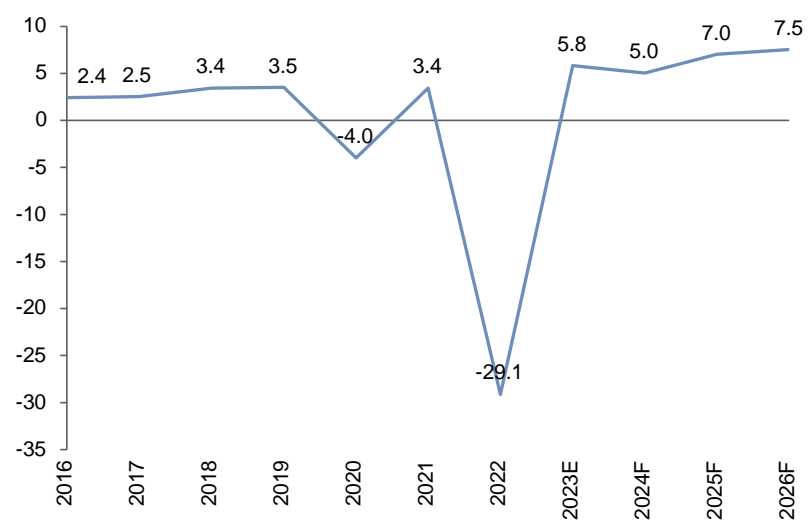


# **INVESTING IN UKRAINE – SEIZING THE OPPORTUNITY**

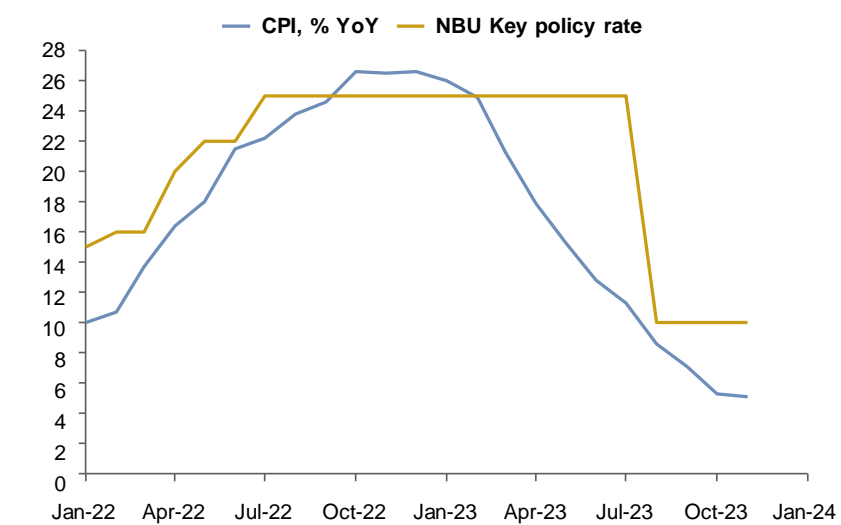
**15 February 2024**

# THE UKRAINIAN ECONOMY HAS REMAINED RESILIENT IN 2023 AND IS EXPECTED TO FURTHER GROW IN 2024

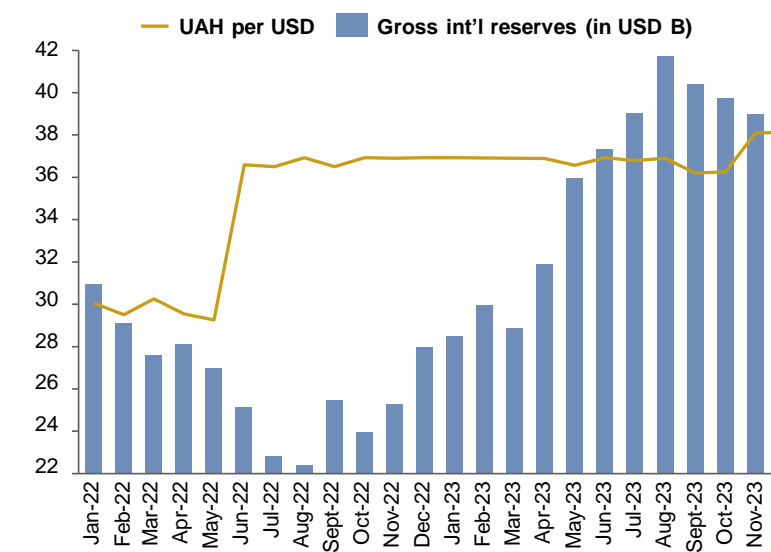
## GDP ANNUAL GROWTH RATE (% YoY)



