

# IAIP INVESTMENT PROMOTION AND MOBILIZATION STRATEGIES – AFTERCARE

Phase 2 – final report

---

**Report prepared by FDI Center for UNIDO**

# TABLE OF CONTENTS

1.	INTRODUCTION	<u>4</u>
2.	WHAT IS AFTERCARE?	<u>6</u>
3.	REVIEW OF EXISTING SYSTEM	<u>11</u>
4.	RECOMMENDATIONS	<u>15</u>
5.	GUIDELINE FOR STRATEGIC INVESTOR MEETING	<u>23</u>
	ANNEX	<u>28</u>

Abbreviation	Meaning	Abbreviation	Meaning
AIIB	Amhara Industry and Investment Bureau	RTC	Rural Transformation Center
CAGR	Compound Annual Growth Rate	SME	Small and Medium-sized Enterprises
EIC	Ethiopian Investment Commission	SNNPR	Southern Nationals Nationalities and Peoples Region
EU	European Union	TBD	To be determined
FAO	Food and Agriculture Organization of the United Nations	UNIDO	United Nations Industrial Development Organization
FDI	Foreign Direct Investment		
GiZ	German Corporation for International Cooperation		
GoE	Government of Ethiopia		
IAIP	Integrated Agro-Industrial Park		
IFC	International Finance Corporation		
ILO	International Labour Organization		
IPA	Investment Promotion Agency		
MoA	Ministry of Agriculture		
MoTI	Ministry of Trade and Industry		
RIC	Regional Investment Commission		
RIPDC	Regional Industrial Parks Development Corporation		

# 1. INTRODUCTION

---

This report is the final deliverable on aftercare and is part of phase 2 of the project to support the United Nations Industrial Development Organization (UNIDO) and the Government of Ethiopia with the development of an investment promotion and mobilization strategy for three pilot integrated agro-industrial parks (IAIP) (i.e., Yirgalem IAIP, Bulbula IAIP, and Bure IAIP).

The report reviews the aftercare system available to domestic and foreign investors. It recommends specific modifications and additions tailored towards the identified target groups of agro-industrial investors.

Section 2 provides background information on aftercare, its key aspects, objectives, and challenges.

Section 3 reviews the existing investor aftercare system in Ethiopia.

Section 4 provides recommendations for an aftercare system especially for the agro-industry investors in the IAIPs.

Section 5 concludes.

Further, the report provides a detailed guideline for conducting strategic meetings with investors.

On July 15, FDI Center held together with UNIDO and the relevant stakeholders a virtual “Pilot-IAIP investment promotion strategy validation workshop”. The two hour and a half workshop provided a space to present all the findings and recommendations of this report, which reflects all the relevant comments and suggestions obtained during the workshop. This report and its recommendations have been approved by UNIDO and the stakeholders during the workshop.

The research and analysis for this report were conducted in June and July 2021. A list of all the sources used for the analysis is provided in the annex.

## 2. WHAT IS AFTERCARE?

---

## Context

Aftercare refers to all the services that are provided to an investor after he has decided to invest in a given location. These services are typically provided by the same agency responsible for attracting investors in order to ensure that the investment goes smoothly and to maximize the value of the investment for the country.

