

Invest in Ukraine

Local Business Intelligence



Food-processing ■ Civil aircraft MRO ■ Information technology



Ukraine NOW ua

In collaboration with:

UkraineInvest
Your Investment Matters

Invest sustainably, choose your sector

Why local business intelligence?

By offering **company-level information** on key sectors, this profile provides a snapshot of the investment readiness of Ukrainian companies grounded in unique survey data. Firm-level data of this nature are relatively underexplored by the investment community, but can be a useful tool to help investors make informed decisions. This can help developing countries attract investment and integrate into international production and distribution networks. This report complements the wealth of market intelligence on the investment readiness of a country, i.e. the United Nations Conference on Trade and Development's Investment Policy Reviews.

Selecting competitive sectors

This profile focuses on **three key sectors** – food- processing, civil aircraft maintenance, repair and operations (MRO), and information technology (IT) – that have been prioritized in the export strategy of Ukraine. These sectors offer the possibility for investors to contribute to the Sustainable Development Goals (SDGs) while reaping good business returns.

- **Food-processing:** Ukraine is an agricultural country known as the breadbasket of Europe. With its favourable investment climate and attractive opportunities, Ukraine is set to become a major powerhouse in food production and processing, as well as a leading exporter of agri-food products.
- **Civil aircraft MRO:** Ukraine has strong aviation traditions and culture. Its vast network of aviation universities and research institutes as well as government support programmes create an exciting environment for potential investors and entrepreneurs.
- **Information technology:** Ukraine is one of the top 10 countries in software development and IT outsourcing, and its technology sector has attracted significant investment. The sector has grown by nearly 40 times over the last 15 years, from \$110 million in 2003 to about \$4.5 billion in 2018.



National ownership

The International Trade Centre, in **partnership** with the Ministry of Economic Development and Trade of Ukraine, collected the data analysed and presented in these pages. This collaboration reflects efforts to strengthen information ecosystems.

Why invest in Sustainable Development Goals?

Investors can promote the long-term profitability of their portfolios by **investing in sustainable development**. This profile guides private sector investors on their journey to becoming stewards of sustainability, without sacrificing returns in the process.



'We need to step up our efforts in developing innovative financing and in mobilizing private investment. Without the private sector and the business community, the goals are simply not achievable.'

*António Guterres, Secretary-General,
United Nations*

Where can investment have the biggest impact?



Sectors covered and their contribution to SDGs



Source: See endnotes.¹

Ukraine food-processing

Historically known as the 'breadbasket of Europe', Ukraine is aiming to become the 'food basket of the world'. In 2018, processed food and beverage production amounted to \$18.5 billion – 20% of the nation's total industrial output.² Ukraine is home to one-third of the world's black soil and has the largest amount of arable land in Europe.³ Fertile farmlands, rich water resources, a favourable climate and proximity to key markets have helped Ukraine to become an important food production and processing powerhouse, as well as a leading exporter of agri-food products.⁴

78% of respondent food-processing firms comply with international standards

Almost a quarter of Ukrainian exports are processed food and beverages, more than its neighbouring countries.⁵ The international stance of Ukrainian food-processing companies is reflected in their high levels of (globally recognized) certification: 78% of the surveyed businesses are certified to meet Hazard Analysis and Critical Control Points or other internationally recognized safety and quality standards.



61% of international certificate holders are exporters

Ukrainian food processors are subject to mandatory food safety and quality standards by the state.⁶ However, international certification facilitates access to more markets by ensuring that products conform to global safety, quality and sustainability standards. Some 61% of 'globally certified' food-processing firms are exporting, compared with 38% of non-certified enterprises. This highlights the positive link between holding international quality certificates and exporting.

56% of surveyed firms have efficient inventory management systems

Inventory control and resource planning are essential in the food-processing industry, as they help companies reduce waste and overheads, particularly due to the limited shelf life of raw materials and finished products. About 56% of the food-processing enterprises that were interviewed said they had efficient inventory management systems and 47% rated the quality of logistics companies as high.



