



# UKRAINE

## OPEN FOR BUSINESS

20 September 2019

## President of Ukraine invites foreign investors to invest in energy, infrastructure, tourism, it under personal guarantees



President of Ukraine Volodymyr Zelensky has called on international business to invest in Ukraine and presented a number of promising projects.

"We have a number of projects to which I, under my personal guarantees, the guarantees of protection, invite foreign businesses. These are energy, infrastructure, transparent land circulation," he said at the 16th Annual Meeting of the Yalta European Strategy (YES) in Kyiv.

In particular, Zelensky presented a project on land irrigation in the southern regions of the country, an inter-university IT cluster in Kharkiv, a film production center in Kyiv, a new resort on the Black Sea coast in a completely new city, ski resorts in Slavske and Borzhava, the development of Khortytsia island, a large-scale entertainment park for guests from Eastern and Central Europe.

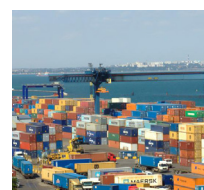
## HEADLINES



UKRAINIAN BILL ON TAX AMNESTY FORESEES 5% AND 10% TAX RATES, DISCOUNTED 2.5% TAX RATE



CAPACITY OF ELECTRICITY FROM RENEWABLE SOURCES IN UKRAINE COULD REACH 5.4 GW IN 2019



UKRAINE'S MINISTRY OF INFRASTRUCTURE PLANS TO TRANSFER BLACK SEA PORTS TO CONCESSIONAIRES



UKRAINIAN UNIT.CITY STARTS INTERNATIONAL EXPANSION



U.S. CARGILL CONFIRMS PLANS TO BUY SHARES IN UKRAINIAN M.V. CARGO



SWITZERLAND'S SYNGENTA ACQUIRES CROPIO GROUP WITH ONE OF FOUR OFFICES LOCATED IN UKRAINE

# Ukrainian PM plans to focus on digitalization



The Cabinet of Ministers of Ukraine plans in 2020 to focus on digitalization of Ukraine.



***"We will draft a plan on digitalization of the state. 2020 will be the year of total digitalization of the country. We will digitalize everything that we have no enough time for this year... This means that after 2020 Ukraine should be totally digital, in a smartphone," Premier of Ukraine Oleksiy Honcharuk said.***

He also said that if the task on digitalization is fulfilled, a plan on increase of GDP of Ukraine by 40% for five years would be quite real.

According to the premier, a program on the work of the government, which now is being worked on by the Cabinet of Ministers, will be written by a computer program.

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## Ukrainian PM proposes setting up fund of Human Capital Development for IT sector

Premier of Ukraine Oleksiy Honcharuk has proposed setting up Fund of Human Capital Development for IT sector to enable it manage sector on its own. "The problem in the lack of staff... We hope to establish conditions for the sector to work faster," Honcharuk said during the meeting of the government with export IT industry in Kyiv.

According to the premier, the means of this fund will be forwarded for scholarships of talented students, grants for young scientists and the creation of educational infrastructure.

Head of State Tax Service Serhiy Verlanov reported that a special taxation option for individuals in IT sector should be introduced.

In addition to the 5% single tax, 1.5% military tax and unified social tax from two minimum wages, the head of the service suggests introducing a tax on the development of human capital. It will be administered by the tax service and transferred to sector managed-by fund, and its rate will be gradually raised from 1% in 2020 to 5% in 2024.

The premier has said the government expects that this will allow in 10 years to increase the export of the IT from \$3 billion up to \$10 billion, the number of workers in this sphere of services will increase from 165,000 to 650,000 people.

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## Investment forum in Mariupol (Donetsk region) to be held on Oct 29

The investment forum in Mariupol (Donetsk region) will be held on October 29, Ukrainian Prime Minister Oleksiy Honcharuk has said.



***"We expect that on October 29 we will hold a large investment forum in Mariupol," PM Honcharuk said, speaking at the 16th Annual Meeting of the Yalta European Strategy (YES).***

Honcharuk added that it is planned to present areas in the forum that are worth investing in.

According to him, the task of the government is to minimize risks for investors who are not afraid to go to Ukraine.



## Ukrainian bill on tax amnesty foresees 5% and 10% tax rates, discounted 2.5% tax rate

A bill on tax amnesty No.1232, which envisages a mechanism for individuals to declare hidden income voluntarily, provides for tax rates of 5% and 10%, as well as a discounted 2.5% when investing in government bonds, according to the document posted on the website of Verkhovna Rada.

