THE ROLE OF INVESTMENT PROMOTION AGENCIES IN ATTRACTING FOREIGN DIRECT INVESTMENT

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Abstract. *Establishing an investment promotion agency (IPA) has become a very popular institutional approach in the strategic promotion of foreign direct investment (FDI) across nations and regions worldwide. In this article, we examine the role of IPAs in improving the FDI environment and promoting inward FDI. The task of the article is, with the help of qualitative methods of research, to determine the promotion techniques and tools that lead to a better FDI performance and verify them in the cases of such investment promotion agencies as Invest Lithuania and Invest in Lviv Region (Ukraine).*

Key words: *foreign direct investment, investment promotion agency, FDI attraction*

Introduction

FDI is defined as an investment moving across the borders. The major characteristics of FDI are 10% ownership by a foreign investor allowing the execution of control over an enterprise and a long-term perspective. FDI is defined as "the objective of obtaining a lasting interest by a resident entity in one economy ("direct investor") in an entity resident in an economy other than that of the investor ("direct investment enterprise")" (OECD, 2008). Taking into consideration the conviction in positive impacts of FDI, especially in the advancement of the economy through innovation, promotional efforts among developed and developing countries to attract FDI have become a serious instrument of competition. While some countries attempt to attract as more FDI as possible, other concentrate only on the FDI that can raise the standards and welfare of the host country.

In circumstances when competitiveness for attracting FDI is becoming more and more severe, almost every European country provides to foreign investors the services of governmental or semi-governmental IPA which are considered to be the first official contact point between foreign investors and investment options within the country.

It is important to understand that any investment project has two parties that act in a certain business environment: 1) the investor who makes the decision; and 2) the location that is interested to attain investments. Irrespective of the FDI mode – greenfield projects,

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M&A decisions, or joint venture projects – the decisive power remains on the side of investors and depends mainly on the investment project characteristics (profitability and risks), but not on local authorities. However, in cases of close interactions, the quality of services provided by the party that represents the location can play a crucial role. The objective of meeting business expectations of foreign investors and development objectives of the location is becoming one of the most important in the activity of IPAs.

The importance of IPAs increases especially in the countries with a bigger cultural distance between the potential investor and the location where English is not an official language and with the unpredictable investment climate that can be characterized by the lack of transparency and a limited access to information.

The article concentrates on the issue of the role of IPAs in the activities of foreign investors in the current global and European circumstances. The analysis will be done in the following way. The first part reviews the literature on FDI promotion and the role of IPAs activities. The second part identifies the trends of FDI in terms of flows and stocks, economic sectors, country origin, country hosts, prevailing forms. The next part discusses the experience of using the promotional techniques that can provide for an enhancement of FDI activities of potential foreign investors and those already in operation on the local market. The last part is dedicated to the case study of the investment promotion agencies Invest Lithuania and Invest in Lviv Region (Ukraine).

In order to determine the patterns of 'good practices' leading to the enhancement of FDI activities which are summarized in the third part of the article, we executed research in three areas: 1) academic research of investment promotion tools in economic literature; 2) research of studies of FDI environment, carried out by international organisations (WAIPA, UNCTAD, OECD, World Bank Group); and 3) research of studies on IPAs, accomplished by specialized consultancy organizations (Ernst, Young, fDi Intelligence, ECORYS). The latter two researches are done to reveal up-to-date trends in FDI activities, in particular the activities of IPAs and the best practices they apply.

1. Literature review

It is widely believed that investment promotion has a great impact on the level of the FDI attracted. According to Louis T. Wells and Alvin G. Wint (2000), a 10 per cent increase in the investment promotion budget will lead to a 2.5 per cent increase in FDI. Harding and Javorcik (2007) also have found a positive relationship between investment promotion and success in attracting FDI. A recent research carried out by the University of Oxford also has shown that one dollar spent on investment promotion increases FDI inflows by 189 dollars (Harding, Javorcik, 2011). The reason of the relationship and a possible impact of IPAs activity on FDI inflow can be found in the information asymmetry that foreign investors face when entering a new market. Information and assistance provided by IPAs can be deciding in making the location-investment decisions of high value-added FDI projects (Hornberger, Battat, Kusek, 2011).

According to H. Loewendahl (2001), the main areas of investment promotion are strategy and organization, lead generation, facilitation and investment services. One of the basic tasks of IPAs activities remains to provide all information necessary for making positive investment decisions. The typical activities of IPAs are information dissemination, investment facilitation, investment generation, image building, expanding linkages between foreign investors and domestic suppliers (Wells, Wint, 2000). Hereby, the functions of IPAs can be divided into strategy and tactical activities. However, most IPAs in investment services tend to concentrate their efforts mostly on pre-investment services rather than aftercare ones (Narula, Dunning, 2010; World Bank Group, 2012).

