



UKRAINE OPEN FOR BUSINESS

Biweekly news digest

18 December 2017

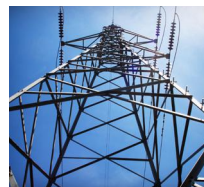
USAID plans new \$90 mln project to support reforms in Ukraine's energy sector - MP



The U.S. Agency for International Development (USAID) plans a new five-year project to support reforms in the Ukrainian energy sector with the total cost of up to \$90 million, a member of the parliamentary committee for fuel and energy complex, Olha Belkova, has said.

She said that the new project would focus on the introduction of competition on energy markets, assistance to municipal authorities, search for new tools of stimulating renewable energy, cyber security of the energy sector, establishment of the energy market regulator, transparency of market information, search for new models to manage the gas transport system (GTS) and Ukraine's integration into the EU markets.

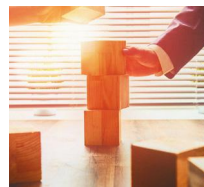
HEADLINES



USAID PLANS NEW \$90 MLN PROJECT TO SUPPORT REFORMS IN UKRAINE'S ENERGY SECTOR



UKRAINE'S SPF APPROVES LIST OF COMPANIES FOR PRIVATIZATION IN 2018



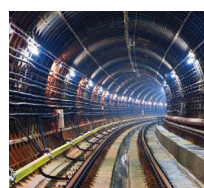
UKRAINE, CHINA IMPLEMENTING JOINT PROJECTS FOR \$7 BLN



BIOFARMA COULD OPEN BLOOD PLASMA PLANT IN JULY 2018



KYIV AIRPORT TO INCREASE PASSENGER TRAFFIC BY MORE THAN 60% IN 2017, MORE THAN 30% IN 2018



EBRD WILL ISSUE EUR160 MLN TO KHARKIV TO EXTEND SUBWAY LINE

Innovation Support Fund to get UAH 50 mln in 2018 – PM Groysman



Ukrainian Prime Minister Volodymyr Groysman has said that UAH 50 million will be allocated in 2018 to finance the Innovation Support Fund and added that the financial management system in science is not perfect.

“We are creating the Innovation Support Fund in the budget, which will now amount to UAH 50 million, because we want to support all innovative solutions that Ukrainians currently produce,” he said at the National Reform Press Club “Decentralization: Results and Achievements for 2017, Tasks for the Next Year”.

At the same time, Groysman noted that only UAH 8.2 billion is to be spent on science, but the financial management system in science remains imperfect and needs to be improved, and the government plans to work on this in 2018.

Ukraine's SPF approves list of companies for privatization in 2018

Ukraine's State Property Fund (SPF) has approved a list of almost 100 enterprises of groups B, G and E eligible for privatization in 2018, the press service of the fund has reported, referring to SPF Head Vitaliy Trubarov. The list includes over 99% of Mykolaiv, Dniprovsk and Kherson combined heat and power plants (all private joint-stock companies) and public joint-stock company Kryvy Rih combined heat and power plant, 70% in PJSC Khmelnytskoblenergo and Mykolaivoblenergo, 65% in Kharkivoblenergo, 60% in PJSC Zaporizhoblenergo, 50% in OJSC ternopiloblenergo, 78% in PJSC Centrenergo and 75% in PJSC Turboatom (Kharkiv).

In addition, the fund approved the privatization of enterprises in the chemical sector – PJSC Odesa Port-Side Plant (99.5%), Sumykhimprom (99.9%), Zaporizhia Titanium and Magnesium Combine (51%) and Zaporizhia Aluminum Combine (ZAIK).

The fund will repeat the offer to privatize 40% of Svit Lasoschiv LLC (Cherkasy). Trubarov said that the SPF has started preparing for the privatization of Odesa Port-Side Plant and energy companies. Their privatization is scheduled for spring 2018. He said that the fund expects to implement the budget privatization plan in 2018 by UAH 22.5 billion.

Ukraine, China implementing some joint projects for \$7 bln



Ukraine and China celebrate the 25th anniversary of establishing diplomatic relations and are reaching the new strategic level of cooperation, which envisages the implementation of joint projects for the total amount of near \$7 billion, the press service of the Cabinet of Ministers of Ukraine.