Under the document, a tax rate of 5% is provided for currency values, personal and real estate, securities, equity shares in the property of legal entities, property rights to intellectual property and financial instruments.

For other property rights, a rate of 10% is provided, and a discounted rate of 2.5% is incurred from the assets through which the government bonds were acquired.

The deadlines for submitting special declarations are from January 1 to March 31, 2020, according to the bill. As reported, head of the parliamentary committee on finance, taxation and customs policy Danylo Hetmantsev registered the bill on September 2, 2019. According to Hetmantsev, thanks to tax amnesty a number of shady incomes and capital outflow abroad should be reduced.

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## Donald Trump congratulates Russia and Ukraine on exchange of prisoners



U.S. President Donald Trump has congratulated Ukraine and Russia on the successful implementation of the mutual release of persons held by the states, calling it a "giant step towards peace."

"Russia and Ukraine just swapped large numbers of prisoners. Very good news, perhaps a first giant step to peace. Congratulations to both countries!" he said on Twitter.

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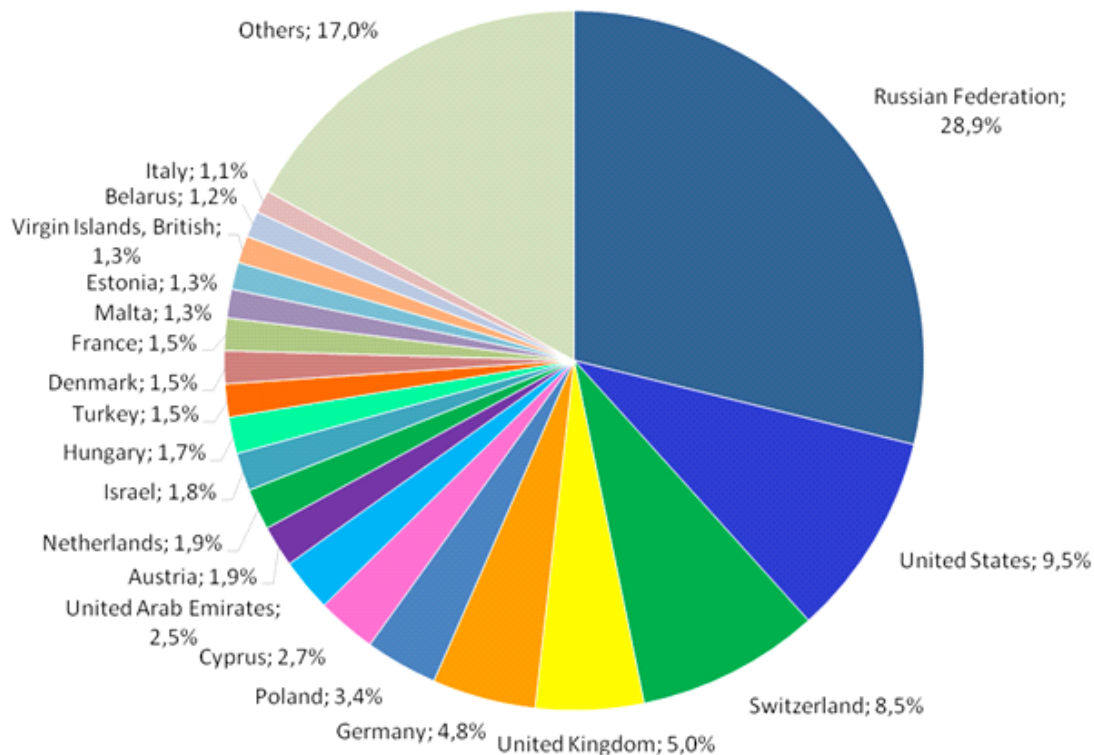
## National Bank of Ukraine and IMF begin joint work on new program

The National Bank of Ukraine (NBU) and the International Monetary Fund (IMF) have begun joint work on a new cooperation program, the NBU press service said on Facebook. According to the report, on September 12 the first meeting of the NBU board with the IMF mission, which arrived in Ukraine, took place.

