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# UKRAINE

## OPEN FOR BUSINESS

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Economic Forum

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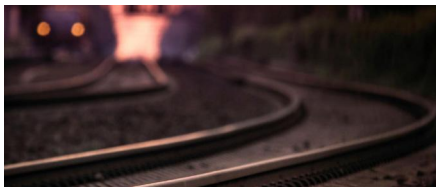
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# Ukrainian business retains positive expectations for third quarter



Ukrainian enterprises of all types of economic activity expect revival of business activity for a third quarter in a row, according to the results of a second survey of company chiefs conducted by the National Bank of Ukraine (NBU) in the second quarter of 2017.



***“Optimistic expectations are based on improving respondents’ forecasts regarding investment expenditures, the financial and economic situation of enterprises, as well as maintaining high expectations regarding total sales of products,” the central bank said in a statement.***

In addition, interviewed top managers continue to expect improvement in the macroeconomic situation in Ukraine.

“At the heart of optimistic forecasts of respondents is the expectation of faster growth in production volumes, business activity revival, continued slowdown in inflation and weakening of devaluation processes,” the NBU said.

According to the National Bank, maintaining stability in the foreign exchange market in the second quarter of 2017 contributed to a weakening of inflationary and devaluation business expectations.

“According to the estimates of top managers, the growth of consumer prices in the next 12 months will be 9.9%, while four out of 10 respondents predict that inflation will not exceed 9% or decrease. The number of respondents, who believe that the hryvnia exchange rate against the U.S. dollar will remain unchanged or strengthen, has almost doubled, to 24.6%,” the National Bank said.

The National Bank also reports that the index of business activity rose to 114.3% from 113.3% in the previous quarter. The most optimistic are agricultural producers, representatives of the sphere of trade and processing industry.

Respondents also expect that the growth of production of goods and services in the next 12 months will accelerate. The most optimistic are companies of the processing industry, energy and water supply.

## Poroshenko: investment in Ukraine on the rise

Ukrainian President Petro Poroshenko says foreign investment in Ukraine has significantly increased.

"An increase in foreign direct investment as of today is over \$0.5 billion, and the total sum last year exceeded \$4 billion," Poroshenko said during a working visit to Sumy.

Ukraine has been implementing a number of important reforms while countering military aggression, he said.

"But this does not prevent us from believing in Ukraine's future, believing in the effectiveness of Ukrainian reforms and we will resolutely continue these reforms," he added.



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## Ukrainian chamber of commerce and industry to create anti-crisis center for business cyber security



The Chamber of Commerce of Industry of Ukraine plans to create an anti-crisis center for consulting business in cyber security issues in the near term, the Chamber said in a press release on Wednesday.

"The anti-crisis center specialists will consult business suffered from cyber attacks free of charge and help to prevent possible cyber threats in the future," the Chamber said.

The Chamber told Interfax-Ukraine that the premium is to approve the decision on the creation of the anti-crisis center at the end of July.

"The business should be prepared for the fact that cyber attacks will continue, and during the discussion we assessed the problem on the basis of what we have heard, to develop an effective mechanism for protecting domestic entrepreneurs and preparing for a new wave of attacks. In addition to creating an anti-crisis cyber security center for business, a working group will be formed. An appeal to government bodies to establish the main reserve channels for the transfer of social information would be sent," Chairman of the committee for e-communications at the Chamber Volodymyr Koliadenko said.



## EU ambassador calls on Ukrainian scientists to more actively participate in horizon 2020 EU grant programme



Head of the EU Delegation to Ukraine Hugues Mingarelli has called on Ukrainian scientists to more actively participate in the EU Framework Programme for Research and Innovation "Horizon 2020."

Ukraine should be one of the key participants of the Horizon 2020, the largest programme supporting research in the world, he said at the international conference "Ukraine – EU: Integration in a Changing World" in Kyiv.

He said that Ukraine has a scientific potential. The country should take active part in the programme.

As reported, in December 2016, Ukraine's Cabinet of Ministers created a coordination center to implement the EU Framework Programme for Research and Innovation "Horizon 2020." In 2015, Ukraine has become an associated member of the Horizon 2020 Programme. In 2016, Ukrainian scientists are participants of 61 consortiums involved in the programme. Their share of the project budgets exceeds EUR 11.5 million. The annual fee paid by Ukraine to the programme budget is around EUR 5.8 million. The country would receive the half of it back via technical assistance tools.

