



SEMINAR: «PRACTICAL ASPECTS OF ATTRACTING INVESTMENTS AND SUPPORT TO INVESTORS AT LOCAL LEVEL»

Sources of Investment for Implementation of Regional and Local Development Projects.

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Date, Year

The Big Picture - 1

- **GDP and per capital GDP:**

Based on World Bank estimates, per capita GDP in Ukraine is growing. Figures vary, but on a purchasing power parity basis, some figures for 2018 are as high as US\$ 9800. For comparison, Bulgaria stands at US\$ 21000. Accordingly, a key factor will be that domestic purchasing power is lower and this suggests that any investment has to produce for the international as well as the domestic market. Products and services have to sell. The good news is that PPP appears to have recovered from the drop in 2014

- **Population**

The next census should be in 2020. The population stood at 52 million in 1990 and is now estimated at 44 million. So putting it bluntly, the number of consumers has dropped by 8 million. This also has an impact upon the perception of Ukraine by investors, especially foreign investors.

The Big Picture – 2

- **Spending Patterns:**

After a long period of deficit and with extensive problems in the economy, there is always a tendency for the population to invest in

- (a) resolving key problems in housing and basic needs
- (b) acquiring goods not previously available either readily or at the right price and
- (c) changes in lifestyle.

So construction, services and retail come first, often with the unwelcome deterioration in the balance of payments. Ukraine has a negative balance of payments of about US\$ 13bn on goods, but positive one on services.

- **Key Sectors**

Not surprisingly, the key sectors are those most commonly supported by the collective investment bodies, as they look to what is “inevitable” in view of consumer patterns and industry fundamentals. So the key sectors are often 1) food industry and agriculture 2) consumer goods, including some durables 3) automotive and transport 4) retail 5)

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- **Key Sectors**

Not surprisingly, the key sectors are those most commonly supported by the collective investment bodies, as they look to what is “inevitable” in view of consumer patterns and industry fundamentals. So the key sectors are often

- 1) food industry and agriculture
- 2) consumer goods, including some durables
- 3) Innovation and IT
- 4) automotive and transport
- 5) retail
- 6) Construction
- 7) Other services

There are many others, we will discuss them later today as we go through the seminar.

Current Status – Investment Issues

- **GDP and Investment:** World Bank notes that Ukraine GDP is about 80% consumption and 20% investment. This suggests that there is scope to assist domestic investment and that the volume of this investment would be greater than FDI. Total accumulated FDI in Ukraine was about US\$ 32bn in 2018: 20% of GDP in 2018 would be approximately US\$ 25bn and this is the annual figure, not cumulative
- **Investment Climate and Sentiment:** Climate is complicated by perceived political risk. Sentiment (meaning what investors and the public feel) is very short-term and rather conservative.
- **Investment terms:** Debt (credit) is expensive by EU standards and collateral is often a problem, which is why many donors/IFIs work through local banks to offer better terms. Equity investment is hard to come by and business owners are reluctant to reduce control. The number of financing options by type is limited but growing. Leasing is perhaps the fastest growing of the options.

Investment Sources

- **Types:** The main types are:
 - Debt/credit
 - Equity/participation i.e. longer-term investment through partial ownership
 - Leasing
 - Grants
 - Other types of specialised project financing
- **Sources:**
 - The budget
 - International financial institutions (such as EBRD)
 - Foreign and Ukrainian financial institutions
 - Foreign and Ukrainian strategic investors
 - Foreign and Ukrainian portfolio and collective investors
 - Grant-awarding agencies of all types



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