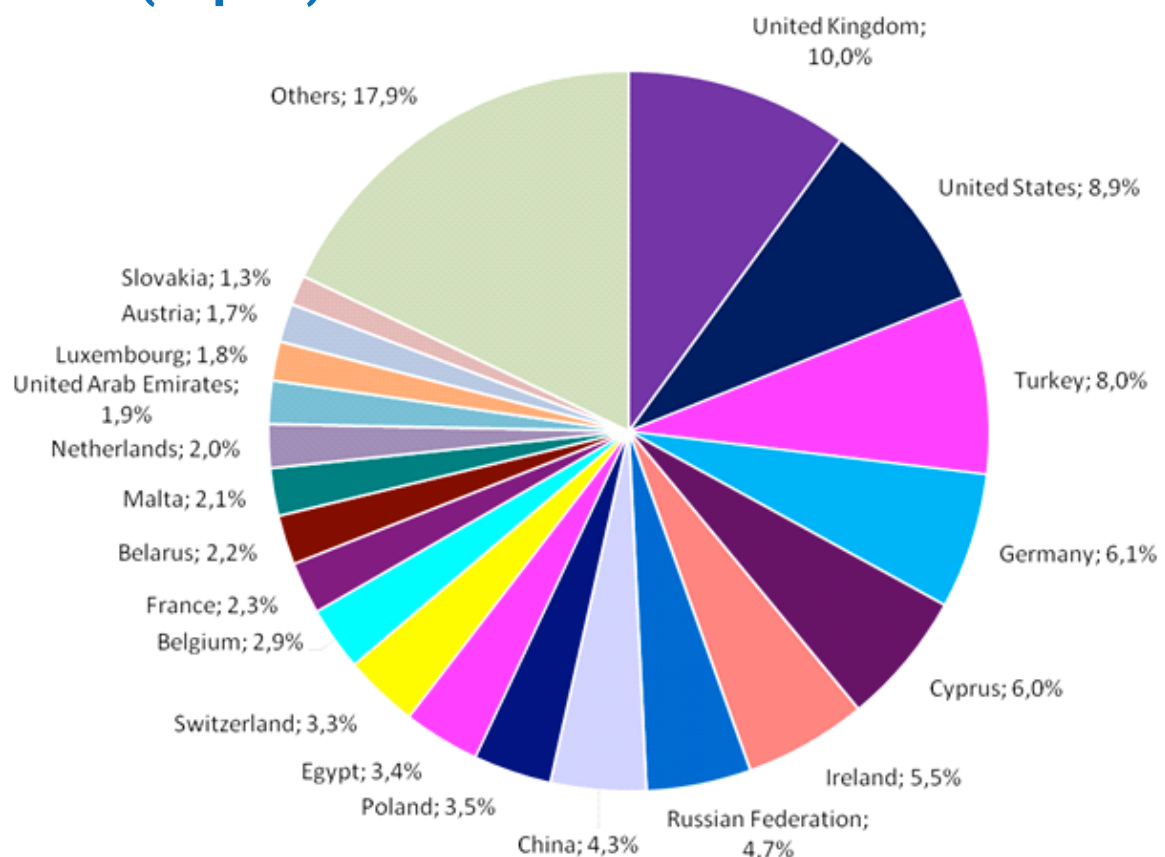
It was attended by NBU Governor Yakiv Smolii, his first deputy Kateryna Rozhkova and deputy Oleg Churiy, as well as representatives of the IMF mission led by Ron van Rooden.

During the meeting, Smolii emphasized that cooperation with the IMF is extremely important to support macro-financial stability in Ukraine, primarily because it is the key to further reforms in the country, without which a long-term growth of the Ukrainian economy is impossible.

## Ukrainian foreign trade in services by countries in i half-year 2019 (export)



## Ukrainian foreign trade in services by countries in i half-year 2019 (import)



## Ukraine plans to develop new energy strategy

Ministry of Energy and Environment Protection of Ukraine will develop a new energy strategy of Ukraine, said minister Oleksiy Orzhel. "The energy strategy will be definitely reviewed because we have a strategy, which isn't fulfilled," he said at a briefing in Kyiv.



***In particular, the minister noted among the priorities the increase in gas of own production, as the existing potential is not used enough. According to him, the gas production level in Ukraine corresponds to 1.2% of reserves, while the global trend in the world is 4%-5%.***

Besides, the minister reminded that Ukraine has recently launched open licensing competitions.

## Finland ready to help Ukraine with renewable energy



President of Finland Sauli Väinämö Niinistö has assured Ukraine of support in the area of energy sector reforms, in particular renewable ones.

"We are cooperating in the energy sector. We are interested in cooperation in the field of renewable energy sources and, I think, it will be for the benefit of both states. Therefore, we are ready to share our knowledge in this area," he said at a joint press conference with President of Ukraine Volodymyr Zelensky in Kyiv.

