



**UKRAINE**  
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## Ukrainian President: creative economy should become priority for strategic development



The creative economy should become a priority for the strategic development of Ukraine, Ukrainian President Volodymyr Zelensky has said. "The creative economy should become a priority of Ukraine's strategic development. For this we have talented people, a unique cultural resource, we have a heritage. Now the creative industries are reminiscent of a Phoenix that rises from the ashes: it rises renewed, young, strong and adapted to a new life and to a new reality," he said in his welcoming speech at the Creative Ukraine IV annual International Forum.

Zelensky said that the state, in turn, will do everything to make the new reality for the creative industry comfortable and the conditions as favorable as possible.

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07 December, 2020



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UMG COMPLETES FOUR  
MERGER AND  
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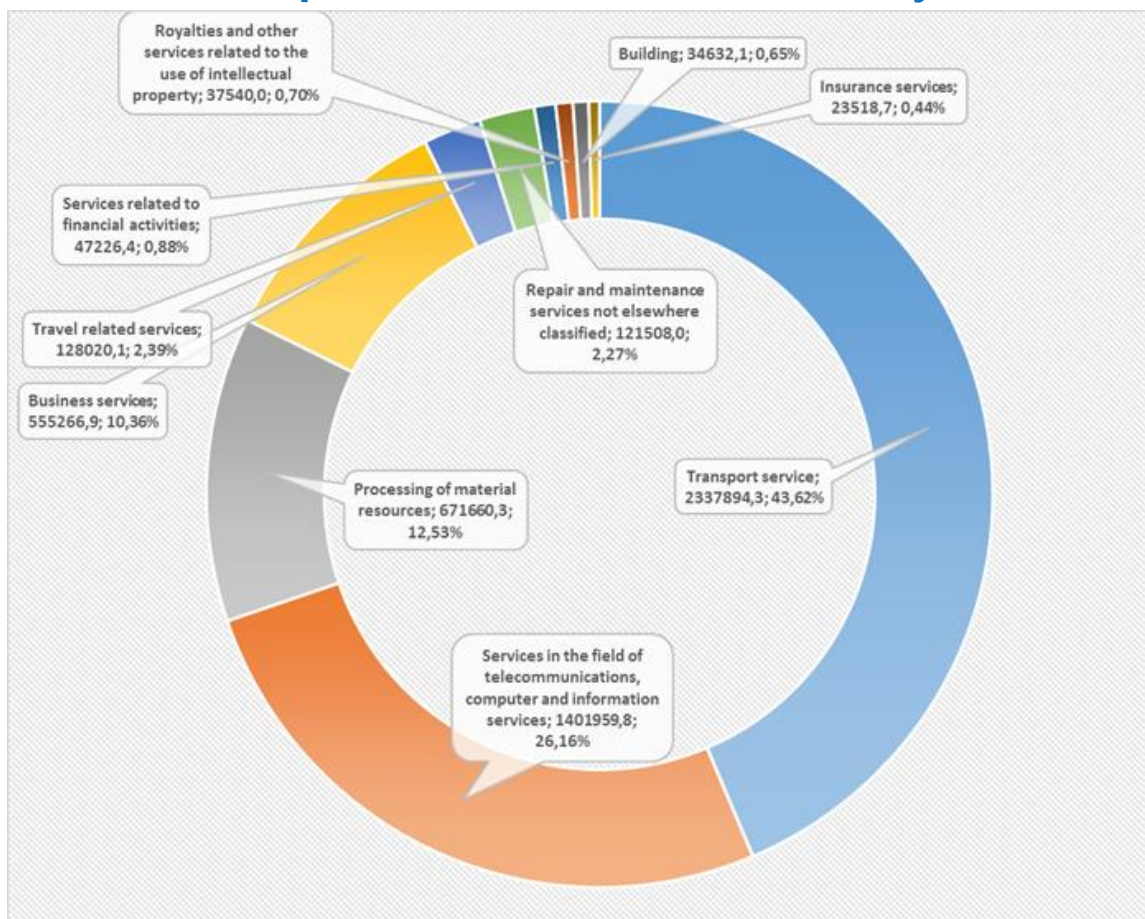


