



Kyiv  
International  
Economic  
Forum

## KIEF 2015 CONCLUSIONS

# Ukraine: From Third World to First

Real Instruments of Economic Development:  
Priority Industries and "Growth Points"

8 October 2015  
Ukraine, Kyiv, Hilton Kyiv Hotel



## About Forum

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Kyiv International Economic Forum is an ongoing discussion platform whose participants develop a new strategy of technological, social and economic modernization of Ukraine.

Last year Forum as one of the largest business events in the country convened over 800 representatives of business, expert and public communities. About 70 bright speakers from 20 countries - successful reformers and the recognized international and Ukrainian experts – put forward progressive recommendations based upon new approaches to education, science and economic “growth points”.

## Program KIEF 2015

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### Plenary session

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Best International Practices in Building Strong National Economy and Vision of Economic Development of Ukraine

### Panel discussions

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Agribusiness: a Turning Point in the History

Energy Efficiency and Renewable Energy: Investment in the Independence

Economic Doctrine and Industrial Policy

Digital Economy: Growth Driver for the Society

### Panel discussions

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International Financial Aid to Ukraine: Will it Restart the Economy?

Battle of Economic Policies or a Common Strategy?

“Points of Growth” Establishment and Export Increase in the Global Competition

Business – Government – Society. Magical Triangle for Successful Development

### Panel discussions

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Challenges and Prospects of World Trade. Ukraine-EU Association Agreement

Sources for Financing: How to Revive the Banking System

Education – Science – Business. How to Build a Relationship?

## Road Map for Ukrainian Development: Conclusions and Recommendations of the Second Kyiv International Economic Forum

On October 8, 2015 the second Kyiv International Economic Forum took place in Ukraine's capital — one of the largest business events in the country. The Forum brought together renowned economists, reformers and businessmen who identified the most effective tools to help Ukraine make an economic breakthrough.

Experts of various fields and from different countries shared the same opinion that the economy cannot be left to the mercy of "the invisible hand" of the market. It was stated that Ukraine has to purposefully implement economic policies having the improvement of citizens' welfare as the final goal. And implementation of such policies should be carried out by the Business-Government-Society triangle. Government should be contributing to business and citizens, and the country's economy development should become the national idea.

KIEF 2015 participants put forward progressive recommendations based upon new approaches to education, science and economic "growth points". We are bringing these recommendations to your attention.



Plenary Session  
**Best World Practices of Building the Strong Economy  
and Strategy of Economic Development of Ukraine**

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During the second Kyiv International Economic Forum held on October 8, 2015 in the capital of Ukraine, economists and businessmen have formed their vision of reforms taking into account the international experience.

Experts from many countries representing various spheres of business agreed that the economy could not be put at the mercy of “invisible hand” of the market, and Ukraine is to steadily pursue the economic policy aimed, first of all, at improvement of human well-being, with the implementation of this policy vested in the triangle of “government — business — society”. Actions of the authorities are to be intended for the benefit of business and citizens, and the acceleration of economic development should become the national idea.

Below you’ll find the main ideas and recommendations announced during KIEF 2015.

The second Kyiv International Economic Forum (KIEF) was held on October 8, 2015 in the capital of Ukraine, being one of the largest business events of this year in the country. 67 speakers from 20 countries of the world, 150 media representatives and over 800 guests participated in the Forum. It has brought together the prominent economists, reformers and businessmen to define the most effective tools which would allow the economic breakthrough of Ukraine.

**Erik Reinert**

**Professor of Development Strategies at Tallinn University of Technology**

It should be understood that Ukraine is a country of the second world, rather than the third one, with the industrialized economic system, like the systems in the second world countries (however it is not effective in this particular case). Furthermore, it is richer and more developed country compared with the third world countries. With that in mind, it is necessary to determine the directions of future development of Ukraine.

I am absolutely convinced that industrialization direction is the most promising one. When we compare, for example, two historically agrarian countries, Somalia and South Korea, of which Somalia was richer, it is evident that South Korea managed to outride Somalia significantly, by choosing the path of industrial development.

The advantages of building the industrial society in Ukraine begin with the fact that production and industry are extremely important for capacity of the land to sustain the population. For example, agricultural society is capable of sustaining only 40 people per one square kilometer, while this figure for the industrial society is as much as 400. On the other hand, destruction of the industry would inevitably lead to reduction of population (Truman about the deindustrialization plan for Germany).

Despite the fact that industry in Ukraine is not effective now, I consider it absolutely essential for the economy, even with minimal profits or without profit at all. It can become the basis for the new stage of industrial development due to own potential of the Ukrainian people, as well as the international experience, in particular, the experience of recovery of Germany after World War II, since Ukraine is now facing the similar challenges.

In my opinion, corruption is not the decisive factor for successful economic development. Existence of corruption both in rich and poor countries has no obvious impact on their effectiveness.

**Garry Jacobs**

**Chief Executive Officer of the World Academy of Art & Science:**

The most important factor for starting a spiral of growth for the Ukrainian economy, in my opinion, is the orderly functioning of the government, business, and society. Ukraine will not be able to solve its problems and to achieve growth just opening the market and putting everything at the mercy of its “invisible hand”. There are no such precedents in the world. It’s a myth.

Assistance from the outside (the IMF, World Bank, or the USA) may contribute to the economic growth in Ukraine, but it is not able to secure it. Neither country has grown owing to assistance from abroad only. The main source of the economic growth is the internal potential of the country and its mobilization.

Ukraine is a rich country; however I consider highly-educated human capital, rather than the market, its core asset. Reaching of the level of the first world countries by Ukraine can be quite realistic due to successful implementation of radical changes in the educational system, in the context of the country’s needs, based on high level of the Ukrainian education.

Business structures, even in these difficult economic conditions, have their own opportunities to improve their work radically. Therefore, business should not wait for the results of the government’s efforts and economic growth. It has to use its own potential.

**Aivaras Abromavicius**

**Minister of Economic Development and Trade of Ukraine**

Corruption is a disastrous obstacle to progress in Ukraine. Effective anti-corruption activity needs preventive measures, publicity, and adequate punishment. Unfortunately, actions of the authorities towards fighting corruption are not effective at present time.