According to a report published on Tuesday, the relevant agreements were reached during a meeting of Prime Minister of Ukraine Volodymyr Groysman and Vice Premier of the State Council of the People's Republic of China Ma Kai. The meeting was held during the third session of the commission on bilateral cooperation between the governments of Ukraine and the People's Republic of China.

Groysman congratulated the meeting participants on the completion of important negotiations aimed at enhancing the comprehensive collaboration between the two states.

"China has been and still remains our strategic partner and our strategic priority. And today, we are opening up new opportunities for deepening our partnership and re-launching the implementation of joint projects and initiatives," Groysman said. In response, Ma Kai said that China pays great attention to cooperation with Ukraine, both in the political sphere, as well as in trade and economy.

"We believe that we are united in this regard. Hence, we express readiness to encourage and boost our cooperation," Ma Kai said.

The parties said that China had demonstrated strong support for Ukraine and enters the top three trading partners of Ukraine. In the first nine months of 2017, trade turnover between the countries has increased by 14.5%, up to \$5.6 billion. For its part, Kyiv is pursuing the chosen path of internal reforms aimed at leveraging investment from China into the agricultural sector, industry, banking, and joint implementation of large-scale logistics and infrastructure projects both of the continental, in particular the One Belt One Road initiative, and local significance.

Kyiv counts on the active participation of Chinese investors in the major privatization of Ukrainian assets. Groysman also said that the year of 2019 would be declared The Year of China in Ukraine.

The Vice Premier of the State Council of China welcomed the striving of Ukraine to actively engage in the implementation of international projects, as well as to create the most favorable business climate to bolster entrepreneurship development. At present, the structure of Ukrainian exports to China is dominated by the supply of ore, slag and ash, fats and oils of animal or vegetable origin, cereals and other things. Total exports for the first nine months of this year amounted to \$1.5 billion.

Since 2002, there have been signed 14 agreements between China and Ukraine, which stipulate the provision of free assistance to Kyiv. Its volume reached CNY 470 million (more than \$70 million).

China is the second largest economy in the world after the United States, which has the world's largest growth of 6.7%. Total turnover of China is almost \$3 trillion per annum, and the volume of foreign investments in the economies of third countries in 2016 amounted to \$170 billion, the press service said.

SigmaBleyzer could set up fund for investment in energy sector, gas production in Ukraine

SigmaBleyzer Investment Company is studying the possibility of creating an investment fund in Ukraine that will be oriented to the energy sector, in particular gas production, Vice President of SigmaBleyzer Ukraine Vadym Bodayev has said.

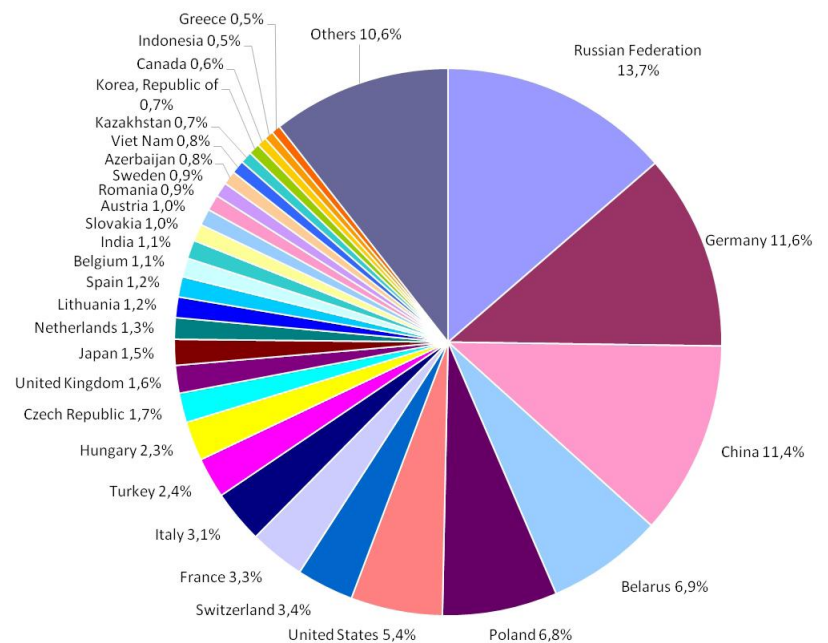
"SigmaBleyzer plans to involve in partnership a Texas-based operator company that owns more than 200 wells in the United States, uses a unique technology and has more than 50 years of production experience," he said after signing a memorandum of cooperation with the Association of Gas Producers of Ukraine in Kyiv.