Over half of surveyed businesses have a registered patent

Information on procedures to protect intellectual property is widely available in Ukraine, according to 60% of surveyed food-processing firms. These companies are also highly inventive: more than half have a registered patent. With the ratification of the Association Agreement between the European Union and Ukraine in 2014, the protection of intellectual property in the country has improved significantly.⁷

Women own 42% of food-processing companies in Ukraine

Ukrainian women play a crucial role in many aspects of the food and beverage value chain. Women have traditionally dominated the food-processing sector,⁸ which has the most women-owned companies (42%) among surveyed sectors. The Government of Ukraine has prioritized upholding the status of women and is working actively to achieve its SDG commitment on gender equality.⁹



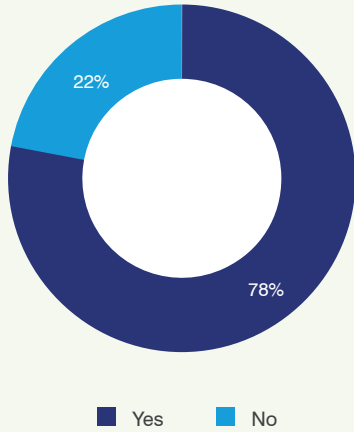
Liberal privileges and guarantees for investors

The Government offers certain privileges and incentives to foreign investors. These include protection against changes in legislation or nationalization, guarantees for compensation and reimbursement of losses, guarantees if the investment activity is terminated and guarantees of profit repatriation.¹⁰ Incentives can be granted at regional/municipal-level in the form of infrastructure, preferential rates of local taxes (land tax and property tax), assistance in the recruiting process, etc.

Foreign companies have recently invested heavily in industrial food-processing, as the sector has fewer legal constraints than farming. There are about 50 industrial parks across the country that offer attractive opportunities and benefits to participants and investors. New industrial parks open every year.¹¹

Visit UkraineInvest (<http://invest.go.ke/>) to learn more about investing in Ukraine's food-processing sector.

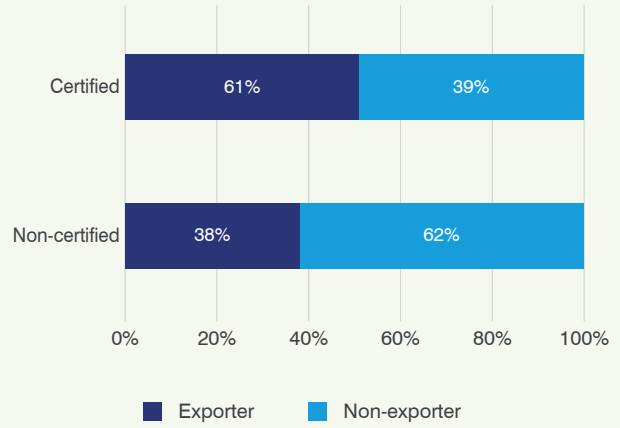
78% of surveyed food-processing firms hold internationally recognized **certificates**



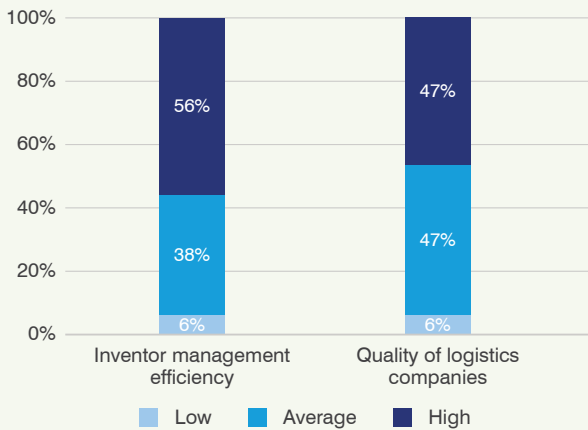
Most used certificates:

- Food safety certification
- Halal/Kocher food certification
- Quality certification