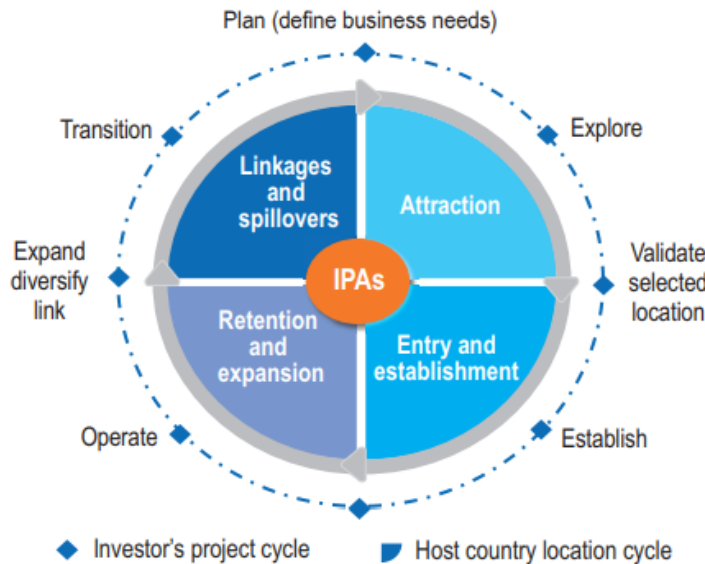
FDI has been declining for a few years already. In many parts of the world, especially in developed countries, re-investment by existing investors already exceeds investment by new investors, both in terms of investment amounts and the number of jobs created. A recent report by UNCTAD estimates that in 2018, reinvested earnings by the top 5,000 multinationals accounted for more than 52 percent of the investment by those companies globally. In other words, more than half of global investment is made by companies in locations where they already have a presence, rather than in a new location. This illustrates the key role of effective aftercare.

Aftercare is an integral part of the investment lifecycle:

1. Attraction
2. Entry and establishment
3. Retention and expansion
4. Linkages and spillovers

The stages 3 and 4 form part of investor aftercare.

**Figure 1: Investment promotion lifecycle**



Source: World Bank (2020).

### Host Country Investment Stages

Attracting investors	By enhancing the investment climate, promoting the location and supporting investor's planning and exploration
Assisting their entry and establishment	By providing a transparent and predictable legal environment and delivering information and assistance services
Securing their retention and expansion	By ensuring that investors operate without sudden legal and regulatory changes and by assisting investors during operations and expansions
Fostering links and spillovers	By looking for win-win benefits for both the investor and the domestic economy

# WHAT IS AFTERCARE

## Aspects of aftercare

---

Aftercare is important, because:

- In many locations, expansion by existing investors accounts for the majority of FDI.
- Helping existing investors expand can be easier than attracting new ones.
- The “returns” on aftercare can be higher than new FDI attraction.
- Relocation or closures of existing investors generate bad publicity.
- Existing investors can help to promote the location.
- Existing investors can be a source of new investments from other companies.
- Feedback from existing investors can help improve the business environment (see PPD report for more details).

The current state of aftercare services offered by IPAs around the world:

- Aftercare is a key function of investment promotion agencies (IPAs).
- Aftercare is (or should be) becoming more important as reinvestments of existing investors is becoming the main source of FDI.
- Most IPAs provide (or claim to) provide support to existing investors.
- Aftercare tends to receive less attention than other IPA functions such as investment promotion and facilitation.
- The nature and scope of aftercare support varies widely between IPAs.

Aftercare is often divided into two separate but related functions:

- “Aftercare” is usually associated with helping existing investors to resolve day-to-day issues, mostly in response to a request from the investor.
- “Investor development” refers to working strategically and proactively with existing investors to identify opportunities for expansion.
- In practice, both terms are often used synonymously and have the same objectives.

