

UKRAINE NEWSLETTER Q4 2021

POLITICAL AND ECONOMIC NEWS

- The Verkhovna Rada of Ukraine supported the bill on preventing threats to national security associated with the excessive influence of persons with significant economic or political weight in public life (oligarchs), the so-called. "**Law on de-oligarchization.**" According to the law, the basis for inclusion in the register of oligarchs, which is formed and maintained by the National Security and Defense Council (NSDC), are **any three of four conditions**: significant influence on the media, participation in political life, beneficial ownership of a monopoly company and a fortune of over 1 million of minimum cost of living (about \$83 million at the current exchange rate). (kyivpost.com.ua)
- The adoption by the Verkhovna Rada of Ukraine on November 18 of the Law of Ukraine on insurance, and the draft laws on credit unions and on financial companies and financial services will help build a powerful competitive financial sector in Ukraine that **supports the investors** in the country's economy. (112.international)
- Ukraine's economy will **grow by 3.5% in both 2021 and 2022** spurred by rich grain harvests and high business activity, the European Bank for Reconstruction and Development said in an updated economic forecast. (kyivpost.com)
- Having peaked in September–October, **inflation** will begin to **decelerate** to reach 9.6% at the end of 2021. In 2022, it will decline to its **5% target** and stay close to it going forward.
- Ukraine's **real GDP will rise by 3.1% in 2021**. After that, the Ukrainian economy will grow by about 4% a year. This is due to the longer and more significant fallout from the pandemic and the negative effects of the surge in global energy prices. (NBU Inflation Report)

NEWS ON COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS

- On November 22, 2021, the Representative of the International Monetary Fund (IMF) Gerry Rice approved the first review of its stand-by program with Ukraine and supported a request to extend this arrangement through June 2022. The **IMF will grant Ukraine another tranche of USD 700 million**. The money will be used to maintain the stability of the financial system and combat the effects of the coronavirus. The **extension of the stand-by program** will maintain the **possibility for Ukraine to access additional SDR 1.6 billion (over USD 2 billion)** in IMF tranches. (nbu.gov.ua)
- Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine Olha Stefanishyna negotiates the expansion of **EBRD's support for green transformation projects** with a delegation of the European Bank for Reconstruction and Development. The EBRD can play a key role in this," Stefanishyna added. To date the EBRD has invested more than €200 million in renewable energy projects in Ukraine. In addition, the Bank has financed nine renewable energy projects under UKEEP (credit line to commercial banks) with a total of €33 million.

CRYPTOCURRENCY MARKET

- In a nearly **unanimous vote, the Ukrainian Parliament adopted a law that legalizes and regulates cryptocurrency**. The bill was set in motion in 2020 – and now heads to the desk of President Volodymyr Zelenskyy. (cnbc.com)

- A government-supported cryptocurrency framework will allow more companies to grow in the space, fund state taxes and drive further innovation. With high adoption rates and the state promoting cryptocurrency-friendly legislation, Ukraine has an opportunity to become **one of the world's leading hubs for cryptocurrency**, and this opportunity should not be wasted. (Techcrunch.com)
- Ukrainians are among the **most avid cryptocurrency users in the world, ranking fourth in the Global Crypto Adoption Index** compiled by Chainalysis. Roughly **\$8 billion worth** of it now enters and exits the country annually, and the volume of cryptocurrency transactions each day, about \$150 million, exceeds the volume of interbank exchanges in fiat currency. (nytimes.com)

CURRENT PROJECTS AND INVESTMENT PROPOSALS

- The **largest paper bag producer** in Ukraine and supplier of paper bags to McDonald's and KFC **seeks 2m in Euro funding** to purchase equipment mostly from the US that will more than double capacity to meet the existing orders. The company is **FSSC and FSC certified since 2020 and has 6 lines of paper bags production**. The production capacity is envisaged to increase to 10 million bags per month in January 2022, with McDonald's accounting for 5 million bags per month. Separately, the active partners would also like to **buy out passive investors**. With the management buyout, and **equipment purchase total funding is \$10m**.
- **Bathroom Furniture producer** in Kyiv Oblast founded in 1999 that is a leading supplier to Epicenter and exporter to Germany is seeking **\$5m for equipment purchase** from the US, Germany or Italy and working capital. Given the ownership structure, the funding could be performed under the **Women Entrepreneurs Framework**.
- **Existing Organic Certified Blueberry producer in Kyiv Oblast** that has exported to the EU, UK and Middle East is seeking **\$6m to buy out 80% financial investor** that has recently entered politics, plus ideally **additional \$5m to add sorting and storage equipment** and increase area under cultivation by adding on 100 ha of adjacent farmland. Due to maturing of the plants the yield will grow from 141 tons and about \$1m revenue this year to over 500 tons and \$3.6m in 2027. The 20% shareholder is the managing director and would like to stay with the company, though is open to exiting if the new owners prefer to appoint their own management team.

ABOUT SMARTCOM

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Founded by Dr. Marc-Milo Lube, the company operates globally with a focus on CEE and Western Europe markets, and registered offices in Vienna (Austria) and Kyiv (Ukraine).

Our service portfolio includes inter alia investment advice, strategy and political consulting, M&A and transaction management, investment structuring, asset management and protection as well as participation in tenders / privatization. We focus our activities on Ukraine, Georgia, Romania, Austria/Germany, Korea, Qatar.