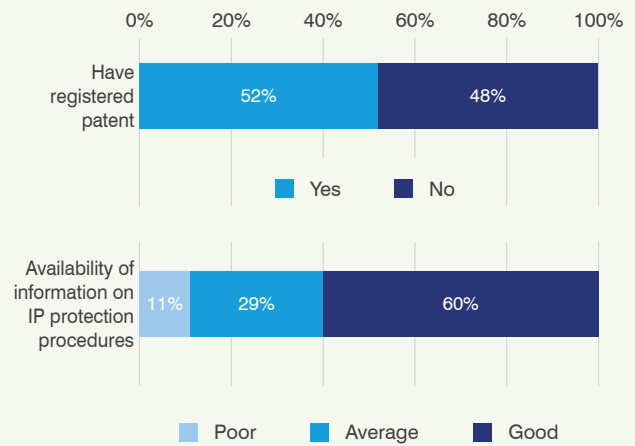
61% of international certificate holders are **exporters** compared to 38% for non-certified firms



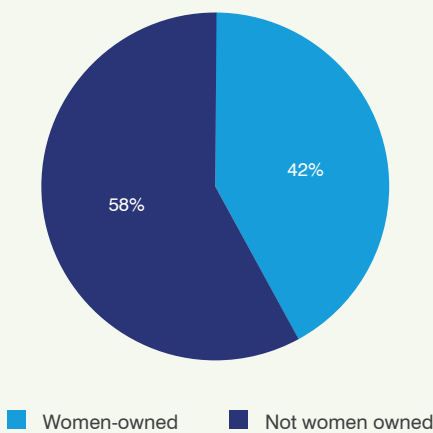
56% of surveyed firms say they have efficient **inventory management system** and **logistics** companies offer good-quality services



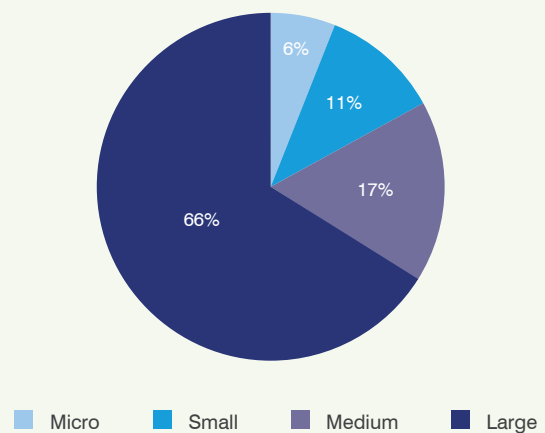
52% of food-processing firms have a registered **patent** and information on IP procedures is highly available



Women own 42% of surveyed food-processing firms in Ukraine



Micro, small and medium-sized enterprises (MSMEs) constitute 34% of firms surveyed in the food-processing sector



Ukraine civil aircraft maintenance, repair and operations

Ukraine is one of the few nations with full cycle of design, production and operation of civil, military and cargo aircraft, as well as supplying space technology. It has strong aviation traditions and culture, supported by its vast network of aviation universities and research institutes. Ranked the fourth most-educated nation in the world,¹² the country is endowed with a highly trained and productive labour force. This is complemented by a low-cost production platform¹³ that serves the demand of a growing airline industry and technological innovation. The civil aircraft maintenance, repair and operations sector (MRO) in Ukraine consists of firms carrying out the maintenance, repair and overhaul work of civil aircraft with the primary objective to ensure and restore safety and reliability.

58% of interviewed Ukrainian MRO providers export their services

Most Ukrainian MRO providers are export-oriented, as survey data confirm: 58% of surveyed MRO companies are exporters. The main destinations are Poland, China, India, the United Arab Emirates, the United States and other neighbouring European countries.



More than half of the surveyed firms comply with global standards

The recent entry of Ukraine into the European Union free trade zone means adjusting its laws and production standards so they are in line with those of the EU. More than half of the surveyed companies in the MRO sector hold an internationally recognized certificate meeting global safety, quality and/or sustainability standards. This improves the potential for firms to integrate into the supply chain of Western products and their ability to thrive in foreign markets.