## Azovstal tops list of largest value added tax refund

Azovstal, which is part of Metinvest Group, in August 2019 led the list of the largest recipients of value added tax (VAT) refunds with UAH 1.046 billion, while in July its reimbursement amounted to UAH 4.37 million, according to data on the website of the State Treasury Service. According to the agency, Dniprovsky Iron and Steel Works with UAH 766.42 million and Mariupol-based Illich Steel Mill, affiliated with Metinvest, with UAH 678.07 million also were among the three largest recipients of VAT refunds.

The top five largest recipients were also ArcelorMittal Kryvyi Rih, which in July led the list with UAH 1.05 billion, Zaporizhstal from Metinvest Group with UAH 467.64 million against UAH 544.05 million last month.

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# Capacity of electricity from renewable sources in Ukraine could reach 5.4 GW in 2019

The capacity of facilities generating electricity from renewable sources of energy in Ukraine by the end of 2019 could reach 5.473 GW, which is 2.6 times (by 3.356 GW) more than at the end of 2018. This is evidenced by the presentation posted on the website of the National Commission for Energy, Housing and Utilities Services Regulation (NCER).

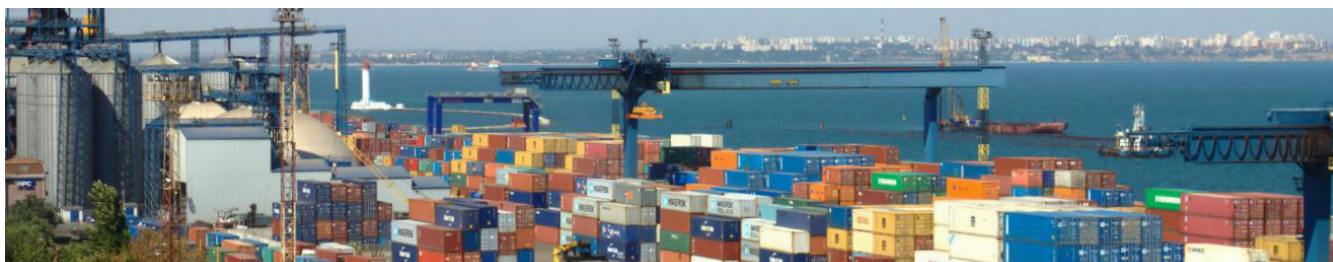


***Over the year, the total capacity of wind farms will be 1.136 GW (2.1 times more than the amount established at the end of 2018), solar stations some 4.087 GW (three times more), biomass some 140 MW (42.8% more), and small hydroelectric plants some 110 MW (up by 11.1%).***

The estimated cost of energy produced from renewable energy sources in the period will double to UAH 28.016 billion. According to the commission, as of September 10, the total installed capacity of renewable energy facilities was 3.387 GW. Since the beginning of this year, Ukraine has installed 1.27 GW of "green" capacities, which is 1.7 times more than for the whole of 2018.

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## Ukraine's Ministry of Infrastructure plans to transfer Black Sea ports to concessionaires



Ukraine's Ministry of Infrastructure has announced competitions for the transfer of the property of the state companies Olvia Stevedoring Company (Mykolaiv) and Kherson Maritime Merchant Port and the relevant property of the Ukrainian Sea Ports Authority.



***According to the Ministry of Infrastructure, more than 25 companies from Ukraine, the United States, China, France, Switzerland, the UK, Japan, Turkey, Qatar, and South Korea have expressed interest in the concessions.***

According to an article published in the government newspaper Uriadovy Kurier, the concession for Olvia will be granted for 35 years, while the one for Kherson port will be granted for 30 years.

The main task for the two pilot projects is to bring international practices and technology to Ukrainian ports. By law, the competition and determination of a winner must be completed in a little over three months.

The concessionaires are expected to provide a total of UAH 17.3 billion in investment for Olvia and UAH 1.4 billion for Kherson port. Investment will be aimed at renovating infrastructure and developing the ports.

Plans for the first three years include the construction of a new grain terminal with a capacity of 2 million tonnes per year at Olvia (UAH 1.56 billion) and high-priority modernization at Kherson port (UAH 216 million).

# Energy Efficiency Fund plans to finance over 16,000 energy-efficient modernization projects within 5 years

The Energy Efficiency Fund plans within five years to finance over 16,000 projects under the Energodom program to support energy-efficient modernization for homeowner associations, Director of the fund Yulia Holovatiuk-Ungureanu has said.