ONE OF THE LARGEST  
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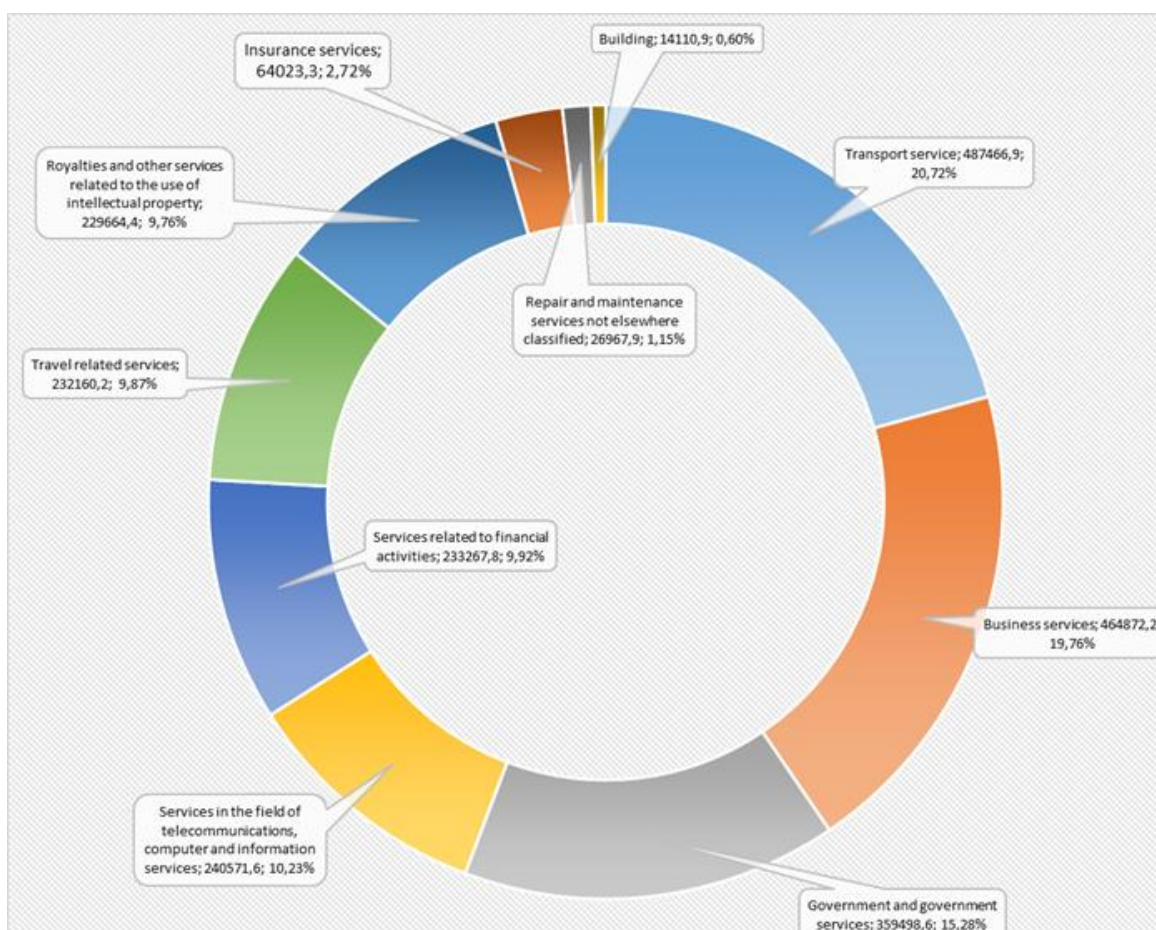


TURKISH COMPANY  
INTERESTED IN  
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AIRPORT

## Structure of import of services in 1st halfyear of 2020



## Structure of export of services in 1st halfyear of 2020



# Trade representative: Ukraine can intensify trade with Asian countries

Ukraine can intensify trade with Asian countries, while maintaining focus on European markets, the Deputy Minister for Development of Economy, Trade and Agriculture, Ukraine's Trade Representative Taras Kachka has said.

"We have a good dialogue with these countries. It is very likely that we will continue to talk about the intensification of trade. There are requests from Indonesia. There are talks with Malaysia," he said during the discussion "Trade Wars: the Art of Defense."

According to the trade representative, the demand for Ukrainian products from Asia is growing and this is a phenomenon of 2020.

"The fact that this year the dynamics of trade with Asia is greater than with the EU does not mean that we should forget the EU and flee to Asia," he said.



## Experts analyze and compile list of most harmful food additives

It's no secret that the food industry both in the world and in Ukraine can no longer do without chemical additives. Dyes, preservatives are used by manufacturers of confectionery products, dairy products, drinks, sausages and much more. The Club of Experts project and Doctor of Biological Sciences Sviatoslav Morozov analyzed all food additives and made a rating of the top ten most harmful food additives.

The expert notes that in the 21st century many products cannot be produced without special additives due to the technical nuances of their production. Most of the additives are intended to extend the shelf life of food for transporting these products both across the country and around the world.



*The Club of Experts and Sviatoslav Morozov defined ten main additives in products among those undesirable for frequent use: E211, E122, E124, E110, E952, E131, E105, E107, E222, E126.*



A conscientious manufacturer, according to the law, must indicate the full composition of the product on the packaging, therefore, when buying a food product, one should pay attention not only to the expiration date, but also to what this product is made of.