About 70% of MRO companies fiercely protect sensitive business information

Interviews revealed that more than half of Ukrainian enterprises in the MRO sector have a registered patent, and almost 70% are extremely protective of sensitive



business information. Moreover, one-third of MRO firms have committed significant resources to research and development, higher than in the food-processing (13%) and IT (27%) sectors. These investments are essential steps in developing a competitive MRO industry. Ukraine was ranked 43rd in the 2018 Global Innovation Index, seven positions higher than in 2017.¹⁴

Nearly 90% of goods or services delivered by MRO providers arrive to clients on time

Most MRO providers (81%) say that high-quality logistics services are available, particularly in the central, western and eastern regions of the country. They also report high rates of timely delivery of goods or services to their clients. This is an important advantage for the industry as many of these enterprises are exporters or important participants of integrated value chains.

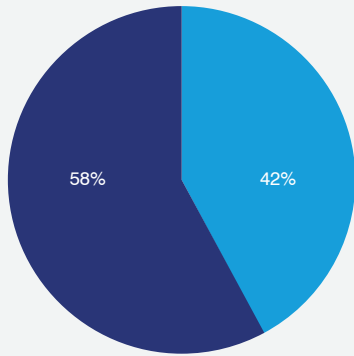
Half of surveyed firms have an efficient inventory management system

Half of the interviewed MRO providers have a well-organized inventory management system. This might stem from the wide availability of information about buyers among surveyed companies, of which 43% said they had good knowledge about their current and potential clients. Buyer information is an important asset as it enables firms to acquire advance demand information and reduce inventories.

Open for investment

Civil aircraft maintenance is one of Ukraine's most important sectors and is continuously expanding. Ukrainian law provides appealing investment incentives for the aircraft maintenance industry in the form of direct tax benefits¹⁵ and government support programmes. The Government has also carried out active reforms to increase competition in the industry and promote the adoption of Western standards.¹⁶

