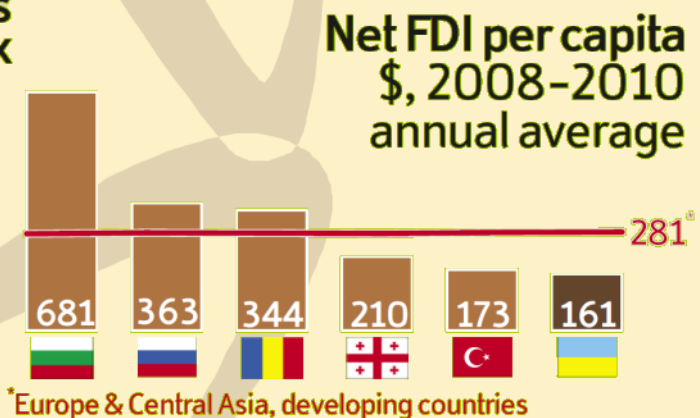
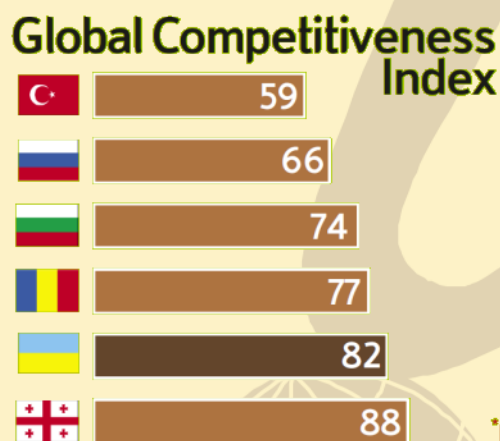
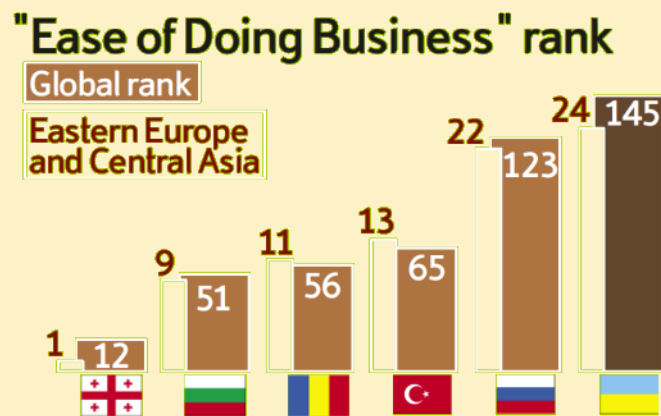
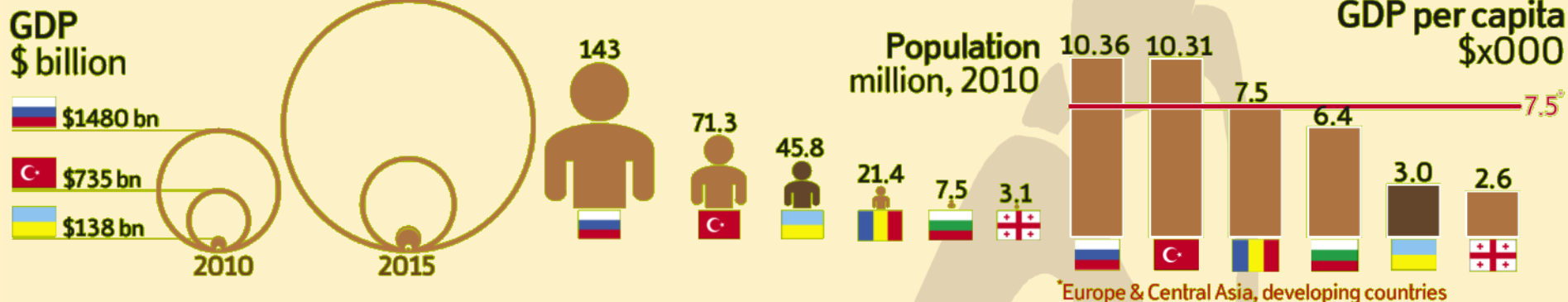