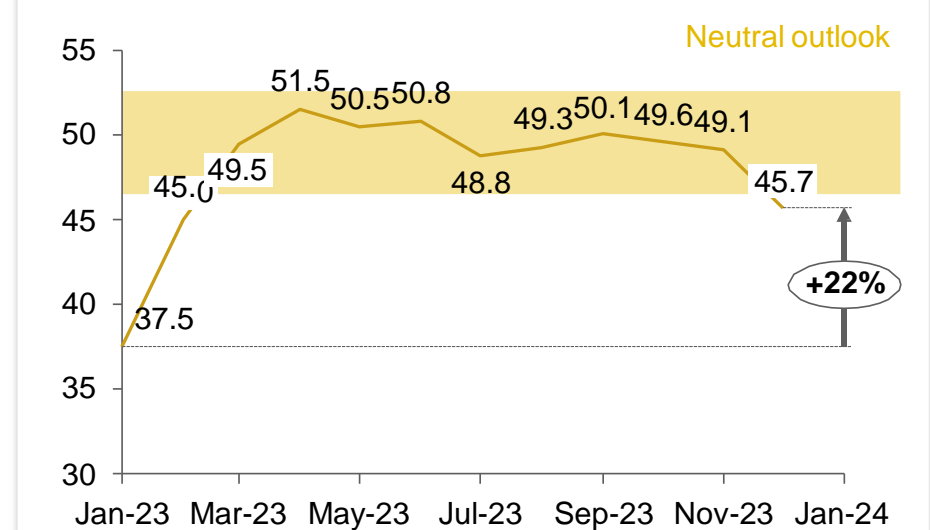
## CONSUMER PRICE INDEX (% YoY) & KEY POLICY RATE (%) Jan'22-Dec'23



## HRYVNIA EXCHANGE RATE & INTERNATIONAL RESERVES Jan'22-Dec'23



## BUSINESS ACTIVITY EXPECTATIONS INDEX Jan'22-Dec'23 (pts)



- In 2023, **GDP rose 5.8%** driven by household demand, agro-industrial output stabilization and defence spending.
- The Ukrainian government sees the **economy growing by 5% in 2024 – the fastest pace in Europe**. The IMF expects growth to reach 3.2%.

- Inflation eased to **5.1% in November** from **26.6%** at end-2022 helped by strong economic performance and FX stability.
- Inflation is expected to remain in the range of **6-7% over the next year**.

- The **Hryvnia** remained roughly **stable throughout 2023**, and allies and international organizations continue to support the country.
- The **budget deficit reached 19.1% of GDP in 2023**, primarily due to defence spending.

- In 2023 the **business sentiment rose and remained stable** at close to neutral level (around 50).
- Businesses **remain concerned about the duration of the war**. Nevertheless, **most companies (77%)** admitted that they can now **operate in Ukraine without restrictions**.

# 5 KEY ATTRIBUTES THAT MAKE UKRAINE AN ATTRACTIVE INVESTMENT DESTINATION

1



## GEOGRAPHICAL POSITION

- Ukraine is an **important transit corridor** between Europe, Asia & the Middle East allowing for access to nearly **1B consumers within 2500 miles radius**.
- In 2022 Ukrainian logistics routes were included in **TEN-T** while **most** major destinations in Europe are reachable by truck in **2 days**.

