

**Ukrainian Agribusiness:
Turning Challenges
into Opportunities**



Content

DLF attorneys-at-law

01

A sober assessment
of the challenges

03

Current
opportunities

05

How to effectively
pursue opportunities

02

The uniqueness
of the moment

04

Mitigating risks

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Introduction

Challenges faced by agribusiness in Ukraine are unparalleled since the World War II.

The aggression of the Russian Federation, the infrastructure destruction, the blockade of major export routes, and the unprecedented mining of agricultural land are just some of the struggles that Ukrainian farmers have been grappling with **since** 24 February 2023.

Nevertheless, **the resilience and unmatched international support** has allowed agribusinesses in Ukraine not only to survive, but also to launch **an active recovery in agricultural production and processing**. The reconstruction and production processes in Ukraine's agricultural sector are actively financed through international donor assistance and national government programmes.

In this regard, the Ukrainian agricultural industry finds itself in a unique situation that has the potential to create **huge opportunities for foreign and Ukrainian businesses**.

In order to make use of these opportunities, it is necessary to:

- ◆ soberly assess war-related risks rather than being merely spooked by them;
- ◆ understand the opportunities arising from such risks;
- ◆ be aware of the tools available to pursue these opportunities;
- ◆ understand the available options for mitigating risks.

As you know, **a crisis is the best time to invest**. The capitalisation of **Ukraine's agricultural sector has a clear potential for growth in the short term**. The war-induced crisis has strengthened and modernised Ukrainian agribusiness and created new possibilities for commercial and investment activities against the backdrop of wartime challenges.

August 2023

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Partner Counsel

DLF attorneys-at-law

The legal solutions offered by DLF attorneys-at-law have been adapted to the wartime legislation and take into account the actual risks that the agricultural sector is confronted with and reflect its real needs and capabilities.

The DLF team's expertise covers a range of issues, such as:

- ◆ acquisition and establishment of agricultural producers and processors;
- ◆ conducting legal due diligence of agricultural assets;
- ◆ drafting and analysing all types of commercial contracts, taking into account force majeure and wartime restrictions;
- ◆ judicial and arbitration protection of creditors' interests against unjustified non-fulfilment of obligations by debtors;
- ◆ participation in public procurement at the expense of the state or international donors;
- ◆ control of the lawfulness of the state's demands towards agricultural enterprises as part of the personnel and transport mobilisation;
- ◆ analysing the possibility of investors receiving tax and other benefits provided by Ukraine;
- ◆ bringing companies into compliance with the conditions necessary to receive benefits and funding from international donors and within the framework of international and state support programmes;
- ◆ obtaining the status and benefits granted by the state to projects with significant investments;
- ◆ creation of industrial parks;
- ◆ construction of agricultural infrastructure, including granaries, silos, logistics hubs, and energy infrastructure;
- ◆ relations with (foreign) personnel of Ukrainian companies during martial law;
- ◆ planning and conducting commercial transactions and settlements in compliance with applicable laws and regulations;
- ◆ investing in AgroTech, founding and investing in technology start-ups in the agribusiness sector;
- ◆ implementing joint projects.

01/ A SOBER ASSESSMENT OF THE CHALLENGES

The severity of the wartime challenges and threats is clear and cannot be underestimated.



Among **the key war-related factors affecting the Ukrainian agricultural sector** are:

- ◆ restricted access to crop areas due to their occupation by Russian troops, mine contamination, combat operations and danger to workers;
- ◆ damage to production buildings, facilities, equipment, and infrastructure;
- ◆ limited access to fertilisers, plant protection products, and fuel due to logistical problems and increased prices;
- ◆ blockade of the Black Sea ports, through which 90% of Ukraine's agricultural products used to be exported before the war;
- ◆ forced urgent rerouting of logistics chains;
- ◆ reduction in the number of agricultural input suppliers;
- ◆ contamination of crop areas with unexploded ordnance, mines, and shrapnel, remnants of military equipment, human remains, and remnants of fortifications;
- ◆ environmental consequences of man-made disasters brought about by the war (flooding due to destruction of dams, contamination of water bodies and water intakes with biological remains and technical substances, and release of hazardous substances);
- ◆ difficulties in accessing markets, supplies, funding, and labour;
- ◆ restrictions on cross-border payments.