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## Deficit of Ukraine's foreign trade in goods down to \$442.2 mln in may 2017

The deficit of Ukraine's foreign trade in goods in May 2017 was \$442.2 million, while in the previous month the figure stood at \$887.9 million, the State Statistics Service has said.

According to its data, as a whole, in January-May 2017 the deficit was \$1.33 billion against a deficit of \$745 million for the same period in 2016.

In January-May 2017 exports of goods amounted to \$17.2 billion, imports some \$18.6 billion. In comparison with January-May 2016 exports increased by 25.9% (\$3.6 billion), imports by 28.6% (by \$4.1 billion).

As a result, the coefficient of coverage of imports by exports deteriorated to 0.93 from 0.95.

The service said foreign trade operations were conducted with partners from 215 countries.

## Construction of several regional concrete roads could start in 2017 - Ukrcement



Construction of several concrete regional roads could start in 2017 if the State Automobile Roads Agency of Ukraine (Ukravtodor) would help to realize the projects, Head of the Ukrcement association of cement producers Pavlo Kachur has said in an interview with Interfax-Ukraine.

"Today the following highways are at the design and examination stages: Kirovohrad-Mykolaiv, an orbital road around Zhytomyr, a section of the Poltava-Dnipro road near Reshetylivka and two regions roads in Lviv and Ternopil regions. This is not new construction. These are sections that are to be reconstructed," Kachur said.

He said that in 2017 prices the cost of construction of asphalt and concrete roads is almost the same, while the life cycle of the concrete road is 25 years and that for asphalt – twice less.

"We take into the period of the road exploitation of 25-30 years, the expedience of construction and servicing the concrete road is twice higher than for the asphalt one. In addition, concrete roads are safer and more environment friendly. They are able to bear larger axial load," he said.

## Most promising professions in Ukraine in agrarian sector, IT business – headhunters

Professions in the field of agriculture and IT business will be most in demand among employers in the near future, Serhiy Marchenko, the director for the development of the work.ua job search website.

"I can advise applicants to pay attention to agriculture and IT business – these are the areas that are popular in Ukraine. Personnel managers from agrarian campaigns have been saying for many years that they have big problems with qualified agronomists, machine operators, zootechnicians," Marchenko said at a press conference in Kyiv.

According to him, agrarian specialization is promising in Ukraine also because sooner or later the land market will start in the country, which will attract investments.

As for IT business, according to Marchenko, this sphere is promising all over the world.

"And, of course, robots will no soon replace these specialists," he said.

## EBRD raises compensation under IQ energy programme to 35%



The European Bank for Reconstruction and Development (EBRD) has increased the amount of compensation for loans received for implementation of energy efficient activities within the IQ Energy programme to 35% of the loan amount from 15% and 20% earlier, according to a press release from the bank.

“By decision to increase the size of grants up to 35% of the total loan amount we aspire not only to help the citizens of Ukraine to insulate and rehabilitate their houses, but also, which is much more important in the long run, to consciously shift to sustainable consumption of energy resources through the use of modern energy-efficient technologies,” EBRD Director for Ukraine Sevki Acuner said.

In addition, a new category of equipment, which can be compensated for when upgrading housing – recuperators, has been added to the IQ Energy program.

As of July 11, 2017, the loans under the IQ energy programme totaled some UAH 60 million. Average size of a loan is near UAH 25,000. Total amount of compensations paid by the EBRD to households is around EUR 190,000.

The total financing of the IQ Energy programme in Ukraine will be around EUR 75 million, and EUR 15 million has been provided for compensations to individuals and homeowner associations now.

The IQ energy programme was designed by the European Bank for Reconstruction and Development (EBRD) and supported by grant funding of up to EUR 15 million from the Eastern Europe Energy Efficiency and Environment Partnership (E5P), to which the European Union is the largest contributor.

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## EBRD could provide EUR 150 mln loan to Ukrainian railways

The European Bank for Reconstruction and Development (EBRD) could provide a EUR 150 million loan for the electrification of 253 km railway line Dolynska- Mykolaiv-Kolosivka, in south Ukraine.

The bank said that the main purpose of the project is to improve the efficiency of the railway operations and to support the ongoing railway reform process.

The senior loan could consist of a tranche of up to EUR 124.5 million for the electrification of Dolynska-Mykolaiv railway line (148 km) and a tranche of up to EUR 25.5 million for the electrification of Mykolaiv-Kolosivka railway line (105 km).

The total cost of the project is estimated at up to EUR 367.9 million, expected to be cofinanced by the European Investment Bank (EIB) in an amount equal to the EBRD loan, the company's own contribution and grant funding of the technical cooperation assignments.