2



## SKILLED LABOUR FORCE

- Commencing business activities in Ukraine provides employers with access to a highly **skilled 10M+ people workforce**.
- There are currently **1.2M people attending higher education** in Ukraine.
- Ukrainian talent is known domestically and globally for skills involving **computer science, software engineering and machine learning**.

3



## ABUNDANCE OF NATURAL RESOURCES

- **117/120** types of commonly used minerals are found in Ukraine, with titanium, iron and manganese representing **63.8%, 7.2% and 3.6%** of global output.
- Ukraine accounts for **10% of wheat, 15% of corn, and 13% of the barley** market globally.
- Ukraine is the largest exporter of **sunflower oil** globally, 2nd in **sunflower seeds** and 3rd in potatoes and maize.

4



## POTENTIAL AS A REGIONAL MANUFACTURING HUB

- Strategic alignment with the West makes Ukraine a **natural nearshoring destination**.
- There is already a strong processing industry base which generates **10.3% of GDP**.
- Main industrial sectors include **metallurgy, food processing, chemicals, machinery, energy, textiles**.

5



## GREEN ENERGY FRONTRUNNER

- Ukraine is a **new and substantial source of green energy** (electricity, gas and hydrogen) that has the potential to **cover Europe's needs by up to 15%**, reducing reliance on Russian energy
- The Ukraine National Recovery Plan aims for **\$113B of spending** on the zero-carbon energy transition, including **\$38B** on developing **green hydrogen** production in Ukraine.

# 3 REASONS WHY NOW IS THE RIGHT TIME TO INVEST IN UKRAINE

1



## RECONSTRUCTION IS A \$400B+ OPPORTUNITY HAPPENING NOW

The World Bank suggests Ukraine's reconstruction is a **\$400B+ multi-sectoral opportunity**.

The private sector is **seizing the opportunity to invest now**, with a growing list of international companies investing in Ukraine within 2023, including **Kingspan (\$280m, construction)** and **Bayer (\$65m, pharmaceuticals)**.

2



## EU PROSPECTS & INTEGRATION WITH THE WEST

The full-scale invasion has catalysed Ukraine's integration with the West, **accelerating reform** and **EU accession** negotiations, with the World Bank estimating reforms could bring in an additional **\$57B** in FDI by 2033.

This has also opened **new sources of financing** backed by governments and IFIs e.g. Nestlé secured a **\$42M loan by EBRD** for a new production facility in Western Ukraine. Specialized instruments like the "**Ukraine Facility**" are also being proposed to manage the complexities of reconstruction.