How harmful E additives are, what can be the consequences for health, which human organs they can affect and how to minimize such an effect on the human body, watch the new issue of the Club of Experts project on the YouTube channel

# Free trade area between Ukraine and Israel to take effect on Jan 1

The free trade area (FTA) between Ukraine and Israel will take effect on January 1, 2021, Ukrainian President Volodymyr Zelensky has said.

"This is a new level of relations between the countries and the 'green light' to the growth of Ukraine's exports, closer cooperation in the fields of high-tech, engineering, investment. Great news, Benjamin Netanyahu [Prime Minister of Israel]," he wrote on his Twitter.



## UNDP backs idea of creating free economic zone in east of Ukraine

The United Nations Development Program (UNDP) backs the idea of creating a free economic zone in the east of Ukraine, as new jobs will contribute to poverty reduction, rapid and sustainable economic development, greater resilience and prosperity, Resident Representative of the United Nations Development Program (UNDP) in Ukraine Dafina Gercheva said.

"We welcome the government's reintegration initiatives: revitalizing local economies has proven to be very important in restoring the economy and social fabric in conflict-affected countries around the world. The conflict has severely affected Donetsk and Luhansk regions, resulting in bleak economic prospects, job losses, migration, poverty and social exclusion. UNDP stands ready to continue boosting local economy, strengthening social cohesion, and supporting peace building efforts," Gercheva said in an interview with the Interfax-Ukraine information agency.

She noted that free economic zones have been successfully used as an instrument to galvanize and intensify economies, and the rationale behind this approach is to attract investors and generate employment.



***"The new jobs will contribute towards poverty reduction, rapid and sustainable economic development, enhanced resilience and increased prosperity. Eventually, such a zone may trigger a structural transformation, which is so much needed to move up the value chain. There are many areas where investment is lacking," Gercheva said.***

Therefore, this initiative would be able to solve this problem and offer new opportunities to local entrepreneurs, local communities, as well as social service providers, who today labour against outdated infrastructure and a lack of financial resources to reach everyone in these regions and meet their needs.

The resident representative stressed that this initiative would be able to solve this problem and offer new opportunities to local entrepreneurs, local communities, as well as social service providers, who today labour against outdated infrastructure and a lack of financial resources to reach everyone in these regions and meet their needs.

At the same time Gercheva noted that the initiative's implementation is "quite realistic," but there's also a need to put in place the preconditions for its implementation, in particular, there is a need for full transparency and accountability when it comes to attraction and allocation of foreign direct or domestic investments. "Public authorities should be able to work effectively on the ground, upholding the rule of law, protecting human rights, ensuring access to justice and information, and addressing the needs of local communities," she explained. Gercheva also pointed out the need to restore ties with the population of the territories not controlled by the government of Ukraine.



## Ukraine approves 103 priority investment projects

The Cabinet of Ministers has identified as a priority a project for production of ventilators, two waste incinerators and an air launch space rocket complex, a total of 103 priority investment projects in the approved list until 2023. According to the draft decree, four out of 103 projects provide for financing entirely from the state budget, and another 43 projects partially from the state and/or local budget.

As indicated in the document, among the priority investment projects are the organization of the production of ventilators at the expense of the investor, the state budget and other sources, as well as the construction of a plant for solid household waste processing (ensuring environmental safety in Kyiv) at the expense of an investor. In addition, among the priority projects is the construction of a waste sorting line in Drohobych (Lviv region) at the expense of the state budget and the local budget.

Among the investment projects that are planned to be implemented at the expense of the state budget and international technical assistance are the modernization of the An-124-100 and An-225 aircraft families at Antonov State Enterprise, an air launch rocket and space complex, the Observatory International Scientific Center on the Pip Ivan mountain – a platform for the development of the Carpathian region.

In addition, it is planned to implement a project to prepare the production of an infrared homing head for guided air missiles, as well as to expand the Yahodyn international checkpoint – exclusively at the expense of the state budget.



## Ukrainian culture funding to grow by UAH 7 bln

Financing of the cultural sphere of Ukraine will grow by UAH 7 billion in 2021 and amount to UAH 27 billion, said Minister of Finance Serhiy Marchenko.

**“If we compare this year with 2016, then in 2016 only UAH 10 billion was allocated to the cultural sector, this year it is UAH 20 billion, and next year, due to the active role of the Culture Minister and the support of the President and Prime Minister of Ukraine, the cultural sector will receive funds in the amount of more than UAH 27 billion,” Marchenko said at the forum “Creative Ukraine” in Kyiv.**

According to the minister, this indicates that the sphere of cultural development is a priority of the state and now, more than ever, it has found strong lawyers. Marchenko also said that significant programs for the development of the cultural infrastructure of Ukraine are planned next year.

“We are talking about financing repairs of museums, libraries, and castles. This program is foreseen for the first time. This will not only increase the tourist potential of Ukraine, it will allow to preserve the existing heritage, expand it, attract investments, fill our cultural objects and business component with content, that will allow in the future, get a synergistic effect in the form of taxes that will be paid,” the minister said.