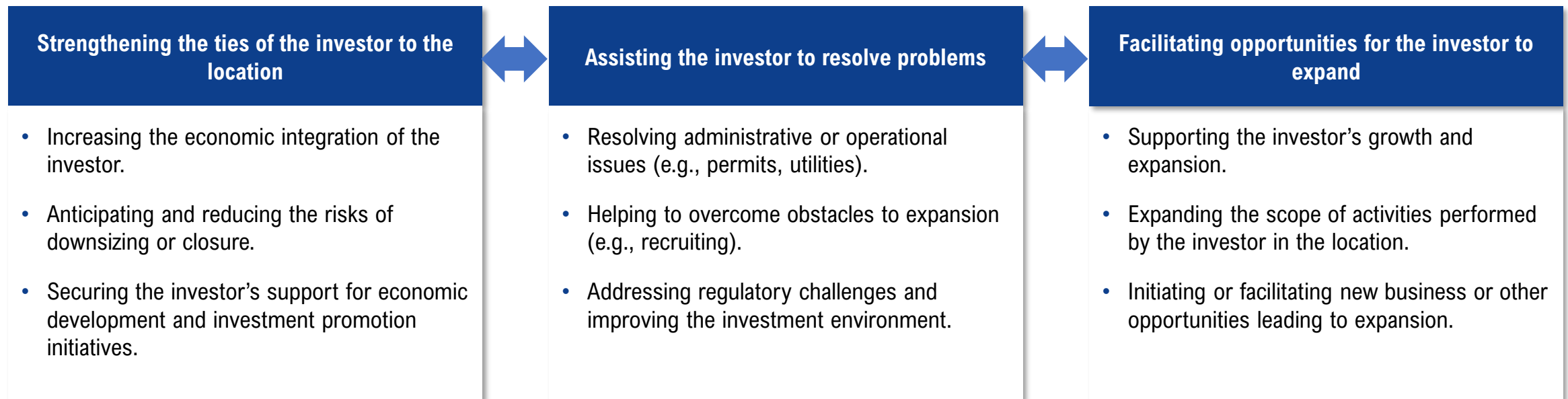


## Objectives of aftercare

Why does aftercare matter?

- Satisfied investors are the best form of promotion
- Aftercare is key to ensuring investor satisfaction and support for investment promotion
- Investor development can provide opportunities for companies to enhance the scope of their activities in the location
- This applies especially to companies that have been in the location for a long time

Aftercare can help to achieve these benefits by delivering on these three key objectives:



## Challenges

---

When designing an investor aftercare program, it is important to be aware of potential challenges. These can be among others:

- Perception of favoring only selected (foreign) companies
- Aftercare is time-consuming and resource-intensive
- Impossible to control all aspects of the investor's experience of the location
- Risk of being caught by surprise
- Ability to provide support depends on the cooperation of others (partners)
- Political factors can sometimes prevent effective collaboration
- Risk of overpromising and damaging the relationship
- Difficult to measure causality of aftercare outcomes

An effective aftercare program might not be able to resolve all of these challenges but at least needs to be aware of them and take these considerations into account.

