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USAID FINANCIAL SECTOR REFORM ACTIVITY

FINANCIAL SERVICES INDUSTRY WEEKLY

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FOLLOW UP ON THE NEWS

- Opendatabot: One year after the start of the full-scale war, at least 41 joint-stock companies in Ukraine are still controlled by owners from Russia, among them Ukrenergoatom and several banks.
- The National Agency for the Prevention of Corruption included the Metro Cash & Carry company in the list of international sponsors of the war due to the decision of the company's management to continue operating in Russia.

MACRO INDICATORS

- DGF: The amount of bank deposits of individuals decreased by UAH 10 B in January 2023.
- NBU: The share of NPLs in the banking sector on February 1, 2023 was 38.2% compared to 38.1% on January 1 (up by UAH 5.6 B). As of January 1, 2023, the share of NPLs was 38% compared to 30% on January 1, 2022.
- Naftogaz posted losses of ~UAH 40 B for 2022.
- Opendatabot: In 2022, Ukrainian banks received UAH 24.7 B in profits, 95% of which were posted by the top 10 banks.

TOP EVENTS

- MoE: During the week of February 19-25, 2023, >2400 entrepreneurs received loans through the 'Affordable Loans 5-7-9%' Program for a total amount of UAH 6.2 B.

ДЕРЖАВНА ПРОГРАМА **5.7.9** доступні кредити

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- On February 21, the NSSMC established the procedure for the disclosure by securities issuers of information about their relations with companies or individuals from Russia, Belarus, Iran, and North Korea.
- MoF: On February 27, Ukraine received the first tranche of a USD 1.25 B grant from the United States. The United States intends to provide Ukraine with USD 9.9 B in 2023.
- Office of the President: Saudi Arabia will provide Ukraine with a USD 400 M aid package, which includes USD 300 M worth of oil products.
- During March 8-15, representatives of the IMF and the Government of Ukraine will meet in Warsaw to discuss the Extended Fund Facility. The mission will focus on a 4-year program estimated at USD 16 B. The negotiations will focus on policies that need to be corrected for economic recovery postwar.

- Spiegel: The German weapons producer Rheinmetall is negotiating the construction of a tank plant in Ukraine for EUR 200 M to produce up to 400 'Panther' tanks per year.



- Caribbean News Global: Taiwan allocated >USD 50 M to rebuild infrastructure in Ukraine for 2023. Since the beginning of the war in Ukraine, Taiwan has provided 27 tons of medical supplies and more than 700 tons of humanitarian aid.
- Ministry of Energy: Sweden will provide Ukraine with USD 30 M to support the country's energy sector.
- On March 3, 2023, the SPF failed to sell the Belgorod-Dniester Sea Trade Port due to no bids. The next auction will take place on March 13. The starting price was reduced by 50% - from UAH 187.6 M to UAH 93.8 M.
- On February 28, 2023, the MoF auctioned off UAH 13.8 B worth of war bonds (mostly at >19% for 1.3-2.7 years).
- On March 1, 2023, the MoF paid off 1-year war bonds in the amount of >UAH 27 B, issued on March 1, 2022.
- VR Tax Committee: In Ukraine, the voluntary declaration of assets campaign (tax amnesty), which started in September 2021, ended on March 1. 1, 845 declarations were submitted. The total value of the declared assets is UAH 8.82 B. The total amount of the declared taxes due is UAH 547.5 M. It was expected that the tax amnesty would be able to 'bring out of the shadows' assets worth about USD 20 B.
- UkrGazBank: The NBU fined the state-owned UkrGazBank in the amount of UAH 64.6 M in connection with financial monitoring violations.

TOP TRENDS

- CNN: On March 2, 2023, the US announced 3 new partnerships to boost Ukraine's agricultural sector and help supply the country's grain to the world. USAID's new partnerships are with Grain Alliance, Kernel, and Nibulon. They are projected to increase Ukraine's grain shipping capacity by >3 M tons annually. USAID and these organizations are planning to invest USD 44 M to support storage and infrastructure expansion in Ukraine's agriculture sector.
- Ministry of Agrarian Policy and Food: In the Kharkiv and Kherson regions, >1 million hectares of agricultural land remain mined, of which >80% used to be frontline/warzone areas.