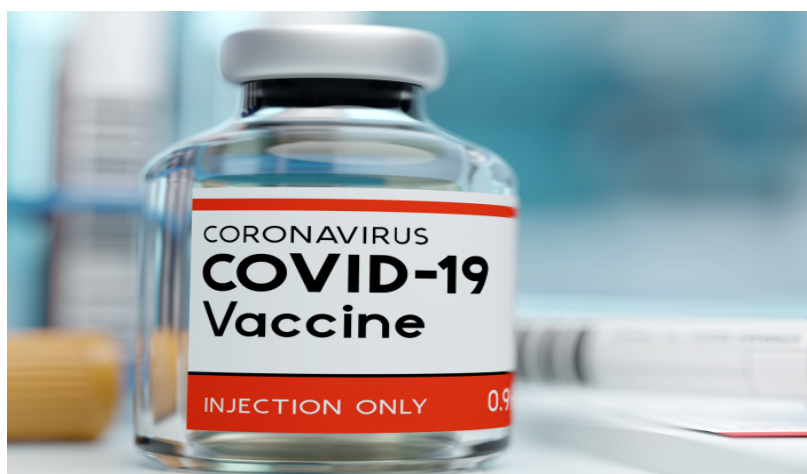
In his opinion, if the state now invests the required amount of money in cultural infrastructure facilities, in five-seven years these cultural facilities will bring additional taxes and additional jobs.



## Ukraine expects to receive Covid-19 vaccines in H1 2021

Ukraine expects to receive the first shipment of COVID-19 vaccines under the COVAX initiative in the first half of 2021, Ukrainian Health Minister Maxym Stepanov has said.

**“The first tranche will include 1.2 million doses and is expected to reach Ukraine in the first half of 2021,” Stepanov said during an online briefing.**



The necessary technical documents are to be signed before December 7, he said.

“We plan primarily to vaccinate people from risk groups, such as medical workers, people aged 65 and older, and people having chronic diseases,” he said.

According to the World Health Organization (WHO), ten pharmaceutical companies are currently completing Phase 3 of the clinical trials of COVID-19 vaccines and are planning to have their vaccines certified soon, Stepanov said.

## Biopharma cannot increase Bioven production due to lack of plasma donation culture in Ukraine

The biopharmaceutical company Biopharma (Kyiv) is limited in possibilities of increasing production of the Bioven medication (immunoglobulin) due to the lack of plasma donation culture in Ukraine and the lack of plasma, Oksana Plotnikova, director of strategic development at Biopharma, has said.



"We would like to expect an increase in Bioven production, which is why we are creating plasma centers to increase donor activity among the population. We have many blood donors, but the country does not have a culture of plasma donation for fractionation," she said at a press conference on the completion of clinical trials of the Bioven drug in the complex therapy of patients with coronavirus disease (COVID-19).

Plotnikova said that as the world completes clinical trials confirming the effectiveness of drugs based on blood plasma in treatment of COVID-19, the demand for such drugs, and, therefore, plasma will grow.

"We are on the verge of the fact that many countries – Canada, Europe – will restrict imports. There will be no imported drug in the country," she said.

Plotnikova reported that "Ukrainian donors today do not donate the amount of plasma that could meet the needs of Ukraine."

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## Ukravtodor plans to repair 150 bridges in 2021

The State Automobile Roads Agency of Ukraine (Ukravtodor) in 2021 plans to repair 150 bridges and launch 60 Weight-in-Motion (WiM) complexes.

"As we have already said, next year we plan [to repair] 6,800 km roads, 150 artificial structures on national roads, 60 WiM sites, and involve independent technical supervision for 2,500 km. We see the pace of this year and understand that this is possible, provided that we start on time and we can finance it on time," Head of Ukravtodor Oleksandr Kubrakov said at a press conference in Kyiv.



He also said that in 2021, Ukravtodor plans to begin construction of the bypass around Kyiv with an estimated cost of UAH 85 billion and the construction of the Kremenchuk Bridge with an estimated cost of UAH 12.5 billion (a tender is being held for it now).



