

U.S. Country Commercial Guides



Ukraine

2017

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Doing Business in Ukraine

Market Overview

Ukraine's economy is recovering from a deep slump. 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. Going forward, analysts anticipate that domestic demand will continue to fuel economic growth of 2.5 percent in 2017 and 3.5 percent in 2018. The biggest reason that domestic demand will lead economic growth instead of exports is Russia's continued trade bans against Ukraine.

In addition to undergoing drastic changes in trade relations, Ukraine's exports continue to fall year over year due to global commodity prices and challenges in the domestic supply chain. In March 2017, Ukraine's government implemented new measures prohibiting trade with territories in the country's east effectively controlled by Russian-backed separatists. This prevents coal from traveling from the east to west and stops mineral inputs for the steel industry from reaching the non-government-controlled territory. Against a backdrop of falling exports, Ukraine's current account deficit increased from 0.1 percent of GDP in 2015 to 3.5 percent of GDP in 2016. All major Ukrainian exports dropped in 2016 except agricultural exports.

Despite its low economic growth and falling exports, Ukraine's economy has several bright spots, most notably agriculture, which grew 6.1 percent year-over-year in 2016. Last year Ukraine harvested 66 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. In 2016, Ukraine's sugar exports also reached a 15-year high. Barring weather issues, 2017 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 heavily by the International Monetary Fund (IMF). In March 2015, the IMF opened a four-year Extended Fund Facility (EFF) program for Ukraine totaling about \$17 billion. Thanks to the country's progress on fiscal consolidation and banking and energy sector reforms in 2015 and 2016, Ukraine is currently on track to receive its fifth tranche of assistance under this program in 2017. Future IMF assistance will depend on additional reforms, including pension reform, 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.

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, and 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 2015 toward tackling Ukraine's endemic corruption, reform will be a long and painful 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 Caa3/B-/Bi by Moody's/S&P/Fitch respectively, lower than 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
- A struggling banking system
- Limited export 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

Ukraine's government has committed to reducing these challenges in 2017. Both Ukraine's Prime Minister Volodymyr Groysman and Minister of Finance Oleksandr Danylyuk affirmed their intentions to stay the course on an extensive IMF financial support program that requires continued structural reform and anticorruption measures. Recently in 2017, both officials have moved forward on public commitments to improve Ukraine's tax authority, recently introducing an automatic register of VAT refunds. VAT refunds have historically been a contentious issue for U.S. companies in Ukraine, with VAT refund arrears in the tens on millions of dollars. The government has also followed through on the full-scale implementation of online procurement for government tenders.

Market Opportunities

Agribusiness – Commercial Service–Kyiv (CS Kyiv) holds a positive long-term view on sales prospects for U.S. agricultural machinery and equipment manufacturers in Ukraine. The reason for this is that even though 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 need is concentrated among 10 percent of Ukrainian companies that need to replace from 70 to 80 percent of their machinery fleet. Sub-sector best prospects include:

- Tillage equipment (cultivators, plows, disc harrows)
- Livestock breeding
- Grain storage
- Irrigation infrastructure
- Mineral fertilizers
- Plant protection products

Defense Equipment - The Russian-backed separatist conflict in the east exposed the Ukrainian armed forces' lack of sophisticated defense equipment and need of a thorough overhaul. Unfortunately, domestic producers are incapable of providing several crucial weapons systems. In the government's 2017 budget, the Ministry of Defense received approximately \$ 2.4 billion. Of this amount, roughly \$241 million is for the procurement of weapons and military equipment, and \$2 billion is for training and operations. 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:

- Anti-aircraft warfare and air defense systems
- Unmanned Aerial Vehicles (UAVs) and autonomous vehicles
- Electronic warfare and communication equipment
- Trainer aircraft and helicopters
- Engineering vehicles, including armored recovery vehicles, excavators, trenches

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 2015 the number of Ukrainians studying abroad increased by 129 percent to reach 59,648 students studying in 34 countries. According to the most recent Open Doors Report of the Institute of International Education, 1,680 Ukrainian students went to the U.S. to study in 2015–2016, which is 8.3 percent more than in 2014–2015. CS Kyiv strongly recommends that U.S. schools and universities explore Ukraine as a diversity market. Sub-sector best prospects include:

- Higher Education (particularly universities offering business education)
- Secondary 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:

- Vegetable products/processing (including oils)
- Confectionary products/processing
- Dairy products/processing
- Meat processing

Medical Equipment – According to the BMI forecast, the Ukrainian medical device market will record double-digit growth over the 2015–2018 period, but it will expand moderately in U.S. dollar terms due to local currency depreciation. In 2016, the Ukrainian medical device market was worth \$288 million, a 3.7 percent increase over 2015. Market growth is driven by extra funding allocated by the government for

the purchase of cardiology equipment as well as an ongoing World Bank project approved in March 2015. Importers supply about 90 percent of the medical device market. 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’s oil and gas industry plays a significant role in the country’s national energy security strategy, which aims to make Ukraine less dependent on oil and gas imports. The goal of increasing domestic production creates significant opportunities for U.S. companies in supplying equipment and technology. Sub-sector best prospects include:

- Drilling rigs
- Pumping equipment
- High-efficiency oil and gas exploration and drilling equipment
- Valves, pumping equipment, compressors
- Exploration and production services
- Reverse gas supply 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 nationwide crime spike. During the recession, which began in 2014 and ended in 2015, 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

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.

Political Environment

Political Environment

For background information on the political and economic environment of the country , please visit the [U.S. Department of State Background Notes](#) website.

Selling US Products & Services

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 [International Trade Administration Export website](#).

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 (28, Druzhby Narodiv Street, Kyiv, phone: +38-044-226-31-34). 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, 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 is at the [Embassy of Ukraine website](#). 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.

Franchising

Franchising is one of the most popular business models for entrepreneurs and companies interested in diversifying into other business in Ukraine. Franchises are available on a per license basis for a specific city, region, or the country. For a complete report describing the opportunities and challenges for U.S. franchisors, please see the U.S. Commercial Service in Ukraine's "[Franchise Sector Overview and Indicator: Ukrainian Franchises Resilient in Turbulent Times](#)".

In 2016, Ukraine's franchise market contracted by 18 percent compared to 2015. Today there are 461 franchisors working in Ukraine, and the total number of outlets is 13,690. Their annual gross income was more than \$38 million. Among Ukraine's franchisors, 76 percent are currently active, meaning that they work with franchisees that operate outlets, and 24 percent are inactive, meaning that they are registered as franchises but only operate their own outlets. Despite the contraction in the franchise market last year, there was a net increase in the number of franchise outlets. In 2016, 1,100 new outlets were opened, and 725 existing outlets were closed.

Domestic franchises currently dominate the Ukrainian franchise market, controlling 63 percent of market share. The origin of the foreign franchises that control the remaining 37 percent of the market includes 170 companies from countries such as Belgium, France, Poland, Belarus, Germany, China, Finland, Russia, the U.S., Italy, and Hungary. Most Ukrainian franchises operate in the services and restaurant subsectors. More than half of Ukraine's franchised outlets are in the services sector, more than one-third franchised outlets are in the restaurant sector, and nearly one in 10 franchised outlets are in the retail sector.

Small and medium-sized entrepreneurs are beginning to express greater interest in franchises because, in an insecure macroeconomic environment, franchises offer more security and remove considerable uncertainty in business operations. Plus, as a result of the recession, undercapitalized businesses in various sectors have exited the market, leaving attractive locations to rent or buy at affordable prices for franchisees.

Potential foreign franchisors should be aware that due to the overall weakness of the economy, the demand for franchise licenses denominated in local currency has increased, while the demand for franchise licenses in hard currencies has declined. Similarly, the demand for franchise licenses that do not obligate franchisees to purchase foreign equipment in hard currency has increased. The macroeconomic reasons for this are a series of sharp local currency devaluations in 2015 – 2016 that nearly tripled the prices for foreign franchises and foreign equipment.

Trade Events

- “Franchise Think,” Kyiv, Ukraine, November 30, 2017
- “[Franchising 2018](#),” Kyiv, Ukraine, February 21–23, 2018,
- [International Franchising Expo \(IFE\) 2018](#), New York, NY, USA,

Resources

- [Franchise Group](#)
- [Ukraine Retail Association](#)
- [Franchising Association Ukraine](#) (in Ukrainian only)
- [Franchising Development Federation Ukraine](#)
- [Statistics](#) (in Ukrainian only)
- [The Ukrainian State Committee on Regulatory Policy and Entrepreneurship](#) (in Ukrainian only)
- [Ukraine CPI Consumer Price Index](#)
- [DLA Piper](#)

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 new 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 off-shore business organization where international laws apply.

According to a Law No. 222-VIII, “On Licensing Certain Types of Economic Activities,” adopted on March 2, 2015, and amended on September 22 and December 6, 2016, the following business activities are subject to licensing:

- banking, financial, and securities and stock exchange broker services
- TV and radio broadcasting
- electric power and nuclear power generation and distribution
- education services
- manufacturing of ethyl, alcoholic beverages, and tobacco products
- telecommunication services
- certain forms of construction
- manufacturing of pharmaceuticals, wholesale and retail trade in pharmaceuticals
- trade, manufacture, and repair of non-combat firearms and munitions
- trade and manufacture of tear sprays for individual self-protection purposes
- manufacture of industrial explosives
- firefighting services
- hazardous substances and hazardous waste handling
- medical services
- running of depositories of umbilical cord blood, humane tissues and cells
- veterinary services
- lottery operations
- tour operator activities
- mediation in employment abroad
- commercial fishing
- cultivation, storage, sale, transportation, import, export, disposition and waste of growth of narcotic plants, narcotic substances, mood-altering drugs and psychotropic substances and precursors
- trade, design, development and manufacture of special devices for anonymous penetration to communication channels, other spy devices for concealed penetration into communication networks

- passenger and baggage transportation, transportation of hazardous cargoes by river, sea, road, railway transportation means
- crude oil and fuel pipeline transportation and distribution
- natural gas and coal bed methane transportation and distribution
- central water supply and sewerage disposition
- trade in heat power, heat generation and its transportation via central heat distribution pipe networks;
- security/guard services
- municipal waste processing and disposal

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. As of January 1, 2017, the list includes ozone depleting substances.

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](#)".

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 [PROZORRO website](#).

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 general 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).

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.

13 Ukrainian sea ports (Berdiansk, 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 2016 131.7 million tons of cargo passed through Ukrainian ports, including 100.2 million tons

of export cargo (a 3.6 percent decrease compared to 2015), and 15.9 million tons of import cargo (an 11 percent increase compared to 2015).

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. A list of licensed Ukrainian customs brokers is at the [State Fiscal Service of Ukraine](#).

Sales Channels

According to the Ukrainian State Statistics Service, Ukraine's retail trade turnover in 2015 was UAH 1.032 billion (\$ 47.2 billion), a 19.8 percent drop compared to 2014. Data for 2016 has not been released yet. Independent retailers account for around 20 percent of total retail sales, while outdoor markets account for around 30 percent. 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. Domestic retailer Fozzy continues to expand its number of retail outlets in Ukraine. In mid-2016 the group launched a new discount retail outlet 'Thrash' and by the end of the year had 30 stores in cities including Kyiv, Mykolaiv, Odessa and Rivne. Further new openings are expected in 2017.

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 47 percent. The only foreign player in the market is [Leroy Merlin](#) (part of Groupe Adeo), which operates three stores in Kiev.

Branded Apparel and Footwear – Multiple national premium fashion outlet chains sell branded clothing and footwear including [Argo](#), [Top Brand](#), [Helen Marlen Group](#), and [Melon Fashion Group](#), [Intertop](#) is a Ukrainian chain for branded footwear. Between 2013 and 2014, most American brands opened their sales outlets in two new shopping centers, OceanPlaza and Gulliver, in Kyiv.

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 (425 stores), DC-Watsons (327 stores), Prostor (280 stores), and Kosmo (106 stores).

Drug (Pharmacy) Chains – Over 6,000 businesses are engaged in trading pharmaceuticals. Pharmaceuticals are sold through about 20,000 private and state-owned pharmacies and pharmacy retail points. About 20–30 percent of pharmacies are publicly owned. 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.

In the private sector consolidation levels in retail pharmaceutical sales in Ukraine are 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.

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. For example, an A4 format letter delivered from New York to Kyiv within one day would cost approximately \$47. 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.

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 150 Euros. If the total invoice amount exceeds the equivalent of 150 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.

Please note that 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.

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](#), [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.

eCommerce

In 2016, the eCommerce market in Ukraine reached three percent of Ukraine's total retail volume. In the first half of 2016, e-Commerce sales totaled four billion UAH representing a 100 percent increase compared to the same period in 2015. The online shopping index reached 91 percent, which is twice as much as in 2011, even though Internet penetration in the country was no more than 43 percent. From 2011 to 2016, the share of Ukrainian Internet users who do not shop online has fallen from 17 percent to 9 percent. More than half of online buyers are 14-34 year-olds.

Ukraine is among the top seven countries for consumer electronics and among the top five countries for beauty and personal care by percentage of online shoppers (50 percent and 42 percent, respectively) in these categories. When it comes to packaged grocery food, almost a quarter of online shoppers globally buy them online, while only six out of hundred Ukrainian online shoppers do so. As for fresh groceries, only 5 percent of Ukrainian online consumers purchase them online.

The top three e-commerce platforms in Ukraine are:

- OLX.ua (40.4 percent of users);
- Rozetka.com.ua (32.5 percent of users)
- Prom.ua (26.5 percent of users).

To support businesses towards e-Commerce development in Ukraine, the IT Association of Ukraine became a member of the European e-Commerce and Omni-Channel Trade Association (EMOTA) in April 2017.

[WEB Expert](#)

[AIN website](#)

[Ukraine Digital News](#)

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 28 percent in 2017 to reach nearly \$550 million. The most rapidly growing channels will be TV advertising (31 percent growth), Out-of-Home Media (29 percent) and Internet advertising (28 percent).

[Ukraine's Top 5 TV Channels](#) (according to MediaBusiness):

- [Channel Ukraine](#)
- [1+1](#)
- [STB](#)
- [Inter](#)
- [ICTV](#)

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

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

[Ukraine's Major Newspapers/Journals](#) (according to InMind):

- [Segodnya](#)
- [Argumenty I Fakty Ukraina](#)
- [Express](#)
- [Fakty i Kommentarii](#) (Facts and Commentary)
- [Komsomolska Pravda Ukraina](#)

- [Bulvar](#)
- [Dzerkalo Tyzhnia](#)
- [Den \(Day\)](#)

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 our [website](#).

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 [ExpoUA](#).

Major local trade show organizers and trade fair authorities include:

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

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

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 2016 was UAH 5,183 (\$202), which represents a 23 percent year-over-year increase in UAH, but only a 5.3 percent increase in U.S. dollars. This is due to continued depreciation of the hryvnia from 21.86 per \$1.00 in 2015 to 25.55 per \$1.00 in 2016.

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

In April 2017 the Government of Ukraine began regulating 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.

Protecting Intellectual Property

Ukraine remains on the U.S. Trade Representative's (USTR) Priority Watch List in 2016. The three primary problems related to intellectual property (IP) protection in Ukraine are: 1) the unfair, nontransparent administration of the system for collecting societies, which are responsible for collecting and distributing royalties to U.S. and other rights holders; 2) widespread (and admitted) use of illegal software by Ukrainian government agencies; and 3) a failure to implement an effective means to combat the widespread online infringement of copyright and related rights.

Ukraine has taken some positive steps under extremely trying circumstances. The government created a special unit within the National Police of Ukraine to investigate IPR violations, and enforcement officials have participated in international training on investigating IPR crimes. More broadly, the government

appears to be working to address long-standing concerns about endemic corruption and mismanagement, including in IPR protection and enforcement. However, evidence of real progress is still not apparent, and enforcement remains inadequate.

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

The U.S. Commerce Department has positioned IP attachés in several markets around the world. You can get contact information by contacting the IP attaché who covers Ukraine at:

CORRESPONDENCE ADDRESS

U.S. Embassy Moscow
Unit 5430, Box 1074
DPO AE 09721

OFFICE LOCATION

American Embassy Moscow
8, Bolshoi Devyatinskiy Pereulok
Moscow, Russia 121011

OFFICE PHONE

+7 495-728-5508

EMAIL: donald.townsend@trade.gov

Due Diligence

Conducting due diligence on prospective business partners and customers is essential in Ukraine. It is critical to confirm the legitimate registration, financial status, and reputation of potential customers and partners, before entering into a contractual relationship or selling your products/services. Doing so requires engaging the services of a law firm or using the International Company Profile (ICP) service offered by the U.S. Commercial Service. This service provides a detailed report including a financial background report, a check of references, the company's history, and a site visit by an American Commercial Service officer. For a full description of this service go to the International Company Profile in the [Export website](#).