***“Our Energodom program began its work on September 3. We are starting the phase of project implementation. We plan that by 2023 almost 9,000 projects will be implemented, and by 2025 more than 16,000 projects,” the director of the fund said.***

According to her, by the end of 2025, gas savings due to energy-efficient modernization will amount to 1.5 billion cubic meters.

The Minister of Development of Communities and Territories of Ukraine Olena Babak said that energy-efficient modernization will reduce the level of thermal energy consumption for the “light” package by 20%, for the “complex” package – by 60%.

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## DTEK cuts coal imports by 33.6%



DTEK Group through January-June 2019 reduced coal imports by 33.6% (501,400 tonnes) compared to the same period last year, to 991,300 tonnes, according to a press release from the company.

In the first half of the year, DTEK enterprises decreased production of coal by 2.5% compared to the same period of 2018, to 12.571 million tonnes.

In particular, the production of G and DG grade coal (Ukraine) for the first sixth months of 2019 decreased by 0.9%, to 11.325 million tonnes. Production of A grade coal by Obukhovskaya mine (the Russian Federation) for this period decreased by 14.8%, to 1.246 million tonnes.

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## Ukraine raises gas transit

Ukraine in January-August 2019 increased transit of natural gas through its gas transportation system (GTS) by 2.3% compared to the same period in 2018, to 59.553 billion cubic meters, according to recent data of JSC Ukrtransgaz.

According to the calculations of the Interfax-Ukraine agency, gas transit through the country to Europe for the eight months amounted to 57.705 billion cubic meters (2.4% more compared to January-August 2018), to Moldova some 1.848 billion cubic meters (0.4% less).

# Ukrainian UNIT.City starts international expansion



The first innovation park, UNIT.City, starts the second phase of its development which includes its integration into the global innovation ecosystem. To complete this ambitious task, the company is changing its managing structure and introducing a new position of CEO which will be occupied by renowned Silicon Valley innovation expert, Dominique Piotet. He has over 20 years of experience in digital transformation, including work in Fortune Global 500 companies.



***"UNIT.City is entering the next level. I'd like more international companies to open their offices here and hire Ukrainian programmers who have proven themselves to be highly-qualified specialists. To make this real as soon as possible, we've invited Dominique Piotet, a person with experience in Silicon Valley, to become CEO of the innovation park" Vasyl Khmelnytsky, Founder of UFuture, said.***

"I'd like to thank Vasyl Khmelnytsky for the invitation and Max Yakover and Maxim Bakhmatov, who have met me with support and who shared their experience from the very first day. I am delighted to see what they've managed to build over the years. In Silicon Valley, where I worked for many years, Ukraine is well known for its great developers who work in such companies as Google, Facebook, Airbnb, Uber. When I first heard about UNIT.City, I realized that I should definitely get acquainted with this project to see where such talented IT-specialists come from," Dominique Piotet, CEO of UNIT.City emphasized.

UNIT.City's managing partners Max Yakover and Maxim Bakhmatov are leaving the project as it was planned due to the end of the three-year contract.

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## Ukrainian metal companies decrease earnings from exports of ferrous metals by 10%

Ukrainian metal companies saw a fall of 10% in foreign currency revenues from exports of ferrous metals in January-August 2019 year-over-year, to \$6.3 billion. According to customs statistics published by the State Fiscal Service, the share of ferrous metals of total income from exports was 19.08% compared to 22.65% from a year ago.

In August 2018 alone, receipts from ferrous metal exports amounted to \$685.679 million.

In January-August 2018, Ukraine decreased imports of similar products by 4.4%, to \$857.252 million including imports reaching \$115.525 million in August.

In January-August 2018, Ukraine decreased metal products exports by 2.1%, to \$713.87 million including August deliveries being \$76.452 million.



## EBRD approves issue of \$120 mln loan to Ukrainian Kernel

The board of directors of the European Bank for Reconstruction and Development (EBRD) has approved the issuance of up to \$120 million to one of the largest Ukrainian agricultural groups, Kernel, on two projects within a syndicated loan to finance working capital. According to information on the EBRD's website, the decision was made on September 4. Within the framework of one project, in particular, Kernel may receive up to \$80 million to finance working capital, which is associated with the procurement, storage, transportation and sale of grains for export.

The total project cost is \$300 million.

