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## **Doing Business in Ukraine**

### **Market Overview**

Ukraine is an emerging free market economy, with many of the components of a major European economy including a well educated and well trained workforce, a solid industrial base, and rich farmlands.

Following a political and economic crisis in 2014-2015 and cumulative economic decline of 16 percent, Ukraine's economy began slowly growing in 2016 with two percent year-over-year growth. While the country's turn-around was primarily attributable to reforms implemented by Ukraine's first technocratic government, growth in 2016 was driven by a rebound in domestic investment activity and a modest recovery in household consumption. Domestic demand and good agricultural harvests continued to fuel economic growth of 3.3 percent in 2018 and 3.2 percent in 2019. Ukraine's economy is expected to contract by 3.3% in 2020, as the country contends with the spread of Covid-19.

Ukraine's global trade continued to grow in 2019, but imports significantly outpaced exports, resulting in Ukraine's trade deficit nearly tripling to \$10.3 billion. Ukraine's trade balance surplus in services increased by approximately 8 percent to \$6.4 billion in 2019, reflecting Ukraine's growing role as an information technology (IT) leader. Goods exported from Ukraine increased by 5 percent in 2019.

Despite its low past economic growth and growing trade deficit, Ukraine's economy has several bright spots, most notably agriculture, which generated approximately 9% of GDP in 2019. Last year Ukraine harvested 70 million tons and exported 50.4 million tons of grain, which was the country's record high. Ukraine ranks among the world's top producers of grain crops including wheat, corn, and barley. Barring weather issues, 2020 harvests will likely set new records, and agriculture will continue to support the economy. Stable agricultural growth presents significant opportunities for U.S. exporters of agricultural machinery, as well as other inputs like seeds and fertilizers.

Ukraine's recent economic recovery and macroeconomic stabilization are supported by the International Monetary Fund (IMF). The IMF approved a USD 5 billion, 18-month Stand-By Arrangement (SBA) on June 9, 2020. It succeeds the SBA approved in December 2018, which focused on maintaining stability through last year's elections. A staff-level agreement on a three-year USD 5.5 billion Extended Fund Facility (EFF) was reached in December 2019, but was not approved before the Covid-19 pandemic. Future IMF assistance will depend on additional reforms, including pension reform, continuing land reform, and additional steps to fight corruption. According to the IMF, per capita GDP in Ukraine is still very low—just 20 percent of the EU average and the second lowest level of all Central and Eastern European countries. Faster, sustainable, and inclusive growth is needed to recover lost ground and improve living standards.

The population of Ukraine has undergone a major decline since the 1990s, due primarily to the low birth rate and emigration. Ukraine's population totaled 42.15 million people as of December 2019. Approximately 14% of the population is age 0-14, 12% is 15-24, 57% is 25-64, and 15% is 65 years and over.

### **Market Challenges**

With growth potential of four to five percent per year, many market watchers agree that Ukraine could and should be the next Poland if it were to capitalize on its enormous economic potential in agribusiness, information technology, trade-related transportation, aerospace, and defense. These same analysts agree, however, that despite recent progress under enormously challenging circumstances (conflict, annexation, foreign intervention, and trade blockades), economic growth is most constrained by corruption.

While the government took several initial steps in 2019 toward tackling Ukraine's endemic corruption, reform will be a long process. Progress is largely stalled by oligarchs and the politicians they promote, who continue to stymie the efforts of dedicated and motivated reform technocrats. One example of this is a lack of prosecutions related to corruption, and another is a failure to privatize state-owned enterprises indirectly controlled and fleeced by oligarchic business interests. Partially due to insufficient reforms and a high-risk business environment, Ukraine is rated Caa1/B/B by Moody's/S&P/Fitch respectively, lower than some emerging markets in Latin America and above those in Africa.

In addition to corruption, other significant market challenges in Ukraine include:

- A lack of transparency within tax and customs institutions
- Harassment by tax and customs officials
- A dysfunctional court system, unable to fairly adjudicate business disputes
- Limited financing resources
- High tax rates
- Opaque and costly regulatory environment
- Inadequate protection of intellectual property rights
- A moratorium on agricultural land sales that dampens lease rates and prevents investment

## **Market Opportunities**

*Agribusiness* – CS Ukraine holds a positive long-term view on sales prospects for U.S. agricultural machinery and equipment manufacturers in Ukraine. Although Ukraine is a major global producer, its agricultural sector is under-equipped and much of its existing agricultural machinery is outdated. Overall, 30 percent of agricultural machinery needs to be replaced. This requirement is concentrated among the ten percent of Ukrainian companies that need to replace from 70 to 80 percent of their machinery fleet. Sub-sector best prospects include:

- Tractors
- Harvesters
- Tillage equipment
- Seeding equipment
- Sprayers and fertilizer distributors
- Grain storage and handling
- Irrigation Infrastructure
- Agricultural chemicals, including growth enhancers and micronutrients

*Defense* – Spending growth, high demand for defense equipment, and strong local manufacturing capabilities in some segments of the defense industry are boosting Ukraine's defense sector. However, factors such as corruption, limited investment openness, and non-transparent governance in the defense sector weigh on the sector's overall performance. Strong demand for defense equipment domestically, improvements in the sector's structure and procurement processes, as well as growing international defense industry collaboration and trade ties will benefit Ukrainian defense manufacturers in the longer term.

In 2019 Ministry of Defense (MOD) financing reached UAH 102.5 billion (approximately \$3.42 billion). About \$566 million goes for procurement and modernization of weapons and military equipment. Ministry of Internal Affairs financing reached \$ 2.7 billion. Overall, Ukrainian budget 2019 allocations for defense and security reached 5.38% of GDP.

Because of Ukraine's acute need to reduce its dependence on Russian defense and military equipment, Ukraine seeks to diversify its equipment supplies by purchasing equipment from the U.S. and other Western countries. Sub-sector best prospects include:

- Components for radio communication equipment and radio-electronic components
- Engines for military vehicles
- Optics

*Education* - With nearly 5.7 million students in a country the size of Texas, Ukraine is among the largest and most talented international student markets in Europe. Between 2009 and 2016 the number of Ukrainians studying abroad increased by 176 percent to reach 66,648 students studying in 34 countries. According to the most recent Open Doors Report of the Institute of International Education, 1,928 Ukrainian students went to the U.S. to study in 2018-2019, a 6.1 percent increase over 2017-2018. CS Ukraine strongly recommends that U.S. schools and universities explore Ukraine as a diversity market. Sub-sector best prospects include:

- Secondary Education
- Community Colleges
- Higher Education

*Food Processing and Packaging Equipment* - Harmonization of product standards with the European Union (EU) is underway and this, combined with Ukraine's eventual accession to the EU, will fundamentally and positively affect Ukrainian trade in processed food. With increased trade and price competition, local producers will need to improve their competitiveness by upgrading and modernizing processing and packaging capacities. These changes will provide multiple opportunities for U.S. equipment suppliers. Sub-sector best prospects include:

- Animal fats and vegetable oil production
- Vegetable products/processing (including oils)
- Confectionary products/processing
- Dairy products/processing
- Meat processing
- Food packaging

*Medical Equipment* -- In 2019, the Ukrainian medical device market was worth \$524.7 million, and is projected to reach \$549.6 million in 2020. Multiple factors are driving this growth: new healthcare legislation, which changes the way healthcare is financed; the comprehensive hospital sector; the ongoing World Bank project approved in March 2015; and Ministry of Health plans to expand the network of clinics in rural areas.

In 2019, imports accounted for 90 percent of medical device sales in Ukraine. Major suppliers are China, the U.S., Germany, and Japan. The U.S. share was about 12 percent of total imports, with almost 25 percent of orthopedics and prosthetics imports. Sub-sector best prospects include:

- Diagnostic imaging equipment (ultrasound, computer tomography, magnetic-resonance tomography)
- Laser surgery devices
- Stents, pacemakers, and other equipment used in the treatment of heart conditions
- Orthopedics & prosthetics
- Dental equipment and materials

*Oil and Gas Equipment* - Ukraine has taken important steps to diversify fuel supplies and improve oil and natural gas production aiming to increase energy independence. Ukraine's oil and gas industry plays a significant role in the country's national energy security strategy. The goal of increasing domestic production creates significant opportunities for U.S. companies in supplying equipment and technology. Sub-sector best prospects include:

Oil & Machinery

- Mobile workover rigs with 125 ton and 180 ton lifting capacity
- Casing pipes for wells, oil well tubing, drilling tubing
- Drilling muds and related services
- Downhole drilling motors and services

E&P services:

- Wide introduction of sidetracking technology
- Oil & gas upstream services
- Wells workover operations
- Seismic exploration works
- Hydraulic fracture works
- Coiled tubing services

*Safety & Security* - Ukraine's safety and security market is currently undergoing unprecedented structural change due to multiple challenges, including the recent economic recession, the conflict in eastern Ukraine, and a bump in crime rates. During the last recession, buyer purchasing power decreased, and low-cost suppliers from Asia flooded the market. In an environment of market contraction and cost-based competition, demand for relatively expensive western safety and security equipment exists primarily in the niche of advanced technology solutions where low-cost suppliers are uncompetitive. Sub-sector best prospects include:

- Document readers
- Biometric readers
- Explosives and drugs detectors
- Fire suppression equipment
- Advanced video surveillance cameras with video analytic capabilities

*Infrastructure* - Ukraine's strategic location can serve as a powerful catalyst for the development of the country as well as for the West. Historically, Ukraine has been at the crossroads of world trade routes and a major transit point on the way from Europe to Asia. Ukraine's transit potential is 200 million metric tons per year, while its utilization is only 25-30 percent. In 2019, the Ukrainian Government prepared a package of planned reforms to bring to changes to Ukraine's infrastructure. The scale of the package is comparable to the integration of Eastern European countries into the European Union's infrastructure in the 1990's and 2000's.

Ukraine plays an essential role for the European Union as one of the key countries for the transportation of goods to and from the EU, especially since the European Parliament approved a new transportation infrastructure development project turning the national transportation systems of European countries into a unified trans-European network (the TEN-T program). The cost of the first phase of the project is expected to reach nearly \$300 billion by the end of 2020. Within the framework of integrating the Ukrainian and European transport networks and following the Brussels Eastern Partnership Summit, Ukraine was included in the plans for the European transport network TEN-T initiative.

The plan for the construction of the Trans-European Transport Network TEN-T includes 39 Ukrainian infrastructure projects envisaged by the national strategy Drive Ukraine 2030, at a cost of almost \$5.3 billion.

Ukrainian infrastructure requires an additional \$20-25 billion of investment by 2030 with \$8-10 billion of private investments annually over the next 10 years. Ukraine is only able to finance about \$1.5 billion of infrastructure projects annually.

In 2019 Ukraine announced a number of new developments under the country's 'Great Construction' project. Information on this initiative can be found here: <https://www.president.gov.ua/en/news/sim-novih-shkil-bude-zdano-u-volinskij-oblasti-cogo-roku-vol-62169>. The government also plans to spend 100 billion UAH (\$3.7 billion USD) on road construction alone, which it hoped would create 170,000 jobs. Ukrainian Prime Minister Denys Shmyhal announced in April 2020 that funds would begin disbursement in May 2020.

Ukraine's economy is now expected to contract by 3.3% in 2020, as the country contends with the spread of Covid-19. This casts some doubt on the government's ability to push forward with its ambitious infrastructure development plans. Construction industry value is estimated to contract by 1.5%.

The primary segments of Ukraine's infrastructure industry are:

- Transport infrastructure: Ports, harbors and waterways infrastructure, airports, roads, railway, postal and shipping services.
- Construction: residential and non-residential building

## **Market Entry Strategy**

The ideal market entry strategy is to find the right partner. The Commercial Service in Ukraine offers a variety of matchmaking services for this purpose.

Do your due diligence. The Commercial Service can help you with an International Company Profile (ICP), which provides a thorough assessment of a prospective company, including information such as its financial standing, as well as references from creditors and customers.

Start small, build a relationship, and test the market.

Don't forget the Foreign Corrupt Practices Act (FCPA). It is a useful tool for you and your partner, providing a solid basis for building a transparent, aboveboard relationship.

As your business grows so will your business relationship.

Remember the Commercial Service is in Ukraine to support U.S. business interests abroad – so take advantage of our counseling services.

Commercial Service can explain the processes of company registration, product certification, and licensing - whatever it takes to facilitate your market entry, including identifying financing sources if needed.

Getting up and running, the Commercial Service Team in Ukraine has significant experience helping U.S. companies and their local partners with problems from clearing Customs, to promoting business to prospective clients. Our Single Company Promotion service provides valuable support and visibility for your company.

Stay in touch with the Commercial Service if you suspect or have identified potential problems. We can guide your company and direct you to helpful resources.



## Leading Sectors for U.S. Exports and Investment

### Energy Oil & Gas

#### Overview

Data in bcm

	2018	2019	2020 (estimated)	2021 (estimated)
Total Local Production	21.3	20.6	19.1	21.5
Total Exports				
Total Imports	10.6	10.6	10.1	8.5
<b><u>Total Market Size (Consumption) bcm</u></b>	32.3	29.8	30.0	30.0

*(total market size = (total local production + imports) - exports)*

*Data Source: Naftogas Ukraine, Gas traders of Ukraine Association*

*\*There is no accurate statistical data on the size of the oil & gas machinery equipment market.*

The Government of Ukraine (GOU) considers the oil and gas industry as a strategic sector to achieve independence from foreign oil and gas imports. The GOU continues to improve the output and production of electricity, oil, and natural gas, all efforts aimed at increased energy independence. Ukraine continues to follow its path to energy security and independence through legislative reforms.

In 2019, a decline of natural gas production in Ukraine was recorded for the first time in four years. Gas prices have halved and falling revenues from natural gas sales have reduced investment. In addition, a stagnation in the world oil and gas market had a significant impact on the Ukrainian market. There were also several auctions held for hydrocarbon exploration and development sections and competitions for concluding agreements on production sharing agreements (PSA) and defined their winners; 42 blocks with a total area of 29,000 sq.km were offered for the O&G licensing rounds. The royalty rate for the production of liquids under a PSA is 2% and for natural gas is 1.25%. This makes Ukraine's royalty tax one of the lowest in the EU.

Oil and Gas Production - Ukraine has tremendous natural resources for ensuring domestic needs in energy resources, with estimates of approximately 900 billion cubic meters of proven reserves of natural gas. In Europe, Ukraine ranks # 2 in Europe for gas reserves. Three Ukrainian regions contain hydrocarbons resources: the Dnipro-Donetsk basin, the Carpathian region in western Ukraine, and the Black Sea and Crimea region in the south. The Dnipro-Donetsk basin is a major oil and gas producing region accounting for 90 percent of all current Ukrainian production. The structure of hydrocarbons production in Ukraine is natural gas 89 percent, oil 7.9 percent, and gas condensate 3.1 percent. The primary source of hydrocarbons in Ukraine is natural gas, though the most lucrative gas reserves are located below 5,000 meters.

The leading position in gas production in Ukraine belongs to the state-owned companies, namely: PJSC Ukrasvydobuvannya (UGV), PJSC Ukrnafta – accounting for 72% percent and five percent of production, respectively. Six major Ukrainian private companies produce 22% and the remaining 3% of gas production comes from 45 small private gas producers. Overall, for 2016 the breakdown of gas production in Ukraine in bcm is as

follows: PJSC Ukrgasvydobuvannya – 14.9 bcm, PJSC Ukrnafta – 1.1 bcm, and private companies 4.6 bcm. Gas imports via reverse flow from the European Union cover lapses in domestic production.

Over the period of 2016-2019, UGV conducted over 400 hydraulic-fracturing operations, 3D seismic surveys for a number of new development areas and signed several major product enhancement contracts attracting the world's leading services companies including Weatherford, Schlumberger, Halliburton, and Baker Hughes.

Ukraine has been placed on the Baker Hughes Rig Count map. According to a May 2019 report, Ukraine leads in Europe in terms of the number of active drilling rigs at 84, accounting for almost half of the entire European fleet, which totals 186 including 44 offshore platforms. <https://bakerhughesrigcount.gcs-web.com/intl-rig-count>.

Currently, UGV's focus is to increase production efficiency, particularly the modernization of land infrastructure, including pressure compressor stations and drying units.

Primary market obstacles in Ukraine's oil and gas sector include currency devaluation, customs clearance problems, delays in reforms (permit system and licensing). Although there is a sufficient number of potential local partners and subcontractors in oil and gas industry, the lack of a qualified and well-experienced workforce is also a major hindrance.

### **Leading Sub-Sectors**

#### **E&P services:**

- The main trend of 2020 is the wide introduction of sidetracking technology
- Oil & Gas upstream services
- Well workover operations
- Seismic exploration works
- Coiled tubing services
- Oil & Machinery
- Casing pipes for wells, oilwell tubing/drilling tubing
- Drilling muds and related services
- Downhole drilling motor and services

#### **Opportunities**

Upstream: Besides export opportunities for oilfield machinery with UGV, there will be two major projects for two offshore blocks under a Production Sharing Agreement (PSA) proposed by the Ukrainian government. The Dolphin shelf section will be divided into two parts: South 8,300 sq.km and North 7,500 sq.km.

Downstream: In June 2020, Ukrtransnafta JSC transported West Texas Intermediate (WTI) oil for the first time. The company began accepting WTI oil into the Ukrainian oil transportation system for further refinery processing.

#### **Web Resources**

- Ministry Energy of Ukraine: <http://mpe.kmu.gov.ua/fuel/control/uk/index>
- Naftogaz Ukrainy National JCS: <http://www.naftogaz.com/www/3/nakweben.nsf/>
- Ukrgasvydobuvannya PJSC <http://ugv.com.ua/en/>
- Ukrtransnafta National Joint-Stock Company: <http://www.ukrtransnafta.com/en/?>
- Ukrnafta Open Joint-Stock Company: <http://nadraukrayny.com.ua/?lang=en>
- Association of Gas Producers of Ukraine: <http://agpu.org.ua/en/>

## Civil Nuclear

### Overview

Data in TWh

	2018	2019
<b>Total Net Generation (TWh)</b>	<b>159.35</b>	<b>159.96</b>
Nuclear	84.4	86.20
Thermal (coal)	47.93	46.71
Hydro	10.57	8.46
CHP	10.88	11.33
Hydro-Accumulative	1.47	1.46
Wind	2.0	2.1
Solar	1.7	2.9
Biomass	0.4	0.8
<b>Final Consumption (TWh net) without net loses</b>	<b>122.0</b>	<b>120.22</b>
<b>Generation Park</b>	<b>2018 Production Share %</b>	<b>2019 Production Share %</b>
Thermal (gas, coal)	29.50	29.2
Nuclear	54.33	53.9
Hydro / Hydro-Accumulative	7.81	6.2
CHP, other co-generation	6.45	7.1
Wind, solar, bio	1.91	3.6
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Because Ukraine relies heavily on nuclear power; there are significant opportunities for U.S. equipment suppliers in Ukraine's civil nuclear sector. Due to the Russian-backed separatist conflict in Eastern Ukraine, energy has become a high-profile political and economic issue. First, because of the conflict in the east, Ukraine's coal production has fallen by about one-fifth since 2014, thereby increasing the importance of the nuclear energy sector in limiting large-scale electricity shortages. Second, before this conflict, Ukraine significantly relied on Russia for energy. Though it is working to diversify its energy production, in this time of conflict and crisis, 52 percent of the country's electricity comes from nuclear power plants.

Ukraine currently operates 15 nuclear reactors at four facilities with a total installed capacity of 14,148 MW: Zaporizhzhya (6,000 MW, 6 VVER-1000 units), South-Ukraine (3,000 MW, 3 VVER-1000 units), Rivne (2,835 MW, 2 VVER-100 units and 2 VVER-440 units) and Khmelnytska (2,000 MW, 2 VVER-1000 units). Ukraine's nuclear power utility, Energoatom, operates all these facilities, generating 85.57 billion kWh, more than half the nation's electrical needs. Planned dates for withdrawal of most of Ukraine's operating nuclear reactors accounts will occur by 2020. Currently, all units are Russian VVER pressurized water reactors. Rivne 1 and 2 are 440 MWe V-312 models, and the rest are larger 1,000 MWe units, V-320 models. Energoatom's current priorities are to increase safety, bring

load factors up to 83-85 percent, and extend the working lives of the reactors by 10-15 years (at about US\$ 150 million per VVER-1000 reactor).