Although there is little reliable open source information on Ukrainian firms, there are three nationwide web-based databases that can be useful: 1) a listing of bankrupt companies; 2) a list of companies in liquidation, and 3) a list of companies and individuals under civil or criminal prosecution. Unfortunately, the databases are available in Ukrainian only. To get access, you must register online or send a written request together with the subscription fee.

Interested American companies may try:

- The Bankruptcy Information and Inquiry System, administered by the [Informational Court Systems State Enterprise](#) to verify if a Ukrainian company is in insolvency court or has been declared bankrupt by a commercial court
- The [Unified State Register of Court Decisions](#) to learn if a company or individual is under civil or criminal prosecution.

Local Professional Services

In Kyiv, there are a growing number of high-quality professional service providers, including most major global consultancy firms. [The American Chamber of Commerce in Ukraine](#) is a good point of contact for locating foreign professional services firms. There are also some prominent business service providers listed on our [website](#).

Contacts of other organizations or consultants which may be useful for American exporters are at:

Customized Market Research and Consultancy

- [SC Derzhzovnishinform](#)

Translators and Interpreters

- [Ukrainian Translators Association](#)

HR and Recruitment

- [Association of Business Trainers, Consultants, Coaches](#)

Real Estate and Office Rent

- [Association of Real Estate Specialists of Ukraine](#)

Distribution

- [Association Distributors of Ukraine](#)

Customs Brokerage

- [Association of Customs Brokers of Ukraine](#)

Logistics and Warehousing

- [Ukrainian Logistics Association](#)

Cargo Transportation

- [Association of International Freight Forwarders of Ukraine](#)
- Association of Ukrainian International Cargo Multi-Modal Transportation “[UKRZOVNISHTRANS](#)”
- [Association of International Automotive Cargo Transportation](#)

Attorneys

- [National Associations of Attorneys in Ukraine](#)
- [Ukrainian National Bar Association for Foreign Affairs](#)
- [Union of Advocates of Ukraine](#)

Project Evaluation and Credit Rating

- [Ukrainian Credit Rating Agency](#)
- [Expert Center for the Ukrainian Tax Payer Association](#)

Banking and Investment

- [Ukrainian Association of Investment Business](#)
- [The Independent Association of the Banks of Ukraine](#)
- [Association of Ukrainian Banks](#)

E-Commerce

- [Ukrainian Association of Electronic Business](#)
- [Ukrainian Internet Association](#)
- [Association of Information Technology Enterprises of Ukraine](#)

Most of the services from the above-listed organizations are rendered on a fee basis. Interested American companies can contact such organizations and negotiate directly.

Principle Business Associations

The two primary business associations representing U.S. companies in Ukraine are:

- [The American Chamber of Commerce in Ukraine](#)

- [The U.S.-Ukraine Business Council](#)

Both organizations actively lobby the Government of Ukraine and most major U.S. companies operating in Ukraine maintain membership in both organizations.

Limitations on Selling U.S. Products and Services

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Maecenas porttitor congue massa. Fusce posuere, magna sed pulvinar ultricies, purus lectus malesuada libero, sit amet commodo magna eros quis urna.

Web Resources

- [U.S. Commercial Service Service in Kyiv](#)
- [Ukraine CPI Consumer Price Index](#)
- [EU-Ukraine DCFTA](#)
- [The Ukrainian State Committee on Regulatory Policy](#)
- [Patent, trademark, or copyright issues](#)
- [Bankruptcy Information and Inquiry System](#)
- [Chamber of Commerce in Ukraine](#)
- [Ukrainian Chamber of Commerce and Industry](#)
- [Regional Chambers of Commerce and Industry](#)

Leading Sectors for U.S. Exports & Investments

Agricultural Machinery

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Data in USD thousands

	2014	2015	2016	2017 (Estimated)
Total Local Production	315,156	253,780	300,384	400,000
Total Exports	276,566	139,384	106,070	170,000
Total Imports	875,250	678,587	1,376,196	1,800,000
Imports from the US				
Total Market Size	913,840	792,983	1,570,510	2,030,000
Exchange Rates	11.89 UAH	21.84 UAH	25.55 UAH	27.2 UAH

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

Data Sources:

[Total Local Production: State Statistics Service of Ukraine](#)

[Total Exports: State Fiscal Service of Ukraine](#)

[Total Imports: State Fiscal Service of Ukraine](#)

Demand for agricultural machinery is directly tied to the health of Ukraine's agribusiness sector, which remains the most promising sector of the economy. With 41.5 million hectares of agricultural land covering 70 percent of the country, agriculture is Ukraine's largest export industry and generates 12 percent of GDP. Ukraine is the world's largest exporter of sunflower oil, third largest exporter of barely, fourth largest exporter of corn, sixth largest exporter of wheat, and ninth largest exporter of poultry. In 2016, Ukraine again set a record for grain output, harvesting 66 million tons, which is 6 million tons more than in 2015. By 2020, Ukraine's grain production will reach 70-75 tons a year. Ukraine's record setting increases in output are driving capital investment in agriculture, which grew from \$1 billion in 2015 to \$1.7 billion in 2016, the highest growth during the last 19 years.

Over the last year, greater political stability, a stronger economy, a more stabilize hryvnia (the country's currency) and delayed demand enabled and encouraged

Ukrainian farmers to resume badly-needed capital investment, including agricultural equipment. Farm machinery and equipment imports increased two times in 2016 compared to 2015, returning to 2013 levels. Leasing services, which also showed signs of recovery after a dramatic downturn in 2014–2015, are expected to grow at 20 percent due primarily to more thoughtful approaches to tax planning by farmers.

Two main groups of producers (e.g. agricultural machinery buyers) generate Ukraine's gross agricultural output— agricultural enterprises and households. The former produces 55 percent of gross output and consists of 32,000 farm enterprises, 10,000 corporate agricultural enterprises, and 241 state enterprises. The second group consists of more than 4 million households cultivating on average 1.23 hectares of land each and generating nearly 45 percent of gross agricultural output. It is important for U.S. companies to understand that the influence of large agricultural holdings extends beyond the companies within their ownership structure to include independent small and medium-sized producers. These holdings are often the landlords to smaller sized independent farmers who lease land from them. The large agricultural holdings also own distributorships that sell equipment to independent small and medium-sized companies. Finally, there is a dearth of financing in Ukraine's agriculture sector and larger companies that have attracted passive foreign investment are often the only distributors able to provide equipment financing to smaller farms.

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. Because the availability of financing is a key factor for buyers when 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. Unfortunately, today the U.S. ExIm Bank has suspended its activities in Ukraine.

U.S. agricultural machinery companies considering 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 harvesters segment, German manufacturers hold almost fifty percent (both new and used) of the market, while U.S. manufacturers have less than ten percent. Competition from European suppliers is likely to increase for a variety of reasons related to Ukraine's pending entrance into 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. Duty-free access for Canadian products may also result in turning Ukrainian customers to Canadian competitors.

Local agricultural machinery production is also expected to grow due to the Ukrainian Government support program envisaging 20 percent compensation of the purchase of Ukrainian machinery and equipment. Key local manufacturers include Chervona Zirka, Lozova Machinery, Herson Machine-Building Plant, and Kharkiv Tractor Plant. Other significant regional competitors include the Minsk Tractor Plant, which holds a large market share (80 percent) of tilled tractors. While this Belarusian machinery is reliable, it has not been modified since 1993.

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. If a U.S. exporter is seriously interested in the Ukrainian market, they should consider opening a representative office here. A rep office 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

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

- Livestock Breeding
- Grain Storage and port infrastructure
- Fruit and vegetables
- Irrigation Infrastructure
- Mineral Fertilizers
- Plant Protection Products (PPPs)

Opportunities

Commercial Service–Kyiv holds a positive long–term view on sales prospects for U.S. agricultural machinery and equipment manufacturers in Ukraine. The reason for this is that even though 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 need is concentrated among 10 percent of Ukrainian companies that need to replace from 70 to 80 percent of their machinery fleet. Types of agricultural machinery that are the most outdated include various forms of plant cultivation machinery, such as tractors, harvesters, seed drills and sprayers, and tillage equipment. Due to anticipated increase of grains output and exports, Ukraine also needs significant capital investment in its grain storage and handling equipment. Due to loss of traditional export markets, Ukraine is already diversifying its exports and turned to new trading partners in Asia, EU, and Africa for poultry and beef to apples and berries.

Web Resources

Trade Events

- [Animal Farming](#), October 25–27, 2017, Kyiv
- [AGRO Complex](#), October 31– November 2, 2017 Kyiv
- [Fresh Business Expo](#), December 5–7, 2017, Kyiv
- [Grain Tech Expo](#), February 2018, Kyiv
- [Agro Animal Show](#), February 2018, Kyiv
- [AGRO 2018](#), June, 2018

Useful links

- [Ministry of Agrarian Policy of Ukraine](#)
- [Ministry of Infrastructure](#)
- [Ukrainian Agribusiness Club](#)
- [Association Ukrainian Agribusiness Club](#)
- [APK Inform](#)

Education

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

After decades of standing in Russia's shadow, Western institutions are gradually taking more notice of Ukrainian students. 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. 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 youngest generations.

According to the World Economic Forum's Global Competitiveness Report, Ukraine ranks 31 out of 144 countries in primary school enrollment, 41st in secondary education, and 13th in higher education. In 2016/17 the number of students in primary and secondary school reached 3,846,000, in vocational school – 285,800 and in higher education – 1,586,700 students.

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. Between 2009 and 2015 the number of Ukrainians studying abroad increased by 129 percent to reach 59,648 students studying in 34 countries. The most attractive countries to study are Poland, Germany, Russia, Canada, Italy, Czech Republic, USA, Spain, Austria, France, and Hungary.

According to the most recent Open Doors Report of the Institute of International Education, 1,680 Ukrainian students went to the U.S. to study in 2015–2016, which is 8.3 percent more than in 2014–2015. According to EducationUSA, 42 percent of Ukrainians studying in the U.S. pursue bachelor degrees, 41 percent enroll in master's programs, 11 percent take optional practical training, and five percent go for non-degree programs.

To gain more insight into Ukraine's international student market, in the summer of 2016 the U.S. Commercial Service in Kyiv (CS Kyiv) conducted two online surveys regarding the demand for study abroad programs – one among Ukrainian students and one among Ukrainian education companies (i.e. agents). The survey results revealed that the most popular destinations for prospective students are the U.S., followed by Canada, the U.K, and Western Europe.

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. As for programs, the most popular programs for Ukrainians are Master's Degrees, English courses, and Bachelor Degrees.

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. 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.

[To access the full report](#)

Leading Sub-Sectors

- Higher Education
- Secondary Education

Opportunities

Of the students who have not already studied abroad in the past five years, 70 percent report that they plan to study abroad in the next three years. At the same time, more than half of the recruiting agents indicate that interest in studying abroad grew by an average 37 percent among Ukrainian students in 2016 comparing to 2015. Agents experiencing growth say it was due to increased awareness of international educational programs and the favorable perceptions regarding the return on investment in an international education. Agents experiencing a decline in interest say it was due to the increasing cost of living and tuition fees abroad as well as the poor economic situation in Ukraine. While it is impossible to predict the future, historical growth trends combined with the positive experience of the most agents probably mean that student interest in international education is indeed growing.

Web Resources

- [Ministry of Education and Science of Ukraine](#)
- [Osvita.Ua \(Education portal\)](#)
- [Analytical Center CEDOS](#)

Civil Nuclear

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Data in TWh

	2015	2016
Total Net Generation (TWh)	157.6	154.8
Of which Nuclear	87.6	80.95
Of which Thermal (coal)	55.2	56.5
Of which Hydro	5.2	7.5
Of which CHP	6.1	6.7
Of which Hydro-Accumulative	1.6	1.6
Of which Wind	1	1
Of which Solar	0.6	0.4
Of which Biomass	0.3	0.3
Final Consumption (TWh net)	118.2	118.3
Generation Park	2016 GW Gross Installed Capacity	2016 Production Share %
Thermal (gas, coal)	27.8	32.3
Nuclear	13.8	52.3
Hydro / Hydro-Accumulative	6.2	5.9
CHP, other co-generation	6.5	8.5
Wind, solar, bio	1.0	1.0
Total	55.3	100.00

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 (Khmelnysky, Rivne, South Ukraine, Zaporizhya NPPs), generating 80.95 billion kWh in 2016, more than half the nation's electrical needs. Ukraine's nuclear power utility, Energoatom operates all of these facilities. 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.

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. In 2016 Ukraine imported 28.3 percent of nuclear fuel elements from Westinghouse, and in 2017 it plans to increase these imports. 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 the third quarter of 2018.

Opportunities

Prospects and opportunities in Ukraine's civil nuclear sector are based on the goals of the "Energy Strategy of Ukraine - 2030." This strategy foresees Ukraine producing 20-21 mln kW in 2030. To do this, Ukraine will increase power plant capacity, including the commissioning of new HPPs and NPPs power units to ensure the country's energy security. Procurements related to the construction of these new units will be posted at the [Energo Atom website](#).

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.

Web Resources

- [The Ministry of Energy and Coal Industry](#)
- [NNEGC Energoatom](#)
- [World Nuclear Industry Status report](#)
- [Energobusiness Magazine](#) (energy sector news, statistics and facts - in Ukrainian only)

Defense Equipment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Data in USD thousands

	2015	2016	2017	2018 (forecast)
Total Local Production**	945,700	1,730,000	1,900,000	2,090,000
Total Exports**	567,000	769,500	900,000	990,000
Total Imports	2,341,600	2,117,800	2,353,000	2,571,400
Total Market Size*	2,720,300	3,078,300	3,353,000	3,671,400
Exchange Rate: 1 USD UAH	21.84 UAH	25.55 UAH	27.2 UAH	n/a

(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. However, factors such as widespread corruption, limited investment openness, and non-transparent governance in the defense sector weigh on the sector's overall performance. Improvements in the sector's structure and procurement processes, as well as growing international defense industry collaboration and trade ties, will benefit Ukrainian military manufacturers in the longer term.

In the government's 2017 budget, the Ministry of Defense (MOD) received UAH 64.5 billion (\$2.4 billion). Approximately \$241 million will be used to procure weapons and military equipment, and \$1.9 billion will be for operations and training. According to the MOD, the defense budget for 2017 will focus on "renewing the Ukrainian Navy, developing Special Operations Forces, developing the infrastructure of training fields, repairing armaments and military equipment, and implement reforms to achieve NATO standards." In recent years, given budget constraints, many Ukrainian armed forces acquisitions have been organized through military assistance programs with allies.

The Ukrainian defense sector needs a thorough overhaul, an inflow of modern technologies, and increased efficiency. Domestic producers are incapable of providing several crucial weapons systems, including armored infantry,

communications, anti-tank missiles, drone reconnaissance UAVs, sniper rifles, and ammunition.

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, including Motor Sich, a globally recognized company producing aircraft and helicopter engines. UOP, with over 130 subsidiaries, is the largest state defense holding group in Ukraine. UOP's enterprises deal in a variety of defense subsectors such as armaments, ammunition, shipbuilding and naval equipment, armored vehicles, and small arms. The conglomerate's most prominent companies include Antonov, Photoprylad, and Novator which operate in the fields of aircraft manufacturing, defense control systems and radar and navigation equipment respectively. The number of private enterprises working in the defense sector is over 150, and their share in the national defense orders reached 75 percent.

Within the UOP umbrella are six government authorized armament dealers that conduct export and import operations. UOP employs over 80,000 employees both in production and engineering in seven major clusters: aircraft construction and repair; high-precision armament and munition; armored vehicles and artillery weapons; radar (location and air defense); shipbuilding and marine engineering; exporting; and weapons design and research and development. In 2016, UOP reported approximately \$97.7 XX in profits and \$1.2 billion net revenue.

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. Over 2016, Ukraine signed defense industry collaboration agreements with Poland and Romania. In July 2016, the Ukrainian parliament passed regulations enabling Ukrainian aircraft manufacturers to enter international joint ventures (JVs) and produce equipment overseas.

Leading Sub-Sectors

- Anti-aircraft warfare and air defense systems
- Unmanned Aerial Vehicles (UAVs) and autonomous vehicles
- Electronic warfare and communication equipment
- Trainer aircraft and helicopters
- Engineering vehicles, including armored recovery vehicles, excavators, trenchers

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.