58% of surveyed civil aircraft firms in Ukraine are exporters

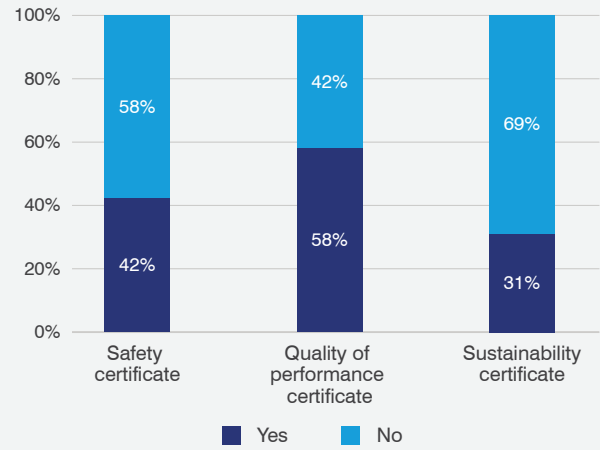


Main export destinations

1. Poland
2. China
3. India
4. Kazakhstan
5. Lithuania
6. United Arab Emirates
7. United States of America

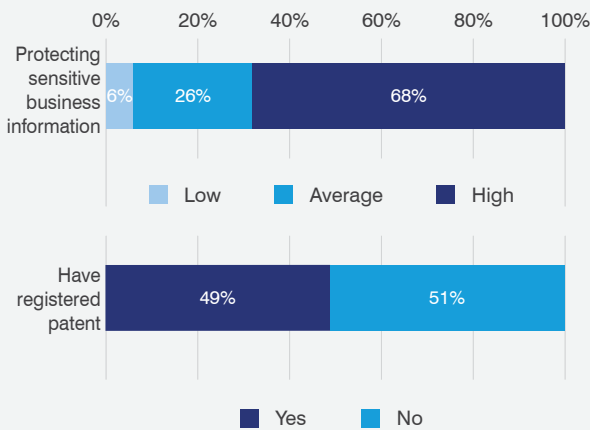
■ Exporter ■ Non-exporters

More than half of the surveyed firms meet international standards



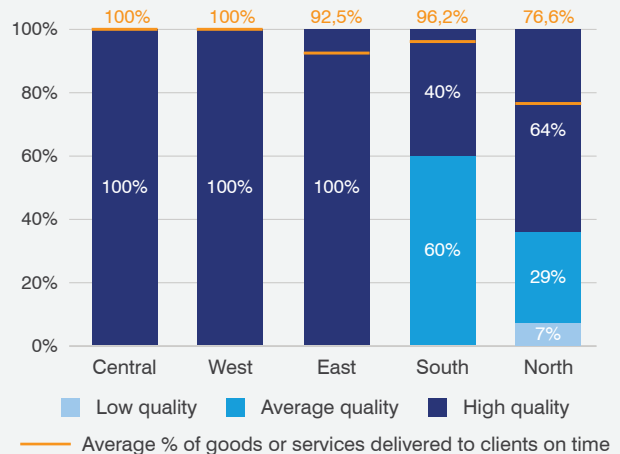
■ Yes ■ No

About 70% of the surveyed firms highly protect sensitive business information and nearly half have a registered patent



■ Yes ■ No

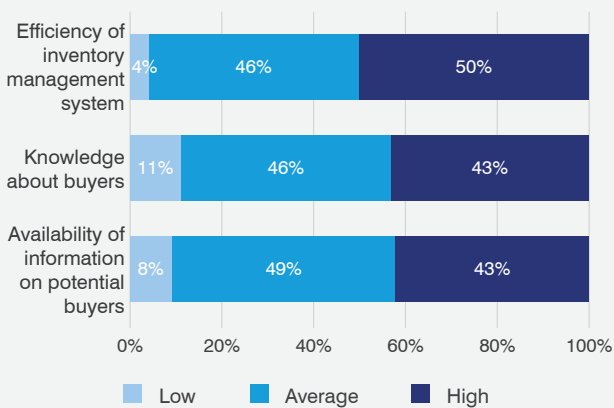
On average, 88% of goods or services arrive to clients on time, reflecting good-quality and efficient logistics services



■ Low quality ■ Average quality ■ High quality

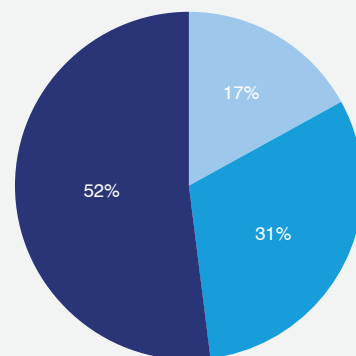
— Average % of goods or services delivered to clients on time

About 50% of surveyed civil aircraft firms have efficient inventory management and good information about current and potential buyers



■ Low ■ Average ■ High

MSMEs constitute 48% of firms surveyed in the civil aircraft industry



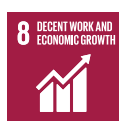
■ Small ■ Medium ■ Large

Ukraine information technology

A world leader in high-tech engineering, Ukraine also stands out as one of the top 10 countries in software development and IT outsourcing. The IT sector hosts more than 1,000 outsourcing companies and over 100 national and international research and development shops, as well as more than 2,000 start-ups.¹⁷ The sector has grown by nearly 40 times over the last 15 years, from \$110 million in 2003 to about \$4.5 billion in 2018.¹⁸ The key to success of the Ukraine's IT industry lies in combining an extensive IT talent pool, favourable geographical position and time zone, strong technical and scientific legacy and cost benefits.