# Ukraine includes 14 airports in priority investment projects list until 2023

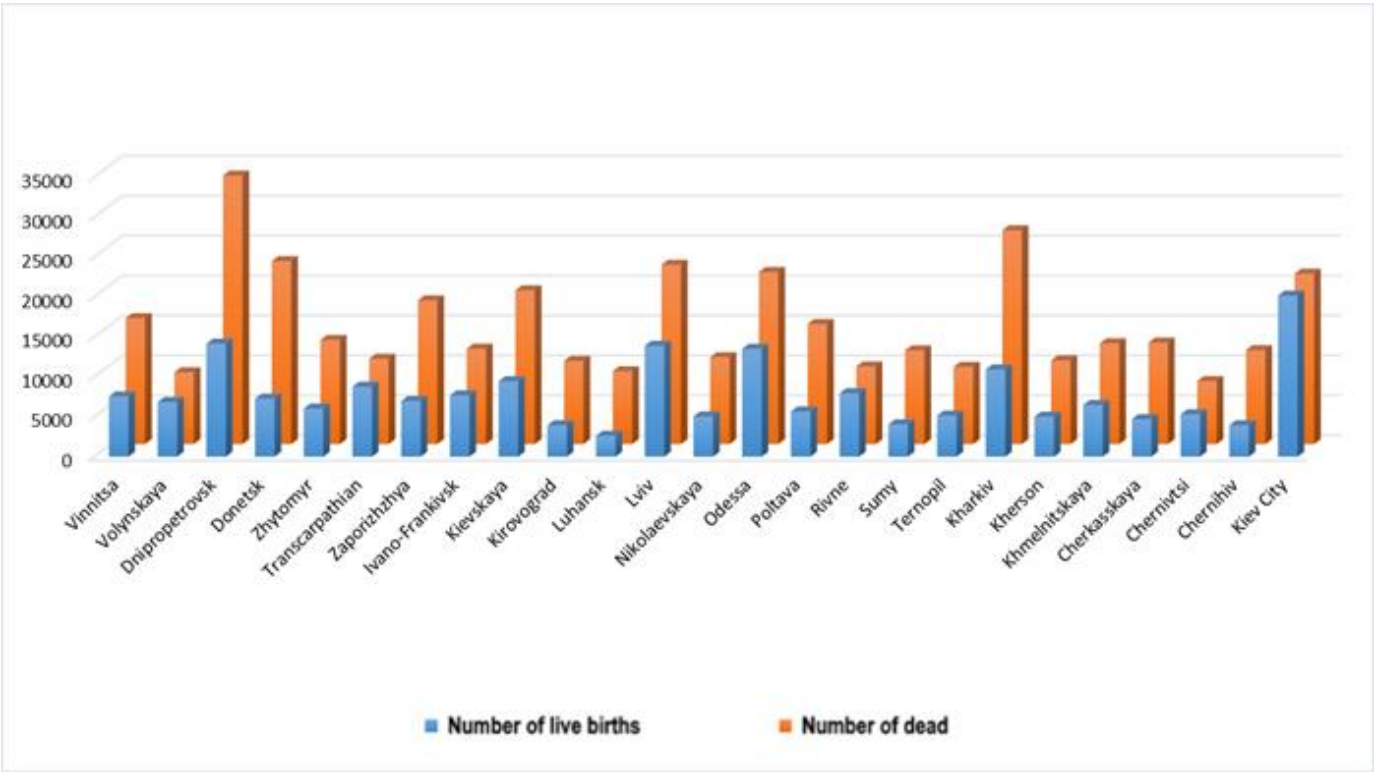
The list of 103 priority investment projects until 2023, approved by the Cabinet of Ministers at a meeting on Wednesday, includes 14 airports.

According to the accompanying documents to the decree, in particular, in the specified list, the resumption of core activities and further development of the international airport in Cherkasy reconstruction of the airfield of Ivano-Frankivsk International Airport reconstruction of the international airport in Chernivtsi (all are funded from the state and local budgets, investor funds).



In addition, the priority is given to modernization of the material and technical base of Kherson International Airport (funding from the state and local budgets, credit funds) reconstruction of the international airport in Vinnytsia, the international airport in Odesa (the third stage of construction) the international airport in the city of Dnipro construction of a new airport in Zakarpattia reconstruction of the international airport in Poltava (all are funded from the state and local budgets, investor funds).

## Ratio of fertility and mortality by region as of Jan-Aug, 2020



# Canadian TIU sues Nikopol Ferroalloy Plant over illegal disconnection

TIU Canada, a leading solar energy producer in Ukraine, has sued the Nikopol Ferroalloy Plant (NFZ) for illegally disconnecting its 10.5 MW solar station from the electricity grid. Despite Ukrainian energy laws that prevent electricity producers from being disconnected from the energy grid without their permission, the NFZ illegally cut TIU Canada's connection on March 1, 2020. TIU Canada is seeking an immediate reconnection to the electricity grid and plans to hold the NFZ and its shareholders fully accountable under the laws of both Ukraine and Canada. The main shareholders of the Nikopol Ferroalloy Plant are Igor Kolomoyskyi, Gennadiy Bogolyubov, and Viktor Pinchuk. The Nikopol solar station owned by TIU Canada is on land leased long term from the city of Nikopol, however, entry to the facility is through a gate controlled by the NFZ. The solar plant connects to a substation on the grounds of the NFZ and later connects directly to the regional electricity transporter DTEK Dnipro Grids JSC. On December 23, 2019, TIU Canada received a letter from the General Director of the NFZ, that they would be disconnecting the TIU Canada connection to DTEK Dnipro Grids JSC via the substation on the grounds of the NFZ in order to make 'repairs.' The NFZ stated that they would begin the repairs after February 29, 2020, and TIU Canada immediately contacted the NFZ to seek solutions to avoid any disconnection. However, despite multiple discussions, the NFZ management and shareholders proceeded with disconnecting TIU Canada from the substation on the morning of March 1, 2020. This illegal disconnection has caused more than 1.5 million Euros of damage to TIU Canada already and increases daily.