As reported, the EIB on November 23, 2016 approved a EUR 150 million loan under the project on the modernization of around 250 km of railways in south Ukraine.



## UkrGasbank to issue EUR 7.1 mln to DTEK for building solar plant

PJSC UkrGasbank and DTEK energy holding's division Tryfonivka Energy have signed a loan agreement for EUR7.1 million for the construction of a solar power plant in Kherson region, the holding's press service has reported.

"The construction of the 10 MW Tryfonivka solar power plant will be completed in 2017. Electricity supply will be 11-12 million kWh per year. Through the launch, the station will be able to supply electricity to more than one-third of Velyka Oleksandrivka district of Kherson region. Tryfonivka solar power plant is DTEK's pilot project in solar energy, the results of which will become the basis for the formation of the company's strategy in the segment of renewable energy sources," the report said.

As reported, DTEK is considering the possibility of building up to 1 GW of "green" generation capacity in the next five years.

## ICU investment group announces Ukraine recovery fund with \$200 mln capital to invest in distressed assets



ICU investment group has launched Ukraine Recovery Fund to invest in Ukraine distressed assets and seeks to raise around \$200 million to the fund, ICU Managing Director and Partner Makar Paseniuk has said.

"Fundraising is rather good. We want to raise around \$200 million," he told reporters in Kyiv last week.

Paseniuk said that the fund was registered in May 2017 on Cayman Islands.

He said that the fund will operate for seven years. The smallest sum for investment is \$1 million.

He said that Ukraine Recovery Fund will focus on investment in medium- and large-sized businesses. The size of investment in one project is restricted with 20% of the fund capital. The key directions are agriculture, FMCG, food and specialized retail, mining and property.

Paseniuk said that ICU sees the Individuals Deposit Guarantee Fund, banks that are optimizing their portfolios, including international banks that want to remove 'Ukrainian risk' from their balance sheets, as key sellers of these distressed assets.

Asked about the expected yield, he said that expectations from these investments in the world are 15-20%, and for Ukraine the minimum figure for entering a project is 20%.



## Engie, state agency for energy efficiency discuss construction of 'green' power facilities in Ukraine

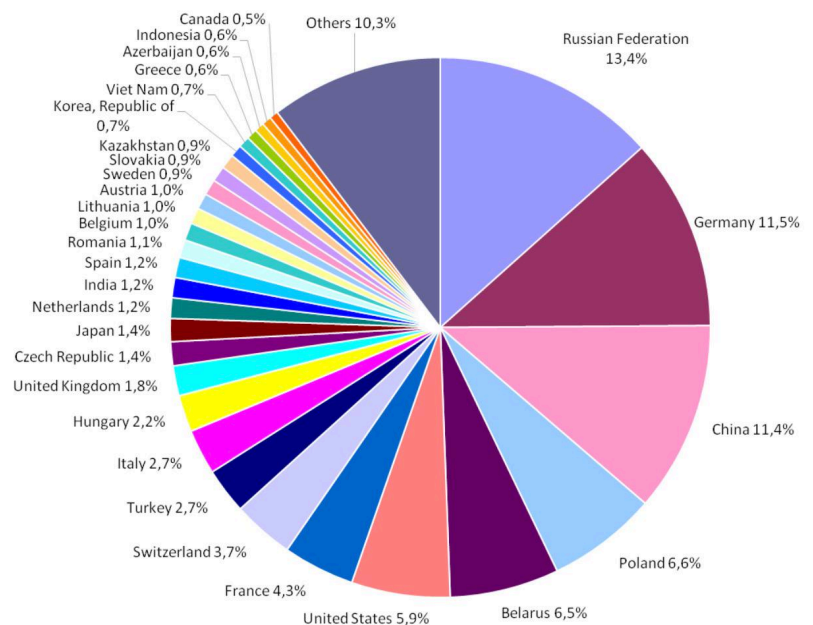


France's Engie (earlier GDF Suez SA) and the State Agency for Energy Efficiency and Energy Saving of Ukraine have discussed construction of 'green' power facilities in Ukraine, the press service of the agency has reported.

