tech engineering**
- **IT services, software development**
- **Life sciences: biotech + pharmaceuticals**
- **Strategic services: shared services, call centers, high-tech repair centers**

- **Manufacturing**
 - Machine building and automotive supplies
 - Electronics & Plastic components
 - Wood Processing (pulp and paper, particle boards for construction and furniture)
- **Services & Logistics**
 - Shared service centers
 - Tourism
 - Industrial real estate
- **Innovative Products**
 - ICT
 - Biotech
 - Material technologies

- **Machinery**
- **Chemical**
- **Electrical engineering**
- **Automobiles, trailers and semi-trailers production**
- **Wood processing industry, furniture production**

Ukrainians (maybe)

- **Machinery / automotive**
- **Consumer electronics**
- **ICT**
- **Agriculture / Food processing**
- **Aerospace / Aircraft industry**
- **Alternative energy**

- **Metallurgy**
- **Oil and gas machinery**
- **Construction materials / Construction**
- **Agriculture / Food processing**
- **Textile**
- **Tourism**

Armenians

- **IT Sector**
- **Electronics**
- **Machinery & Machine building**
- **Mining**
- **Chemicals & Pharmaceuticals**
- **Jewelry & Diamond processing**
- **Textile & Clothing**
- **Food processing & Drinks**
- **Tourism**

GNIA's strategic focus*:

**Technologically-advanced and
export-oriented efficiency-seeking
foreign direct investments**

** Strategic focus means targeted marketing and preferential, high-intensity assistance*

GNIA's Key Value Chains / Strategic sectors:

- Agriculture / food processing
- Tourism (in cooperation with the tourism agency)
- Machinery
- Consumer electronics
- Information and communication technology
- Aerospace
- Pharmaceutical
- ?

4. Critical issues

Critical / Priority Issues

High priority areas which limit / predetermine future development (potentials) to be identified in the initial phase of the planning process reflecting analytical findings.

<p>Strategy as selection of priority issues (an “incomplete” solution)</p>	<p>Issue tree and MECE approach (mutually exclusive and conclusively exhaustive)</p>
<p><i>Brainstorming & Consensus Identified by key stakeholders</i></p>	<p><i>An expert selection as an entry to the planning process</i></p>

Suggested GNIA's critical issues:

- This FDI attraction strategy does not have an ambition to serve as a comprehensive strategic document but it is focused on the three priority areas that are critical for GNIA's effective and successful performance:
 - (1) Marketing and Investment Generation**
 - (2) Product Development and Regional Networks**
 - (3) Management**
- The selection of the priority areas reflects the position in and conditions for FDI attraction in Georgia as well as the actual stage of agency's development.

Technologically-advanced and export-oriented efficiency-seeking Foreign Direct Investment

Marketing and Investment Generation

Product Development and Regional Networks

Strategic Marketing Approach

?

Promotion and Image Building

?

Investment Projects Assistance

?

Regional Network / Alliance

?

Industrial Property

Effective FDI Marketing

- Targeted on key / strategic value chains / industries
- Systematic and controlled
- Leading role of InvestUkraine
- Coordination with key partners

Competitive product

- Hard and soft FDI infrastructure created and functional
- Collaborative alliance of GNIA, Regions and Cities established

Human Resource Management

?

Funding / Donor Relationship

?

Government / Public Relations

Management



**5. Enough for
today. Thanks!**