

# MANUFACTURING INDUSTRY

*Employment, economic growth,  
and a capable state*





## The President of Ukraine has identified the processing of raw materials and the creation of jobs and added value as priorities for economic recovery



"It is about... rethinking of how our country will develop in the future. What industries can become the basis of growth after the war. What solutions and resources are needed **to increase the level of manufacturing in Ukraine and not to trade raw materials**, as it was before"

"We are primarily interested in the **creation of jobs and added value in Ukraine**. Therefore, the localization will continue to be an important process for us."

"And the third aspect is industrial recovery and attraction of investments in the state. **Localization, industrial parks, support for government orders, and attraction of modern technologies to Ukraine**. Corresponding state programs are being prepared."

Sources:

<https://www.president.gov.ua/news/mi-svit-ta-istoriya-zaberut-u-rosiyi-znachno-bilshe-nizh-ros-74409>

<https://www.president.gov.ua/news/v-ukrayinskomu-suspilstvi-mozhut-buti-tilki-ti-hto-zahishaye-75713>

# MANUFACTURING INDUSTRY IN GDP

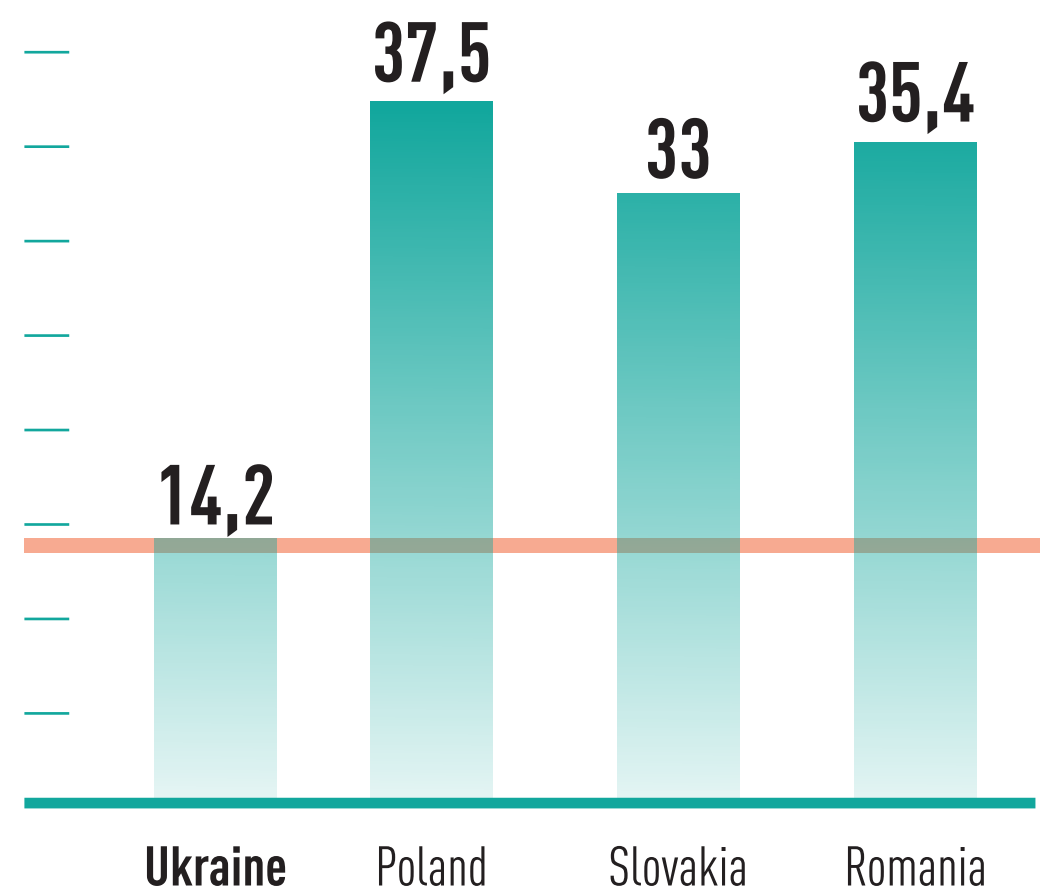
Ukraine has a critically minor share of the manufacturing industry in GDP as compared with neighboring countries

In previous decades, due to the mistakes in the economic policy, Ukraine has accumulated a huge lag in economic development

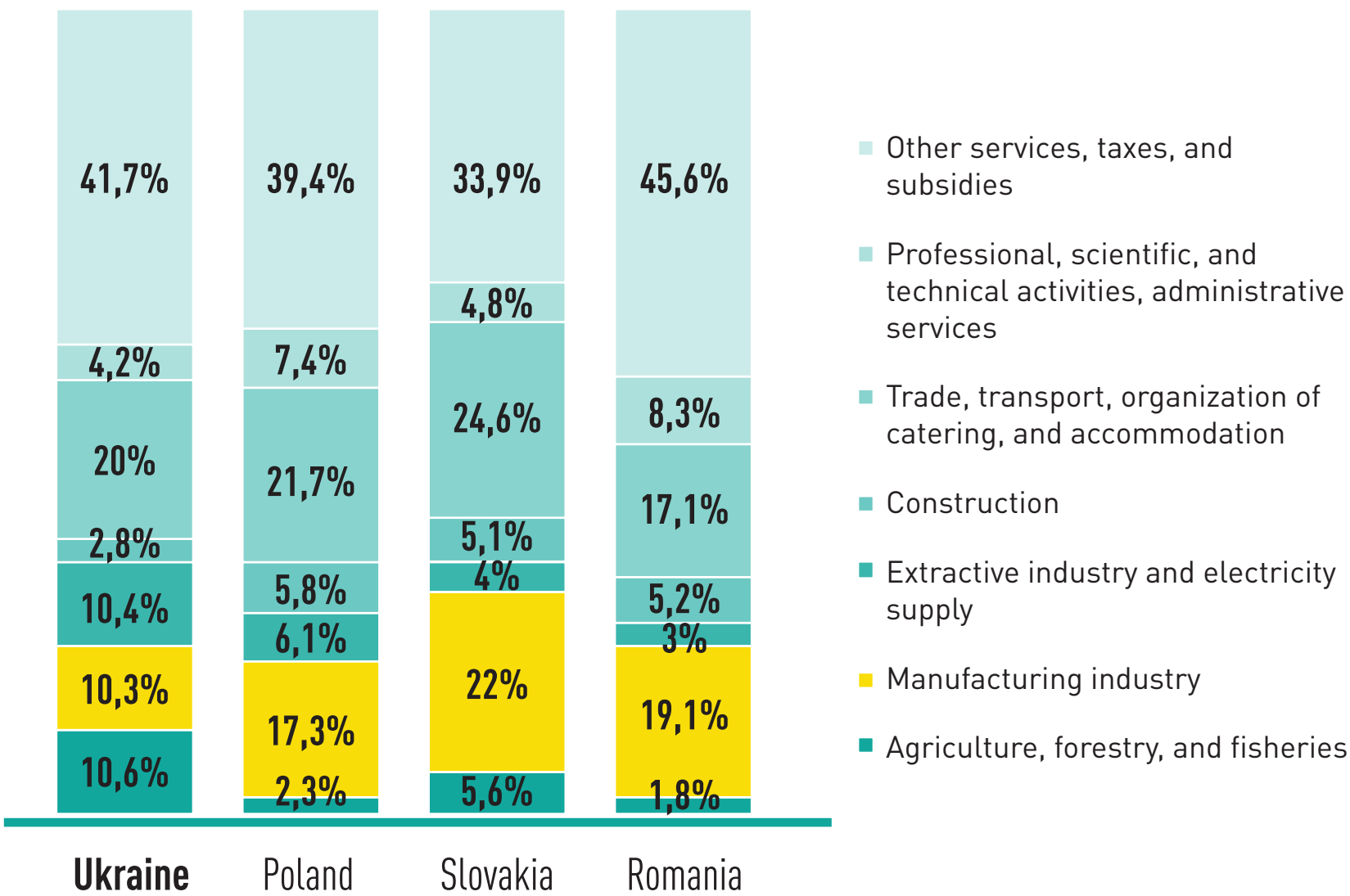
A strategic mistake was the weakening of the manufacturing industry due to ignoring its development at the level of economic policy