According to Bodayev, the Texan company, whose name he did not specify, estimates the Ukrainian gas production market as very promising and will act as an operator of the project, while SigmaBleyzer will be a financial investor.

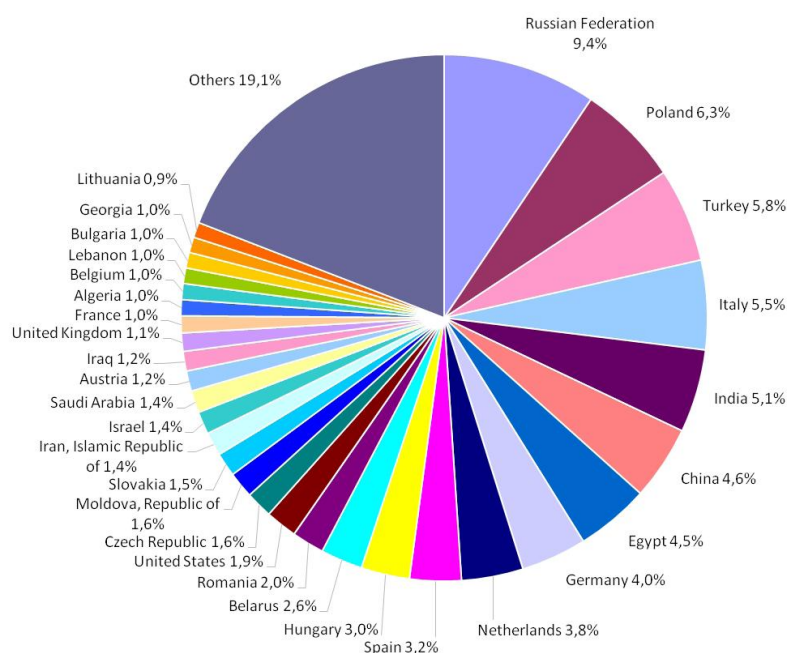
"At the initial stage, we plan an investment of \$100 million," he said.

Bodayev said SigmaBleyzer is currently negotiating with several companies that have a license to use subsoil for gas production in Ukraine for their purchase.

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



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



Lviv, Ivano-Frankivsk most attractive cities in Ukraine for outsourcing – KPMG



Ukraine is an attractive state for the investors looking for a place to accommodate new shared service centers (SSC) or intending to launch business processes outsourcing (BPO) operations, KPMG experts believe. Lviv and Ivano-Frankivsk recognized the most attractive destinations in this ranking given availability and low cost of the qualified labor force, existence of developed infrastructure, real estate market and convenient geographical position, the company said.

"Ukraine's key advantages in terms of establishment of an SSC include its geographical position and ability to offer significant resources of young and highly qualified labor force," Director of Audit at KPMG in Ukraine Roman Koutsak said. He said that investors search for the places where the labor costs are and will remain controllable in the mid-term perspective. The average monthly wage of \$220 is the lowest in Europe.

Despite being one of the largest countries in terms of territory and people in the region, along with its abundant resources, Ukraine has often lagged behind more mature markets like Poland or the Czech Republic. However, these countries are becoming more expensive, KPMG said.

The additional advantages in Ukraine are visa-free regime for the citizens of the United States, EU countries and several other developed nations. Ukrainian students are bilingual (native Ukrainian and Russian) and have a good command of other foreign languages, and Ukraine is in the possession of the modern digital communications infrastructure meeting all requirements of the investors. Commercial office spaces are offered in all major Ukrainian cities at the rates significantly lower than in the neighboring countries. In 2017, Ukraine occupied the 80th and the 20th position among 190 countries according to the rankings of the ease of doing and launch of business, respectively (World Bank's Doing Business Report).

In addition, the depreciation of the hryvnia caused significant reduction in the tax and regulatory costs in Ukraine.

Ukraine has already turned into the country of choice for IT outsourcing: more than 500 outsourcing companies and 100 global R&D centers launched their operations in the country.