Web Resources

Trade Events

[Arms and Security, the 14th International Trade Fair](#), October 10-13, 2017, Kyiv, Ukraine

Useful Links

- [Ukroboronprom State Defense Industry Concern](#)
- [Ministry of Defense of Ukraine](#)
- [National Guards of Ukraine](#)
- [Ministry of Internal Affairs of Ukraine](#)
- [State Security Service of Ukraine](#)

Food Processing & Packaging Equipment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Data in USD thousands

	2015	2016	2017 estimated	2018 estimated
Total Local Production	60,993	68,129	70,000	70,000
Total Exports	14,556	13,670	13,000	13,500
Total Imports	73,810	83,865	100,000	150,000
Imports from the US	290	227	500	800
Total Market Size	120,247	138,324	157,000	206,500
Exchange Rates	21.84 UAH	25.55 UAH	27.2 UAH	n/a

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

Data Sources:

[Total Local Production](#)

[Total Exports](#)

Total Imports: [Global Trade Atlas](#) ; [State Fiscal Service of Ukraine](#)

[Imports from U.S.](#)

In 2016, total processed food production in Ukraine was \$15 billion making up 21.5 percent of the total industrial output. In trade terms, processed food exports account for 6.7 percent of Ukraine's exports, while imports account for 4.4 percent of total imports. 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, CocaCola, Carlsberg, Jacobs, East Balt Bakery, and Wim-Bill-Dann. In 2016, investments made in food processing companies increased by \$124 million compared to 2015 and amounted to \$663 million or 15.6 percent of total industrial capital investments.

While Ukraine's food processing industry includes more than 40 different sectors ranging from cereal, to sugar, to alcohol, to canned vegetables, vegetable and animal oils and confectionary dominate the industry. Vegetable and animal oils account for 10.9 percent of all Ukraine's exports and the confectionary for nearly one percent of

all Ukraine's exports. In addition to food products, in Ukraine agricultural processing includes fertilizer production, animal feed, tobacco, cosmetics, and more.

Along with the vegetable oil and confectionary subsectors, 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 producers. 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 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.

Given the obligatory implementation of HACCP by 2020 and new export markets such as China and Africa, major dairy companies are investing in milk production to control the full production chain from livestock breeding and milk processing to manufacturing and packaging.

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.

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. Germany exports account for 90 percent of the machinery used for confectionary, 56 percent of brewery machinery, 59 percent for tobacco. Italy and Poland account for 58 percent of equipment for wine and fruit juices preparation. Italy's share of sugar manufacturing machinery exports accounts for 50 percent. The Netherlands, Germany, and Poland's share of poultry processing equipment is 65 percent. Italy and Austria together account for 58 percent of the equipment for bakery and macaroni production. Turkey accounts for 28 percent of all Ukraine's exports of machinery for animal and vegetable fats and oil preparation. Overall U.S. exports food processing machinery and remain very low compared to the European suppliers'. In 2016, most of U.S. exports to Ukraine accounted for machinery for extraction and preparation of animal fat and vegetable oil (eight percent).

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) by 2020, 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
- Vegetable products/processing (including oils)
- Confectionary products/processing
- Dairy products/processing
- 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), confectionary, dairy, and meat processing.

Web Resources

Trade Events

- [AGRO](#), June 8-11, 2017, Kyiv
- [Inprod mash and Upakovka](#), September 12-14, 2017, Kyiv
- [Oil & Fat Industry](#), September 19-21, 2017, Kyiv
- [Animal Farming](#), October 25-27, 2017, Kyiv
- [Fresh Business Expo](#), December 5-7, 2017, Kyiv
- [Grain Tech Expo](#), February 2018, Kyiv
- [Agro Animal Show](#), February 2018, Kyiv

Useful Links

- [Ministry of Agrarian Policy of Ukraine](#)
- [Ukrainian Agribusiness Club](#)
- [Association Ukrainian Agribusiness Club](#)
- [Landlord](#)
- [UNIAN](#)
- [Agro-Business](#)
- [APK Inform](#)

Medical Equipment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Data in USD thousands

	2015	2016 (estimated)	2017 (forecast)	2018 (forecast)
Total Local Production	55.6	57.9	78.1	88.7
Total Exports	28.3	29.7	30.0	33.0
Total Imports	250.5	259.8	265.0	270.3
Imports from the U.S.	32.6	32.8	39.4	47.4
Total Market Size	277.8	288.0	313.1	326.0
Exchange Rate: 1 USD	21.84 UAH	25.55 UAH	27.2 UAH	n/a

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.

Local tax revenues are the source of the majority of healthcare funding in Ukraine. Ambulatory and hospital services are provided predominately by facilities at the regional, district or municipal levels. Healthcare expenditures in Ukraine were \$4.7 billion in 2016 and are projected increase by 4.1 percent in 2017 in local currency terms (-2.3 percent in US dollar terms). Private expenditures represent around half of total health care expenditures, and 94 percent of these payments are paid out-of-pocket.

In April 2017, Ukraine's Cabinet of Ministers approved a legislative package for healthcare system reform. These laws are now under consideration by Parliament. If the package is adopted, it will take three years to launch the new healthcare system fully. Under this new system, a new health insurance system would cover a broad range of services, while a new national purchasing agency will help prevent corruption in the healthcare system.

According to the BMI forecast, the Ukrainian medical device market will record double-digit growth over the 2015–2018 period, expanding moderately in U.S. dollar terms due to local currency depreciation. In 2016, the Ukrainian medical device market was worth \$288 million, a 3.7 percent increase over 2015. Multiple factors are driving growth: extra funding allocated for the purchase of cardiology

equipment in the 2017 national budget; an ongoing World Bank project approved in March 2015; Japanese grants for modernization of medical equipment at several hospitals; the Ministry of Health's plans to expand the network of clinics in rural areas; and the need to rebuild or re-equip healthcare facilities that were destroyed during the conflict in eastern Ukraine.

Imports account for 90 percent of medical device sales in Ukraine. Major suppliers are China, the U.S., Germany, and Japan. The U.S. was the second leading supplier in 2016 (after China), with imports worth \$32.8 million, or 12.6 percent of total sales. The U.S. accounted for almost 25 percent of orthopedics and prosthetics sales.

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 was worth over \$57.9 million in 2016. Historically, exports tended to be largely at the lower end of the technology scale, but in 2016, diagnostic imaging exports accounted 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 new 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

Although the new Ukrainian registration system bears many similarities to the CE Marking process for medical devices in Europe, no simplified or expedited market pathways are planned for devices already approved or cleared for sale in major markets such as Europe or the US. Manufacturers should also be aware that Ukrainian regulations will require inspection of facilities even if those sites are already ISO 13485-compliant.

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
- Dental equipment and materials

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](#) and at the [PROZORRO website](#).

The World Bank's \$261 million "Serving People, Improving Health" project approved in March 2015 runs until September 2020. The project provides financing for medical infrastructure aimed at the prevention, early detection, and treatment of cardiovascular diseases and cancer in eight regions across the country. The project will also finance activities clustered around five thematic areas: payment system reform, e-Health, public health, information and communications, and capacity building. Major procurement under this project started in 2016.

In March 2016, the Japanese government granted \$335,000 to Ukraine for modernization of medical equipment in four regions.

An additional \$5.7 million allocated for the purchase of cardiology equipment in the 2017 state budget provides opportunities for suppliers of stents and other equipment used in the treatment of heart conditions. Public purchases will be made through an international organization, Crown Agents, to ensure a better use of funds.

Web Resources

Trade Events

- [Public Health, Ukraine's major medical equipment & pharmaceutical industries trade show](#)
- [International Medical Forum](#)

Useful links

- [Ministry of Health of Ukraine](#)

Oil & Gas

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Data in bcm

	2015	2016	2017 (estimated)	2018 (estimated)
Total Local Production	19.9	20.0	21.0	22.4
Total Exports				
Total Imports	16.4	11.1	10.0	9.8
Total Market Size (Consumption) bcm	33.7	33.3	33.0	32.7

(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) has undertaken an ambitious path towards energy security and independence in recent years. Since the Revolution of Dignity in 2014, Ukraine has taken necessary steps to diversify fuel supplies, improve the output and production of electricity, oil, and natural gas, all efforts aimed at increased energy independence. For the past two years, Ukraine has shown foresight and commitment in accomplishing significant achievements in new legislation.

The GOU considers the oil and gas industry as a strategic sector to become independent from foreign oil and gas imports. Gas imports cover lapses in domestic production. For 2016, Ukraine consumed a total of 33.3 bcm of natural gas; of which 11.1 bcm supplied via reverse flow from the European Union. An important step in this direction was the approval of the Concept for Development of Ukrainian Gas Production Industry by 2020. According to Ukrainian Government plans, natural gas production in Ukraine should increase to at least 27 bcm by 2020. There is a great opportunity for U.S. companies to play a significant role in achieving this 27 bcm goal by supplying new equipment, technology, and best practices to help Ukraine achieve its ambitious goal.

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, representing 0.5 percent of world reserves. Currently, Ukraine ranks fifth in Europe regarding gas production with significant prospects for increasing production. 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 following: 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, PJSC Ukrnafta – accounting for 73 percent and seven percent of production respectfully. Five major Ukrainian private companies produce 17 percent of gas, and the remaining three percent 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 Ukrasvydobuvannya – 14.6 bcm, PJSC Ukrnafta – 1.3 bcm, and private companies 4.1 bcm.

Oil & Gas Machinery – Boosting domestic oil and gas production will require Ukrainian companies to upgrade their obsoleted drilling fleet and improve oil and gas services. The exact market size for oil and gas equipment is unknown. Though, following results from an industry survey that CS Kyiv conducted and available data from open sources, there are approximately 150 drilling rigs with different lifting capacity in Ukraine and around 75 percent of them obsolete. For example, there are only five drilling rigs with Top Drive systems in Ukraine. There are around 5,000 drilled producing wells in Ukraine and approximately the same amount of depleted/sealed wells. By providing well workovers and utilizing new enhancement technologies, the Ukrainian oil and gas industry can recover at least 1,000 of the wells.

Primary market obstacles in Ukraine’s oil and gas sector include; currency devaluation, customs clearance problems, a significant drop in natural gas prices, as well as a weak and unstable banking sector limits the availability of credit obtainable to finance imports needed for modernization. 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

- Drilling rigs: rigs for deep drilling (more than 5,000 meters)
- Workover rigs involving invasive techniques, such as wireline, coiled tubing or snubbing.
- MWD/LWD telemetry systems
- Hydraulic-fracturing equipment
- 2D/3D seismic interpretation software system for processing, visualizing and interpreting multi-volume seismic data.
- International experts in oil and gas industry
- Geologist, drilling engineer, drilling technologist, fracking specialist
- Company that provide integrated project management (from well planning to field development)
- Pumping equipment, compressors
- Electric submersible pump (ESP)
- Casing pipes for wells, oilwell tubing/drilling tubing
- Muds, bits, valves
- Reverse gas supply services

Opportunities

Despite a challenging year in 2016 for the Ukraine's oil and gas sector, several reform measures by the GOU are creating opportunities for renewed production and exploration in 2017-2018. Most notably, these include the steps towards deregulation of the oil and gas sector including the Law on the Natural Gas Market, which was adopted in October 2015. The law established legal and organizational rules for how the gas market should function, provides for gas market de-monopolization, offers consumer protection and enables consumers to freely choose their gas supplier.

Web Resources

[Ministry Energy and Coal Industry of Ukraine](#)

[Naftogaz Ukrainy National JCS](#)

[Ukrigasvydobuvannya PJSC](#)

[Ukrtransnafta National Joint-Stock Company](#)

[Ukrnafta Open Joint-Stock Company](#)

[Oil Market Magazine](#)

Safety & Security

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Ukraine's safety and security market is currently undergoing unprecedented structural change due to multiple challenges, including a recent economic recession and a Russian-backed separatist conflict in eastern Ukraine. At the same time, an explosion in crime 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. The most developed segments among these include fire safety and technology, protection services, and video-surveillance.

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.

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). 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 the number of market players, they control 80 percent of the market. The government, which is included among these large organizations, controls 30 percent of the market, making it the single largest market player.

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 GOU. Like the protection service segment, the video surveillance segment is highly concentrated, but unlike protection services, the primary players in this corner of the market 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 market (75 percent versus 25 percent market share correspondingly). In 2014, market demand for video surveillance equipment decreased by 33 to 35 percent in volume terms and by 38 to 40 percent in monetary terms. Decreased consumer purchasing power has benefited low-cost Asian producers of multifunctional systems that combine video surveillance, access control, fire and burglar alarm systems. 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. As mentioned above, competition from low-cost suppliers from China and Taiwan is growing due to sharp budget decreases caused by the economic recession.

Despite the recent influx of low-cost competitors, U.S. exporters have become more active in the Ukrainian market in the last few years. For example, since the start of the military conflict in eastern Ukraine, Motorola Solutions has won several government tenders to supply digitally encrypted radios to the Ministry of Defense, National Guard, and State Border Guard Service. 3M, which established a representative office in Ukraine in 2005, has also sold its products and solutions in the area of road and public safety for more than 10 years. More recently, companies like Morpho Detection began actively promoting a wider variety of products (e.g. scanning solutions, and drug and explosive detection equipment) in response to increased security and smuggling threats in the country.

Leading Sub-Sectors

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

Opportunities

Participants, of the recently held by the U.S. Commercial Service two focus groups with industry experts, have a positive long-term outlook on the development of Ukraine's safety and security sector. They, like many Ukrainian sociologists, predict that Ukraine will enter a permanently heightened security state similar to Israel's that will drive demand in the safety and security sector. Participants also anticipate

further market consolidation, during which only the largest and most capable companies will prevail.

Web Resources

Trade Events

- [The ASIS Annual Seminar and Exhibits 2017](#), Dallas, Texas, the USA, September 25-28, 2017.
- [Arms and Security](#) – 2017, Kyiv, Ukraine, October 10-13, 2017.
- [BEZPEKA 2017](#) – Exhibition, Kyiv, Ukraine, October 17-20, 2017.

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](#)
- Ukrainian Federation of Security Specialists

Customs, Regulations & Standards

Trade Barriers

The Ukrainian government has been actively analyzing and addressing unnecessary trade barriers that encumber trade, working to make the business environment more simple and 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
ECCommunications@trade.gov

Import Tariff

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 2016.”](#) 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 will now be based on the Register of VAT Refund Claims, which the Ministry of Finance will publish on its official website. Also, VAT refunds will be paid automatically in chronological order of the receipt of VAT refund applications.

Import Requirements & Documentation

Despite some procedural improvements made by Ukraine's State Customs Service, 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](#).

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

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 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 at the [Cabinet of Minister of Ukraine website](#).

In April 2016, Ukraine created a new agency, the State Service of Ukraine on Food Safety and Consumer Protection (SSUFSCP). 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.

In January 2017, following the resolution of the Cabinet of Ministers, the State Fiscal Service excluded certain products from the list of products subject to phytosanitary control. These products are dried vegetables, whole, cut into pieces or on slices, or well crushed or ground, but not further processed; tea, flavored or non-flavored (except packaged in vacuum or metal packaging); flour, cereals, powder, flakes,

potato granules; wooden building products; assembled panels for the floor and others. Detailed listing of products is available at the [Liga Zakon website](#).

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. 1009 [On Approval of the List of Products subject to Import and Export Licensing and Respective Quotas for 2017](#), dated December 28, 2016. In 2017 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. For a detailed product listing see the [Cabinet of Ministers of Ukraine](#).

Most import licenses are granted through the Ministry of Economic Development and Trade. Other import licenses or approvals are issued by:

- Ministry of Internal Affairs – sporting weapons and self-defense articles
- Ministry of Agriculture and Food Industry – agricultural chemicals, seeds, veterinary medicines
- State Chemical Commission – agricultural chemicals
- Ministry of Health – pharmaceutical products, cosmetics, and hygiene products
- Ministry of Education and Science – matrix forms used in the manufacturing of audio production; and
- Ministry of Environmental Protection – 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 (in Ukrainian only) at the [Cabinet of Ministers of Ukraine](#).