GDP per capita by PPP in certain European countries

in 2021, thousand USD/person



Share of manufacturing industry in GDP in Ukraine and neighboring countries, %



Source: World Bank

Source: OECD, International trade center, State Statistics Service of Ukraine, and calculations of SE Ukrpromzovnisheksperytyza (Ukrainian Industry Expertise)

# Why is the manufacturing industry important?

## 1 Gives Ukraine a chance to break out of poverty



Large-scale reconstruction of the housing stock, infrastructure, and economy will require a huge amount of materials and workers



If we use purely foreign goods and foreign companies to restore the country (by loading the foreign industry), we will get a beautiful, but poor and desolate country. Our citizens will not return from abroad even if they still have housing – because there will be no work for them.



If these goods are produced in Ukraine, and if Ukrainian companies are the ones to carry out the construction, then Ukrainian citizens will get jobs, Ukrainian manufacturers will get orders for many years, and the budget will compensate at least part of the construction costs with taxes.

## 2 Manufacturing industry ensures the implementation of key interests of Ukraine

- 1 Employment
- 2 Economic security
- 3 Budget revenues and defense capability
- 4 Economic European integration

## 3 Corresponds to the strategic interests of our allies – the USA and the EU – and is based on the experience of post-war reconstruction



After the Second World War **Japan** created one of the largest economies in the world due to the development of an export-oriented manufacturing industry. Japan became a key ally and support pillar of the US in the region



**South Korea** created a successful high-tech economy out of nothing due to the development of the manufacturing industry and exports



Their neighbors, the **Philippines and Indonesia**, also being the allies of the USA, could not escape the raw material curse. These are poor countries, generating quite significant problems for the USA



**Germany.** The Marshall Plan provided for the restoration of the industrial economy and employment for Germans through the development of the manufacturing and high-tech industries. Its success ensured the existence of a reliable economic barrier between the Soviet and Western worlds.

# Examples of successful implementation of the proposed policy in Ukraine:

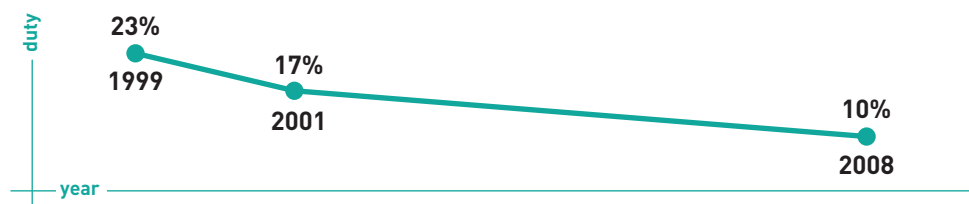
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## HOW UKRAINE BECAME THE WORLD'S LARGEST OIL EXPORTER FROM A SUNFLOWER SEEDS' EXPORTER

55%

Ukraine ensures more than a half of the global sunflower oil exports

*The export duty for sunflower seeds was introduced in 1999 at the rate of 23%. Before that, half of the sunflower seeds grown in Ukraine had been exported.*



*In 2001, the rate was reduced to 17%, and after joining the WTO in 2008, the duty gradually went down to 10%.*

Starting from 2000, the processing capacities of oil extraction plants have **increased by more than 5 times**, and now they amount to about **20 million tons of oil-seeds per year**.

The export of sunflower oil is still growing, and currently Ukraine is ranked first among sunflower oil exporters in the world – in 2021, a total of 5.1 million tons of sunflower oil were exported.

2 

## HOW THE MORATORIUM ON THE EXPORT OF ROUND TIMBER CAUSED A BOOM IN THE WOODWORKING INDUSTRY

52%

that was the growth of the wood-working industry as compared with the growth of the entire industry by 6% for the same period.

*The moratorium on the export of round timber has been in effect since 2017.*

Since then, the woodworking has become one of the most investment-attractive branches of the Ukrainian industry thanks to the growing access to valuable wood raw materials on the domestic market.

In **2016-2020**, capital investments in woodworking in Ukraine rose by **88.5%**.

In 2020, nominal capital investments in this industry amounted to **UAH 7.8 billion**.

For comparison, the index of capital investments for the entire industry of Ukraine in **2016-2020** went up by only **36.0%**.

From 2016 **furniture production grew by 1.5 times**, and woodworking – by almost a quarter.

3 

## HOW UKRAINE REVIVED THE AGRICULTURAL MACHINERY INDUSTRY

in 2 times

Manufacturing of agricultural machinery in Ukraine was doubled

*The program for Ukrainian farmers to compensate 25% of the cost of Ukrainian agricultural machinery was introduced in 2017.*

As of 2021, a total of 203 Ukrainian enterprises, manufacturing agricultural machinery, were covered by the program. **The share of domestic agricultural machinery** in the domestic market of Ukraine **doubled** as compared **with 2016 – from 16.8 to 33.0%**.

The total domestic production of machinery for the needs of **the agricultural sector in 2016-2020 rose from 5.8 thousand to 12.0 thousand units**, including the boost of sales on the domestic market – **from 1.5 thousand to 6.5 thousand units**, while export deliveries grew **from 3.3 to 5.0 thousand units**.

In 2020, the program was used by almost 10,000 farms, which purchased **25,100 units** of machinery on preferential terms for a total of **UAH 5.8 billion**.