### **Leading Sub-Sectors**

**Life Extension and Upgrades** - In 2008 and 2009, Energoatom successfully extended the operating licenses of three of its reactors by 20 years. Based on these and other subsequent success with NPP life extensions, Energoatom is working with the European Bank for Reconstruction and Development (EBRD) as well as Euratom to upgrade additional reactors. Though the life extension program is being challenged under the UN Convention on Environmental Impact Assessment in a Transboundary Context, Energoatom continues with life extensions. In 2017, Ukraine extended the Zaporozhe-3 nuclear plant's 10-year operational license

**Fuel** - For decades, Ukraine had been nearly entirely dependent on Russian nuclear fuel procurement from Rosatom because Ukraine does not convert, enrich, or fabricate its fuel. Despite a lack of domestic enrichment capacity, Ukraine does possess mineral uranium resources, including approximately 2 percent of the world's uranium reserves. Traditionally, Ukraine sent its uranium concentrate and zirconium alloy to Russia for enrichment.

To reduce the risk of complete dependence on Russia, however, in December 2014, Ukraine signed the contract with Westinghouse Electric Company to begin diversifying its nuclear fuel supply. Historically, Russia supplied 100% of fuel, but in 2017 it dropped to 60%, with 40% supplied by Westinghouse (seven blocks out of 15). Ukraine took an additional step towards diversification in August 2016 when it signed a supply contract for enriched uranium with the Anglo- German-Dutch company, URENCO.

**Waste Management** - Ukraine has an open fuel cycle and two storage facilities for spent fuel, one dry at the Zaporozhye plant and one wet at the Chernobyl plant. Currently, Ukraine sends its spent fuel to Russia and Energoatom pays Russia \$150-200 million per annum to accept and store this spent nuclear fuel. In January 2015, Energoatom and the U.S. firm Holtec signed a contract to construct a centralized dry storage facility for spent fuel (CSFSF) in the Chernobyl Exclusion Zone to reduce Ukraine's reliance on Russia. In January 2017, Energoatom announced a tender for the preparation of the construction site for CSFSF, which it will commission in September 2020.

### **Opportunities**

Energoatom plans to refocus on small modular reactor (SMR) construction, which have shunting characteristics, which vary to the existing high-capacity units that can operate only in the base load. At the end of December 2018, Energoatom signed a memorandum of cooperation with an American engineering company for the development of SMR technology to implement a pilot project for the construction of six SMR-160 reactors (160 MW) at the Rivne site.

U.S. suppliers should note that alongside local manufacturers of equipment for the nuclear industry, such as Turboatom, UTEM, and Westron, are major foreign competitors. These include Germany (Siemens), Switzerland (ABB) and France (Alstom, Areva), Rosatom, TVEL (Russia), Westinghouse (Japan) and Holtec (U.S.). Ukrainian manufacturers supply turbines, generators, transformers, and electric cable at very competitive prices, but they are less efficient and longlasting.

In December 2018, the Cabinet of Ministers of Ukraine approved a plan of measures for the synchronization of the Unified Energy System (UES) of Ukraine with the European Network of System Operators of Electricity (ENTSO-E). The action plan foresees the creation of a joint control unit for UES of Ukraine and the energy system of Moldova, work on ensuring the availability of thermal power plants for work in the ENTSO-E, the organization of communication channels for the technological control of the UES of Ukraine, the construction of air lines and substations, certification of the transmission system operator (NEC Ukrenergo"), the transition to isolated work with

the grid systems of countries outside the ENTSO-E (RF, Belarus), the attraction of international technical assistance. Within the framework of the plan, by 2021 Ukraine will have to build a number of trunk transmission lines (power lines).

#### **Web Resources**

- The Ministry of Energy <http://mpe.kmu.gov.ua/>
- NNEGC Energoatom <http://www.energoatom.kiev.ua>
- World Nuclear Industry Status report <http://www.world-nuclear.org/information-library/country-profiles/countries-t-z/ukraine.aspx>
- Energobusiness Magazine (energy sector news, statistics and facts - in Ukrainian only)
- <http://www.e-b.com.ua/>
- EXPRO Consulting <https://expro.com.ua/en>

## Agricultural Machinery and Equipment

### Overview

Data in USD thousands

	2017	2018	2019	2020 (estimated)
Total Local Production	348,271	327,007	334,465	350,000
Total Exports	127,885	119,695	106,709	96,000
Total Imports	1,748,210	1,555,428	1,370,527	1,035,000
Imports from the US	381,975	293,407	240,466	216,419
Total Market Size	1,968,596	1,762,740	1,598,283	1,289,000
Exchange Rates	26.6 UAH	27.2 UAH	25.8 UAH	25.8 UAH

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

- Total Local Production: State Statistics Service of Ukraine
- [http://ukrstat.gov.ua/operativ/operativ2007/pr/orp/orp\\_u/arh\\_orp\\_u.html](http://ukrstat.gov.ua/operativ/operativ2007/pr/orp/orp_u/arh_orp_u.html)
- Total Exports: Global Trade Atlas <https://www.gtis.com/gta/>
- Total Imports: Global Trade Atlas <https://www.gtis.com/gta/>

Ukraine's agribusiness sector remains the most promising sector of the economy. With 41.5 million hectares of agricultural land covering 70 percent of the country and about 25 percent of the world's reserves of black soil, agriculture is Ukraine's largest export industry. In 2019, Ukraine's agriculture sector generated approximately 9% of GDP.

Production is primarily divided between two groups - agricultural enterprises and households. The former produces 55 percent of gross output and consists of 45,000 enterprises. The second group consists of more than 4 million households cultivating on average 1.23 hectares of land each, generating nearly 45 percent of gross agricultural output.

Crop farming, which accounts for 73 percent of agricultural output, dominates Ukrainian agriculture. Corn, wheat, and barley are Ukraine's main grain crops. For five consecutive years (2013-2017), Ukraine harvested over 60 million tons of grain and legumes annually. In 2018 and 2019, Ukraine continued increasing grain production volumes to 70 and 74 million tons respectfully. With significant improvements in yields, many experts estimate that Ukraine's total grain output potential is 140 million tons.

Oilseed is the second most important subsector in Ukrainian crop farming. The major oil crops are sunflower, soy, and rapeseed. In the mid-2000s, after implementation of export tariffs for unprocessed sunflower seed, Ukraine developed a leading sunflower oil industry and became the number one exporter of sunflower oil in the world.

In the context of a total export volume decrease, the share of agricultural exports is increasing. The share of agriculture in export revenues for Ukraine increased from 26 percent in 2012 to 44.3 percent in 2019 amounting to \$22.2 billion. The basis of agricultural exports is still exports of raw materials, namely products of plant origin, including corn, wheat, rapeseeds, and soybeans. Sunflower oil is the second largest export product after corn, accounting for 7.6

percent or \$3.78 billion of all exports. It also produces significant volumes of poultry, forage and feed crops, potatoes, sugar beets, and a variety of fruit and vegetables.

However, Ukraine's gap between potential and actual production volumes is due largely to the moratorium on the sale of arable land. The moratorium on land sales means that large farms depend on land leases, which hampers access to finance and discourages, for the most part, investment in irrigation and drainage. Gradual opening of the land market beginning in 2021 will allow farmers to use land as collateral and, over the long term, encourage them to invest more in equipment and infrastructure. Beginning July 2021, agricultural land will be available for sale to Ukrainian citizens (up to 247 acres per individual). Beginning in 2024, Ukrainian legal entities will be able to buy up to 24,710 acres. In addition, the World Bank will provide a loan of \$200 million to help Ukraine create a fair and transparent farmland market. The World Bank estimates that the opening of the land market, together with better targeting of subsidies and improvements in productivity and transparency, could lead to incremental GDP growth of over 2.0 percent per annum over the next several years.

During 2016-2017, greater political stability, a stronger economy, a more stabilize hryvnia (the country's currency) and delayed demand enabled and encouraged Ukrainian farmers to resume desperately needed capital investment, including agricultural equipment. Farm machinery and equipment imports increased nearly 2.5 times in 2017 compared to 2015, returning to 2013 levels. In 2018 the demand for imported machinery and equipment decreased at 11 percent due to stabilization of the situation after a high increase in 2017. In 2019, imports of agricultural machinery and equipment decreased by 12 percent and are expected to decrease 15-20 percent in 2020 due to limited access to credit and working capital, and the transition to a more open land market.

### **Opportunities**

The Commercial Service in Ukraine holds a positive long-term view on sales prospects for U.S. agricultural machinery and equipment manufacturers in Ukraine. Although demand for agricultural machinery is directly tied to the health of Ukraine's agribusiness, import volumes of agricultural equipment are traditionally high.

Although Ukraine is a major global producer and exporter of crops, its agricultural sector is under-equipped, and much of its existing agricultural machinery is outdated. According to the Institute of Agrarian Economics of Ukraine, in 2018 capital investments are approximately of \$250 per hectare of agricultural land, or about 20 percent of actual need. With anticipated growth of production volumes and delayed demand, Ukraine's imports of agricultural machinery and equipment is expected to grow. Operational need for agricultural machinery and equipment is estimated at \$20 billion in 2025.

Best Prospects include:

Tractors

Harvesters

Tillage equipment

Seeding equipment

Sprayers and fertilizer distributors

In addition to the prospects for agricultural machinery used for plant cultivation, the following agribusiness sub-sectors are promising for U.S. companies:

- Grain storage and handling
- Irrigation Infrastructure

- Agricultural chemicals, including growth enhancers and micronutrients

## Competition

U.S. agricultural machinery companies contemplating entering the Ukrainian market should also consider the competitive landscape. U.S. brands such as John Deere, AGCO, Great Plains, and Case are widely available in the Ukrainian market, but face tough competition from European manufacturers (e.g. German, Danish, and Italian manufacturers). Competition is particularly fierce for tractors and harvesters. In the combine harvester segment, German manufacturers hold almost fifty percent of the market (both new and used), while U.S. manufacturers have less than ten percent. Competition from European suppliers would likely increase should Ukraine enter the European Union (EU). The Deep and Comprehensive Free Trade Area (DCFTA) agreement, which is part of Ukraine's EU Association Agreement includes the gradual removal of customs tariffs and quotas and an extensive harmonization of laws, norms, and regulations in various sectors. Additionally, Canada-Ukraine Free Trade Agreement (CUFTA) envisages improved market access, by eliminating tariffs across many export groups.

Local agricultural machinery and equipment production is also expected to grow due to a Ukrainian Government program offering 25 percent support for the purchase of Ukrainian agricultural machinery and equipment. However, according to the Center of Economic Recovery, in 2019 the market share of imported machinery in Ukraine remained high at 67 percent.

## Financing

The major factor restricting agricultural development is access to credit and working capital. Domestic loans are expensive, and Ukraine's challenging business climate prevents local companies from attracting cheaper international funds. Therefore, the competition among suppliers of agricultural machinery in Ukraine is not only about quality, but also about a supplier's financial terms. A major trend in agricultural banking industry is operational capital financing for the purchase of plant protection products, seeds, fertilizers, and fuels. Bankers are more willing to offer credit to agricultural commodity producers of grains, cereals, and oilseeds.

At the end of December 2018, after more than five years of suspended operations, the U.S. ExIm Bank reopened its short and medium-term programs in Ukraine for both private and public sector. This action sends a strong signal to U.S. companies seeking to supply the Ukrainian market with U.S. agricultural equipment and services, since financing is a key factor for buyers considering equipment purchases. For many years, Ukraine was the U.S. ExIm Bank's most active portfolio in the region, with close to \$140 million of long-term guarantees provided in 2012.

## Web Resources

### Trade Events

- InterAgroAgro, October 26-29, 2020, Kyiv, Ukraine <https://interagro.in.ua/en/about-project/>
- Fresh Business Expo, December 1-3, 2020, Kyiv, Ukraine <http://www.freshbusinessexpo.com/>
- Grain Tech Expo, February 2021, Kyiv, <http://www.grainexpo.com.ua/en>
- Agro Animal Show, February 2021, Kyiv, Ukraine <http://www.animal-show.kiev.ua/en>
- Fruit. Vegetables. Logistics, February 2021, Kyiv, Ukraine [www.freshexpo.kiev.ua](http://www.freshexpo.kiev.ua)
- AGRO 2020, June, 2021, Kyiv, Ukraine <https://agroexpo.in.ua/>

### Useful links

- The Ministry of Economic Development, Trade and Agriculture of Ukraine <https://www.me.gov.ua/?lang=en-GB>



- Ministry of Infrastructure <http://mtu.gov.ua/>
- Ukrainian Agribusiness Club <http://ucab.ua/>
- Ukrainian Grain Association <http://uga.ua/en/home/>
- Ukrainian Agri Council <http://uacouncil.org/en>
- APK Inform <http://www.apk-inform.com/>

## Defense Equipment

### Overview

Data in USD thousands

	2018 (estimated)	2019 (estimated)	2020 (forecast)	2021 (forecast)
Total Local Production**	1,213,000	1,307,000	1,538,000	1,900,000
Total Exports**	763,000	908,000	1,000,000	1,200,000
Total Imports	300,000	370,000	500,000	650,000
<b>Total Defense Equipment Market</b>	750,000	769,000	1,038,000	1,350,000
<b>Total Defense Expenditure*</b>	<b>4,108,500</b>	<b>4,262,900</b>	<b>4,487,500</b>	<b>4,902,500</b>
Exchange Rate: 1 USD	27.2 UAH	25.8 UAH	28.85	30.0

*(total market size = (total local production + imports) - exports)*

*Source: BMI/US Dept. Of State WMEAT\*; Ukrainian State Concern UkrOboronProm annual reports\*\**

Defense spending growth, high demand for defense equipment, and strong local manufacturing capabilities in some segments of the defense industry are boosting Ukraine's defense sector. Strong demand for defense equipment domestically, improvements in the sector's structure and procurement processes, as well as growing international defense industry collaboration and trade ties, will benefit Ukrainian defense manufacturers in the longer term.

Much of the Ukrainian armed forces' equipment is in need of upgrade or replacement. However, the budget available for new procurement is limited by high expenditures for personnel and operational costs. In 2020 Ministry of Defense (MOD) financing is planned at UAH 130 billion (approx. \$4.5 billion). About \$788 million goes for the procurement and modernization of weapons and military equipment. In addition, Ministry of Internal Affairs financing will reach \$3.2 billion. Overall Ukrainian budget 2020 allocations for defense and security reached 5.45% of projected GDP.

In recent years, given budget constraints, many Ukrainian armed forces acquisitions have been organized through military assistance programs with allies. The Ministry of Defense of Ukraine noted that in 2019, the United States and European Union countries provided military equipment to the Armed Forces of Ukraine totalling approximately \$143 million. Within this international military aid, the Ukrainian Army received armored vehicles and Island-class boats. In addition, Ukraine received communication equipment, navigation equipment for vessels, counter-battery radars, cybersecurity technology, night-vision devices, tents, portable lighting systems, personal protective equipment for personnel, mine-clearance equipment, medical equipment, and various replacement parts.

Ukraine plans to dismantle the obsolete, Soviet system of state defense acquisition in favor of unified defense acquisition plans. The draft Law "On Defense Procurement" was voted by Ukrainian parliament in the second reading on May 13, 2020. This Law aims to declassify a significant part of the state defense budget and create a competitive and transparent environment in the military hardware market. The Ministry of Defense of Ukraine will set up an independent task force to inspect and approve all acquisitions.

In December 2019, the Ministry of Defense of Ukraine started working with the NATO Support and Procurement Agency (NSPA), making its first trial purchase. Ukraine first joined in 2016 but made little progress in implementation since then.

Ukraine is undertaking a reform of its defense industry establishing clusters within the state-owned company UkrOboronProm (UOP) and improving UOP's management efficiency and governance. In January 2019, legislation has been approved to grant the authority to import and export defense products to enterprises of various forms of ownership. This will eliminate a long-standing monopoly of state-owned special exporters within the UOP umbrella and allow foreign military sales.

The primary suppliers of defense and military equipment to Ukraine's armed forces are the state-owned company UkrOboronProm (UOP), established in 2010, and a growing number of private enterprises. The share of private companies supplying the national defense sector reached 60 percent in 2019.

Because of Ukraine's acute need to reduce its dependence on Russian defense and military equipment, the GOU seeks to diversify its equipment supplies by purchasing equipment from the U.S. and other Western countries.

The Russian market has historically accounted for a large share of Ukrainian defense component exports, and currently Ukrainian defense companies have worked to strengthen industry cooperation and exports to other countries, with a particular focus on the Middle East and Asia. Ukraine is an attractive partner for countries looking to develop and expand their own defense industries, as Ukrainian defense manufacturers have substantial capabilities in segments such as ground and aerospace, and face fewer restrictions on technology transfer than many other players on the international market. Facilitating this process, in July 2016, the Ukrainian parliament passed regulation enabling Ukrainian aircraft manufacturers to enter international joint ventures (JVs) and produce equipment overseas.

### **Leading Sub-Sectors**

Ukraine's defense industry most urgent needs include:

- Components for radio communication equipment and radio-electronic components;
- Engines for military vehicles;
- Optics

### **Opportunities**

Ukraine recognizes the U.S. as a leader in the worldwide defense industry and international market for military and dual-use equipment. The GOU seeks to cooperate with U.S. companies in a variety of ways including:

- forming joint U.S.-Ukrainian production enterprises
- subcontracting with U.S. companies
- issuing direct work orders to U.S. companies
- selling equity ownership in select Ukrainian defense companies
- concession agreements with defense enterprises
- leasing Ukrainian defense industry enterprise's workshops and infrastructure for up to 49 years
- creating U.S.-Ukrainian consortiums among several U.S. and Ukrainian defense industry enterprises

The portfolio of joint projects includes aircraft engines, early warning systems, first-aid and battlefield evacuation vehicles, a NATO-compatible self-propelled 155-mm gun system, as well as steel armor, AFV engines, weapons control systems.

Potential exports and investors should note that Ukraine may access various U.S. and international defense acquisition programs. These include U.S. Foreign Military Financing (FMF), U.S. Foreign Military Sales (FMS), U.S. Direct Commercial Sales (DCS), the U.S. Congress Ukraine Freedom Support Act of 2014, the European Reassurance Initiative, and NATO Trust Funds.

#### **Trade Events**

- Arms and Security, October 13-16, 2020, Kyiv, Ukraine <https://www.iec-expo.com.ua/en/oruzhieeng-2020.html>

#### **Useful Links**

- Ukroboronprom State Defense Industry Concern, <https://ukroboronprom.com.ua/en/>
- Ministry of Defense of Ukraine, <http://www.mil.gov.ua>
- National Guards of Ukraine, <http://ngu.gov.ua>
- Ministry of Internal Affairs of Ukraine, <http://www.mvs.gov.ua>
- State Security Service of Ukraine, <http://www.sbu.gov.ua>

## **Education Services**

This is a best prospect industry sector for this country. Includes a market overview and trade data. With nearly 5.7 million students in a country the size of Texas, Ukraine is among the largest and most talented international student markets in Europe.

After decades of standing in Russia's shadow, Western institutions are gradually taking more notice of Ukrainian students. The country ranks fourth in the world in the number of people with a higher education, and the literacy rate is 100 percent among its younger generations.

In 2018-19 the number of students in primary and secondary school reached 4,053,398, in vocational school 491,010, and in higher education 1,139,844 students.

Education reform introduced in 2014 holds significant promise for a fundamental transformation of the sector. New laws adopted in recent years a major shift towards democracy and decentralization of the educational system in Ukraine leading to further harmonization and integration with European norms and standards.

Despite its track record in producing talented, literate students, over the last twenty years Ukraine's educational system has suffered, which in turn has caused increasing numbers of students to look for study abroad programs. According to Ukrainian think tank CEDOS, the number of Ukrainian international students has tripled since 2009 and reached 77,639 in 2016-17. The most attractive countries to study are Poland, Czech Republic, Germany, Italy, Russia, Canada, the United States, Spain, Austria, and France.

When selecting a country, Ukrainians base their decisions on a country's reputation for helping a student with career preparation and the strength of a country's overall education system. When comparing schools, prospective students consider first the quality and then the cost of tuition.

According to the most recent Open Doors Report of the Institute of International Education, 1,953 Ukrainian students went to the U.S. to study in 2018-19, which is 1.3 percent more than in 2017-18. Fifty percent of Ukrainians studying in the U.S. pursue bachelor's degrees, 30 percent enroll in graduate programs, 15 percent take optional practical training, and five percent pursue non-degree programs. Due to a limited number of high-quality business education programs in Ukraine, business administration is the number one field of study for Ukrainian international students followed by engineering, computer science, law, and languages.

Regarding competition for U.S. universities, according to agents, Canada is the U.S.' primary competitor in recruiting Ukrainians to study in primary and higher education programs, whereas the U.K. is the major competitor for language schools and programs.