Most researches in assessing the performance of IPAs are done applying quantitative methods and focus on the number of investment project attracted, financial value and the number of jobs created. However, a new qualitative approach has emerged, which demands meeting the specific development criterions (Enderwick, 2005). Such criteria, for instance, include the high value-added projects that include R&D activity in high-technology and high-growth industries. Guimón J. and Filippov S. (2012) propose to combine two dimensions of quantity / quality and attracting new FDI / cooperation with subsidiaries, which results in four possible scenarios: 1) quantitative approach towards attracting inward FDI and jobs (as much as possible); 2) subsidiary development under the quantitative approach (extension of existing operations); 3) qualitative approach (attraction of FDI with specific functions in specific sectors); 4) subsidiary development under the qualitative approach (support in development for already established subsidiaries). However, evaluation under the qualitative approach can cause difficulties regarding data sources and the lack of measures for defining progress in the development of subsidiaries.

As stated in most research papers, the efficiency of IPAs depends mainly on organizations' structure and the way they operate. It is considered that IPAs with a quasi-government status and private sector representation are performing better than IPAs that are incorporated as part of a governmental body (ECORYS, 2013; Wells, Wint, 2000; Morisset, Andrews-Johnson, 2004). Besides, findings confirm a positive correlation between sector targeting in investment promotion and attracting FDI (ECORYS, 2013; Harding, Javorcik, 2011; Charlton, Davis, 2006). Targeted sectors received more than twice FDIs in comparison with non-targeted sectors. It is stressed that "the changing from general marketing and lead generation activities into becoming a services-driven consultancy organisation focusing on investor needs is also positively correlated with higher inflows of FDI" (ECORYS, 2013). Professional handling of investor inquiries implies a greater amount of FDI (Harding, Javorcik, 2012). Interesting is the finding of

R. Whyte, C. Ortega, and C. Griffin (2011) regarding the possible regulation functions of IPAs: the more duties of IPAs are devoted to regulatory activity (defining investment incentives, negotiated concessions), the less successful IPAs are. The key method in defining the efficiency of IPAs activity is satisfaction surveys of investors and economic impact studies.

2. The current trends in FDI activity

According to the WIR 2013, global FDI flows today are far from the pre-crisis level of 2005–2007 when they were only rising and reached their maximum level of $1.97 trillion in 2007. After a small rise, global FDI flows fell by 18 per cent from $1.65 trillion in 2011 to $1.35 trillion in 2012, which appeared to be in contrast to other key economic indicators such as GDP, gross fixed capital formation, international trade and employment, which all registered a positive growth at the global level (UNCTAD, 2013, p. 2). Only the latest UNCTAD Global Investment Trends Monitor reports an increase by 11 per cent to an estimated $1.46 trillion in 2013. Figure 1 illustrates the trend of FDI flows in the world in 2003–2013.

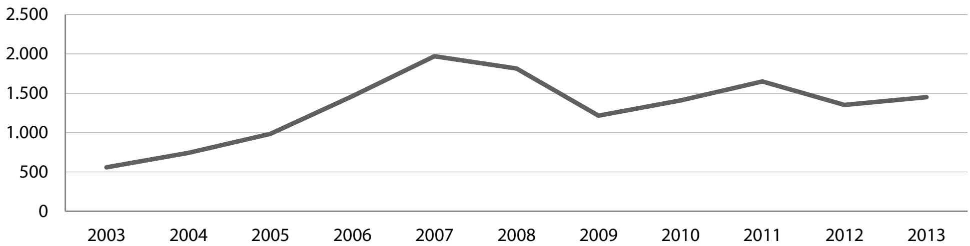

FIG. 1. **Global FDI flows in 2003–2013, billions of dollars**
Source: UNCTAD.

In the period of the last ten years, the most significant changes regarding the national origin of FDI flows have occurred in the developing countries, especially in BRIC (Brazil, Russia, India, and China) and MIKT (Mexico, Indonesia, South Korea, and Turkey) countries. In these regions, the amount of new multinational enterprises is constantly growing. These countries are becoming the active players in global economy and even the purchasers of TNCs in the developed countries. Considering the investing sources of the investors representing the above-mentioned countries, IPAs that are looking for potential foreign investors should pay special attention to these regions. Although BRIC's share in global FDI projects declined and accounted for 17.64 per cent in 2012, China, India, and Brazil remain to be in the top five most popular destinations for FDI (fDi Intelligence, 2013a).