# The plan for creating a manufacturing industry:

- 1 Points of effort:** where there is the greatest potential for creating a manufacturing industry
- 2 Tools and mechanisms** for creating a manufacturing industry
- 3 Quick steps** that will be expedient in the short term
- 4 Need for money** and sources of financing
- 5 Evaluation of the economic effect**
- 6 Implementation of the plan**

## POINTS OF EFFORT:

where there is the greatest potential for creating a manufacturing industry



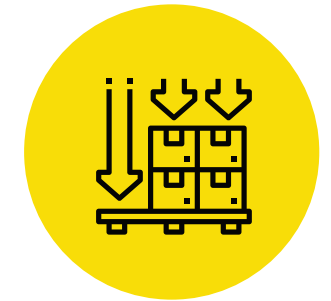
**Available raw materials,** expedient for processing in the country



**Growing sectors of the economy,** that can give impetus to the growth of adjacent sectors



**Public procurement and state consumption,** which can be covered by goods produced in Ukraine
















**Substitution of imports from russia and belarus** with Ukrainian goods

# RAW MATERIALS

Ukraine has extensive reserves of raw materials, which can be used for production of a wide range of industrial goods

52% of raw materials made by Ukraine are exported in an unprocessed form

Type of raw materials	Reserves of raw materials, million tons	Raw materials' output, million tons	Export of raw materials, million tons	Share of export of raw materials in their output
 Cereal crops	-	85,1	50,8	 60%
 Oil crops	-	22,9	3,9	 17%
 Iron ore	2300 100% Fe	78,3	44,4	 57%
 Titanium ore	8,4 100% TiO2	0,8	0,55	 69%
 Fire clay and kaolin clays	1540	10,5	7,0	 67%
 Wood (million m3)	2200	16,7	3,9*	 29%
 Lithium ore	100	0	0	-

\*taking into account the timber subjected to primary processing

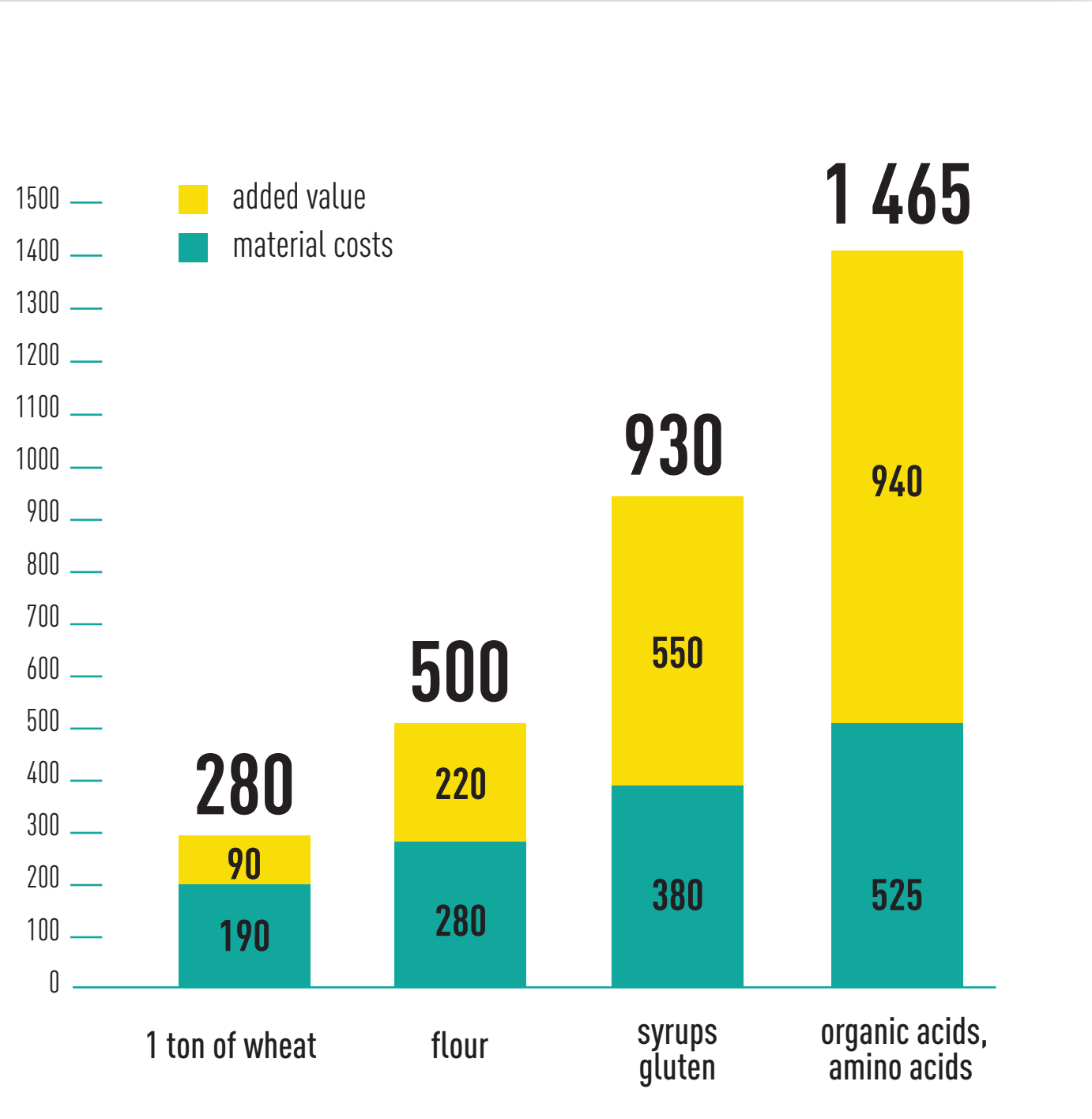
Source: State Statistics Service of Ukraine, U.S. Geological Survey



