

## ProSME BUSINESS INTELLIGENCE (#2) – UKRAINE

### Events within the scope of the reconstruction

- France will organise [Bilateral Conference for Resilience and Reconstruction of Ukraine](#) on December 13, 2022, intended to outline Ukraine's needs to ensure its economic resilience in times of war and its medium-term reconstruction, as well as to encourage the mobilisation of French economic players on these two essential issues.  
The event will be organised in the format of a plenary meeting followed by sectoral workshops (infrastructure, energy, agriculture, digital/innovation, health) aimed at enabling direct dialogue between the Ukrainian ministers present and French companies on the strategic needs of resilience and reconstruction of Ukraine.  
There is a possibility of following the event live on the website and social networks of the French Ministry of Economy.
- On February 15-16, 2023, Premier Expo, Ukrainian exhibition company, organises an international exhibition and conference, named [Rebuild Ukraine](#). The event is designed as a platform for recovery projects, materials, technologies, equipment, and investment required to rebuild the Ukrainian economy destroyed by the war, with the focus on infrastructure, industry, and housing.  
In this purpose, ReBuild Ukraine will gather Ukrainian local authorities (communities), donors, investors, international financial and charitable funds, industry associations, construction and engineering companies, architectural offices, manufacturers of construction materials and equipment.  
For the security of participants, the event will be held in **Warsaw, Poland**.  
Participation is upon registration, subject to availability.

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### Reconstruction

- The Ministry of Economy of Ukraine has launched the investment platform [Advantage Ukraine](#), which includes investment projects and opportunities in 10 sectors of the economy with a total capacity of more than \$400 billion. In three months since the launch of the platform over 500 requests have been received. Within the framework of the Advantage Ukraine initiative, investors are primarily interested in such sectors of Ukraine's economy as innovation and technology, agriculture, mining, infrastructure, industrial production, and logistics. There are also many requests for projects in the energy and defense sectors.
- Apart from the reconstruction plan, Ukrainian government efforts to boost investments by introducing a 10-year exemption from CIT (Corporate Income Tax), VAT, customs duties on new equipment and real estate tax. The government also submitted proposals to the Parliament aimed at improving the law on "**Investment Nannies**". The key amendments envisage lowering the required the amount of investment from €20 million

to €12 million and expanding list of areas: production of energy-efficient building materials, climate equipment, heating and air conditioning systems, as well as hot water supply.

- The European Bank for Reconstruction and Development has approved a €372 million financing package to **support Ukraine's electricity transmission company, Ukrenergo**, to make swift emergency repairs of damages caused by heavy bombings of civilian power infrastructure during Russia's war on Ukraine and to keep the country's energy system stable as winter sets in.
- The Ukrainian government, jointly with the World Bank, will grant subventions from the state budget to local budgets for the **restoration of critical infrastructure** facilities within the scope of the project "Urban Infrastructure Development – 2". The loan of nearly €42 million will be transferred in subventions to municipalities to restore and modernize damaged facilities, including water supply, water treatment, heat supply and waste management enterprises in the cities of Kharkiv, Mykolaïv, Zhytomyr, Brovary and Kremenchoug.
- Polish Investment and Trade Agency (PAIH) is preparing a **program of cooperation** for the resumption of exports and the post-war reconstruction of Ukraine. Nearly 1400 Polish entrepreneurs, mainly construction companies, machinery and equipment manufacturers, as well as from the IT, food or medical industries, are interested in exporting, investing and cooperating with Ukrainian contractors as subcontractors.

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### Sectoral overview in terms of business continuity

- **Electricity** : Since October 10, Ukraine's electricity grid has been massively attacked by Russia – thermal power plants, substations and transformers are repeatedly targeted. According to assessments by the Ministry of Energy of Ukraine, up to 50% of the country's energy infrastructure has been damaged (as of November 19).

As a result, Ukrenergo stopped electricity exports and has taken emergency measures in order to maintain the electricity network and continue supplying the country. Among other things, the operator carries out daily scheduled power cuts through all the country.

As of December 6, electricity producers cover 80% of consumption needs in Ukraine, the capacity deficit is about 20%. Ukraine now has an urgent need for high-voltage equipment to restore and stabilise the power system. The production of electricity out from natural gas is also considered, Naftogaz plans to acquire an additional amount of gas for this purpose – 2.6 billion m<sup>3</sup>.

Ukrainian business sphere (gas stations, hospitals, shops, HoReCa, etc.) is trying to adapt to the situation and is equipping itself accordingly. As a result, there is strong demand

for: generators, photovoltaic and thermal solar panels, electricity and heating cogeneration systems, inverter generators, batteries, UPS, 4G routers, power banks, etc. Since November 8, 2022, imports of these categories of products are exempt from payment of VAT and customs duties.

- **IT services:** Despite the war challenges, IT sector demonstrates resilience and high results. IT services occupy the largest share in the structure of Ukraine's services exports with 43% or \$4.6 billion in value in 2021. This remains one of the few sectors continuing to demonstrate positive dynamics in 2022, as in 8 months of 2022, this indicator has increased by 23% or \$873 million compared to the same period of the previous year. Thanks to this performance, the country's overall service export indicator has not dropped significantly (-6% compared to the same period in 2021).

According to IT Research Resilience, as of May 2022, 85% of Ukrainian IT companies reported having reached the same level of business activity as before the start of the full-scale war in Ukraine. 63% of companies noted a positive financial result, and 13% - an increase in income in the range of 25-50% in the first eight months of 2022.

Companies constantly adapt their own infrastructure to the realities of wartime, in particular, key systems are installed in the "cloud", a network of Internet providers is diversified, including through the "Starlink" global satellite system, office premises are equipped with generators to ensure backup power supply.

- **E-commerce:** The full-scale invasion of Russia caused Ukrainian e-commerce to collapse in March 2022, shrinking it to the third. According to Nova Poshta, the postal mail market leader in Ukraine, e-retailer shipment volumes in the first two weeks of the war were at 5% of the pre-war level. But then Ukrainian e-commerce showed signs of recovery. In May, volumes began to approach 80%, and in June-July they reached 90% compared to pre-war indicators. Currently, online sales statistics are beginning to approach last year's figures.

According to the United Nations High Commissioner for Refugees, more than 9 million Ukrainians have left the country, a significant number of citizens are in the temporarily occupied territories. Nevertheless, according to Nova Poshta, the number of Ukrainians shopping in Ukrainian online stores has decreased by only 1.5 million. On the one hand, a significant portion of refugees remain Ukrainian e-commerce customers and continue to make purchases for their relatives remained in Ukraine. On the other hand, the number of Ukrainians shopping online has increased, as the volume of purchases did.

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## Business during the war

- On October 14, 2022, the Cabinet of Ministers of Ukraine approved a resolution that allows to attract up to UAH 60 million (USD 1,6 million) in soft loans to enterprises that lost their production facilities due to the war. In the current conditions, there are hundreds of businesses in Ukraine ready to resume work, invest their own funds, return

employees, but they need additional state support. Therefore, the state has become one of the main customers, including for the private sector. More than 3,000 enterprises are currently working to cover the needs of the Armed Forces of Ukraine and critical areas of the front and the rear. In general, from February to June, Ukrainians opened more than 50,000 new businesses.

- On October 1, 2022, the provisions of the Convention on the Common Transit Procedure entered into force for Ukraine and the possibility of international movement of goods with 35 other participating countries under one transit document opened up for business.

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