In 2017, Ukraine ranked number two in terms of pace of growth of its outsourcing attractiveness, according to A.T. Kearney (17 positions up).

Finland's Foreign Ministry, NEFCO setting up fund for financing renewable energy in Ukraine by EUR 6 mln

The Finnish Ministry of Foreign Affairs and the Nordic Environment Finance Corporation NEFCO signed an agreement on November 29 to create a trust fund for financing renewable energy in Ukraine in the amount of EUR 6 million, the press service of the State Agency for Energy Efficiency of Ukraine reported.



"The Finnish-Ukrainian trust fund facilitates the provision of technical assistance and the allocation of grant funds for the implementation of clean energy projects in Ukraine," the report said.

To date, NEFCO has already funded about 150 projects in the field of renewable energy and energy efficiency in Ukraine.

Ukrnafta resumes production in six fields



Public joint-stock company Ukrnafta is resuming production in the Anastasiyivske, Artiukhivske, Korzhivyske, Pivdenno-Panasivske, Rybalske and Zavodske fields, the company's press service has reported.

"Operations at 80 out of 132 production wells have been resumed. Thanks to the resumption of six fields Ukrnafta has increased daily production of oil, condensate and gas. From the beginning of December daily oil and condensate production grew to 3,900 tonnes, which is 18% higher than in the period of forced stopping of operations at the fields. In the same period, average daily gas production grew by 12%, to 2.9 million cubic meters," the company said.

"In the first quarter of 2017, before the stop of the first of the six fields, the company produced 4,100 tonnes of oil with condensate per day and 3.5 million cubic meters of gas," the press service said.

"We are doing everything we can to restore production, but we knew that we would likely not return production to pre-shut in levels for various reasons – including damage to the formation due to well suspension operations, low reservoir pressures, and other equipment failures. In some of the gas fields, we may never recover. Because of these license problems and uncertainty of shut-in duration, we were forced to delay much needed improvements and investments," Deputy Board Chairman of Ukrnafta Mavriky Kalugin said.

Biofarma could open blood plasma fractionator plant in July 2018

Biofarma pharmaceutical company seeks to launch a blood plasma fractionator plant in July 2018, Biofarma President Kostiantyn Yefymenko has written on his Facebook page.



"In December, we will receive separators from the German company GEA Westfalia, in February - the bioreactor of the Italian company Olsen, chromatographic complexes and ultrafiltration units from the world's leading companies such as General Electric, the Marchesini bottling line and in July we are opening a modern fractionator plant," he said.

The projected capacity of the fractionator, in the construction of which \$ 35 million was invested, will amount to 500 tonnes of blood plasma.

"We have a clear goal and plan to become the world's leader in deliveries to the market. We have the ambition of being among the seven largest global producers of blood plasma," Yefymenko said.

Biofarma is among the ten largest Ukrainian manufacturers of medical products. It produces more than 20 immunobiological drugs from donor blood.

Interchem pharmaceutical company launches new complex for API production



Interchem pharmaceutical company (Odesa) has launched a new laboratory and production complex for production of active pharmaceutical ingredients (API) in Odesa.

Interchem CEO Anatoliy Reder told Interfax-Ukraine during the celebrations dedicated to the company's 25th anniversary, the launch of the new API production complex is the final stage of the investment program worth EUR50 million, which is being implemented since 2012.

Investments in the new API complex amounted to about EUR9 million.

Reder noted the opening of this complex won't bring money immediately, it is an investment that will consolidate the company's position in the market.

According to him, Interchem plans to use APIs produced at the new complex mainly for its own needs.

"Today we use about 85% of produced APIs for our own needs and sell about 15%, while we receive orders for some APIs from abroad. We are studying the possibilities of export," he said.

Reder noted the equipment of the complex will fully ensure the implementation of environmental standards and requirements, completely excluding the possibility of contact of chemicals with the environment.

In addition, the equipment will allow producing finely dispersed APIs and small batches of substances.

Kyiv airport to increase passenger traffic by more than 60% in 2017, more than 30% in 2018

Kyiv Zhuliany International Airport plans to serve 1.86-1.9 million passengers in 2017, which is 60-68% more than in 2016, given the previously announced data, the director general of Master-Avia, managing the airport, Oleksiy Yakovets, told Interfax-Ukraine after the conference on presenting SkyUp airline in Kyiv.