The next hearing of the case will be December 16 and likely continue in the coming weeks. TIU Canada CEO Michael Yurkovich said, "this is a clear case of oligarchs pressuring a foreign investor and trying to steal assets. As a leader in corporate social responsibility in Ukraine, we had hoped this was a thing of the past in Ukraine, unfortunately, such practices continue. Nonetheless, we are mustering our resources and will fight this case in Ukraine, Canada, or any jurisdiction needed to win. Corruption must not be allowed to continue in Ukraine, and the rights of investors must be protected." It should be noted that on July 3, while speaking to the Economic Club of Canada, Ukrainian President Volodymyr Zelensky praised the work of TIU Canada at the Toronto Ukraine Reforms Conference. He said, "We think about the future, that is why green energy will be one of the key sectors of our economy during the upcoming years. I know that we have here Canadian company TIU that already successfully works in this area. We are grateful to them for this – please, follow their example". This case now becomes a test of President Zelensky's commitment to protecting foreign investors in Ukraine from illegal disconnection and corrupt actions. TIU Canada is owned by the Calgary based Refraction 1 Fund and has been working in Ukraine since 2016. The company commissioned a 10 megawatt solar energy plant in Nikopol, Ukraine, in January 2018, and an 11-megawatt solar station in the Mykolayiv region in April 2019.

# Manufacturer of professional security systems AJAX opens second plant in Kyiv

Ajax Systems, a manufacturer of professional security systems in Ukraine, has opened a second plant in Kyiv on the territory of the former Kyiv Radio Plant and plans to switch its employees to 24/7 working hours.

According to the company's website, the area of the premises is 1,865 square meters.



*“Next year we plan to double the business, for this we need another production site. We decided to open it in Boryspilska Street, where a large production cluster already exists. This location will also allow us to attract more employees from the Left Bank of Kyiv and build a large production facility team faster,” CEO of Ajax Systems Oleksandr Konotopsky said.*

Ajax Systems plans to recruit 150 people in 2020 for the new facility. Next year it is planned to create up to 1,000 jobs. The company also said that the new plant is now focused on the production of DoorProtect and DoorProtect Plus sensors, but in the future both Ajax enterprises will duplicate each other in design and manufacture the entire product line.

“Now in Boryspilska Street we have launched 24/7 testing, arrangement and assembly, quality control and packaging. In the future, we plan to transfer all sites to the 24/7 schedule,” Director of Production at Ajax Systems Bohdan Demchyshyn said.

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## UMG completes four merger and acquisition deals since Apr 2020

UMG Investments, owned by the SCM Group, has completed four merger and acquisition (M&A) deals since April this year, Investment Director Nadiia Kaznacheieva said at the CFO Forum 2020 held in Kyiv this week.

“We believe in this country, in the business where we work, and we continue investing. Since April, we have completed four M&A deals and opened two new businesses built from scratch,” she said.



*Kaznacheieva said that the first such enterprise is the Ukrainian Mineral Fertilizers plant in Kryvyi Rih, and the second, of a smaller scale, is the utilization of coal mine methane.*

According to her, two projects were carried out in the mining segment, in which the company invests as a strategic investor, but these transactions are not public and are not disclosed. Another investment was the purchase of a minority stake in Feednova, which is implementing a project to build a plant for the production of high-protein feed additives and animal fats in Busk (Lviv region), the investment director said.

“The importance of a domestic investor is sometimes underestimated. If domestic investors do not invest, it is difficult to expect the arrival of international investors,” Kaznacheieva said.

She added that in the context of the coronavirus epidemic, when even physical movement is limited, attracting foreign investors is even more difficult. “Now is the time of our, local investors, there is money in Ukraine,” the investment director said.

Speaking about the business of UMG Investments and its approaches to investment, Kaznacheieva said that the company operates as a private equity fund, and expects high returns from projects – IRR 25% and higher.

# One of the largest coffee producers builds distribution center in Kiev

The Strauss Group international company, one of the largest coffee producers in the world, in the third quarter of 2020 put into operation a warehouse and distribution center at 56A, Novopyrohivska Street, in the Holosiyivsky district of Kyiv.

"An innovation distribution center in Ukraine opened in the third quarter," the group said in its third quarter report. According to the unified public register, Strauss Ukraine LLC on October 9 also changed its legal address to 56A, Novopyrohivska Street (formerly – 5B, Antonova Street). "09/25/2020. Now this date has historical value for us.