Improving investment climate in Ukraine. Attracting new investments to Crimea

Oleg Ustenko
Executive Director, The Bleyzer Foundation

REGIONAL ECONOMIES

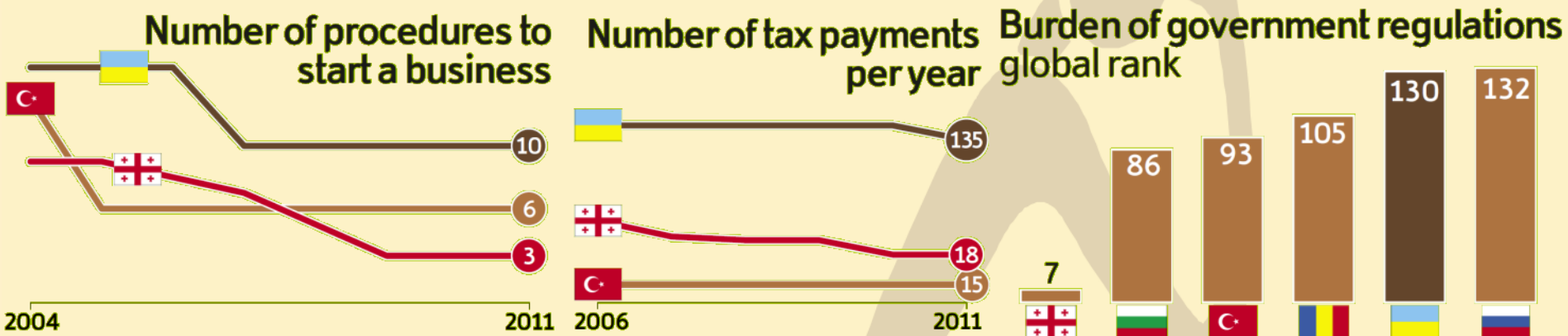


Source: World Bank, IMF, WEF

- A diverse region, accounting for 4.3% of the world population and 4.1% of its GDP.
- However, Ukraine still struggles to live up to its economic potential.
- Unless investment climate is improved, Ukraine risks trailing its regional peers.