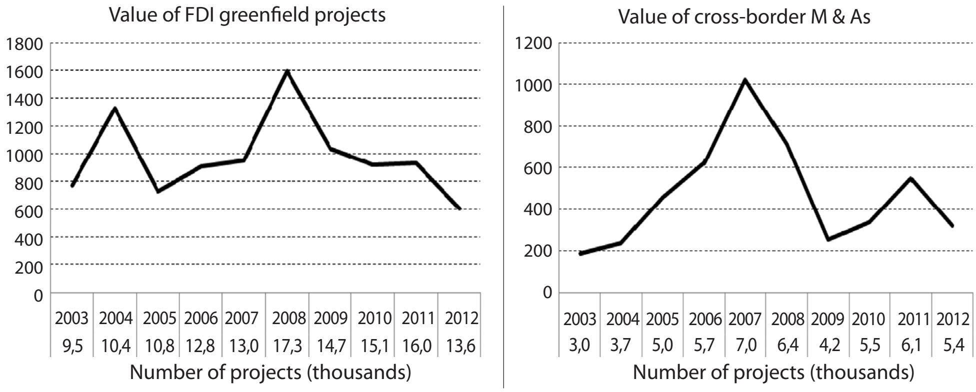

FIG. 2. **Global trend of FDI projects in 2003–2012, billions of dollars**
Source: UNCTAD, 2013.

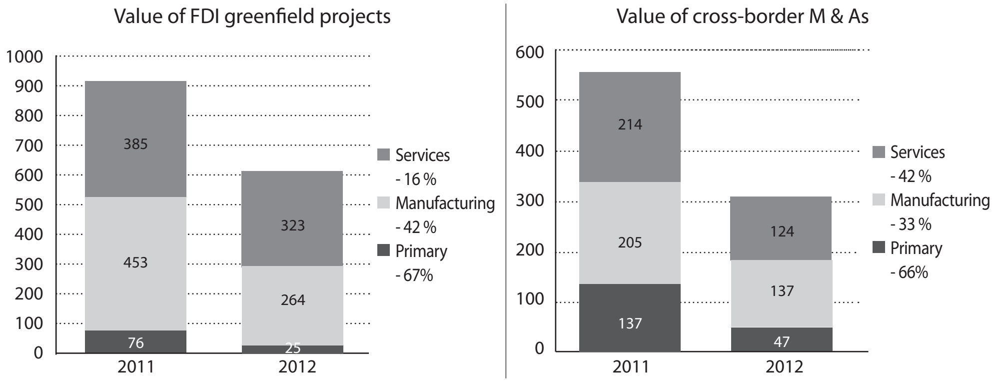

FIG. 3. **FDI projects by sector in 2011–2012, billions of dollars**
Source: UNCTAD, 2013.

In the recent years, for the first time it has been recorded a tendency that developing countries absorb more FDI than developed countries do. The share of developed countries in the global FDI accounted only for 39 per cent in 2013. This means that the dominance of developed countries in attracting FDI has become weaker. In 2012, the top host economies of FDI remained to be the USA, China, Brazil, British Virgin Islands, United Kingdom, Australia, Singapore, Russian Federation, and Canada (UNCTAD, 2013).

The main tendencies in the mode, numbers, sectors and value of FDI projects of the last years are given in Figures 2 and 3. Despite that estimated capital expenditure of announced greenfield projects in 2012 in comparison with 2011 fell by 33 per cent and reached \$600 billion, that is the lowest level in the past 10 years, FDI greenfield projects are prevailing both by value and by numbers of FDI projects. The number of FDI projects has decreased by 16.38 per cent to counterbalance the increase at the level of 8.54 per cent in 2011. The falling numbers of FDI greenfield projects were observed in all world regions with the exception of Chile, Spain, Indonesia, Poland, and Oman, where the FDI stock increased (fDi Intelligence, 2013a).

The value of cross-border M&As in 2012 has fallen by 45 per cent as well to the level of 2009–2010; however, the reduction of project units is more moderate, accounting for 15 per cent for FDI greenfield projects and 11 per cent for cross-border M&A deals. The difference is explained by a significant reduction in the size of projects: the average investment value decreased by 21 per cent for greenfield projects and 38 per cent for cross-border M&As (UNCTAD, 2013).