### **Market entry**

There are many recruiting agents in Ukraine and numerous small agencies dominate the market. Most agents concentrate their efforts on serving students who plan to use their parent's income or personal savings to pay for their education.

Even though cost is a major obstacle for Ukrainians to study in the U.S., nearly all agents report that they currently partner with U.S. schools in recruiting students, and the majority of them are satisfied with the support they receive from U.S. institutions. When asked what additional form of support would help them to promote student recruitment for the U.S., companies named the following:

- More scholarship offers for Ukrainian students
- Regular market visits, agent workshops, and exhibition support

- Familiarization trips for agents
- Guidance on visa information
- Faster application process and accommodation assistance

**Trade events**

There are no educational trade events on a national level in Ukraine. The educational companies organize their own fairs and invite international schools to participate. Usually these fairs take place in October and February.

**Leading Sub-Sectors:**

- Secondary Education
- Community Colleges
- Higher Education

**Web Resources:**

- Ministry of Education and Science of Ukraine <http://mon.gov.ua/>
- Osvita.Ua (Education portal) <http://osvita.ua/>
- Analytical Center CEDOS - <http://www.cedos.org.ua/?locale=en>

## Medical Equipment

### Overview

Data in USD million

	2018 (estimated)	2019 (forecast)	2020 (forecast)	2021 (forecast)
Total Local Production	81.7	95.7	97.0	103.8
Total Exports	33.0	36.0	42.0	46.0
Total Imports	397.1	465.0	494.6	518.1
Imports from the U.S.	39.4	45.6	49.5	51.0
<b>Total Market Size</b>	<b><u>445.8</u></b>	<b><u>524.7</u></b>	<b><u>549.6</u></b>	<b><u>575.9</u></b>
Exchange Rate: 1 USD	27.2 UAH	25.8 UAH		

- Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
- Data Source: National Sources/BMI; Total Imports and Imports from U.S.: TradeStat Express
- \*There is no accurate statistical data on the size of the medical equipment market.

On January 1, 2018, healthcare reform laws became effective in Ukraine. The reform is the first comprehensive change to the country's health system since independence in 1991. This program was launched on the primary medical care level starting July 1, 2018, and on specialized care starting April 1, 2020. The cost of medical services is covered by payments made to healthcare institutions by the newly created National Health Service (NHS). The NHS paid \$568 million to healthcare facilities in 2019, and \$244 million during the first half of 2020.

A list of medical services, medical devices, and pharmaceuticals to be provided to patients free of charge will be adopted each year as part of the state budget. The costs of emergency, primary, secondary, tertiary, and palliative care, including services and medications, will be fully covered by the state under the healthcare guarantees program. At least 5% of GDP will be allocated each year for the healthcare guarantees program.

There is no accurate statistical data on the size of the Ukrainian medical equipment market. According to the BMI forecast, the Ukrainian medical device market will record double-digit growth, in local currency terms, over the 2018-2020 period.

In 2020, the Ukrainian medical device market is estimated at \$549.6 million, and is projected to reach \$575.9 million in 2021 (Source: National Sources/BMI). Multiple factors are driving the growth: new healthcare legislation, which changes the way healthcare is financed; the comprehensive hospital sector; the ongoing World Bank project that was approved in March 2015; and Ministry of Health plans to expand the network of clinics in rural areas.

In 2020, almost 90 percent of medical devices sold sales in Ukraine are imported. Major suppliers include China, Germany, and Japan. The U.S. share is about 10 percent of total imports, and almost 25 percent of orthopedics and prosthetics imports.

Though Ukraine has a strong scientific research base, capable of developing highly advanced treatments and products, it lacks an accompanying strong manufacturing sector. Domestic manufacturers produce a limited range of equipment including radiology, electrocardiography and ultrasound machinery, refrigeration and cryogenic equipment, specialized medical furniture, orthopedic appliances, respiratory anesthetic equipment, hearing aids, surgery and dentistry tools, sterilizing equipment, electro-diagnostic equipment, and electrical stimulators.

About 250 companies are developing and producing medical equipment in Ukraine. Domestic medical device production is estimated at \$97 million in 2020. Consumables, in particular individual protective products such as

masks, contributed to the growth. Historically, exports tended to be largely at the lower end of the technology scale, but since 2018, diagnostic imaging exports account for nearly 40 percent of the total. Around half of exports are destined for other former Soviet countries.

Ukraine continues to move towards harmonization with European standards in the field of medical equipment/devices. In July 2015, a national conformity assessment procedure governing the registration of medical devices was introduced. New products can enter the Ukrainian medical device market if they conform with the technical regulations that based on the EU Directives for medical devices. The new system introduces the following requirements for Ukrainian medical device registrations:

- Foreign registrants must appoint Authorized Representatives based in Ukraine
- Expanded list of documentation and sample submissions required for registrations
- Manufacturing site inspections for Classes I, IIa, IIb and III
- Special symbols of national conformity are required for medical devices imported into Ukraine
- National conformity certifications are valid for five years

Documentary expertise, on-site manufacturing inspections and testing of samples of medical devices is being performed by **national authorized bodies** (analogue of notified bodies in EU). List of state and private bodies that have been granted accreditation from the National Accreditation Administration of Ukraine and the Ministry of Economic Development and Trade can be found at:

<https://www.dls.gov.ua/медичні-вироби/технічні-регламенти/технічний-регламент-щодо-медичних-ви/перелік-призначених-органів-з-оцінки/>(in Ukrainian)

#### **Leading Sub-Sectors:**

- Diagnostic imaging equipment (ultrasound, computer tomography, magnetic-resonance tomography)
- Laser surgery devices
- Stents, pacemakers, and other equipment used in the treatment of heart conditions
- Orthopedics and prosthetics

#### **Opportunities**

Ukraine's implementation of e-procurement system in August 2016 presents opportunities for American companies to participate in Ukrainian public tenders. American suppliers interested in current public procurement opportunities in Ukraine may register for notifications at the Ukrainian Public Procurements Official National Web Portal PROZORRO: <https://tender.me.gov.ua/EDZFrontOffice/> and at the PROZORRO website <http://prozorro.org/>.

The World Bank's \$261 million "Serving People, Improving Health" project approved in March 2015 received \$135 million of additional financing in April 2020. The additional financing will support improving the efficiency and quality of health services, particularly for non-communicable diseases in line with health sector reforms, and to prevent, detect and respond to the threat posed by COVID-19.

#### **Trade Events**

Public Health, Ukraine's major medical equipment & pharmaceutical industries trade show – October 7-9, 2020, Kyiv, Ukraine

<http://www.publichealth.com.ua/en-GB/>



## Useful links

- Ministry of Health of Ukraine: <http://www.moz.gov.ua>
- COVID 19 pandemic in Ukraine <https://covid19.gov.ua/en>

## Food Processing & Packaging Equipment

### Overview

In 2019, total production of foodstuffs, beverages, and tobacco products in Ukraine was \$20 billion making up 26.6 percent of the total industrial output. In trade terms, exports reached \$5.4 billion accounting for 21.5 percent of Ukraine's industrial products exports. Vegetable and animal oils and fats dominate exports making up 66 percent of all food products exports at \$3.7 billion. However, the basis of agricultural exports is still exports of raw materials, namely products of plant origin, including corn, wheat, rapeseeds, and soybeans.

Along with the vegetable oil production that dominates the industry, Ukraine's food processing industry includes more than 40 different sectors. There are significant opportunities in vegetable and fruit processing. For example, Ukraine is the leading producer of tomato paste in the former Soviet Union and an active competitor vis-a-vis European producer. Ukraine is also one of the five largest European suppliers of apple concentrate. Finally, Ukraine's share of global potato production is 6.2 percent and the with its GMO-free potato, Ukraine is well positioned to develop a strong position in the potato flour and starch market and to increase the volume of potato exports to the EU.

Large vertically integrated poultry producers, assisted by international financial institutions, will continue to expand and increase their market share. This growth will be driven by exports to the European Union (EU), Middle East, and Asia and harmonization with EU standards. The level of concentration in Ukraine's meat processing sector is high, with the top 20 companies accounting for 10 percent of cattle livestock, 28 percent of pig livestock, and 58 percent of poultry livestock.

Altogether, there are two thousand small, medium, and large food processing enterprises in Ukraine, 200 of which are partners of international companies. Global giants that are well established in Ukraine include Mondelez, Nestle, Danone, PepsiCo, Coca-Cola, Carlsberg, Jacobs, East Balt Bakery, and Wim-Bill-Dann.

In 2019, capital investments made in food processing companies doubled compared to 2015 and amounted to \$1.2 billion or 13.7 percent of total industrial capital investments. However, about 70 percent of food processing capacity still uses obsolete equipment, making them uncompetitive.

U.S. food processing companies should consider the competitive landscape. Germany, Italy, Turkey, the Netherlands, and Poland are the major exporters of food processing and packaging machinery and equipment. Italy and Germany exports account for 73 percent of the machinery used for confectionary. Spain's share of sugar manufacturing machinery exports accounts for 40 percent. The Netherlands, Germany, and Poland's share of poultry processing equipment is 81 percent. Italy and Netherlands together account for 33 percent of the equipment for bakery and macaroni production. Overall U.S. exports food processing machinery and remain very low compared to the European suppliers.

The Commercial Service in Kyiv identified food processing equipment as a "best prospect" following the beginning of the implementation of the Deep and Comprehensive Free Trade Agreement (DCFTA) between Ukraine and the European Union (EU) in January 2016. This agreement includes the gradual removal of customs tariffs and quotas and the extensive harmonization of Ukraine's laws, norms, and regulations in various sectors. Harmonization, in turn, will create an even greater competition for U.S. suppliers.

U.S. suppliers need to consider that despite fierce competition from European suppliers, Ukraine growing the potential of agri-food chain development is very high as food processing companies will need to modernize their production. Harmonization of the Ukrainian food safety legislation in compliance with EU norms, the requirement to implement Hazard Analysis and Critical Control Points (HACCP), and expansion to foreign markets will increase demand for higher quality food processing and packaging materials.

Regarding distribution, in Ukraine, it is easier for U.S. companies to sell equipment and machinery to local distributors rather than end-users. This is because distributors have local exposure, meaning they know who needs the products and most importantly, who can pay for it. Also, a local distributor may handle customs clearance, tax payments, and certification procedures, as well as service and maintenance. If a U.S. exporter is seriously interested in the Ukrainian market, they should consider opening a representative office here. This will broaden the scope of expected support functions (marketing, promotion, and other auxiliary functions), serve as a base from which to expand to neighboring countries, and allow the company to manage the demand for spare parts and repair services.

### **Leading Sub-Sectors**

- Animal fats and vegetable oil production
- Value-added products from cereals
- Confectionary products
- Dairy products
- Fruit and vegetable products
- Meat processing
- Food packaging

### **Opportunities**

Despite the challenges listed above of a lack of financing for equipment purchases and a lack of highly qualified personnel, the Ukrainian food processing industry has many advantages. Most significantly, Ukraine has an abundance of domestic raw materials. Additionally, Ukraine may serve as an export base to both East and West. In 2015, the Government of Ukraine also made many notable reforms and structural adjustments that will positively impact food processing, including the progressive removal of customs tariffs and quotas and the extensive harmonization of laws in compliance with the DCFTA as discussed above. Together, these strengths are creating opportunities in oil production, vegetable processing (including oils), cereals, confectionary, dairy, and meat processing.

### **Trade Events**

- Bakery Ukraine, September 8-9, 2020, Kyiv <http://www.bakery-expo.com.ua/>
- Inprod mash and Upakovka, September 8-10, 2020, Kyiv <http://inprod mash.ua/en/>
- [Fresh Business Expo](http://www.freshbusinessexpo.com/), December 1-3, 2020, Kyiv, Ukraine <http://www.freshbusinessexpo.com/>
- Grain Tech Expo, February 2021, Kyiv, <http://www.grainexpo.com.ua/en>
- Agro Animal Show, February 2021, Kyiv, Ukraine <http://www.animal-show.kiev.ua/en>
- Fruit. Vegetables. Logistics, February 2021, Kyiv, Ukraine [www.freshexpo.kiev.ua](http://www.freshexpo.kiev.ua)

### **Useful links**

- Ministry of Economic Development, Trade and Agriculture of Ukraine <https://www.me.gov.ua/?lang=en-GB>
- Ministry of Infrastructure <http://mtu.gov.ua/>
- Ukrainian Agribusiness Club <http://ucab.ua/>

- Ukrainian Grain Association <http://uga.ua/en/home/>
- Ukrainian Agri Council <http://uacouncil.org/en>
- APK Inform <http://www.apk-inform.com/>

## Infrastructure

### Overview

Ukraine's strategic location can be a powerful catalyst for the development of the country as well as for the West. Historically, Ukraine has been at the crossroads of world trade routes and a major stronghold on the way from Europe to Asia. Ukraine's transit potential is 200 million metric tons per year, while its utilization is only 25-30 percent. In 2019, the Ukrainian Government prepared a package of planned reforms to bring to changes to Ukraine's infrastructure. The scale of the package is comparable only with the integration of Eastern European countries into the European Union's infrastructure in the 1990's and 2000's.

Ukraine is essential for the European Union as one of the key countries for the transportation of goods to and from the EU, especially since the European Parliament approved the new concept of transportation infrastructure development and turning the national transportation systems of European countries into a unified trans-European network (the TEN-T program). The cost of the first phase of the project is expected to reach 12.8 billion euros by the end of 2020. Within the framework of the work completed on integrating Ukrainian and European transport networks and following the results of the Brussels Eastern Partnership Summit, Ukraine was included in the maps of the European transport network TEN-T. The plan for the construction of the Trans-European Transport Network TEN-T includes 39 Ukrainian infrastructure projects totaling approximately \$5.3 billion under the national strategy Drive Ukraine 2030.

For the successful implementation of reforms, Ukrainian infrastructure requires an additional \$20-25 billion of investment by 2030, with \$8-10 billion of private investment annually over the next 10 years. On its own Ukraine is only able to finance about \$1.5 billion of infrastructure projects annually.

In 2019 Ukraine announced a number of new developments under the country's 'Great Construction' project. Information on this initiative can be found here: <https://www.president.gov.ua/en/news/sim-novih-shkil-bude-zdano-u-volinskij-oblasti-cogo-roku-vol-62169>, The government also plans to spend 100 billion UAH (\$3.7 billion USD) on road construction alone, which it hoped would create 170,000 jobs. Ukrainian Prime Minister Denys Shmyhal announced in April 2020 that funds would begin disbursement in May 2020.

Ukraine's economy is now expected to contract by 3.3% in 2020, as the country contends with the spread of Covid-19. This casts some doubt on the government's ability to push forward with its ambitious infrastructure development plans. Construction industry value is expected to contract by 1.5%.

The primary segments of Ukraine's infrastructure industry are:

- Transport infrastructure: Ports, harbors and waterways infrastructure, airports, roads, railway, postal and shipping services.
- Construction: residential and non-residential building

### Ukraine Infrastructure Market Size, million USD

	2017	2018	2019	2020 estimated
<b>Total Local Production</b>	<b>3,973.0</b>	<b>5,191.7</b>	<b>7,042.6</b>	<b>5,402.4</b>
including:				
construction of residential and non-residential buildings	1,985.3	2,455.6	3,239.9	2,560.2
transport infrastructure:	714.3	1,008.4	1,299.7	1,007.4
including:				

-highways, streets, and roads	616.4	865.5	1,049.4	843.7
- railways	41.0	64.9	77.5	61.1
- runways	1.7	1.1	20.0	7.6
- bridges, elevated highways, tunnels, and subways	31.3	43.8	94.6	56.6
- harbors, waterways, dams, and other waterworks	23.8	33.1	58.2	38.3
pipelines, communication, and electricity lines	481.4	586.4	797.8	621.8
complex constructions on industrial sites	608.5	893.1	1,420.1	973.8
other civil engineering structures	183.5	248.2	285.0	238.9
<b>Total Exports</b>	<b>692.8</b>	<b>643.4</b>	<b>950.1</b>	<b>762.1</b>
including:				
- construction	106.7	58.2	39.2	68.0
- transportation	586.1	585.1	911.0	694.0
<b>Total Imports</b>	<b>1315.3</b>	<b>1615.1</b>	<b>1684.9</b>	<b>1,538.4</b>
including:				
- construction	102.3	150.3	125.7	126.1
- transportation	1213.1	1464.8	1559.1	1,412.3
<b>Imports from the US</b>	<b>124.7</b>	<b>130.9</b>	<b>145.0</b>	<b>133.5</b>
including:				
- construction	21.2	18.5	19.7	19.8
- transportation	103.5	112.4	125.3	113.7
<b>Total Market Size</b>	<b>3,322.1</b>	<b>4,435.7</b>	<b>5,274.3</b>	<b>4,344.0</b>
including:				
- construction	1,980.9	2,547.6	3,326.4	2,618.3
- transportation	1,341.2	1,888.0	1,947.8	1,725.7
<b>Exchange Rates, UAH/USD</b>	<b>26.6</b>	<b>27.2</b>	<b>25.8</b>	<b>28.8</b>

total market size = (total local production + imports) – exports

Sources:

- Total Local Production: State Statistics Service of Ukraine
- [http://www.ukrstat.gov.ua/operativ/operativ2020/bud/ovb\\_vid/ovb\\_vydUK14-19\\_u.htm](http://www.ukrstat.gov.ua/operativ/operativ2020/bud/ovb_vid/ovb_vydUK14-19_u.htm)
- Total Exports: Global Trade Atlas <https://www.gtis.com/gta/>
- Total Imports: Global Trade Atlas <https://www.gtis.com/gta/>

### Transport infrastructure

Transport infrastructure industry value declined by over 20% in 2015, following the outbreak of conflict. The market began to recover in 2016 growing more than 22% in 2017, 10% in 2018, and over 13% in 2019. This recovery could halt in 2020 due to the Covid-19 pandemic. The sector is expected to rebound in 2021, with an annual average growth rate of 2.4% through the end of the decade. International support remains critical for large-scale transport projects.

### Ukraine Transport Infrastructure Industry Forecast (Ukraine 2019-2029)

Indicator	2019e	2020f	2021f	2022f	2023f	2024f	2025f	2026f	2027f	2028f	2029f
Transport infrastructure industry value real growth, % y-o-y	13.2	-1.2	3.8	2.4	0.9	2.1	2.6	3	2.7	2.4	2.2
Roads and bridges infrastructure industry value real growth, % y-o-y	15.4	-1	4.1	2.8	1.1	2.3	2.8	3.1	2.9	2.8	2.8
Railways infrastructure industry value real growth, % y-o-y	10.1	-1.7	3.6	1.4	0.2	1.4	2.2	2.4	2.4	2.4	2.4
Airports infrastructure industry value real growth, % y-o-y	9.4	-2	4.6	3.1	1.7	3.3	4	4	4	4	4
Ports, harbors, waterways infrastructure industry value, real growth, % y-o-y	6.1	-0.7	1.6	1.2	0.6	1.4	1.8	4.1	1	-2.1	-5.2

Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

<https://bmo.bmiresearch.com/reports/trackrecords#1>

Financing of transport projects has traditionally been led by the European Bank for Reconstruction and Development (EBRD), the World Bank, and the European Investment Bank (EIB). For example, EIB is providing a financing worth EUR 200 million (\$215 million) to upgrade public transport in several cities including Kyiv and Odesa. The funding will be used to upgrade and construct new tram lines, bus lanes, stations, depots, and other public transport infrastructure. The European Commission also announced in January 2019 plans to invest in the EU's strategic transport corridors, with Ukraine's allocation at EUR 850 million (\$1 billion).

#### Ports, Harbors and Waterways Infrastructure

Thirteen ports operate in the Azov and the Black Sea basins and the Danube River Delta, with a total cargo capacity exceeding 230 million tons per year. Reform of the maritime transport industry has been launched, with the establishment of the State Service for Marine and River Transport. In addition, the special Maritime Doctrine has been developed to ensure the entire fulfillment of Ukraine's maritime potential. Port fees and charges have been reduced by 20 percent, and a new method of calculating port fees has been developed. Port fees will be based on two components: a prime rate and investment component. Work with the leading port investors including BUNGE, DP World and Hutchison Ports towards port development in Ukraine has begun. BUNGE and Louis Dreyfus plan to launch logistic facilities and a new car park this year. The inland water transport system, typically the most cost-

effective way to ship cargo, runs at only eight percent of capacity due to neglected locks, drawbridges, and navigation channels. The potential inland waterways transport capacity is estimated at up to 35 million tons per year.