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:

1. For goods moving via road transportation:
 - a) documents for the vehicle, including those containing information about its state registration (nationality)
 - b) travel (transportation) documents (international consignment note)
 - c) documents defined by the Universal Postal Union to accompany international postage (if any postage is present)
 - d) 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
 - e) information on the number of packages and type of packaging;
 - f) name of the goods
 - g) gross weight of goods (in kilograms) or volume of goods (in cubic meters), except for bulky cargo;
2. For goods moving via water:
 - a) general declaration
 - b) declaration of the goods
 - c) declaration of supplies (ship's stores)
 - d) a declaration of personal belongings of the crew
 - e) information on the crew including names, citizenship etc.
 - f) the passenger list
 - g) documents defined by the Universal Postal Union to accompany international postage (if any postage is present)
 - h) 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
 - i) commercial documents (if any) for products and information about product placement on board
 - j) 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
 - k) information about the presence (absence) on board of dangerous goods, weapons and ammunition
3. For goods moving via air:
 - a) standard carrier document envisaged by current international agreements in the field of civil aviation (general declaration)
 - b) documents containing information on goods carried on board (cargo information, airway bill)

- c) a document containing information about the stores (on-board supplies) and the number of stores (board supplies) loaded on board and unloaded from it
 - d) transportation (transportation) documents
 - e) commercial documents (if available to the carrier) for the goods transported
 - f) documents defined by the Universal Postal Union to accompany international postage (if any postage is present)
 - g) information on the signs of nationality and registration marks of the vessel, flight number, flight route, point of departure and arrival of the vessel
 - h) information about the name of the company (organization, institution), which operates the vessel and the number of crew members
 - i) list of passengers with their number on the vessel, names and initials, drop-off points and landing; information on passengers' luggage (passenger list)
 - j) name of goods, airway bill, the number of seats for each consignment, goods loading and unloading points
 - k) information about the presence (absence) on board of goods the import of which into Ukraine is prohibited or restricted
 - l) information about the presence (absence) on board of dangerous goods, weapons and ammunition
4. For goods moving via rail:
- a) transport (transportation) documents
 - b) transfer roll on railway rolling stock
 - c) document certifying the availability of supplies (if there are any)
 - d) documents defined by the Universal Postal Union to accompany international postage (if any postage is present)
 - e) 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:

1. documents certifying the authority of the person submitting the customs declaration;
2. foreign trade agreement (contract) or other documents confirming the right of possession, use and / or disposal of goods;

3. transportation documents;
4. commercial documents available to the person submitting the declaration;
5. if necessary, documents confirming compliance with non-tariff regulation of foreign economic activity;
6. documents confirming compliance with the restrictions arising from the use of protective, antidumping and countervailing measures (if such restrictions exist);
7. in certain cases documents confirming the country of origin;
8. if necessary, documents confirming the payment and / or secured payment of customs duties;
9. 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
10. 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 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](#).

Labeling/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;
- 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 country of origin and name of manufacturer (may be given in Latin letters);
- Information about hazardous substances in the product;
- 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 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 1 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:

1. The name of the product;
2. Food contents (name of basic ingredients/additives/preserves/scents and other substances);
3. Amount of certain ingredients stipulated in the respective article of the law;
4. The weight/volume of the product in defined measurement units;
5. The expiration date (or production date and period of storage);
6. The conditions for storage;
7. The terms and conditions of use.
8. The name, address and telephone number of the official importer;
9. The name, address and telephone number of an authorized company to be addressed for complaints;
10. The serial number of the product batch;

11. Goods containing Genetically Modified Organisms (GMOs) and GMO-free goods must be labeled accordingly;
12. The country of origin;
13. 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;
14. 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
15. 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. 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.

A list that consolidates eleven [export screening lists](#) of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available at the [Developer Trade website](#).

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 collections 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 on the basis of 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 & 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 of 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 at [Verkhovna Rada of Ukraine](#).

Customs Regulations

The [Customs Code of Ukraine](#) regulates imports and exports. This Code was adopted in March 2012 and most recently amended in December 2016. 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](#) 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

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. With the move towards Europe and OECD countries, Ukraine is currently developing its standards to match them with the EU's. In 2015 Ukraine has cancelled 15,000 old technical regulations and adopted 3,996 national standards, in 2016 it developed and adopted 1,300 standards which were harmonized with European and international respective standards. To be able to do this Ukraine adopted and introduced amendments to [a series laws and regulations](#), among them:

- [The Law of Ukraine "On Standardization" of June 05, 2014 № 1315-VII](#)
- [The Decree of the Cabinet of Ministers of Ukraine On Standardization and Certification of May 10, 1993 № 46-93](#) valid till January 1, 2018
- [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 [Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality](#) (USRTCCSQ) 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 on Consumer Protection](#). Certification is a fee-based service in Ukraine. This certification service is delegated to about 100 accredited certification, whose authority is supervised by 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 [Standards Coordination Office website](#).

Conformity Assessment – Contrary to accepted international practice, standardization in Ukraine is not a voluntary procedure through which manufacturers can ensure specific properties of a process or product, but rather a part of the state regulatory system. Standards are compulsory for virtually all goods, and many services. Mandatory certification is required in Ukraine for over 300 types of goods and services and remains applicable *de facto* for an even larger number of goods and services. The listing of products subject to obligatory certification in Ukraine is available at: [State Committee of Ukraine for Technical Regulation and Consumer Policy](#). 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 [Ukrmetrteststandard website](#)

Beginning January 1, 2012 Ukraine introduced a listing of imported products which require a [Declaration of Conformity](#). The Declaration of Conformity can be issued by a Ukrainian official certification center. Contact information for official certification centers can be found at the official website of the [National Accreditation Agency of Ukraine \(NAAU\)](#).

Mandatory certification is often required without regard to the products' actual level of risk to the public, or to other types of regulation already applicable. Mandatory certification in Ukraine is applicable both to domestic products and to imported goods in most cases, generally irrespective of whether they already have proof of conformity with applicable international technical regulations. In addition, mandatory certification applies to produced goods rather than to the production process, thus forcing manufacturers to complete certification procedures repeatedly or to submit proof of conformity assessment for each batch of products.

Most current standards were created during the Soviet era do not correspond to international standards, and are typically far more restrictive and prescriptive than necessary. Although Ukraine belongs to several international standardization bodies,

such as the International Organization for Standardization (ISO), it generally has not recognized foreign product certificates, even if they are issued in line with international standards, unless recognition is mandated through an international treaty signed by Ukraine.

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 is 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 (see [“Product Certification Bodies”](#)).

Publication of technical regulations

Legislation development, publications and information regarding Ukrainian standards and technical regulations is vested on the [Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality](#) (USRTCCSQ).

Ukrainian technical regulations are compiled in compliance with the EU Council Directives for conformity of industries and products, international standards, and Ukrainian domestic standards. The following [technical regulations and standards](#) and EU Council Directives are applicable in Ukraine:

- Safety and Quality of Toys as based on EU Council Directive 88/378/EEC
- Energy labelling of household lamps as based on EU Council Directive 98/11/EC
- Elevators as based on EU Council Directive 95/16/EC
- New hot-water boilers fired with liquid or gaseous fuels as based on EU Council Directive 92/42/EEC
- Electromagnetic compatibility as based on EU Council Directive 2004/108/EC
- Marine equipment as based on EU Council Directive 96/98/EC
- Containers for nuclear waste
- Transportable pressure equipment as based on EU Council Directive 1999/36/EC
- Appliances burning gaseous fuels as based on EU Council Directive 90/396/EEC
- Personal protective equipment as based on EU Council Directive 89/686/EEC
- Level for equipment subject to a pressure hazard as based on EU Council Directive 1999/36/EC
- Simple Pressure Vessels as based on EU Council Directive 87/404/EEC
- Non-automatic weighing instruments as based on EU Council Directive 2009/23/EC
- Low voltage electrical equipment as based on EU Council Directive 73/23/EEC
- Machinery and mechanical devices as based on EU Council Directive 2006/42/EC
- Packaging and packaging waste as based on EU Council Directive 94/62/EC
- Construction products as based on EU Council Regulation (EU) No 305/2011
- High-activity sealed radioactive sources and orphan sources as based on Directive 2003/122/Euratom

- Medical devices as based on EU Council Directive 93/42/EEC
- Active implantable medical devices as based on EU Council Directive 90/385/EEC
- In vitro diagnostic medical devices as based on EU Council Directive 98/79/EC
- Detergents as based on EU Council Regulation (EC) No 648/2004
- Equipment and protective systems intended for use in potentially explosive atmospheres as based on EU Council Directive 94/9/EC
- Textile fiber labels and marketing documents as based on EU Council Directive 96/74/EC
- Radio and telecommunications terminal as based on EU Council Directive 1999/5/EC
- Cableway installations designed to carry persons as based on EU Council Directive 2000/9/EC
- Pyrotechnic articles as based on EU Council Directive 2007/23/EC
- Foodstuffs labelling, presentation and advertising as based on EU Council Directive 2000/13/EC

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 through mailing to 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

[Ukrainian Scientific, Research and Training Center for Certification, Standards, and Quality](#)
 2, Svyatoshyńska 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

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 U.S. 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 World Trade Organization 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 requires 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 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 20 countries - Austria, Argentina, Armenia, Bulgaria, Canada, Estonia, Finland, Georgia, Iceland, Kyrgyzstan, Latvia, Liechtenstein, Macedonia, Moldova, Montenegro, Norway, Russia, Switzerland, Turkmenistan, and Switzerland. 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 is negotiating the creation of free trade zones with Turkey and Israel.

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 32 types of business activities, many of which are professional services.

- 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

Information about the requirements for obtaining a license for these services is stipulated in a resolution of the Cabinet of Ministers (on Approval of Licensing Conditions for Conducting Business Activity on Providing Financial Services, dated 7 December 2016 No. 913).

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](#)

Investment Climate Statement

Executive Summary

Ukraine sits at a crossroads, one road leading toward democracy and prosperity, with Ukraine taking its place among thriving European economies, and another with its great potential constrained by corruption and government mismanagement. Positive change is underway, hard fought macro-economic stability has led to positive growth as the government continues to grind out difficult reforms. In 2017 the Ukrainian Government will have to navigate a number of significant challenges. These include a possible reshuffle of both the ruling coalition in the parliament (Verkhovna Rada) and the government, negotiation of energy supplies to fuel the economy, and continued economic and military aggression from Russia. The Government of Ukraine has focused on efforts to improve Ukraine's Ease of Doing Business rating, including by advancing deregulation reforms and by standing up a number of investment promotion agencies. The biggest obstacle to Ukraine's success is endemic corruption, with reformers facing off against powerful vested interests to bring increased transparency and accountability to Ukraine's business environment. The task ahead remains daunting, and Ukraine continues to look to the United States and Europe for continued support in many spheres.

Positive and Negative Aspects of Ukraine's Investment Climate

The Ukrainian economy posted real GDP growth of 1.5 percent in 2016, and the IMF forecasts growth of 2.5 percent in 2017. However the government continues to struggle with structural problems. Ukraine's currency, the hryvnia, remains largely stable even as the National Bank of Ukraine (NBU) has continued to lift administrative controls that it had levied during the post-Euro-Maidan banking crisis. Ukraine produces sufficient basic foodstuffs domestically (albeit with foreign-sourced inputs like seeds), but relies on imports for most consumer goods, gasoline, automobiles, and clothing. Inflation was 14.2 percent year over year as of March 2017 and is expected to decrease to 9 percent by the year end. Meanwhile, Russia's ban on Ukrainian dairy, chocolate, fruits, and vegetables announced in 2015 has forced Ukraine to undergo a significant reorientation of its export markets. Russia has since fallen behind the EU as Ukraine's largest export destination; exports to Russia represented only 9.9 percent of Ukraine's total exports for 2016, down from 24 percent in 2013. On top of an aging infrastructure system already in need of repair, the conflict with Russian led separatists in eastern Ukraine has wrought significant damage to freight rail, mines, and industrial facilities (historically centered in the Donetsk and Luhansk regions). This in turn has severely curtailed Ukraine's heavy industry exports, a key source of precious foreign currency and middle-class jobs. In March 2017, the Government of Ukraine banned commercial trade with separatist-controlled territories, which have provided coal and industrial

inputs to Ukrainian industry and consumers regardless of the conflict in the east. As part of Ukraine's Association Agreement with the EU, the Deep and Comprehensive Free Trade Area has been in effect since January 1, 2016.

The United States has provided three USD1 billion loan guarantees to the Government of Ukraine since 2014, most recently in September 2016. In March 2015, the International Monetary Fund approved a four-year, USD17.5 billion program for Ukraine. Ukraine's program envisions difficult but necessary reforms in 2017 including pension and land reform as well as additional anti-corruption measures and privatization of state-owned enterprises. Energy sector reform is ongoing, with key pieces of legislation being passed or drafted by the Rada. In November 2016, the Rada passed the Energy Regulator Law, which finally established an independent energy regulatory commission, but implementation of the law, including rotation of current politically-appointed regulatory commissioners has been behind schedule. The Ministry of Finance launched an electronic VAT refund registry April 1, 2017, a long awaited reform that will bring transparency and efficiency to the VAT returns system. The Rada also passed in its first reading a new Electricity Market Law, which, when finally approved and implemented, will liberalize the power generation sector in Ukraine.

Ukraine's Key Sectors

Ukraine is an agricultural powerhouse, representing the world's third-largest grain producer (behind the United States and the European Union) and has been a profitable country for foreign investors. Domestically oriented sectors like construction have traditionally attracted more foreign direct investment than export-oriented manufacturing. Within the manufacturing sector (11th largest steel producer), metallurgy and food processing have attracted investors ahead of machine building and the chemical industry. Even with ongoing reforms to reign in corruption and burdensome regulation, Ukraine is still seen as a difficult place to do business. However, several major U.S. companies are represented here, particularly in the agriculture, consumer goods, and technology sectors.

Ukraine deserves special mention regarding its IT service and software R&D sector – this sector has demonstrated double-digit growth year-over-year. U.S. technology firms conduct R&D activities in Ukraine and an array of local IT outsourcing companies of all types and sizes serve clients worldwide. The export volume of Ukraine's software development industry increased 15 percent in 2016 (USD2.5 billion in 2015) and is considered the number three export sector. This sector of Ukraine's economy shows great potential due to the country's large, skilled workforce.

Key Watch Items: Crimea and Donbas

Investors should note that the situation in both Crimea (unlawfully occupied by Russia in the spring of 2014), and in occupied districts of Donbas remains dire. The investment climate in both of these areas continues to be poor, characterized by a lack of governance, transparency, rule of law, and stability. American companies are prohibited from participating in certain transactions in Crimea, which is subject to sanctions under Executive Order 13685 dated December 19, 2014. Media reports suggest that Crimean “authorities” do not respect property rights and have “nationalized” and/or confiscated a sweeping array of business assets. Crimeans face scheduled blackouts due to a deficit of power generation on the peninsula following the cutoff of Ukrainian electricity in December 2015. Businesses that do operate there report difficult conditions for their personnel as local “authorities” attempt to enforce foreign law and require the adoption of Russian documentation. The situation in the Donbas (portions of Luhansk and Donetsk oblasts) controlled by Russian-backed separatists continues to be volatile. Those businesses remaining in this zone have reported work stoppages, illegal “taxation,” and the kidnapping of company personnel, all at the hands of the Russian-backed separatists. Ukrainian banks have ceased operations in the region, and the Ukrainian Government is unable to provide basic services. The blockade of separatist controlled territory, initially started by volunteers at the end of January but backed by the Ukrainian Government on March 15, bans all trade with separatist-controlled territory. Where previously damaged road and rail systems in the Donbas left businesses with limited or costly means to receive inputs or move product, the government-backed blockade has stopped all movement of goods across the contact line, including coal required for Ukraine’s steel and thermal power plants. In March, separatists seized Ukrainian-registered steel, metallurgical, and energy assets that had been operating on non-government controlled territory, forcing Ukrainian owners to fire staff in order to remain compliant with Ukrainian laws. Ukrainians living in non-government controlled territory report power and water outages due to the conflict, shutoffs because of nonpayment for electricity, and dwindling supplies of coal for power plants.

Openness To, and Restrictions Upon, Foreign Investment (FDI)

Policies toward Foreign Direct Investment

The Government of Ukraine continues to move forward with a reform agenda to improve the investment and business environment. Ukraine rose in the World Bank’s “Doing Business” rankings (see Table 1) to 80 out of 190 countries measured – a three-place improvement since 2015. In the framework of EU-Ukraine Association Agreement, the Government of Ukraine reformed its public procurement to open it to foreign and domestic economic operators on equal terms. The Ministry

of Economic Development and Trade runs a [special web-portal](#) that provides information about upcoming public procurement. Electronic public procurement became mandatory as of August 1, 2016. The Government of Ukraine continued deregulation efforts, implementing important corporate governance reforms that allowed it to protect minority shareholders' rights. Exports of 53 groups of dual use goods were exempted from excessive control procedures. Authorities abolished unlawful restriction of the validity term of construction licenses and reduced by three times the length of the procedure for issuing such licenses. In 2017, the Government of Ukraine cancelled 360 outdated regulations, normative acts, instructions, and orders that will allow it to simplify state property leasing procedures, to automate the land evaluation process, and to abolish the cost of some notary services.

Table 1: FDI Indicators

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2016	131 of 176	Transparency International
World Bank's Doing Business Report "Ease of Doing Business"	2016	80 of 190	Doing Business
Global Innovation Index	2016	56 of 128	
U.S. FDI in partner country (\$M USD, stock positions)	2016	USD 712.6	
World Bank GNI per capita	2015	USD 2,640	World Bank

Ukrainian legislation provides for national treatment of foreign investors, in line with its World Trade Organization (WTO) commitments. Due in part to conflicts in the body of laws that govern investment and commercial activity in Ukraine, and persistent issues with corruption, foreign investors have found it difficult to pursue cases in Ukrainian courts and often seek arbitration outside of the country.