WHAT HAS TO BE FIXED

- Businesses are choked by regulatory and tax burdens



- Corruption saps business spirit



Source: World Bank, IMF, WEF, EBRD, Transparency International

WHAT HAS TO BE FIXED

- Government lacks accountability and wastes economic resources

Government efficiency percentile rank



Accountability percentile rank

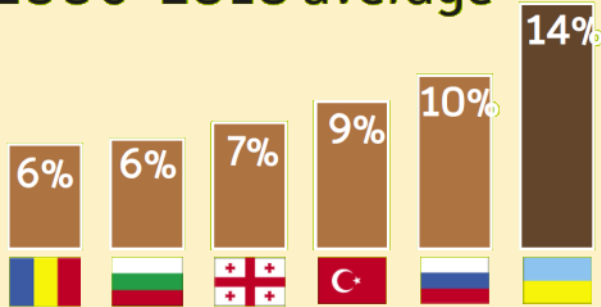


Rule of law percentile rank

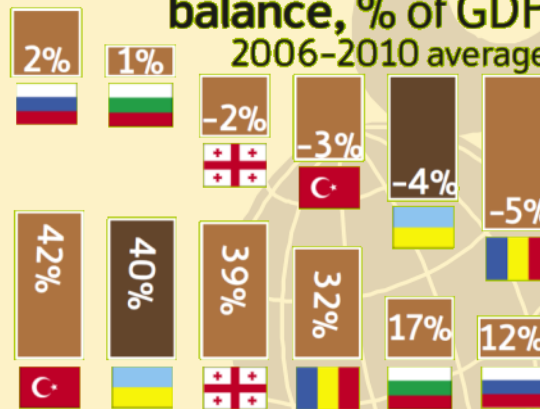