However, a **balanced assessment of the risks** of these factors' impact on agribusiness should also include the following:

- ◆ **only 20%** of Ukraine's territory (and Ukraine is the largest country entirely within Europe by territory) is occupied. **The rest of its territory is fully operational** with all state institutions, courts, state registries, and business activity continuing as usual;
- ◆ **only the frontline and some areas bordering Russia suffer from constant shelling.** Throughout most of Ukraine, energy and infrastructure facilities mainly come under fire;
- ◆ **the 2023 sowing campaign** took place in **all territories that are not occupied** nor in the area of active hostilities;



- ◆ for over a year and a half of war, **a large number of agro-processing businesses have been relocated** from the occupied and dangerous areas and **have successfully continued their operations** in other regions;
- ◆ **large infrastructure projects are being successfully implemented** (development of grain storage and transshipment facilities on the Danube, silos facilities in Izmail, industrial parks for agro-processors and logistics hubs in Zakarpattia, Zhytomyr, and Cherkasy regions);

- ◆ the hryvnia exchange rate, after a shock jump at the beginning of the war, is maintained by the National Bank of Ukraine within acceptable fluctuation ranges. At the same time, **the NBU's foreign exchange reserves currently exceed the levels prior to February 2022;**
- ◆ **Ukrainian small and medium-sized agricultural enterprises have access to funding through state support programmes** and spend it on rebuilding, repairing, and creating new production facilities, as well as purchasing the necessary inputs and services. Such funding is backed by unprecedented support:

THE EU INTENDS TO PROVIDE €18 BILLION IN MACRO-FINANCIAL ASSISTANCE TO UKRAINE IN 2023 ALONE.

In addition, the World Bank, EBRD, USAID programmes, etc. are constantly creating opportunities for Ukrainian farmers to receive grants and loans.

- ◆ Ukraine has introduced a number of **privileges, tax breaks, and financing programmes** for small and medium-sized agribusinesses at the national level;
- ◆ previously undervalued and inaccessible areas of agribusiness are being **actively pursued and rapidly developed** (cultivation and processing of technical hemp, arnica, blueberries, berries and fruits, greenhouse systems, horticulture, and production of eco-products);
- ◆ international donor funding and financial support have secured **long-term and sustainable prospects.**

Considering all of these factors combined, the impact of the war on the prospects for agribusiness in Ukraine should not be overestimated and **THE UNIQUE CONDITIONS FOR BUSINESS AND INVESTORS IN THE UKRAINIAN AGRICULTURAL SECTOR ARE CLEAR TO SEE.**

02/ THE UNIQUENESS OF THE MOMENT

For agribusiness in Ukraine, the current situation is unique due to a combination of factors:

HIGH DEMAND FOR GOODS AND SERVICES NECESSARY FOR THE FUNCTIONING AND RECONSTRUCTION OF UKRAINE'S AGRICULTURAL SECTOR IN THE CONTEXT OF THE WAR

Even according to conservative estimates, **Ukraine's agricultural industry requires at least USD 7 billion to replace and repair destroyed and damaged assets**, including storage facilities, perennial plantations and livestock herds. Furthermore, **approximately USD 16.5 billion is needed to provide Ukrainian agricultural producers with the inputs**, public services and benefits to resume production.

LARGE-SCALE OPPORTUNITIES FOR INVESTMENT IN THE REBUILDING OF THE DAMAGED MAJOR INFRASTRUCTURE FACILITIES AND THE CONSTRUCTION OF NEW ONES

The blockade of maritime export routes and the damage caused by shelling necessitate the restoration of the damaged infrastructure and the creation of new, more resilient and adaptable infrastructure. Projects for the construction and rebuilding of port infrastructure, grain elevators, transshipment terminals, transport and logistics hubs create **new opportunities for significant investments, large deliveries, and major contracts.**

NEW OPPORTUNITIES FOR SMALL AND MEDIUM-SIZED INVESTORS AND CONTRACTORS

The focus of international and national funding programmes on supporting small and medium-sized agribusinesses creates **ample opportunities for small and medium-sized investors, suppliers, and contractors.**

INTERNATIONAL FINANCIAL ASSISTANCE AND INVESTMENT TO REBUILD UKRAINE'S AGRICULTURAL SECTOR

The IFC alone has provided nearly USD 400 million in support, including to agriculture in Ukraine, since the start of Russia's full-scale invasion.