Weighing heavily over Ukraine's FDI climate is the lack of progress in reforming Ukraine's judiciary. The judicial system in Ukraine has never been an independent

branch of power. The courts have often been used as an instrument for confrontation between the President and Parliament. The lack of rule of law was one of the driving reasons for the 2014 Revolution of Dignity. Ukrainian civil society continues to demand punishment of judges deliberately involved in illegal decision-making, the guaranteed independence of the judiciary system, and an end to corrupt practices in the system. Judicial reform is an ongoing process; the passage of constitutional amendments on the judiciary in June 2016 was a major step forward, and the competitive selection of justices for the Supreme Court is currently ongoing. The complete overhaul of the judiciary, however, will likely take several more years. Political analysts and media describe the current Rada (Parliament) as pro-European and pro-reform, having made significant strides on urgently needed reforms, including a law strengthening local government and civil service, proposed reforms to public funding of political parties, and numerous pieces of legislation to meet IMF requirements. Additionally, the Rada has passed laws to reduce burdensome business regulations, encourage public-private partnerships, require media ownership transparency, and improve agricultural land policies.

Limits on Foreign Control and Right to Private Ownership and Establishment
Aside from ownership of agricultural land, the regulatory framework for the establishment and operation of business in Ukraine by foreign investors is generally similar to that for domestic investors. However, accreditation of representative offices of foreign companies and their branches significantly lags behind the simplified registration procedures for Ukrainian business. Accreditation by MEDT takes 60 days and typically costs USD2,000. In the case of starting a business (a legal economic entity or private entrepreneur business) non-Ukrainian citizens are also required to receive a Ukrainian registration through the Office of Immigration in the Ministry of Foreign Affairs and to receive a taxpayer identification number through the State Fiscal Service, based on the Cabinet of Ministers of Ukraine Order #779 dated Dec. 10, 2013. Registering a foreign investment is governed by "The Law on Foreign Investments" №139 dated March 06, 2013. Foreign and domestic private entities can establish and own business enterprises and engage in all forms of remunerative activity. All enterprises must be established according to the form and procedure prescribed by law and registered with the appropriate state authorities. Foreign companies are restricted from owning agricultural land, manufacturing carrier rockets, producing bio-ethanol, and some publishing activities. In addition, Ukrainian law authorizes the government to set limits on foreign participation in "strategically important areas," but the wording is vague and the law is rarely used in practice. Generally, these restrictions limit the maximum permissible percentage of foreign investment into Ukrainian firms in the defense and energy sectors.

Other Investment Policy Reviews

The United Nations Conference on Trade and Development (UNCTAD) so far has not conducted formal reviews of Ukraine's investment policy. The [Organization for Economic Cooperation and Development \(OECD\)](#) and the World Trade Organization (WTO) conducted formal reviews in 2016. Ukraine's first trade policy review as a WTO member was conducted in April 2016 and can be found at the [WTO website](#).

Business Facilitation

In 2016, Ukraine's Central Bank lifted the requirement that three-quarters of all capital coming into the country as foreign investment be converted into the local currency, the hryvnia. On June 22, 2016, the President signed into law a bill that abolishes mandatory state registration of foreign investment. On October 6, 2016, the Parliament adopted a law that mandates notary certification of signatures on documents that introduce changes to documents that are subject to state registration (e.g. a decision of the General Shareholders Meeting) and permits, irrespective of the registered address of legal entities and individual entrepreneurs. The law entered into force on November 2, 2016. In 2016, the government also reduced the time required for VAT registration and eliminated business registration fees. In March 2017, the Parliament adopted legislative amendments abolishing the requirement for legal economic entities and physical economic entities (entrepreneurs) to use official seals, and made progress on promoting minority investor protections by requiring that related-party transactions undergo external review; by introducing remedies in cases where related-party transactions are harmful to the company; and also clarifying ownership and control structures. It also strengthened contract enforcement by introducing a system that allows companies to pay court fees electronically. Meanwhile commercial disputes involving foreign companies in courts still tend to be based on fiscal authorities questioning the legitimacy of contracts and counteragents of foreign companies conducting business in Ukraine. A website for registration of private entrepreneurs and legal entities is available [Ministry of Economic Development and Trade Ukraine website](#) and [State Enterprise "National Information Systems" website](#).

Companies are able to submit documents online while the Registrar further shares the data with the State Committee of Statistics of Ukraine, the State Pension Fund, State Fiscal Service, the Employment Insurance Fund, the Social Security Fund, and the Fund for Social Insurance.

In the World Bank's Doing Business rankings Ukraine placed 80th in terms of ease of doing business, and 20th for ease of starting a business.

Outward Investment

As of October 1, 2016 Ukraine's investments to foreign countries equaled almost USD 6.2 billion.

Bilateral Investment Agreements and Taxation Treaties

Ukraine has signed 70 bilateral investment treaties. The Bilateral Investment Treaty between the United States and Ukraine has been in force since 1996. The following countries have also signed bilateral investment agreements with Ukraine: Albania (2004), Austria (1996), Argentina (1995), Armenia (1994), Azerbaijan (1997), Belarus (1995), Belgium (2001), Bosnia and Herzegovina (2002), Bulgaria (1994), Brunei (2006), Canada (1994), Chile (1995), China (1992), Cuba (1995), Croatia (1997), the Czech Republic (1994, amended 2010), Denmark (1992), Equatorial Guinea (2005), Egypt (1992), Estonia (1995), Finland (2005), France (1994), Gambia (2006), Georgia (1995), Germany (1993), Great Britain and Ireland (1993), Greece (1994), India (2001), Indonesia (1996), Iran (1996), Israel (1995), Italy (1995), Japan (2015), Jordan (2005), Hungary (1995), Kazakhstan (1994), Congo (2010), Korea (1996), Kuwait (2002), Kyrgyzstan (1993), Latvia (1997), Lebanon (1996), Libya (2001), Lithuania (1994), Macedonia (1998), Morocco (2001), Moldova (1995), Mongolia (1992), Nigeria (2010), the Netherlands (1994), OAE (2003), Oman (2002), Panama (2005), Poland (1993), Portugal (2003), Russia (1998), San Marino (2006), Saudi Arabia (2009), Singapore (2006), Syria (2002), Slovakia (1994), Slovenia (1999), South Korea (1996), Spain (1998), Sweden (1995), Switzerland (1995), Tajikistan (2001), Turkmenistan (1998), Turkey (1996), Uzbekistan (1993), Vietnam (1994), Yugoslavia (2001), and Yemen (2002). In 2016 Ukraine signed a FTA with Canada that is expected to be enacted in summer 2017. It is now negotiating FTAs with Turkey and Israel.

Legal Regime

Transparency of the Regulatory System

Ukraine continues to struggle to build a legal system that facilitates easy interaction with the international community. However, Ukraine's efforts to implement the EU Association Agreement including the Deep and Comprehensive Free Trade Area (DCFTA) which came into effect in January 2016 should help to boost overall transparency and legal certainty as the Government of Ukraine strives to meet EU standards. Post is not aware of any informal regulatory processes managed by nongovernmental organizations or private sector associations. Currently, many issues are not dealt with by a single piece of legislation (Note: the 2011 Tax Code is an exception). Various laws remain ambiguous or contradictory, which further complicates matters. Information on existing and draft legislation is available on the Verkhovna Rada and Cabinet of Ministers websites. Often legislative initiatives and

draft action plans are published on the corresponding Ministry websites for public commentary, but not all draft legislative initiatives are publicly available.

NGOs, business associations, and international business associations such as American Chamber of Commerce and the European Business Association are able to provide their feedback and to propose amendments to draft legislation and regulations. The legislative branch has some oversight mechanisms to ensure the government follows administrative processes; however, these are often not enforced.

Ukraine is moving in the direction of transparent policies, clear rules, and enhancing fair competition. Improvements include implementation and utilization of the ProZorro system for government procurement, and the introduction of E-Governance. On August, 23, 2016, the Cabinet of Ministers approved an Action Plan for the Deregulation of Business Activities in Ukraine for 2016–2017. The Plan is a strategic road map aimed at making national regulations compliant with European Union standards and global best practices. The Plan contains 112 measures to improve the business environment in different sectors, including agriculture, telecommunication, infrastructure, construction, tax, as well as reforms to state customs procedures, sanitary and veterinary controls.

Among the major expected simplifications the following are the most significant:

- the ability to submit applications to state authorities and obtain permits in electronic form;
- the repeal of certain licenses in the telecoms sector;
- the requirement for the competition authority to provide clear guidance for vertical distribution relations;
- the simplification of employment registration for foreigners;
- the harmonization of construction and engineering standards with EU norms;
- simplification of customs clearance procedures; and
- a decrease in the number of controlling authorities.

Establishment and licensing procedures have been simplified. The Investment Promotion Office was created as a one-stop-shop to attract and embed investments. Progress in tax reform over the last two years has resulted in greater tax transparency and more efficient and effective tax administration.

Ukrainian regulatory institutions are still characterized by a high degree of favoritism in the decisions of government officials, poor judicial independence, weak protection of property rights and minority shareholders' interests, highly irregular payments and bribes, burdensome government regulation, an inefficient legal framework in settling disputes and challenging regulations, poor ethical behavior of firms.

The World Economic Forum's 2016/2017 Global Competitiveness Index ranked Ukraine 85 of 138 countries overall, 74 of 138 in terms of burden of Government regulation, and 99 of 138 in terms of the Transparency of Government policy making.

According to the World Economic Forum the top 10 most problematic factors for doing business in Ukraine are corruption, policy instability, inflation, inefficient government, bureaucracy, access to financing, government instability, tax rates, tax regulations, and foreign currency regulations.

International Regulatory Considerations

While Ukraine is not a member of the EU, it is working to harmonize its export standards to meet EU requirements in order to facilitate access to EU markets. Ukraine, as a WTO member, has a commitment to adhere to the general regime of transparency of regulations affecting trade.

Legal System and Judicial Independence

The legal system in Ukraine is based on a civil system of codified laws passed by the parliamentary body, the Rada. In the event of a commercial dispute, a foreign investor may seek recourse through a number of institutions. Generally, the Foreign Investment Law provides that a dispute between a foreign investor and the state of Ukraine must be settled in the Ukrainian courts, unless otherwise provided by international treaties. Ukraine's judicial system consists of the Constitutional Court and the courts of general jurisdiction. The Constitutional Court has exclusive jurisdiction over interpretation of the Constitution and acts as final arbiter on constitutional issues (note: the Constitutional Court previously had authority over interpretation of the laws of Ukraine as well, but a 2017 reform narrowed jurisdiction to interpretation of the Constitution only).

Courts of general jurisdiction are organized by territory and specialty and include: local courts; appellate courts; specialized high courts for civil and criminal cases; and supreme courts. Local courts are either courts of general jurisdiction (including military courts) or specialized courts (i.e. commercial and administrative courts). Local commercial courts exercise jurisdiction over commercial and corporate disputes, while local administrative courts administer justice in legal disputes

connected with state government and municipalities, with the exception of military disputes.

Commercial courts accept jurisdiction over disputes between legal entities, including foreign legal entities, Ukrainian legal entities, and individual entrepreneurs, arising out of the conclusion, modification, termination, and performance of commercial agreements (including privatization). Commercial courts are also in charge of administering bankruptcy cases and certain cases initiated by the Antimonopoly Committee of Ukraine and the Accounting Chamber. Under the Constitution of Ukraine, the Supreme Court heads the judicial system and has the power to review decisions of all three branches of the court system.

The judicial system is independent of the executive branch; however, extensive corruption exists throughout the court system, and the judiciary provides an opening for outside influence. Among the major problems of the Ukrainian judicial system are its overall lack of capacity and the existence of prosecutorial influence on judges. Ukraine is ranked 129 out of 140 countries with regard to judicial independence by the [Global Competitiveness Index](#) report 2016–2017 (up three spots since the 2015–2016 report).

In general, regulations are appealable, but it depends on the nature and origin of the regulation to determine whether it is appealable in the national court system.

Laws and Regulations on Foreign Direct Investment

The Law of Ukraine on Investment Activity (1991) establishes the general principles for investment. In addition, the following laws and regulations pertain to foreign investment: Law "On the Foreign Investment Regime" (1996); Law "On the Protection of Foreign Investment" (1991); Cabinet of Ministers Resolution, "On the Procedure for the State Registration of Foreign Investment" (1996); Law "On Production-Sharing Agreements," (1999), amended in 2012; The Land Code (2001); National Bank of Ukraine Resolution "On Regulation of Foreign Investing in Ukraine" (2005); Law "On Amending Certain Laws of Ukraine with the Purpose of Overcoming Negative Impacts of the Financial Crisis" (2009); Tax Code (2010) with 2016 amendments to improve investment climate; Law "On Public-Private Partnerships" (2010); Law "On Preparation and Implementation of Investment Projects Based on the Principle of the Single Registration Window," (enacted 2012); Customs Code (2012); Law "On Industrial Parks" (2012), Law "On Amending Certain Laws of Ukraine with the Purpose of Increasing Protection of Investor Rights" (May 2015).

Competition and Anti-Trust Laws

The Anti-Monopoly Committee of Ukraine (AMCU) is responsible for reviewing transactions for competition related concerns.

Expropriation and Compensation

According to current legislation, legal expropriation of property is permitted in certain criminal proceedings or in cases of failure to fulfil investment obligations during privatization procedures. Private property may be legally expropriated for military purposes given the special regime in place due to ongoing military action in eastern Ukraine. Such operations are regulated by the law “On Defense of Ukraine,” the law “On Legal Regulation of Emergency State,” and Martial Law.

The 2013 [Law on Amendments to Criminal Code and Criminal Procedural Code of Ukraine](#) introduced *special confiscation*, which could be applied against third parties in criminal proceeding, both physical and legal entities. A court must order special confiscation during adoption of a court ruling in criminal proceedings. Introduction of special confiscation is controversial: it could contradict existing legislative provisions and create space for abuse within criminal proceedings.

Post has not received any claims from U.S. companies on cases of expropriation. Since there is no known history of discrimination of U.S. persons in terms of expropriation, it is difficult to point out high-risk sectors prone to expropriation actions.

Dispute Settlement

ICSID Convention and New York Convention

Ukraine is a Party to both the International Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. On October 20, 2015, the Government of Ukraine submitted a formal UN communication, noting that Ukraine’s ability to implement its obligations under the New York Convention in the occupied territories of Crimea, Donetsk and Luhansk is limited and not guaranteed until Ukraine regains effective control from the Russian Federation. The full text of the communication is available at: [C.N.597.2015.TREATIES-XXII.1 of 20 October 2015](#).

The procedure for recognition and enforcement of foreign arbitral awards in Ukraine is regulated by the following legislative acts:

- The Law of Ukraine “On International Commercial Arbitration” (ICAL, 1994). The Law is almost a literal translation of the UNCITRAL Model Law.

- The Code of Civil Procedure of Ukraine (CPC, 2004). Pursuant to Article 390 of the CPC, Ukrainian courts shall enforce foreign court decisions provided that: recognition and enforcement are stipulated under an international treaty ratified by the Verkhovna Rada of Ukraine (Parliament); or on the basis of the reciprocity principle under an ad hoc agreement with a foreign country, whose court decision shall be enforced in Ukraine.

References:

- [Article 390 of the Civil Procedure Code of Ukraine](#)
- Law of Ukraine [“On International Commercial Arbitration”](#)

Investor-State Dispute Settlement

American investors have made claims under the United States–Ukraine Bilateral Investment Treaty (BIT). The Embassy only tracks disputes at the request of U.S. businesses or individuals involved in the case, and cannot provide a comprehensive number for all investment disputes involving U.S. or other foreign investors in Ukraine over the past 10 years. Investment disputes are a significant problem, however. As of early 2017, the Embassy was aware of 30 active disputes, some very protracted, involving U.S. businesses or individuals. Going back 10 years, the Embassy has tracked almost 100 disputes involving a U.S. business or individual. The majority of disputes are related to customs and tax issues, or corporate raids.

ICAL limits the jurisdiction of international arbitration tribunals to civil law disputes arising from international economic operations (provided that the commercial enterprise of at least one party exists outside of Ukraine), disputes between international organizations and enterprises with foreign investments in Ukraine, and intracompany disputes of these enterprises. ICAL does not address foreign arbitral awards issued against the government.

References:

- [Verkhovna RADA Ukraine](#) (in Ukrainian)
- [International Commercial Arbitration Court at the Ukrainian Chamber of Commerce and Industry](#) (in English)
- [Computerized Legal System "Regulatory Acts of Ukraine"](#) (In Ukrainian)

Extrajudicial action against foreign investors in the form of official acts of government (e.g. unwarranted inspections, investigations, fines) and illegitimate acts by private parties (e.g. corporate raiding) has been and remains fairly common in Ukraine. The current Ukrainian government has made it a stated priority to

improve the business environment and attract more foreign investment, however, progress is uneven.

International Commercial Arbitration and Foreign Courts

In 2004 Ukraine adopted the Law of Ukraine “[On Arbitration Courts](#),” which describes arbitration as one of the alternative dispute resolution tools.