The government still aims to enhance the competitiveness of Ukrainian ports and upgrade infrastructure based on international best practices and has launched tenders for the development of the Olvia and Kherson ports following successful feasibility studies of the public-private partnership projects backed by the World Bank, the International Finance Corporation, the EBRD and other international partners. The concessionaire is expected to invest UAH 17.3 billion (\$654 million) for the 35-year concession of Olvia port and UAH 1.4 billion (\$53 million) for the 30-year concession of Kherson port development.

## **Airports**

Ukraine has a differentiated network of direct and transit air traffic. In 2019, Ukrainian airports handled 24 million 336.6 thousand passengers, which was 18.5% higher than the result of 2018, the State Aviation Administration of Ukraine reported with reference to operational data. Nearly 22 million travelers (+ 19.8%) took advantage of international flights, 2 million 341 thousand passengers (+ 7.5%) flew domestic flights.

In 2019, Ukrainian airlines transported nearly 14 million passengers, which is 9.5% more than in 2018. 12.5 million people were transported on international flights (+ 9.7%), 1.2 passengers – on domestic flights (+ 7.4%).

Top-7 Ukrainian airports in 2019 by passenger flow:

- Boryspil Airport: 15.2 million (+ 21.1%)
- Zhuliany Airport: 2.6 million (-6.9%)
- Lviv Airport: 2.2 million (+ 38.8%)
- Odesa Airport: 1.7 million (+ 17.1%)
- Kharkiv Airport: 1.3 million (+ 40%)
- Zaporozhye Airport: 434,000 thousand (+ 8.4%)
- Dnepropetrovsk Airport: 339 thousand (+ 13.3%)

Data from Simferopol Airport, which is located in uncontrolled territory, is unavailable.

The Ministry of Infrastructure of Ukraine will focus on the development of regional air traffic and expansion of budget airlines in Ukraine in coming years. This initiative will include deregulation of procedures to open ground handling services to private operators, withdrawal of restrictions based on parity regarding the number of airlines and their flights between Ukraine and EU states, and approval by the Cabinet of Ministers of Ukraine of the Aviation Transport Strategy of Ukraine for the period through 2030. Almost all of Ukraine's 22 airports need modernization or reconstruction.

Ukraine's Ministry of Infrastructure is preparing concession deals for the Boryspil and Lviv Danylo Halytskyi international airports as well as for several municipal airports across the country. The concession deals include a significant investment in infrastructure, such as USD 100 million to expand a terminal at Boryspil International Airport and modernization works at Lviv Danylo Halytskyi International Airport. It is hoped this will help to attract private investment to the airport subsector, though with air travel globally now operating at minimal levels and recovery expected to take several years, the outlook for the airport infrastructure sector has become much more subdued.

## **Roads**

The national network of public automobile roads is 169,652 km long, including 47,000 km of state roads and 122,000 km of local roads. In 2019 major road restoration projects took place in Ukraine with 2,177 km of public roads repaired. The State Road Fund was established and began operations on January 1, 2018. For the first time in the

country's history, Ukraine has a dedicated source of revenues for road repair and construction. Approximately 120,459 km of local public roads were transferred to local governments with appropriate funding. An open infrastructure data portal has been developed, which contained about 400 road repair projects in 2019, monitored according to CoST standards. The work on the introduction of weight control on roads was intensified. The development strategy for the electric transport market in Ukraine has been implemented. The objectives of the strategy include a full cycle production of electric vehicles in the country and provision of opportunities to Ukrainians to purchase affordable cars in the future.

Road and bridges infrastructure industry value grew by 15.4% in 2019 and was forecast to expand by 6.3% in 2020 before Covid-19 struck the market. It is now expected the road and bridges infrastructure sector will contract by 1% in 2020 but will slightly outperform over the remainder of the forecast period, growing by an annual average of 2.7% to 2029. Some upside for roads construction stems from foreign funding given the loan pledged by the EBRD for the Pan-European Corridor 1X and the World Bank USD 560 million loan for works on the Poltava to Kharkiv Road corridor and other similar projects, which will be backed by regional development funding.

The road network has also been noted by the government as the likely focus of investment. The government committed extra funding to road improvement works in 2019. Some USD 1.6 billion has been allocated to the State Agency of Automobile Roads of Ukraine in 2019 with USD 150 million set aside to commence work on the 1,746 km Go Highway Corridor. Ukraine's state-run road agency Ukravtodor also plans to build nine new road bypasses totaling 101.5 km in 2020. The schemes include construction of the Northern orbital road of Zhytomyr, the North orbital road of Rivne and the Southwest orbital road of Poltava. Planning is also under way to prepare feasibility studies and documentation for additional bypass roads. Although such developments would be highly positive, we recommend a wait-and-see approach until concrete plans are laid out for growth in the road and bridges subsector.

Another upside is the progress made in the development of the first concession road in the Ukraine. The project to build and operate the 84.4 km Lviv-Krakovets road will connect the country with Poland's existing highway and will run in parallel with the existing M10 highway.

## **Railway**

Ukraine's operational railway network is one of the largest in Europe, stretching over 20,952 km, of which 9,926 km (47 percent) were electrified. The rail system, which moves 60 percent of the country's total exports, is nearly completely outdated. The Ministry of Infrastructure estimates that 97 percent of the rolling stock required modernization or replacement. In 2018, GE Transportation, Ukrainian Railways, and UkrExIm Bank signed the final contract for the purchase of 30 new U.S.-made locomotives and officially announce the agreement to the public. Under this ten-year agreement modernization and service of additional 150 locomotives and supply of another 195 locomotives are planned. Also, certain work will be localized in Ukraine to further bolster job creation and economic development in the country. The deregulation of the freight wagon tariff component for the transport of goods by Ukrainian Railways' owned rail cars has been carried out, creating a more equitable playing field for all enterprises. The draft law "On Railway Transport of Ukraine" introduces a new regulatory framework for the functioning of the industry (tariffs, rules for access to infrastructure, new market access procedures – licensing, security certification, locomotive driver access, etc.).

Railways will account for 22.8% of transport infrastructure value in Ukraine in 2020, versus the road subsector, which will account for a much larger share of 66.7%. The share of railways in transport infrastructure industry value will decline marginally in coming years, to 22% in 2029 as the road subsector attracts more significant investment and records stronger growth. Any potential expansion in the railway sub-sector will be heavily dependent on regional funding.



One potential source of upside risk is the growing involvement of China in the Ukrainian transport sector. The country is already a major source of investment into the Ukrainian infrastructure sector and continues to commit to new projects. For example, China Railway International Group (CRIG) and China Pacific Construction Group announced in May 2017 the companies have signed an agreement with Kyiv City State Administration to build the 16 km-long fourth subway line in the city in a USD 2 billion project. This was followed by news in late 2018 that CRIG has reportedly concluded a preliminary feasibility study for the project. Chinese lenders will fund 85% of the project's cost, which will reportedly begin after the completion of the Podilsko-Voskresensky Bridge and will last for 60 months.

### Postal Services

The corporatization of the Ukrainian state postal company “Ukrposhta” was completed on March 1, 2017, along with the state registration of the public joint stock company “Ukrposhta.” The tariffs for general services have been revised and the range of services has been expanded. The service of express delivery has been restarted, and new services “Ukrposhta Standard” and “Ukrposhta SmartBox” were launched. The work with corporate clients in the e-commerce segment has been intensified, and the efficiency of the post office has increased. “Ukrposhta” is actively implementing an investment program, for which in 2017 \$26.7 million was allocated.

On May 30, 2018, the Cabinet of Ministers of Ukraine approved the National Transport Strategy “Drive Ukraine 2030.” The goal is to create a safe and efficient transport complex in Ukraine, which would be integrated into the world transport network, meeting people’s needs in transportation services, and improving conditions of doing business to ensure competitiveness and efficiency of the national economy.

### Construction and Infrastructure Market

Ukraine's construction market achieved robust double-digit growth in 2019, spurred on primarily by the non-residential building sector. The short-term outlook has weakened, however, due to the impact of the Covid-19 pandemic and it is now expected an overall contraction of 1.5% in 2020, compared to a previous forecast of 6.3% growth.

National restrictions on travel, including the closure of borders, will impact upon the available labor pool. Many construction sites have also suspended operations during the lockdown, currently in effect until July 31, 2020.

Ukraine's economy is expected to fall into a recession in 2020 with GDP declining by 3.3%. This will weaken public and private investment capacity.

The construction sector is tentatively expected to return to growth from 2021 onwards, rising by 3.5% according to the industry experts’ forecasts and then averaging annual growth of 1.6% through the remainder of the forecast to 2029.

#### Construction and Infrastructure Industry Forecast (Ukraine 2019-2029)

Indicator	2019e	2020f	2021f	2022f	2023f	2024f	2025f	2026f	2027f	2028f	2029f
Construction industry value, USD billion	3.24	2.56	2.98	3.68	3.91	4.14	4.39	4.68	4.98	5.30	5.67
Construction industry value, real growth, % y-o-y	0.82	-0.1	0.12	0.06	0.05	0.04	0.04	0.06	0.05	0.06	0.07

Construction industry value, % of GDP	0.10	0.10	0.08	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.06
Infrastructure industry value, USD billion	1.30	1.00	1.54	1.64	1.73	1.84	1.98	2.13	2.29	2.45	2.62
Infrastructure industry value real growth, % y-o-y	0.56	-0.1	0.12	0.07	0.01	0.06	0.08	0.10	0.08	0.08	0.07

Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

### Residential and Non-Residential Building

The residential building sector continues to face challenges. Mortgage lending is almost non-existent in Ukraine, and rates are unaffordable for most potential buyers. House prices have fallen sharply since the outbreak of conflict in the East, which has further undermined demand for new residential construction projects. There is very little public investment in housing. However, President Zelenskiy has called for land reforms and privatization of state-owned assets, which should help support future growth in the sector. It should be noted that conflict in the East of the country has damaged or destroyed an estimated 17,000 properties, which will require substantial investment to address.

### Leading Infrastructure Sub-Sectors with the best prospects:

- Transport infrastructure: ports, harbors and waterways infrastructure, airports, roads, railway, postal and shipping services.
- Construction machinery

### Opportunities

- Sea and river: concession of three seaports and state-owned stevedoring company “Olvia”, and privatization of Ukrainian Danube shipping company; reconstruction of Dnipro locks (\$57 million)
- Airports: renovation of five regional airports (up to \$500 million) and modernization of the air navigation system (\$136 million)
- Roads: upgrade of five regional roads (\$2.5 billion)
- Railway: construction of European 1435 mm gauge rail track high speed connection with EU and Odessa-Kyiv-Lviv route (\$8.5 billion), Electrification of the railway line Dolinska - Nikolaev – Kolosovka (\$416 million), electrification of the railway section Berdychiv-Korosten-Berezhest (\$162 million), and construction of Kyiv Boryspil train connection
- Postal Services: construction of new mail sorting centers (\$150 million), track fleet renovation (\$100 million), and computerization of the network (\$15 million)

### Ukraine: Major Transport Infrastructure Projects by Value, USD million

Project Name	Value, USD million	Size	Companies	Time-frame End	Status
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Velyka Kiltseva Ring Road	2000	200 km	- <b>Sponsor:</b> Ukravtodor, Ukraine - <b>Construction:</b> China Road and Bridge Corporation, China - <b>Construction:</b> Poly Changda Engineering Co. Ltd, China - <b>Feasibility:</b> Bouygues S.A., France	N/A	At planning stage
Kyiv Subway Line 4, Troyeshchyna - Zhulyany, Kyiv	2000	18 km	- <b>Sponsor:</b> Kyiv Regional State Administration, Ukraine - <b>Construction:</b> Kyivmetrobud, Ukraine - <b>Construction:</b> China Pacific Construction Group (CPCG), China - <b>Construction:</b> Railway International Group, China	2025	At planning stage
Kiev Belt Road Project, Stolychne Motorway - Highway M-03 Kiev-Kharkiv-Dovzhansky	554	18 km	- <b>Sponsor:</b> Government of Ukraine - <b>Sponsor:</b> International Finance Corporation (IFC), U.S. - <b>Consultant/Project Management:</b> Spea Engineering SpA, Italy	N/A	At planning stage
New Zaporizhia Dnepr Bridge	471	0.66 km	- <b>Sponsor:</b> Ukravtodor, Ukraine - <b>Construction:</b> Doka, Austria - <b>Construction:</b> Mostobud, Ukraine - <b>Construction:</b> Onur Construction LLC, Ukraine	2020	Contract Awarded
M-03 Kiev-Kharkiv-Dovzhansky Highway Reconstruction Project, Lubny - Poltava Section	450	108 km	- <b>Sponsor:</b> Ukravtodor, Ukraine - <b>Financer:</b> World Bank, United States - <b>Construction:</b> Xinjiang Communications Construction Group, China - <b>Construction:</b> Todini Construction, Italy - <b>Consultant/Project Management:</b> Egis International, France - <b>Consultant/Project Management:</b> IRD Engineering S.r.l., Italy	2020	Under Construction

## Web Resources

### Trade Events

- [Central and Easter Europe Infrastructure Week](#), Warsaw, Poland, May 20-21, 2021

### Useful links

- [Ministry of Infrastructure of Ukraine](#)
- [Ukrainian Sea Ports Authority](#)
- [State Aviation Administration of Ukraine](#)
- [State Agency of Automobile Roads of Ukraine](#)

- [Ukrainian Railways](#)
- [Ukrainian Postal Service](#)
- [Centre for Transport Strategies](#)

## Safety and Security

### Overview

Ukraine's safety and security market is currently undergoing structural change due to multiple challenges, including a recent economic recession and the Russian-backed separatist conflict in eastern Ukraine. An uptick in crime in certain segments has increased demand in business-to-consumer markets for safety and security equipment and services.

The country's economic recession, which began in 2014 and ended in 2016, led to decreased buyer purchasing power, a slump in the construction sector (a major demand driver for safety and security equipment), and an influx of low-cost suppliers. Under these conditions, the smallest safety and security service providers exited the market, and only the largest players remained. The recession and decreased buyer purchasing power also led to an influx of low-cost competitors, particularly in Kyiv, where some regional protection service companies moved in and initiated price dumping. In an environment of market contraction and cost-based competition, today the demand for relatively more expensive western safety and security equipment exists primarily in the niche of advanced technology solutions where low-cost suppliers are uncompetitive.

The primary segments of Ukraine's safety and security industry are fire safety and technology; protection services; alarm systems; and video surveillance systems.

**Fire Safety and Technology** - Fire safety and technology is the most developed segment in Ukraine's safety and security sector. It consists of four sub-segments; fire alarm systems, fire suppression systems, automatic fire detection software, and fire notification and evacuation systems. According to Ukraine's State Emergency Service, there are 2,300 small and medium-sized companies currently working in fire safety and technology, making this segment fragmented and competitive. Growth trends in this segment strongly correlate with trends in the construction of commercial real estate, which has been in decline since 2013.

According to the consulting company CBRE Ukraine, in the first quarter of 2019, business expectations in the real estate sector in Kyiv became more cautious due to the uncertainty surrounding the presidential elections, as evidenced by a decline in the business expectations index (-4.7 pp from the beginning of the year) over the next 12 months, where the indicator was 121.9 previously.

The most influential organization in this segment is the Certification Center of Ukraine's State Emergency Service, which controls all aspects of licensing. In Ukraine, all fire prevention equipment and services are subject to licensing and certification. Depending on the facility's fire risk category – high, medium, or low – businesses are provided with various license types. Government building codes also regulate the design, installation, operation, and maintenance of fire security systems.

**Protection Services** - According to the Antimonopoly Committee of Ukraine, in 2014 there were 3,357 companies providing protection services in Ukraine, and their gross annual revenues totaled \$320 million. This market size is comparable to the Bulgarian market (with gross annual revenues of \$413 million in 2010) and the Romanian market (with gross annual revenues of \$637 million in 2012). The real protection sector in Ukraine is around 600 security companies, with no more than 70-80 security companies in Kyiv. All other companies are “single-day companies” that protect one single object. In contrast to the fire safety and technology segment, Ukraine's protection service segment is highly concentrated and dominated by the government. Though the number of companies in this segment has increased in recent years, a few large companies (e.g. companies with \$20 million or more in annual revenues) still dominate. While these large primarily Kyiv-based organizations make up only 15 percent of market participants, they control 80 percent of sales. The government, which is included among these large organizations, controls 30

percent of the market, making it the single largest market participant. In 2019, the government protected over 160,000 properties and had 750 response teams. Other major companies are Yavir-2000, Protection Holding, and Venbest. Yavir-2000 covers 61 localities, has 112 response teams, and 35,000 clients. Venbest has 2,500 staff, 150 response teams, and manufactures technical solutions. Protection Holding works primarily with large industrial enterprises.

Physical protection of properties declines each year, with more automated surveillance and warning systems prevailing. The demand for protection services is influenced by crime rates and income levels. The average monthly income for 2018 reached a threshold permitting protection measures for life and property. The demand for personal protection services corresponds to rate of crimes against individuals, which showed a decline in 2018.

In Ukraine, all protection services are subject to licensing, which is regulated by “The Law of Ukraine on Protection Services.” Licensing falls under the aegis of Ukraine’s Ministry of Interior, which requires all companies and individuals working in this segment to be licensed and to demonstrate compliance with all regulations related to providing protection services.

Video-Surveillance - The exact size of the video surveillance segment cannot be calculated using traditional methods due to difficulty in obtaining reliable statistical data from the government. Like the protection service segment, the video surveillance segment is highly concentrated, but unlike protection services, the primary players are foreign private companies. According to Ukraine’s leading trade journal, the top five players in this segment (Axis, ACTi, Hikvision, Samsung Techwin, and Dahua) controlled 62 percent of the market in 2015. The most popular equipment in this segment includes analog cameras, which still prevail over digital surveillance cameras in the Ukrainian. Decreased consumer purchasing power has benefited low-cost Asian producers of multifunctional systems that combine video surveillance, access control, fire, and burglar alarm systems. At the same time, according to industry experts, the global market for video surveillance will grow at average rate 22 percent per year until 2020, with the key driver being the wireless equipment segment. There are no regulations or licensing requirements in this sub-segment, as long as the video surveillance systems and services are used for surveillance production processes.

The Ukrainian safety and security market is served by a diverse mix of domestic and foreign suppliers. The following systems are produced locally: counter-espionage systems, data protection systems, optical registration devices, systems for the technical safety of buildings, fire alarm systems, signal receiving equipment, radiation detectors, and cryptographic security units. Foreign companies supply equipment and systems for personal protection, perimeter security, CCTV and video surveillance systems, access control systems, screening equipment, and fire protection systems. French, German, Polish, Israeli, Japanese, Chinese, and Taiwanese companies are active in the market. Competition from low-cost suppliers from China is growing but there are serious concerns about the security and integrity of Chinese systems.

### **Leading Sub-Sectors**

- Document readers
- Biometric readers
- Explosives and drugs detectors
- Fire suppression equipment
- Advanced video surveillance cameras with video analytic capabilities

## **Opportunities**

Industry experts have a positive long-term outlook on the development of Ukraine's safety and security sector. They predict that Ukraine will enter a permanently heightened security state similar to Israel's that will drive demand in the safety and security sector. Experts also anticipate further market consolidation, during which only the largest and most capable companies will prevail.

## **Web Resources**

### *Trade Events*

- [Arms and Security](#) 2020, Kyiv, Ukraine, October 13-16, 2020
- [II International Specialized Exhibition Expert Security '2020](#) October 13-16, 2020
- [BEZPEKA](#) 2020, Kyiv, Ukraine, October 6-9, 2020

### *Useful links*

- [The State Service of Emergencies of Ukraine](#)
- [The Ministry of Internal Affairs of Ukraine](#)
- [Ukrainian Security Industry Federation \(USIF\)](#)
- [Ukrainian Union Fire and Technological Safety \(UFTSU\)](#)
- [Ukrainian Security portal](#)
- [CZX Ukrainian Federation of Security Specialists](#)

## Franchising

Franchising is developing in Ukraine, which presents significant opportunities for investors. It remains a relatively new concept for the Ukrainian business community as it only appeared after the collapse of the Soviet Union in the early 1990s and had no legal framework for the following decade, until the Civil Code and the Commercial Code were adopted in 2003. But even after the Civil Code and the Commercial Code established a legal framework, for the next decade franchising regulation still lacked several important elements necessary for it to function properly, and Ukrainian law is still rather limited and case law is not yet fully developed. Self-regulated non-governmental associations try to fill the void, particularly given that there has been no special governmental agency to regulate the sale of franchises in Ukraine.