Ukraine needs to create equal conditions and favorable business environment for all market players through deregulation and reduction of the role of the state in the economy through privatization.

More effective recovery and further development of the economy in the conditions of weak institutions and high tolerance to corruption in the society should help to decrease the influence of the state on the Ukrainian economy.

In order to achieve the real progress, the fundamental institutional reforms are required. Efficient growth through “half-measures” is entirely impossible.

## Panel Discussion Agribusiness: The Turning Point in History

Ukrainian agriculture has a huge potential for development with its fertile land and growing global demand for food products. Is a quantum leap possible in this sector, and what is needed to make it happen?

Officials insist on an optimistic development scenario, considering the available market and Ukraine's opportunities in it. The Government is currently satisfied with the raw materials structure in the agricultural sector.



### Yuriy Kosyuk

**"Myronivsky Khibprodukt", Chairman of the Board**

Irrespective of the government, war and crisis, Ukraine is a good country for making money if one does business wisely, invests wisely, builds wisely and motivates teams.

### Dmytro Alexandrov

**Founder and Managing Partner of the International Law Company "Alexandrov and Partners"**

Now is an opportune time for investing in Ukrainian agribusiness, considering attractive asset prices.

State-of-the-art methods make it possible to obtain investment funds for agribusiness not via banks only but through optimization of costs incurred by companies. Expenses can be reduced from 30% to 6%.

### Vladyslava Rutytska

**Deputy Minister for Agrarian Policy and Food of Ukraine on matters of European integration**

Notwithstanding the recession, the volumes of agricultural export in physical terms are not decreasing. This testifies to a consistent trend and affords an opportunity to make optimistic forecasts for the sector development.

### Olexiy Pavlenko

**Minister for Agrarian Policy and Food of Ukraine**

Ukraine is the only country in the world which is capable of tripling its output of non-GMO foodstuffs.

Even in a state of war, investments received in the second half of 2015 increased against the corresponding period in 2014.

### Leonid Kozachenko

**President of the Ukrainian Agrarian Confederation (UAC)**

Food products now have even more weight globally than weapons. Ukraine must learn to leverage this.

In order to triple food production in ten years, Ukraine has to attract 70-75 billion dollars of investments in agriculture.

### Morgan Williams

**President of the US - Ukraine Business Council (USUBC), Director for Communications with State Institutions, Washington Office of SigmaBleyzer**

The processing industry needs active investments as producers of agricultural stock get only 5 cents on each dollar of proceeds from finished food products.

In the next three years most investments in the Ukrainian agricultural sector will originate from businesses already operating in the country.



Panel Discussion  
**Energy Efficiency and Renewable Energy Sector – Investments in Independence**

Power saving is the major element of strategic development plans in highly developed countries. Up until now Ukraine has not been able to overcome the significant retardation in the area of energy efficiency. We have a number of strategies and programs but instead of investing in reduced consumption of energy sources we are buying massive quantities of gas. Energy costs per one unit of production in Ukraine exceed the indicators in developed countries by several times. Domination of industries using outdated energy intensive technologies, focus on raw materials export and non-existent culture of energy consumption among the general public have resulted in chronic reliance on the import of energy resources.

Can Ukraine achieve power independence by applying energy saving measures in production and households, and by generating energy from renewable and alternative sources?

**Mykhailo Levytsky**

**Director General of Technical & Management Services LLC Cooperation partner of TÜV SÜD**

In my opinion, Ukraine needs to focus both on proven energy efficiency policies (e.g. from Germany) and on state-of-the-art experience from Singapore.

It is essential to understand that power efficiency is a set of measures and not detached projects for reduction of energy consumption or production of relevant instruments. If a building has energy efficient lighting, adequate thermal insulation of walls and windows but does not a proper ventilation system, this building cannot be sustainable. This is also true for economic sectors and for the country at large.

Energy efficiency must concern everyone – either individuals or enterprises or municipalities. Each building requires energy audits.

**Keith Smith**

**Distinguished Resident Fellow at CEPA (Center for European Policy Analysis)**

Global experience shows that the development of power saving is not possible if the cost of resources is not covered by the consumer directly. Resource prices must correspond to market prices.

The legislation on domestic gas production has to be maximally liberal to enable entry of new companies and retention of the existing ones.

**Olexiy Korchmit**

**First Deputy Head of the State Agency on Energy Efficiency and Energy Saving of Ukraine**

Refinement of the legislative environment is a pressing issue in the context of ensuring that starting from 2030 all new buildings have zero power consumption (EU – by 2020).

A power efficiency law is to be worked out and adopted: energy sales to consumers should be reduced through demands to the energy suppliers (by 9% by 2020, i.e. 1.5% per year). State-owned buildings must be the model of zero energy consumption.

Pursuant to the EU Directive we need to reduce final power consumption in the transport sector, production industries, service business and housing sector. But the greatest stress should be made on the housing sector.

The model of investments in reduced power consumption must be founded on common financing (1 to 4 ratio) so that 25% of costs be covered by the state and 75% - by home owners.

Ukraine needs to focus on the most efficient area of state investments and stimulation of businesses and consumers – energy efficiency, instead of increasing its output of natural resources. Apart from other things, this will help create 3.5 times more jobs than through production.

**Rainer Ortmann**

**Vice President for Communications with Authorities at Robert Bosch**

Energy efficiency is often mistakenly associated not with consumption reduction but with electric power generation through alternative sources, and this takes up a lion's share of investments in Europe. Ukraine needs to consider this experience and focus its investments on cutting down consumption.

Improvement of the technical capacities of power saving (insulation etc.) is not the only necessity. We need to motivate consumers to change their behavior, including through high tariffs, limitations, rules, penalties etc. Mass installation of meters at this stage is the most acceptable solution as this would ensure consumption reduction by 30% country-wide. Bringing up a new generation with an energy-efficient mindset also holds prospects.

In business, stimuli and incentives could be more successful for energy efficiency than coercion. Germany, for example, implemented incentives to promote required actions and behavior.

Furthermore, rewards granted to consumers for reduced gas consumption may yield positive results, even better ones than penalties and punishment would. This applies both to people with large income and those with very modest means.