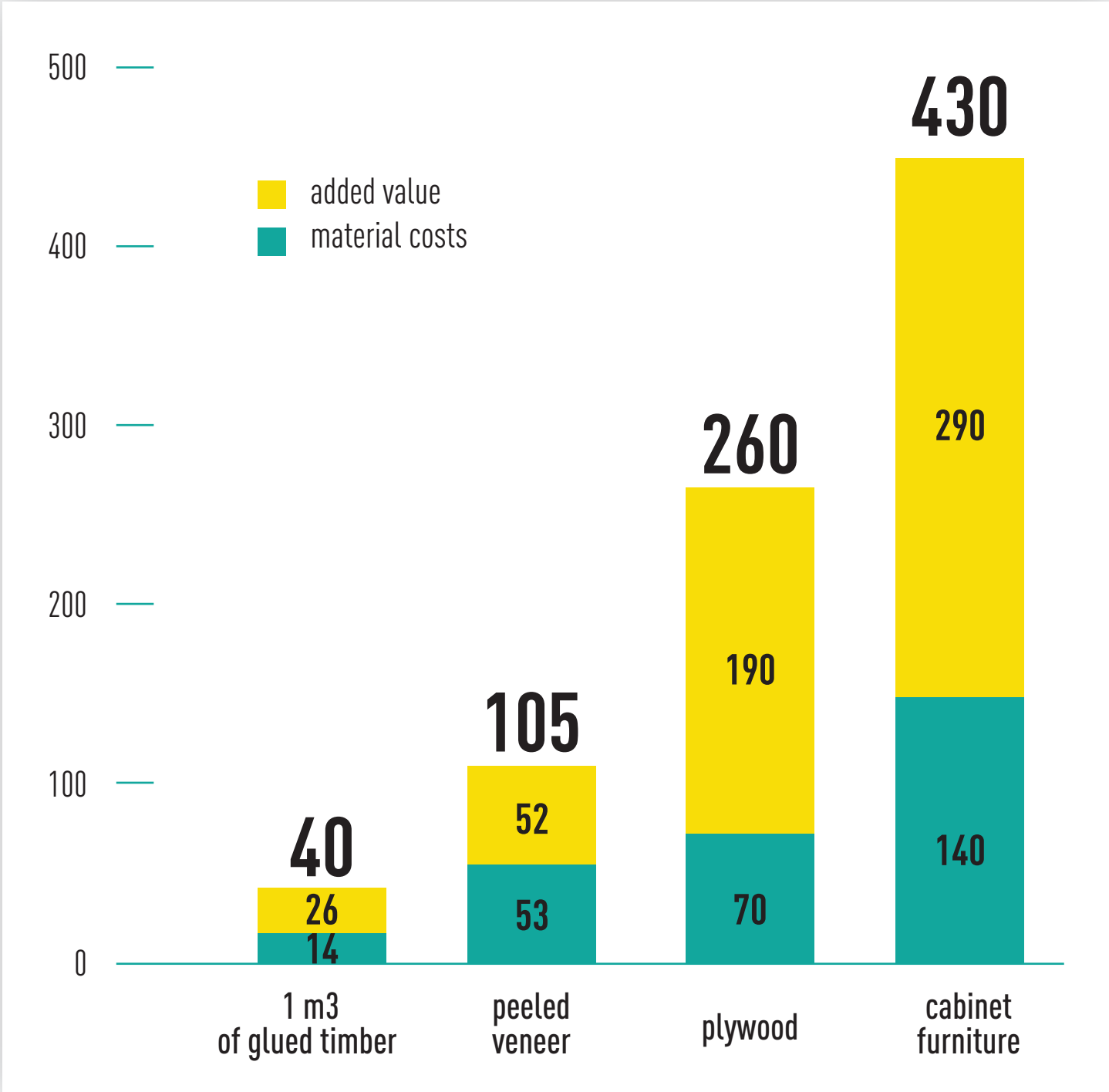
# RAW MATERIALS

Processing of raw materials increases the added value by 10 or more times

Formation of added value while processing 1 ton of wheat grain, USD



Formation of added value while processing 1 m3 of timber, USD



Source: calculations of SE Ukrpromzovnishekspertyza (Ukrainian Industry Expertise)

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# GROWING SECTORS OF THE ECONOMY

Generate significant demand for industrial products.  
Now this demand is covered by imports in significant extent.

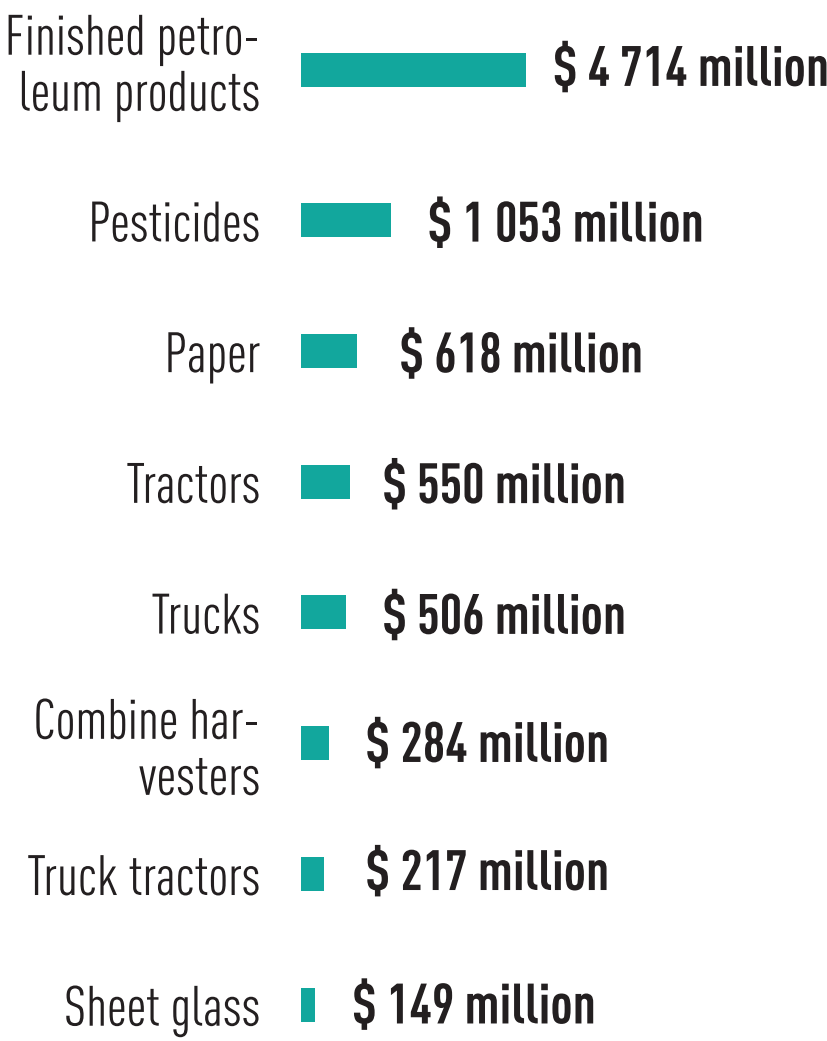
Quantities and structure of coverage of the demand for industrial products by individual sectors, million USD

Activity	Total consumption of industrial products, million USD	Including domestic production, million USD	Import, million USD	Specific weight of import
Agriculture	6 487	2 106	4 380	68%
Output of food products; beverages and tobacco products	6 897	4 677	2 220	32%
Production of wood and paper; printing and replication activities	2 740	1 614	1 125	41%
Supply of electricity, gas, steam, and conditioned air	7 876	5 809	2 068	26%
Construction	7 087	4 308	2 779	39%
Transport, warehousing	5 899	3 964	1 936	33%
TOTAL	36 985	22 478	14 507	39%

Source: State Statistics Service of Ukraine

Large-scale imports of certain industrial goods indicate industries that can be developed in Ukraine.