Particularly, Articles 1 and 5 of the Law stipulates that parties can now refer most of their commercial or civil-law disputes to courts of arbitration, which are non-state bodies. Article 51 stipulates that awards of the aforementioned courts of arbitration are final, and Article 57 stipulates that they can be subject to mandatory enforcement via a competent state court.

The Embassy, however, is not aware to what extent arbitration is used by the business community.

Ukraine’s International Commercial Arbitration Court (ICAC) and Maritime Arbitration Commission at the Ukrainian Chamber of Commerce and Industry are both annexed to the ICAL, which itself is a near-direct translation of the UNCITRAL model law. ICAL distributes the functions of arbitration assistance and supervision between the district courts and the President of the Chamber of Commerce and Industry of Ukraine for both ad hoc and institutional arbitrations. Purely domestic arbitration is governed by the Law of Ukraine “On Arbitration Courts” (2004). Local courts are obliged to recognize and enforce foreign arbitral awards under ICAL and the CPC, per Ukraine’s obligations under the ICSID and the New York Convention of 1958. However, the reliability, consistency and timeliness of implementation are unknown. The Embassy is not aware of any investment disputes that have involved SOEs.

Bankruptcy Regulations

In 2016, Ukraine ranked 150 on the ease of resolving insolvency indicator of Doing Business, having dropped from 141 in the previous year (next-to-last among European and Central Asian countries). Resolving insolvency in Ukraine takes 2.9 years on average and costs 42 percent of the debtor’s estate (no change from 2015), and the average recovery rate is 7.5 cents on the dollar (compared with 8.3 last year). In 2016, the Ukrainian government has missed two deadlines to meet its stated commitment under its current IMF “program” to enact amendments to reform its insolvency regime, which the IMF has identified as a priority reform for improving Ukraine’s business climate. The insolvency framework does not require approval by creditors for selection or appointment of an insolvency representative, nor does it require approval by creditors for sale of substantial assets of the debtor. The creditor does not have the right to request information from the insolvency

representative, and provides that a debtor has the right to object to decisions accepting or rejecting creditors' claims.

The relevant laws pertaining to bankruptcy are:

- The Law on Bankruptcy dated May 14, 1992
- The Law № 1255-IV on Securing Creditors' Claims and Registration of Encumbrances (summary in English)

Industrial Policies

Investment Incentives

Foreign investors are exempt from customs duties for any in-kind contribution imported into Ukraine for the company's charter fund. Some restrictions do apply and import duties must be paid if the enterprise sells, transfers, or otherwise disposes of the property. From January 1, 2013, through January 1, 2018, Ukraine provides a zero percent Corporate Profit Tax (CPT) on income from projects resulting in job creation in qualifying industries, including high-tech, eco-friendly, and manufacturing and export-oriented industries. The incentive is granted for new projects as well as reconstruction or upgrades to existing enterprises, under certain conditions related to the value of the investment, the number of jobs created, and salary levels. Ukraine also offers generous depreciation rates for most fixed assets, including property, plant, and equipment for both foreign and domestic investors.

Foreign Trade Zones/Free Ports/Trade Facilitation

Ukraine does not maintain special or free economic zones (SEZs-FEZs).

Performance and Data Localization Requirements

Ukraine has no forced localization policies or requirements for foreign IT providers to turn over any source code or provide backdoors into hardware or software applications. Ukraine's overall regulation of IT infrastructure and Internet Service Providers is largely free and unregulated. Unfortunately internet piracy is rampant and the use of unlicensed software is widespread even within the government.

The regulatory framework in Ukraine is generally aligned with Convention for the Protection of Individuals with regard to Automated Processing of Personal Data of 1981 adopted by the Council of Europe. In 2011 Ukraine adopted a law on protection of personal data. The law is based on the framework EU Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, but provides a more detailed legislative base for data protection in Ukraine. The fundamental principle applicable to personal data processing under the law is that all steps in data collection, storage and processing

must have the consent of the data subject. Personal data may also be transferred to foreign personal data processors on the condition that their countries have a sufficient level of data protection, presumably comparable to Directive 95/46/EC; the relevant permit; and the recipient uses the personal data for the same purposes for which it was collected.

The law also prohibits processing of personal data relevant to (i) race, ethnic origin and nationality; (ii) political, philosophical and religious beliefs; (iii) membership in political parties and other organizations; (iii) health; (iv) sexual life; (v) biometrical data; (vi) genetic data. Those categories of personal data are sometimes identified as “sensitive data”. The Law provides, however, for a number of cases when processing of sensitive data is allowed, including cases when (i) individual provides its explicit consent to processing of its sensitive data; and (ii) processing of sensitive data is required within the framework of labor relations; and (iii) sensitive data was made public by the individual. Additional legislation on protection of personal data consists of the Constitution of Ukraine, the laws of Ukraine “On Information”, “On Protection of Information in Informational and Telecommunication Systems”, other laws and normative and legal acts.

Government Agencies involved in personal data protection are:

- The Ukrainian Parliament’s Commissioner for Human Rights (regarding control over processing of personal data);
- The State Service of Ukraine on Personal Data Protection (which was deprived of its controlling functions and now retains only general advisory powers);
- The State Service of Ukraine for Special Communications and Information Protection (regarding protection of e-signatures and other encrypted information);
- The National Commission for State Regulation of Communications and Information (regarding issues related to regulation of internet access).

Protection of Property Rights

Real Property

Ukraine has a regulatory framework protecting property interests, as well as mortgages and liens. The record system is generally reliable and maintained by the Ministry of Justice. Still, judicial reform is needed to ensure efficient enforcement of property rights. The Land Cadaster Law of July 2012 provided for a single land registry; its 2013 launch marked an improvement in land ownership protection. According to the Ministry of Agrarian Policy, the Land Cadaster is only 20 percent utilized and the Ministry has started a comprehensive land audit. Ukrainian media estimate that five percent of land in Ukraine does not have clear title. Ukraine decreased in its rating in registering property in the World Bank Ease of Doing Business ratings from #62 in 2016 to #63 in 2017.

Intellectual Property Rights

Ukraine was designated a Priority Foreign Country in 2013 in the United States Trade Representative's (USTR) Special 301 Report due to the lack of progress in the issues outlined below. USTR changed Ukraine's designation in the 2014–2016 Special 301 report to the Priority Watch List – an improvement. While the Government of Ukraine has demonstrated some limited progress in IPR reforms to date, Ukraine continues to have serious IPR challenges. For example, Ukraine is host to some of the largest internet pirate sites in the world. Further, a number of rogue collecting societies continue to freely operate in Ukraine, collecting royalties but not distributing those royalties to any legitimate rights holders. Industry representatives estimate that the majority of broadcast and public performance market places are unlicensed. In addition to digital piracy, Ukraine's many open-air markets continue to sell illegally copied music, films, and entertainment software. In the area of software piracy, the Government of Ukraine has begun limited efforts to license the business software it uses, but admits that 40 to 80 percent of the software used in government ministries and enterprises remains unlicensed.

Collection Management: Ukraine has recognized that it has a significant problem with the operation of illegal or “rogue” collecting societies, i.e. organizations that collect royalties by falsely claiming they are authorized to do so. Such organizations tend to operate without adequate transparency and rarely disburse sufficient funds that they collect to the rights holders entitled to the royalties. The government has not prosecuted anyone – not even societies that the Government of Ukraine determined were collecting money without the necessary authorization. Despite some government efforts to shut them down, 15 rogue CMOs continue to operate in Ukraine, collecting royalties without distributing any of those royalties to legitimate rights holders. The MPAA estimates that more than 90 percent of Ukraine's broadcast and public performance market places are unlicensed. Governments of Ukraine officials, however, say that this is because broadcasters do not pay into the current corrupt system of royalty collections. New legislation, which is expected to bring a new face to collection management in Ukraine and comply with Ukraine's international obligations, is currently being redrafted by the World Intellectual Property Organization (WIPO) in cooperation with the MEDT. MEDT expects this draft to be ready for review by the international community in 2017. Until this draft is passed, the existing CMO legislation will remain in place.

Software Piracy: The Government of Ukraine acknowledges that a significant percentage of the software used by the government itself is unlicensed. The most recent industry data identify Ukraine as having a higher software piracy rate than almost all other countries on the Special 301 Priority Watch List. Ukraine acknowledges the need for the government to use legal software, and has issued

repeated official documents calling for such legalization as far back as 2002. In general, the situation in Ukraine remains challenging, with minor progress. Government of Ukraine officials report an incremental legalization of software among a number of agencies and services in the past year amounting to the legalization of approximately 20,000 systems.

Internet Piracy: The United States has repeatedly raised its strong concerns about the significant and growing piracy of copyrighted content. Online piracy has significant consequences for both the Ukrainian market and for international trade. There was not a single online piracy-related conviction in Ukraine in 2016 under existing statutes. In March 2017, the Parliament passed a law “On State Support to Cinematography” that provides for Internet Service Provider (ISP) liability and a system of notice and take down. Pending signature by the President, it would be a great improvement over the current chaotic, unregulated online environment in Ukraine.

Patents and Trademarks: Trademarked and copyrighted goods must be registered for a fee in the Customs Service's rights holder database in order to be guaranteed protection. Counterfeit goods, including products containing protected trademarks, remain readily available. Counterfeit apparel is common. Most counterfeit goods are not produced in Ukraine. The amount of counterfeit pesticides on the market continues to increase, now accounting for a significant percentage of the market, according to industry. Industry has reported that criminal prosecution for counterfeiting crimes are stalled and ineffective, and that seized goods are not disposed of or released in a timely manner. Additionally, large amounts of counterfeit products and pirated goods are still openly sold in physical markets in Ukraine. Finally, patents for plants have also recently come under threat – specifically, industry have reported alleged breeder rights infringement for illicitly appropriated plant materials found in Ukraine.

Judicial System for IPR Protection: Civil IPR lawsuits remain rare because of a general lack of confidence in Ukraine's legal system, and because few judges are properly trained in IPR law. Law enforcement officials and industry also complain that too many IPR cases result only in small fines, which do not deter illegal activity. In some cases, infringing companies have won dubious and nontransparent court decisions that appear to violate the patent and trademark rights of other companies.

Financial Sector

Capital Markets and Portfolio Investment

The capital market for portfolio investment is small and lacks liquidity. The local institutional investment sector, including private pension investment, is weak. A foreign investor needs to open an account in a bank operating in Ukraine or act via a

local trader in order to make a portfolio investment. With its September 2014 resolution, the NBU temporarily banned the transfer of receipts from the sale of securities of Ukrainian issuers into foreign currency, with the exception of securities traded at stock exchanges. The measure was supposed to expire in June 2016, but still remains in place as of April 1 2017.

Ukraine has nine operational privately-owned stock exchanges (down from 10 in 2015), with the largest trade volumes conducted at four major exchanges. These exchanges operate largely in compliance with international best practices, and there is increasing competition in the sector. 89.16 percent of securities trading at Ukraine's exchanges were transactions with government bonds. The remaining transactions were with NBU depository certificates, corporate bonds, shares, derivatives, or investment certificates. However, the total amount of trade in shares in 2016 did not even reach one percent of GDP. The remaining exchanges are largely "pocket exchanges" that rely on revenue from sales of state-owned enterprises.

There are no legal restrictions on the free flow of financial resources needed to support growth in the product/factor markets. Credit is largely allocated on market terms and foreign investors are able to get credit on the local market, utilizing a variety of credit instruments. However, the market environment has long lacked transparency; enforcement of key laws and regulations has been weak; and investors, both domestic and foreign, continue to face significant uncertainty.

Money and Banking System

In the wake of a post-Maidan banking sector crisis, the NBU implemented a significant banking sector clean-up, shuttering more than 80 banks for insolvency or for money laundering activities. The NBU continued efforts to clean up the sector through 2016 culminating with the successful nationalization of systemically vital PrivatBank –Ukraine's largest lender and deposit holder. The December 2016 nationalization was an important step to safeguard Ukraine's financial stability. As of the end of 2016, 96 active banks remained in the system, down from 163 in 2014. The NBU estimates the total assets of Ukraine's banking sector at USD52.8 billion. The top 20 banks account for 88 percent of the sector's assets (around USD46 billion). After the nationalization of PrivatBank, Ukraine's four state-owned banks control 59.4 percent of individual deposits, 46.3 percent of legal entities funds, 52.5 percent of total banking assets, 48.1 percent of credits issued to legal entities, 29.2 percent of credits issues to individuals, 76.7 percent of Government bonds, 74 percent of all payments cards, and 60 percent of state banks' branch networks (see the Chart 1 below).

In 2016 Ukrainian banks recorded losses of UAH 160 billion (USD6 billion) which stifled the availability of credit to Ukrainian households and businesses. Banks'

portfolio of loans to individuals decreased by UAH 3 billion (USD111 million) in hryvnia-denominated loans and by USD660 million in foreign-currency-denominated loans. Total hryvnia-denominated business lending portfolio increased by UAH 75 billion (USD2.8 billion), though decreased in foreign currency-denominated loans by USD4.2 billion. NBU stress tests have revealed that the share of non-performing loans (NPL) today is around 50 percent of the total loan portfolio of Ukrainian banks. Overall the quality of banking oversight is improving as the NBU strengthens prudential capital requirements for the sector and works to unwind related party lending positions.

Foreign-licensed banks may carry out all activities conducted by domestic banks, and there is no ceiling on participation in the banking system, including operating via subsidiaries. A foreign company can open a bank account in Ukraine for the purposes of investment operations. Otherwise it needs to register a representative office in Ukraine. A nonresident private person can open a bank account in Ukraine.

Legislation aimed at protecting businesses from hostile takeovers or “raids” pertains to both domestic and foreign companies.

Foreign Exchange and Remittances

In 2016, the National Bank of Ukraine gradually relaxed currency controls and restrictions on dividend repatriation that were put in place to stabilize the hryvnia in the post-Maidan economic crisis. It allowed repatriation of foreign investments dividends for 2014-2015 totaling less than USD1 million or 10 percent of the total dividends amount (whichever is larger) per month, with a cap of USD5 million if ten percent of dividends exceeded that amount. Further, the NBU is considering allowing the dividends repatriation for the years preceding 2014 as well as those earned in 2016. According to the NBU’s management, the Central Bank will assess the amounts based on regular input from the banks in order to design the appropriate schedule for future repatriations. Also, NBU has reduced the share of foreign currency received from abroad subject to mandatory conversion into Ukrainian hryvnia from 75 percent to 65 percent. The conversion requirement applies to proceeds in major convertible currencies (including USD, EUR, GBP and CHF) and Russian rubles received from abroad by legal entities (excluding Ukrainian banks) and individual entrepreneurs. Proceeds in the above-mentioned foreign currencies credited to accounts of joint ventures opened with the Ukrainian banks, or accounts opened by the Ukrainian residents outside of Ukraine, are also subject to mandatory conversion. The requirement does not cover certain types of transfers, including foreign investment, proceeds received by the state or under state-guaranteed instruments, borrowings from international financial institutions in which Ukraine is a member, funds in correspondent accounts, and deposits of

foreign banks with Ukrainian banks, etc. In February 2017, the NBU announced its intent to decrease the mandatory foreign currency sales share from 65 to 50 percent, and to fully cancel this requirement in future. Other changes to currency control restrictions include:

- Maximum amount of cash foreign currency or precious metals that an individual may purchase in one bank during one banking day was increased from the equivalent of UAH6,000 to the equivalent of UAH12,000.
- The permitted amount of withdrawal by a bank's client of foreign currency or bank metals from their accounts was increased to UAH100,000 per day.
- The restriction on the withdrawal of cash in hryvnia from bank accounts has been completely removed (previously a UAH500,000 daily limit).
- The limit on currency purchases for firms that have banking deposits was raised from USD10,000 to USD25,000 (and to USD100,000 in February 2017).
- Hard currency purchases to make advance payments over USD50,000, which previously required pre-approval from the National Bank of Ukraine, have become subject to NBU control after completion of the transaction.
- In December 2016, the Parliament cancelled a mandatory two percent pension tax levied on all foreign currency purchases.

In addition, the NBU has shortened the term of advance application for the purchase of hard currency on the interbank market from two days (T+2 regime) to one day (T+1 regime.) The operation itself still requires the approval from NBU in order to prevent non-productive capital outflow.

A number of restrictions, however, still remain in place: a prohibition on early repayment of cross-border loans by Ukrainian borrowers (excluding export-credit agency loans); a ban on repatriation of proceeds from sale of Ukrainian securities and shares in limited liability companies by foreign investors; and a ban of foreign currency purchase of more than USD 500,000 in hard currency if using loans in hryvnia that also require a letter of credit confirmation.

Sovereign Wealth Funds

Ukraine does not maintain or operate a sovereign wealth fund.