### Olexandr Dombrovsky

#### First Deputy Chairman of Verkhovna Rada Committee for Fuel and Energy, Nuclear Policy and Nuclear Security

It is necessary to adopt laws on energy efficiency and improve the legislative environment to promote development of the renewable energy sector. Furthermore, deregulation is an essential condition.

There is a need for laws which would assure environmental safety – a safe energy sector.

Most investments have to be made not in renewable energy but power saving since this will stimulate industries and the housing sector at the same time.

Active application of the law on energy service companies will lead to a breakthrough in investment attraction.

### Simon Pirani

#### Senior Research Fellow at Oxford Institute for Energy Studies

Practical experience shows that new technologies are developed when they are needed. Low prices for energy do not contribute to technological progress; e.g. low oil prices globally did not promote development of alternative energy and power saving.

Reverse flow supplies of Russian gas from Europe have only short-term positive effect. Refusal to use imported gas appears a promising solution.

Although the need to use coal for energy production still persists, it is necessary to refrain from using both own and imported coal regardless of the fact that this is associated with historic events and social issues for Ukraine.

The successful development of alternative energy sector is possible if the government sets a goal - to achieve a certain percent of the total energy output and to assure special incentives and constant conditions throughout all the years till this goal is achieved.

It is necessary to secure the support and attract major investments. The opinion that the market itself can cause production growth or application of energy efficient technologies is a great myth. Large projects for wind energy production in Europe and a large proportion of alternative energy output are associated with state support.

The need of using specific types and volumes of resources must be defined pursuant to the real demand for energy and expedience of its application.

The municipal infrastructure of energy production and supply built in 1970s was needed and effective at that time but it is outdated, inefficient and, most importantly, unsafe. Hence a comprehensive modernization solution is an absolute must. Without changing this system it is impossible to resolve the issue of energy supply reduction.



## Panel Discussion

### Economic Doctrine and Industrial Policy

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To accelerate economic growth, Ukraine needs to change the structure of national economy. The types of activities yielding higher added value products and providing high-producing jobs are the ones which are socially and economically desirable for the country. These activities must be prioritized and therefore stimulated. Ukraine has to transition from inertial motion to guided development, technological advancement and reindustrialization. There is a need for targeted actions based on proactivity and professionalism, with extensive involvement of the state. The principle of non-interference is not working so the state is facing the task of creating more attractive conditions and stimuli as compared against other countries.

What kind of economic doctrine and new industrial policy does Ukraine need?

What regulatory actions are required to build a competitive economy? What must be the regulation to deregulation ratio?

Should the industrial policy be used as a development tool in European countries after the World War II and in countries of "Asian tigers"? Which international examples of successful industrial policy should be taken into account?

What is the essence of the new industrial policy in EU countries?

#### Erik Reinert

**Professor at the Norwegian Institute for Strategic Studies**

Ukraine, among others, needs to get rid of the ideology preventing to perceive the reality adequately. This problem is of a cyclical nature. In 1840s the industrial development required a tariff policy, while in 1930s the world made steps to withdraw from the "liberalism – communism" dichotomy as they had become twins in terms of their negative impact on the economy. Even then there were attempts to find a third path based on the national system of political economy but in 1980s all ideological power passed to liberalism since one of the twins – communism – perished. Soon we may see unions of liberals and nationalists who will work together to create new jobs.

I believe that the Ricardo's theory with its model of competitive advantage is unacceptable and it should be refused. The inflow of migrants from the east must become a weighty argument for everyone.

Ukraine can overcome its problems and reenter the road to development but this requires a policy: it is necessary to plan and design strategies for each sector.

#### Viktor Galasyuk

**Chairman of the Parliamentary Committee on Industrial Policy and Entrepreneurship**

Fighting the corruption and the deregulation are not enough to overcome the 5- or 6-fold gap between Ukraine and EU countries and to double the GDP. Verkhovna Rada Committee approved an industrial policy model but its implementation demands pressure on the part of the society and business.

We must use all kinds of policies – financial, credit, tax and immigration policies –to start making finished products instead of raw materials.

The following laws have already been adopted: the law on export credit agency, on industrial parks – in order to create a platform and attract investors to the processing sector; the law on national bank for development – to direct donor resources to investment projects instead of "patching up holes"; the law on prohibition of round timber export – to reduce negative impact on the environment and to promote processing.

The economy that we build must be founded upon intellectual and educational potential and not upon raw stock. The Parliament's active minority supports the new industrial policy.

#### Arturo Bris

**Professor of Finance at IMD (International Institute for Management Development), Director of IMD World Competitiveness Center**

A successful country always has a strategy. This means that the country makes a choice of "whom to be" – an exporter or domestic market producer, an IT state or an agricultural one. The choice is an essential condition of development since it is impossible to achieve everything at once.

A goal must be set, and this goal should not be the GDP or happiness, but creation of jobs. There is a need for a special industrial policy generating workplaces.

Strategy implementation becomes possible when the state has an efficient leader, like managers in South Korea, Malaysia or United Arab Emirates.

One cannot choose in favor of mindless implementation of free trade. If mutual trade agreements do injustice to one of the parties (China – Taiwan or EU – Spain), they have to be amended.

Ukraine must define the factors on which it can rely and which will enable it to be the most competitive in one of the areas.

## Jerzy Kwiecinski

### Vice President of the European Center for Enterprise (EuCP)

Ukraine holds the potential required to rise from the third world level to the first. The country is now following the path similar to the one Poland took twenty years ago.

To achieve success we need one consolidated strategy and an adequate leader.

It is necessary to have a clear industrial policy, given that even the EU talks about reindustrialization although the last twenty years were about the economy of services.

Reforms taking shape of deregulation and adoption of laws are not enough to establish an innovative environment. Investments, interaction with people, efficient cooperation between the government and scientific circles are also important.

The new industrial policy must include new modern tools. Poland did not have tech parks 20 years ago, and now there are over 40 of them. There is a need for financing tools and centralized development institutions. For example, Poland has an agency for industrial development, namely an investment agency and an entrepreneurship agency. Ukraine is not like Germany, it needs to build a new structure of economy, and as a consequence create better conditions for attracting business to the country.