- Macroeconomic vulnerabilities add to business risks

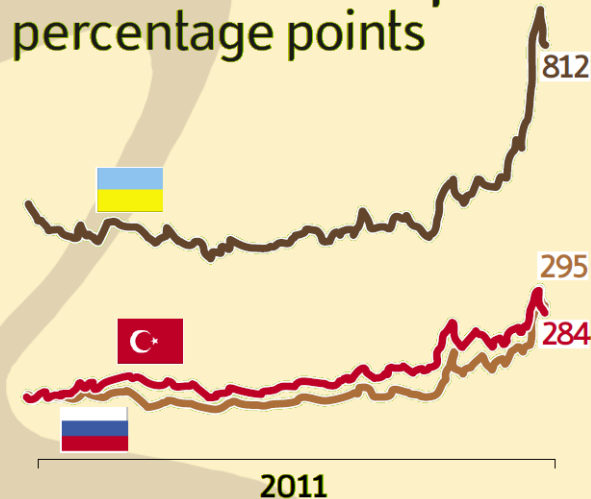
Inflation 2006-2010 average



General government balance, % of GDP 2006-2010 average



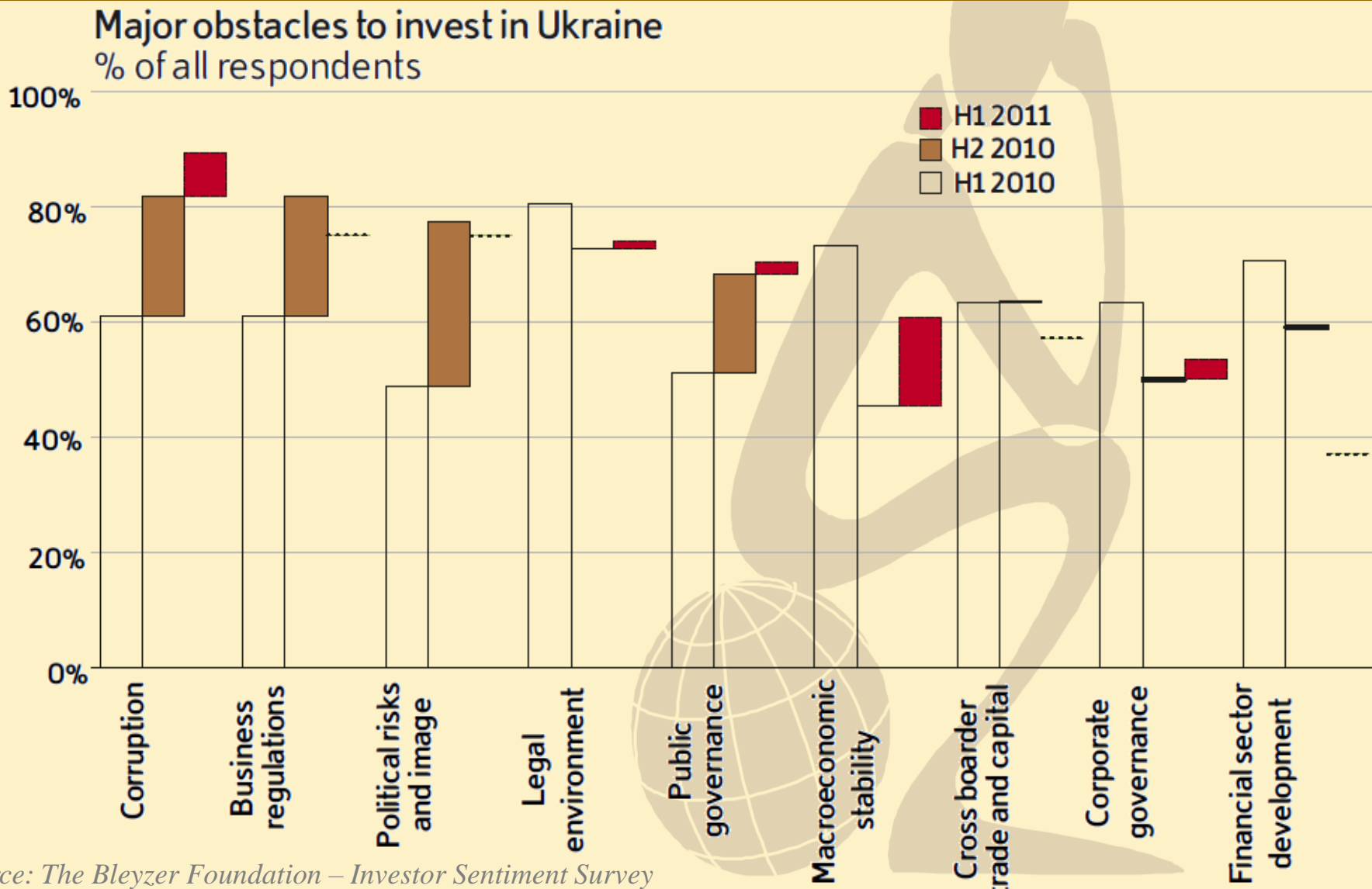
Credit Default Swaps percentage points



Government gross debt % of GDP, 2010

Source: World Bank, IMF, Bloomberg

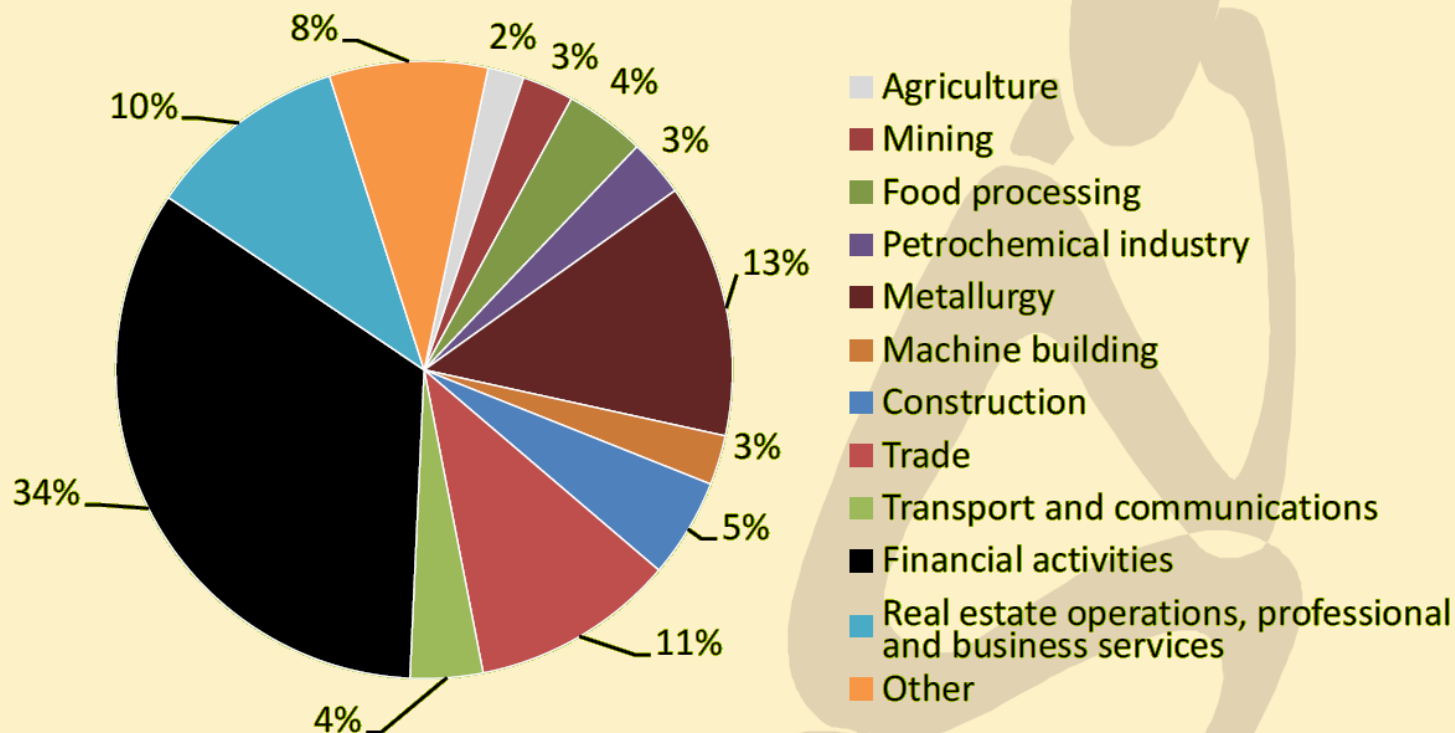
WHAT HAS TO BE FIXED



Source: The Bleyzer Foundation – Investor Sentiment Survey