FDI decrease was observed in all three sectors irrespective of the FDI mode. Services appeared to be the sector least affected by the fall of investment activity in value deal. Manufacturing dependent on world market conditions and described by a high cyclic character and especially mining / quarrying / petroleum and metals / metal products, turned out to be among industries with the largest decline in FDI projects. To counterbalance them, pharmaceuticals, food, beverages and tobacco sectors managed to limit FDI losses.

In 2012, as in 2011, business and financial services, ICT, transport equipment, machinery, chemicals remained to be leading in the numbers of FDI projects. In 2012, business and financial services together with ICT remained the top two sectors accounting for 43.68 per cent of global FDI projects (in 2011–39.3 per cent).

As mentioned above, FDI fall did not influence the industries that are independent from external shocks of the global market. Thus, in 2012, real estate, hotels and tourism, and food, beverages and tobacco experienced an increase in the market share rising to 4.6 per cent and 4.28 per cent, respectively. Such growth is reflected in its market share increase in the BRIC countries, specifically in the food, beverages and tobacco industry. At the same time, the number of FDI projects in the sectors of electronic components and semiconductors, as well as consumer electronics, consumer goods and business machines declined by 26.07 per cent, and 21.21 per cent respectively (fDi Intelligence, 2013a).

In 2012, Europe also reflected the global trends of FDI growth impairment when FDI greenfield project numbers decreased by 20.82 per cent in comparison with 2011, accounting for a total of 3 891 projects. The number of FDI projects and their value in European countries in 2012 are presented in Table 1.

As we see, the United Kingdom is the leader in attracting FDI projects both by their number and value. Further we can observe some disparity; namely, Poland and Russia have attracted almost half as many of projects as Germany, but more in value. This points out at the scope and capital intensity of investment projects.

In 2012, the ICT sector turned to be the most attractive to foreign investors in

TABLE 1. **The top 10 most attractive European destinations in 2012 by project numbers and their value**

№	Countries	Projects number	Year change (per cent)	Value of projects (millions of $)	№	Countries	Projects number	Year change (per cent)	Value of projects (millions of $)
1.	United Kingdom	812	-8	41 177	7.	Ireland	147	-21	5 022
2.	Germany	410	-47	8 477	8.	Netherlands	145	-22	4 026
3.	Spain	278	+9	11 367	9.	Romania	138	-23	9 888
4.	Russia	265	-18	18 537	10.	Turkey	133	-1	9 540
5.	France	244	-12	7 017		**Other**	**1 082**	**-27**	**31 099**
6.	Poland	237	+5	11 533		**Total**	**3 891**	**-20,82**	**157 683**

Source: compiled by the authors, based on fDi Intelligence, 2013a and UNCTAD, 2013.

TABLE 2. **Top 10 source countries from Europe in 2012 by project numbers and their value**

№	Countries	Projects number	Year change (per cent)	Value of projects (millions of $)	№	Countries	Projects number	Year change (per cent)	Value of projects (millions of $)
1.	United Kingdom	1 245	-10.04	35 005	*7.*	Italy	203	-21.92	21 387
2.	Germany	1 065	-15.48	49 479	*8.*	Sweden	182	-26.61	5 694
3.	France	547	-17.37	27 272	*9.*	Ireland	170	-2.86	5 641
4.	Spain	368	-15.60	17 379	*10.*	Austria	128	-32.28	4 458
5.	Switzerland	325	-28.41	12 700		**Other**	**949**	**-19.30**	**36 120**
6.	Netherlands	286	-26.10	9 149		**Total**	**5 468**	**-17.54**	**224 284**

Source: compiled by the authors, based on fDi Intelligence, 2013a and UNCTAD, 2013.

Europe. Nearly a quarter of FDI, namely 906 projects, were allocated there. Business and financial services were in the second place, reflecting the weakness of the financial sector in Europe, but still accounting for about one-fifth of FDI projects in the region (805 projects). The transportation, warehousing and storage sector moved from the fifth to the third position (269 projects), and the top five sectors are completed with transport equipment (259 projects) and machinery (235 projects) (fDi Intelligence, 2013a).

In 2012, the most active investors in Europe that had shown a preference for FDI greenfield projects were from United Kingdom, Germany, France, Spain, and Switzerland. The number of projects by source countries and the change in percentage from the previous year and their value are presented in Table 2.

Regarding the value of FDI, Germany was at the top of the country list in 2012. It had also created most jobs among other European countries. Its performance was described by $49 billions of investments and 130 thousands of jobs created. Despite the small number of the projects of Italian investors in comparison with other actors, by their project value they were among the five biggest European source countries.