Annual volumes of Ukrainian imports of some industrial goods



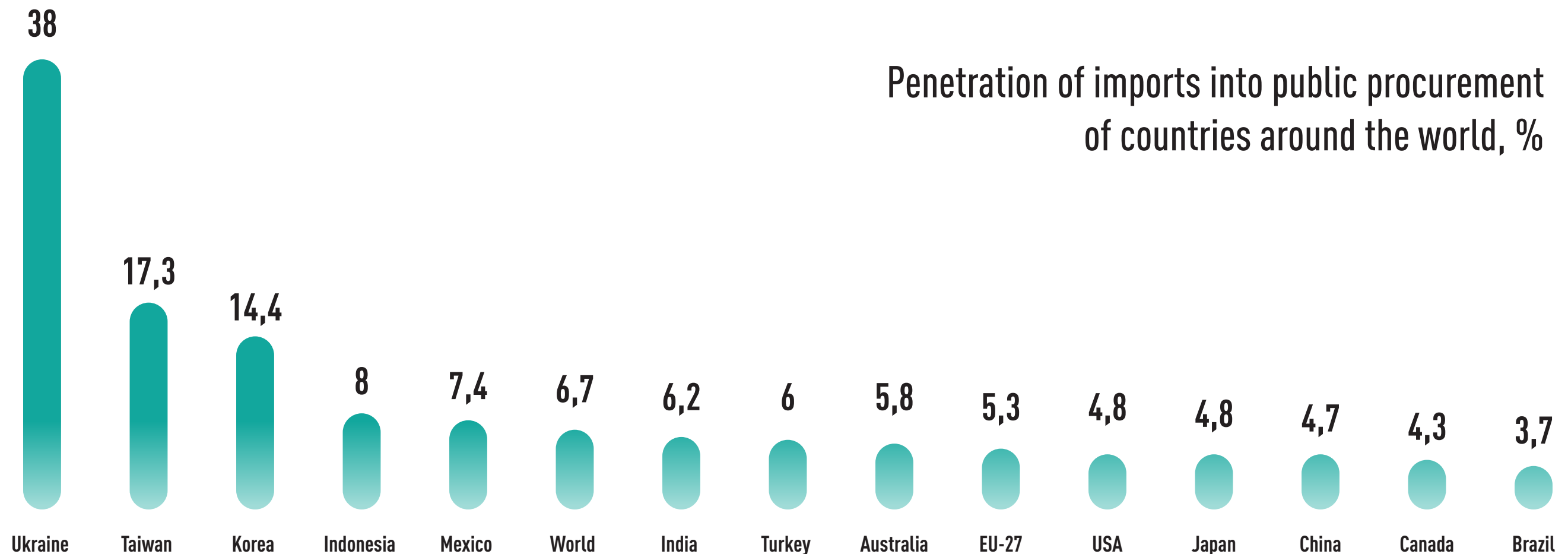
Source: State Statistics Service of Ukraine

# PUBLIC PROCUREMENT AND STATE EXPENDITURES

One of the highest import penetration rates in the world

This means that a huge potential for the development of domestic production is lost

The public procurement market in Ukraine accounts for about 13% of GDP every year. The nominal GDP of Ukraine in 2021 amounted to UAH 5.46 trillion, which means the current public procurement market in Ukraine is estimated at UAH 700 billion. Therefore, the state spends approximately UAH 266 billion on imported goods.





# The state will spend **UAH 241.6 billion** on machine-building products over the next 5 years

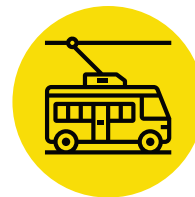
In Ukraine, there are about 4,000 machine builders and manufacturers of components capable of covering the country's needs for machine building products

## Estimated needs for 5 years:

## \$9 143.7 million



**Tram cars**  
964 units — \$ 1240,4 million



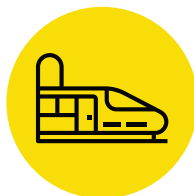
**Trolleybuses**  
1204 units— \$ 287,7 million



**Public buses**  
282 units— \$ 20,7 million



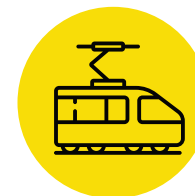
**Freight railcars**  
8670 units— \$ 382,5 million



**Passenger railcars**  
300 units — \$ 1307,4 million



**Railway locomotives**  
245 units— \$ 1268,4 million



**Electric trains**  
77 units— \$ 566,2 million



**Diesel trains**  
37 units— \$ 240,8 million



**Fire engines**  
3500 units— \$ 1286,8 million  
of which 500 by the end of the year



**Utility and special equipment**  
2000 units— \$ 899,0 million



**Power equipment**  
30 000 units— \$ 1603,5 million



**Road equipment**  
1 200 units— \$ 40,3 million

# RESTORATION OF THE DAMAGED HOUSING STOCK

This will create a huge demand for construction materials and related products

As of June 1, the required reconstruction area is about 14 million m².

In 2021 prices, it is approximately 6,5 billion USD. The following is required:

Product	Quantity	Cost, million USD	Country of origin (as of 2021)
Reinforcement bars	1.14 million tons	1140,2	Ukraine
Bricks	2.85 billion pieces	817,1	Ukraine
Concrete	10.6 million m3	618,7	Ukraine
Glass (for windows)	5.97 million m2	102,5	russia
Equipment for boiler houses	-	133,5	Ukraine/Europe (20/80)
Elevators and equipment	3.11 thousand units	225,4	Europe
Cement mortar	3.22 million m3	212,1	Ukraine
Doors	417 thousand pieces	123,8	Ukraine
Ceramic tiles	5.3 million m2	93,3	Ukraine
Paints	10.1 million liters	63,4	Ukraine
Cables	61.1 million linear meters	53,7	Ukraine
Pipes and tubes (plastic)	23.0 million linear meters	53,5	Ukraine

Product	Quantity	Cost, million USD	Country of origin (as of 2021)
Sanitary ware	653 thousand sets	36.6	Ukraine
Rolled metal products	16.9 thousand t	33.8	Ukraine
Asphalt concrete	307 thousand t	31.9	Ukraine
Crushed stone	610 thousand m2	26.2	Ukraine
Pipes and tubes / connections (cast iron)	1.47 million inear meters	26	Europe
Power tools	-	22.5	Ukraine/Europe (35/65)
Electrical equipment	49.8 thousand units	22.8	Europe
Rubber coating	467 thousand m2	21.7	Europe
Sand	1.25 million m3	53.7	Ukraine
Pipes and tubes (steel)	2.72 million linear meters	14.6	Ukraine
Access control systems	12.5 thousand units	3.4	China
Other		2,525.3	Ukraine/Europe/China (75/15/10)