OPPORTUNITIES TO INVEST

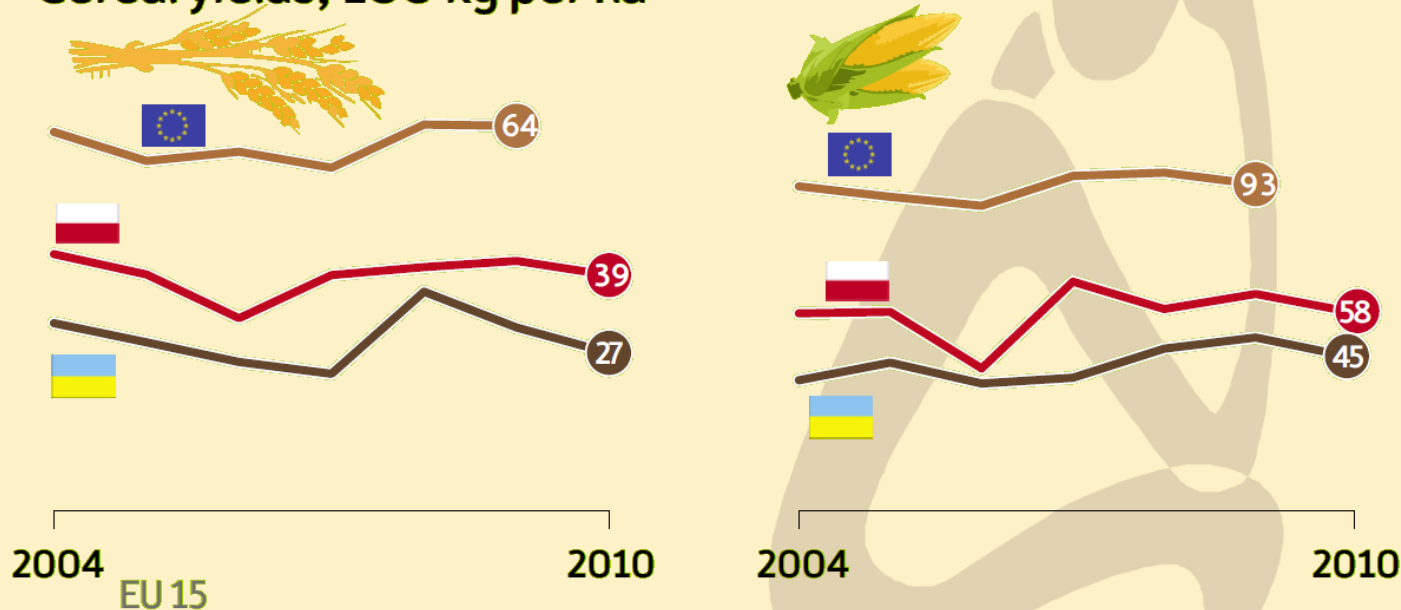
FDI stock by industry, % of total



- With less than 2% of all FDI in agriculture, FDI inflows can hardly be said to reflect competitive advantages of Ukraine.
- Over a third of all FDI is in finance – good for the stability of the sector; however, excessive focus on the banking industry led to overreliance on debt in construction and trade.
- Most of FDI in manufacturing are in low value added metallurgy.