According to Ernst & Young's European Investment Monitor (2014), greenfield investments in Europe in 2013 demonstrated a recovery with the number of inward investment decisions reaching 3,955 (+5% gain over 2012) and creating 166 343 jobs inside Europe (-2% compared with 2012). Attractive European destinations have not changed. The UK, Germany, and France remain to be most attractive countries. Below are listed the main activities attracting the highest number of FDI projects and creating most jobs (see Table 3).

TABLE 3. **Top activities by FDI job creation in 2013**

Activities	FDI projects	% change from 2012	FDI job creation	% change from 2012
Sales and marketing	1 899	-2%	17 519	-11%
Manufacturing	1 018	5%	89 117	-12%
R&D	290	23%	12 523	64%
Logistics	284	20%	19 481	48%
Business support services	278	37%	20 927	10%
Headquarters activity	155	-8%	6 514	-26%
Education and training	31	-14%	262	-68%
Total	**3955**	**+5%**	**166 343**	**-2%**

Source: Ernst & Young's European Investment Monitor 2014.

Thus, the sales and marketing sector made up for almost 50% of the total FDI projects in Europe. This suggests that the key driver for foreign affiliates is a commercial presence abroad. R&D-oriented FDI projects have become more significant, and manufacturing accounted for more than half of the jobs created on the continent.

3. Analysis of good practices of IPA in attracting FDI

Studies of FDI promotion, carried out by international organisations, have assured that due to globalization and development the usual tendency in FDI is changing. In the recent years, developing countries are attracting more FDI than developed ones, and this to a large extent is the result of IPAs activities.

Notwithstanding that FDI flows are decreasing, the number of actors in investment promotion in the world and particularly within countries is steadily increasing. Over the last years, the number of IPAs has risen significantly, and at present 81 per cent of countries around the globe have a national IPA including 78 per cent of developing countries (UNCTAD, 2013a). In addition to the IPA at the national level, many agencies at the regional level began to function as well; for instance, only in 2010 Turkey inaugurated 26 new regional agencies. The shift of promotion from the country level to the regional or city level can be observed over the last twenty years (Kaothien and Webster, 2000).

Regional and city agencies are mentioned frequently by different information sources specialized in FDI. The fDi Intelligence (2013b) carried out an examination of the online survey of 55 agencies to determine the most innovative strategies implemented. It awarded with Innovation Award the following agencies as the world's most creative investment promotion agencies: 1) on the national level – IDA Ireland; 2) on the regional level – Copenhagen; 3) on the city level – Barcelona; 4) the free zone level – Lodz; 5) on the non-governmental level – ConnectIreland.

We have conducted an analysis of the activities of most successful agencies in an attempt to identify what actions allow to attract more investments. The analysis indicates that agencies have to be creative and innovative to reach potential investors and encourage investments. These are successful tools that lead to FDI flow into the targeted location:

1) aftercare activity to promote reinvestments, revealing the potential the company can contribute to the location and discover trends and opportunities of business community as well;
2) online promotion and instruments of new media;
3) networking both in the circle of investors' contacts and in the circle of IPAs specialists through close partnership;
4) attracting ambassadors to the promotional activity and the resources of the diaspora as well;
5) strategic partnership of local authorities and business promotion organizations with the companies that come to a location to provide the best investor services possible;
6) the creation of a city environment based on the values of diversity, individual freedoms and self-expression to be attractive to creative people and professionals, particularly of the IT sector.

Such a situation around the growing role of cities is demand-driven, since foreign investors are tending to make investment decisions mostly from the regional or city-level perspective. Through their impact on the local infrastructure, the city agencies can be good partners for discussion for FDI investors (Webster, Muller, 2000).

Taking into consideration the aforementioned circumstances, the critical questions arise regarding the way of configuration of the FDI promotion at national, regional and local levels and the necessity of new more sophisticated approaches to foreign investors that can ensure the needed investments. One of such approaches can be the network-oriented approach that foresees the balance between cooperation and competition. It becomes apparent at all stages of FDI promotion, including pre-investment search for potential investors, project management and aftercare through cooperation with other IPAs and local business networks (local stakeholders and leaders from the private sector).

First and foremost, the activity of IPAs is targeted at the investors conducting greenfield investment projects which are believed to be the most favourable for the economic growth and development of a host country due to their direct contributions that have an impact on capital formation, the level of technology and innovation, employment and human resources development, trade structure and indirect contributions through spillovers to the competitiveness and productivity growth of the host country (Javorcik, Kaminski, 2009; Neuhaus, 2005; UNCTAD, 2011, 3–4).