3



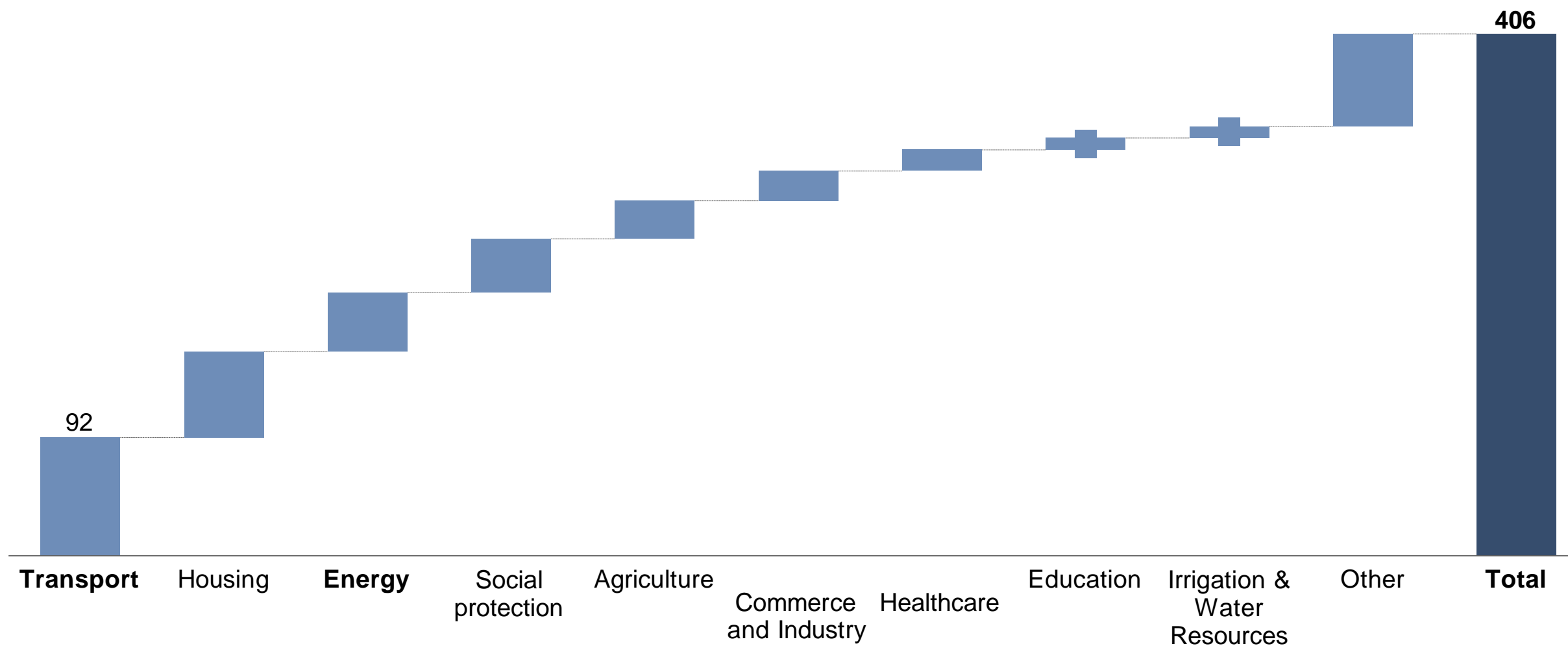
## ACTIVE SUPPORT BY A GOV'T COMMITTED TO FDI

The Government is **committed to investment attraction** and is working on reforms to improve the business environment. A **comprehensive toolkit of incentives, de-risking programs and other instruments** is already in place and is being reviewed and amended continuously.

The Government aspires to act as a **sparring partner to potential investors**, supporting them with feasibility studies, setting local partnership and overall preparation for stepping into Ukraine.

# 1 UKRAINE'S RECONSTRUCTION IS A > \$400B INVESTMENT OPPORTUNITY ACROSS MULTIPLE ECONOMIC SECTORS

## WORLD BANK RAPID DAMAGE & NEEDS ASSESSMENT PER SECTOR IN \$B



## FOCUS SECTORS EXAMPLES OF RECONSTRUCTION OPPORTUNITIES

**Transport** projects will focus on boosting **exports** incl.:

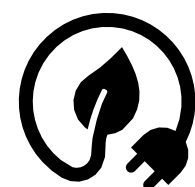
- Development of logistics infrastructure on the Danube to **expand ports' capacity**
- Increase new **checkpoints at land borders** with the European Union

**Energy** projects will grow total **capacity** and deepen **integration with European electricity grids**, incl. construction of:

- **4 new units** at the Khmelnytskyi Nuclear Power Plant
- **2 high-voltage interconnectors** to Europe

## 2 EU'S UKRAINE FACILITY TO DEDICATE €50B TO SUPPORT UKRAINE'S RECOVERY, OF WHICH €8B WILL SUPPORT PRIVATE INVESTORS

### Key sectors



Energy



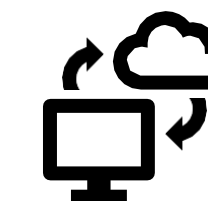
Agri-food



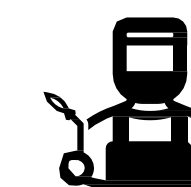
Transport &  
logistics



Critical  
materials



IT &  
digitalization



Green  
metallurgy

### PILLAR I SUPPORT TO UKRAINE PLAN

## 39 bn

- EU support to the Ukraine Plan through loans and grants to the State budget
- Support to address the urgent financial needs of the State to maintain macro-financial stability
- **Support for investments to foster recovery, reconstruction and modernisation**
- Support for reforms needed for EU accession