"Next year we plan to serve about 2.5 million people, but this is if nothing supernatural happens," he added.

Thus, he said in 2018 the increase in passenger traffic at the airport could reach more than 30%.

Kyiv Zhuliany International Airport is located in the business center of the capital, 7 km from the city center. In the number of flights and passenger traffic, it ranks 2nd in Ukraine.

Ukraine raises car output by 72%, bus production almost triples in 11 months - Ukrautoprom



Ukrainian enterprises in January-November of this year produced 7,654 vehicles, which is 67% more than in the same period last year, in particular passenger car production increased by 72.2%, to 6,544 units, the Ukrautoprom association has said.

According to its preliminary data, which do not contain AvtoKrAZ figures from August last year, bus production increased by 2.9 times, to 687 units.

The leader in production remains Eurocar with 5,559 Skoda cars, which is 61.7% more than in January-November 2016.

Then ZAZ follows with 1,440 cars, of which 985 are passenger cars, 419 are commercial cars and 36 buses, while for the 11 months of last year the entire output was 427 units (363 cars, 62 commercial vehicles and two buses).

In addition, Cherkasy Bus raised production of buses by 89.5%, to 324 pieces, and also produced four commercial vehicles against five in the same period in 2016.

Chasiv Yar Bus Plant for the first 11 months of 2017 produced 82 buses (31 buses for the same period of 2016), Chernihiv Automobile Plant of Etalon Corporation 158 buses (three), and Bogdan Corporation 87 buses (32).

Ukrautoprom said in November 2017 Ukrainian plants manufactured 1,014 vehicles, which is 15.6% more than last November and 7.4% more than in October this year.

Turkish company will complete reconstruction of Kyiv-Odesa highway

The Turkish company Onur will complete the reconstruction of the section of the Kyiv-Odesa highway from Kyiv to Bila Tserkva instead of Altcom Financial and Industrial Group, Ukrainian Infrastructure Minister Volodymyr Omelyan has said.



"They (Altcom) promised (to complete the work) by the end of the year, they promised many times. I'm out of patience, international financial organizations too. As a result, they transferred part of the contract to Turkey's Onur, which will complete the work," he said in an interview with Interfax-Ukraine.

The minister expressed hope that next year Onur will complete the work. "In terms of quality, the difference is immediately visible. Where the Turkish company works we see normal European quality, where Altcom works - we have questions. I'm frankly dissatisfied, although I understand the difficulties for the company itself, but I'm tired of listening about problems for the third consecutive year," the minister said.

EBRD will issue EUR160 mln to Kharkiv to extend third subway line



The European Bank for Reconstruction and Development (EBRD) will provide Ukraine with a EUR 160 million loan for the extension of the "green" subway line in Kharkiv.

According to the announcement posted on the bank's website, the bank board of directors approved this project on November 29 this year. The EBRD said the European Investment Bank (EIB) will provide co-financing of the same amount in the form of a sovereign loan, which it approved in September.

According to the materials of these international banks, Bernard Ingenieure ZT GmbH, under the contract with the EBRD, developed a feasibility study of the Kharkiv Metro expansion project, involving enterprise with foreign investments Tebodin Ukraine in due diligence. The project provides for the extension of the "green" metro line in Kharkiv by 3.47 km towards the airport, the construction of two metro stations Derzhavynska and Odeska, the construction of depots and the purchase of 85 rolling stock units.

It is assumed that both stations and the section from the existing tunnels to the Derzhavynska station (959 meters) will be built in an "open way," while the tunnels between the new stations (2,514 meters) will be built with the help of a tunneling complex.

Ukrzaliznytsia plans to buy 8,900 new wagons in 2018



The draft investment plan of PJSC Ukrzaliznytsia for 2018 provides for the purchase of 8,880 new wagons, of which 5,180 from third-party manufacturers, but this plan could be reduced due to a lack of funding, the deputy director of the Ukrzaliznytsia strategic management and development department, Oleksandr Malakhov, has said.

During the infrastructural day at the European Business Association he explained this plan was drawn up taking into account the investment of UAH 30.6 billion from own funds, whereas according to the current financial model there are only UAH 13.3 billion of own funds for the next year.