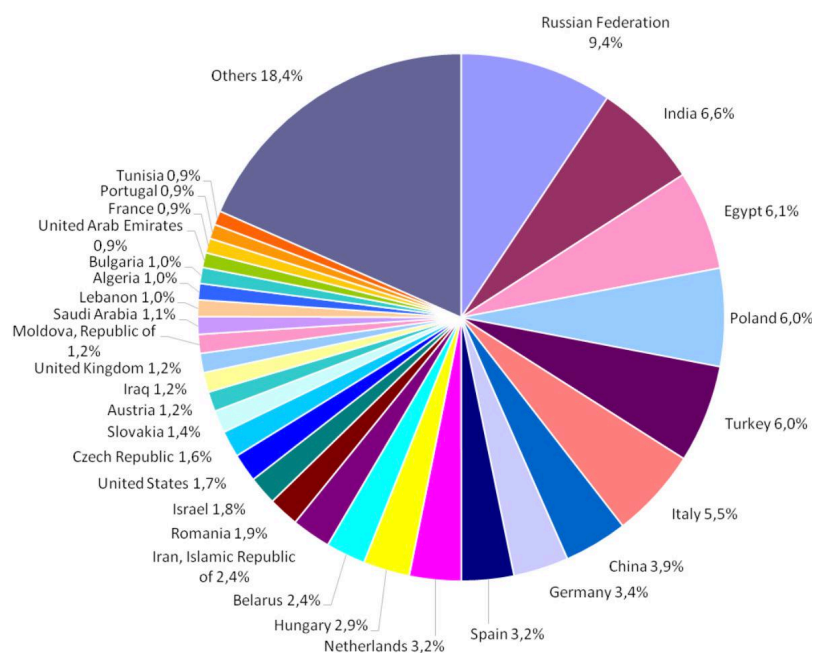
"State Agency for Energy Efficiency and Energy Saving Head Serhiy Savchuk has discussed Legislative grounds and the specifics of the implementation of 'green' projects in Ukraine with representatives of France's Engie, a leading player on the global electricity market," the press service said.

As reported, Engie started supplying natural gas to Ukraine in January 2017.

## Main trade partners of Ukraine (import to Ukraine from other countries)



## Main trade partners of Ukraine (export from Ukraine to other countries)



## IEC starts building new stage of exhibition center with area of 80,000 sq m



International Exhibition Center LLC (IEC, Kyiv), the owner of the eponymous exhibition complex in Kyiv, starts building new exhibition pavilions and facilities with a gross area of 80,000 square meters.

The press service of IEC reported on Tuesday that the project envisages several construction stages.

The first stage of 12,000 square meters would be finished in autumn 2018. It would have a new two-story exhibition pavilion, several conference halls and the administrative premises.

Other exhibition halls, a universal hall for 2,500 seats that could be used as a congress hall and concert hall, a 13-story office and hotel section, underground parking areas for 736 cars, auxiliary technical and other premises will be also built.

The press service said that energy saving solutions will be used in the new buildings.

IEC said that construction of new facilities will create around 700 jobs.

## Ukrenergo to upgrade Minnytsia substation for up to UAH 511 mln

Ukrenergo has announced a tender for the technical re-equipment of the 750 kV Vinnytsia substation with an expected cost of up to UAH 510.562 million (excluding VAT).

According to a company report in the ProZorro system, tender proposals are accepted until August 4, the start of the auction is scheduled for September 11, 2017.

Work on the modernization of the substation should be completed by September 30, 2018.

In the course of modernization, in particular, it is necessary to replace a three-phase autotransformer and a transverse regulation transformer, as well as switches, arresters, cables, and others.

Ukrenergo operates trunk and interstate power grids, as well as centralized dispatching of the united power system in the country. It is a state enterprise, subordinated to the Ministry of Energy and Coal Industry.

A promotional graphic for the Kyiv International Economic Forum. It features a blue background with a white circular logo on the left. The text 'Kyiv International Economic Forum' is in white. Below this, there is a map of Ukraine in light green. The dates '5-6 OCTOBER 2017' and location 'KYIV, UKRAINE. CEC PARKOVY' are in yellow. At the bottom, a yellow banner contains the text '-10% SUMMER OFFER AVAILABLE TILL THE END OF AUGUST' in blue and black.



## China ready to invest government-secured \$10 mln in construction of runway in Zhytomyr airport



Chinese investors are ready to invest \$10 million in construction of a new runway in the Zhytomyr airport.

According to the report of the Zhytomyr City Council, representatives of CCCG First Highway Engineering Co. (CFHEC) made this statement at a meeting with the owner of the airport and Zhytomyr Mayor Serhiy Sukhomlyn.



***“Our Chinese partners have shown their interest in building a modern runway at the Zhytomyr airport. If the project is implemented, Zhytomyr could expect that low cost airline would come,” Sukhomlyn said.***

As reported, the Zhytomyr regional airport after a 25 year idle period serviced the first technical flight of Yanair airline's Saab 340 plane on January 29, 2016.