Most Ukrainian tech companies participate in value chains

IT companies in Ukraine are involved in various stages of the technology value chain, from equipment manufacturing and software development to high-tech engineering such as artificial intelligence, as well as cyber security, nano technologies, blockchain and financial technology. The survey finds that 88% of respondents participate in value chains. Not only have Ukrainian IT firms successfully penetrated niches in the value chains, but they have also succeeded in establishing their own start-ups. Global leaders have acquired many of these, while some Ukrainian tech start-ups have themselves become global leaders.¹⁹



Internet access is high quality, according to 75% of surveyed firms

Ukraine's robust ICT infrastructure reflects the country's advancement in IT. In 2018, Ukraine was ranked 58th in a global rating of broadband internet speed.²⁰ It came as no surprise that three-fourths of the surveyed IT firms said they had high-quality internet, with nearly 90% maintaining a business website and more than 80% advertising on the web. Given the high growth rate of the IT sector, related and usually embedded ICT services and infrastructure are also likely to expand rapidly in the near future.



Majority of interviewed tech companies boast skilled labour

Ukraine is known for its solid technical education and rich pool of highly educated and qualified workers. The Global Innovation Index 2018 assigned Ukraine the top spot among lower-middle income countries.²¹ 89% of the respondents in information service activities and 74% in the computer programming and consultancy subsector are highly satisfied with the skill set of their employees. With more than 126,000 IT specialists and cost-competitive labour, the sector offers interesting profit opportunities to potential investors.



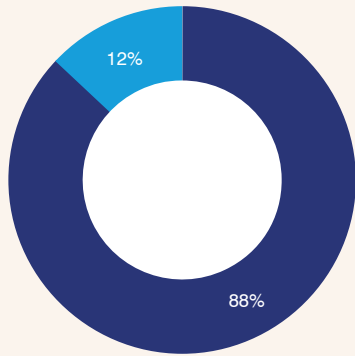
65% of respondent tech companies compete by offering high-quality goods or services

Ukraine's excellent educational system, skilled and cost-competitive workforce, and low operating costs have enabled a growing number of Ukrainian start-ups and established companies to compete on a global scale. Ukrainian IT firms mainly compete by offering high-quality products or services, according to 65% of surveyed enterprises.

Invest in Europe's emerging tech powerhouse

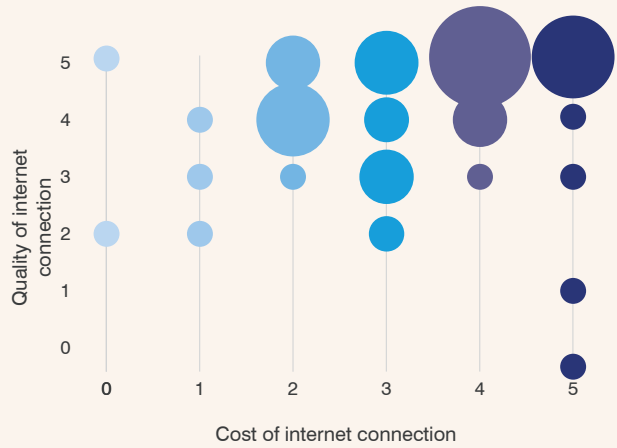
Ukraine's dynamic technology sector is growing and serving customers worldwide. IT services and outsourcing, start-ups and the software research and development segments are only increasing their potential. Ukrainian tech companies enjoy value-added tax exemptions and a simplified tax system with only 5% tax on revenue, making it easier to invest in the country. The Government has also launched a national start-up fund to support innovation and IT in Ukraine, and has taken important steps to strengthen the protection of intellectual property rights.