There are also agencies providing business matchmaking services for the foreign investors that are looking for a suitable local partner to start up business in the form of joint venture (e.g., Singapore Economic Development Board, Welsh Development Agency, CzechInvest), and only a few IPAs support companies with the professional services in search of M&As (e.g., Invest in Sweden Agency) (ECORYS, 2013). IPAs with such services are in the minority, but they open a big potential for the further increase in the amounts of FDI attracted to meet the most important objectives of IPAs activity. Figure 4 illustrates the strategic objectives of IPAs that have priority in 2013.

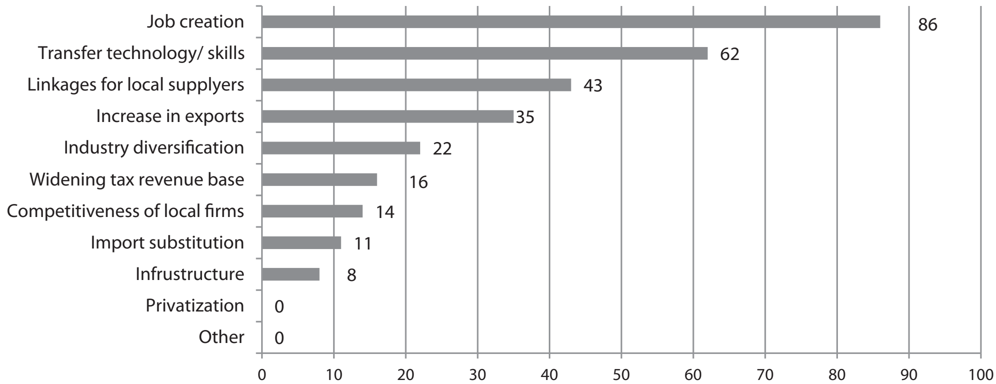

FIG. 4. **Strategic priorities of IPAs in 2013 in developing countries, %**
Source: UNCTAD, 2013.WIR 2013. IPA Survey (based on 62 responses).

In order to identify the most effective tools for promotion FDIs, we have also carried out a benchmarking of IPAs activities. The benchmarking of selected IPAs is presented in Table 4. Benchmarking of the Lithuanian Development Agency (LDA), UK Trade and Investment (UKTI), Invest in Sweden, and Czech Invest has been made using the methodology applied by Ernst&Young based on companies' interviews and FDI analysis (EY, 2009). The benchmarking of Invest Ukraine was made on the basis of the analysis of their website *http://investukraine.com/*. Benchmarking performance then was collated to findings of Summary Report of the World Bank Group "Global Investment Promotion Benchmarking 2009".

TABLE 4. **Benchmarking of selected IPAs**

	Activities	Invest Ukraine	LDA	Czech Invest	Invest in Sweden	UKTI
Strategy	Targeting of value-added sectors and activities	±	±	±	+	+
	Target market approach	-	-	+	+	+
	Emerging market strategy (BRIC)	-	±	-	+	+
Tactical activity	Business function experts	-	-	+	+	+
	HR management	±	±	±	±	+
	After-care services	±	±	+	±	+
	Local presence in line with the target markets	±	±	+	+	+
	Key account management	+	-	±	±	+
	Innovative events	±	±	±	+	+
	Network of supportive consultants	±	±	+	+	+
	Benchmarking performance	**Weak**	**Good**	**Good**	**Best practice**	**Best practice**

Invest Ukraine and LDA were selected as representatives of the further case study analysis. The United Kingdom is the European leader in attracting FDI, and its IPA demonstrates the best performance. The IPA of Sweden is known for the high value-added attractiveness profile, and the IPA of Czech Republic is considered by WAIPA to be the most professional among other IPAs.

In an attempt to determine the promotion techniques and tools applied by IPAs that lead to a better FDI performance, we have identified that good practices of investment promotion represent mainly a marketing approach. It considers a certain location as a product with a range of possibilities to be promoted, and foreign investors as customers. IPAs' aim is to attract FDI that should drive development exposing the competitive advantages of the target location and meeting the needs of investors. IPAs activities demonstrate the understanding of profit maximization strategies of the foreign investors that consider entering new markets (Banks, 2001). The acknowledgement of this principle in the activity of IPAs determines substantially their results.

The influence of IPAs activity can also become apparent through its policy advocacy role. Whereas the focus on FDI quantity requires the application of traditional promotion instruments such as advertisement and providing incentives, the attraction of a quality FDI demands more complex and sophisticated instruments with an emphasis on networking and providing individual support services both to new potential investors and to already existing subsidiaries or joint ventures. The latter ones are focused on providing aftercare services, i.e. post-investment services aimed at the successful running of already implemented investment projects.