The World Bank is considering investing **almost USD 1.5 billion in Ukraine's agricultural sector**, among other sectors of the economy.

Since February 2022, **764 agricultural micro, small, and medium-sized enterprises have received USD 49.8 million in bank loans** through financial platforms developed **under the USAID-led Agricultural Resilience Initiative (AGRI-Ukraine).**

A total of **USD 350 million** has been channelled to Ukraine through this initiative. It is planned to engage the private sector, other donors and foundations to raise **another USD 250 million.**

03/ CURRENT OPPORTUNITIES

The needs of Ukraine's agribusinesses in the face of the existing challenges make it possible to identify and assess **NEW COMMERCIAL AND INVESTMENT OPPORTUNITIES FOR UKRAINIAN AND FOREIGN BUSINESSES. AT THE SAME TIME, SUCH OPPORTUNITIES ARE NOT LIMITED TO THE AGRICULTURAL SECTOR.**

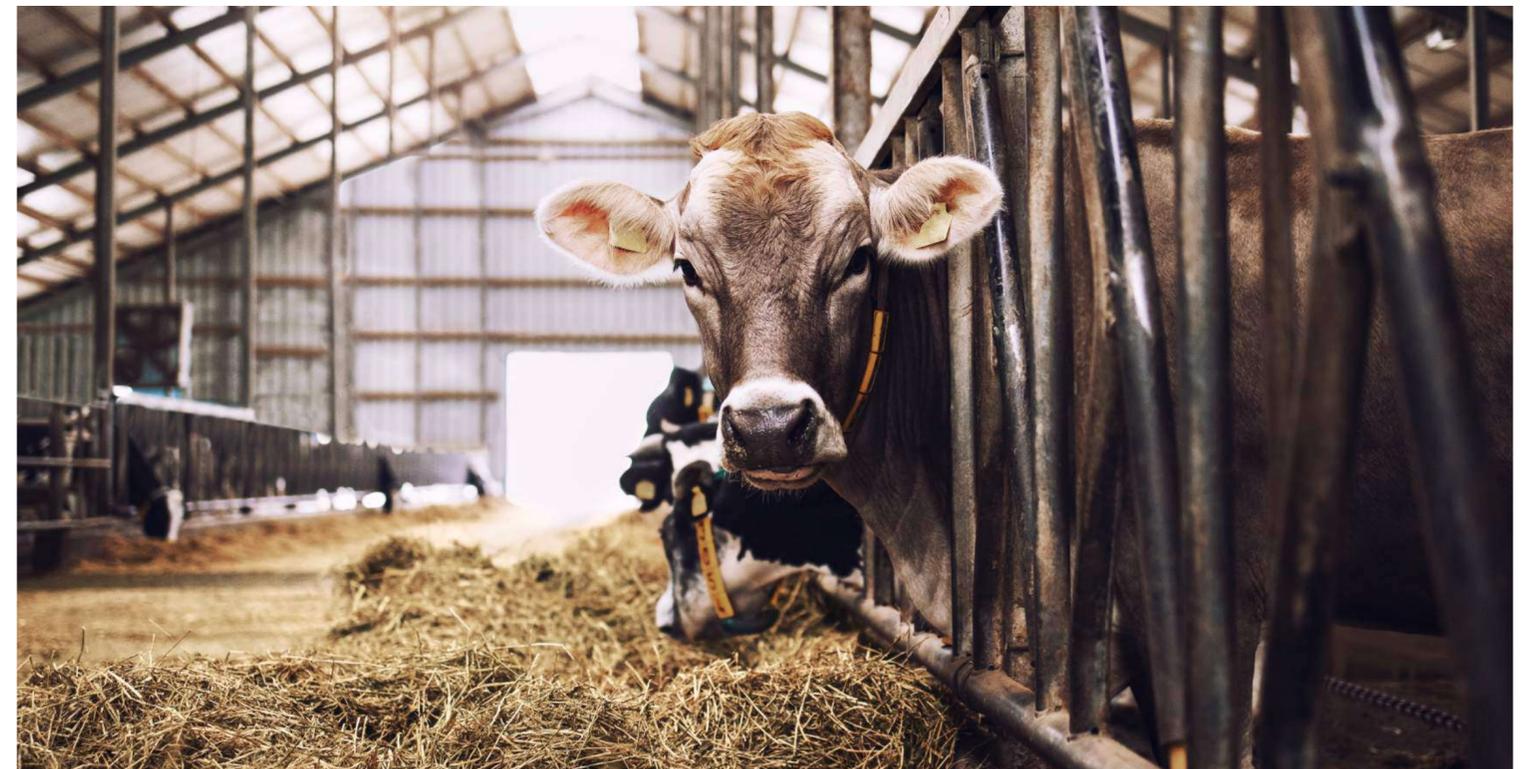
Within the framework of the restoration and reconstruction of the Ukrainian agricultural industry, **various promising areas for commercial and investment opportunities are being actively developed**, such as:

Construction and reconstruction of agricultural storage facilities

- ◆ repair and construction of grain storage facilities (elevators, granaries);
- ◆ production and supply of grain storage sleeves;
- ◆ supply, manufacture, and repair of equipment for grain storage and conditioning (grain dryers, conveyors, bucket elevators, etc.)
- ◆ supply, repair, and installation of power supply infrastructure for grain and vegetable storage facilities;
- ◆ repair and construction of storage facilities for vegetables, fruits, and berries;
- ◆ supply, manufacture, and repair of equipment for vegetable storage (ventilation systems, sorting equipment, cooling systems, etc.).

Construction and reconstruction of livestock farms

- ◆ repair and construction of dairy farms;
- ◆ supply and installation of equipment for keeping, feeding, and watering livestock (boxes, fences, floors, bunkers, feeders), farm ventilation (installation of ventilation curtains, light and ventilation ridges), etc;
- ◆ supply and installation of milking equipment (machine milking units, milk pipelines, milking machines, collectors), temporary storage (refrigerators) and milk transportation (milk trucks);
- ◆ supply of genetic material.



03/ CURRENT OPPORTUNITIES

Reconstruction, construction, and upgrading of greenhouses

- ◆ construction and reconstruction of glass and film tunnel greenhouses;
- ◆ production, supply, and installation of equipment for greenhouses (mounting structures, films, glass coverings, heating, drip irrigation and lighting systems, automated process control systems, etc;)
- ◆ modernisation and implementation of new energy-saving technologies to reduce dependence on natural gas;
- ◆ introduction of new technologies for growing agricultural products in greenhouses.



Reconstruction and construction of small and medium-sized processing complexes

- ◆ for processing vegetable products (production of juices, pastes, concentrates, etc.)
- ◆ for processing industrial hemp;
- ◆ for fast freezing of vegetables, fruits, berries;
- ◆ for processing meat and dairy products (manufacturing of end products, freezing, canning).

Growing eco-products

- ◆ implementing technologies for growing eco-products;
- ◆ supply of eco-products seed material.

Supply of agricultural machinery and spare parts, including on leasing terms

Growing and processing of niche crops

- ◆ blueberries, raspberries, blackberries;
- ◆ arnica, medicinal plants.

Restoration and setting up of perennial plantations

- ◆ introducing new cultivation technologies;
- ◆ supply of seedlings.

Consulting services

- ◆ consulting and training in the field of agricultural technologies;
- ◆ consulting and training in management technologies, business, and marketing;
- ◆ legal consulting;
- ◆ engineering;
- ◆ bringing technologies and products in line with the requirements of EU markets.

03/ CURRENT OPPORTUNITIES

Construction of logistics hubs and transport infrastructure

Provision of services

- ◆ refrigerated trucks, transport of liquid and bulk food products.



Restoration of land improvement systems

- ◆ clearing amelioration canals;
- ◆ constructing pumping stations and installing water pumping equipment;
- ◆ supplying and installing equipment for field irrigation and water delivery.



Cleaning water bodies and water intakes, construction of water treatment facilities and water purification systems

in areas that have been contaminated

Services and works aimed at overcoming the direct consequences of hostilities are a special focus area

- ◆ field demining;
- ◆ dismantling of fortifications;
- ◆ dismantling of destroyed buildings, removal and disposal of construction waste and residues.