88% of surveyed IT firms in Ukraine participate in value chains

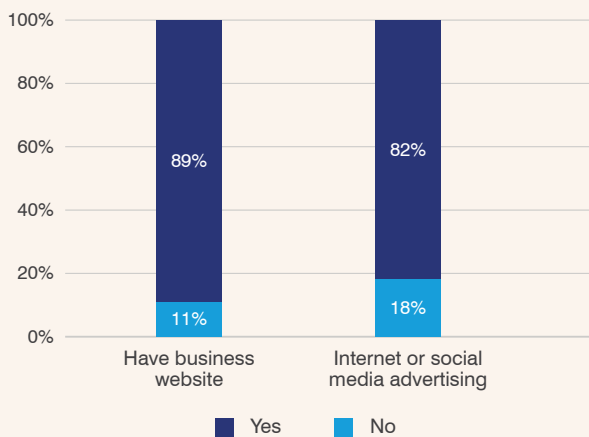


■ Part of value chain ■ Not a part of value chain

75% of surveyed IT firms rate the quality of their internet connection highly

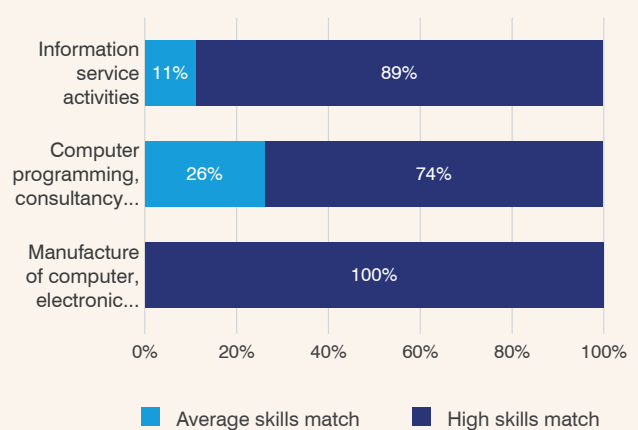


89% of IT firms surveyed have a business website and 82% advertise on the web



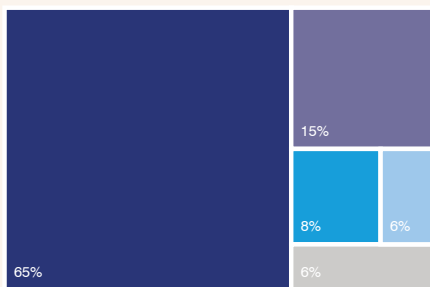
■ Yes ■ No

89% of firms in information services are satisfied with the skill set of their employees



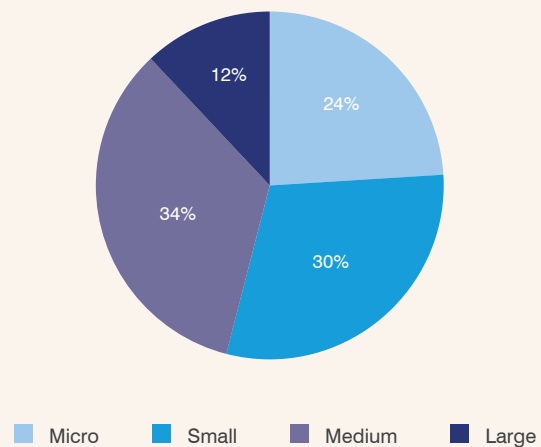
■ Average skills match ■ High skills match

65% of surveyed IT firms report offering high-quality products/services as their main mode of competition



■ Offering high-quality products/services
 ■ Offering low prices
 ■ Having exclusive rights to sell its products/services
 ■ Supplying large quantities
 ■ Offering flexible terms of delivery/distribution