Since establishing good relationships with the foreign investors that are already carrying out their business on the local market can be used for investment enhancing and efficient networking with new potential investors as a the future, the activity of IPAs in providing aftercare services is not less important than a search of new investors.

In conclusion, in result of the examination of empirical surveys, academic research papers, reports and guidelines of international organizations, we can identify and summarize certain examples of good practices in IPAs' activity aimed at a successful investment promotion. We have grouped them into categories by the main functions of IPAs during the process of FDI attracting: targeting of FDI activities, FDI facilitation, aftercare, cooperation with other actors in the system of attraction of FDI, and the internal management of IPA activity. The results are presented in Table 5.

TABLE 5. **Patterns of good practices in IPA's activity**

Main functions of IPAs	Good practices
Targeting FDI activities	• Targeting investors • Targeting specific sectors and companies • Targeting markets • Targeting specific tasks and activities of the sectors that can be competitively fitted within global value chains • Online promotion
FDI facilitation	• Matchmaking events • Commitment to existing investors' needs • Full assistance of the experts to foreign investors until the start of operations (with site selection, documentation and application, providing requested information) • Inquiry-handling (success criteria:1) availability and contactability; 2) responsiveness and handling; 3) the quality of the inquiry response; 4) customer care) • Consultancy about incentive schemes: financial, fiscal, other (HR support, training programmes, real estate offer)
Aftercare	• Follow-up and monitoring of development of already accomplished investment project • Building local supply network, its maintenance and enhancement • Investment retention and expansion
Cooperation with other actors of the system of attracting FDI	• Aligning strategic, tactical, and operational instruments to attract FDI • Branding and media attention • Stimulating business linkages between domestic SMEs and local affiliates of TNCs • Cooperation with government, private sector, high-profile decision makers and other IPAs to meet imposed investment goals
Internal management of IPA activity	• Investment strategy design • Determination of organizational structure, size, staff and objectives • Organizing working methods as a consultancy-driven service organisation (treatment of the foreign investors as customers) • Involvement of the private sector in the IPA activities • Monitoring and evaluation of the success of IPA performance

4. Case study of IPAs: Invest Lithuania and Invest in Lviv Region (Ukraine)

Invest Lithuania and Invest in Lviv Region (Ukraine) are investment promotion agencies on the local markets. Invest Lithuania began operations in 2010 after restructuring the Lithuanian Development Agency, however, its roots are in the Lithuanian Investment Agency established in 1993. Invest in Lviv Region is operating since 2007 and is the regional branch of Invest Ukraine which is a designated department of the State Agency for Investment and National Projects of Ukraine. We selected Invest in Lviv Region which is operating in a region similar in size to Lithuania. The analysis was conducted mainly on the basis of information available on the web-sites of the aforementioned IPAs.

There is a considerable gap between the two agencies in the indicators of FDI in selected locations. At the beginning of 2014, FDI per capita amounted to an average of $5 804 in Lithuania, $1 284 in Ukraine, and $677 in Lviv Region[1]. The results in attracting FDI are different, despite that both agencies provide to foreign investors comparable full-range services through every step of the investment process. The list of services in both agencies is presented in Table 6.

TABLE 6. **Services provided by Invest Lithuania and Invest in Lviv Region (Ukraine)**

Information services	Pre-investment support services
Information supply: • Handling investment inquiries • Sectoral investment opportunities • Investment projects • Legal & business framework for FDI	*Investor visit arrangements:* • Visit arrangements (visa facilitation, accommodation, booking and logistics) • Meetings with local authorities • Meetings with private institutions
Research & contacting: • Basic market analysis • In-depth industry research • Regional data research • Competitors' study	*Location selection services:* • Site allocation • Site visits • Property investigations • Real estate search
Support in getting started	**Aftercare**
Site development support: • Business start-up • Identification of local suppliers and service providers • Search for matching investment partners • Incentives and financing • HR support	*Business development & networking:* • Investment expansion / re-investment plans • Information on changes in the business environment • Identification of local suppliers • Business networking
Local government relations: • Licensing and permits • Liaising with regulators	*Troubleshooting:* • Individual troubleshooting • Assistance in day-to-day operational issues

Source: compiled by the authors, based on http://www.invest- lvivregion.com/сприяння_інвесторам_ua_271cms.htm; http://www.investlithuania.com/en/services/IL-support

[1] Based on the data of National Statistics Departments.

