

Michael Bleyzer was born in Khar'kov, Ukraine in 1951 and immigrated to the United States in 1978. He graduated from the Khar'kov Institute of Radio-Electronics in 1973, and over the last 30 years has had an exciting professional career, which has taken him to countries such as Ukraine, Russia, Turkmenistan, Uzbekistan, Belarus, and others in the Former Soviet Union. After relocation to the United States, Mr. Bleyzer enjoyed a 15-year career with Exxon Corporation and Ernst & Young, which provided him with opportunities to work in management positions in Belgium, France, Germany, United Kingdom, Netherlands, and other countries in Europe as well as in Asia Pacific. Mr. Bleyzer is currently the President and CEO of SigmaBleyzer, an American-Ukrainian Investment Banking group, which he co-founded.

In 2001, the Bleyzer Family established The Bleyzer Foundation to help the countries of the Former Soviet Union in their transitions to market economy. The Foundation's work is based on the benchmarking and statistical analysis results initially achieved by the International Private Capital Task Force (IPCTF), which was established in Ukraine in 1999 by SigmaBleyzer and the Ukrainian government. The benchmarking study of economic policies in transition economies and developing countries conducted by the IPCTF has generated significant interest in both developed and developing countries. Mr. Bleyzer chairs the IPCTF Steering Committee in Ukraine and has made numerous public presentations on the IPCTF findings throughout the world. The IPCTF report was published by SigmaBleyzer in 2001.

In 2000 and 2001 this effort was applied to all countries of the FSU. The benchmarking analysis has resulted in the book "The Bleyzer Initiative: Completing the Economic Transition in FSU Countries", published in August 2002. The book suggests methodology and tools to accelerate economic transition processes in the FSU countries and considers similar approaches for other countries attempting to build a market economy.

Michael Bleyzer

Comments at the European Summit of the World Economic Forum

Delivered at the "Eastern Europe — Safe Haven for Investments?" session on Monday, September 16, 2002.

Let me share with you our experience. We have been working in Ukraine for about 8 years and actively investing there over the last 6. Our funds have done quite well. Today they are among the best performing funds in the region.

About three year ago, we concluded that while we could make some money in Ukraine by being a good stock picker and a good private equity investor, in order for us to realize full value on our investments, we will need to help the government to accelerate the flow of investments in the country. To do that an acceleration in the pace of reforms was necessary. To help the government understand what attracts private capital we decided to benchmark several countries that are trying to build market economy. Our initial effort focused on Argentina, Chile, Poland, Hungary, Russia and Ukraine. We retained a team of Thunderbird International School of Management from Phoenix, Arizona to do a benchmarking study for us.

Initially 70 drivers were identified, which affected the flows of FDI. We focused on FDI because over the last twenty years it has been the most reliable source of international financing, much more so, than commercial banks lending, portfolio investments, or any kind of official assistance. These 70 drivers were then grouped in the nine economic policy action groups. We also wanted to understand the individual contributions of the nine policy areas in the overall investment climate improvement. So, we conducted a statistical study of 50 nations trying to attract private capital to identify which policy groups had the most impact.

Our study concluded that the top three policy areas, which had strong positive correlation with FDI flows and one area, which had very strong negative correlation could explain 60 % variation in the FDI flows in our sample of 50 countries. However, our study also concluded, as did other studies before us, that in order to attract a sustainable flow of FDI over a long period of time all nine policy areas must be acted on.

Our initial findings were published in early 2001. We used the results to develop an Action Plan for Ukraine, which resulted in presidential decree to improve the investment climate signed by President Kuchma on July 12, 2001. The decree led to a government program approved by the Cabinet of Ministers at the end of 2001, and the Government Action Plan development, which has been recently concluded. While the process is taking longer than we would have liked, it is moving forward and is unlikely to change course.

We then expanded our effort to include all 15 republics of the FSU. All of these countries have now been ranked and their progress in the nine economic policy areas assessed. We used the findings to develop an econometric model, which allows us to predict the flow of FDI based on gap analysis. As the countries making reforms close the gap between them and the best-in-class in the nine policy areas, the model allows us to predict the resulting increase in FDI flows they can anticipate. We can also quantify the relative contributions of each on the nine policy areas. This provides a good basis to prioritize government actions and develop action plans to improve the investment climate.

Based on this three-year effort we have been able to develop the methodology and tools that are needed by the governments of transition economies and other developing countries to obtain the capital necessary to finance the transition to market economy.

If you are interested in the study, our latest book, entitled *The Bleyzer Initiative: Completing Economic Transformation in FSU Countries*, includes all of the ratings and describes our approach. You can also find a lot of information on the IPCTF efforts on our website, www.sigableyzer.com under IPCTF Materials link.