



MINISTRY OF
ECONOMY
OF UKRAINE

“INVESTMENT NANNY” LAW

a comprehensive approach to support investors

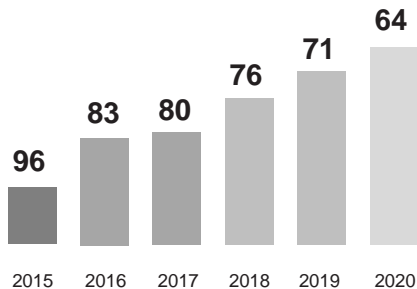
Why invest in Ukraine?

GDP **\$172 billion** (2021 forecast)

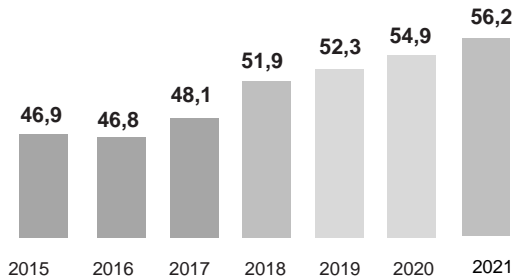
Real GDP growth **4,1%** (2021 forecast)

Discount Rate **8%** (22.07.2021)

Ease of Doing Business Index
by the World Bank



Index of economic freedom
by The Heritage Foundation



Capital
Kyiv

Area
603 628 km²

Population
42 mln (2020)

B
Positive

B
Stable

B3
Stable

B+
Stable

Fitch
Ratings

S&P Global
Ratings

MOODY'S
ANALYTICS

R&I

Projects supported by the Law

20+ mln €

Amount
of investments

up to **5** years

Project
implementation
period

up to **30%**

of capital
expenditures.
Aggregate amount
of support

80+ jobs

Creation

Sectors:

- processing industry (except for the production and circulation of tobacco products, ethyl, cognac and fruit alcohol, alcoholic beverages)
- extraction for further processing and/or enrichment of minerals (except for coal and lignite, crude oil and natural gas)
- waste management
- transport, warehousing, postal and courier activities, logistics
- education, scientific and scientific-technical activity
- health care, art, culture, sports, tourism, resort and recreational industry

Types of support envisaged by the Law



Tax relief: custom duties for importing new equipment (up to 5 years), income tax exemption, abolition of VAT and/or land tax reduction or exemption (up to 01.01.2035)



The government could secure the **land necessary for the implementation of the investment project (if required for the project)**



The government could **secure construction of related transport and utilities infrastructure (if required for the project)**



Tax
Code



Budget
Code

The role of UkraineInvest and free services offered to investors

UkraineInvest is a public agency for attracting and supporting investments to Ukraine, providing potential investors with information, recommendations and support in preparing and submitting the application and other paperwork required for significant investment project implementation, on a free-of-charge basis

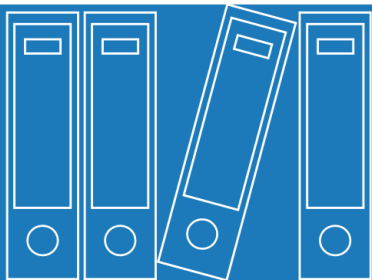
UkraineInvest

Your Investment Matters



FREE SERVICES OFFERED TO INVESTORS:

- Support and recommendations
- Communication
- Regional support
- Advocacy
- Analytical and informational support
- Expertise on policy and economic sectors



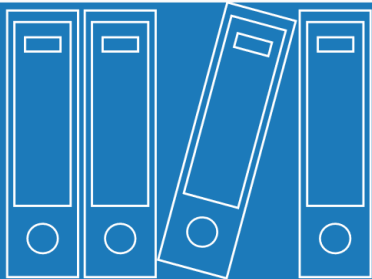
CMU Resolution

On approving the Procedure of collaboration between **UkraineInvest** and applicants, investors with significant investments