DLF
Doing agricultural business in Ukraine

DOING AGRICULTURAL BUSINESS IN UKRAINE >

This brochure covers the legal aspects of agribusiness in Ukraine, in particular the creation and acquisition of agricultural assets, land lease and acquisition, taxation, as well as regulation of day-to-day operations of agribusiness companies.

Demining is presently the top priority among these services.

According to the best estimates, **the area of mined farmland is 4.8 million hectares**, with the cost of demining averaging **USD 3-4 per square metre**.

The World Bank estimates **the full range of humanitarian demining works in Ukraine at USD 37.4 billion**.

The needs for 2023 alone amount to more than USD 397 million.

Demining in Ukraine is carried out by certified mine action operators. As a rule, **mine action services include:**



- ◆ **information work** (e.g. telling children about mine risk at school or commissioning social advertising, as well as training sappers);
- ◆ **non-technical survey** (basically, a visual inspection of the area, including by drone, interviewing people, collecting data from open sources on whether the area is suspected of being mined, which allows narrowing the search for explosive ordnance);
- ◆ **technical survey** (a more thorough inspection with the help of metal detectors, frames, etc.);

- ◆ **demining by hand** (where mines or other projectiles can be safely moved out of the area of potential damage without using equipment) **or with the help of equipment;**
- ◆ **clearing the area of hostilities;**
- ◆ **disposal (destruction) of mines/explosive remnants of war** (this is effectively done by state structures only, although in theory Ukrainian legislation does not prohibit private operators from obtaining permission for such activities).

Global practice shows that these services **are usually funded by donors**, which makes them accessible not only to large agricultural companies, but also to small and medium-sized agricultural producers. In turn, **this allows small and medium-sized mine action operators to enter the market.**



04/ MITIGATING RISKS

For foreign investors exploring opportunities in Ukraine's agricultural sector, it is important to understand

HOW TO MITIGATE POTENTIAL POLITICAL RISKS THAT MAY AFFECT THEIR INVESTMENTS.

Traditionally, political risk refers to government actions that **limit an investor's right to use or benefit from its assets or reduce the value of the company**. Such risks may arise as a result of war, expropriation, restrictions on capital movement within the country, etc

In the context of the Russian aggression in Ukraine, such risks are **primarily related to the circumstances caused by the aggressor**

- ◆ occupation;
- ◆ hostilities;
- ◆ shelling of infrastructure;
- ◆ blockade of ports.

Unavoidable **actions by the Ukrainian government related to the country's defence**

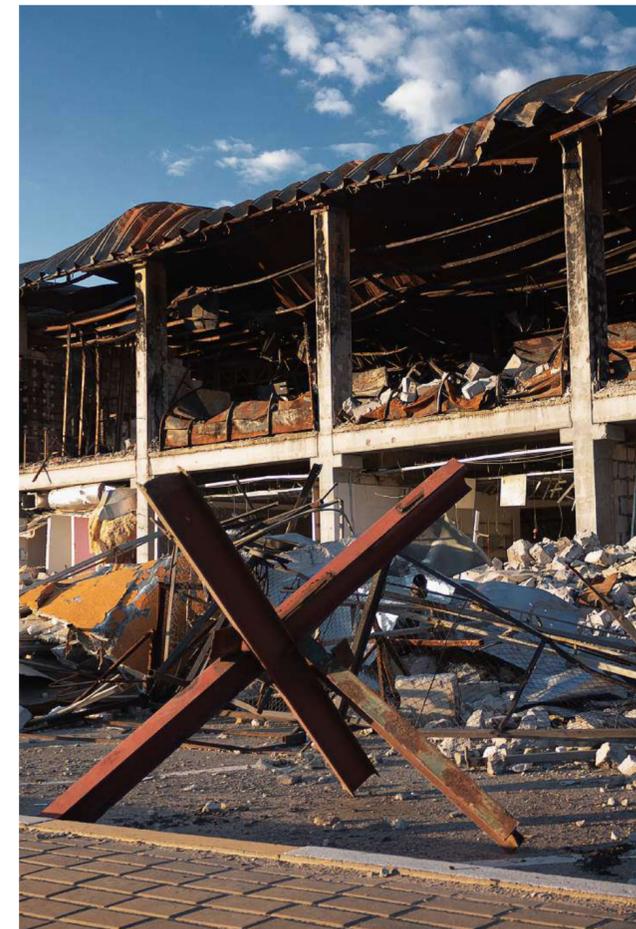
- ◆ mobilisation;
- ◆ restrictions on bank settlements;
- ◆ foreign exchange restrictions, etc.

also pose a risk to businesses, but are legally predictable.