However, despite the gaps and inconsistencies in the Ukrainian legal system, international and local franchise businesses have managed to find enforceable franchising structures or employed alternative arrangements to develop their business. For quite some time now, many U.S. and international brands have successfully operated franchise businesses, including Domino's Pizza, KFC, FitCurves, Hyatt, Hilton, Marriott and Radisson, along with a variety of local franchises in food, retail, services and other industries. Ukrainian entrepreneurs increasingly prefer franchising when it comes to expanding their business. The franchising market is gaining momentum with the number of franchising outlets growing consistently year-over-year. The Ukrainian Franchise Group notes that more than 504 franchisors and 19,034 franchise outlets are now operating in Ukraine.

## Industry Opportunities

Through March 2020, the Ukrainian economy regained its balance and returned to a path of stable growth and recovery. While COVID-19 has had global implications and in Ukraine will see a slowdown in growth and GDP in 2020, experts believe that Ukraine's economic growth will continue in 2021 driven by the increasing volume of retail trade, with more than 40 major retail projects currently underway in Kyiv. The State Statistical Service of Ukraine announced that retail trade had grown by 10 percent during the first half of 2019 compared with the corresponding period in 2018, adding that consumer confidence also increased after the presidential elections in early 2019.

Many international franchises currently present at the Ukrainian market have been adopted from abroad, mostly in the field of trade and services, and with significant portion from Russia. Among the European franchise networks represented in Ukraine, most of them belong to Polish, Italian, German and French brands. There are approximately ten major American brands operating in Ukraine, representing a good opportunity for U.S. brands to expand their presence in the market.

Successful franchise networks in Ukraine include:

- Fast Food Restaurants: "Burger Club", "Pizza Celentano", "Franc.ua", "Lviv Croissants"
- Bakeries/Coffee houses: "My Coffee", "Aroma Kava", "Gemini"
- Distribution Networks: ATB, Novus, Fora, Our Land
- Express Courier Service "Nova Poshta", "Delfast"
- Real Estate Agency: "Re / Max"

Today, more than 30 Ukrainian franchises are represented in international markets. Among the most successful are:

- VD one - men's clothing stores
- DELFAST - express courier service on electric bicycles
- Arber - business clothing stores for men
- Burger Loft - fast food chain



By number of franchise outlets, the largest in Ukraine are Nasha Ryaba (more than 2,500 outlets), Gavrilivsky Kurchata (more than 600 outlets), and Fornetti (about 500 outlets).

### **Supply Chain Considerations**

The most prevalent supply chain model in Ukraine is one in which the franchisor designates suppliers for core products but allows the franchisee to source the remaining products in Ukraine. Core products usually include advanced and proprietary equipment/software, as well as key food ingredients in the food-related franchise segment. Franchisees can source basic equipment and non-core components or ingredients locally due to the lower costs and faster times to market. U.S. franchisors should be aware that due to inefficiency in Ukrainian customs, it is likely that customs clearance of imported equipment and products can be delayed.

### **Advertising Methods**

Industry experts and local franchisors consider online channels to be the most widely used and efficient channels for advertising their brands, products, and services. Local franchise operators use social networks like Facebook and Google to advertise in this category. Other effective channels include industry journals and TV business channels, and established franchisors appear guest speakers on various business television programs. Finally, events like trade shows conferences, promotional seminars, and training are other effective platforms to promote franchise brands and business models in Ukraine.

### **Assessment of Market Profile**

The development of franchising in Ukraine is hindered by the absence of clear regulations and laws, as well as a lack of access to financing and the ability of local banks to provide financing options to those seeking franchise opportunities. The term “franchising” is not used in Ukrainian legislation, instead it is identified as a concept of commercial concession. According to the contract of commercial concession, one party (brand owner) transfers to the other party the right to use the business model for commercial purposes for a fee.

But despite certain problems in the field of franchising, the market continues to grow rapidly. In the next few years, the situation should change as the legal foundation for franchising is strengthened and consumers increasingly demand international brands.

Most Ukrainian franchises are concentrated in the capital and only small percentage of franchises are in large regional centers. In addition, most franchise units are formed in the biggest Ukrainian cities, such as Kharkiv, Dnipro, Odesa, and Lviv. But many towns are not yet acquainted with franchising, and present significant opportunities for growth.

### **Trade Events**

- Franchise Expo 2020, Kyiv, Ukraine [franchexpo.com/](http://franchexpo.com/)

### **Local Associations**

- Ukraine Retail Association [rau.com.ua](http://rau.com.ua) (conducts webinars and trainings)
- Franchising Association Ukraine [franchising.org.ua](http://franchising.org.ua) (conducts webinars and trainings)
- Franchising Federation Ukraine [fdf.org.ua](http://fdf.org.ua)

## Customs, Regulations and Standards

### Trade Barriers

The Ukrainian government has been actively analyzing and addressing unnecessary trade barriers that encumber trade, working to make the business environment simpler and more transparent for local and foreign companies. While the environment is improving, many trade barriers in Ukraine persist, including unpredictable discriminatory fees and product certification procedures. Non-tariff barriers include non-transparent standards and certification requirements, cumbersome procedures for phytosanitary certifications, import licenses, and labeling requirements.

Over the past few years, the Government of Ukraine occasionally temporarily restricted imports of U.S. agricultural products, allegedly because of food safety concerns. In addition, in November 2010, the Ministry of Health of Ukraine signed Order #971, approving a list of food products that require monitoring for genetically engineered or genetically modified organism (GMO) content. Among the groups of products to be tested and monitored are soybeans and soybean products, corn and products made with corn, potatoes and potato-derived products, tomatoes, and tomato products, rice and rice products, wheat and products made of wheat, baby food made with such products, food additives.

For more information and help with trade barriers please contact:

International Trade Administration

[Enforcement and Compliance](#)

(202) 482-0063

[ECCcommunications@trade.gov](mailto:ECCcommunications@trade.gov)

### Import Tariffs

According to Article VII of [the Law of Ukraine on Foreign Economic Activity](#), Ukraine's tariff schedule includes three rates of import duties:

- Full - The full rate of import duties can be from two to 10 times higher than the Most Favored Nation rate
- Most Favored Nation (MFN) - Upon becoming a WTO member in 2008, Ukraine applied new, lower MFN rates to all goods originating from WTO members, in agreement with Article I of the 1994 GATT
- Preferential - Preferential rates (lower than the MFN rates) apply to imports from countries with which Ukraine has a Free Trade Agreement (FTA) or other preferential trade agreement, i.e., imports primarily from CIS countries.

U.S. exports to Ukraine usually receive the MFN rate if they meet the following three criteria: 1) the company is registered in the United States; 2) the goods have a certificate to prove U.S. origin, and 3) the goods are imported directly from the U.S. Most customs tariffs are levied at ad valorem rates, and only 1.5 percent of tariff line items are subject to specific or combined rates of duty. The average applied tariff rate fell to 4.95 percent after WTO accession and further decreased to 4.8 percent in 2011.

Current customs duty rates are set by two Supplements to the Law on [Customs Duty Rates of Ukraine № 584-VII](#). Interested American exporters can learn about current Ukrainian customs duty rates by first browsing the U.S. [Harmonized Tariff Schedule](#) for the specific numeric code(s) for the exported product, and then match the code(s) to the [Ukrainian Customs Tariff Schedule](#).

In addition to customs duties, the following goods are also subject to excise tax pursuant to the Law of Ukraine of [24.12.2015 №909 “On Amendments to the Tax Code of Ukraine and certain laws of Ukraine to ensure the balance of budget revenue in 2020.”](#) These are:

- Ethyl alcohol and other distillates, alcoholic beverages, beer
- Tobacco products, tobacco, and manufactured tobacco substitutes
- Fuel
- Passenger cars, body thereto, trailers, motorcycles, vehicles designed for transportation of 10 persons or more, goods-carrying vehicles
- Electricity

Excise duties are assessed as a percentage of the sum of the declared customs value, customs duties, and fees paid for importing products. Excise rates are in the [Article 215 of the Tax Code of Ukraine № 2755-VI](#). Tariffs and excise payment must be made in Ukrainian currency at the Ukrainian National Bank exchange rate effective on the day of payment.

The VAT rate is 20 percent on most goods.

Because VAT repayments have historically been a contentious issue, with many foreign companies owed millions of dollars in VAT refunds in 2015 and 2016, the Government of Ukraine introduced significant changes to the VAT refund procedure. In January 2017, the [Law of Ukraine No. 1797-VIII “On Amendments to the Tax Code of Ukraine and Improving Investment Climate in Ukraine”](#) came into effect. This law requires the State Treasury (not Ukraine's tax agency) to process VAT refunds. Refunds are now based on the Register of VAT Refund Claims. Also, VAT refunds are paid automatically in chronological order of the receipt of VAT refund applications.

### **Import Requirements and Documentation**

Starting January 1, 2018, a new electronic system (“Single Window”) was introduced for all importers according to the [Decree of the Cabinet of Ministers #364 dated May 25, 2016](#). The "Single Window" is a single electronic data exchange system that allows different control and customs authorities to automatically exchange information about the goods crossing the border of Ukraine and the results of state customs control. Single Window simplifies customs and state control procedures, reduces the time for customs clearance, minimizes the human factor influence, lessens corruption risks, and introduces digital document flow and customs e-declaration.

Resolution No. 364 stipulates that the importer needs to submit scanned copies of documents together with an electronic message containing an electronic signature pursuant to the [Resolution of the Cabinet of Ministers of Ukraine # 1452 revised on August 17, 2017](#). An authorized officer of the controlling body shall, within four working hours after receipt of the electronic message and scanned documents, decide on the completion of the relevant state control or the need for additional review or other actions. In the absence of any decisions and actions of the controlling bodies, within four hours after receipt of the scanned copies of documents, the System automatically forms a decision on the implementation of the appropriate type of state control, which is the basis for the completion of customs control and customs clearance of goods moving through customs border of Ukraine.

Despite some procedural improvements made by Ukraine, U.S. companies exporting goods to Ukraine should continue to expect a slow working bureaucracy and a large volume of paperwork when dealing with Ukraine’s State Customs Service. Because of this many firms choose to use licensed customs brokers to navigate through the often changing and seemingly inconsistent customs clearance procedures. For a list of licensed customs brokers contact the [Association of Customs Brokers of Ukraine](#). The list of registered customs brokers is also available on the [website of the State Fiscal Service](#).

The [Ukrainian Classification of Goods of Foreign Economic Activity](#) was compiled on the basis of harmonized system and the Combined Nomenclature of the European Union and its text in the original language prevail over the text translated into Ukrainian. Depending on the code of goods in [Ukrainian Classification of Goods of Foreign Economic Activity](#) some products may require prior approval, be subject to sanitary and epidemiological control, veterinary control, phytosanitary control or environmental control. The complete list of products with respective control requirement is available [here](#).

Products that require prior approval from the relevant administrative agency before an import license that may or may not be automatic, are issued by the Ministry of Economic Development and Trade subject to [Resolution of the Cabinet of Ministers](#) of Ukraine.

In 2016, a new agency, the State Service of Ukraine on Food Safety and Consumer Protection (SSUFSCP) was established. The SSUFSCP exercises the powers of the State Veterinary and Phytosanitary Service of Ukraine, the State Inspection of Ukraine for Protection of Consumers' Rights, as well as the functions of state control over compliance in: the formation, determination, and application of state regulated prices; state supervision in tourism and resorts; consumer rights protection with regard to goods of precious metals and gemstones; and control of the rights to plant varieties in seed and plant production.

Every year the government of Ukraine composes the list of products subject to import and export licensing. The current list of such products can be found in the Regulation of the Cabinet of Ministers of Ukraine No. 1018 [On Approval of the List of Products subject to Import and Export Licensing and Respective Quotas for 2019](#), dated December 20, 2018. In 2019 the list included: pharmaceuticals, paints and lacquers, dyes, hygiene products, cosmetic products, pedicure and manicure products, shaving aerosols and deodorants; lubricants, waxes, shoe polishes, insecticides, solvents, silicone, fire extinguishers and the chemicals that fill extinguishers; refrigerators and freezers, air-conditioners, humidifiers, and other selected industrial chemical products;-fungicides, insecticides, herbicides, and plant growth adjusters.

Most import licenses are granted through the Ministry of Economic Development and Trade, Regional and Kyiv City Administration. Other import licenses or approvals are issued by other agencies including:

- Ministry of Internal Affairs - sporting weapons and self-defense articles
- National Commission for the State Regulation of Communications and Informatization (NCSRCI) – radio electronic devices and emitters
- State Service of Ukraine on Medicines and Drugs Control – medicine and drugs
- Ministry of Agriculture and Food Industry - agricultural chemicals, seeds, veterinary medicines
- Ministry of Health - pharmaceutical products, cosmetics, and hygiene products
- Ministry of Ecology and Natural Resources of Ukraine - ozone-depleting chemical substances including propellants, paint-solvents, fire extinguishers and refills, oil-sprays, air-conditioners and refrigerating equipment, refrigerated vending machines; agricultural chemicals contained in sprays; and pharmaceutical products, cosmetics, and hygiene products contained in sprays

A listing of Ukrainian agencies that issue licenses for business activities in Ukraine is available at the website of the [Parliament of Ukraine](#) (in Ukrainian only).

Customs clearance is conducted in designated customs clearance locations. The main document required for customs clearance is a customs declaration completed by an importer of record (or by a customs broker acting on his behalf).

In accordance with Article 335 of the Customs Code of Ukraine the following documents are required for customs clearance procedures:

For goods moving via road transportation:

- Documents for the vehicle, including those containing information about its state registration (nationality);
- Travel (transportation) documents (international consignment note)
- documents defined by the Universal Postal Union to accompany international postage (if any postage is present);
- Commercial documents (if any) for transported goods that contain information including the name and address of the carrier, the name of the country of departure and country of destination of goods, the name and address of the sender (or seller) and the recipient of the goods;
- Information on the number of packages and type of packaging;
- Name of the goods;
- Gross weight of goods (in kilograms) or volume of goods (in cubic meters), except for bulky cargo.

For goods moving via water:

- General declaration;
- Declaration of the goods;
- Declaration of supplies (ship's stores);
- Declaration of personal belongings of the crew;
- Information on the crew including names, citizenship etc.;
- Passenger list;
- Documents defined by the Universal Postal Union to accompany international postage (if any postage is present);
- Transportation documents for the goods which contain, in particular, information on the total number of goods, number of packages, description of goods, type of packaging;
- Commercial documents (if any) for products and information about product placement on board;
- Information about the presence (absence) on board of goods import of which into Ukraine is prohibited or restricted, including currency values available to the crew, medicines, which include narcotic, potent, psychotropic and poisonous substances;
- Information about the presence (absence) on board of dangerous goods, weapons and ammunition.

For goods moving via air:

- Standard carrier document envisaged by current international agreements in the field of civil aviation (general declaration);
- Documents containing information on goods carried on board (cargo information, airway bill);
- A document containing information about the stores (on-board supplies) and the number of stores (board supplies) loaded on board and unloaded from it;
- Transportation (transportation) documents;
- Commercial documents (if available to the carrier) for the goods transported;
- Documents defined by the Universal Postal Union to accompany international postage (if any postage is present);

- Information on the signs of nationality and registration marks of the vessel, flight number, flight route, point of departure and arrival of the vessel;
- Information about the name of the company (organization, institution), which operates the vessel and the number of crew members;
- List of passengers with their number on the vessel, names and initials, drop-off points and landing; information on passengers' luggage (passenger list);
- Name of goods, airway bill, the number of seats for each consignment, goods loading and unloading points;
- Information about the presence (absence) on board of goods the import of which into Ukraine is prohibited or restricted;
- Information about the presence (absence) on board of dangerous goods, weapons and ammunition.

For goods moving via rail:

- Transport (transportation) documents;
- Transfer roll on railway rolling stock;
- Document certifying the availability of supplies (if there are any);
- Documents defined by the Universal Postal Union to accompany international postage (if any postage is present);
- Commercial documents (if available) for the goods transported.

Regardless of the type of transportation, the documents confirming compliance with the prohibitions and/or restrictions under Ukrainian law regarding the crossing of goods across the customs border should be provided in paper and electronic form during the arrival of the goods at checkpoints. A bill or other document that defines the value of the goods should be submitted together with the customs declaration. According to the Customs Code the declarant or his authorized representative should provide in the customs declaration the information on:

- Documents certifying the authority of the person submitting the customs declaration;
- foreign trade agreement (contract) or other documents confirming the right of possession, use and / or disposal of goods;
- Transportation documents;
- Commercial documents available to the person submitting the declaration;
- If necessary, documents confirming compliance with non-tariff regulation of foreign economic activity;
- Documents confirming compliance with the restrictions arising from the use of protective, antidumping and countervailing measures (if such restrictions exist);
- In certain cases documents confirming the country of origin;
- If necessary, documents confirming the payment and / or secured payment of customs duties;
- If applicable, documents confirming the right to benefits for customs duties payment, full or partial exemption from customs duties under the chosen customs regime; and
- If necessary, documents confirming the change of customs duties payment terms;
- Imported products are subject to radiological control which is, in most cases, performed at the customs.

A Certificate of Origin is required when preferential customs duty rates are applied, when certain quantitative restrictions on movement of goods across the customs border of Ukraine are applied, and if it is required by Ukrainian law or international treaties.

According to Article 49 of the Customs Code the customs value of goods is defined as the cost of goods used for customs purposes, based on the price actually paid or to be paid for the goods, which usually includes the cost of goods, insurance cost and transportation cost. Other costs under certain conditions may be required to include into the customs value of goods, such as royalties, license fees. The Customs Code establishes one main and several secondary methods of determining the customs value of imported goods. The basic method of determining the customs value of goods imported into Ukraine according to Article 57 is the price of contract (the transaction value of the imported goods). The Customs Code requires an exhaustive list of documents to be submitted to determine the custom value of goods.

Because the list of the required documents to be presented to customs authorities changes frequently, and because under the Customs Code, the importer of record may be required to submit additional documents specified by the applicable legislation, American exporters are advised to vest customs clearance in Ukraine as contract liabilities of the Ukrainian trading partner or end-user customer. For a list of licensed customs brokers contact the [Association of Customs Brokers of Ukraine](#) and the [website of the State Fiscal Service](#).

### **Labeling and Marking Requirements**

Labels on nonfood items, as stipulated in Article 15 of the law [“On Consumer Rights” № 1023-XII](#), must feature the following information in the Ukrainian language:

- The name of the product;
- The main characteristics such as volume, weight etc., rules and conditions for effective and safe use of the product;
- Information about hazardous substances in the product;
- Goods containing Genetically Modified Organisms (GMOs) and GMO-free goods must be labeled accordingly;
- Information about the price (tariff), terms and conditions of purchase;
- The date of manufacture of the product;
- Conditions for storage;
- Guarantee commitments of the manufacturer;
- Usage and safety instructions;
- The expiration date, shelf-life period and instruction for disposal after expiration, and warnings of consequences if the product is mishandled;
- The name and location of the manufacturer, authorized importer or trader to be addressed for complaints, reclamations or after-sale service; and
- A note on Certification of the product and compliance to production standards.

Labels on food items as stipulated in Article 39 of the law of [Ukraine “On Safety and Quality of Foodstuffs” № 771/97-BP](#) of and in [Technical Guideline on Food Labeling Regulations](#) must include:

- The name of the product;
- Food contents (name of basic ingredients/additives/preserves/scents and other substances);
- Amount of certain ingredients stipulated in the respective article of the law;
- The weight/volume of the product in defined measurement units;

- The expiration date (or production date and period of storage);
- The conditions for storage;
- The terms and conditions of use.
- The name, address and telephone number of the official importer;
- The name, address and telephone number of an authorized company to be addressed for complaints;
- The serial number of the product batch;
- Goods containing Genetically Modified Organisms (GMOs) and GMO-free goods must be labeled accordingly;
- The country of origin;
- The nutritional value and content of proteins, carbohydrates and fats per 100 grams of the product and calories expressed in kJ or kcal per 100 grams (100 ml) of product;
- Warning information with regard to consumption of product by certain category of consumers (children, pregnant women, elderly people, sportsmen, allergic individuals), if consumption of such product may affect their health; and
- The trade mark for goods and services (if any) under which the product is sold.

## U.S. Export Controls

Relatively few exports to Ukraine require an export license. Licenses are required in certain situations involving national security, foreign policy, nuclear non-proliferation, missile technology, chemical and biological weapons, regional stability, crime control, or due to terrorist concerns and are issued by State Service of Export Control. License requirements are dependent upon an item's technical characteristics, the destination, the end-use, the end-user, and other activities of the end-user.

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counseling exporters, and drafting and publishing changes to the [Export Administration Regulations](#); and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end-use and end-user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end-uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.



