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Kyiv, Ukraine

Ukraine is the leading country in Central and Eastern Europe in the area of IT outsourcing. Would it last long?

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These days Softengi as all software vendors in Ukraine are closely following all developments around new Tax Code of Ukraine. The draft Tax Code wasn't even close to what was hoped for tax reform, and, in fact, contained numerous new provisions negatively impacting the business environment in Ukraine and IT outsourcing industry in particular. Discussions have been underway for almost three months and IT companies are actively seeking improvements to the draft Tax Code as the tax reform may either boost development and growth of IT industry in Ukraine or destroy it.

The IT outsourcing industry in Ukraine shows considerable growth during the last decade. Recent studies indicate that currently Ukraine holds its position among most attractive outsourcing destinations and is surely moving towards the top of the list.

Thus, according to Annual Global Outsourcing Industry analysis GS100, Ukraine is on 11th place in the Top 20 list of largest global delivery centers in terms of number of people deployed. And Ukraine is the first among Central and Eastern European countries outrunning Russia, Belarus and Poland in this list.

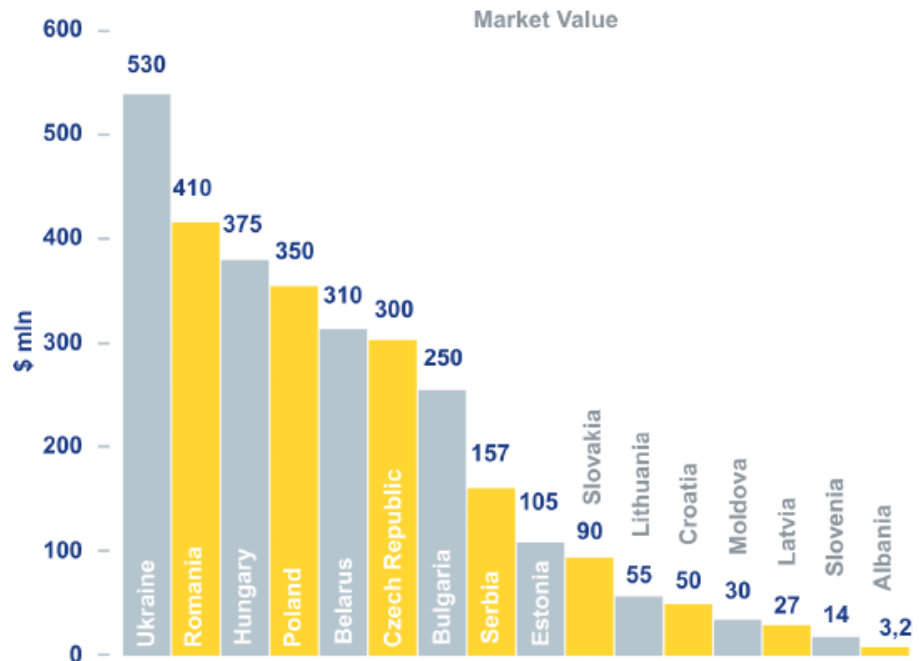
Similar result shows the catalogue of IT outsourcing providers from Central and Eastern Europe – ITOlist.eu (the project of Central and Eastern European Outsourcing Association – ceoia.org). According to 2007 and 2008 CEE IT Outsourcing Review, Ukraine holds the first position among CEE countries in terms of market value, number of IT outsourcing companies and number of professionals involved in IT outsourcing services.

Top 20 Locations

	Country	Total
1	India	514157
2	Philippines	97740
3	United States	42808
4	China	34672
5	Canada	32690
6	England /United Kingdom	23494
7	Brazil	10213
8	Germany	9269
9	Australia	8544
10	Mexico	8412
11	Ukraine	5816
12	Russia	5113
13	Belarus	4534
14	Chile	3572
15	Sri Lanka	3317
16	Argentina	3241
17	Malaysia	2868
18	South Africa	2855
19	Singapore	2833
20	Poland	1963

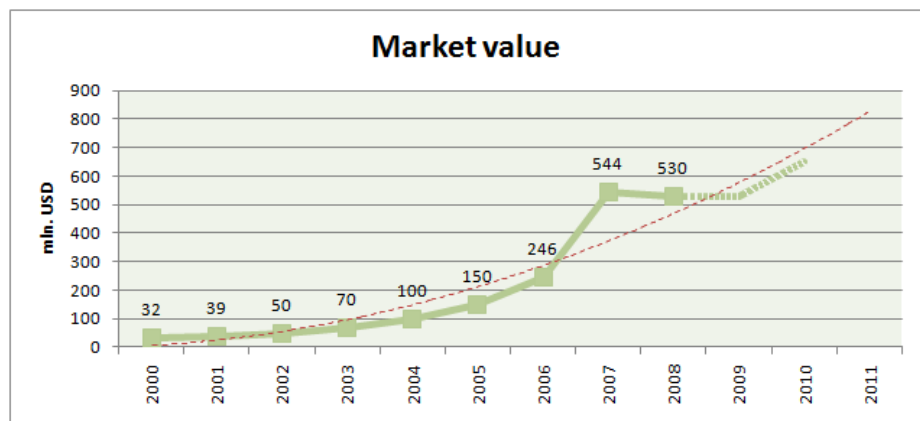
Note: Figures are based on data from over 150 companies

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Source: Central & Eastern Europe IT Outsourcing Review 2008

For the last decade market value of IT outsourcing services in Ukraine was showing constant growth, except for the last couple years, where due to the global uncertainties of the economy IT outsourcing activities remain sluggish.



Source: Market Visio research "Ukrainian IT Service and Products Export Market 2003"

Research by GOAL Europe "Outsourcing Industry in Ukraine 2007"

CEE IT Outsourcing review 2007

CEE IT Outsourcing review 2008

Besides the global uncertainties of the economy, Ukrainian IT outsourcing industry is very much affected by the economical and political situation in the country. Many competitors of Ukraine in IT outsourcing have established special taxation policies for outsourcing providers thus placing them in more favorable position and promoting industry growth.



For example, India, China, Brazil, Russian Federation, Romania have several times lower tax rates for software vendors than Ukraine. Belarus has special Government program for stimulation of software development industry: Belarus Hi-Tech Park provides comfortable business environment for IT business with its special taxation conditions unprecedented for the European countries.

Now it seems to be a turning point for the Ukrainian IT industry. And depending on how wise decisions will the government make and what specific steps toward establishing favorable business environment will take in the nearest future, IT outsourcing industry in Ukraine will either pick up the pace and blossom over the next years or go into shadows, lose competitive advantage and slither into long depression.

Ukrainian software vendors through the professional alliances are trying to introduce new, favorable for IT industry, provisions aimed to help software companies to sustain and overrun the competition.

Being a member of Ukrainian Hi-Tech Initiative, a leading Ukrainian alliance in offshore software development, Softengi is also engaged in new Tax Code discussions and hopes that the voice of IT Outsourcing industry will be heard by legislators and taken into account.

NOTE: Softengi is Kyiv, Ukraine based software engineering vendor and outsourcing service provider. Softengi is a member of the U.S.-Ukraine Business Council (USUBC), www.softengi.com.

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