### PILLAR II UKRAINE INVESTMENT FACILITY

## 8 bn

- **De-risking mechanism available to investors through International Financial Institutions** to scale up investments and crowd in new investors
- Support to the Ukrainian private sector

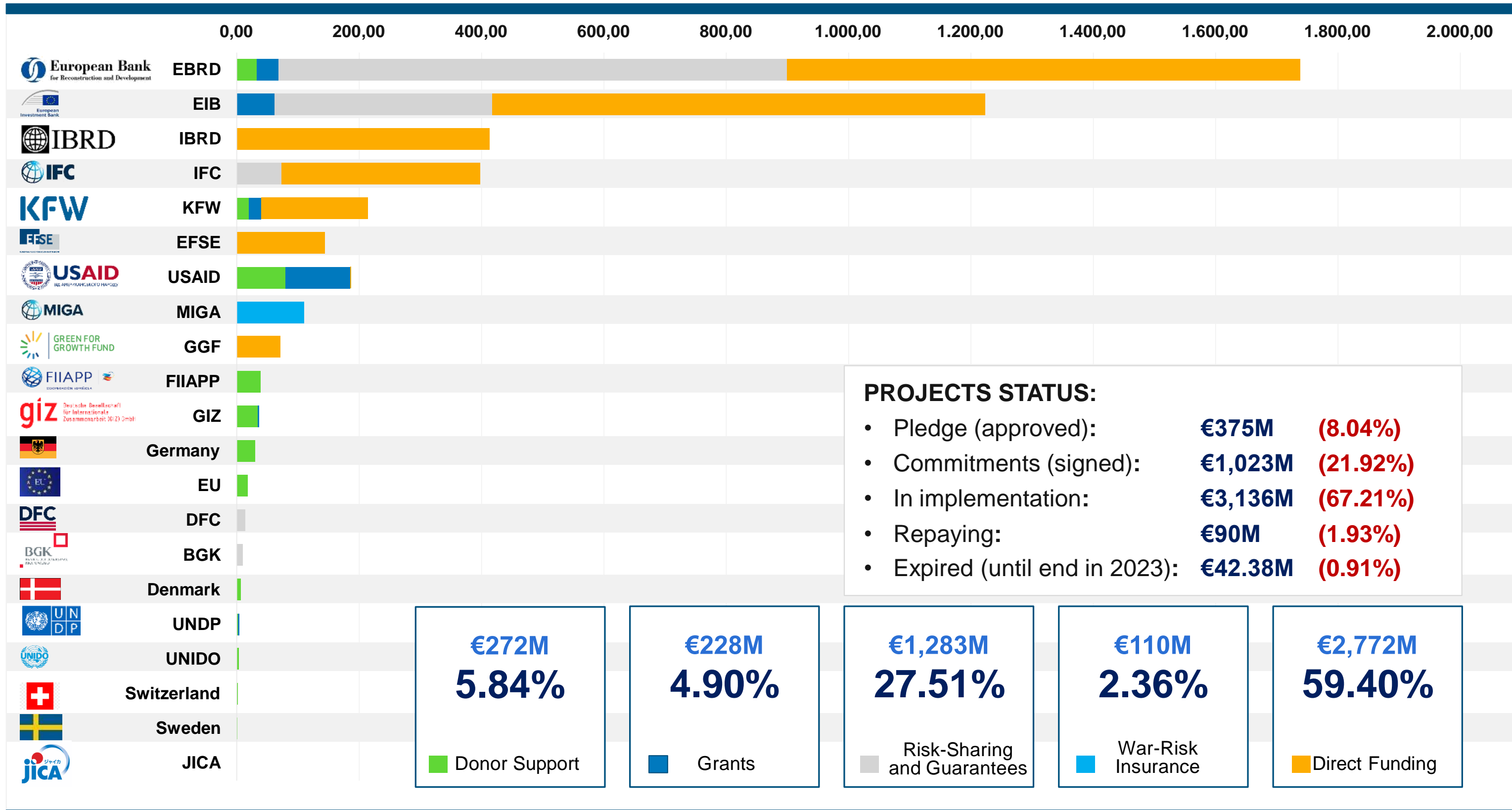
### PILLAR III ASSISTANCE PROGRAMMES

## 3 bn

- Technical assistance to the Government (EU acquis, structural reforms)
- Capacity building of the authorities at the national, regional and local levels
- Support to civil society
- Coverage of interest rate subsidies for loans

The EU Ukraine Facility has been approved on February 1st, 2024.

# UKRAINE'S INTEGRATION WITH THE WEST HAS UNLOCKED SOURCES OF FINANCING FROM ABROAD INCL IFIS AND DFCS



**PROJECTS STATUS:**

- Pledge (approved): **€375M (8.04%)**
- Commitments (signed): **€1,023M (21.92%)**
- In implementation: **€3,136M (67.21%)**
- Repaying: **€90M (1.93%)**
- Expired (until end in 2023): **€42.38M (0.91%)**

<p><b>€272M</b> <b>5.84%</b></p> <p>Donor Support</p>	<p><b>€228M</b> <b>4.90%</b></p> <p>Grants</p>	<p><b>€1,283M</b> <b>27.51%</b></p> <p>Risk-Sharing and Guarantees</p>	<p><b>€110M</b> <b>2.36%</b></p> <p>War-Risk Insurance</p>	<p><b>€2,772M</b> <b>59.40%</b></p> <p>Direct Funding</p>
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## KEY PRIORITIES :

- Coordinating with business associations on the **needs of the private sector**
- Achieving the **highest possible impact in each project**, especially when using donor-backed resources
- **Creating and preserving jobs**, as well as enabling CAPEX investments in Ukrainian assets.
- Ensuring **rapid project disbursement** and implementation
- Leveraging the **Business Advisory Council** to address reforms for enabling private investment
- Facilitating the **Co-Investment Platform** to engage more FDI



1