## Oleg Rozenberg

### Chief Executive Officer at INTERPIPE

The government must abandon the strategic mindset that Ukraine is an exclusively agrarian country.

The state has to pass decisions promoting production in its territory. Production receipts to the budget are significantly higher than those from raw materials export.

The conditions of doing business must be foreseeable, with absolutely predictable and clear terms, as even in the case of fundamentally new productions a change in conditions leads to bankruptcy regardless of technologies and market outlets available.

The government must ensure equal rights and obligations for businesses. "Privileges" in the form of doing illegal or half-legal business are unacceptable since this is detrimental to "white" companies.

The Ministry of Economic Development and Commerce should have a deputy and a department in charge of the industrial policy.

## Daniels Pavļuts

### Minister for Economics of Latvia (2011-2014)

The new industrial policy envisages state interference with a view to changing the economic structure and improving the economic potential in Ukraine. With this in mind, the government must be proactive, making choices and taking decisions. But this kind of interference may only have a positive impact if it is sound, i.e. calculated. In my opinion, "reasonable dictatorship" might be an advantageous option for Ukraine.

A great number of reforms are implemented in macroeconomics, and only some at the corporate level. Enterprises certainly need support. For instance, here in Latvia we have set objectives and worked out both horizontal and sectoral reforms. If the goal is to produce more goods and expand export, it is necessary to help companies because horizontal reforms in their own right would not assure the expected results. The government has to communicate with the business in order to understand its needs and apply relevant mechanisms to satisfy these needs. This process of interference, adjustment and improvement must be continuous.

The state must be honest and open, and refrain from giving support to those who are not interested in improvements. The old protectionism cannot persist, old rules cannot be used.

## James Galbraith

### Professor at the Lyndon B. Johnson School of Public Affairs, Department of the University of Texas at Austin

Economic growth is not a spontaneous or mandatory process; nobody had ever promised the nations that they would rise gradually. They cannot reach the same level, and they should not. There are different solutions, actions and strategies and different ways of implementing them. There is a need for the identification of correct solutions.

It is necessary to reach national consensus regarding the development strategy. Counterweights must be in place to prevent management from concentrating authoritarian power.

Sectors requiring attention must have both external demand and internal funding.

There are many examples of successful development in conditions similar to Ukrainian ones, and Ukraine can benefit from this experience. For instance, South Korea's choice of sectoral policy proves that a country can be in a post-conflict situation but draw technologies and funds (from Japan and the USA accordingly) and develop on the basis of external experience. South Korean economy had suffered a shock but did not fall. And after that comes the stage of own production, e.g. Galaxy cellphones.

Or take the Chinese regional policy in 1980-1990s: the country's north-east was dominated by the old soviet industrial economy, and the south had an underdeveloped agricultural economy. They neither focused on these sectors nor destroyed them, having begun to create something fundamentally new. Drawing from the experience of developed countries they proceeded to establish single-industry towns and, having reached a certain stage of development, to open up gradually for international trade.

## Panel Discussion

### Digital Economy — the Powerhouse of Social Development

Information and communications technologies certainly represent a powerful element of reforms and new efficiency. IT technologies are a step towards the new world and functionality, with the capacity to make cardinal changes in the existing opportunities and resolve the most pressing issues.

The country needs its government agencies to focus on the problem of the Ukrainian “digital revolution” and needs its citizens to direct efforts on this issue.

#### Valeriy Fishchyuk

**Manager for Business Development at Cisco, Ukraine and CIS**

The public sector must become the ecosystem of innovations as the quality and quantity of innovations therein will enable identification of their place in all other segments of Ukrainian life. In addition, this will help stimulate a new consumption impulse which is extremely important.

For the purposes of GDP growth and country’s development at large the efficiency characteristic is of great significance. And IT technologies support its enhancement: do quickly, do at low costs, do at a new level of quality.

Today application of IT technologies is a critical necessity. IT technologies are the universal development tool and therefore they must become the foundation of multiple reforms.

#### Burton Lee

**Lecturer at Stanford University, European Innovation & Entrepreneurship School**

In order to understand the influence correctly and make relevant plans, it is necessary to take stock of competencies and skills in the area of high and communications technologies, and also competencies and skills used in modern Ukrainian production.

Ukraine needs to create and implement training programs for enterprise managers, medium-level managers and chief specialists in information so as to expand strategic use of technologies country-wide.

And the strategic usage of IT technologies in its turn will make it possible to open new markets for Ukrainian companies.

#### Hans Schwaderer

**Director for the Power and Industrial Sector at Intel, EMEA region**

Ukraine has to become more involved in the “Internet of things” since it creates new value for business, generates new jobs and services. The “Internet of things” is the greatest revolution in the technology industry which is happening right now. Internet is the universal medium of communication, creation and exchange of any data which can be used to master new knowledge, discover new approaches, create knowhow.

#### Jaanika Merilo

**Managing Director at UVCA**

Electronic governance starts with the realization that a new state must be built - with less bureaucracy, more efficiency, and such that serves its citizens.

In my opinion, electronic governance does not mean technologies and turnkey solutions; it is an approach to understanding human needs, formulating relevant tasks and clear understanding of who should benefit from them. Technology is the means, not the objective.

#### Olena Minich

**Director of the Innovations and Intellectual Property Department at the Ministry of Economic Development and Trade of Ukraine**

It is necessary, within the shortest time possible, to create a common authority in Ukraine which would formulate and coordinate an IT development policy at different ministries, and be a single decision-making point.





## Panel Discussion

### International Financial Aid for Ukraine — Will it Reboot the Economy?

There is a compelling need for change in the approaches towards financing on the part of international financial organizations. Macroeconomic stabilization, power industry, agriculture and road infrastructure should not be the only recipients of funds; these should be also allocated to projects for high-tech products and services. In parallel, it is necessary to change the social paradigm concerning usage of private funds and habituate the society to investments in the real sector.

Is it possible to change the conditions of funding by international financial organizations and how will this funding affect the Ukrainian economy?

#### Artem Shevalyov

**Deputy Minister for European Integration, Ministry of Finance of Ukraine**

Most credit facilities envisage a set of conditions and a clear connection to economic reforms.

