FDI IN UKRAINE: NEW APPROACH

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Why Now?

• Global financial crisis – call for new FDI promotion strategy on the State level

• Downgraded investment ratings require radical improvements in the investment climate

• External image challenges (e.g. the gas dispute) call for proactive information campaigns
FACT

An increase of 1% in Foreign Direct Investment Results in a 0.4% increase in GDP*  

*Source: IMF, World Economic Outlook, International Financial Statistics
Government FDI Promotion Strategy:

- «One-stop-shop» – handling all after-registration procedures via ONE state institution; significantly reducing time-to-market

- Government Priority Projects Pool – 10-15 strategic investment opportunities directly supported by the Government

- Development investment property database – prioritizing and preparing projects for investor review
Government FDI Promotion Strategy (continued):

• Promoting Ukraine’s image abroad – proactive information strategy

• Radical improvements to investment climate – a better legal environment

• Investor protection – state oversight, pre-court dispute settlement, cutting through red tape

• Investor aftercare – working with existing foreign investors
What’s new?

Government Priority Projects Pool

• A targeted search for investment from abroad to develop **10-15 strategic projects**, targeted and approved by the **Government**

• **List of projects** is prepared and approved by the Government every year

• Agency provides search process of **turnkey investment projects**

**Government Priority Projects Pool** – strategic investment opportunities directly supported by the **Government**
What’s new?
Investor Protection

- **Key**: promptly resolving **bureaucratic issues** with local officials and regulatory institutions through **individual managers** of major projects within the Government

- **Consulting** on how to do business

- Promoting and providing **pre-court dispute settlement**

- **Regulatory** compliance
What’s new?

Ukraine’s Investment Image

- **Aggressive marketing campaign** (e.g. holding international events in Ukraine involving top officials from the world community)
- Introducing a **new efficient approach** of FDI targeting
- Ukraine’s image campaigns in **top global media**
- Wide use of **success stories** for investment promotion and image building of Ukraine
What’s New?
Ukraine’s Investment Climate

• **Revisiting** of investment legislation and regulatory environment

• **Polling foreign investors** and studying international practice

• **Policy advocacy** – drafting changes and amendments to laws and by-laws
How it was

“One-stop-shop”

- Agencies
- Commercial services
- State institutions
- Local government offices
- Ministries
- Licensing offices
How it is

“One-stop-shop”

Ministries
State institutions
Licensing offices
Local government offices
Consulting
How it works
FDI generating

Investment Property → Land Plot Preparation → Investment Property Databank → Marketing → Investment Inquiry → Investor's Servicing → Construction → Success Story → Investor's Road Map → Investment Property
FDI Promotion
Best Practices: Our Advisors

Jan Havelka – First General Director of CzechInvest, the Czech investment promotion agency. Track record: 771 completed investment projects, EUR 18 billion, 154,000 new jobs

David Brown – chief consultant, Foreign Investment Advisory Service (FIAS, World Bank Group). Track record: organized launch of investment promotion agencies in 25 countries

Osamu Mizutani – First General Director of InvestJapan (Japanese investment promotion agency) of the Japan External Trade Organization (JETRO, Tokyo). Current Director of Ukraine-Japan Center in Ukraine (UAJC)
FDI Promotion Performance Criteria

- Volume of FDI involved
- Number of successful projects
- Number of created jobs
- Number of resolved disputes via pre-court disputes settlement tool
Anticipated Results

Strategic Milestones:

✓ International **investment ratings** for Ukraine

✓ Foreign investors **successfully engaged** in Government-defined strategic project

✓ A successful **Euro-2012**
FDI NUMBERS
FDI NUMBERS:
Foreign Direct investment to Ukraine

Cumulative, in USD billion

Source: Investment and Innovation Activity in Ukraine (2008), Ministry of Economy of Ukraine, department of Investment and Innovation
FDI NUMBERS (continued): Breakdown of Direct Investment to Ukraine by Countries

- Cyprus, 8.3
- Germany, 6.8
- Netherlands, 3.1
- Austria, 2.4
- United Kingdom, 2.2
- Russian Federation, 2.1
- USA, 1.5
- Sweden, 1.2
- Other countries, 8.8

in USD billion as of 01.07.2008

Source: State Statistics Committee of Ukraine
FDI NUMBERS (continued): Breakdown of Direct Investment to Ukraine by Sectors

as of 01.07.2008 (%)

Source: Derzhkomstat. The State Statistics Committee, 2007
FDI NUMBERS (continued):
FDI & GDP in CEE Transition Economies

GDP per capita, EUR at PPP in 2007

Source: WIIW
FDI Priority Sectors in Ukraine

1. Energy (Energy saving technologies, alternative energy)
2. Infrastructure (including Euro 2012 projects)
3. Agriculture (Agro-industry)
4. High-tech (IT, Nanotechnologies, Airspace)
5. Tourism
Thank You!

National Agency of Ukraine for Foreign Investment and Development

1-a Saksahanskyy st.
Kyiv 01023, Ukraine
+38.044 200.2474

info@investukraine.org
www.investukriane.org