Airport Director Serhiy Budiak then said that the operation of the air field began.

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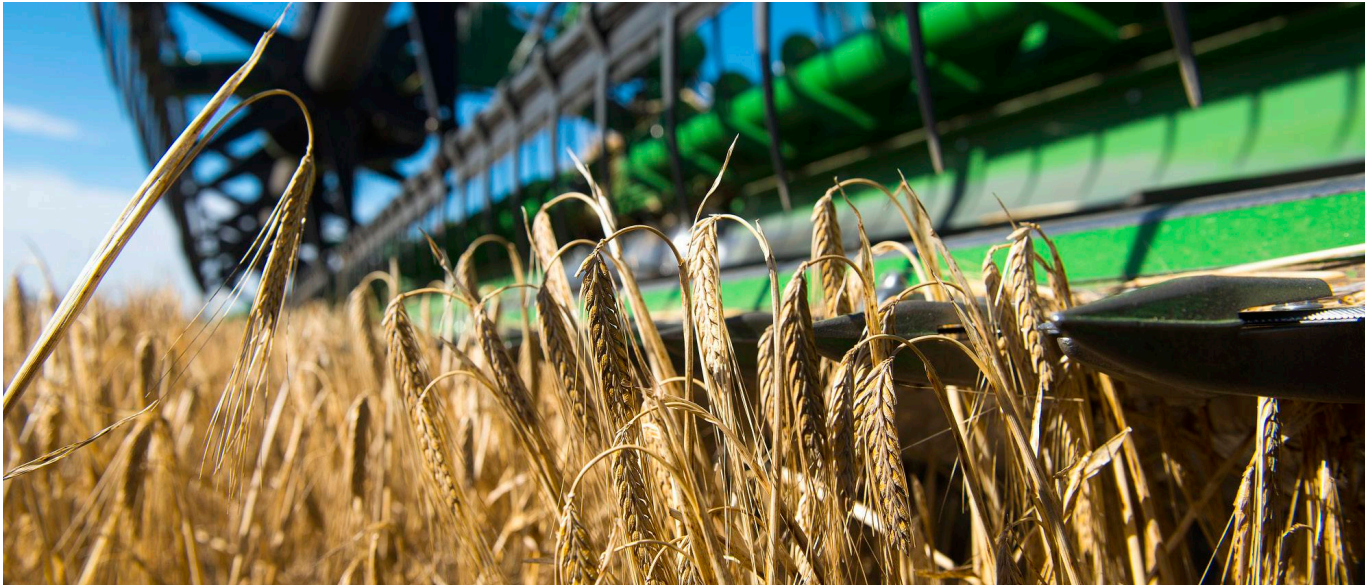
## Two more Ukrainian agri-businesses licensed to export to EU

Two enterprises producing milk and dairy foods and fish and fish foods have been licensed to export their produce to the European Union market from July 7, the Ministry of Agrarian Policy and Food said.

Now 283 Ukrainian enterprises have the right to ship their produce to the EU countries, of which 103 are producers of food, including poultry, fish, honey, eggs, milk and dairy, the ministry said on its website.

The EU can also export 180 enterprises producing non-food products of animal origin, down and feather raw materials, skins, fodder for pets, non-edible offal, pedigree materials, and other non-food products of animal origin.

# Ukraine sets new record of grain exports in 2016/2017 MY – agricultural ministry



Ukraine in the 2016/2017 marketing year (MY, July-June), according to preliminary data, exported 43.8 million tonnes of grain.



***“The record harvest of the previous year in the amount of 66 million tonnes formed resources for exports at the level of 43.8 million tonnes, which is the record high for Ukraine,” First Deputy Minister of Agricultural Policy and Food Maksym Martyniuk said.***

According to him, the positive dynamics turned out to be in the record exports of flour in the amount of 369,400 tonnes.

According to the ministry, the preliminary results of exports for the 2016/2017 marketing year in terms of crops will be presented in the coming days.

As reported, with reference to the ministry, Ukraine in the 2015/2016 MY (July-June) exported 39.487 million tonnes of grain, which is 13.5% more than in the previous season.

**Kyiv International Economic Forum – KIEF** – is a new major international conference focused on the future of economic development. Held annually in Kyiv, it is not just an event about or for Ukraine, but an innovative forum that covers the global agenda. KIEF has been envisioned to become a leading discussion platform at an intersection of civilizations based in the capital of the biggest country in Europe.

This year Kyiv International Economic Forum supported by the Prime Minister will take place on October 5 – 6.

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