#### Jerome Vacher

**IMF Resident Representative in Ukraine**

The last several years in Ukraine had been characterized by stagnation. However, there have emerged certain signs of economic stabilization recently, in the financial sector in particular. The IMF intends to promote restoration of GDP growth and to support reforms that would ensure stable development.

The essential condition for receiving IMF funding is implementation of an economic policy which would assure stability in the future, stable development and avoidance of financial “bubbles”.

#### Dmytro Sologub

**Deputy Head of the National Bank of Ukraine**

In the last ten years the inflation rate in Ukraine has been the highest in Europe, and this has a negative impact on the banking system, without any contributions to its stability at all. It is necessary to remove “unhealthy” banks from the system, leaving only those which have an efficient corporate policy, act in a transparent way and manage their operations efficiently.

Most of overseas aid is used to “plug financial holes”; these funds must be used in a more rational way.

Domestic economic entities play a much more significant part in economic growth than the role of international financial institutions.

#### James Galbraith

**Professor at the Lyndon B. Johnson School of Public Affairs, Department of the University of Texas at Austin**

International financial aid is only granted under certain conditions which are not adjusted for the Ukrainian situation and are of a general nature. And if a country fails to repay loans, the conditions become worse.

International financial organizations are talking about positive outcomes and make optimistic forecasts but in fact the situation is aggravated as a result of fulfilling the conditions of obtaining the aid.

#### Viktor Galasyuk

**Chairman of the Parliamentary Committee on Industrial Policy and Entrepreneurship**

International financial aid is rather of strengthening nature than of the developing one.

Ukraine needs a development bank – a dedicated financial institution whose task would be, instead of generating profits, to support certain economic sectors or certain industries in order to facilitate creation of new jobs. A portion of funds provided by international financial organizations should be allocated to the above-mentioned institution.

It is necessary to implement a radical tax reform so as to create incentives for direct foreign investments and not to rely on the international financial aid.

#### Erik Reinert

**Professor at Norwegian Institute for Strategic Studies**

Too much money is spent on “patching holes in a sinking boat. I believe it is necessary to allow bankruptcy of companies and banks, and to write off debts. It is Ukraine that needs saving and not bankers who lend money to poor countries.

IMF is a large monopoly whose efficiency is not impressive. International financial support requires demonopolization.

The rise in living standards and the transition from planned economy to the national one are promoted by trust within the country and not by international aid.



## Panel Discussion

### A Battle of Economic Strategies, or One Common Strategy?

Ukraine had a great variety of development programs to choose from. They are produced by the Cabinet of Ministers, President's Administration, political parties and experts representing the civil society. However, Ukraine's advances are slow. The reasons include unrealistic assessment of the situation, populism and lack of political will for program implementation.

What is the way for working out documents common both for the Government and for expert and social groups, and for assuring implementation of development programs?

Experts acknowledge that Ukraine needs to consider the best global practices and not to ignore mechanisms with proven efficiency.

#### Mykhailo Zgurovsky

**President of the National Technical University of Ukraine "Kyiv Polytechnic Institute"**

In a state it had been till now, the Ukrainian economy cannot meet the demands for building the future society.

The effects of deindustrialization of economy on the state level have been considerable since 2013. Lost opportunities are the sum of two vectors: the vector of governmental actions and the vector of social activity on the part of citizens.

#### Illya Neskhodovsky

**Chief Expert for the Tax Reform group (Reanimation Package of Reforms)**

First and foremost, it is necessary to convince Ukrainian companies to invest in Ukraine. Development and receipts of investments from abroad will begin only under this condition.

It is essential to set up a sound mechanism for VAT recovery as this is the biggest obstacle for the growth of export potential.

#### Oxana Prodan

**Ukrainian politician, entrepreneur and public figure**

The quantity and authorship of strategies are not important; the important thing is that we finally reach agreement and start fulfilling our promises.

Lack of dialogue between the Government and the society is an issue. On the one hand, the authorities aim to do what they deem necessary; on the other hand, the society (including entrepreneurs, businesses and professional unions) does not leverage even the existing mechanisms to influence the authorities.

#### Viktor Kryvenko

**Deputy Head of the Supreme Council of Ukraine Committee for Budgeting Issues**

It is necessary to merge liberal elements of horizontal reforms with those encouraging specific sectors.

We have to win three global wars: the war for markets, the war for resources (human and material) and the war for investments.

The priority development areas, the industries demanding greater focus must include machine building, hi-tech, advanced processing and power saving.

#### Dmytro Oliynyk

**Deputy Head of the Council at the Federation of Employers of Ukraine**

In the event of thoughtless opening of markets Ukraine will become an agrarian country with 15 million population within several years.

It is essential to build trust between the business, society and Government, and to reach a consensus on the ways of development.

Demonopolization is an important factor affecting industry-specific investments.

#### Andriy Dligach

**Director General of Advanter Group, Co-founder of Nova Krayina Civic Platform**

The state must now enable entrepreneurs to create a place in Ukraine which would be most attractive for investing and doing business. And this must be the key idea in the economic strategy.

We have to leap from the industrial world to a post-informational one. There is a need for an industry-specific economic policy pursued by the state — a policy in which old protectionist government methods shall be replaced by economic techniques from other industries which are strategically important for economic development. Within a short time Ukraine is to overcome a number of obstacles interfering with free economic growth.

## Panel Discussion Points of Growth and Expansion of Export in Terms of Global Competition

Easy access to external markets must be an integral part of investment activities in Ukraine since the domestic market is insufficient for the efficient development of Ukrainian enterprises. To ensure economic stability in Ukraine in terms of global competition, one needs to create “growth points”, i.e. to provide support for specific types of activities and grant special business conditions to certain territories.

How do we create a favorable business climate using “growth points” and promote export without violating international agreements?

### Vasyl Khmelnytsky

**First Vice President of the ULIE, K.Fund Founder**

Low cost labor or production of raw materials for export cannot be used by Ukraine as a competitive advantage in the global market. It is necessary to look for productions at higher processing stages and with greater added value to provide for generation of efficient jobs with fair wages.