Malakhov said out of 5,180 cars to be bought from third-party manufacturers, 3,400 are to be purchased at the expense of a loan from the European Bank for Reconstruction and Development. According to Malakhov, it is planned to produce 3,700 new cars at Ukrzaliznytsia's own capacities next year, of which 100 are platforms, and the rest are high-sided wagons.

EBRD will issue EUR 25 mln to MHP for building biogas plant

The European Bank for Reconstruction and Development (EBRD) will issue a loan of EUR 25 million to Myronivsky Hliboproduct (MHP) for the construction of a 10 MW biogas plant in Vinnytsia region.

According to a report on the bank's website, the bank's board of directors approved the corresponding project on November 29.

This project will support MHP's strategy to increase energy efficiency and improve the environmental impact on the environment, the EBRD said. The total cost of the project is estimated at EUR 27 million.

The construction of a biogas plant is aimed at using the waste of the existing poultry facilities in Vinnytsia region to produce biogas, which will be used as an alternative energy source thanks to modern technologies. As a result, it is expected to reduce greenhouse gas emissions by the equivalent of 85,500 tonnes of carbon dioxide a year. Myronivsky Hliboproduct is the largest poultry producer in Ukraine. It is also engaged in production of cereals, sunflower oil, and meat.

AGCO seeks to start Valtra tractor sales in Ukraine in 2018



AGCO, a global leader in production and supply of agricultural machinery and equipment, will start selling tractors on the Ukrainian market in 2018 under the Valtra trademark.



“We have plans to launch one of the main brands of Valtra Corporation in Ukraine in 2018. The Valtra plant in Finland already produces tractors for European countries, including for Belarus, Kazakhstan and Georgia,” Marketing Director of AGCO Eastern Europe Anton Kostyrko said at the Agrarian Olympus Congress in Kyiv.

“Distributors who sell Fendt equipment will also sell Valtra. We will comply with the European distribution system, because when focusing on a particular brand, it focuses on the supply of spare parts, the appropriate service tools and the correct distribution of human resources for servicing,” Kostyrko said. According to him, in 2017 the market of imported tractors in Ukraine grew by 17% compared to 2016.

“In 2018, amid a decline in the yield of sunflower and corn in some regions of Ukraine we do not predict a large increase in sales of agricultural machinery,” the representative of AGCO said.

He said that now AGCO does not consider the possibility of localizing production of machinery in Ukraine, despite the program of 20% state compensation for purchased Ukrainian agricultural machinery. AGCO is headquartered in Duluth (the United States).

Kherson machine building plant estimates investment in production of Skif 280 Superior harvesters AT UAH 373 mln



The total investment in a five-year project to create the joint production of Skif 280 Superior harvesters on the basis of Kherson machine building plant together with the Finnish Sampo Rosenlew is estimated at UAH 373.8 million.

According to a report on the website of Kherson Regional State Administration, this figure was presented by the director of Kherson machine building plant, Oleksandr Oliynyk, during a meeting on the ways of financing and accelerating production of combines and preparations for the corresponding meeting chaired by First Deputy Prime Minister Stepan Kubiv.

“The enterprise has started the development of combines. This year we have assembled three harvesters, now the fourth one is being prepared. Moreover, one has already been purchased by the local agricultural producer, i.e. the project has been launched,” Oliynyk said.

The planned total output of agricultural machinery for the five years of project implementation (2017-2022) is 1,460 combines for UAH 5.87 billion, spare parts for combines and other agricultural machinery for UAH 2.77 billion. For this period it is expected to receive almost UAH 1.5 billion of net profit.

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.

Forum Organizing Committee:

info@forumkyiv.org or **+38 (044) 496 30 36**

www.forumkyiv.org

www.facebook.com/kyiveconomicforum

The **Interfax-Ukraine News Agency** has been working on the Ukrainian market for political and economic information since 1992. Currently, the agency offers over 50 economic, financial and political information products in four languages – Ukrainian, Russian, English and German.

According to the GfK-Ukraine International research company, Interfax-Ukraine is the leader in all of the key operational indicators among the news agencies in Ukraine.

Maksim Urakin is a project director of the Biweekly news digest of KIEF.

urakin@interfax.kiev.ua or **+38(044) 270 65 74**

www.interfax.com.ua

SUBSCRIBE FOR UPDATES