# 3. REVIEW OF EXISTING SYSTEM

---

## Overview

---

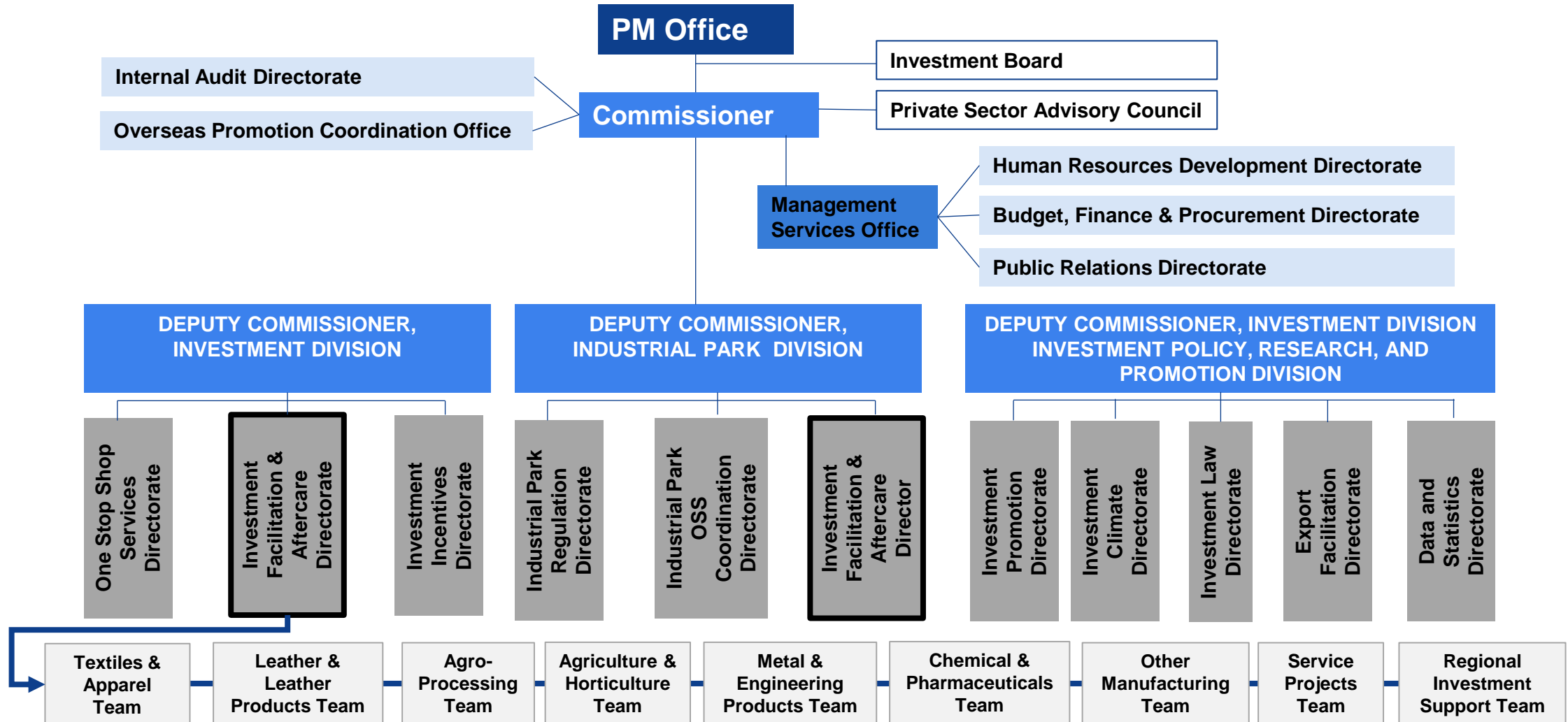
The EIC is currently offering aftercare services through its investment facilitation and aftercare directorate. According to the investment guide, the aftercare services offered include:

- Facilitating the acquisition of land and utilities (e.g., water, electrical power, and telecom services)
- Processing of loans and residence permit applications
- Approving environmental impact assessment studies

It is unclear whether the RICs are currently offering any aftercare services. Therefore, the following analysis focuses on the aftercare services and activities conducted by the EIC.

# REVIEW OF EXISTING SYSTEM

## Organizational structure (EIC)



## Overview

- The graphic on the right shows a framework of different aftercare services sorted by type of service and time.
- The EIC's current aftercare practices can be seen highlighted in green.
- In 2020, FDI Center delivered as part of a team (managed by Wavteq) a new aftercare strategy for the EIC. It stresses the further adoption of best practices and an additional focus on investor development. The newly recommended services are highlighted in blue. (We are not aware of the current status of implementation of these new services. But as these have been explained in detail in the strategy document from 2020, this document will focus on new aspects not yet mentioned in the 2020 strategy.)

		The aftercare service space		
Type of Service	Strategic	<i>Establish firm so that it operates successfully and performs its mandate</i>	<i>Competition legislation, product development, R&amp;D capabilities</i>	<i>Services that support firms in becoming strategic leaders, centres of excellence</i>
	Operational	<i>Find office space, factory, recruit staff, help install ICT equipment, power. etc.</i>	<i>Staff training, new premises, improved connectivity, local supply chains</i>	<i>Local R&amp;D, university collaboration, strong relationships with unions</i>
	Administrative	<i>Obtain visas, import permits, work permits for spouses, operate in free trade zone</i>	<i>International school, obtain food, drugs and administration approvals</i>	<i>Agreement with tax authorities, collaborate with public sector on planning and transport</i>
		Short term	Medium term	Long term
<b>Time</b>				

Source: UNCTAD (2007)

# 4. RECOMMENDATIONS

---

## Methodology

---

As the EIC has an aftercare program in place and received a recently updated aftercare strategy (in 2020 by FDI Center and Wavteq), there are mainly two key questions for this report to explore:

- Are there any further measures to be included specifically for agro-industrial investors?
- How should the regional agencies and RIPDCs be included in the aftercare strategy?