Applying for support: Requirements for the feasibility study

- Brief **summary** of study preparation results
- Project technical feasibility evaluation and description of **technical** solutions (*CAPEX estimation*)
- Significant **investment** amount and estimated **maintenance** (operational) cost
- Legal Due diligence** findings
- Results of Project Cost and Benefit Analysis (**CBA**) – ENPV, EIRR, etc.
- Description of the **market** environment
- Results of project **commercial** attractiveness evaluation (including for banks)
- Results of Project fiscal impact (budget effectiveness) analysis
- Project financial analysis – FIRR, FNPV, payback time, etc.
- Description of the forms and total amount of **state support** required for the Project
- Findings of Project **environmental analysis**
- Project **risks** identified, their evaluation and risk management solutions
- The term** and steps of Project implementation



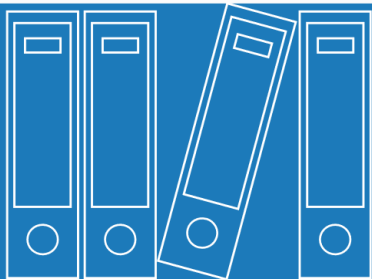
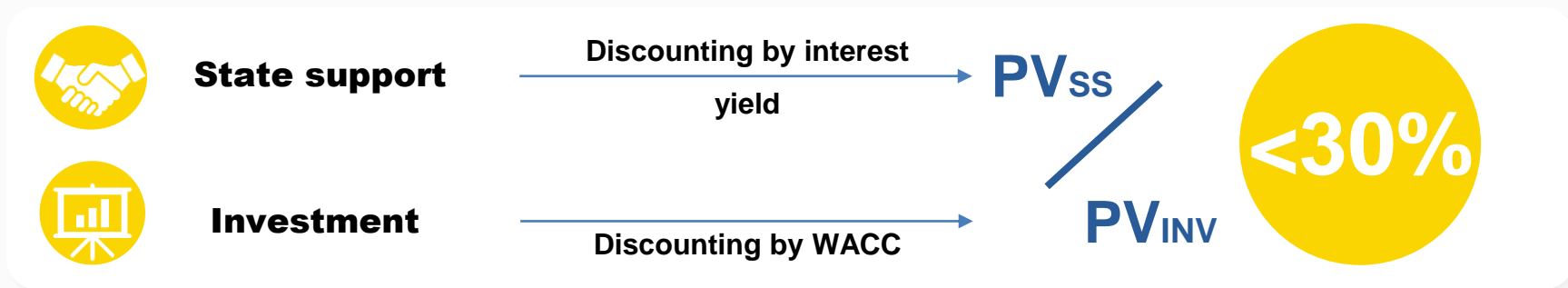
CMU Resolution

On approving the requirements for techno-economic justification of significant investment projects



Applying for support: Estimating the amount of state support

The amount of state support is estimated by the applicant in preparation of the feasibility study based on the provisions of State Support Estimation Methodology endorsed by the Cabinet of Ministers of Ukraine.



CMU Resolution

Methodology for estimating the amount of state support for implementing a project with significant investment



Applying for support: Financial capacity requirements

Equity adequacy

Net operating cash flow adequacy

Availability of funding sources

Financial sustainability, profitability and liquidity of the security party

EQUITY

At least **20%** of the planned investment amount

CASH FLOW

At least **20%** of the planned investment amount

FINANCING

For effectuation of investment **in full amount** at the cost of own and/or outside funds

SUSTAINABILITY

Equity to Total Assets Ratio – **not less than 20%**

Equity to Debt Ratio – **not less than 30%**

EBITDA – **not less than 10%**

Current liquidity ratio – **not less than 1**

Applying for support: Financial capacity requirements

Associated companies



To prove compliance with the criteria, the applicant can provide the supporting documents of **the parent company and/or entities linked to the applicant by control**

Consortium of companies



The eligibility criteria are applied to all **the legal entities in the joint application** (as a single entity), apart from financial sustainability requirements which apply to the legal entity financing the project

Audit

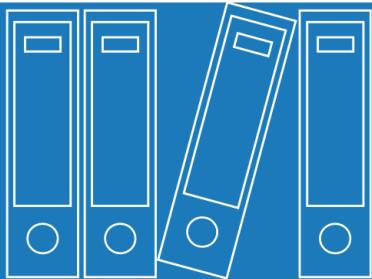


The financial reporting submitted by the applicant, must be **verified** by the eligible auditor

Bank



The banks providing the applicant with the statement about their readiness to finance, **must meet bank reliability criteria**