International organisations (e.g. the Multilateral Investment Guarantee Agency), export credit agencies and state insurance agencies are currently playing **a crucial role in reducing political risks and increasing investor confidence.**

At present, insurance products offered cover a certain standard set of political risks, including:

- ◆ currency inconvertibility and restrictions on funds transfers;
- ◆ confiscation, expropriation, nationalisation;
- ◆ political violence/war;
- ◆ failure to fulfil obligations, in particular under contracts.



Most insurance service providers halted their operations in Ukraine immediately after Russia's full-scale invasion on 24 February 2022. This is mainly due to **the lack of insurance products and instruments** that would be **adequate for a full-blown war.**

Nevertheless, **some reputable organisations continue to offer investors options for insuring political risks in Ukraine**, such as:

MIGA (WORLD BANK GROUP)

The Multilateral Investment Guarantee Agency (MIGA) provides guarantees to investors and lenders, including political risk insurance and credit enhancement.

MIGA has already allocated **USD 30 million for a pilot investment insurance project** in Ukraine.

Furthermore, MIGA has established **the Support for Ukraine's Recovery and Economy (SURE) Trust Fund**. The aim of the fund is to address humanitarian needs, support economic activity and assist in the post-war recovery of Ukraine. The fund is expected to reach **USD 300 million**, enabling MIGA to **provide trade finance guarantees and bank reserves** during the war.

MIGA insurance coverage typically includes:

- ◆ war and civil disturbances, including protection against loss of tangible assets or business interruption caused by politically motivated hostilities or civil disturbances, such as revolutions, insurrections, coups d'état, sabotage, and terrorism;
- ◆ breach of contractual obligations, including coverage of losses arising from the authorities' violation of or refusal to fulfil a contract with an investor;
- ◆ currency inconvertibility and restrictions on funds transfers, including protection against losses caused by the inability to legally convert local currency into hard currency;
- ◆ expropriation, including protection against losses resulting from certain actions of the authorities that may restrict ownership of the insured investment.

DFC (USA)

The US International Development Finance Corporation (DFC) is a US federal government agency that invests in development projects in low- and middle-income countries.

DFC's political risk insurance covers **up to USD 1 billion in losses** due to:

- ◆ currency inconvertibility (protects against actions of the authorities that prevent the conversion and transfer of income);
- ◆ government intervention (protects against nationalisation, expropriation, and confiscation);
- ◆ unlawful demand for guarantees in contracts;
- ◆ breach of contracts in the capital markets;
- ◆ political violence, including terrorism (covers loss of assets and income as a result of war, terrorism, and civil unrest).

INVESTMENT GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY

These investment guarantees, managed by PricewaterhouseCoopers GmbH, protect German companies' direct investments in new markets and developing countries against political risks, such as:

- ◆ expropriation;
- ◆ wars;
- ◆ currency inconvertibility and restrictions on money transfers;
- ◆ breach of contracts.

EIFO (DENMARK)

The Export Investment Fund of Denmark (EIFO) has a loan and guarantee programme for Ukraine, which includes private and public financing options for Ukrainian companies and Danish investments.

04/ MITIGATING RISKS

UKEF (UK)

The UK Export Finance (UKEF) supports British exports through insurance and guarantees.

Overseas investment insurance protects British investors from potential losses from overseas investments due to political events in countries that are not members of the Organisation for Economic Co-operation and Development (Ukraine is not a member of this organisation, although it participates in certain processes).

KUKE (POLAND)

The Export Credit Insurance Corporation (KUKE) is an official export credit agency of Poland, providing credit insurance, guarantees, and investment insurance.