The following slides provide a deep dive into these questions. This is further followed by an implementation plan for these recommendations and instructions for how to identify strategic accounts.



## Further measures for agro-industrial investors

In phase 1 of this project, we identified three target groups of investors for each of the three pilot-IAIPs (Bulbula IAIP: tomato processors, bakeries, dairy processors; Bure IAIP: maize processors, livestock processors, dairy processors; Yirgalem IAIP: coffee processors, avocado oil producers, pineapple processors). These are the following key factors that can influence the decision to retain and expand investments for investors in these target groups:

Key expansion/retention driver	Brief rationale
<ul style="list-style-type: none"> <li>Ability to source more/higher quality raw materials locally</li> </ul>	<ul style="list-style-type: none"> <li>The local availability is a key location driver and a main capacity constraint for investors (especially in export-oriented sectors) – the availability of larger volumes or higher quality feedstock will allow them to grow their business in Ethiopia</li> </ul>
<ul style="list-style-type: none"> <li>Opportunity to develop new products</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing sites can become a source of innovation in the product space – a facilitative FDA is an advantage</li> </ul>
<ul style="list-style-type: none"> <li>Better trained employees</li> </ul>	<ul style="list-style-type: none"> <li>A larger talent pool with dedicated skills can induce a company to expand its operations and/or to co-locate additional business functions.</li> </ul>
<ul style="list-style-type: none"> <li>Improved logistics infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>This will allow investors to source from a wider range of suppliers as well as to supply new potential customers.</li> </ul>

Based on this we identified the following aftercare services:

- Support with local supply chains:** In order to maximize the value of an investor for the region the development of linkages is crucial. Continuous support with the supply chain needs of investors can encourage them to increase local sourcing and potentially also to expand their local activities. Best practice methods of doing this are:
  - Supplier databases
  - Matchmaking events with suppliers

The RICs should be lead agencies for offering these services as they possess the regional presence and knowledge.

### Further measures for agro-industrial investors (continued)

- Support with obtaining food and drug approvals for new products: One of the highest value-added local business activities is the development of new products. For the development of new food products for human consumption, a regulatory approval by the food and drug agency is required before introducing the product into the market. Support with these regulatory processes can incentive already established investors to engage in the local development of new products. The EIC should act as lead agency as this service requires coordination with national level agencies.
- Facilitation cooperation with local universities or research institutes: Another high-value business activity with a high positive impact on the local economy is R&D. R&D is seldom done in isolation but often in cooperation with local universities or research institutes. Corporate R&D departments can benefit from their expertise and human talent. Facilitating introductions and cooperation between investors and local research institutions can incentivize investors to add local research and development capabilities to their facilities. The provision of this service should be led by the RICs as it requires coordination on a regional level with, especially, universities.
- Inclusion of investors in planning further infrastructure development related to the IAIPs, RTCs and the larger agro-commodities procurement zone: The pilot-IAIPs are still in their early stages of development and e.g., further RTCs will be constructed over time. Including already established investors in the discussions and planning process for the further built-up of the IAIPs and their associated infrastructure can help to take their needs into account and to improve the business environment for them. For example, an investor might want to increase their production and requires more feedstock that is grown in a specific part of the ACPZ. Building a new RTC in this area to aggregate the feedstock can help the investor to expand their production. Regular meetings with investors and participation of investor representatives in planning workshops are advised. The RIPDC should lead this service in close alignment with all other stakeholders.