Investors come to Ukraine in order to make profits but they also create workplaces, pay taxes and grant access to new knowledge by bringing own managers with them in the initial stage, so to attract investments it is necessary to create more convenient business conditions for investors than in other countries.

### Xiang Bing

**Founding Dean and Professor of Cheung Kong Graduate School of Business (CKGSB)**

Looking back at China’s experience of economic development, deregulation of economic relations, and not enterprise privatization, may be the key element. State-owned enterprises became the most successful Chinese companies. Besides, it is important to prevent specific companies from domineering i.e. monopolism, when opening new markets.

The focus on export proved to be the chief element of the Chinese success model.

China’s success did not begin with innovations; a lot of time, funds, talent, work and luck were needed. All started with the emulation of past stories of success.

### Lluís Prats

**Head of International Affairs Unit for Industry and Entrepreneurship in the EU**

The economic development in Ukraine is largely dependent on political decision-making regarding its priorities. Without this, defeat is guaranteed.

Furthermore, the growth of economy and the country at large demands an industrial policy. The government should not deal with identification of cluster locations but with creation of conditions enabling their development.

It is also important that the clusters set up in the country be globally oriented as domestic markets are too small for their efficient development.

### Jerzy Kwiecinski

**Vice President of the European Center for Enterprise (EuCP)**

In early 1990s Poland was dominated by the opinion that only deregulation and free market could solve all economic issues. With time these views underwent critical reassessment, and it became evident that the successful development of export requires special conditions of doing business.

Poland’s industrial policy was founded on the active role of government and local authorities. They contributed to the creation of free trade zones with convenient business conditions, of miscellaneous technology and industrial parks, business incubators.

The efficiency of this approach is also confirmed by global market research – implementation of proper working conditions and compact placement of a large number of companies (e.g. in an industrial zone or tech park) yield higher efficiency and raise the performance of companies by 15% on the average.

It should also be noted that public officials in developed countries always support local national business. This means that both officials and domestic businessmen must take part in international negotiations.

### Valeriy Tsepalo

**Director of the High Tech Park, Belarus**

Countries with successful specialization or even clusterization are the most successful ones.

It is essential to choose the specialization to reinforce Ukraine’s positions in the world market. This choice should be dictated by the available material, intellectual and financial resources as when the technological level of competing countries is the same, the competition takes place in the intellectual plane only.



Panel Discussion  
**Business — Power — Society.**  
**A Magical Triangle of Successful Development**

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For an evolved democracy, the connection “power – business – society” is the foundation of balanced economic and social development. The chief participants in this process are separated from each other and interact according to stringent rules embodied in the “magical triangle”. Ukraine meanwhile has a political-oligarchical management system where the government, financial resources, political parties and mass media belong to clans. As a consequence, the disrupted balance of influence impedes the interaction.

How is it possible to create the “magical triangle” of successful development?

**Bogdan Gavrylyshyn**

**Member of the Rome Club, member of the World Academy of Art & Science**

The world needs a new paradigm. Money should not be the only reason why people work; they need to be aware of their obligations to the community and the world at large. It is time to move from the declaration of human rights to the “declaration of obligations”. Ukraine has already made attempts at “trialogue”. But the existing triangle remains controversial. A number of conditions must be fulfilled in order to transform it into the “magical” one. The state has to overcome corruption; ensure protection of private property; secure predictable conditions for doing business. Businesses, on the other hand, need to carry out activities honestly, both between themselves and with regard to the state. And the society, in its turn, must change its attitude towards business – to treat it as a necessary and useful tool and to stop associating it with oligarchs or criminals only. The society has to realize that business contributes to the welfare of people and the country at large.

**Vitaliy Antonov**

**President of Concern Galnaftogaz PJSC**

The behavior of sustainable business must be driven by the conscious attitude of each businessman towards his or her obligations to the country’s society.

Manufacture of high quality products are an essential part of social responsibility, even if this leads to deterioration of price competitiveness. Further on, this will help strengthen market positions.

The state must control the business responsibly and refrain from imposing higher taxes on those who pay them and from ignoring those who operate illegally.

It is necessary to treat the state as a holding with quality management. Today’s management of this “holding” is not efficient because the “holding’s shareholder” has not been identified, and the one who must act in this capacity – the Ukrainian people – does not have access to the management. For now the fictional shareholder, the oligarch, has taken the place of the real one. These representatives of large monopolized capital do not operate in market conditions, neither do they generate value. They save up on taxes, thus sucking funds out of the economy.

With this in mind, Ukraine must restore its “shareholder” rights – the rights that belong to Ukrainian people, and expel the oligarchs. The “shareholder” has to direct the “holding’s” operations, i.e. the country’s goal must become the national idea. And the “holding’s” management needs to receive adequate remuneration for efficient work, meaning that it is essential to assure high salary for government officials and to demand efficient performance from them.

**Dmytro Bondarenko**

**Director General of LIGA Companies Group, Director of LIGABusinessInform Information Agency**

A politician should not be a government official, and vice versa. It is necessary to remove oligarchs from the “business – power – society” triangle by transferring them to the “business” angle or the “society” angle since they are not real businessmen as they do not generate added value and only draw funds from the budget in order to finance major political projects affecting the government in an illegal way.

The state must treat the society as a partner and not as a burden.

The state has to stop treating business as a “milk cow”.

Business is a real partner of the state when it assumes responsibility towards the society. The government can use responsible businesses to launch operations as part of the “magical triangle” but to achieve this it must secure relevant conditions: protection of property rights; fair courts; convenient tax law; protection for Ukrainian business; lobbying of national business’s interests in international markets; free capital flow in both directions – inside the country and abroad; mass media free of oligarchs’ influence, as well as stability of legislation and mechanisms ensuring compliance therewith.

**Andriy Gunder**

**President of the American Chamber of Commerce in Ukraine (ACC)**

Corruption is the major obstacle for building trust in the triangle, and we need to fight it with all might. Furthermore, this triangle lacks trust. Ukrainians place most confidence in the church. Military and civil society, namely the volunteers, rank second. The power has to develop cooperation with the society to build trust for itself.

The positions of business in the interaction triangle cannot be higher than those of the power and the society.