The investment insurance covers losses due to political risks and force majeure related to investing abroad, including:

- ◆ government intervention;
- ◆ moratoriums on payments;
- ◆ trade restrictions;
- ◆ expropriation.

The insurance can be obtained by any Polish company making long-term investments abroad or by credit institutions providing bank loans to foreign subsidiaries.

SACE (ITALY)

The Italian State Export Credit Agency (SACE – Servizi Assicurativi del Commercio Estero) supports Italian businesses with financial instruments and solutions, including investment protection.

SACE investment protection covers the risks of:

- ◆ expropriation;
- ◆ nationalisation;
- ◆ war;
- ◆ currency restrictions;
- ◆ breach of contract;
- ◆ loss of profits due to war or civil unrest.

BPIFRANCE (FRANCE)

BPIFRANCE Assurance Export manages state export guarantees on behalf of the French government.

Investment insurance protects investors from losses due to political events related to investments or investment loans abroad and covers the risks of:

- ◆ nationalisation;
- ◆ expropriation;
- ◆ termination of contracts;
- ◆ war;
- ◆ natural disasters;

- ◆ currency barriers;
- ◆ economic changes.

EKN (SWEDEN)

The Swedish Export Credit Agency (EKN – Exportkreditnämnden) promotes Swedish exports by insuring the risks of export operations.

The guarantees for investments abroad cover losses due to political events and cover political risks and force majeure, such as:

- ◆ nationalisation;
- ◆ expropriation;
- ◆ war;
- ◆ natural disasters;
- ◆ currency barriers.

05/ HOW TO EFFECTIVELY PURSUE OPPORTUNITIES

Along with the traditional tools for implementing commercial opportunities (supplies, contracts, joint ventures), **it is worth paying attention to other options that will allow you to utilise the preferences available to agribusinesses.**

ACQUISITION OR ESTABLISHMENT OF AN AGRIBUSINESS IN UKRAINE



Traditionally, **acquisition of agricultural companies and production assets has been the most effective way** for foreign investors to invest in agricultural assets in Ukraine.

In the case of growing agricultural products, **the most cost-effective way is to acquire the core agricultural asset**, i.e., an agricultural company that already operates a collection of land parcels. It is also necessary to take into account the general restrictions on the acquisition of agribusinesses in Ukraine. Currently (pending a referendum), foreign companies are prohibited from acquiring Ukrainian agricultural companies that own agricultural land in Ukraine, but can acquire agricultural companies that lease land. Notably, **the vast majority of land used in agricultural production in Ukraine is leased by agricultural companies.**

In the case of investing in the processing business or in agricultural storage and logistics, it is more feasible to purchase production assets. Ukrainian legislation, among other things, allows foreign companies to acquire such assets in the privatisation process. Since 2022, the rules for the sale of property of state-owned and municipal enterprises in Ukraine have been significantly simplified thus **creating new opportunities for the acquisition of bakeries, processing plants, grain storage, and production facilities.**

Foreign companies are eligible to bid at auctions subject to certain conditions.

Such companies must not be registered in offshore zones, have the Russian Federation or its residents as participants, or be subject to sanctions, and they must be ready to assume the obligations set out in the terms of sale.

Starting an agricultural business from scratch can be justified when it comes to the construction of elevators, livestock, poultry, greenhouse vegetable growing, and horticulture.

The main factor driving investment in the acquisition of agricultural assets in Ukraine is **favourable price**. Due to the military aggression, increased cost of fuel, seeds, mineral fertilisers, export restrictions, physical destruction of agricultural machinery and other property, **most assets have fallen in price**.

However, agricultural companies have not lost their performance; on the contrary, **as they adapt, their management is significantly improved and their production becomes more technologically advanced**.

This applies to any agricultural assets: shares in agricultural holdings, investment funds, stakes in agricultural companies, privatised assets and other production assets – their price is attractively low at this stage. At the same time, **given the demonstrated resilience of agribusiness, its modernisation and reconstruction, the growth potential is very high**.

INVESTMENT PROJECTS WITH SIGNIFICANT INVESTMENTS

In certain areas of agribusiness, it is possible to take advantage of **the benefits offered by the status of an investor with significant investments**. Such areas include, in particular:

- ◆ processing;
- ◆ storage;
- ◆ logistics;
- ◆ scientific research and development;
- ◆ development of technological (IT) solutions for agribusiness;
- ◆ production of bioethanol, etc.