BIS has developed a list of “[red flags](#)”, or warning signs, and compiled “[Know Your Customer](#)” guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry-specific topics. Interested parties can check [list of upcoming seminars and webinars](#) or reference BIS provided [online training](#).

BIS and the EAR regulate transactions involving the export of “dual-use” U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State’s Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations) and is updated as needed. The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

## **Temporary Entry**

According to [Article 108 of the Customs Code of Ukraine](#) the period of temporary admission of goods is set by the customs collections office on a case by case basis, but the general term should not exceed three years from the date of placement of goods under the customs regime of temporary admission. Depending on the purpose of importation, this preset temporary admission period may be extended by the appropriate customs collection’s office upon written request of the owner of the goods or his authorized representative.

[The Convention on Temporary Admission \(Istanbul, 1990\)](#) Annexes B1-B9, C, D, E and [Chapter 18 of the Customs Code](#) regulate which products are eligible for temporary admission with complete or partial conditional exemption from customs tax payments. Prior to their customs declaration expiration, temporarily imported goods should be:

- Shipped outside the customs territory of Ukraine;
- Declared at customs for further use;
- Passed to customs for storage in a bonded warehouse; or
- Demolished under customs control if these items cannot be used as goods, products, or equipment.

The following documents are required for temporary importation of demonstration samples:

- A customs declaration;
- Permission from the respective Ministry, if required; and
- Other documents outlined in the customs declaration.

Some goods temporarily imported to Ukraine require the issuance of guarantee as stipulated in [Resolution #461 of the Cabinet of Ministers of Ukraine of May 21, 2014](#). The guarantee can be provided in the form of document issued by a guarantor or depositing cash to the account of the revenues and fees body in an amount equal to the amount of taxes and duties under the import regime in respect of such goods. In cases where goods are imported based on ATA carnet,

no guarantee is needed, as in accordance with 1990 Istanbul Convention carnet book serves as an international guarantee for temporary import.

Prior to exiting the country, samples are inspected by customs authorities to ensure that the quantity and description of goods match those registered at the time of importation. Demonstration samples to be returned outside Ukraine are exempt from customs fees.

### **Prohibited and Restricted Imports**

The Ukrainian government strictly controls and restricts the transit, import, and export of weapons, narcotics, chemical and hazardous substances, and certain pharmaceutical and communications products. Licensing of prohibited and restricted imports is regulated by the Law of Ukraine “[On State Control for International Transfer of Military and Dual-Use Goods](#)” № 549-IV, which outlines the conditions and terms of licensing; names the control agencies in charge of transit; and sets criteria for the transit, import, and export of military or dual-use goods. The approval of the transit, import, or export of military or dual-use goods can take up to 90 days from the time of application and receipt of the necessary supporting documentation. These documents must be submitted to the [State Service of Export Control](#) of Ukraine. U.S. companies or the respective Ukrainian trading partner of the end-user goods wishing to import these goods should contact the State Service of Export Control of Ukraine in advance, before any prohibited or restricted goods are shipped to Ukraine.

Additionally, The Resolution #436 of the Cabinet of Ministers of Ukraine of May 21, 2012 established restrictions on the cross-border movement of certain groups of goods, including experimental varieties of plants, products subject to certification, food products, military and dual-use products, goods subject to conformity assessment according to the requirements of technical regulations, seeds and propagating material, electronic equipment and emitters for special purposes. A detailed list of these goods is provided at the [Ukrainian Legislation](#) website.

### **Customs Regulations**

The [Customs Code of Ukraine](#) regulates imports and exports. This Code was adopted in March 2012 and most recently amended in March 2018. The Customs Code outlines procedures for import, exports, re-export, temporary entry, and transit of goods for customs clearance, duty, excise and other customs tariffs payments, activity of customs brokers and customs bonded warehouses, etc. In addition to the Customs Code, current Ukrainian legislation on customs includes two [Supplements to the Law - On Customs Duty Rates of Ukraine № 584-VII, most recently updated in January 2018](#), where duty rates are set forth. The main law governing import and export VAT and refund of export VAT is the Tax Code of Ukraine of December 2, 2010, Section V.

According to Ukrainian legislation, both individuals and legal entities can act as importers of record in connection with customs clearance of goods imported to Ukraine, though a business entity must be accredited with its local customs office. The procedure and list of required documents are set forth in the [Procedure for Registration of Entities that Carry Out Operations with Goods](#).

Current business practice in Ukraine is that an American exporter or shipper usually does not deal directly with Ukrainian Customs unless registered as a company under Ukrainian jurisdiction. In most business practices customs clearance of imports is vested to a locally registered Ukrainian business partner or to a Ukrainian end-user customer.

For consultations and complaints contact:

[State Fiscal Service of Ukraine](#)

8, Lvivska Ploscha, Kyiv 04655 Ukraine

Tel: 0-800-501-007, +380 44 454-16-13, +380 44 272-51-59

Fax: +380 44 272-08-41

E-mail: [Kabmin\\_doc@sfs.gov.ua](mailto:Kabmin_doc@sfs.gov.ua)

## Standards for Trade

### Overview

U.S. and other foreign companies have long regarded Ukraine's system of technical regulations as a significant obstacle to trade and investment. Ukraine has passed several new laws and governmental decrees in recent years aimed at bringing Ukrainian practices in this area into line with the WTO Agreement on Technical Barriers to Trade (TBT), but significant problems remain. As part of the EU-Ukraine Deep and Comprehensive Free Trade Agreement (DCFTA) Ukraine began approximating its standards to the EU in 2016. In 2015, Ukraine cancelled 15,000 old technical regulations and adopted 3,996 national standards, and in 2016 it developed and adopted 1,300 standards. To do this Ukraine adopted and introduced various legislative amendments, among them:

- The Law of Ukraine "[On Standardization](#)" of June 05, 2014 № 1315-VII
- The Law of Ukraine "[On Metrology and Metrological Activity](#)" of February 10, 2014 # 1314-VII
- Law of Ukraine "On Amendments to Some Legislative Acts of Ukraine Regarding Deregulation in Agriculture # 867-VIII" of December 08, 2015

### Standards

Technical regulations in Ukraine are coordinated by the [Department for Technical Regulations of the Ministry of Economic Development and Trade of Ukraine](#) and developed by the State Enterprise [Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality](#) (SE "UkrNDNC) which serves as a [national standardization body](#). Enforcement of the quality of products and their compliance to the national standards is done by the [State Inspection for Food Safety and Consumer Protection](#). Certification is a fee-based service in Ukraine. This certification service is delegated to about 100 accredited certification agencies listed at the [National Accreditation Agency of Ukraine](#).

An importer, or its Ukrainian trading partner, are free to choose one of the accredited certification agencies and order a product certification needed for sale or production use of products in Ukraine. Depending on the type of product, testing, and applicable certification scheme, the certification process can take up to 30 days.

### NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at [NIST](#) website.

Conformity Assessment - In September 2017, the Cabinet of Ministers of Ukraine amended the Law of Ukraine On Standardization cancelling the mandatory application of national standards. Voluntary application of standards meets the requirements of the Agreement on Technical Barriers to Trade of the World Trade Organization, as well as European principles of standardization. Certification is no also longer mandatory per repeal of an [order](#) effective March 2018.

According to [Article 15 of the Economic Code of Ukraine revised on June 16, 2020](#), standardization is required for product development, production, or supply that refers to certain standards, if a manufacturer or supplier of products

has made a declaration of conformity of production to certain standards or indicated a standard on its label, and in certain other cases where application of standards or codes of established practice is regulated by law.

Importers can request that a foreign facility be certified in compliance with Ukraine's technical regulations. This option usually involves a costly inspection visit by Ukrainian government officials to the facility. If approved, the supplier receives a certificate of conformity valid for 2 years to 5 years and avoids the necessity of certifying each shipment and mandatory laboratory testing of goods upon arrival into Ukraine.

More information about product certification options and the process in Ukraine at the site of State Enterprise [“UkrMetrTestStandart”](#) and State Enterprise [“Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality”](#).

According to the [Decree of the Cabinet of Ministers #1149](#) “Technical Regulation of Low-Voltage Electrical Equipment” and [#1057](#) “On Approval of the Technical Regulation for Restricting the Use of Certain Hazardous Substances in Electrical and Electronic Equipment” the Declaration of Conformity is required for certain goods during customs clearance and for release in the Ukrainian market.

A Ukrainian official certification center can issue Declaration of Conformity. Contact information for official certification centers can be found at the official website of the [National Accreditation Agency of Ukraine \(NAAU\)](#).

### **Testing, inspection, and certification**

Importers can choose which type of technical standard certificates they would like to apply for:

- A certificate for a single batch of goods;
- A certificate for up to one year, which is valid for all imported goods during that year with one or two additional selective tests; and
- A certificate for up to two years, for which inspection of production facilities is mandatory.

The certification and approval process are lengthy, duplicative, and expensive, with politics and corruption still often behind arbitrary application of regulations.

Depending on the market strategy and prospects in the market, American exporter may consider applying for certification of their products in Ukraine. Since all paperwork for submission to a Ukrainian certification agency should be in the Ukrainian language and in person, it is recommended that American exporter hire an attorney from a local or international law firms for certification of products in Ukraine. Other option is to delegate any required certifications in Ukraine to a Ukrainian trading partner or end-user. As a rule, the following documents issued outside Ukraine confirming a product's conformity to specific requirements are to be submitted to a Ukrainian certification agency:

- An application stating that the company wishes to certify imported products;
- A certificate of conformity;
- User manuals, if available
- Standards (technical conditions) of production and the procedures for certification;
- A certificate of accreditation from the testing laboratory;
- A protocol/summary of test results;
- A certificate of quality control; and
- A certificate of origin (manufacturing).

Because the list of documents issued outside Ukraine confirming a product's conformity changes frequently, businesses should contact one of the [accredited certification agencies](#).

Publications and information regarding Ukrainian standards and technical regulations can be found on the website of the [“Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality”](#) (SE “UkrNDNC”).

The list of technical regulations and standards and EU Council Directives are available at the [website of the Ministry of Economic Development and Trade](#).

### **Contact Information**

For market feasibility or research purposes, interested U.S. manufacturers can order for a fee a full package of Ukrainian technical regulations relating to their products from [ushop@uas.org.ua](mailto:ushop@uas.org.ua)

[Department for Technical Regulations](#) of the Ministry of Economic Development and Trade of Ukraine

12/2, Hrushevskiy Street, Kyiv, 01008, Ukraine

Phone: +380 44 528-85-64, Fax: +380 44 528-90-14

Email: [dtr@me.gov.ua](mailto:dtr@me.gov.ua)

[SE “Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality”](#)

2, Svyatoshynska Street, Kyiv, 03115, Ukraine

Phone: +380 44 452-3396; Fax: +380 44 452-6907

[State Inspection on Consumer Rights Protection of Ukraine](#)

174 Antonovycha St, Kyiv, 03680, Ukraine

Phone: +38 044 528 9244

[State Regulatory Service of Ukraine](#)

9/11, Arsenalna Street, Kyiv, 01011, Ukraine

Phone: +380 44 254 56 73

Fax: +380 44 254-43-93

E-mail: [inform@dkrp.gov.ua](mailto:inform@dkrp.gov.ua)

### **Trade Agreements**

The United States has a bilateral investment treaty (BIT) with Ukraine, which took effect in 1996. The BIT guarantees U.S. investors non-discriminatory treatment, the right to make financial transfers freely and without delay, international legal standards for expropriation, including compensation, and access to international arbitration in the event of an investment dispute.

The “United States Income Tax Treaties – Convention” between the United States and Ukraine regarding the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital became effective January 1, 2001.

The United States and Ukraine signed a Trade and Investment Cooperation Agreement (TICA) on April 1, 2008. The TICA established a joint U.S.-Ukraine Council on Trade and Investment, which addresses a wide range of trade and investment issues including market access, intellectual property, labor, and environmental issues.

On May 16, 2008, Ukraine became the 152nd member of the World Trade Organization (WTO). Upon becoming a member of the WTO Ukraine became subject to the requirements of the Agreement of the WTO on Trade Related Aspects of Intellectual Property Rights “TRIPS Agreement”.

In March 2016 Ukraine officially joined the WTO Agreement on Government Procurement. This gives Ukrainian companies the right to participate in public procurement of 45 countries participating in the WTO agreement on government procurement (GPA), including EU countries, Japan, the United States, Korea, Taiwan, Singapore, Hong Kong, and Canada. In addition to opening foreign government procurement markets, this agreement will also require Ukraine to follow WTO rules for government procurement.

Although Ukraine was one of the three founding countries and ratified the Creation Agreement in December 1991, Ukraine did not choose to ratify the CIS Charter. In 1993 Ukraine became an "Associate Member" of CIS. Ukraine has signed Free Trade Agreements (FTA) with 9 CIS countries: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan, Russia. On March 14, 2014, a bill was introduced to Ukraine's parliament to withdraw from CIS following the attempted annexation of Crimea by Russia.

Ukraine has a Partnership and Co-operation Agreement (PCA) with the European Union. Under the terms of the agreement, Ukraine enjoys most favored nation status with the EU, but is not required to bind its own tariffs.

On March 21, 2014 the European Union and Ukraine signed the core elements of a political association agreement precursor to the Deep and Comprehensive Free Trade Agreement ([DCFTA](#)) which they started applying on January 1, 2016.

Ukraine has concluded trade agreements with Armenia, Azerbaijan, , Belarus, Canada, , Georgia, Iceland, Kazakhstan, Kyrgyzstan, Liechtenstein, Macedonia, Moldova, Montenegro, Norway, Russia, Switzerland, Turkmenistan, Tajikistan, and Uzbekistan. The Canada-Ukraine Free Trade Agreement (CUFTA) was signed on July 11, 2016 and is now ratified by the parliaments of both countries. These agreements grant, on a reciprocal basis, most favored nation (MFN) status on the exports -imports with signatory countries. As in the case of the PCA, Ukraine benefits via these agreements from the tariff concessions made by its partner countries who are WTO members without binding its own tariffs. Ukraine finalized FTA negotiations with Israel January 2019, and it is awaiting ratification from parliament. Negotiations for a Ukraine-Turkey FTA are ongoing and expected to conclude by end of 2019.

Other Important U.S. – Ukraine agreements. On February 7, 2017, Ukraine signed an intergovernmental agreement implementing the Foreign Account Tax Compliance Act (FATCA), which implies that Ukraine agreed to centrally share information on U.S. accounts with IRS on a non-reciprocal basis. Ukraine will further initiate the necessary amendments to existing legislation aimed at enabling the smooth and proper implementation of FATCA. On March 23, 2017 Ukraine became the 47th country to adhere to the [OECD Declaration on International Investment and Multinational Enterprises](#). The Declaration commits Ukraine to provide an open and transparent environment for international investment and to encourage the positive contribution foreign investment can make to economic and social progress.

### **Licensing Requirements for Professional Services**

Licensing requirements for all types of businesses in Ukraine are governed by the [Law On Licensing of Types of Business Activities](#). This law requires licenses for 33 types of business activities, many of which are professional services. Among them:

- Granting guarantees and suretyships
- Financial leasing
- Factoring
- Trust management of financial assets
- Specific types of insurance as defined by the legislation
- Lending funds with their further return

- Granting loans including financial credits
- Administration of private pension funds
- Administration of financial assets for purchase of goods for groups of purchasers
- Property management for financing constructions or real estate transactions
- Professional activity in securities market
- Transportation of passengers, dangerous goods and hazardous waste by river, sea, road, rail and air transport, international carriage of passengers and goods by road vehicles;
- Security guard activities
- Tour operator activity
- Brokering in employment abroad

#### **Web Resources**

- [Department for Technical Regulations of the Ministry of Economic Development and Trade of Ukraine](#)
- Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality
- [Ukrainian accredited certification agencies](#)
- National Institute of Standards and Technology

## Selling US Products and Services

### Distribution & Sales Channels

#### Distribution Channels

Most of Ukraine's domestic and international cargoes travel via rail or truck. The share of airfreight in domestic or international cargo transportation is insignificant compared to freight transportation made by sea, rail, or road. The state-owned railway company Ukrzaliznytsia manages the nation's rail network, which ranks third in Europe with 21,700 kilometers of rail and connections to Belarus, Russia, Moldova, Romania, Hungary, Slovakia, and Poland. Ukrainian highways link to pan-European corridors via the following highways: Gdansk-Odessa; Brussels-Dresden-Krakow-Kiev; Venice-Budapest-Lviv-Kyiv; and Helsinki-Saint-Petersburg-Gomel-Kyiv-Chisinau- Bucharest - Thrace.

Thirteen Ukrainian seaports (Briansk, Bilhorod-Dnistrovskiy, Illichivsk, Izmail, Kherson, Mariupol, Mykolaiv, Odesa, Oktiabrsk, Reni, Skadovsk, Ust-Dunaisk, and Yuzhnyi) and eight river ports process container and bulk imports. In 2019, 148.2 million tons of cargo passed through Ukrainian ports. Among the top five types of cargo, only coal imports demonstrated growth due to the need to compensate for the lack of its supply from the temporarily uncontrolled regions of Donbass.

There are two types of customs bonded warehousing in Ukraine: 1) customs bonded warehouses, and 2) temporary storage customs bonded warehouses. An importer can use the latter to temporarily store goods that are subject to certification, awaiting sanitary, environmental, or other entry approvals, or awaiting customs clearance in Ukraine.

Like all countries, Ukraine monitors import-export flows that pass through its borders. The current Ukrainian customs regulation mandates to execute customs declarations for export or import operations. Refer to a list of [licensed Ukrainian customs brokers](#).

#### Sales Channels

According to the Ukrainian State Statistics Service, Ukraine's retail trade turnover in 2019 was UAH 1,094 billion (\$42 billion), a 10.3 percent growth compared to 2018. Less than half of the overall retail market is controlled by chains, reflecting the considerable development opportunities that remain in Ukrainian retail.

Fast Moving Consumer Goods (FMCG) - Retail superstore chains are available in the main Ukrainian cities and primarily specialize in FMCG, consumer electronics, Do-it-Yourself (DIY), automotive parts and accessories, cosmetics and toiletries, pharmaceuticals, and health care goods.

The major international investors in the Ukrainian retail FMCG market are [METRO GROUP](#), [Auchan](#), [Rewe Group \(Billa\)](#), and [Spar](#).

The top four national FMCG retailers in the market are the [Fozzy Group](#), [ATB Market](#), [Retail Group](#), and [Furshet](#).

Regionally, the top retailers include: [Tavria V](#) and [Kopeika](#) in southern Ukraine; and [Pakko](#), [Barvinok](#), and [Kolibris](#) in western Ukraine.

The most popular FMCG outlet formats that opened in Ukraine in the recent years were discounters, corner shops, and supermarkets.

Consumer Electronics and Household Appliance Chains - Currently, the largest household appliances and electronics market players are [Foxtrot](#), [Eldorado](#), and [Comfy](#). These chain operators sell most of the consumer electronics and household appliances through their retail outlets located throughout Ukraine.



“Do-It-Yourself” Chains - The national chain [Epicenter](#) remains the leading DIY player, with a market share of more than 50 percent. The only foreign player in the market is [Leroy Merlin](#), part of Groupe Adeo, which operates three stores in Kiev. Swedish retailer [IKEA](#) entered Ukraine’s market, opening a store in Kyiv in 2019.

Branded Apparel and Footwear - Multiple national premium fashion outlet chains sell branded clothing and footwear including [Argo](#), Helen [Marlen Group](#), and [Melon Fashion Group](#), [Intertop](#) is a Ukrainian chain for branded footwear.

Automotive Parts and Accessories Chains - Three nationwide chains, Auto Trade Line (ATL), ZipAvto, and AIS, along with numerous independent retail outlets sell car parts and accessories. There are also regional wholesale chains like Planetauto, Stop -Transit, Pitstop, and Avtostiv.

Beauty and Toiletries Chains - The top four nationwide beauty chains in Ukraine include Eva (560 stores), DC-Watsons (440 stores), Prostor (280 stores), and Kosmo (106 stores).

Drug (Pharmacy) Chains – Pharmaceuticals are sold through more than 21,000 private and municipal pharmacies and pharmacy retail points. Private pharmacies dominate at 875 of the market, while the remaining 13 percent of pharmacies are owned by municipalities. Many regions and municipalities have been looking to expand or launch so-called 'social pharmacies', which stock essential medicines and charge little or no mark-up.