- Agrarian Committee of the Verkhovna Rada: As a result of the war, >5 M hectares (50,000 sq km) of agricultural land are currently unusable due to landmines, contamination by explosive remnants, or ongoing hostilities.



- EC: The European Commission announced two calls for project proposals under the common name "ReadyForEU" with a total budget of EUR 7.5 M for Ukrainian entrepreneurs. The first one called 'Business Bridge' (EUR 4.5 M) will provide financial support to Ukrainian SMEs affected by the war in the form of vouchers for access to services and participation in trade shows in the EU. The project will be administered by business support organizations such as the Enterprise Europe Network (EEN), the European Cluster Network, and other organizations. The second competition, 'Erasmus for Young Entrepreneurs - Ukraine' (EUR 3 M) will allow young Ukrainian entrepreneurs to gain business experience in other European countries.
- MoE: Since the beginning of the war, 800 enterprises have been relocated from dangerous regions with the support of the state. Today, 623 enterprises are operating at a new location. Some enterprises are returning to their previous locations thanks to de-occupation (businesses from Kharkiv Region, Sumy Region, and Chernihiv Region). Enterprises relocated to Lviv (24%), Zakarpattia (14.5%), Chernivtsi (9.8%), Ivano-Frankivsk (8.3%), Khmelnytskyi (7.3%), Ternopil (6.3%) Regions.
- The national postal operator 'Ukrposhta' introduces a post-pay service for debit card accounts of SMEs.
- Lviv IT cluster: In January 2023, the export revenue of the IT services industry fell by 29.7% compared to December 2022. Compared to January 2022, export volumes in January 2023 are lower by 17.4% (USD 111 M). Negative trends are observed not only in the IT industry. According to the NBU, the total export of all Ukrainian services in January 2023 decreased by 20.3% compared to December 2022. IT services still make up 41.4% of Ukraine's exports. Lviv IT cluster forecast that the first effects of power disruptions would be visible in Q1-Q2 2023.
- SPF: Since the relaunch of small-scale privatization in September 2022, 269 privatization auctions have been held. They resulted in ~UAH 3 B of revenues. Despite the war, there was serious competition for state-owned assets at privatization auctions: on average, five potential investors participated in the auctions. Among the most successful auctions have been the sale of 'Ust-Dunaisk' Port (UAH 201 M) and the sale of Lviv Jewelry Factory (UAH 185 M).



CLOSER LOOK

Real Estate Sector is Down

- Before the start of the war, there was a boom in mortgages for apartments and residential buildings in Ukraine. Notaries certified >33,600 such transactions in 2021. In 2022, this number fell to 5,400.



- In addition, the reduction is noticeable even compared to less successful years than 2021. For example, in 2018-2020, on average, 11,000 agreements were concluded per year.
- In total, for the entire year 2022, notaries certified 100,710 contracts for the purchase and sale of apartments and residential buildings - three times less than in recent years.
- The number of sold land plots decreased by 2.3 times during 2022 to 133,447 such transactions.

Source: Opendatabot

FSR PROJECT NEWS

- FSR will hold a round table with the Ukrainian Bar Association on March 16 in Kyiv on prospects and obstacles to restructuring financial liabilities of Ukrainians suffering from the war. More information here <https://2022.uba.ua/podiyi/16-bereznya-vregulyvannya-zaborgovanosti-fizychnyh-osib-yaki-postrazhdaly-vnaslidok-vijny-balans-interesiv-borzhenyiv-ta-kredytoriv/>.
- On February 28, FSR presented its Concept Paper on investment guarantees (political risk insurance) for Ukraine to representatives of the IMF, EBRD, IFC, European Union, US Treasury, DFC, and MIGA in Vienna. The Concept Paper presents options for providing war-related risk insurance for foreign and domestic investors in Ukraine. The Concept Paper is also being distributed to the Government of Ukraine and interested parties.

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