Upon accession of investment business representatives to the power, the government has the ear for businessmen at the level of ministers and their deputies, although they are not always heard. But the middle stratum of officials should be changed so that they promote business instead of impeding it.

Major Ukrainian business structures can gain authority in the triangle provided that they improve their social responsibility.

Involvement of external investments is also important as they have a positive impact upon the nature of interaction in the triangle.

### Harry Jacobs

#### Chief Executive Officer at the World Academy of Art & Science

The whole potential of the triangle's efficiency is in the society's hands. But efficient interaction requires the supremacy of law and overcoming corruption.

A wider distribution of power would be a positive factor for the economy.

The magical triangle's productivity is defined not by financial reports but by people's energy.

The society must work out a vision which the business would help implement. The efficiency of conditions created by the business for the society would determine the results.

Advanced democracies are also experiencing a decline of confidence in business nowadays. Ukraine has to realize that it is part of the global world and to resolve internal issues with consideration for this provision. The government and society may achieve success only by shaping a common national goal. Ukraine can set a task to become "number 1" in the region in some specific issue and turn it into a nationwide objective. At a later stage the new efficient model of interaction within the "magical triangle" can be replicated, can be "sold".

### Algirdas Šemeta

#### Business Ombudsman in Ukraine

The Ombudsman must be in the triangle's center as an independent structure responsible for informing the government about the situation in business, and for informing business about the situation in the government.

Today the government is acting contrary to the conditions at hand due to the absence of the critical mass of honest professionals in the parliament and government. The actual reformation will begin when the critical quantity is achieved.

There is a need for transparency of decisions that are implemented and for inevitability of punishment. If criminals are not sent to jail, the society's confidence in the government cannot be built.

### Yuriy Atamanyuk

#### First Vice President of the Taxpayers Association of Ukraine, Major General of Tax Police

Reforms must be agreed with the business and society, and meet their requirements.

Almost a half of business representatives believe that the new government's innovations in the state system were inadequate. The reforms initiated in December 2014 were not real but "so called" as they were developed without consultations with the business and the society. These reforms resulted in worse conditions for doing business. Instead of drawing funds from the shadow, state authorities increased the fiscal pressure by introducing real estate tax, vehicle tax, currency purchase levies etc.

Overriding corruption and reduction of administrative pressure via regulating institutions are the most important factors for the business sector.



## Panel Discussion

### International Trade: Challenges and Prospects. Association Agreement Between Ukraine and the Eu

International agreements for facilitation of mutual access to goods and services were generally concluded in the interests of large companies operating in the raw materials sector. Lack of experience in international negotiations on the part of Ukrainian business led to situations where market opening was one-dimensional and not in favor of Ukrainian companies.

What needs to be done to promote products in international markets and to be competitive inside the country? How can we help the business live through the "probation period"?



#### Gennadiy Chyzykov

##### President of the Chamber of Commerce and Industry of Ukraine

In my opinion, Ukraine needs the Association Agreement with the EU in order to transfer from a 3 star hotel to a 5 star one. This is the issue of getting to a whole new level and the richest market with 500 million richest people in the world.

Export can only be successful when a full-fledged competitive domestic market is created.

#### Svitlana Mykhailovska

##### Deputy Director of the European Business Association

When transitioning to higher added value products, it is necessary to integrate into international value chains.

Ukraine needs a system of meaningful support of national export and promotion of domestic products in European markets. And this should not be done through protectionism.

#### Markus Beyrer

##### Director General of BUSINESSEUROPE, the European Business Confederation

The country's specialization should be defined by its most powerful production. Besides, I believe that the general improvement of well-being is assured by distribution of work.

To ensure the actual capacity to compete in global markets Ukraine needs a transition from raw stock production to the manufacture of finished products and diversification.

#### Anatoliy Kinakh

##### President of the Ukrainian League of Industrialists and Entrepreneurs (ULIE)

Entering into international agreements bears certain risks but actual free trade conditions are the stimuli which would accelerate modernization of Ukrainian economy.

As part of pragmatic implementation of the Association Agreement it is necessary to search for the balance of interests and create better conditions for Ukrainian businesses which would not be founded on classic state protectionism but on a system of incentives aimed at economic modernization in keeping with European standards so as to generate equal competition.

#### Mariya Osenius

##### Head of the Cabinet of the European Commissioner for Trade

The deep and all-encompassing free trade zone with the EU will help Ukraine remove such barriers as unnecessary licenses, bureaucratic procedures, currency flow limitations, imperfect rules of government procurements, violations of competition rules and so on.

The success of Ukraine – EU agreement would depend on Ukraine's achievements in implementing reforms and improving the business climate. Furthermore, assuring the supremacy of law is an important task.

Ukrainian government is capable of improving administrative and customs procedures, thus assisting Ukrainian companies to enter foreign markets. EU's aid with this matter can be essential.

## Panel Discussion

### Sources of Funding Development Projects: How to Restore the Banking System?

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The banking system is the “blood” of the real sector. Today the Ukrainian banking system has virtually stopped performing the function of lending to businesses and entered the phase of permanent crisis, thus dragging down the general economic system. What should be done in this situation? Sector representatives believe that the resources required to restore the banking system might be found beyond the system itself. In particular, experts have focused on the peculiarities of the current starting point.

#### Sergiy Budkin

**Investment banker, Co-founder and Managing Partner at FinPoint Investment Advisors (Ukraine)**

The Ukrainian economy has hit its bottom and we are starting to push off this bottom and move upwards.

We have become used to a situation where the major portion of investments needed to overcome a crisis is received from international financial organizations – the World Bank, EBRD or IMF. But in fact these organizations are not capable of reviving the post-crisis economy single-handedly. Private investment sources play the vital part in this process.

#### Anna Trzecińska

**Vice President of the National Bank of Poland**

To build confidence in the Ukrainian banking system, it is necessary to create a strong base which would ensure financial stability. For example, the strong foundations laid after 1989, at the beginning of post-socialist development, enabled Poland’s banking system to withstand negative influences which regularly emerged during periods of recession.

There is a need for efficient cooperation between banking institutions due to added risks in the global economy, including cyber-attacks, market bubbles, Greece’s debt issues and many more.