State-Owned Enterprises

The Government of Ukraine has 1,833 operating SOEs out of 3,350 registered SOEs, with output amounting to around 10 percent of GDP. Nonetheless, according to the Ministry of Economic Development and Trade (MEDT), the state sector is one of the largest in Europe. The SOEs, which are defined as companies in which the state owns at least 50 percent +1 share, employ 900,000 people. SOEs are active in areas such as energy, machine-building, and infrastructure. Companies include Turboatom, a producer of energy turbines, energy generator Centerenergo and

energy company Naftogaz, which, along with its subsidiaries – domestic oil producer Ukrnafta and UkrGasVydubuvannia (UGV) – hold substantial shares of their respective markets. There is no common public list of all SOEs in Ukraine. Each Ministry publishes the list of SOEs under its management. The sector is inefficient and often unprofitable. According to MEDT the cumulative loss of top 100 state-owned companies decreased from UAH 119 billion in 2014 (USD5.5 billion) to UAH 42.6 billion (USD1.95 billion) in 2015. On February 18, 2016, the Parliament approved legislation increasing corporate governance standards for SOEs, providing for mandatory independent audits of SOEs, and requiring the results be published.

On March 10, 2017, the Cabinet of Ministers adopted procedures for the creation of independent supervisory boards in SOEs. The procedures are aimed at creating supervisory boards that will independently form long-term strategies for SOEs; appoint management officers; evaluate work and elect an independent auditor; and reduce political interference in the work of SOEs. According to the procedures, independent supervisory boards must be created in state owned enterprises and economic entities with state ownership over 50 percent, as well as assets of over UAH2 billion (USD74 million) and net profit of UAH1.5 billion (USD55.5 million) generated in the previous year. Other unitary companies and businesses can create independent supervisory boards at the discretion of their management.

SOEs purchase and supply goods and services to private firms, including foreign firms. Transparency of procurement by SOEs has increased markedly after the April 2014 amendments to the procurement legislation, which obliged SOEs to follow procurement regulations. On March 16, 2016, Ukraine ratified the WTO Government Procurement Agreement. The majority of SOEs rely on government subsidies to function, and cannot directly compete with private firms. Most of the SOEs capable of making a profit have already been privatized, leaving mainly inefficient firms in government hands. The Government of Ukraine has heavily subsidized its state-owned enterprises (especially in the coal mining, rail transportation, gas, and communal heating sectors) and has supported debts of many SOEs with sovereign loan guarantees. In 2014 and 2015, the Ukrainian government tightened its enforcement and improved the budget discipline of many SOEs. SOE access to extensions of tax payment deadlines remains nontransparent, especially where SOEs are directed to sell their products at below-market prices.

SOE senior managers traditionally report directly to the relevant ministry, which has had the authority to appoint the firm's management. Ukrainian law specifies that the ministries are not permitted to interfere with the daily economic activities of an SOE, but anecdotal reports indicate that this restriction is often ignored. Ministries have the power to decide on the creation, reorganization, and liquidation of SOEs; adopt and enforce SOE charters; conclude and cancel contracts with SOE executives;

grant permission to the State Property Fund to create joint ventures with state property; and prepare proposals to divide state property between the national and municipal levels. March 2015 amendments to the Law on Joint-Stock companies enabled owners of 50 percent+1 share in a company to call shareholder meetings. This will allow the state to increase managerial control over certain SOEs, where private minority shareholders were able to gain managerial control, most notably at UkrNafta, the domestic oil producer. Judicial reform is long overdue in Ukraine and an efficient system of protection of investor rights is lacking, including in disputes involving SOEs.

Privatization Program

The government is looking into further expanding the list of companies slated for privatization in order to increase management efficiencies. The current legislation, amended in 2016, allows the State Property Fund to hire foreign advisors, increases transparency of asset evaluation procedures, removes the mandatory requirement to sell 5-10 percent of a privatized entity via a securities exchange, and bans Russian and off-shore companies from participating in privatization in Ukraine.

The State Property Fund (SPF) oversees privatizations. Privatization rules generally apply to both foreign and domestic investors, and, in theory, a relatively level playing field exists. Observers note numerous instances of past privatizations adjusted to fit a pre-selected bidder. The new government has made statements that there will be no revisions of past privatizations. Still, some court cases have surfaced wherein private companies are challenging earlier privatizations.

The government has developed a list of SOEs to privatize in 2017. There are a number of reasons, however, why the SPF cannot start preparations for these privatizations, including: some SOEs are eligible or prioritized for privatization; delay in transmission of SOEs from their Ministries to the SPF; poor SOE condition; a lack of demand for minority shareholdings; and a delay in the adoption of laws that would accelerate privatization to international standards. At the same time, SPF, with MEDT and international partners, developed (still under review) a new privatization law that would replace the current seven laws that partially cover the privatization process. The new law introduces a penalty for delaying asset transfers by the Ministries to SPF; and reducing the bidding security deposit from 5-25 percent to five percent. The deadline for due diligence and applications is extended up to 180 days. A legal bar, instead of the current informal one, against Russian participation was introduced. According to the new law there will be only two categories of privatizations - large and small. Large privatization will include approximately 50 companies of strategic importance with minimum criteria UAH2 billion assets and UAH1.5 billion in cash. The sale of large privatization companies

will be outsourced to an advisor, who will provide to SPF the starting price, documentation, and due diligence. Then this package will go to a Tender Commission created by SPF which includes representatives from corresponding Ministries and organizations. The Commission is regulated by SPF's order only, not by law or by the Cabinet of Ministers. The Commission can stop the privatization process, or can approve a starting price by vote (requires a quorum/majority of votes) and sends the decision to Cabinet of Ministers for further actions. The Commission can only increase the starting price, not lower it.

In 2014 the budget received from privatization approximately UAH 447 million (USD37.6 million), in 2015 – UAH 167 million (USD7.65 million), and in 2016 – UAH 189 million (USD7.39 million).

Responsible Business Conduct

There is limited but growing awareness in Ukraine of internationally accepted standards for responsible business conduct (RBC), including corporate social responsibility (CSR). Primary drivers for the introduction of these standards have been Ukraine's vibrant civil society, international companies and investment, and efforts by business associations such as the American Chamber of Commerce and the European Business Association. For example, NGOs such as the East Europe Foundation and UN Global Compact Initiative have worked to educate Ukrainian companies on the potential long-term benefits of CSR, while the American Chamber of Commerce promulgates general standards of conduct for all member companies in Ukraine (approximately 600) that reinforce RBC principles.

The government has made it a stated priority to create a more coherent, business-friendly investment environment based on internationally accepted standards, to include labor rights, consumer protection, environmental protections, and other principles that fall under RBC. The legal and regulatory framework, as well as the government's capacity to implement and enforce it, is still very much a work in progress. The Government of Ukraine has put in place corporate governance standards to protect shareholders; however those are voluntary rather than mandatory.

On March 15, 2017, Ukraine became the 47th country to adhere to the [OECD Declaration and Decisions on International Investment and Multinational Enterprises](#). On March 27, [Ukraine signed the OECD agreement to strengthen investment climate](#).

There are independent NGOs, investment funds, worker organizations/unions, or business associations promoting or monitoring RBC. Post is aware of the NGO Center "[Development of Corporate social responsibility](#)" (CSR) along with joint projects

on development of CSR involving NGOs and charity organizations. The Embassy is not aware of cases of sanctions or restrictions on such activities.

Ukraine has been a member of the Extractive Industries Transparency Initiative (EITI) since 2013. Participation by companies in the country is still voluntary, however. A recent legislative initiative mandating participation in EITI failed to pass the Parliament by only a few votes and will likely be put to vote again. Ukraine has not joined the Voluntary Principles on Security and Human Rights.

Corruption

Ukraine's anti-corruption legislation consists of the following key legislation and resolutions:

- Constitution of Ukraine;
- Cabinet of Ministers' Resolution of June 13, 2000 №950 «On approval of the Procedure of execution of official investigation regarding state or local officials»;
- Cabinet of Ministers Resolution of April 29, 2015 №265 «On approval of the State program on realization of state anti-corruption policy in Ukraine (Anticorruption strategy) for 2015 - 2017»;
- Cabinet of Ministers Resolution of February 11, 2016 №65 «On approval of ethics rules for public officials»;
- Criminal Code of Ukraine, Chapter XVII, «Crimes in the sphere of public and professional activity, linked with the provision of public services»;
- Criminal and procedural code of Ukraine;
- Law of Ukraine “On organizational and legal basics of fight against organized crime” of June 30, 1993 №3341-XII;
- Law of Ukraine «On amendments to certain laws of Ukraine regarding bringing of the national legislation into compliance with the standards of the Criminal convention on fight against corruption” of April 18, 2013 №221-VII (amendments to articles 354, 368, 369, 370 of the criminal Code of Ukraine);
- Law of Ukraine «On amendments to certain legal acts of Ukraine regarding the realization of the state anticorruption policy» of May 14, 2013 №224-VII;
- Law of Ukraine «On amendments to certain laws of Ukraine regarding the responsibility for corruption crimes» of April 7, 2011 №3207-VI;
- Order of the Ministry of Justice of Ukraine of June 23, 2010 №1380/5 «On approval of methodology of anticorruption expertise of legislative drafts»;
- Law of Ukraine «On citizens' appeals» of October 2, 1996 №393/96-VR;
- Law of Ukraine «On public service» of December 16, 1993 №3723-XII;
- Law of Ukraine «On access to public information» of January 13, 2011 №2939-VI;

- Law of Ukraine «On basics of the state anticorruption policy in Ukraine (Anticorruption strategy) for 2014 - 2017» of October 14, 2014 №1699-VII;
- Law of Ukraine «On corruption prevention» of October 14, 2014 №1700-VII;
- Law of Ukraine «On National Anticorruption Bureau of Ukraine » of October 14, 2014 №1698-VII.
- Law of Ukraine “On amending certain laws of Ukraine determining the final beneficiaries of legal entities and politically exposed persons” of October 14, 2014 №1701-VII.

Ukraine has made progress toward reducing corruption in government procurement and developing law enforcement agencies to fight official corruption, but its economy still struggles under the burden of widespread corruption. Ukraine ranked 131 among 176 countries in Transparency International’s Corruption Perception Index 2016, and its score in the perceived level of public sector corruption was 29 out of 100. This marked a two-point improvement over Ukraine’s 2015 score, which Transparency International attributed to the launch of the e-declaration system that allows Ukrainians to see the assets of politicians and senior civil servants (discussed below).

As reported in the previous report, Ukraine has established several new anti-corruption agencies: the National Anticorruption Bureau (NABU), the Special Anti-corruption Prosecutor (SAPO), and the National Agency on Prevention of Corruption (NAPC). NABU has gained a reputation for independence, but the NAPC is widely viewed as poorly managed and politically pliable. The first results of NABU’s work as of the end 2016 include 25 new criminal cases that have been referred to the courts; 245 cases under investigation; and 100 persons notified of suspicion of their involvement in committing corruption related crimes. UAH411 million, USD75.45 million and Euro7.1 million have reportedly been confiscated. In addition, two property complexes, 94 plots of land, 50 non-residential buildings, 37 apartments, and 35 vehicles including two aircraft, have also been seized. NABU arrested the State Fiscal Service commissioner Roman Nasirov; court proceedings are pending. Anti-corruption activists have complained that despite political leaders voicing their commitment to fight corruption, Ukrainian prosecutorial bodies have failed to fully prosecute a single major corruption case since the 2014 Revolution of Dignity.

In 2016, Ukraine launched the “e-asset declaration” system whereby public officials must submit electronic asset declarations allowing Ukrainians to see the assets of politicians and senior civil servants through a public website. Nearly 1 million Ukrainian officials, including virtually all top leaders and members of parliament, submitted e-Declarations for 2016 by April 1, 2017. In January, the National Anti-

corruption Bureau of Ukraine (NABU) opened the investigations of 25 government officials based on submitted 2015 e-Declarations.

On March 27, President Poroshenko signed into law vague amendments to the “Law on Prevention of Corruption” which require non-governmental anti-corruption activists and program beneficiaries to file their own e-Declarations. Activists fear this could undermine their anti-corruption advocacy and be used to launch politically-targeted investigations.

To ensure the long-term success of the fight against corruption, Ukraine took some steps to improve the functioning of organizations with a high risk of corruption, including agencies in the judiciary, public procurement, and state-owned enterprises, among others. The public e-procurement system, [ProZorro](#), (which means “transparent” in Ukrainian), which was launched as a pilot project in 2015, has brought increased transparency and efficiency to public procurement. Public agencies, including defense, police, customs, health, infrastructure and energy, have awarded more than 85,000 tenders through the ProZorro system as of July 2016. As of August 1, 2016, all contracting entities are obliged to use e-procurement for all purchases, above- and below-threshold.

Ukraine participates in international anti-corruption initiatives. In 2005, Ukraine ratified the Council of Europe Civil Law Convention on Corruption and became a member of the Council of Europe's Group of States against Corruption (GRECO). GRECO concluded its Joint First and Second Rounds of Evaluation of Ukraine and published its report in 2007 and Third Round Evaluation Report was published in 2011. The fourth evaluation was launched in 2012.

Ukraine also participates in the OECD Anticorruption Network for Eastern Europe and Central Asia. Parliament passed laws to ratify the Council of Europe Criminal Law Convention on Corruption, signed in 1999, and the UN Anticorruption Convention, signed in 2003. However, ratification of these Conventions will come into effect only when additional implementing legislation is adopted. Ukraine is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

The National Anti-Corruption Bureau, established in October 2014, is the appropriate resource for the reporting of corruption.

Government of Ukraine contact for combating corruption:

Mr. Artem Sytnyk, Director
[National Anti-Corruption Bureau](#)

3, Vasyl Surikov St, Kyiv, Ukraine 03035
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Political and Security Environment

The conflict between the Ukrainian government and Russian-backed separatists in Donetsk and Luhansk oblasts continued in 2016. Individuals in separatist controlled territories are subject to political violence at the hands of so-called authorities. There are also widespread reports of civilian casualties as the fighting occurs in and around civilian areas. Ukraine lacks control over its border in parts of Donetsk and Luhansk, allowing for the free flow of soldiers and weapons from Russia. Russia continues its illegal occupation of the Autonomous Republic of Crimea and the City of Sevastopol.

There have been sporadic protests and demonstrations during 2016 against the government, mainly evoking populist messaging against economic conditions in the country. These protests, however, have proceeded peacefully and there were few instances of violence, with the exception of targeted assassinations, including a prominent journalist and a former Russian government official. Politically, the country's ruling coalition remains in power, albeit needing support of specific opposition parties to garner votes for legislation in the country's parliament. Opposition figures and new political movements increased during 2016, but these movements have yet to significantly alter the country's political landscape.

Labor Policies and Practices

Ukraine has a well-educated and skilled labor force of about 26 million people with a nearly 100 percent literacy rate. As of October 2016, the unemployment rate of the population aged 15-70 (ILO methodology) averaged 9.2 percent, and the unemployment rate of the population of working age individuals (ILO methodology) averaged 9.5 percent, although unemployment in some regions, particularly in western Ukraine and central Ukraine, was significantly higher. As of December 2016, the State Employment Service registered 390,800 unemployed people and 317,100 unemployed people received state assistance. According to official statistics, which

count only those registered to receive unemployment benefits, unemployment was only 1.5 percent in December 2016. In December 2016, the unemployment insurance allotted to each worker amounted to UAH 1997 (USD75). Throughout 2016 unemployment continued, increasing in the industrial eastern regions, and many big enterprises faced lay-offs due to severe economic challenges, including the loss of access to Russian and CIS markets. In addition, some enterprises were destroyed, robbed, dismantled, and shipped to Russian territory.

Wages in Ukraine remain low by Western standards. In December 2016, the nominal average monthly wage increased by 23.8 percent year-on-year to UAH 6475 (USD240), while the real average wage increased by 11.6 percent year-on-year during the same period. The highest wages are traditionally in the financial and aviation sectors; the lowest wages are paid to agricultural and public health workers. As of January 1, 2017, total wage arrears in Ukraine stood at UAH 1.79 billion (USD66.33 million), with about 73.7 percent of wage arrears accumulated in the industrial sector and 9.9 percent in transportation, storage, postal and courier activities. More than 50 percent of the wage arrears were in eastern Ukraine, specifically in Luhansk (23.0 percent), Donetsk (14.7 percent) and Kharkiv (12.9 percent) regions.

Minimum Wage: The monthly minimum wage was UAH1,378 (USD51) from January 1 through April 30, 2016. The monthly minimum wage rose to UAH1,450 (USD54) on May 1, 2016 and to UAH1,600 (USD59) on December 1. As of January 1, 2017, the minimum wage for private-sector workers increased to UAH3,200 (USD119). The hourly minimum wage was UAH 8.29 (USD0.31) from January through April, and rose to UAH8.69 (USD0.32) on May 1, 2016, and again to UAH 9.29 (USD0.34) on December 1. Some workers in the informal sector received wages below the established minimum. The poverty level rose during the year from UAH1,330 (USD49) per month to UAH1,399 (USD52) during the year. According to the 2017 State budget, the subsistence level per person per month from January 1, 2017 is UAH1,544 (USD57), from May 1 - UAH1624 (USD60), and from December 1 - UAH1700 (USD63).