However, efforts of Invest in Lviv Region are more oriented to pre-investment support services, and other services are optional depending on the individual needs and requests of investors. Agencies actively use the practice of targeting investors and sectors of most interest in terms of the development of economy. In Lithuania, such sectors and industries as shared services and business process outsourcing, ICT, manufacturing and life sciences are targeted for foreign investors. In Lviv Region, IT, processing and food industry, energy, construction industry, agriculture, transport and logistics, machine building are identified as priority secors for FDI.

Invest Lithuania additionally has prioritised the markets, but this is not the case in the activity of Invest in Lviv Region. Invest Lithuania's marketing strategy has prioritised markets in Northern Europe (Denmark, Norway, Sweden) and the USA. In addition to the main office in Vilnius, the agency has representative offices in Belgium (Brussels), and the USA (California) to be closer to the potential investors.

It is also evident that Invest Lithuania is more oriented to online-promotion and is more transparent in the area of indicators of FDI performance than Invest in Lviv Region. Invest Lithuania uses the quantitative approach to assess the performance of its activity. In the first half of 2014, it recorded its best ever results: 22 projects and 1 547 jobs created.

Besides, the activity of Invest Lithuania was mentioned in the study of IPAs carried out by UNCTAD (UNCTAD, 2014) as an example to be followed for launching the programme for young professionals 'Create for Lithuania', aimed at developing skills availability. As the report states, there is a direct correlation between workforce skills and investment climate because of its priority among other important criteria during taking the location investment decision. And in fact Lithuania is treated as a country with the attractive investment climate, characterised by a liberal business environment in many international studies.

Comparing the activity of Invest Lithuania with the patterns of good practices, it can be concluded that this governmental agency applies actions in the area of targeting FDI activities, especially online-promotion. Their web-site provides functional information dedicated to needed facts of the business environment and investment opportunities, success stories, news, investment support provided by the agency and possibility to contact directly in order to settle the inquiry in any of the following areas: general information, benchmarking services, investment incentives, aftercare services, and others. The agency is cooperating with other actors in the system in attracting FDI into activities aimed at developing labour force skills that support the further attraction of FDI to the targeted sectors. The aforementioned characteristics allow to consider the activity of Invest Lithuania as favourable to attracting more FDI projects.

Notwithstanding that the Lviv region is among the most attractive regions for investment in Ukraine, its FDI per capita is still rather low. For Invest in Lviv Region, the issue of hard (good physical) and soft (reforms, transparency of public institutions) infrastructure remains to be one of the most important for ensuring a favourable investment environment that can attract foreign investors. The other issue is the political will to improve the business climate and perception of Ukraine among potential investors.

In terms of good practices aimed at FDI promotion, the activity of Invest in Lviv Region is concentrated mostly on providing the pre-investment services, cooperation with the public and private sectors, and search for potential matching partners among local businesses. Analysing the content of web-site, it is relevant to say that the activity of Invest in Lviv Region needs to be utterly transparent in communication with potential investors and accountable for its results, since the best promotional tools, of location's investment attractiveness are referrals from companies already operating in the local market.

Conclusions

Nowadays, IPAs face a great competition for FDI, which is intensifying and changing through increasing the number of new actors from developing countries and different tools they use in FDI promotion. It is widely recognized that information provided by IPAs to potential investors can reduce the investor's cost of market entry and the risk of unknown market; however, it is not sufficient just to provide information to the potential investors.

On the basis of analysis we determined the patterns of 'good practices' leading to the enhancement of the FDI activities that were grouped into such areas as targeting FDI activities, FDI facilitation, aftercare, cooperation with other actors of the system in attracting FDI, and the internal management of IPA activity. An urgent question has become the necessity of targeting markets, the specific sectors, companies and activities that are high value-added and can be competitively fitted within global value chains. Targeting higher quality FDI requires the proactive behaviour of IPAs that should base on considering the potential investors as the customers with specific needs and implementation of innovative tools of promotion, including opportunities of online-promotion and instruments of new media as well.

The case study of the agencies Invest Lithuania and Invest in Lviv Region has indicated that IPAs activities are more concentrated on information services, pre-investment support services, and support services in getting started. However, since attracting investment is not a non-recurrent process, the special attention of IPAs should be paid to providing aftercare services. This area is seen as having a great potential in attracting more FDI. Investors already operating on the local market should be considered as the most accessible source of further investments and, what is most important, as the intermediaries between IPAs and new investors. The latter are occurring thanks to their business contacts, references and experience which can persuade new potential foreign investors to enter the market. Therefore, IPA's supporting programme of monitoring the needs of the companies that operate on a local market as the result of FDI can additionally perform the function of business networking in the IPAs general activities.

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