## Overview

- The focus of these services is mostly on the two quadrants highlighted in red (in the graphic on the right).
- New recommended services
  - Support with local supply chains
  - Support with obtaining food and drug approvals for new products
  - Facilitation cooperation with local universities or research institutes
  - Inclusion of investors in planning further infrastructure development related to the IAIPs, RTCs and the larger agro-commodities procurement zone
- Prioritization for implementation: start with services at the bottom left and move over time to the top right

		The aftercare service space		
Type of Service	Strategic	<i>Establish firm so that it operates successfully and performs its mandate</i>	<i>Competition legislation, product development, R&amp;D capabilities</i>	<i>Services that support firms in becoming strategic leaders, centres of excellence</i>
	Operational	<i>Find office space, factory, recruit staff, help install ICT equipment, power, etc.</i>	<i>Staff training, new premises, improved connectivity, local supply chains</i>	<i>Local R&amp;D, university collaboration, strong relationships with unions</i>
	Administrative	<i>Obtain visas, import permits, work permits for spouses, operate in free trade zone</i>	<i>International school, obtain food, drugs and administration approvals</i>	<i>Agreement with tax authorities, collaborate with public sector on planning and transport</i>
		Short term	Medium term	Long term
		Time		

Source: UNCTAD (2007)

## Institutional structure

To efficiently provide these aftercare services, the support of the EIC, RICs, and the RIPDCs is required. We recommend all agencies to document their aftercare work in a joint CRM (also see the phase 1 report on the relevance of the CRM).

We recommend the following split of responsibilities among these organizations:

EIC	RIC	RIPDC
<ul style="list-style-type: none"><li>• Lead due to higher capacity.</li><li>• Coordinate the overall aftercare program for foreign investors.</li></ul>	<ul style="list-style-type: none"><li>• Take care of all local issues such as working with suppliers and regional universities.</li><li>• Take full responsibility for domestic investors.</li></ul>	<ul style="list-style-type: none"><li>• OSS as central point of contact.</li><li>• Take responsibility for issues directly related to the IAIP.</li></ul>

## Implementation plan

---

We recommend the following steps as implementation plan (in chronological order):

1. Agree MOUs among EIC, RIC, and RIPDC regarding their joint cooperation
2. Identify strategic accounts
3. Start regular investor visits
4. Review on a yearly basis

## Selecting companies for aftercare

As not all existing investors can receive the same level of support, IPAs must select priority companies. These selected investors can be referred to as “strategic accounts”. These companies will receive greater attention and support. The number of strategic accounts depends on the IPA’s resources and the level of support provided.

It is important to remain aware of a few considerations regarding this approach. First of all, one must decide whether to make strategic accounts be made aware of their status. Further, it is important to consider the message that selecting strategic accounts sends to other companies (foreign and domestic).

The below table lists criteria based on which strategic accounts can be selected:

Economic criteria	Strategic criteria
<ul style="list-style-type: none"><li>• Employment</li><li>• Payroll</li><li>• Revenue</li><li>• Tax payments</li><li>• Exports</li><li>• Local expenditures</li><li>• Local value added</li><li>• Overall economic impact</li></ul>	<ul style="list-style-type: none"><li>• Potential for growth</li><li>• Risk of closure</li><li>• Brand/image</li><li>• Sector</li><li>• Geographic origin</li><li>• Supply chain considerations (e.g., potential for local linkages)</li><li>• Innovation and technology transfer</li><li>• Fit with economic development strategy</li><li>• Willingness to engage in agricultural extension</li></ul>

# 5. GUIDELINE FOR STRATEGIC MEETING

---

## Who to speak to

---

### **Key contacts in the company**

It is important to identify the right contacts within a company to engage with as part of the strategic aftercare meeting. Relevant persons might be:

- Local executives
- Local plant/branch manager
- Local HR manager
- Country management
- Regional management
- Government relations
- Corporate communications
- Relevant management at parent HQ (see more details below)

Having only one point of contact is not enough. That's why contacts should be mapped and regularly updated.