## DE-RISKING

These initiatives are designed to **mitigate war-related risks** associated with investments in Ukraine.

They are created in collaboration with **international financial institutions** and **foreign governments** and aim to render financing available to an increasing number of international investors.

2

## FINANCIAL INCENTIVES

The government has introduced several measures to incentivise investment by MNCs, including laws designed to attract **significant investments**, as well as **incentives for industrial parks** and **tech companies**.

The government has similarly enacted a range of measures addressed to **SMEs** and companies **active in priority sectors**.

3

## BUSINESS ENVIRONMENT REFORMS

The government is accelerating regulatory alignment with international standards – including **harmonization with EU laws** – in an effort to improve **regulatory efficiency and transparency**.

Effort is made to **reduce administrative barriers, digitize market access tools**, and shift state supervision to a **preventive system**.



# DE-RISKING | UKRAINE AND INT'L PARTNERS ARE DEVELOPING A COMPREHENSIVE WAR INSURANCE TOOLBOX TO ALLEVIATE UNCERTAINTY

	DEEP DIVE IN NEXT SLIDES			DEEP DIVE IN NEXT SLIDES		
<b>RISK TYPES COVERED</b>	A B C	A B C E	D E	A B C	D	E
<b>PERSONS/ASSETS COVERED</b>	International investors only	Ukrainian and international investors	Ukrainian and international investors	International investors (except for KUKE which provides options also for Ukrainian investors)	Black sea shipments	Ukrainian and international investors (provided they export Ukrainian goods)
<b>BACKED BY</b>	Ministry of Economy, IFI/DFI Trust Funds & Int'l Donors	IFI/DFI Trust Funds & Int'l Donors	IFI/DFI Trust Funds & Int'l Donors	Foreign governments	Ministry of Economy	Ministry of Economy
<b>STATUS</b>						