# SUBSTITUTION OF IMPORTS FROM RUSSIA AND BELARUS

The ban on imports to the Ukrainian and Western markets creates demand for goods that can be produced in Ukraine

The potential for Ukraine to replace the products of the manufacturing industry of the rF and the rB on the Western markets is **\$25.5 billion per year**

Product	Deliveries to Western markets in 2021	Cost
<b>Ferrous metals</b>	rB	rB
semi-finished products and flat rolled products from carbon steel, rods, bars, profiles, carbon steel wire, and cast iron	980,9 thousand t	\$750,9 million
	ruSSIA	ruSSIA
	9,52 million t	\$7,84 billion
<b>Woodworking industry products</b>	rB	rB
sawn lumber, plywood, fiberboard, and chipboard	831,0 thousand t	\$469,0 million
	ruSSIA	ruSSIA
	8,26 million t	\$3,79 billion
<b>Chemical fertilizers</b>	rB	rB
urea, nitrogen fertilizers, and potassium chloride	2,22 million t	\$817,9 million
	ruSSIA	ruSSIA
	7,41 million t	\$2,87 billion
<b>Polymer materials</b>		
polyethylene, polypropylene, and propylene polymer products	ruSSIA	ruSSIA
	499,4 thousand t	\$724,6 million
<b>Rapeseed oil</b>	ruSSIA	ruSSIA
	374,8 thousand t	\$ 441,5 million

Source: Eurostat (European Bureau of Statistics); UN Comtrade database of UN statistics for international trade

The potential for substitution of russian and rB imports to Ukraine reaches **\$10.9 billion per year**

Product	Deliveries to Western markets in 2021	Cost
<b>Oil products</b>	rB	rB
gasoline, diesel fuel, and fuel oil	3,92 million t	\$2,31 billion
	ruSSIA	ruSSIA
	2,21 million t	\$1,25 billion
<b>Chemical fertilizers</b>	rB	rB
fertilizers with nitrogen, phosphorus, and potassium	1,43 million t	\$531,3 million
<b>Polymer materials, plastics</b>	rB	rB
polystyrene, polypropylene, and plastic construction products	129,4 thousand t	\$99,8 million
	ruSSIA	ruSSIA
	116,9 thousand t	\$225,6 million
<b>Non-wired glass</b>	rB	rB
	86,7 thousand t	\$27,6 million
	ruSSIA	ruSSIA
	143,1 thousand t	\$63,8 million
<b>Organic solvents and thinners,</b>		
ready-made mixtures for removing varnishes and paints	ruSSIA	ruSSIA
	499,4 thousand t	\$724,6 million

Source: State Statistics Service of Ukraine.



# Creation of a modern manufacturing industry



570 FACTORIES



\$ 90 BILLION INVESTMENTS

\* excluding the military-industrial complex enterprises

## Manufacturing factories, expedient for construction in Ukraine:

	Investments, USD million	Number of factories, pieces
Raw material processing:		
Grain processing	14 570	126
Oilseed processing	3 900	33
Metallurgical plants *	22 200	13
Metalworking plants	3 400	11
Woodworking factories	550	10
Production of titanium goods	650	4
Production of lithium goods	970	2
Production of ceramic and sanitary ware	850	9
Smart import substitution:		
Oil products' manufacturing	7000	2
Production of pesticides	1200	2
Production of sheet glass	350	1
Production of tractors and harvesters	150	1
Production of trucks and components	600	5
Production of paper	950	1
Production of other industrial goods		
for the domestic market and for export of automotive industry products, pharmaceuticals, chemicals and petrochemicals, household appliances and electronics, furniture, etc.	32 660	>350
Total	90 000	>570

# Tools and mechanisms for creating a manufacturing industry

Key tools	Effect
INSURANCE OF MILITARY RISKS	
MIGA Investment Guarantee Fund	International level investment protection, investors will consider Ukraine as a destination for investments even in conditions of high risks
FINANCING	
Development Bank	Cheap and long-term money, primarily for the manufacturing industry
Opening of limits at foreign ECA	Cheap money for basic production equipment that is not manufactured in Ukraine
Capital amnesty	Additional financial resource
CONNECTION TO UTILITY NETWORKS	
Compensation for connection to utility networks	Reducing the costs and risks of investors in the manufacturing industry, increasing the attractiveness of new industrial investments
PROMOTING INVESTMENTS IN MANUFACTURING AND SHORTENING THE TIME OF ACCESS TO THE MARKET	
Industrial parks	Reduction of capital costs, "time to market", risks, and tax burden for industrial investors
Compensation of the unified social contribution to employers	Reduction of tax burden, increase of chances for saving and creation of jobs, and unshadowing of employment
Compensation of up to 100% of capital investments	Saving money for investors on taxes, increasing profitability, and accelerating the payback of projects in the field of manufacturing industry

# Tools and mechanisms for creating a manufacturing industry

Key tools	Effect
STIMULATION OF DOMESTIC DEMAND	
Public procurement with localization	Enlarging the domestic market and guaranteed orders for manufacturing industry enterprises in Ukraine
Compensation of a part of the cost / State leasing of the locally made industrial products	Additional domestic demand for industrial products and guaranteed orders for manufacturing industry enterprises in Ukraine
LIMITATION OF THE RAW MATERIAL EXPORT	
Abolition of VAT refunds for raw material exports	Falling prices for raw materials at the domestic market, increasing the profitability of processing raw materials into finished products
Revision of customs tariffs in the interests of manufacturers	It will be less profitable to export raw materials and more profitable to produce goods out of them and export these finished products
PROMOTION OF EXPORT OF FINISHED PRODUCTS	
Export financing	Increasing the competitiveness of manufacturers in foreign markets
Removal of tariff and non-tariff restrictions on access to export markets of finished products	Facilitation of access to foreign markets for Ukrainian manufacturers, growth of production and non-raw material exports
Trade diplomacy of the top officials	Opening foreign sales markets through personal contacts of the top officials of the state
"THE RULES OF THE GAME" STABILITY GUARANTEE	
Recognition of the jurisdiction of Great Britain and Singapore in disputes between investors and the state	Protection of assets and reduction of investors' risks, guarantee of compliance by the state with the "rules of the game"
Smart deregulation	Reduction of money and time costs for the business



