



OECD - UKRAINE FORUM ON  
INVESTMENT AND ENTERPRISE DEVELOPMENT

INAUGURAL MEETING

***CHALLENGES AND POLICY REFORMS FOR  
IMPROVED INVESTMENT ENVIRONMENT IN UKRAINE***

Kiev, 21-22 February 2002

**PRESS STATEMENT OF CONFERENCE CONCLUSIONS**

**OECD-Ukraine Forum calls on the Ukrainian Government and donors for support in the effective implementation of investment recommendations in Ukraine**

The OECD-Ukraine Forum on Investment and Enterprise Development<sup>1</sup> was officially launched in Kiev on 21-22 February 2002 by Vice Prime Minister Leonid Kozachenko of Ukraine and Eric Burgeat, OECD Director of Center for Co-operation with Non-Members.

The Prime Minister Anatoliy Kinakh sent a message to the Forum renewing his government's commitment to reforms, calling on OECD Member countries for continued support in the implementation of reform measures and expressing the wish to deepen policy dialogue and co-operation with the OECD. As a first step in this ongoing dialogue, the Prime Minister Kinakh praised the important contribution of the Investment Policy Review of Ukraine published by the OECD in May 2001 in response to the government's request.

Co-organised with the Ukrainian Ministry of Economy and European Integration Issues, the inaugural two-day meeting attracted more than 120 participants from OECD Member countries, relevant departments of Ukrainian Government, other multilateral organisations including the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development and the Black Sea Economic Co-operation and think tank groups. The private sector was represented by about two dozen Ukrainian and foreign enterprises.

Volodymyr Pershin, State Secretary of the Ministry of Economy and European Integration Issues, outlined the list of key achievements in 2001 and early 2002. This includes, in particular, the positive macro-economic indicators (i.e. high growth, external stability, low inflation and fiscal deficit), formulation of a ten-year strategic development plan, adoption of a Land Code, further improvement in the transparency of privatisation procedures, removal of

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1 The Forum established in February 2001 aims to monitor the implementation by Ukraine of the Investment Policy Review recommendations. It is also designed to provide further practical advice and assistance to Ukraine on investment issues.

limitations for foreign investors in insurance and telecommunications, liquidation of bankrupt banks, and reduced barter transactions that contribute to dampening prospects for a shadow economy.

Participants welcomed the progress made in economic reforms and the efforts by the Government of Ukraine to improve the business environment for investors, domestic and foreign alike, and called on the Ukrainian leadership to step up the decisions and build the capacities needed to effectively carry out the legislation and policies in close dialogue with business, non-governmental organisations and other constituencies. It was repeatedly stressed that the success of reforms would be judged not only by the results but also by the ways in which they would be implemented.

According to official Ukrainian data, as of end 2001, cumulative foreign direct investment (FDI) inflows in Ukraine amounted to about \$4.5 billion. Per capita FDI is still one of the lowest in the region. Ukraine's FDI stock corresponds to an insignificant share (6 percent) of total investment capital. Participants underlined the vast economic potential of Ukraine, which can be unleashed if reform measures are swiftly and efficiently implemented and investor confidence is restored. Positive macro-economic environment, if sustained, is likely to promote greater inflows of FDI in the years ahead.

Some private sector interventions highlighted the range of difficulties that investors, both domestic and foreign, still face. Allard Touwen, the chairman of the European Business Association, drew attention to slow progress in privatisation, the need for financial sector reforms to provide access to finance - particularly for small and medium size enterprises (SMEs), consistent and timely implementation of legislation, clarity in taxation and action against corruption that remains a deterrent to investors and simplification of administrative procedures.

There was a call for action by Sergey Moskvina, the president of Ukraine's Society of Financial Analysts, to create a level playing field for domestic and foreign-controlled enterprises and to increase support to SMEs and backward regions. Ulrich Ernst of USAID/SEFR Project in Kiev invited investors to make use of competitive opportunities, particularly in sectors such as agro-industry and machine-building, where Ukraine possesses strong comparative strengths.

Ukrainian and OECD authorities agreed to hold the Forum annually as a platform to assess progress and identify the next stages of action in investment and enterprise development; ensure effective government-business dialogue on major issues; and achieve synergies with bilateral and multilateral donors supporting Ukraine's reform efforts through capacity building projects through capacity building projects. At each annual meeting of the Forum a comprehensive report on improvement of the investment climate – similar to the one prepared by the Government of Ukraine for this Forum – will be presented.

The Forum will also contribute to the Black Sea Investment Initiative, launched this year by the OECD and the Business Council of the Black Sea Economic Co-operation (BSEC) of which Ukraine currently holds the chairmanship. Ukraine will take part in the investment policy peer reviews of other BSEC countries to share its experience.

The co-chairs, Ihor Umanskiy, Ministry of Economy and European Integration Issues of Ukraine, and Rainer Geiger, OECD, highlighted the following areas of possible co-operation for further action:

- Continuing work on good governance to improve the general investment environment;
- Promoting Ukraine as a destination for investors as Ukraine comes closer to OECD best practices;
- Mobilising foreign investment for Ukraine's regional development;
- Fostering enterprise development, with a focus on removing administrative barriers;
- Improving tax administration, design of corporate taxes and incentives;
- Following up work on corporate governance (a seminar with Ukraine on the margins of the OECD Eurasian Corporate Governance Roundtable will be held in Kiev on 17-18 April 2002) and competition policy.

The Government of Ukraine and the OECD Secretariat have called on bilateral and multilateral donors to provide financial and in-kind support for the implementation of these activities that emerged from the Forum discussions.

All conference documentation is available at <http://www.oecd.org/daf/investment> and the OECD will soon produce a comprehensive Progress Report containing the Ukrainian Government's report, an OECD assessment, business perspectives and major papers presented at the Forum.

For further information, journalists are invited to contact Mehmet Ögütçü, Principal Administrator, OECD Global Forum on International Investment and Non-Members (tel. 33 1 45 24 93 95 and e-mail: mehmet.ogutcu@oecd.org) and Ihor Umanskiy, Deputy Secretary of State of the Ministry of Economy and European Integration Issues of Ukraine (Tel: 00-380-44-2938144 and e-mail: iumansky@me.gov.ua).