Having obtained this status, the investor is entitled to the following incentives:

- ◆ **5-year exemption from income tax**, as well as from VAT and customs duties on the import of new equipment;
- ◆ **the preemptive right to use a state- or municipally owned land plot** for the implementation of an investment project. Furthermore, such an investor may be **granted a preemptive right to acquire ownership of a land plot** upon expiry of a special investment agreement;
- ◆ construction, reconstruction, restoration, overhaul of related infrastructure facilities (roads, communication lines, heat, gas, water, electricity, engineering networks, etc.) necessary to implement the investment project **at the expense of the state, local budgets and other legal sources**;



HOW TO BUY AN AGRICULTURAL COMPANY IN UKRAINE >

This article outlines the legal framework and process management of agricultural company acquisitions in Ukraine, including legal due diligence, deal planning, and peculiarities of M&A in agribusiness.

05/ HOW TO EFFECTIVELY PURSUE OPPORTUNITIES

- ◆ **compensation** for the cost of constructed adjacent infrastructure facilities, costs of connection to engineering and transport networks and **exemption from compensation** for losses of forestry production.

Investment projects with significant investments must create **at least 10 new jobs**. The amount of the contribution to the relevant investment objects **must exceed the equivalent of EUR 12 million**, and the project must provide for the construction, modernisation, technical and/or technological re-equipment of the investment objects, purchase of the necessary equipment and components.

It is also possible to contribute **up to 30% of the investment 18 months prior** to the conclusion of a special investment agreement.

The term of implementation of an investment project with significant investments **may not exceed 5 years**.



STATE SUPPORT FOR LARGE INVESTORS IN UKRAINE >

This article describes the state measures aimed at attracting large investors, as well as the updated (relaxed) requirements for the so-called projects with significant investments in Ukraine.

PUBLIC PROCUREMENT

Financial injections from partner countries and the shift in Ukrainian budget spending have rendered public procurement **the most financially secure and stable market for goods and services in Ukraine**.

There are **3 main ways to conduct public procurement in Ukraine**:

- ◆ without the use of the ProZorro electronic procurement system – by concluding so-called direct contracts between a customer (manager, recipient of budget funds) and a supplier;
- ◆ by concluding framework agreements;
- ◆ through open bidding or using an electronic catalogue.

The most common way to conduct public procurement is through open bidding using the ProZorro electronic procurement system.

Foreign companies may participate in bidding as well. In order to successfully participate in public procurement in Ukraine, foreign companies need to consider **several key aspects**:

- ◆ determining whether the company and its products meet the procurement requirements;
- ◆ submission of tender proposals;
- ◆ resolving disputes.

05/ HOW TO EFFECTIVELY PURSUE OPPORTUNITIES

Industrial parks in Ukraine are **particularly suitable for agro-processing and logistics hubs**. Out of more than 60 Ukrainian industrial parks, **14 have been created over the past year and a half**. Most of these parks are focused on agricultural processing and logistics.

INDUSTRIAL PARKS



The incentives **available to participants of industrial parks** include:

- ◆ the right to a **10-year income tax exemption**;
- ◆ **exemption from VAT on imports of new equipment** to Ukraine imported by industrial park participants exclusively for their own use;
- ◆ **exemption from customs duties** on the import of equipment, machinery and its components, and materials;
- ◆ **compensation** for the costs of connecting to engineering and transport networks.

- ◆ **compensation of the interest rate on loans**. Such compensation may be granted for loans obtained for the purpose of setting up or running a business within an industrial park;
- ◆ **financing without obligations to repay the funds received**. Such financing is provided on the condition that the funds received will be used for the development of industrial parks and the construction of infrastructure (e.g., roads, communication lines, heat, gas, water and electricity supply, engineering communications);



INDUSTRIAL PARKS IN UKRAINE: LEGAL AND TAX ASPECTS >

This article provides an overview of the incentives offered to the creators and participants of industrial parks in Ukraine, incl. the exemption from customs duties on the import of equipment and compensation of costs for connection to engineering networks.

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