

# Transformation Ukraine

According to the World Bank since 2010 Ukraine has done more to improve its business climate than any post-communist country (CEE+CIS)

More reforms enacted in 5 years than in previous 23

## I. UKRAINE UNDERGOING TRANSFORMATION

### II. CRISIS

20%↓ GDP  
60%↓ UAH  
7%↓ of territory occupied  
\$15K on current a/c (!!)  
Gold reserves <1 mo imports

## III. STABILIZATION & TRANSFORMATION

### Reforms:

- Decentralization
- Anticorruption
- Judicial
- Education
- Healthcare
- Pension
- Privatization/SOEs governance
- Banking sector

- > 90 out of 180 "pocket" banks closed  
- currency liberalization

- EU-UA Association Agreement – DCFTA
- FTAs w Canada, Israel, Turkey (finalization)

■ *adopted*

■ *underway*

## IV. GROWTH AGENDA: 5-7% yoy

2Q 2019 = ↑4.6%, 3Q 2019 = ↑4.2%

### Major Legislative Initiatives

- Law on Authorized Economic Operator
- Law on Railway Transport
- Law on Liberalizing Space Activity
- Law on Unbundling of Naftogaz
- Land Market Reform
- Digitalization of Ukraine
- Law on Concessions
- Law on Inland Waterways
- Launch of Large Privatization

### EU vector

- Visa-free regime with **90 countries** (including Schengen zone)
- **42% share of exports to the EU** in Jan-Sep 2019

2014

2019

## Ukraine in Key International Rankings

↑ Ukraine ranks **64 in WB 2020 Ease of Doing Business** – 48 positions up since 2014

**#1** Ukraine **tops Good Country Index** in the field of Science and Technology

↑ **Fitch and S&P upgraded** the long-term foreign and local currency ratings of Ukraine **to B** from B-

## Macroeconomic Progress

- ✓ Return to **economic growth**:
  - Ukraine's **real GDP growth** - **↑3.3% in 2018** (↑2.5% in 2017)
  - **3Q 2019** - **↑4.2%**
  - **2019 growth** proj. by World Bank - **↑3.6%**
- ✓ **Real industrial growth**:
  - **↑1.1% in 2018** (↑0.4% in 2017)
- ✓ **Real wages increase** – **↑9.6%** in Sep 2019 comparing to Sep 2018
- ✓ **Consumer price index** – **5.1%** in Nov 2019 comparing to Nov 2018
- ✓ **Public debt as % of GDP decreases** – **60.9%** of GDP in 2018 (down from 80.9% and 71.8% in 2016 and 2017, respectively)
- ✓ **International reserves** – **\$21.9 bn** as at end of Nov 2019 – up from \$5.6 bn in Feb 2015
- ✓ Infrastructure construction and modernization:
  - booming road repairs – **3 800 km in 2018**
  - unprecedented **renovation of fleet of locomotives and railway cars**
  - **dredging of sea ports** (Yuzhnyi, Chornomorsk)
  - **Beskydy railway tunnel** opened
  - **airway companies enter Ukraine** (Ryanair, SkyUp, Laudamotion, etc.)
- ✓ **Merchandise exports growth** – **↑9.4%** in 2018 and further **7.4% during Jan-Sep 2019**
- ✓ **Re-orientation to EU market** – EU share in Ukraine's exports rose to 42% in Jan-Sep 2019

## Reforms Progress

- ✓ All elements of **anti-corruption infrastructure**:
  - National Agency on Corruption Prevention
  - National Anti-Corruption Bureau
  - Special Anti-Corruption Prosecutor's Office
  - Anti-Corruption Court (launched in Sep 2019)
- ✓ **New fiscal policy** (latest improvements):
  - paper checks replaced with electronic
  - further improvements in automatic VAT refunds system
  - "single window" during customs clearance
  - elimination of contraband
- ✓ **On-going deregulation**
  - risk-oriented approach in the work of inspecting authorities
  - further cancelation of outdated regulations
  - simplification of land allocation and licensing procedures in oil and gas industry
  - new building standards approved
- ✓ **Management of state-owned enterprises (SOE)**:
  - small privatization via systems of electronic auctions started in Aug 2018
  - search for advisors for large privatization
  - approval of sales terms of Centrengo
  - approval of concession term in ports Olvia and Kherson
  - new approach to corporate governance at strategic SOEs – independent Supervisory Boards of Naftogaz, UZ, Ukrainian Sea Ports Authority, Ukrenergo, Ukrposhta, etc.

## Investment Attraction

- ✓ In **2018 gross FDI inflow** reached **\$2.87 bn**, showing restoration of investment activity
- ✓ **Top FDI deals in 2018**:
  - **GE-UZ \$1 bn deal** – **\$400 mln** of investment to produce 225 new diesel locomotives and upgrade 75 older models over a 15-year term
  - German **Bayer** – **\$200 mln** – seeds processing plant in Zhytomyr region
  - Saudi **Salic** – **\$242 mln** – acquisition of agroholding "Mriya"
  - Austrian **Head** – **\$95 mln** – sports equipment manufacturing plant in Vinnytsia region
  - Norwegian **Scatec Solar** – **\$320 mln** – solar power projects in Cherkasy and Mykolaiv regions with total capacity of 251 MWe
  - Spanish **Acciona Energy** – **\$65 mln** – a 57.6 MWe solar power plant in Kyiv region
- ✓ **Top FDI deals in 2019**:
  - **NBT and Total Eren** – **\$300 mln** – wind power plant project in Kherson region
  - US **Jabil** – **\$16 mln** – second electronics manufacturing plant in Zakarpattia region
  - **Horizon Capital** – **\$200 mln** – new private-equity fund for investing in innovative and export-oriented companies in Ukraine
  - German **STADA** acquired Ukraine based **Biopharma** manufacturing facilities in Bila Tserkva, Kyiv region
- ✓ **>100 global brands** have **R&D centres** in Ukraine
- ✓ Global brands enter Ukraine – ZARA Home, H&M, Decathlon, etc.

## Key Messages

- ✓ Brains and Grains
- ✓ Innovation and Opportunity

- ✓ Scalability
- ✓ Competitiveness

- ✓ Productivity
- ✓ Creativity