Consolidation levels in retail pharmaceutical sales in Ukraine are still low, with no chains that have a presence in all regions of Ukraine. The three largest pharmacy chains (Pharmacy-Magnolia, brand “Apteka Nyzkyh Tsin”), Med-Service Group and Titan (“Zdorovye” brand), account for only eight percent of total pharmacy sales. Given the low level of concentration in retail pharmaceutical sales, there is significant opportunity for international chains to enter the Ukrainian market.

### **Using an Agent to Sell US Products and Services**

Identifying a reputable, reliable agent or distributor is vital to mitigating risk and achieving success in the Ukrainian market. In order to identify such a business partner, it is absolutely essential to conduct appropriate due diligence. Depending on your business plan, you may want to look for distributors that have nationwide capabilities, including those located in the major cities and regions of Kyiv, Kharkiv, Dnipro, Lviv, and Odessa. These regions are the most densely populated and important commercial centers of Ukraine.

Depending upon your long-term interests, using an agent or distributor is an excellent way to learn about the Ukrainian market, gauge market potential, establish connections, develop a customer base, establish a foundation for future expansion into new product lines, introduce new-to-market technologies, and develop product recognition in the market. To find a qualified potential partner, the Commercial Service recommends using one of our services, such as the Gold Key Service, to conduct initial screening and meet with potential partners, agents, or representatives. Attending or participating in Ukrainian trade exhibitions is another way to identify and gauge the qualifications of prospective partners. For more details on the trade exhibitions taking place in Ukraine, please refer to the [U.S. Commercial Service in Ukraine](#).

The Commercial Service strongly advises against covering the Ukrainian market from regional offices in Europe, particularly from Russia. Ukrainians prefer to deal directly with local agents or representatives and subsequently an on-the-ground presence is crucial to successful business development in Ukraine. In addition, your Ukrainian partner can help you explore markets beyond Ukraine. Finally, given the ongoing conflict between Ukraine and Russia, several companies have reported that commercial relationships managed by regional offices in Russia have become very politicized and that information to U.S. headquarters companies regarding the Ukrainian market may be distorted as a result.

## **Establishing an Office**

A foreign company interested in starting a business in Ukraine has the option of forming a joint stock company, a limited liability company, a wholly-owned subsidiary, or a representative office. It is also possible to work in Ukraine through joint venture/cooperation agreements and investment funds/mutual funds. For regulatory and taxation purposes, representative offices are considered to be independent legal entities, with some exceptions. A representative office can carry out marketing, promotional, and other auxiliary functions, but it cannot sell goods or services. The Commercial Service recommends establishing a wholly-owned company in Ukraine if you intend to carry out manufacturing or other significant local commercial activities. A foreign legal entity may have both a representative office and a wholly-owned subsidiary. A limited liability company is the most popular form of a legal entity in Ukraine as it can conduct a broad range of business activities.

The Department of Trade and Economic Cooperation within the Ministry of Economic Development and Trade handles the registration of local offices of foreign companies. The process can take up to 60 days following the submission of all required documents and upon payment of the one-time \$2,500 fee. For more information, please contact the Section of Foreign Representative Offices at the Department of Trade and Economic Cooperation within the Ministry (email: [represent@me.gov.ua](mailto:represent@me.gov.ua), phone: +38 (044) 596-68-43).

To register a representative office of a foreign business entity, you must submit the following documentation:

- An application for registration of a representative office in free form
- A notarized extract from the trade (banking) register of the country, where the foreign business entity is officially registered (Certificate of Incorporation)
- A notarized reference from the banking institution where your account is officially kept, with the signature of the bank's primary officer
- A power of attorney to carry out representative functions issued under the laws of the country where the Head office of the foreign business entity is officially registered
- The protocol of the establishment of representative office in Ukraine and the appointment of the Representative Director
- Passport information and ID number of the head of representation
- The lease agreement of representation's legal address

All documents should have an official corporate stamp, be translated into Ukrainian, and the translation should be notarized. The documents should be issued no earlier than six months before submission to the Ministry. A full listing of the documents necessary for registration of a representative office please visit the [Embassy of Ukraine in the United States of America](#). All documents should be notarized by a notary at the place of issue and legalized in a consular institution of Ukraine in the United States. We recommend that U.S. companies work with local law firms, consultants, or business advisory services to ensure a smooth registration process. The Commercial Service can provide you with a list of local law firms.

U.S. companies can find professional personnel for their Ukrainian operations through many experienced local and international recruitment agencies operating in Ukraine.

## **Direct Marketing**

Direct marketing has mixed success in Ukraine, and U.S. companies should rely on the guidance of their local partner and local advertising companies when deciding on techniques. Telemarketing and direct mail are unlikely to be successful, except in niche segments. Traditionally, telemarketing consists of companies making telephone calls to potential customers. With modern technology, telemarketing has expanded to include video conferencing calls,

although these are typically conducted with existing customers. Excepting e-marketing, no particular law in Ukraine governs how companies may telemarket their products.

Regarding e-marketing, Ukraine's law "On Electronic Commerce" passed in September 2015 regulates the distribution of commercial electronic messages. Commercial electronic messages may only be distributed with either the consent of the individual to whom such messages are addressed or if the recipient has an option to refuse from receiving of such messages in future.

In addition to this requirement, commercial electronic messages must also satisfy the following criteria:

- Commercial electronic messages must unequivocally be identified as such
- The recipient must have easy access to information regarding the person sending the message
- Commercial electronic messages regarding sales, promotional gifts, premiums, etc. must be unequivocally identified as such and the terms and conditions of promotions must be clearly stated to avoid their ambiguous understanding
- Commercial electronic messages must comply with advertising legislation.

When electronic marketing involves the processing of an individual's personal data, it should take place in compliance with the requirements of Ukrainian data protection legislation. Most notably, companies must obtain appropriate consent from the individual to process his/her personal data for marketing purposes.

Despite the lack of popularity of direct marketing, direct sales have worked remarkably well in Ukraine for a variety of goods such as herbal products, cosmetics, and small-scale consumer goods. Seven U.S. direct sales companies are currently operating in Ukraine: Amway, Avon, Mary Kay, Herbalife, NuSkin Enterprises, Morinda, and Tahitian Noni International, all of which are members of the Ukrainian Association of Direct Sales, established in 2001.

### **Joint Ventures/Licensing**

Because Ukrainian businesses currently have limited access to financial resources, more Ukrainian companies are seeking to establish joint ventures (JV) with foreign investors as a means of accessing financing. However, concerns remain over whether Ukraine has succeeded in establishing a sufficient legal framework to protect foreign investors. U.S. companies pursuing this option should employ local legal counsel and seek to structure their entity as an offshore business organization where international laws apply.

According to a Law No. 222-19, "On Licensing of Types of Economic Activities," adopted on March 2, 2015, and amended on July 1, 2020, the business activities set below are subject to licensing (full list of business activities subject to licensing is available at [Verkhovna Rada of Ukraine](#) (Parliament)).

- Granting guarantees and suretyships
- Financial leasing
- Factoring
- Trust management of financial assets
- Specific types of insurance as defined by the legislation
- Lending funds with their further return
- Granting loans including financial credits
- Administration of private pension funds
- Administration of financial assets for purchase of goods for groups of purchasers
- Property management for financing constructions or real estate transactions
- Professional activity in securities market

- Transportation of passengers, dangerous goods and hazardous waste by river, sea, road, rail and air transport, international carriage of passengers and goods by road vehicles;
- Security guard activities
- Tour operator activity
- Brokering in employment abroad

Import and export licenses are required for some goods. The list of goods covered by the licensing regime and the license terms are updated annually by the Cabinet of Ministers. The current list of such products can be found in the [Resolution of the Cabinet of Ministers of Ukraine No. 1018 On Approval of the List of Products subject to Import and Export Licensing and Respective Quotas for 2018, dated December 20, 2017](#). In 2018 the list includes: pharmaceuticals, paints and lacquers, dyes, hygiene products, cosmetic products, pedicure and manicure products, shaving aerosols and deodorants; lubricants, waxes, shoe polishes, insecticides, solvents, silicone, fire extinguishers and the chemicals that fill extinguishers; refrigerators and freezers, air-conditioners, humidifiers, and other selected industrial chemical products; fungicides, insecticides, herbicides, and plant growth adjusters.

### **Express Delivery**

The international express delivery of documents, parcels, and freight is carried out by over 32 companies, including international companies such as DHL, FedEx, TNT Express, and UPS, and several smaller international and domestic companies such as Meest Express, Pony Express, and Nova Poshta. The Ukrainian national mail operator is Ukrposhta, which has an extensive network and delivery fleet and is the only carrier able to deliver mail to the most remote corners of the country.

On average, international express delivery takes from one to seven days, depending on the type of dispatch, type of shipment, and destination. Please visit the web sites of the operators to calculate the cost and time for delivery.

When sending express shipments to Ukraine, there are several factors to consider. First, some goods are deemed to be documents and only require a waybill to be delivered, while others must be accompanied by an invoice and, in some cases, additional customs documentation.

Starting from July 01, 2019 changes to the Tax Code of Ukraine took effect. Non-taxable total invoice value of imported goods sent in postal and express shipments to private individuals is reduced from 150 EUR to 100 EUR. Total invoice value (batch of goods value) is a value for all shipments from one shipper to the same consignee that arrive in Ukraine during one day. Total invoice value of the goods is below 100 EUR - duties and taxes are not collected.

Total invoice value of the goods is above 100 EUR but below 150 EUR - 20% VAT is collected from the value exceeding 100 EUR. Goods are cleared under customs declaration M16. According to Articles 234-235 of the Customs Code of Ukraine, goods (except excise goods) sent express internationally from one sender to one beneficiary (person or legal entity) in one dispatch are not subject to customs duties if the total invoice amount does not exceed the equivalent of 100 Euros. If the total invoice amount exceeds the equivalent of 100 Euros, however, the shipment is subject to customs duty and VAT. All permissible excise goods are subject to customs duty and other taxes, regardless of the total invoice amount. Some types of goods are prohibited for international express delivery into Ukraine:

- Firearms and ammunition
- Explosives, flammables, other dangerous substances
- Military equipment (unless otherwise provided by law)
- Narcotics, psychotropic substances, and their analogs

- Items including obscene and immoral content
- Permits for the right to bear arms
- Employment records and identification (except Ukrainian passports for traveling abroad)
- Live animals

The complete list of prohibited goods is available on the web-site of the [State Fiscal Service of Ukraine](#). In addition to the prohibited items above, Ukraine prohibits the shipment of goods that fall within groups 1 through 24 of the Ukrainian Classification of Goods in Foreign Economic Activity are not permitted unless the gross weight of the shipment is less than ten kilograms and the goods are shipped in manufacturer's packaging.

### **eCommerce**

The e-commerce market grew by 17 percent in 2019 and reaching \$1.5 billion. Ukrainians often buy apparel , electronics, appliances, , home and garden products, cosmetics, and food online

The top e-commerce players in Ukraine are presented by major marketplaces:

- OLX.ua – 40 percent of all online orders
- Rozetka.com.ua – 32.5 percent
- Prom.ua -26.5 percent

Even though e-commerce is relatively well developed in terms of consumer satisfaction and order processing time, logistics and delivery remain a major bottleneck for online sales growth. As a result, in 2019 some online companies opened off-line stores to improve delivery and provide more flexibility to their customers.

In 2020, e-commerce in Ukraine is expected to grow 15 percent, motivating sellers to invest in their online sales channel development.

### **Selling Factors & Techniques**

The most important sales factors in Ukraine include promotion (localized promotional advertising, TV advertising, direct sales, and online advertising) and sales channels (traditional retail, online sales). Common Ukrainian online advertising channels include: [Top Shop TV](#) and [Telemedia](#), and [AllBiz](#).

Ukrainian consumers do not like Western brand name products manufactured in Asia. U.S. goods tend to have strong reputations but are not widely available on the local consumer market, consequently, a tag “made in the USA” increases consumer interest and confidence.

### **Trade Promotion & Advertising**

Despite the continuing political and economic complexities in Ukraine, the advertising and communication industry has begun to rebound. According to the All-Ukrainian Advertising Coalition, total volumes in the advertising media market will increase by 26 percent in 2018 to reach nearly \$800 thousand (UAH 20.5 million). The most rapidly growing channels will be TV advertising (26 percent growth), Out-of-Home Media (24 percent), and Internet advertising (30 percent).

Ukraine's Top 5 TV Channels (according to MediaBusiness Review):

- [Channel Ukraine](#)
- [1+1](#)

- [ICTV](#)
- [Inter](#)
- [STB](#)

Ukraine's Top 5 Radio Stations (according to the Independent Association of Broadcasters):

- [Hit FM](#)
- [Lux FM](#)
- [Radio Piatnitsa](#)
- [Russkoe Radio](#)
- [Retro FM](#)

Ukraine's Major Newspapers/Journals:

- [Segondya](#)
- [Fakty i Kommentarii](#)
- [Vesti](#)
- [Express](#)
- [Komsomolska Pravda Ukraina](#)

Ukraine's Major English-language Newspapers/Journals:

- [Kyiv Post](#)
- [Business Ukraine](#)
- [KyivWeekly](#)
- [What'sOn](#)

Upon request, the U.S. Commercial Service can provide a list of advertising and public relations agencies, as well as print and television media sources operating in Ukraine. See our Contact List service at [here](#).

National trade shows and exhibitions continue to be an effective way to introduce products to local buyers. A full listing of the international, nationwide and, or regional trade shows is available at [here](#).

Major local trade show organizers and trade fair authorities include:

- [Euroindex](#)
- [Medvin](#)
- [PremierExpo](#)
- [ACCO International](#)
- [International Exhibition Center](#)

The U.S. Commercial Service actively promotes the products and services of U.S. companies at local major trade shows by organizing and staffing U.S. Product Literature Centers.

### **Pricing**

Business-to-Consumer: Like most consumers, the most important factor for Ukrainians is price, followed by quality, durability, and after sales service. The type of product also influences the importance that consumers place on the

product's country of origin. The same holds true for Ukrainian businesses representing foreign companies as agents, distributors, or representatives.

When establishing prices it is important to take into consideration the purchasing power of the average Ukrainian consumer. According to the State Statistics Committee of Ukraine, the average monthly salary in Ukraine in 2019 was UAH 10,497 (approximately \$404), which represents a 18.4 percent year-over-year increase in UAH.

For pricing it is also important to consider the ages of potential end-users and the regions where they live. The demand for higher-priced Western-manufactured products is far greater among the younger generation, with the sharpest contrasts seen between the "under 55" and "over 55" age groups. The widest differences are observed in the purchase of vehicles, personal care products, candy, jewelry, household goods, and electronics.

To review the prices for a wide variety of other products, please refer to [Price.ua](#) (in Ukrainian) and [AllBiz](#) (in English).

**Business-to-Business:** The most important factor for Ukrainian companies when purchasing equipment is quality, followed by new technology, efficiency, reliability, training support, and after-sales service. This is especially true in the agriculture, power generation, oil and gas, pharmaceutical, aviation, and information and communications technology sectors.

### **Pricing Regulations**

Ukraine's price setting regulations are stipulated in the Law of Ukraine on Prices and Price Establishment. Price-regulating authorities in specific industries include:

- The National Commission for State Regulation of Communications and Informatization, which regulates fees for telecommunication services
- The National Commission for State Energy and Public Utilities Regulation, which is the government regulator of prices for energy and utilities

The Government of Ukraine regulates the prices of medicines to treat cardiovascular diseases, type II diabetes (oral medications), and asthma. For other products and services, Ukrainian companies and individual entrepreneurs are granted liberty to set prices themselves.

### **Pricing and Value Added Tax (VAT)**

Most businesses in Ukraine are organized primarily as individual private entrepreneurs, LLC companies, or joint stock companies. American exporters working with a Ukrainian partner to jointly price goods in Ukraine should be aware that individual private entrepreneurs are exempt from the obligatory 20 percent VAT on goods resold to customers. They should also know that the price a customer pays for goods in retail outlets, wholesale, or distribution warehouses already includes 20 percent VAT.

LLC companies and joint stock companies should include 20 percent VAT into the price of their goods or services. The option of sale through an individual private entrepreneur is limited to sales revenues performed by an individual private entrepreneur over a one year period. For VAT purposes, three groups exist with different limits of annual sales revenues for each group: group I UAH 300,000 (up to approximately \$ 12,000), group II UAH 1,500,000 (up to approximately \$ 59,000); and Group III UAH 5,000,000 (up to \$196,000). LLC companies and joint stock companies are not limited by a ceiling in annual sales revenues since they are required to include 20 percent VAT in the price.

Depending on the scope of sales in goods and their nature, one can implement a mandatory ceiling in annual sales revenues by partnering with a team of several entrepreneurs. Businesses that sell their products through dozens of salespeople classified as individual private entrepreneurs use this option widely.

### **Sales Service/Customer Support**

Ukraine's standards of after-sales service and customer support are lower than in the West. Nonetheless, Ukrainian consumers are increasingly demanding better warranties and after-sale services. These services are typically performed by Ukrainian repair shops, under contract with the distributor of the manufacturer or sales representatives. Ukrainian consumers have high expectations for after-sales services and product warranties. The level and quality of customer support offered can be a determining factor in winning and keeping customers in Ukraine. Legally, Ukraine has strong consumer rights protection laws of which consumers are well aware.

According to Ukrainian legislation, a manufacturer of technically sophisticated products must guarantee a product's compliance with the specifications described in the product's manual and offer warranty service for a minimum of six months from the date of purchase. During the warranty period, consumers are entitled to a free-of-charge repair, complete replacement of malfunctioning products within a 14-day period after purchase, or full reimbursement of the purchase price of the product if the product is returned within seven days of purchase. If the consumer has violated the operation manual of the product, all subsequent necessary repair work is at the expense of the consumer. Warranty service starts from the date of purchase.

Technically sophisticated products include:

Household radio and electronic appliances, and electric powered household appliances

- Household and computing devices
- Personal communication devices
- Mechanical devices including clocks, watches, and timers or stop watches
- Musical instruments, including electric powered
- Any devices with warranty obligations
- Machining devices for household use
- Medical devices
- Products for physical exercise, and sport or tourism
- Personal regular or rubber bullet firearms, tear gas (PP) guns, carbonate gas (CP) guns, ball bullet (BB) guns, air or spring guns
- Household measuring and rationing devices

The obligatory exchange or reimbursement of goods due to poor performance does not apply to foodstuffs, drugs and pharmaceuticals, personal hygiene products, perfumes and cosmetics, underwear, sprays, books and other printed goods. Such exchanges are done on a goodwill basis and at the discretion of the seller. The after sale support for motor vehicles and other self-propelled devices are regulated by a separate law.

### **Trade Financing**

#### **Methods of Payment**

Payment methods and terms vary depending upon the U.S. company's business model and relationship with its Ukrainian trading partner. For new-to-market companies, requesting advance payment for goods and services from a



Ukrainian customer may be a prudent course to follow until both parties establish a record of payment. While all internationally acceptable forms of payment are available in Ukraine (e.g. checks, bills of exchange, letters of credit, and collection arrangements), the recommended method of receiving payment for U.S. exports is through an irrevocable letter of credit.

Payment transfers in foreign currencies are made either through a cover at a foreign partner-bank or the International Settlements Department of the National Bank of Ukraine (NBU). The EBRD trade finance partners in Ukraine are Credit Agricole Ukraine, Oschadbank, OTP Bank, Raiffeisen Bank Aval, State Export-Import Bank of Ukraine, Ukrsibbank. To conduct hard currency transactions a bank has to be authorized by the NBU. All authorized Ukrainian commercial banks are members of SWIFT (Society for Worldwide Interbank Financial Telecommunications).

Ukrainian legislation allows settlement under export or import contracts between a Ukrainian resident and a non-resident to be carried out in foreign currency as well as in hryvnia. The foreign currency proceeds of a Ukrainian resident under an export contract (except for export of services, other than transport and insurance services, and intellectual property rights) must be collected on such resident's bank account within 365 days from the date of the customs clearance of the exported goods.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at <https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters>.

### **Banking Systems**

The Ukrainian banking sector has a two-tier structure made up of the National Bank of Ukraine (NBU) and commercial banks of various types and forms of ownership. The NBU is responsible for monetary policy, licensing of commercial banks, and the oversight of their activities. Current Ukrainian legislation distinguishes between “universal” (general) commercial banks and “specialized” commercial banks, with the latter including savings, investment, mortgage, and settlement (clearing) banks. A commercial bank carries out its banking activities under a banking license issued by the NBU.

In 2019, Ukraine's 75 operating banks earned UAH 59.6 billion (\$2.29 billion) in net profit, 2.7 times more than in 2018. Assets UAH 1,494 billion (\$57.46 billion). Ukrainian banks' share of total banking assets reached approximately 55 percent by net assets and 62 percent by retail deposits, while foreign banks accounted for 30 percent by net assets and 23 percent by retail deposits.

