

Western NIS Enterprise Fund

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For Immediate Release: May 20, 2003

**FDI creates significant economic impact on local economies:
Every WNISEF dollar invested created an additional \$8 economic effect.**

The “Economic Impact of WNISEF Portfolio Companies on Ukrainian and Moldovan Economies” conducted by the International Center for Policy Studies (ICPS), finds that for every dollar invested by WNISEF into portfolio companies in Ukraine and Moldova an estimated \$8.02 additional aggregate effect was created in local economies. The economic impact of WNISEF portfolio companies on the economies of Ukraine and Moldova serves as an important example of how the wealth of these two countries can be increased if both make an effort to speed up the structural reforms necessary to create a welcoming environment for foreign and domestic direct investments.

Kyiv, Ukraine – The results of an economic impact study of WNISEF portfolio companies on the economies of Ukraine and Moldova presented today by the International Center for Policy Studies (ICPS) proved that direct investments are important for countries with market-oriented economies. “Every dollar invested by WNISEF into Ukrainian and Moldovan companies created an estimated \$8.02 additional effect for local economies over five years,” informed Tetyana Sytnyk, ICPS expert, who was in charge of the study.

“This impact can be measured through a combination of direct, indirect and induced effects, which we assessed through the business activities of 12 WNISEF portfolio companies,” Tetyana Sytnyk said.

The business activities of 12 WNISEF portfolio companies create an economic impact on the regional economies that extends beyond direct infusions of capital. The results of this study showed that nearly 11,000 people are employed at the WNISEF portfolio companies; strong links with suppliers and distributors are created establishing new supply chains and distribution networks; employees at portfolio companies earn relatively higher incomes when compared to regional income averages, which in turn all stimulate local spending and additional tax revenues for the state. Spending circulates throughout the region creating more jobs and incomes for other individuals and companies in the locality. Moreover, all WNISEF portfolio companies conduct transparent business practices and pay taxes to national and local budgets, which have a net positive effect on the countries’ legal economies.

- 10,690 jobs were sustained by WNISEF portfolio companies creating more than \$50.97 million in wages and related benefits;
- \$63 million was paid in taxes to national and local budgets;
- \$560,000 was spent on charity support and community development; and
- \$564 million is estimated to be the total impact on regional economies from 1997-2002.

The study showed that 80% of the total impact on the economy is made through indirect and induced effects, i.e., through expenditures generated by suppliers, distributors and increased spending of households, businesses and government as a result of direct capital inflows. Therefore, the impact on the economy can be striking if expanded throughout Ukraine and Moldova.

“The study is very important for WNISEF and our portfolio companies. More importantly, I believe these are the most conclusive indications of what additional investment in Ukraine and Moldova can do for these two economies,” said Natalie A. Jaresko, WNISEF President and Chief Executive Officer.

Dennis A. Johnson, WNISEF Chairman of the Board of Directors said: “It is wonderful to have specific and real results from which to draw these conclusions. It helps Ukrainian policymakers to understand the necessary steps to promote a better investment climate in Ukraine and Moldova as a means of improving the social welfare of society.”

“The level of investment is the main sign of trust from foreign companies in the steps of government. Our main objective today is to continue protecting foreign companies working in Ukraine, Ukraine’s accession to the WTO, creation of a free trade zone with the EU as well as tax reform,” - summarized Valeriy Khoroshkovskiy, Minister of Economy and European Integration of Ukraine.

Western NIS Enterprise Fund (WNISEF) was created in 1994 and capitalized by the U.S. Government with \$150 million dollars for investment into small and medium sized companies in Ukraine and Moldova. At the end of 2002, WNISEF outstanding portfolio stood at \$57 million invested into 15 Ukrainian and Moldovan companies. Among WNISEF portfolio companies are AVK, Ecoprod, Euromart, Micro Finance Bank, Slobozhanska Budivelna Keramika, Troyanda and others in Ukraine; and Agroindbank, Glass Container Company, Micro Enterprise Credit, Roua Univers and others in Moldova.

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