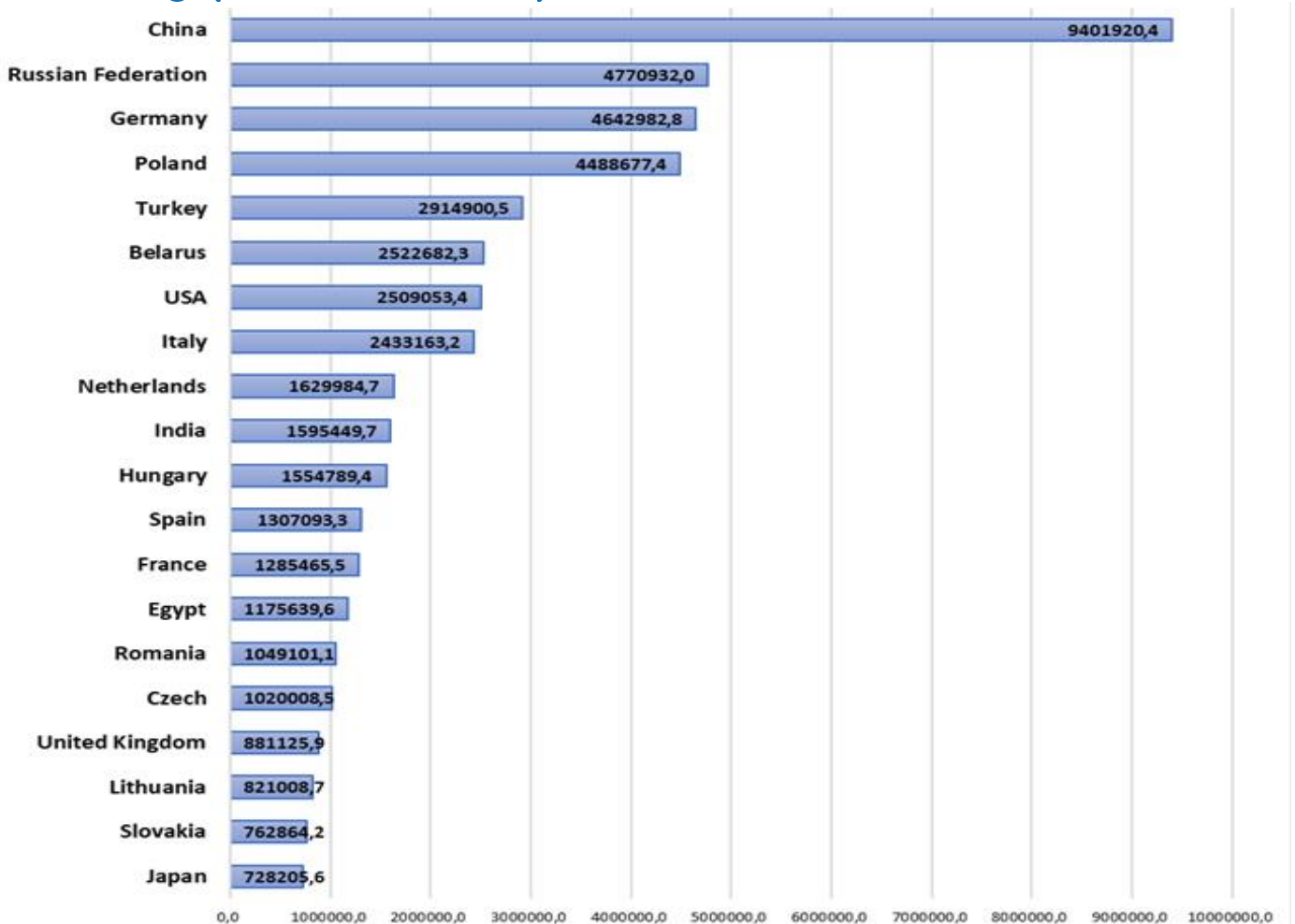


For 20 years of work in Ukraine, we have had many achievements in all areas of consumption, production and preparation of coffee. And today one of our achievements is the opening of the doors of a new home for all our employees," the company said on its Facebook page.

Strauss Group specializes in the production of food and beverages and is one of the five coffee companies in the world. It has 29 production sites in 22 countries. The staff includes 14,000 people.

In the Eastern European market, Strauss represents the brands Black Card, Ambassador, FORT, Totti Caffè, Elite Health Line, and Sucrazit.

## Top 20 countries of Ukraine's foreign trade partners in Jan-Aug (thousand USD)



# Turkish company interested in modernizing Kherson airport

Ukraine is interested in developing mutually beneficial investment cooperation with Turkey, the Infrastructure Ministry of Ukraine said on its website on Sunday, November 29.

Minister Vladyslav Kryklyi, as part of the delegation of Prime Minister Denys Shmyhal, paid a two-day working visit to Turkey on November 29, during which a roundtable conference was held with Turkish top companies with a total investment portfolio of \$5 billion.