**LEGEND:**

**POLITICAL**

A POLITICAL VIOLENCE    B INCONVERTIBILITY    C EXPROPRIATION

**PROPERTY DAMAGES & FINANCIAL DEFAULT**

D GOODS IN TRANSIT / STORAGE    E FINANCIAL LIABILITIES

AVAILABLE    UNDER DEVELOPMENT

# DE-RISKING | MIGA HAS ALREADY SUPPORTED 2 PROJECTS – INCLUDING INVESTMENT IN AN INDUSTRIAL PARK IN LVIV



## INVESTMENT

A new, eco-friendly industrial and logistics facility, providing a location for displaced firms to continue operations during and after the war

## GUARANTEE HOLDER

Ukrainian Industrial Property Holding Limited  
*(based in Cyprus)*

## KEY FIGURES



**\$9.1M** of investment covered by guarantees



Coverage against **war and civil disturbance**









Guarantees apply for up to **10 years**

“The recent investment guarantees provided by MIGA represent a significant positive signal for new potential investors considering investments in Ukraine. With the invaluable support of our international partners, there are many opportunities to **develop processing businesses** and **allocate value chains for full-fledged production** in different regions in Ukraine.”

~Yulia Svyrydenko, First Deputy Prime Minister of Ukraine and Minister of Economy

# DE-RISKING | DE-RISKING INSTRUMENTS ALREADY AVAILABLE THROUGH 10 ECA, WITH VARYING LIMITS, TERMS, AND CONDITIONS

Country	Export Credit Agency	Limit	Term	Country	Export Credit Agency	Limit	Term		
	Oesterreichische Kontrollbank AG (OeKB) - Austria		EUR 3-5M per project	S/M (up to 3 years)		Development Finance Institution Altum (JSC) - Latvia		TBD Only for export credit	S (up to 180 days)
	China Export & Credit Insurance (SINOSURE) - China		TBD	S/L		Atradius Dutch State Business (Atradius) - Netherlands		Up to EUR 30M per transaction (covered by the Dutch Good Growth Fund)	S/L
	Export and Investment Fund of Denmark (EIFO) - Denmark		EUR 140M Total value of current projects (part of EUR 2B total envelope for Ukraine)	S/L		Korporacja Ubezpieczeń Kredytów Eksportowych (KUKE) - Poland		TBD PLN 1B in total	S/L
	BPIfrance Assurance Export France - France		TBD Total envelope for Ukraine including various products is EUR 1.2B	M/L		Exim Banca - Romania		TBD	S/L
	Euler Hermes Aktiengesellschaft - Germany		EUR 10M with an allowance of 250M in total	S/L		Export-Import Bank of the Slovak Republic (Eximbanka SR) - Slovak Republic		TBD Total million for Ukraine is EUR 10M	S/M (up to 2 years)
	Export Credit Greece S.A. (ECG) - Greece		TBD	S/L		Compañía Española de Seguros de Crédito a la Exportación (CESCE) - Spain		TBD Only export credit guarantees	S/L
	The Israel Export Insurance Corp. Ltd. (ASHRA) - Israel		USD 200M (public projects)			Exportkreditnämnden (EKN) - Sweden		TBD Only export credit guarantees	S Max 1 year
	SACE - Italy		TBD Total envelope for Ukraine is EUR 1.5B	S/L		UK Export Finance (UKEF) - United Kingdom		TBD Total envelope for Ukraine including various products is GBP 3.5B	S/L
	Nippon Export and Investment Insurance (NEXI) - Japan		TBD	S/M/L					

Legend | S: Short-term, M: Medium-term, L: Long-term

## Incentives for MNCs/large investments



### INDUSTRIAL PARKS

**Incentives for industrial parks** include:

- Interest rate compensation
- Non-refundable financing
- Compensation for connecting to engineering grids
- 10-year corporate income tax exemption (contingent on reinvesting)
- VAT exemption on imported equipment for exclusive use
- Favorable land tax rates
- Customs duty exemptions on new equipment.

