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USAID FINANCIAL SECTOR REFORM ACTIVITY

FINANCIAL SERVICES INDUSTRY WEEKLY

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FOLLOW UP ON THE NEWS

- Companies listed as international war sponsors are included in World-Check, a database of high-risk individuals and organizations. Chinese Xiaomi and Great Wall, Hungarian OTP Bank, Austrian Raiffeisen Bank International, and French retail chain Auchan are all included in the list.
- The Finnish energy company Fortum announced the write-off of its Russian assets after the Russian authorities replaced the CEO of its Russian subsidiary PJSC Fortum and seized control of Fortum's assets based on a presidential decree. Fortum wrote off the loss of EUR 1.7 B.
- Swiss Federal Council: The total amount of reserves and assets of the Central Bank of Russia held in Switzerland is ~EUR 7.58 B. From March 2022, all transactions related to the management of reserves and assets of the Central Bank of the Russian Federation were prohibited in Switzerland.
- On May 12, Zelenskiy, announced new sanctions aimed at isolating and blocking the Russian military industry. 493 legal entities and 208 individuals were included in the sanctions list.



MACRO INDICATORS

- State Statistics Service: In April, inflation slowed down to 0.2%, and since the beginning of 2023 amounted to 3.2%. In annual terms, inflation in April was 17.9% compared to 21.3% in March.
- NBU: The National Bank may reduce the bank interest rate to 21% in Q4 2023, and to 18% in 2024.
- NBU: During the week of May 8-12, the National Bank sold USD 552.21 M and bought USD 16.47 M on the interbank foreign exchange market.

TOP EVENTS

- MoF: On May 8, Ukraine received almost EUR 190 M from the International Development Association (IDA). The IDA is one of the five institutions of the World Bank Group. The funds will make it possible to ensure sustainable public administration in Ukraine.

- MoF: On May 12, 2023, Ukraine received USD 132 M in funding from the WB to cover priority expenses for the agricultural industry.



- According to the results of the meeting of finance ministers and heads of central banks of the G7 countries in Japan, the volume of international obligations for economic and budgetary support for Ukraine for 2023 and the beginning of 2024 increased to USD 44 B. This support allows Ukraine to ensure the functioning of the Government, continue providing basic services, carry out critical repairs to damaged infrastructure, and stabilize the economy.



- Ministry of Digital Transformation: The European Innovation Council allocated EUR 20 M to support Ukrainian startups. Over 200 Ukrainian startups will be able to receive grants of up to EUR 60,000 for innovative developments under the Seeds of Bravery Project.
- NBU: The National Bank established a requirement for payment service providers to apply enhanced user authentication. Now it will be necessary to use at least two security elements that confirm that the payment is made by a legitimate user.
- EP: On May 9, the European Parliament voted to extend duty-free trade with Ukraine for another year to support the Ukrainian economy in wartime.
- MoF: On May 9, the MoF sold UAH 28.5 B worth of war bonds (mostly at 19.69% per annum for 2 years).
- SPF: The State Property Fund scheduled a repeat auction for the sale of the 'Bilhorod-Dniester Sea Trade Port' for June 6 with the starting price of UAH 184.92 M. The previous

auction was voided because the winner failed to pay for the port.

- DGF: During the week of May 8-12, the DGF planned to sell the assets of 10 banks that are being liquidated. The initial sale price of all lots is almost UAH 8.46 B.
- NBU: The National Bank extended the grace period for late submission of financial and consolidated financial statements for 2023 by NBFIs.
- NBU: In April, the number of NBFIs decreased by 31 from 1,347 to 1,316. The National Bank also imposed financial sanctions on 3 banks and 20 NBFIs and excluded the debt collection company 'U-Base' from the register.

TOP TRENDS

- Yuriy Draganchuk, Deputy Minister of Finance: The MoF believes that the privatization of Privatbank, which was planned for 2024, can be discussed only after the end of the war against Russia. The privatization strategies of all state-owned banks came to a standstill with the war, and now they have one strategy - support of Ukrainians and Ukrainian enterprises.
- Ylva Johansson, European Commissioner for Home Affairs: Temporary protection status in the EU was granted to 4 million citizens of Ukraine who left after the start of the Russian invasion in February 2022. Among these Ukrainians, almost 700,000 have jobs, and another 450,000 are currently studying in schools and universities across the EU.
- DGF: In April, 53 successful auctions of assets of banks in liquidation were held via Prozorro. Sales for a total amount of UAH 454.8 M.
- Confederation of Employers of Ukraine: Before the war, the labor force of Ukraine was 17.4 million people, of which 8.3 million were women and 9.1 million were men of working age. After the war started, the situation changed dramatically. One million citizens were mobilized to defend Ukraine. As of January 2023, 4.6 million Ukrainians were outside Ukraine, of which 3.2 million were women of working age. 3 million people lived in the territories temporarily occupied from the beginning of 2022, of which approximately 1.3 million are of working age. Thus, Ukraine has lost access to 5.5 million people of working age. This is more than 30% of the entire workforce.
- Naftogaz: In the first 4 months of 2023, the Naftogaz Group paid >UAH 30 B in taxes to the state budget, which is 15% of all tax revenues to the state budget for this period.
- Naftogaz: Due to the war, gas consumption in 2022 in Ukraine decreased by 35-40%, while the production volumes remained almost at the pre-war level. This may lead to the possibility of abandoning gas imports for the upcoming winter for the first time since 1991.
- USDA: The United States Department of Agriculture (USDA) predicts a 21% decrease in wheat production in Ukraine for the 2023/24 marketing year (MY). In general, it is assumed that Ukraine will be able to export 10 million tons of wheat compared to 15 million tons in the current 2022/23 MY. As for corn, the export volume will be 16.5 million tons in 2023/24 compared to 25.5 million tons in 2022/23. The USDA

attributes the decline to a smaller harvest and a reduction in export stocks.

- NBU: Tariffs for some utility services will change in 2023, but the moratorium on raising tariffs for gas, hot water, and heating will not be lifted.

CLOSER LOOK

The Ministry of Economy Announced a War Risk Insurance Package for Investors

- The Government and the Verkhovna Rada are working together to create new opportunities for investors to accelerate the reconstruction of the country via obtaining investment guarantees from the G7 countries and from the EU, reforming the tax system, and creating a legal framework for safe and transparent business conduct.
- In addition, the financing package will include direct long-term and affordable lending from international financial organizations such as the IFC, the EBRD or the EIB, with the support of concessional capital, as well as coverage by the Export Credit Agency of credit risk (for example, the British Export Finance Agency's credit program called 'UK Export Finance').
- The Ministry of Economy and the Committee of the Verkhovna Rada on Economic Development invite international companies that stopped their activities in Ukraine due to the war to return and develop their business now, without waiting for the end of hostilities.

FSR PROJECT NEWS

- FSR continues to promote the idea of a Political Risk Insurance Trust Fund for Ukraine. In addition to discussions with international agencies, the project is cooperating with Ukrainian business associations and the Government of Ukraine to organize support for investment guarantees.

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The information provided here is compiled from public sources, including the media, websites of the government, financial institutions, business associations, and economic think tanks.

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