#### Tymur Khromaiev

**Head of the National Securities and Stock Market Commission (NSSMC), Head of the Committee for Stock Market Development Strategy and Economic Analysis**

Modern Ukraine has better chances of overcoming the banking crisis than it had in 1990s owing to the enormous number of available technologies. The technology sector can provide the keys which are not possible to obtain in the blind-folded banking industry.

To enable further development, the banking system needs to increase the number of people who have bank accounts. This indicator is currently 40% in Ukraine (in Poland – 80%), meaning that the level of confidence in Ukrainian banks is low.

The banking system cannot develop all by itself: 90% of the financial sector relies on it. It is necessary to diversify non-banking financing tools in order to prevent this sector from turning into a paper tiger.

The financial sector development must be founded upon capital markets growth, transparent pricing, formation of the hryvnia market, building trust towards the national currency, introduction of the second tier in the pension system and new technologies.

#### Nataliya Samoylova

**Auditing Partner at Deloitte Ukraine, Group’s Manager for Cooperation with Financial Institutions**

Restoration of the Ukrainian banking system requires actual partnership between banks, businesses and government: banks have to provide truthful reports of reserves, companies have to disclose related parties in good faith and the government has to maintain electronic document flows and hold electronic tenders.

#### Georgi Zamanov

**Director of Corporate Business, Member of the Board of UniCredit Bank (Ukraine)**

The banking system mirrors the situation in the real sector, and its issues are a simple reflection of economic problems. The Ukrainian banking system can be restored only when Ukrainian entrepreneurs place confidence in it.

For the international funds to start flowing to Ukraine it is necessary, in the first place, to create conditions in which Ukrainian would come back to the banks with their money.

In my opinion, it is possible to restore trust in the banking system by reviving trust in the national currency.

#### Georgi Zamanov

**Sergiy Chernenko**

The banking sector is the heart and blood system – it gives life to the economy at large. But when the whole organism is ill, the heart cannot support it on its own. Restoration of trust in the banking system is not possible without restoring trust in the economy and country.

The recession is a litmus paper that has revealed all mistakes associated with the construction of the banking system. Banks should learn again what a banking point of sale is and how it can be efficient. There is an evident need for developing customer-focused processes, with particular attention towards business ethics. Observance of creditors’ rights will ensure restoration of the banking system.

The whole economy and the financial sector’s structure must be rebuilt from scratch. Everything done before now, starting from 1991, proved to be wrong: banks chasing after profits, invalid business processes and systems, wrong areas of focus.

Dollarization of the Ukrainian economy is killing it, so building a new banking system on its foundation is not an option.

## Panel Discussion

### Education – Science – Business. Creating Connections

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In order to ensure that the improvement of the educational system leads to creation of increased added value and to “brain drains”, it must be embedded into the innovations chain. This chain encompasses school and university education, science, commercialization of inventions, launching of batch production and capitalization of companies. It should be kept in mind that absence or insufficient development of any link in this chain would make advancement of all other links inefficient.

How do we ensure efficient functioning of education within the innovative system?

There is a need for clear understanding of the innovative complex at large. Overseas experts agree that an innovative system serves both as source and result of innovations.

#### **Bogdan Kupych**

##### **Vice President for Business Development at KM Core**

An efficient innovative system must incorporate all elements – education, science, R&D, technology development, entrepreneurship and business skills, infrastructure, money, “seed” and venture capital.

Life-long education is the symbol of the modern innovative system.

A global approach towards Ukrainian issues in business and science is not only capable of ensuring higher performance but also of enabling further application of its results as solutions for other countries.

#### **Sergiy Kvit**

##### **Minister of Education and Science of Ukraine**

Ukrainian universities must change their inadequate operational structure by increasing the number of publications which cover research outcomes, from 1-5% to 50%. This will enable them to rise in global ratings.

Besides, universities must not focus on technology creation or general education only. The tasks that the universities face are complex, and this should be implemented in academic culture.

It is not possible to shift all responsibility for educational expenses from the state to business. The business’s capacity to invest in education should be developed on the basis of state-private partnership.

#### **Singh Manmeet**

##### **Investor and mentor at Chinaccelerator**

I believe the prospects of organic improvement of the Ukrainian education system are closely tied with engagement of practitioners from different sectors of economy as invited university lecturers. When programs of this kind become the foundation of the education system, they transform it and take to a whole new level.

Also, it is essential that educational institutions supported by the state grant their students the opportunity to study abroad and make it common practice that these studies last for whole semesters. This practice will help stimulate students to use new methods of solving internal problems in Ukraine.

#### **Burton Lee**

##### **Lecturer at Stanford University, European Innovation & Entrepreneurship School**

The issue of university reforms is not unique for Ukraine; it is an extremely challenging task for all countries including the USA.

In my opinion, today’s university should not be seen as a part of the efficient innovative circle only – from education to sale of the final innovative product, but also as a specific business unit which incorporates all elements of the innovative system.

Experts agree that Ukrainian universities are capable of and must change in the direction of comprehensive innovative activities, including education and generation of innovative products.

Creation of new benefits for the world must become the chief mission for leading Ukrainian universities. This means not only promotion of scientific activities and promulgation of their outcomes via publications but also active commercialization of scientific results.

Furthermore, learning from global experience is extremely important for the successful development of Ukrainian education. Stanford University and MIT, which are unique for the developed world too, can be a source of such experience. In the last 40 years these establishments managed to create over 5 million jobs, 50 thousand new companies and over 5 trillion US dollars of added value.

#### **Yuriy Logush**

##### **President of Kyiv School of Economics (KSE)**

Lack of fundamental science support in the country results in the decay of applied research, thus blocking commercialization of scientific outcomes.

#### **Sophia Opatska**

##### **Dean of Lviv Business School, Ukrainian Catholic University**

Competition for the best students between educational establishments can provide many improvements for Ukrainian education.

Although staff training is not the key competency of business, there are a great number of universities set up by corporations in Ukraine, which is a testimony of insufficient quality of education.

Ukraine has truthfully good universities but most of them focus on educational and scientific functions exclusively, ignoring other activities.



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