Source: State Statistical Committee of Ukraine

Cereal yields, 100 kg per ha



- Increasing global demand for food supports investment opportunities in agriculture.
- However, Ukraine still fails to capture its natural advantage – crop yields are well below the European levels.
- Above all, lack of adequate land regulations prevent the consolidation of small farms into large agricultural holdings which are much more efficient, productive and can invest into new technologies and better seeds.

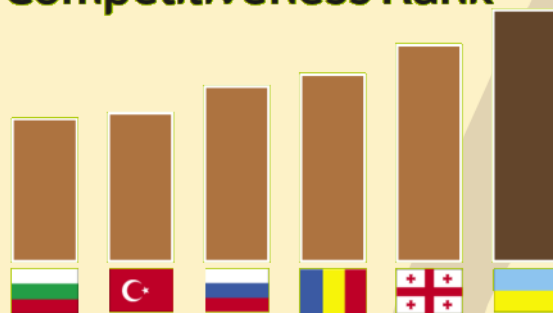
Source: Eurostat, State Statistics Committee of Ukraine

OPPORTUNITIES TO INVEST: **TURISM**

Balance in trade in travel services, % of GDP



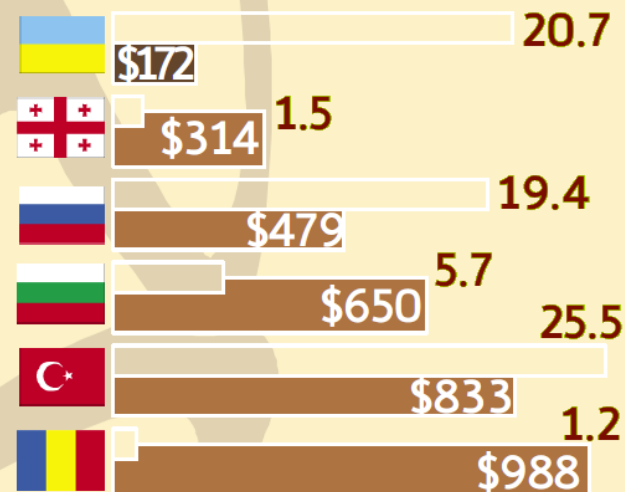
Travel & Tourism Competitiveness Rank



International arrivals

Revenues per person, \$

Quantity, million people

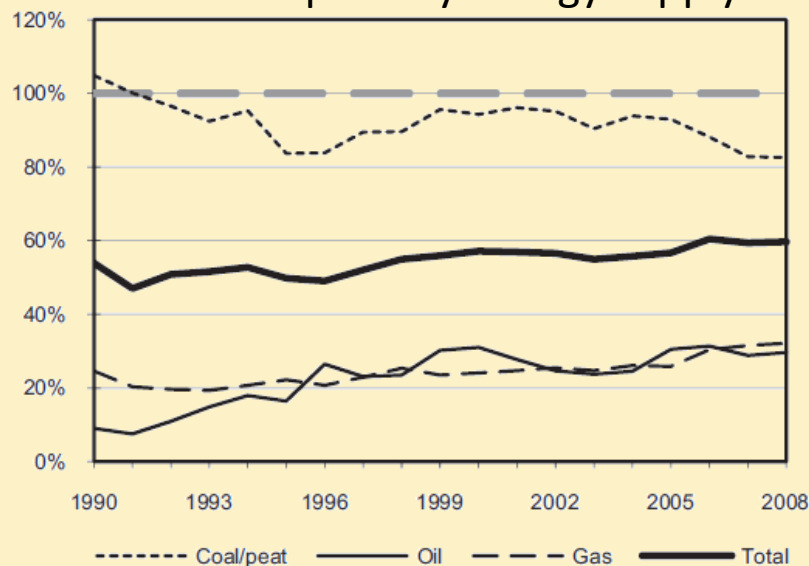


- Access to the Black Sea gives Ukraine many opportunities for tourism development.
- Overall, the geography and history of Ukraine allow for diverse cultural and geo tourism, including ski and sea resorts.
- However, Ukraine needs significant investments in upgrading the infrastructure to support a healthy and growing tourism sector.

