

SUCCESS STORY

WILLINGNESS TO PAY – A LITMUS TEST FOR SUSTAINABILITY

The Rivne Oblast creates a Regional Industrial Park – using approaches brought by a USAID project but paying from its own purse

The sustainability of project results is in fact the ultimate goal of any technical assistance project. Various criteria exist to determine whether a project has hit or missed this target. One of these can be the willingness to pay for products similar to those once developed under the project as samples and delivered to recipients free of charge.

In the spring of 2007, the Rivne Oblast State Administration approved an action plan on creation of the Rivne Regional Industrial Park. Implementation of the plan was mainly imposed on InvestInRivne – an agency established in 2005 for attracting investments to the oblast.



Ruslan Svirsky, InvestInRivne Deputy Director: "Creation of the Rivne Regional Industrial Park will encourage foreign investors to come to the Rivne Oblast."

Mr. Svirsky is a graduate from the LED project's training program for FDI professionals, first cycle

InvestInRivne staff was aware that the USAID Local Economic Development (LED) project had already developed conceptual designs and due diligence reports for industrial sites in the cities of Komsomolsk and Novohrad-Volynsky, and was about to do the same for Dzhankoy and Vinnytsya cities. InvestInRivne's Deputy Director Ruslan Svirsky was a graduate from the project-run Training Program for FDI Professionals, and one of lecturers was the managing director of a Czech consulting and engineering company that did the conceptual design work for the landsites in the four Ukrainian cities. (The idea of this effort was not only to help the four cities to attract investors, but also to show how such sites are prepared for investments in countries of Europe such as the Czech Republic, where per capita foreign direct investments (FDI) are a dozen times higher than in Ukraine.) In addition, Rivne City had already created an economic development strategic plan with assistance from the LED project, and investment land development was discussed in the context of that planning.

With that knowledge, Rivne Oblast realized it needed work on developing and conceptualizing a tract of land that was available for industrial investment. To their credit, the Oblast Administration and InvestInRivne did not wait for a donor to do that work for free. Instead, they decided to act independently and pick up the tab, and so they placed an order with the Czech company independently.

The agency paid off costs of the services and then was partly reimbursed by the Administration.

"Territorial communities and executive bodies are well aware of the necessity of [proper site preparation for investors] and assign administrative and financial resources to have it done," Mr. Svirsky pointed out.

An important point is that, this time, the work done by the Czech company was at its order, and accordingly Rivne Oblast showed an unprecedented level of interest in outcome, involvement in process, and quality control comparing to the cities that had received their conceptual designs free.

The Rivne Regional Industrial Park is a 126 hectare greenfield between the cities of Rivne and Kostopil, 15 kilometers from each. "We've located the park between the two populous localities to ensure labor force supply," says Mr. Svirsky. He also mentioned that, unlike the sites in the four other cities, the Rivne Oblast's industrial area has a "real land allotment and management plan," paid for from the oblast budget.

As of December 2007, the industrial park project is in the stage of selecting a potential developer. "We began with promotion, and now have certain results," Mr. Svirsky relates. "Our priority is Western developers or Western investors. I'm sure that if we present the park – even through direct-mail advertising – among real estate companies in Kyiv, there will be an instant result. But I'm not sure that this result will be most effective."

As it is, Czech, German, Irish, and Portuguese developers presently consider working in the Rivne Regional Industrial Park, according to Mr. Svirsky. He says that this is a response to the Czech consultant's reports, which were replicated and distributed among Western developers.

Coming back to the FDI training, Mr. Svirsky says it was certainly useful, even though he has three-year experience in investment attraction business. "The program's main advantage to me was its systemic nature." He said the way the curriculum is delivered allows the program's graduates to clearly structure their knowledge and master a toolkit required for successful day-to-day work of FDI professionals.

Since its initiation in October 2004, the LED project has been paying the most serious attention to attraction of jobs-generating investments as a key factor of local economic development. Overwhelming majority of economic development strategies worked out with assistance from the project in 44 Ukrainian cities (as of Jan. 1, 2008) highlight investment attraction as one of critical issues and comprise corresponding action plans. As a result of the project, more than 20 cities have launched investment attraction programs and 23 allocated parcels of land for investment. A total of 63 Ukrainians were trained and certified as FDI professionals. These and other efforts resulted in approximately \$600 million investments and 12,000 new jobs.