CMU Resolution

On approving the financial capacity requirements for an applicant for implementing a project with significant investment



Evaluation procedure

Document compliance check by
Ministry of Economy of Ukraine

01

Economic, financial, social and
environmental analysis

03

Review of the form and total
amount of the state support

05

02

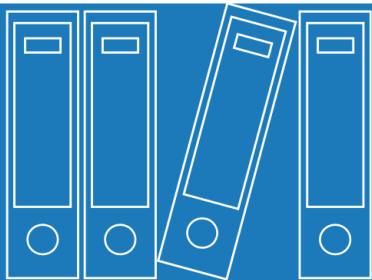
Collection of proposals
from public authorities

04

Project risk analysis

06

Review of special investment
agreement between
Government and Investor



CMU Resolution

On Approval of the Procedure and **Methodology**
for Evaluating an Investment Project
with Significant Investments



Stage 1 of investment project evaluation



At this stage, documentation compliance check is run:

- Of the project – to the requirements defined in Art. 5 of the Law; feasibility study content is reviewed
- Of the applicant – to financial capacity requirements and the requirements of Part 4, Art. 7 of the Law
- Of the submitted documents – to the legal requirements

The term for Stage 1 – 10 working days



The documents are passed forward to the next stage of evaluation



ME stops the evaluation procedure and returns the documents to the applicant with a request to address the violations along with the exhaustive list

Stage 2 of investment project evaluation: collection of proposals from public authorities

ME involves the following public authorities to evaluation:

- Ministry of Finance
- Ministry of Environment
- Ministry of Justice
- Antimonopoly committee
- Other public authorities with relevant competences, local self-governments (if necessary)

The term for Stage 2 – 20 calendar days

In case no proposals are submitted within 20 days term, the principle of silent consent applies

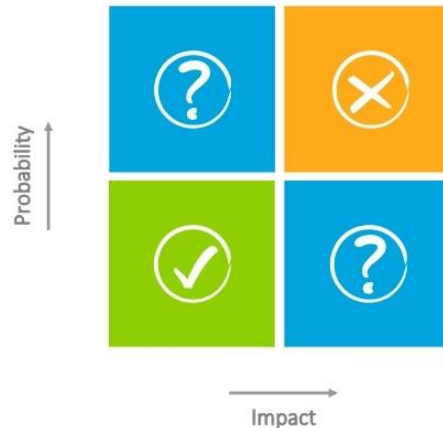
Based on the public authorities' proposals, ME conducts economic, financial, social and environmental impact analysis

- Checking the approaches used in CBA estimation
- The CBA methodology must not be in conflict with the approach suggested in the legislature
- The economic net present value (ENPV) must not be less than 0 (zero)
- The economic internal rate of return (EIRR) must not be lower than the discounting rate used for ENPV calculation

ENPV > 0

Based on the public authorities' proposals, ME conducts project risk analysis

- ME analyzes the risks referred to in the feasibility study, and the risk mitigation solutions proposed by the applicant
- Presence of significant risks high likelihood of occurrence which may significantly affect the project, and lack of efficient mechanisms of such risk mitigation (especially environmental risks) can give the grounds for concluding on investment project inexpediency



Based on the public authorities' proposals, ME reviews the forms and the total amount of state support

Accuracy verification of the state support amount estimation which:

- Must be based on the Methodology endorsed by the CMU
- Must not exceed 30% of the planned significant investment amount

If the economic indicators (ENPV and EIRR) of the investment project do not meet the requirements as defined in the Methodology, the amount of the state support will be reduced down to the level at which such economic indicators meet the requirements of the Methodology

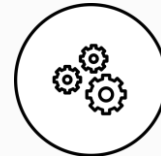
$$\frac{PV_{SS}}{PV_{INV}} < 30\%$$

$$ENPV > 0$$

Based on the public authorities' proposals, ME reviews the draft of a special investment agreement



Review of the draft of a special investment agreement for its **compliance with the provisions of the Law and the feasibility study** in terms of the amount and tentative schedule of effectuating investments, the number of new jobs, the average salary of employees



If the draft of the special investment agreement needs revision, ME returns the draft of the agreement with **comments and suggestion** about its revision, along with the conclusion about investment project expediency, to the applicant