Source: Eurostat, IMF, NBU, World Travel & Tourism Council, WEF

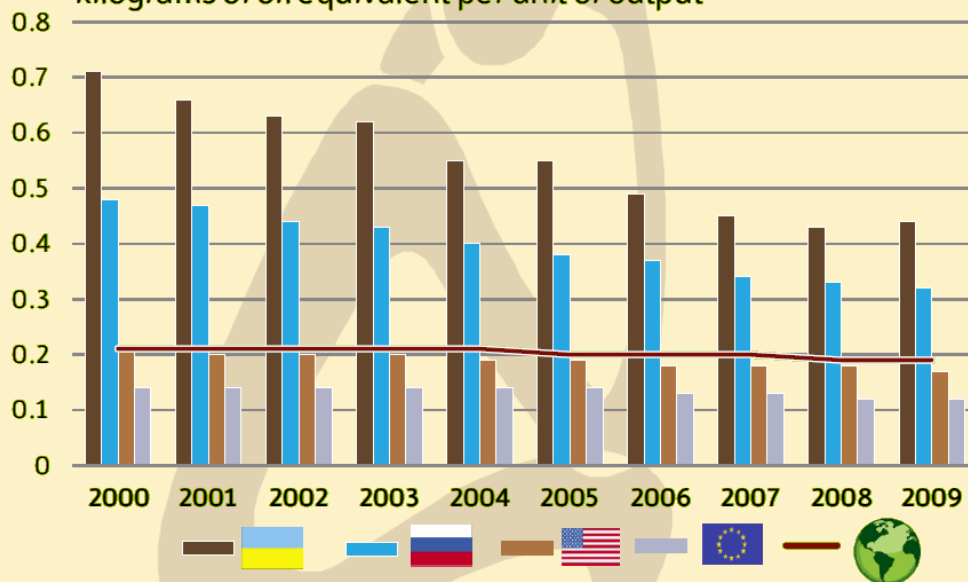
Energy self-sufficiency

% of total primary energy supply



Energy efficiency,

kilograms of oil equivalent per unit of output



- **Ukraine imports about 40% of its total energy needs.**
- **At the same time, the country remains one of the least energy efficient both in Europe and worldwide. Unfortunately, investments in energy efficiency are still lacking.**
- **A recent change of attitudes toward traditional sources of energy (and in particular, nuclear energy) opens many opportunities for the development of alternative energy sources in Ukraine.**

Source: International Energy Agency, Enerdata

- **Faster economic growth** - Crimea accounts for just 3% of Ukraine's GDP, yet it is growing faster than the country as a whole: from 2003 to 2010, the regional economy increased by 34% in real terms versus just 21% nationwide.
- **Untapped export potential** - the region accounts for only 1.1% of all Ukrainian exports and the share of exports in regional GDP is just about 16% versus over 40% nationwide.
- **More space for foreign investors** - per capita FDI stock in Crimea (\$497 in Q1 2011) is more than two times smaller than in Ukraine as a whole (\$998).
- **Agriculture can be more productive** - grain yields in Crimea (2.2 tons per ha on average in 2001-2010) is still about 17% lower than in Ukraine (2.6 tons per ha).
- **Transport should play a bigger role** – notwithstanding its geographical advantages, Crimea still accounts for just 15% of all sea freight, 2% of all automobile freight and 5% of all air freight volumes in Ukraine.
- **Great potential for organized tourism** - the share of Crimea in the total number of hotel rooms in Ukraine is just 10%.

Source: State Statistics Committee of Ukraine and its regional office in Crimea