MSMEs represent 88% of firms surveyed in the IT sector



■ Micro ■ Small ■ Medium ■ Large

Key indicators

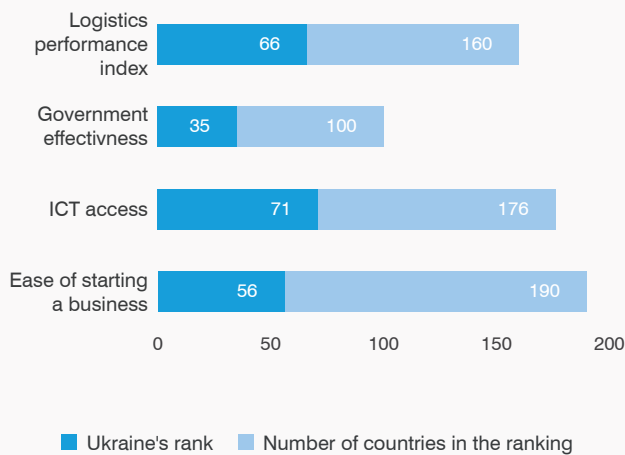
Capital	Kyiv
Area	603,628 km ²
Population, total	42 mm (2019)
Population growth	-0.4 (annual %)
Language	Ukrainian, Russian
Working age population	68% (2017)
Literacy rate (15+ years)	Male: 100% (2012) Female: 100% (2012)
Human development index (HDI) value	0.751 (2018)
GDP (at current prices)	\$ 130.8 bn (2018)
Real GDP growth	3.3% (annual %, 2018)
GDP per capita (at current prices)	\$ 3095 (2018)
Currency	Ukrainian hryvnia (UAH)
Foreign Exchange control	On-going liberalization; free repatriation of dividends; new currency law that will further simplify the foreign currency regulations
Accounting principles	International Financial Reporting Standards (IFRS)

Administrative division of Ukraine

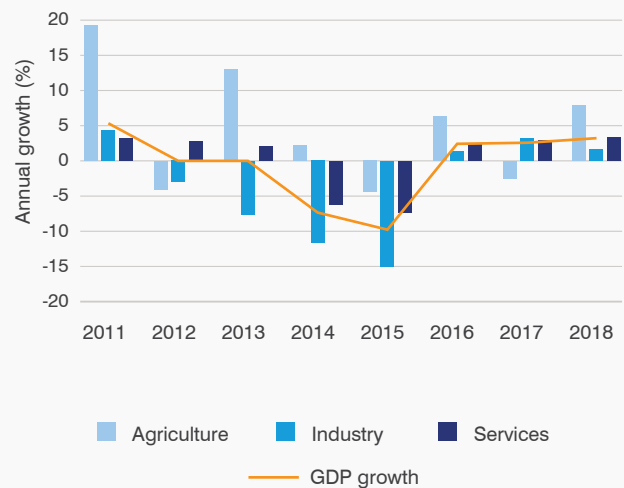


Ukraine's rank in key business ecosystem indicators

(lower rank is better except for government effectiveness indicator, where higher rank is better)



Growth trends in Ukrainian economic sectors



Note and source: See endnotes.²²

Endnotes

- 1 Ukraine's average performance by SDG (0 - worst outcome; 100 - target outcome). Figure adapted from 2018 SDG Index and Dashboards Report, Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung.
- 2 State Statistics Service of Ukraine. Retrieved from <http://ukrstat.gov.ua/>
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- 6 *Ibid.*
- 7 Office for Harmonization in the Internal Market (OHIM). Ukraine IP Country Factsheet. Retrieved from https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/News/Ukraine-guide_en.pdf
- 8 Welter, Freiderike, Smallbone, David & Isakova Nina (2006), Enterprising Women in Transition Economies.
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- 15 Deloitte (2017). Taxation and Investment in Ukraine 2017. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-ukraineguide-2017.pdf>
- 16 Zalagénaitė, Ž. (2018, May 15). Ukraine to revive aircraft manufacturing industry by 2022. Aerotime News Hub. Retrieved from <https://www.aerotime.aero/zivile.zalagenaite/21290-ukraine-to-revive-aircraft-manufacturing-industry-by-2022>
- 17 *Ibid.*
- 18 UkraineInvest (2018). Brains & Grains, Innovation & Opportunity.
- 19 *Ibid.*
- 20 Cable.co.uk (2018). Worldwide broadband speed league 2018. Retrieved from <https://www.cable.co.uk/broadband/speed/worldwide-speed-league/#highlights>
- 21 Cornell University, INSEAD and WIPO (2018). The Global Innovation Index 2018: Energizing the World with Innovation. Ithaca, Fontainebleau and Geneva.
- 22 UNDESA's World Population Prospects 2017; World Development Indicators database, Logistics Performance Index, Worldwide Governance Indicators, and Doing Business, World Bank; State Statistics Service of Ukraine; World Economic Outlook database, International Monetary Fund; ICT Development Index, International Telecommunications Union.



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