**\$50M+ of total investments**



### SIGNIFICANT INVESTMENTS

The law offers **financial incentives** for companies making **significant investments (€12M+)** and **creating new jobs**, which include:

- 5-year corporate tax exemption
- VAT and import duty exemption for new equipment
- Land tax exemption and lower tax rates
- Compensation for infrastructure costs and for connecting to engineering grids
- Lease of state or communal land without auction.

**\$210M+ of total investments**



### DIIA CITY

"Diia City" is a **virtual economic zone** that aims to attract IT companies/startups offering incentives that include:

- Special corporate income tax regime
- 0% on income of individuals as dividends accrued (if payable once every two years).
- Tax rebates
- Flexible cooperation with IT specialists through "gig contracts"
- Applications of English Law best practices in employees stock ownership plans and warranties & indemnities...

**580+ residents, including Samsung, Nokia & Visa**

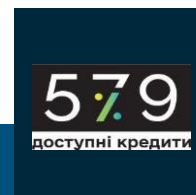
# INCENTIVES | ...AND PROGRAMS ADDRESSED TO SMALL & MEDIUM ENTERPRISES AND COMPANIES ACTIVE IN PRIORITY SECTORS

## Incentives for SMEs



### E-ROBOTA

Provides grants for entrepreneurs, provided that a certain number of new jobs is created by launching of micro businesses; grant amounts are repayable through increased tax payments and social security contributions



### AFFORDABLE LOANS 5-7-9%

Supports the creation and expansion of domestic micro and small businesses at low interest rates (e.g., 5%, 7%, 9% for investments of up to UAH 1.5M for a term of up to 5 years)



### E-OSELIA AFFORDABLE MORTGAGE

Boosts Ukraine's construction market and provides Ukrainians with affordable housing through low-interest mortgage loans (e.g., 3% for military, law enforcement, teachers, scientists and medical staff)

## Sector-specific incentives



### AGRI-BUSINESSES

Provides budget subsidies and partial reimbursements of the invested costs to agri-businesses



### AIRCRAFT MANUFACTURING

Includes a variety of tax incentives including VAT exemption from custom duties and 0% VAT rate for sale of products and services



### E-TRANSPORT

Offers temporary VAT exemption for import and sale of electric and eco-vehicles in Ukraine, as well as CIT exemption on production

# REFORMS | THE GOU WILL NOT SLOW DOWN AND IS COMMITTED TO IMPLEMENTING AN AMBITIOUS PACKAGE OF REFORMS IN 2024



## REFORMS FOR 2024

### Key Highlights

<b>Exports focus</b>	Boost exports through construction of border checkpoints, simplification & digitalisation of border crossing procedures, and improvement of transport links with the EU
<b>Transport modernisation</b>	Develop a competitive transport system that is aligned with EU policy, including on digitalisation, decarbonisation, and integration with trans-European transport networks
<b>Deregulation &amp; digitalization</b>	Lighten the burden of regulation by reducing and digitalising market access regulations, as well as decreasing the frequency of business inspections
<b>Bureau of Economic Security</b>	Relaunch the Bureau of Economic Security which, acting as the investigative authority for economic and financial crimes, will help to ensure a level playing field for businesses
<b>REMIT implementation</b>	Enforce the proper supervision of the wholesale energy market to ensure it is conducted with integrity and transparency, in line with EU regulations (REMIT)
<b>Bankruptcy reform</b>	Improve bankruptcy procedures in line with EU standards to create a robust bankruptcy system which enables solvent debtors to maintain their economic viability
<b>State Property Policy</b>	Define govt policy towards state-owned enterprises – including on state involvement in their management - to encourage the rapid development of public-private partnerships