According to the minister, Ukraine is interested in the development of mutually beneficial investment collaboration with Turkey and already has a positive experience of cooperation with Turkish companies.

He said the Ukrainian government has approved a list of priority investment projects for the country for the next three years. Projects in the field of infrastructure and transport make up 40% of this list.



## Ukraine already exports 20.2 mln tonnes of grain

Ukraine since the beginning of the new 2020/2021 marketing year (MY, July-June) and as of November 23 had exported 20.17 million tonnes of grain and legumes, which is 3.2 million tonnes less than on the same date last MY.



*According to the information and analytical portal of the agro-industrial complex of Ukraine, to date, 11.63 million tonnes of wheat (less by 1.4 million tonnes), 3.69 million tonnes of barley (up by 230,000 tonnes) and 4.5 million tonnes of corn (down by 2.1 million tonnes) were exported.*

As of November 23 of this year, 66,600 tonnes of flour were also exported.

As reported, in the 2019/2020 MY Ukraine exported a record 57.2 million tonnes of grains, legumes and flour, which is 13.5% more than in the previous MY.



# Philip Morris asks Ukrainian President to support alternative proposals on rising taxes on tobacco



## PHILIP MORRIS

PrJSC Philip Morris Ukraine, a large tobacco producer, proposes to replace a 320% tax increase on tobacco products for electric heating, which should come into force on January 1, 2021, with an annual increase of 50% during 2022-2025 or 200% in 2021 and 20% in subsequent years.

According to the published letter of Philip Morris Ukraine CEO Konstantinos Salvaras to the president of Ukraine, a gradual increase in the excise tax on tobacco products for electric heating by 50% per year or by 200% in 2021 and by 20% in subsequent years will save the market from a total transition to the shadows and bring more revenues to the state budget than a sharp increase in the excise tax rate by 320%.



***“We urge the government to move away from the practice of unpredictable and unstable tax policy, which affects both the attitude of investors and the economy of the country. Tax increases should be gradual, not fourfold,” the Philip Morris letter says.***

The company reported that the government and academia share the vision of a gradual increase in the tax rate. Thus, the Ministry of Economic Development, Trade and Agriculture supports the idea of increasing the rate on tobacco products for electric heating by 50% from January 1, 2021 and by 50% during 2022-2025, and a study conducted by the Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine shows that a gradual increase in the excise tax on tobacco products for electric heating will provide additional UAH 18.7 million of revenues to the state budget compared to a sharp increase in the tax rate.

According to Philip Morris' estimates, a sharp increase in excise taxes will lead to the loss of potential and real investments, state budget revenues, an increase in the level of smuggling, and a conflict with EU legislation.



## Ukraine cuts meat, eggs, milk production

Milk production in Ukraine decreased by 4.1%, to 8.02 million tonnes in January-October 2020 (excluding the temporarily occupied territory of Crimea, Sevastopol, the Joint Forces Operation zone) compared to the same period in 2019. According to the State Statistics Service, 2.71 million tonnes of meat (live weight) were produced in the ten months, which is 1.2% less than in January-October of the previous year. Egg production decreased by 1.6%, to 14.09 billion eggs for the reporting period.



According to the State Statistics Service, milk production in Ukraine in 2019 decreased by 3.6%, to 9.7 million tonnes compared to 2018. Egg production increased by 3.4% to 16.68 billion in 2019, and meat (live weight) by 5.3%, to 3.49 million tonnes.



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## 50% of Ukraine's alcohol market in shadow

In Ukraine, about 50% of the alcohol market is in the shadow, CEO of Nemiroff Yuriy Sorochnytsky says.

"About 50% of the market is in the shadows. Excessive fiscalization of certain business processes leads to the emergence of shadow economy, which sells the product to the consumer at a price (tax-free) at the level of UAH 35 – UAH 40 per bottle (vodka 0.5 liter), when the price of a legal product is UAH 89," he said during the online business forum "From Shadows to Transparency" of the European Business Association.



Sorochnytsky said that the shadow market is currently estimated at about UAH 10 billion – UAH 12 billion.

"Our level of fiscalization of alcoholic drinks is one of the highest in the world. In Europe, the average taxation of alcoholic drinks is 23-25%, depending on the country. We have only 43% at the producer level. Additionally, there is another 5% retail excise tax on each bottle sold legally. We have high taxation, which creates unfavorable conditions for business," the expert said.

He said that in order to combat the grey market in Ukraine, it is necessary to strengthen control over the production and circulation of alcohol, introduce branded control over the circulation of alcoholic drinks and an electronic consignment note. As reported, on December 11, 2019, President of Ukraine Volodymyr Zelensky signed a law on the abolishing of the state monopoly on alcohol production from July 1, 2020, adopted by the Verkhovna Rada on December 3, 2019.

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