# Quick steps expedient to be taken in the short term

## Guaranteed government orders for domestic enterprises

**Energy engineering:** transformers, power equipment spare parts, and turbines

**The State Emergency Service of Ukraine:** fire, emergency and rescue, and special equipment

**Ukrzaliznytsya:** railway rolling stock, locomotives

**Utility and special machinery and equipment**

*Redistribution of the state defense order to the private sector*

*Direct contracts with advance payments without tender procedures*

## Agro-industrial complex



Implementation of the program to stimulate agricultural processing through the purchase of equipment for processing agricultural products with localization of operations in Ukraine



Restoration of payments under the program of partial compensation to farmers for the cost of domestic machinery and equipment for the agricultural sector



Privatization of agricultural infrastructure objects: distilleries, grain processing plants, and grain elevators

## Public transport

Stimulation of development of the environmentally-friendly transport sector

Restoration of the sectorial program City Public Transport

Practical implementation of the possibility to use a 15% price preference for a tender subject in accordance with the EIB rules (development of recommendations / explanations)

## Energy infrastructure

- recovery through the creation of preferences for Ukrainian goods over the foreign ones
- railway electrification

## Localization in public procurement

Implementation of Law No. 1977 on localization

Expansion of the list of goods requiring localization in public procurement

- Introduction of **leasing programs**
- Modification of the **5-7-9** program to intensify lending to industrial enterprises
- **Activation of the ECA** (1. increase of the ECA authorized capital to UAH 10 billion; 2. launch of the interest compensation program for loans for the implementation of export contracts and financing of importers of Ukrainian products (500 million per year); 3. launch of export factoring)
- **Changing the purpose of the land** from agricultural and communications land to the industrial one – free of charge, according to the declarative principle

## Quick steps expedient to be taken in the short term

Revision of CMU resolutions 590 and 162

Revision of the CMU program regarding the financing of greenhouses – in particular the redistribution of funds to programs for compensation of the cost of agricultural machinery, renewal of public transport, etc.

A complete ban on imports from rB and russia

Involvement of companies that left russia (Mercedes, etc.) in Ukraine

Introduction of requirements regarding the use of at least 80% of Ukrainian construction materials and labor in the reconstruction of housing stock and social and industrial infrastructure, which is carried out with government funds

Retention of the anti-dumping duty on Turkish cement to preserve and boost the production capacities for cement in Ukraine and the introduction of the anti-dumping duty on Chinese cables

Preservation of the moratorium on the export of round timber until 2050 and the adoption of the Law of Ukraine On the Forest Market with the aim of guaranteeing the supply of raw materials to woodworking enterprises in Ukraine and replacing russian and rB woodworking products on the EU markets with the Ukrainian ones. Arrangement of a single forest company

Diversification of nuclear fuel supplies (USA, France) and increased participation in its production

Regulation of tariffs of monopolies taking into account the impact on generators of products in the manufacturing industry

### During the period of martial law:

Separate procedure for crossing **the border by non-reserved conscript workers to go on business** trips for the fulfillment of foreign trade contracts

Resolution of **problematic issues of reservation** for conscript employees

Simplification of the procedure to obtain authorization documents for the right to use subsoil for processing in Ukraine

Assessment of financing needs	Total	2023	2024	2025	...	2032
Forecast for investments in the construction and modernization of factories, million USD	90 000	4 000	5 000	6 000	...	15 000
Estimate of funds under incentive tools, million USD						
MIGA Investment Guarantee Fund	5 000	222	278	333	...	833
*Portfolio guarantees of MFI (50% coverage of the amount of loans from commercial banks)	20 250	900	1 125	1 350	...	3 375
Development Bank	11 498	180	405	594	...	2 233
- Compensation of 10% (percentage points) of the loan rate						
- Capitalization of the bank for the purpose of lending projects in the manufacturing industry	14 000	1 000	1 250	1 500	...	1 875
Industrial parks (arrangement and connection to utility networks)	500	125	125	84	...	-
Compensation for the cost of connecting to utility networks	6 300	280	350	420	...	1 050
Target Program for the procurement of domestic sophisticated industrial equipment by the state (aircrafts, ships, firefighting machinery and equipment, etc.)	510	30	30	40	...	80
State program to support agricultural producers through partial compensation of the cost of domestically produced agricultural machinery and equipment	600	60	60	60	...	60
ECA for insurance and crediting of non-raw materials exports	1 410	300	100	100	...	150
Export Development Fund:	200	10	10	15	...	30
- compensation of part of the SMEs' costs for exhibition activities						
- compensation of part of the product certification costs for SMEs	130	5	5	10	...	25
Innovation Development Fund: co-financing of national R&D in the field of new industrial models, solutions for environmental protection, energy efficiency, digitalization, etc.	150	5	5	10	...	25
The need for financing with public/donor funds	43 415	5 960	7 134	3 166	...	6 361
including non-refundable funds	19 378	665	960	1 193	...	3 423



# Basic model and sources of project financing in the manufacturing industry

## Basic structure of project financing in the manufacturing industry:

THE AMOUNT OF INVESTMENTS IS



**\$ 90 billion**

without taking into account the costs of connecting to utility networks

TERM



**10 years**

FINANCIAL LEVERAGE



**70:30**

ratio of loan and equity capital

**70%**

### LOAN CAPITAL

**Commercial and investment banks (loans)**

**Multilateral development banks**

EBRD, WB, IFC, EIB (loans, A/B loans, portfolio guarantees)

**National Development Bank**

**Foreign ECAs**

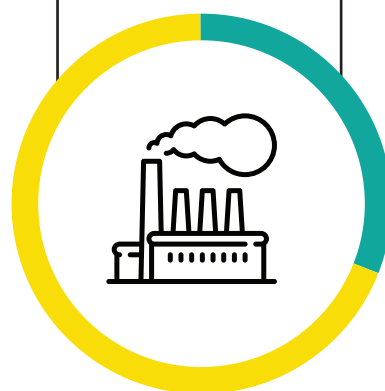
**Institutional investors**

– pension funds, insurance companies

**Equipment suppliers**

leasing, commodity loans

## NEW FACTORY



**30%**

### EQUITY CAPITAL

**Domestic and foreign investors**

industrial companies, developers, and equipment manufacturers who will implement the project

**Ukrainian and foreign investment funds**

**Sovereign funds of other countries**

## STATE SUPPORT

**Budget funds, credit funds**

**Donor funds, assets of Russia + reparations**

(including funds from legal entities – private law)

**EU Solidarity Fund for the Reconstruction of Ukraine, partner countries**

through their foundations or support programs

**MFIs**

# Necessary steps to attract financing and create proper investment conditions

Conducting negotiations with:

- 1 The EU and partner countries with the participation of the MFIs** regarding the structure and directions of the use of funds from the EU Solidarity Fund for the Reconstruction of Ukraine for the industrial development sector
- 2 Partner countries and their national development banks,** export credit agencies, sovereign funds, pension funds, insurance funds, and potential investors regarding intentions to invest (provide resources) in Ukraine, in particular in the industry sector
- 3 IFIs and commercial banks** regarding their potential credit portfolio, priorities, and terms of crediting investment projects in the industry sector
- 4 MIGA, the World Bank, and IFC** regarding the involvement of their experts in the development and introduction of the Fund for the Insurance of Political Risks of Repeated Military Actions or Terrorism (similar to the Israeli one)