Last year, the parliament vested the NBU with new powers that will enable the central bank to be more effective in delivering financial stability for Ukraine, enhancing transparency and safety for customers.

### **Foreign Exchange Controls**

Last year, the NBU canceled mandatory sales of foreign currency for businesses, allowed individuals to buy foreign currency online, lifted all limits on paying dividends abroad, and introduced a system facilitating foreign investment of up to 100,000 Euros annually. In addition, the regulator canceled certain requirements for businesses making foreign exchange purchases and doubled the timeframe for settlements under export and import contracts.

None of the steps toward foreign exchange liberalization had a significant impact on the foreign exchange market and the balance of payments, as the NBU phased out the restrictions only gradually, aligning its actions with improvements in Ukraine's macroeconomic conditions.

### **US Banks & Local Correspondent Banks**

Citi Bank is the only American bank currently operating in Ukraine. The bank is located at the address: 16-G Delovaya Street, Kyiv; Tel.: +38 (044) 490-10-00.

## Protecting Intellectual Property

### Protecting Intellectual Property

In 2020, Ukraine remained on the U.S. Trade Representative's (USTR) Priority Watch List under the Special 301 review process. The designation is based on three long-standing issues: (1) the unfair and non-transparent administration of the system for collective copyright management organizations (CMOs) that are responsible for collecting and distributing royalties to right holders; (2) widespread use of unlicensed software by Ukrainian government agencies; and (3) failure to implement an effective means to combat widespread online copyright infringement. In 2017, the United States announced Ukraine's partial suspension as a beneficiary country under the Generalized System of Preferences (GSP) due to Ukraine's failure to provide adequate and effective protection of intellectual property rights. In 2019, the United States partially restored the suspended GSP benefits in recognition of Ukraine's progress in reforming its CMO regime, including passage of a CMO law (No. 7466). In June 2020, Ukraine passed a law on COVID-19 relief for creative industries (No. 3377), which looks to complete the CMO accreditation process and enable royalty collections.

The Ukrainian Intellectual Property Institute (UkrPatent) examines and registers patent and trademark applications. On July 10, 2020, Ukraine's President signed a law (No. 2255), which establishes a new intellectual property agency that will take over this role. It is expected that the new agency will be up and running by the end of 2020. Until it is operational, patent and trademark filings will continue to be reviewed by UkrPatent. On July 20, 2020, Ukraine's Parliament passed a patent reform law (No. 2259), which looks to meet obligations under the EU-Ukraine Association Agreement, such as compliance with the European Patent Convention. Although the new patent law has not yet been implemented, representatives of the pharmaceutical industry have raised concerns that the law may restrict patentability for certain pharmaceutical inventions, such as polymorphs and other compositions. Companies planning to do business in Ukraine should be aware that U.S. patent rights and U.S. trademark registrations do not confer rights in Ukraine. Protection for such U.S. intellectual property rights in Ukraine would need to be filed with UkrPatent.

Trade secret protection is available in Ukraine, and administrative enforcement has been conducted by Ukraine's Anti-Monopoly Committee. Notably, in December 2019, the agency issued a civil fine against a company for misappropriating a rival company's trade secrets in the form of customer contacts and pricing lists. Companies should be sure to implement appropriate security measures for their proprietary business information, including confidentiality and non-disclosure agreements, should they look to enforce such rights in Ukrainian courts.

The sale of counterfeit goods at physical markets remains an ongoing concern for trademark holders. USTR has identified 7th Kilometer Market in Odessa and Barabashova Market in Kharkiv as notorious markets engaged in the sale of counterfeit products. Most counterfeit goods are not produced in Ukraine but are instead imported and reportedly largely sourced from Turkey and China. Ukraine's State Customs Service maintains a database of trademarks, which it references in order to seize infringing goods at the border. Companies should record their trademarks with Ukrainian Customs to secure such border enforcement. On June 9, 2020, Ukraine's Ministry of Finance issued orders (No. 281 and No. 282), which look to improve Customs' intellectual property border enforcement system, by allowing for online recordation of trademarks with Customs, and by developing an IT platform for electronic communications between brand-holders and customs officials.

In any foreign market companies should consider several general principles for effective protection of their IP. For background, please see [Protecting Intellectual Property](#) and [Stopfakes.gov](#) or contact ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at [Stevan.Mitchell@trade.gov](mailto:Stevan.Mitchell@trade.gov) for more resources.

The U.S. Commerce Department has positioned intellectual property attachés in several markets around the world. For Ukraine, please contact:

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## **Selling to the Public Sector**

### **Selling to the Government**

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to “*Project Financing*” Section in “*Trade and Project Financing*” for more information.

National law regulates the public procurement of goods, works, and services. According to Ukrainian law, public tenders must be held for the procurement of goods, works, and services if the cost of goods is equal to or greater than UAH 100,000 (roughly \$4,500) and if the cost of works is equal of greater than UAH 1,000,000 (roughly \$45,000). The government must publish the announcement of the tender and its results. Open international tenders must be used when procurements are financed by foreign entities. Government procurement is also governed by international treaties to which Ukraine is a party, including Chapter 8 of Title IV of the Association Agreement with the EU, as well as the WTO Government Procurement Agreement.

Starting on August 1, 2016, all government agencies in Ukraine began using an e-procurement system, the PROZORRO portal. Ukraine’s implementation of e-procurement system will create significant opportunities for American companies to participate Ukrainian government tenders. American suppliers interested in current public procurement opportunities in Ukraine may register for notifications at the [Ukrainian Public Procurements Official National Web Portal](#) and at the open source government e-procurement system [PROZORRO](#).

The Anti-Monopoly Committee of Ukraine has the power to review disputes arising from public procurements related to procurement procedures through its Complaint Board.

Courts may also hear government procurement-related cases. Cases must be filed on tight timelines, within 10 days of alleged violations. U.S. companies may also file a complaint with Ukraine’s Business Ombudsman Council. The post of Business Ombudsman is an essential element in Ukraine’s fight against corruption and is supported by the EBRD, the OECD, and multiple business associations, including the American Chamber of Commerce in Ukraine. The Business Ombudsman’s regulatory status allows the ombudsman or his/her representatives in the field to report claims of unfair treatment and corruption. The Business Ombudsman Council assesses the claims. Where it concludes that the alleged business malpractice may have occurred, it can request further investigation by the relevant bodies and seek to have these complaints addressed by governmental authorities. The ombudsman periodically reports to the public, including the business community, about the progress made in the fight against corruption.

In addition to direct government tenders, Ukraine currently receives international assistance from multiple multilateral development banks for major infrastructure development projects. These projects create significant export opportunities for U.S. companies. Tender announcements for these projects are on the websites of the World Bank, the European Bank for Reconstruction and Development (EBRD); the International Finance Corporation (IFC), and the United Nations Development Program (UNDP).

## **Project Financing**

In January 2019 the Export-Import Bank of the United States of America (Exim Bank) reopened its short- and medium-term programs for public and private sectors in Ukraine after a four years suspension due to the uncertainty of repayment caused by Ukraine's current economic crisis and the Russian-backed conflict in eastern Ukraine. The coverage term is from one to seven years. Where support is not available (over a total term of 7 years), Exim Bank can still consider financing arrangement that eliminate or externalize country risks.

### **Exim's Cover Policy for Ukraine**

#### **Public Sector**

Maximum total term is seven years. Total term includes both the drawdown and repayment periods. Typically limited to transactions with commit the full faith and credit of the government via the Ministry of Finance.

#### **Private Sector**

Maximum total term is seven years. Total term includes both the drawdown and repayment periods. Typically limited to transactions with a commercial bank as obligator or guarantor.

### **Multilateral Development Banks**

The European Bank for Reconstruction and Development (EBRD) is the single largest foreign investor in Ukraine. With debt and equity investments in the financial sector for small and medium sized businesses, food production and processing enterprises, municipal and state infrastructure and transport, agricultural machinery, and electric and nuclear power generation. It is important to note that the U.S. is the single largest investor in the EBRD. The cumulative EBRD investment in Ukraine amounts to \$17.5 billion and its current investment portfolio is around \$4,8 billion. In 2020, EBRD plans to allocate \$1 billion and has already released \$240 million, mostly to support the development of SMEs.

The World Bank provides loans and grants in the central government, agriculture, energy, trade and services, banking institutions, public administration, environmental protection, healthcare, as well as private sector development. Since Ukraine joined the World Bank in 1992, Bank commitments to the country have totaled \$12 billion in 70 projects and programs. Since May 2014, the World Bank Group has provided a total of more than \$5 billion to Ukraine (including four development policy loans, seven investment operations and one guarantee) from the International Bank for Reconstruction and Development. The World Bank's current investment project portfolio in Ukraine amounts to about \$2.3 billion.

Since 2004, the International Finance Corporation (IFC) has invested in 86 projects worth \$3.2 billion implemented in Ukraine. Through a combination of investment and advisory services IFC continues to partner with clients in strategic sectors crucial for Ukraine's sustainable development, and with a focus on agribusiness, infrastructure, and energy efficiency. IFC's strategy for fiscal years 2017-2021 in Ukraine is designed to create favorable conditions for attracting investments in the energy sector, to support municipal projects aimed, first of all, at enhancing energy efficiency, in establishing partnership relations with state-owned enterprises for the purpose of reconstruction of the transport infrastructure - roads and ports in cooperation with farmers in the context of increasing their operational efficiency, introducing the latest technologies and standards, and thus opening up access to new markets.

### **Financing Web Resources**

- U.S. Export Import Bank [www.exim.gov](http://www.exim.gov)
- EBRD [www.ebrd.com](http://www.ebrd.com)

- World Bank [www.worldbank.org](http://www.worldbank.org)
- IFC [www.ifc.org](http://www.ifc.org)

## **Business Travel**

### **Business Customs**

Relationships are crucial in Ukrainian culture, and as a result, it is advisable to discuss important business matters face-to-face. The format and mood of business meetings greatly depend upon the size of the Ukrainian company and its previous experience with foreign business representatives. Regardless of size, all companies will observe the niceties, offering coffee, tea, water, and thank you for the meeting.

Taking into consideration the language barrier and the importance of body language, finding an interpreter you know and trust is imperative to ensure that the message you wish to convey to prospective business partners or clients is accurate. Take your hints from your counterparts. Be prepared with a meeting agenda, be on time or apologize if you are late. Be flexible, but firm in your objectives and ask questions if you are not clear on something under discussion.

It is polite to give at least one week's notice when requesting a meeting. Appointments should be reconfirmed shortly before the meeting day.

For additional tips on conducting effective business meetings in Ukraine, please read the U.S. Commercial Service in Ukraine's "[Tips for Effective Business Meeting in Ukraine.](#)"

Background Notes are available on the [U.S. Department of State's Travel & Business](#) website.

Background information on Ukrainian culture and traditions is also available at the [Embassy of Ukraine](#) (in Washington D.C.) website.

### **Travel Advisory**

Please review the U.S. Department of State Country Information Sheet for Ukraine available at [Travel.State.Gov](#) for the latest travel advisories.

Regular updates on Covid-19 and travel restrictions can be found on the U.S. Embassy in Ukraine website, [COVID-19 Information](#).

U.S. citizens are urged to follow the guidance in the [Travel Advisory for Ukraine](#) and not travel to the eastern regions of Donetsk and Luhansk and the Crimean Peninsula at this time.

The Federal Aviation Administration (FAA) prohibits U.S. civil aviation from flying in the Ukrainian Simferopol (UKFV) and Dnepropetrovsk (UKDV) Flight Information Regions. For additional background information regarding FAA flight prohibitions and advisories for U.S. civil aviation, consult the [FAA's Prohibitions, Restrictions and Notices web page](#).

U.S. citizens living or traveling in Ukraine are strongly encouraged to enroll in the [Department of State's Smart Traveler Enrollment Program](#) (STEP) to receive the latest travel updates and to obtain updated information on security within Ukraine. By enrolling, U.S. citizens make it easier for the Embassy to contact them in case of an emergency.

### **Visa Requirements**

A passport valid for six months beyond the planned date of travel is required for entry to Ukraine. U.S. citizens do not need a Ukrainian visa as long as their stay in Ukraine does not exceed 90 days and the purpose of travel is tourism, private travel, or business. Proof of valid health insurance and sufficient funds is required for the duration of stay.

U.S. citizens whose stay in Ukraine exceeds 90 days must have a visa. U.S. citizens also must have an appropriate visa regardless of the length of stay if their purpose of travel is other than tourism, private travel, or business. The

Government of Ukraine does not issue visas at its borders or ports of entry. Visas must be obtained from a Ukrainian embassy or consulate abroad. Visit the [Ukrainian Ministry of Foreign Affairs](#) or [Embassy of Ukraine in the U.S.](#) websites for the most current visa information.

- [Embassy of Ukraine](#) in Washington D.C
- [Consulate General of Ukraine](#) in New York
- [Consulate General of Ukraine](#) in San Francisco
- [Consulate General of Ukraine](#) in Chicago

U.S. companies that require travel of foreign business persons to the United States should be advised that security evaluations are handled via an interagency process.

For more details please visit the [U.S. Embassy Ukraine's web site](#).

### **Currency**

The currency of Ukraine is the hryvnia (UAH), pronounced GREEV-NA. There are 100 kopecks in a hryvnia. The hryvnia is not fixed to the dollar or any other currency. For current exchange rates please visit [XE Corporation](#) website.

You cannot use foreign currency for transactions in Ukraine. You will need to change your money at an exchange bureau or bank, which are ubiquitous in large and small towns alike. Exchange rates will be clearly displayed on boards outside of the exchanges. Remember to bring crisp, clean bills to exchange, as old and damaged currency will not be accepted at exchange points. Ukrainian currency is nearly impossible to exchange outside of Ukraine, so make sure to change your money back to dollars before leaving.

ATMs are commonplace in major cities.. It is better to use ATM machines attached to large banks like Oshtad, Credit Agricole, PrivatBank, among others. Credit cards are also widely accepted in Ukraine.

### **Telecommunications/Electric**

For information on internet accessibility, cellular phone technology in use, which U.S. cell phone services work in this country, the prevalence of Wi-Fi in hotels, what types of voltage and plugs are used, and other technological information of interest to U.S. businesses please visit the following web sites:

- [Visit Kyiv Ukraine](#)
- [Power Plugs and Sockets of the World](#)

For telephone service information please visit:

- [How to Call Abroad](#)

Phone codes for Ukrainian cities and regions are available on the following web sites:

- [Visit Kyiv Ukraine](#)
- [Brama](#)

### **Transportation**

Only use marked taxis. Fares are given in advance when you order a taxi by phone, but prices are typically negotiated with the driver in advance if hailing a cab in the street.

Application-based taxis like Uber and Bolt are very popular and generally safe options.

Do not sit in the front seat of the taxi, enter a taxi with unknown passengers, or travel to unfamiliar areas.

Metro, buses, and trams are widely used. Many incidents of criminal activity occur on the public transport system, including the metro. When riding on public transportation or moving in crowded areas, keep your purse, bag, or backpack tightly under your arm and/or in front of your body.

Car rental services are offered by both U.S. and European Car rental companies:

- [Avis](#), tel.: +380 (44) 502-2010
- [Budget](#), tel.: +380 (44) 490-1088
- [Europcar](#), tel.: +380 (44) 220-3500
- [Hertz](#), tel.: +380 (44) 359-0991
- [SIXT](#) run operations in Kyiv, Boryspil Airport, and other large cities.

Train travel is one of the least expensive and convenient methods of travel to reach just about any location in Ukraine. Although train travel is slow, it is generally safe. Train schedules are available on [Ukrzaliznytsia](#) website. Overnight trains are inexpensive and particularly convenient if you are traveling a long distance.

Almost all international flights to Kyiv arrive at [Boryspil International Airport](#) located 30 kilometers from Kyiv City center. [Zhuliany-Kyiv](#) is the other main airport, which handles most domestic flights. It is located 7 kilometers from the center of Kyiv.

United Airlines operates code-share flights with Austrian Air and Lufthansa; Delta Airlines code-share with Air France; Northwest with KLM; and American Airlines with Swiss Air Lines. Flight schedules are available on [Pilot](#) and [KiyAvia](#) websites.

## **Language**

Ukrainian is the official state language of Ukraine (since 1990). However, Russian is widely used in Kyiv and the cities of eastern Ukraine, and to a much lesser extent in western Ukraine. Although those in the political world and the local media use both languages, official documents are in Ukrainian. The number of English speakers increases yearly. Some useful Ukrainian vocabulary to remember is DOBRIY DEHN (hello, good day); DYA-KOO-YOU (thank you); BOOD LASKA (please/you're welcome). For more information please visit the web site of the [Embassy of Ukraine in Washington D.C.](#)

## **Health**

By Ukrainian law, all foreigners coming to Ukraine must have medical insurance covering their period of travel. Note that the general quality of healthcare in Ukraine does not meet U.S. standards.

- Fees at government clinics and hospitals are lower than those at private clinics, but there have been reports that doctors request bribes or additional payments before treating patients.
- Private physicians and private hospitals charge fees for services, and some do not accept local health insurance.
- Public facilities only accept cash payments, while most private clinics accept credit cards.

If you take prescription medication, bring your prescriptions and/or sufficient medication with you in your carryon luggage. Avoid drinking tap water, including in hotels. Bottled water is available in major hotels and supermarkets at a reasonable cost. Medical information, including information about medical evacuation, insurance and medical services in and outside of Kyiv is available on the [U.S. Embassy in Ukraine's web site](#).



Information on medical facilities and insurance is available on the [U.S. Department of State's Bureau of Consular affairs web site](#).

Information on Covid-19, vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the [CDC](#).

Regular updates on Covid-19 and travel restrictions can be found on the U.S. Embassy in Ukraine website, [COVID-19 Information](#).

### Local Time, Business Hours and Holidays

Ukrainian time is GMT+2 (Helsinki) and EST+7 (Eastern Standard Time). Ukraine observes daylight savings time from the last Sunday in March through the last Sunday in October. Work week: 40 hours per week, Monday through Friday. Normal business hours: 9 a.m. – 6 p.m.

The Embassy will be closed to the public on the following American and Ukrainian holidays in 2020:

Date	Day	Country	Holiday
• January 1	Wed	U.S./Ukraine	New Year's Day
• January 6	Mon	Ukraine	Governmental Day (observed)
• January 7	Tue	Ukraine	Orthodox Christmas
• January 20	Mon	U.S.	Martin Luther King Jr. Day
• February 17	Mon	U.S.	Presidents' Day
• March 9 * (observed)	Mon	Ukraine	International Women's Day
• April 20*	Mon	Ukraine	Orthodox Easter (observed)
• May 1	Fri	Ukraine	International Labor Day
• May 11*	Mon	Ukraine	Victory Day (observed)
• May 25	Mon	U.S.	Memorial Day
• June 8*	Mon	Ukraine	Holy Trinity Day (observed)
• June 29*	Mon	Ukraine	Constitution Day (observed)
• July 3*	Fri	U.S.	Independence Day (observed)
• August 24	Mon	Ukraine	Independence Day
• September 7	Mon	U.S.	Labor Day
• October 12	Mon	U.S.	Columbus Day
• October 14	Wed	Ukraine	Ukrainian Defenders Day
• November 11	Wed	U.S.	Veterans Day
• November 26	Thu	U.S.	Thanksgiving Day
• December 25	Fri	U.S./Ukraine	Christmas Day

\* "Observed" means that if a holiday falls on Saturday/ Sunday, it is observed on Monday (by Ukrainian law) and on Friday or Monday (by U.S. law).

### **Temporary Entry of Materials or Personal Belongings**

According to Ukrainian law, a traveler can take cash in the amount not exceeding the equivalent of €10,000 across the Ukrainian state border. If the amount exceeds the equivalent of €10,000, the total amount must be declared in writing on the Customs Declaration Form upon entry/exit and supported by documents showing the origin of money (e.g. bank statements).

Information on customs regulations is available on the [U.S. Department of State's Bureau of Consular affairs](#)

### **Travel Related Web Resources**

#### *U.S. Government*

- [CIA World Factbook](#)
- [U.S. Embassy in Ukraine](#)
- [U.S. Department of State's Bureau of Consular Affairs' Travel Advisories](#)

#### *Government of Ukraine*

- [Cabinet of Ministers of Ukraine](#)
- [Embassy of Ukraine in Washington D.C.](#)

## **Investment Climate Statement (ICS)**

The U.S. Department of State Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of State [Investment Climate Statement](#) website.

## **Political Environment**

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State [Countries & Areas](#) website.