## Volodymyr-Volynsky poultry farm (Epicurus brand) calling to sign petition to ban from using antibiotics in agriculture



Private joint-stock company Volodymyr-Volynsky Poultry Farm (Volyn region), part of Openmind Group, calls to sign a petition to ban from using antibiotics in agriculture and refuse applying them posted on the website of the president of Ukraine.



***“The worldwide recognized problem of antibiotic resistance is the focus of the World Health Organization and leading countries. Experience shows the impossibility of production without the use of antibiotics. It does not require significant investments, but needs serious changes in business processes, standards, as well as internal discipline of companies for events that need to be implemented,” CEO of Openmind Group of Companies Oleksiy Kovalenko said.***

He focused on the fact that the refusal to use antibiotics in agriculture, including the production of chicken meat, is impossible without appropriate government support and amendments to the legislation.

“We urge everyone to support this petition so that it has 25,000 votes and becomes mandatory for consideration,” he said.

According to Kovalenko, in Ukraine, the market for antibiotic-free chicken meat is still estimated at only 2%.

PrJSC Volodymyr-Volynsky Poultry Farm is a Ukrainian-Dutch enterprise, part of the Openmind group of companies. The factory's infrastructure includes 100 poultry farms, a processing workshop and a feed mill, as well as land for planting fodder crops. The company is certified under ISO 2200:05 and is implementing HACCP principles in production of raw materials and finished products. At the end of 2017, the poultry farm launched a unique product on the Ukrainian market – chicken meat without antibiotics and growth stimulants under the Epicurus brand, and in 2019 began the construction of a new meat processing workshop worth EUR 38 million.

## U.S. Cargill confirms plans to buy shares in Ukrainian M.V. Cargo



U.S. Cargill Inc., a large private company on the global agricultural market and food production, in the coming two months plans to complete preparations for acquisition of shares in M.V. Cargo, which on September 6, 2019 officially launched the Neptune new grain terminal at the Yuzhny port with an annual capacity of 5 million tonnes, Cargill Vice President Roger Janson has said. "Then we move on to acquisition," he said at a press conference.

Janson said that the contract with M.V. Cargo does not contain time framework regarding the acquisition of the shares. As reported, Cargill, the Ukrainian Sea Ports Authority and M.V. Cargo LLC (Vizirka village, Lyman district, Odesa region), created by the co-founders of the largest Ukrainian private stevedore TIS Andriy Stavnitser and his older brother Yehor Hrebennikov, in August 2015 signed a tripartite memorandum of intent to implement an investment project in the Yuzhny seaport.

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## State Forest Resources Agency of Ukraine wants to annul moratorium on export of unprocessed logs

The State Forest Resources Agency of Ukraine has said that it is necessary to annul a moratorium on export of unprocessed logs imposed in 2015.

"It is necessary to lift the moratorium, give a free market for logs – this will stimulate price growth and the work of our industry enterprises, and not only those that are coordinated by the State Forest Resources Agency. This will give an impetus to the development of the economy," Deputy Head of the State Forest Agency Volodymyr Bondar said.

According to him, the moratorium on the export of unprocessed logs in the form it was accepted did not give an economic breakthrough, and created a "criminal situation for the state's economy" in the issue of logs.



***"Forestry enterprises today have the remains of 1.2 million cubic meters of logs. We have reduced logging, because we cannot sell what was logged in Ukraine," Bondar said.***

He said that if the legislator wanted to stock logs and give impetus to the development of local business, then this had to be done not through a ban, but through stimulating the development and deepening of processing.

According to Bondar, due to lower prices for logs and the inability to sell it, the question of stopping enterprises of various types arises.

## Switzerland's Syngenta acquires Cropio Group with one of four offices located in Ukraine



Switzerland's Syngenta, a large seed and crop protection agent producer in the world, has completed the acquisition of all relevant assets of The Cropio Group, an Ag Tech company with one of the four offices located in Kyiv. The Cropio platform is an equipment-integrated, end-to-end software solution that provides imaging, recordkeeping, and equipment tracking. Approximately 10 million hectares of crops are currently managed using Cropio.



***"Cropio is a leading player in the Eastern European digital agriculture market, and Syngenta is gaining a hub for Ag Tech innovation in Europe that will help increase farmer sustainability, productivity, efficiency and profitability," Chief Information and Digital Officer at Syngenta Greg Meyers said.***

With this acquisition, Syngenta will be the only agricultural company to have access to leading management platforms in the top four agriculture markets: in the United States with Land.db, Brazil with Strider, China with the Modern Agricultural Platform and now Eastern Europe with Cropio.

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