### **Interacting with parent company HQ**

Having a contact with the parent company HQ makes sense when the operation is significant to the company. Coordination between local/regional and national agencies is critical when contacting the HQ. Companies prefer to have only one contact point and not to be approached by multiple different agencies.

The challenge is to identify the individual directly responsible for the local operation. Other relevant contacts at HQ may include functional representatives (R&D, manufacturing, real estate) with links to the local operation. It is important to follow protocol and not bypass local management. Visits by politicians can provide a useful method for establishing connections with HQ.



## Preparing the meeting

---

### **Focus of the meeting**

- The focus of the meeting will depend on who you are meeting with
- Functional contacts (e.g., HR, real estate) will have specific requirements
- Senior local decision-makers may not have all the necessary information
- Senior executives at HQ may not be very familiar with local developments
- Bringing others to the meeting may be helpful when the company's requirements are known
- Meetings are the best opportunity to learn about the company
- One of the key objectives of the meeting is to build a relationship

### **Preparing for the discussion**

Before the meeting you should ponder the following important considerations:

- Why should they speak/meet with you?
- Do they have the relevant knowledge or authority?
- How much information can they share with you?
- Who else in the company should you be speaking to?
- Should you be coordinating with other agencies?
- How much do you know about the company?
- What topics do you think could be important?

# GUIDELINE FOR STRATEGIC MEETING

## Asking questions (1/2)

---

### **Questioning basics**

- Asking questions in the right way allows you to obtain important information and establish credibility
- Questioning should seem natural and part of an open conversation (not an interrogation or survey)
- Effective questioning means spending more times listening rather than talking
- Good judgment is required to determine what is appropriate to ask
- If the person is not responding a change of approach is required

### **Questioning techniques**

- Avoid closed (yes/no) and multiple-choice questions
- Use open-ended questions (how, what, where, when, why, who, to what extent)
- Asking questions in a certain way may encourage more active and open responses:
  - Lead-in – reason for the question
  - Acknowledge – show interest and empathize
  - Bridge back – refer to previous comments
  - Mini-pitch – trade information or experience
  - Pace – allow enough time to answer
  - Summarize – buy-time and demonstrate understanding

## Asking questions (2/2)

It is recommended to prepare a few content/structure questions in advance of a discussion:

### Content questions

- Important for ascertaining facts
- Non-threatening
- Useful to get a person talking
- Usually asked early in the conversation

### Structure questions

- Explore the background to get behind the facts
- Make people think
- Speed up the qualification process
- Can help to establish greater credibility
- Typically asked later in a discussion
- Should be used selectively

# ANNEX

---

## Interviews and Sources

## Interviews conducted during the project

---

- Ms. Ruchika Bahl, Chief Technical Advisor, ILO Ethiopia
- Mr. Ayalu Admass, National project coordinator, ILO Ethiopia
- Mr. Giacomo Casari, FAO Ethiopia
- Ms. Mercedes Marin Nortes, Delegation of the European Union to Ethiopia, Green Deal Team – Agro-industrialization
- Mr. Christian Dohse, Project Manager – Special Initiative on Training and Job Creation, GiZ Ethiopia
- Ms. Ludovica Marangoni, Agro-Component Manager – Sustainable Training and Education Program (STEP), GiZ Ethiopia
- Mr. Andrea Limiroli, Programme Coordinator, Italian Agency for Development Cooperation
- Ms. Senidu Fanuel, Senior Private Sector Specialist, World Bank
- Mr. Temesgen Zana Jaffo, Regional coordinator for Amhara, UNIDO
- Mr. Filippo Brasesco, Partner (Co-Founder), Scio Network
- Mr. Massimo Pera, Project Coordinator/AgrInvest, FAO
- Ms. Milica Petruljeskov, Consultant, FAO
- Mr. Ayalew Ferede, FAO
- Mr. Olijira Kuma Addamo, Project Coordinator, UNIDO
- Mr. Andrea Ghione, Chief Technical Advisor, UNIDO