Labor/Management Relations: Ukrainian law allows workers to organize, and unions are prevalent in most industries. The law provides most workers with the right to form and join independent unions and to bargain collectively without previous authorization. By law, trade unions are equal, and a union's establishment does not require government permission. Within classic sectors of the economy, sector-specific collective bargaining agreements involve representative employers' associations (e.g., chemical employers), sector trade unions, and some participation of the government through the Ministry of Social Policy. Such agreements can also

take place at the regional level. According to Ukraine's Statistics Service, 79.8 percent of employees were covered by collective bargaining agreements in 2014.

The independence of unions from government or employer control, however, was disputed. Independent trade unions alleged that the country's largest trade union confederation, the FPU, enjoyed a cozy relationship with employers and members of some political parties. Unions that were not affiliated with the FPU were denied a share of disputed trade union assets inherited by the FPU from Soviet-era unions. There were cases of workers, who renounced membership in an FPU-affiliated union and joined a new union, facing loss of pay, undesirable work assignments, and dismissal.

The law sets 16 as the minimum age for most employment. Children who are 15 years of age may perform "light work" with a parent's consent, but the law does not clearly define the term. The law allows children to do some forms of work beginning at age 14 as part of an apprenticeship in the context of vocational training. The most frequent violations of labor law for minors related to their work in hazardous conditions, long workdays, failure to maintain work records, and delayed salary payments.

During 2016, the State Labor Service and its predecessor, the State Labor Inspectorate, was responsible for enforcing labor laws. Inspectors were limited in number and funding. Although the Government of Ukraine renewed planned and unplanned labor inspections in 2016, the number of completed inspections continued to fall, and experts assessed the number to be inadequate relative to the size of the Ukrainian economy.

The law provides for the right to strike "to defend one's economic and social interests," as long as strikes do not jeopardize national security, public health, or the rights and liberties of others; the government generally respected this right. It does not extend the right to strike to personnel of the PGO, the judiciary, armed forces, security services, law enforcement agencies, the transportation sector, or public servants. Workers who strike in prohibited sectors may receive prison terms of up to three years.

The law established the National Mediation and Reconciliation Service (NMRS) to mediate labor disputes. According to official statistics, during 2016 the Service resolved 106 labor disputes: one – national, two – territorial, 103 – enterprise level, involving 2.1 million employees and 11,466 economic entities. 16.8 percent of the disputes were related to wage arrears, 11 percent – to the violations of employment and dismissal process, seven percent – to labor safety, etc. In 2016 National

Mediation and Reconciliation Service mediated four strikes and 139 social protest actions that had mostly economic demands.

OPIC and Other Investment Insurance Programs

The U.S.–Ukraine Overseas Private Investment Corporation (OPIC) Agreement was signed in Washington in 1992. OPIC resolved a long-standing dispute in 2009, and restored its programs in Ukraine after an extended hiatus. In 2010 OPIC concluded an agreement enabling the Ukrainian Development Network (UDN) to serve as an originator for a growing alliance with the private sector designed to support small and medium-sized enterprises expanding into emerging markets overseas. OPIC currently provides political risk insurance to several U.S. companies operating in Ukraine and has the capacity to insure other U.S. eligible investors if such coverage was sought. In 2002, the Board of the U.S. Export-Import bank opened facilities for short and medium-term (up to seven years) lending for commercial and sub-sovereign projects. Ukraine is a member of the Multilateral Investment Guarantee Agency (MIGA). OPIC has an active pipeline of projects in Ukraine across various sectors. OPIC's pipeline of projects in Ukraine through FY 2016 and 2017 included several projects for a total of USD865 million, with a number of potential projects in the early stages.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

UkrStat official data, as of January 1, 2017, the total stock of FDI in Ukraine was USD47.777 billion or approximately USD1,121 per capita, representing a 17.0 percent growth y-o-y. The majority of Ukraine's 2016 FDI was generated by foreign parent companies recapitalizing subsidiary banks in Ukraine.

FDI by Country

In 2016, Ukraine's major investors, accounting for 70 percent of investments included: Russian Federation (37.8 percent of FDI), Cyprus (9.7 percent), Great Britain (9.2 percent), the Netherlands (5.8 percent), Austria (5.7 percent), Italy (4.8 percent), Hungary (4.3 percent), the British Virgin Islands (3.2 percent), Switzerland (2.5 percent), and Turkey (2.3 percent). U.S. investment comprised 1.9 percent of FDI in 2016. Many Ukrainian and Russian enterprises continue to channel investments through Cyprus due to a favorable bilateral tax treaty. In 2012, Ukraine and Cyprus signed a Double Taxation Convention to replace the bilateral agreement dating from 1982. Under the new treaty, which was ratified by the Parliament in July 2013 and entered into force in August 2013, most income earned in Cyprus is taxed between 5 and 15 percent, reducing the tax gap between the two countries. While the Government of Ukraine announced plans to introduce a 12 percent tax on the

operations of companies registered in offshore countries (in order to increase collections to the Pension Fund), Cyprus was not included on this list.

FDI by Industry Sector Destination

64.1 percent of FDI in Ukraine went to the financial and insurance sector to facilitate recapitalization of foreign banks; 11.9 percent of FDI went to trade and auto repairs, and 10.8 percent - to industry.

FDI from Ukraine

As of October 1, 2016, Ukraine's FDI to other countries equaled almost USD6.237 billion. 93.4 percent of Ukrainian investment (USD5.825 billion) is reported as moving through Cyprus (the revised OECD Benchmark Definition of FDI is designed to filter out such detours or round-tripping through tax havens; FDI statistics may thus be more informative in future reports). Russia is generally observed to be the chief destination of actual Ukrainian FDI, while official statistics ranks it as second destination with 2.2 percent of FDI from Ukraine, Latvia has 1.1 percent, the British Virgin Islands the British Virgin Islands – 0.8 percent, Poland – 0.8 percent.

Ukraine's Macroeconomic Indicators:

GDP, 2016	USD93.275 billion (9.8)
GDP, 2015	USD90.62 billion (-31 percent)
GDP, 2014	USD131.8 billion (-28 percent)
GDP, 2013	USD182 billion (+3 percent)
GDP per capita 2015	USD2,081 (-29 percent)
GDP per capita, 2014	USD2,964 (-24 percent)
GDP per capita, 2013	USD3,900 (+4 percent)

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2016	USD 79.6 bln	2016	USD90.62 bln	World Bank
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2016	USD 712.6		n/a	BEA data

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations as of October 1, 2016 (U.S. Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
	\$ mln	100%	Total Outward	\$, mln	100%
Cyprus	11,035.1	24.4%	Cyprus	5,824.8	93.4%
Netherlands	5,910.7	13.1%	Russia	139.2	2.2%
Germany	5,446.0	12.1%	Latvia	70.8	1.1%
Russia	4,518.7	10.2%	Virgin Isl.	52.0	0.8%
Austria	2,601.1	5.8%	Poland	50.2	0.8%

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets, June 2016								
Top Five Partners (Millions, U.S. Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	165	100%	All Countries	70	100%	All Countries	95	100%
USA	67	41%	USA	67	97%	Cyprus	65	68%
Cyprus	65	39%	Russia	1	1%	United Kingdom	30	32%
United Kingdom	30	18%	Latvia	0	0%			
Russia	1	1%						
Latvia	0	0%						

Contact for More Information

Trae Watson

Economic Officer

U.S. Embassy Kyiv, Ukraine

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Trade & Project 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. If in foreign currency, a Ukrainian resident's foreign currency proceeds under an export contract must be collected on such resident's bank account within 120 days upon export of such goods/services. Goods prepaid by a Ukrainian resident in foreign currency, under an import contract concluded with a non-resident, must be imported and cleared through the Ukrainian customs within a 120-day term from the date on which such resident's prepayment was made. Also, 50 percent of foreign currency proceeds of individual entrepreneurs, legal entities, and foreign representative offices are subject to the mandatory sale for (conversion into) hryvnia.

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.

According to the NBU data, as of March 2017, the total bank assets in Ukraine were an approximate \$48 billion. In 2017, the state's share of total banking assets has topped 50 percent as a result of the Privatbank takeover and the exit of 87 private banks with a combined 30 percent of total assets since 2014. Foreign capital represents 26 percent of the total capital in the banking sector (excluding subsidiaries of Russia state-owned banks with a combined 9 percent which are believed to be seeking to exit Ukraine). The locally owned private banks account for the remaining 13 percent of the asset base.

Foreign Exchange Controls

In December 2014, the government implemented several temporary "anti-crisis" currency restrictions aimed at regulating the foreign currency exchange market and preventing capital outflows from Ukraine. In 2016 and 2017 the NBU gradually liberalized these restrictions to:

- Decrease the mandatory sale of foreign currency proceeds received from foreign entities (except banks) from 75 to 50 percent.
- Partially lift the ban on the repatriation of unrestricted dividends for 2014-2016, allowing companies to repatriate up to \$5 million per company per month.
- Allow resident banks to make early repayments to non-resident banks ..when the non-resident bank/bond has an A rating.
- Allow advance payments for imports of \$1-5 million worth of goods without a letter of credit.

The following currency restrictions instituted in 2014 are still in place:

- The NBU continues to regulate the inter-bank foreign exchange market.
- The NBU restricts early repayments under loan agreements between Ukrainian borrowers and foreign creditors when the banks and bonds are not A rated.
- The NBU requires additional documentation for foreign currency purchases/payments of more than \$50,000. For import operations, these include a certificate from the State Fiscal Service of Ukraine confirming the importer has no outstanding tax debts.
- With certain exceptions, the NBU prohibits banks from purchasing foreign currency if a bank's client has a foreign currency account of \$25,000 or more.

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.

Project Financing

The Export-Import Bank of the United States of America (Exim Bank) typically supports short-term and medium-term transactions in both the public and private sectors. In past years, Exim Bank supported U.S. exports in the agricultural, metallurgical, information technology and the telecommunications sectors in Ukraine. In June 2014, however, Exim Bank's board of directors suspended consideration of new transactions in Ukraine until further notice when it enacted an Administrative Hold on transactions in Ukraine. This suspension is due to the uncertainty of repayment caused by Ukraine's current economic crisis and the Russian-backed conflict in eastern Ukraine. This administrative hold will remain in place until Exim is able to evaluate with a high degree of confidence that transactions in Ukraine have a "reasonable assurance of repayment" over the short to medium term. Exim Bank is continually monitoring the credit situation in Ukraine, as it does in every market in which it operates, and will advise its clients of any further changes in its posture as they occur.

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. As of today, the cumulative EBRD investment in Ukraine amounts €12.3 billion and current investment portfolio is around €4.2 billion. In 2015-2016 EBRD invested €2.2 billion in Ukraine in total. In 2016, EBRD's total investment in Ukraine came up to nearly € 600 million, which was caused by Ukraine's political instability in early 2016. In 2017, the bank plans to expand its investments in projects in Ukraine up to € 1 billion.

The World Bank provides loans and grants in the agriculture, energy, 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 \$10 billion in 70 projects and programs. Since May 2014, the World Bank Group has provided a total of more than \$4.4 billion to Ukraine (including 4 development policy loans and 6 investment loans) from the International Bank for Reconstruction and Development. The World Bank's current investment project portfolio in Ukraine amounts to about \$2.8 billion.

The International Finance Corporation (IFC) is a leading investor in agriculture private sector in Ukraine and has invested nearly \$845 million in the last six years. 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 particular focus on agribusiness, infrastructure, energy efficiency/cleaner production, and financial markets. IFC has invested over \$3.2 billion, including \$918 million in syndicated loans, in 92 projects across a variety of sectors. In fiscal year 2014, IFC's commitments to Ukraine totaled about \$470 million, including mobilization. In 2017, IFC plans to invest to up to \$20 million of equity in Emerging Market Europe Growth Fund III, a closed-end private equity fund from Ukraine with a target size of \$150 million. Based in Ukraine and having an investment focus around the region, the fund will be managed by Horizon Capital Associates III.

Financing Web Resources

[U.S. Export Import Bank](#)

[EBRD](#)

[World Bank](#)

[IFC](#)

Business Travel

Business Customs

Relationships are crucial in Ukrainian culture, and as a result, it is advisable to discuss important 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 aren't 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 \(in Washington D.C.\)](#)

Travel Advisory

Please review the Consular Information Sheet available on the [U.S. Department of State's Bureau of Consular affairs website](#) for the latest travel advisories.

U.S. citizens are urged to follow the guidance in the [Travel Warning for Ukraine](#) and defer all travel to the eastern regions of Donetsk and Luhansk and the Crimean Peninsula at this time.

Despite the signing of a ceasefire agreement in September 2014, violent clashes between Russia-backed separatists and Ukrainian forces continue in parts of the eastern regions of Donetsk and Luhansk, resulting in thousands of injuries and deaths. In addition, Russian military forces continue to occupy the Crimean Peninsula and are present on the eastern border of Ukraine.

The Federal Aviation Administration (FAA) prohibits U.S. civil aviation from flying in the Ukrainian Simferopol (UKFV) and Dnepropetrovsk (UKDV) Flight Information Regions. This prohibition remains in effect. 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.

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. For additional information about Ukrainian visas and related policies, please contact the Ukrainian Embassy or Consulate nearest you.

- [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 U.S. should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links. [State Department Visa website](#).

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

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 the [XE website](#).

You cannot use foreign currency for transactions in Ukraine. You will need to change your money at an exchange point, of which there are multiple 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, but it is best to avoid using ATMs outside of the U.S. embassy in Ukraine due to high levels of fraud and identity theft associated with using these machines in Ukraine. Credit cards are also widely accepted in Ukraine, but for the same reasons it is not advisable to use ATMs, do not use your credit cards outside of globally branded hotels.

Telecommunications/Electric

Includes information on internet accessibility, the 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 Kiev 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 Kiev Ukraine](#)

[Brama City Phone Codes](#)

Transportation

City bus and trolleybus services in Kyiv are inexpensive, cold in the winter and hot in the summer, and can be crowded and slow at times. If you aren't familiar with the city and do not read Cyrillic, it is best to take a taxi.

The Metro (subway/local train) is probably the quickest public transport method and a bargain. Metro tokens can be purchased at individual stations; monthly passes are available at transportation kiosks. Metro maps are available at the [Kiev metro website](#).

As mentioned, taxi service is probably the most efficient form of transportation within the city. Private cars can also be hired for a reasonable price; however most drivers do not speak English. Be sure to agree on a price beforehand. You may order a taxi by phone.

Taxi services are listed at [GO2Kiev website](#) and [KievTaxi website](#). UBER has also been available in Ukraine since July 2016.

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), and
- [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 [Air Pilot](#) or [KIY AVIA](#).

Language

Ukrainian is the official state language of Ukraine (since 1990). However, Russian is widely used in Kyiv and especially in 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 is growing 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

Bring prescriptions with you and avoid drinking tap water, including in hotels. Bottled water is available in major hotels and supermarkets at a reasonable cost. It is wise to make sure that all foods and utensils are thoroughly washed before use. Prior to travel, make sure your immunizations are up-to-date. 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 website](#).

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

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the [Centers for Disease Control and Prevention's website](#).

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. To find the exact time in Ukraine, please visit the [timeanddate website](#).

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 2017/18.

June 5, 2017	Holy Trinity Day (Ukrainian Holiday)
June 28, 2017	Constitution Day (Ukrainian Holiday)
July 4, 2017	Independence Day
August 24, 2017	Independence Day (Ukrainian Holiday)
September 4, 2017	Labor Day
October 9, 2017	Columbus Day
October 16, 2017	Ukrainian Defenders Day (Ukrainian Holiday)
November 10, 2017	Veterans Day
November 23, 2017	Thanksgiving Day
December 25, 2017	Christmas Day (observed)

January 1, 2018	New Year's Day
January 8, 2018	Orthodox Christmas (Ukrainian Holiday)
January 15, 2018	M. L. King's Birthday
February 19, 2018	Presidents' Day
March 8, 2018	International Women's Day (Ukrainian Holiday)
April 9, 2018	Orthodox Easter (Ukrainian Holiday observed)
May 1-2, 2018	International Labor Day (Ukrainian Holiday observed)
May 9, 2018	Victory Day (Ukrainian Holiday)
May 28, 2018	Memorial Day

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 under an oral declaration. 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 web site](#).

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.](#)

Other:

- [Ukraine's tourist information](#) (general overview, main attractions and places of special interest)
- [Maps of Ukraine](#)

Web-search engines for Ukraine:

- [<META>](#)
- [Google](#)