## Interviews conducted during the project

---

- Mr. Aschalew Tadesse, Director for Investment Promotion, EIC
- Mr. Techane Adugna, Director ACC, ATA
- Mr. Biru Wolde Gujo, CEO, SNNP RIPDC
- Mr. Ayalneh Abawa, IAIP Director, MoTI
- Mrs. Haymanot Asfaw, General manager of Ethiopian Millers Association

## Sources

- Arias Urones, Ana (2017). The importance of aftercare in attracting FDI. The case of the Caribbean region (Doctoral dissertation). Retrieved from <https://repositorio.ucjc.edu/bitstream/handle/20.500.12020/385/Doctoral%20Thesis.pdf?sequence=1&isAllowed=y>
- Heilbron, Armando (2020). Strengthening IPA Service delivery. World Bank. Retrieved from <https://openknowledge.worldbank.org/handle/10986/33498>
- Loewendahl, Henry (2018). Innovations in Foreign Direct Investment Attraction. Retrieved from <https://publications.iadb.org/en/innovations-foreign-direct-investment-attraction>
- Miškinis et al. (2014). The role of investment promotion agencies in attracting foreign direct investment. Retrieved from <https://epublications.vu.lt/object/elaba:5073484/>
- Myrick, D (2010). EXPLORING AFTERCARE PROGRAMMES OF DEVELOPMENT AND SUPPORT INSTITUTIONS. Retrieved from <http://www.seda.org.za/Publications/Publications/SEDA%20SBM%20Vol.6%20Issue%201%202010.pdf>
- Osorio, E. K. (2017). Aftercare As A Promotion Strategy Directed At Attracting Foreign Direct Investments By Kenya Investment Authority (Doctoral dissertation, University of Nairobi). Retrieved from [http://erepository.uonbi.ac.ke/bitstream/handle/11295/103139/Osoro\\_Aftercare%20As%20A%20Promotion%20Strategy%20Directed%20At%20Attracting%20Foreign%20Direct%20Investments%20By%20Kenya%20Investment%20Authority.pdf?sequence=1](http://erepository.uonbi.ac.ke/bitstream/handle/11295/103139/Osoro_Aftercare%20As%20A%20Promotion%20Strategy%20Directed%20At%20Attracting%20Foreign%20Direct%20Investments%20By%20Kenya%20Investment%20Authority.pdf?sequence=1)
- UNCTAD (2007). Aftercare – a core function in investment promotion. Retrieved from [https://unctad.org/system/files/official-document/iteipc20071\\_en.pdf](https://unctad.org/system/files/official-document/iteipc20071_en.pdf)
- UNESCAP (2018). INVESTMENT FACILITATION ESTABLISHMENT AND POSTESTABLISHMENT PHASE (AFTERCARE). Retrieved from <https://www.unescap.org/sites/default/files/UNESCAP-Iran-Session%2011%20%26%20%2012-Investment%20facilitation-Project%20establishment%20and%20aftercare-October%202018.pdf>
- Wavteq (2020). Aftercare takes centre stage: Aftercare 2.0. Retrieved from <https://greater-seattle.com/wp-content/uploads/2020/05/webinar-aftercare-takes-centre-stage.pdf>

# CONTACT

FDI Center  
Marburger Str. 5  
10789 Berlin, Germany

ANDREAS DRESSLER  
+49 176 7863 8217  
[ad@fdi-center.com](mailto:ad@fdi-center.com)

PAOLA SUAREZ BUHRMANN  
+49 162 830 7261  
[psb@fdi-center.com](mailto:psb@fdi-center.com)

SEBASTIAN REIL  
+49 173 237 1405  
[sr@fdi-center.com](mailto:sr@fdi-center.com)