# Implementation of the plan will ensure sustainable economic growth, employment, and an increase in state revenues

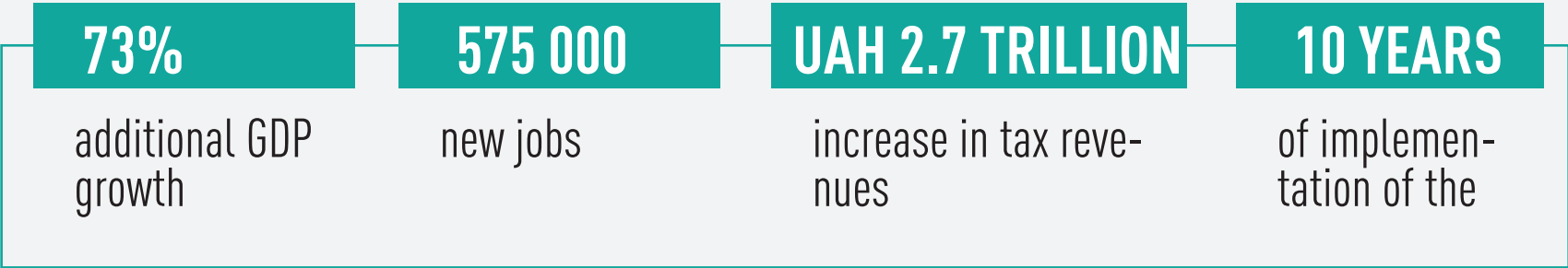
## CUMULATIVE EFFECT.

The combination of macroeconomic effects from the state's stimulation of investments in new production facilities and support for existing ones will ensure the following indicators of additional growth of the Ukrainian economy:

- + 73,2% of GDP (\$133.0 billion in 2020 prices)
- + 108,3% Output
- + 158,1% Industry
- + 44,9% Services
- + 368,1% Construction industry
- + 6,3% Agriculture
- + 138,2% Export
- + 100,0% Import
- + 575 000 Employment – new jobs
- + 81,5% Labor wage fund (general across the country)
- + 58,1% Profit of enterprises

Tax revenues (net effect) – **UAH 384.2 billion** (52.7% of the 2020 level).

The total effect of the increase in tax revenues (2023-2032) will reach **UAH 2.7 trillion**.



Distribution of additional GDP growth of Ukraine by year based on initial modeling data for 2023–2032										
A total of USD 113.9 billion										
billion USD	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Stimulation of investments in new production facilities	3,41	4,26	5,11	5,97	6,81	7,67	9,37	10,23	11,08	12,78
Support of existing production facilities	6,70	7,07	7,72	7,72	5,91	0,35	0,39	0,39	0,44	0,46
Total	10,11	11,33	12,83	13,69	12,73	8,02	9,76	10,62	11,52	13,24

## Modeling of the economic effects from the state stimulation of the development of new production facilities and the state support of the existing ones in Ukraine until 2032:

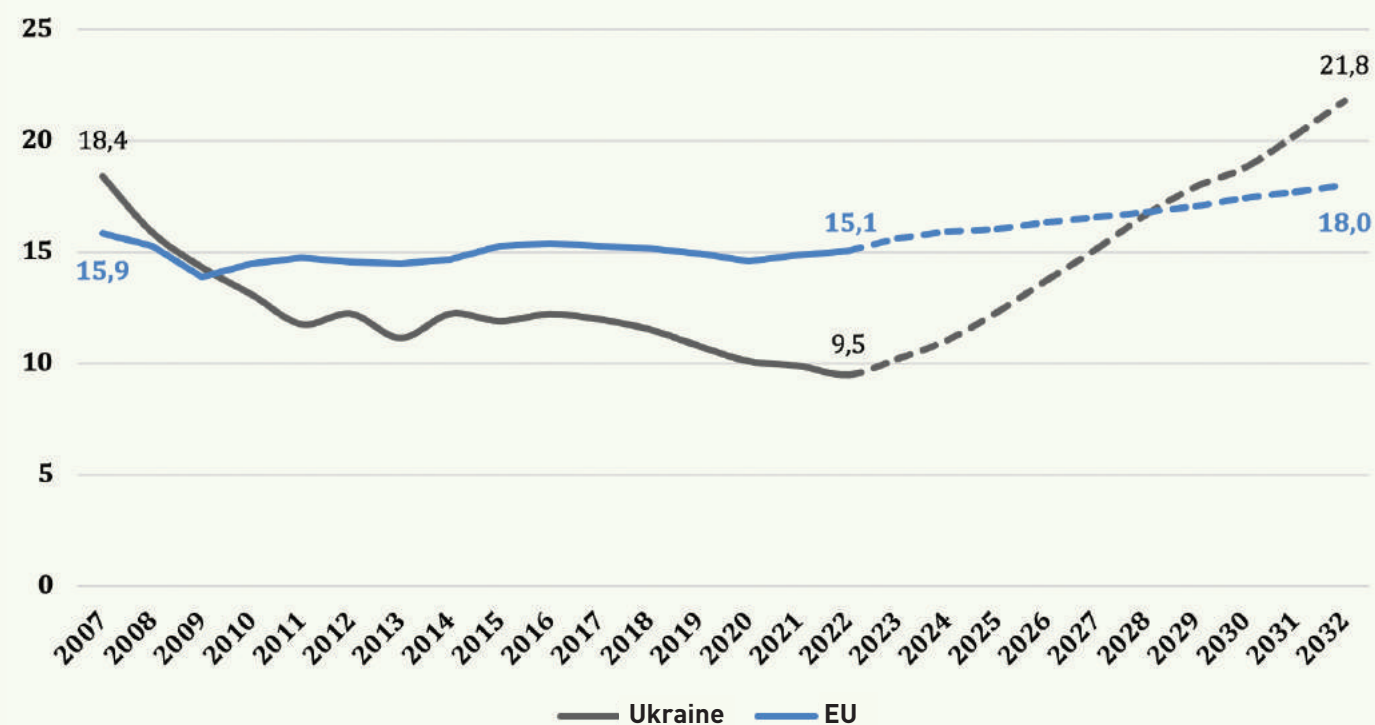
- The modeling of the effect from the state stimulation of the development of new production facilities in Ukraine is based on the inflow of \$90 billion of investments into the manufacturing industry over a ten-year period. To estimate the effects, tables of the inter-industry "expenditure-output" balance for 2020 were used (all effects are given in prices and at the exchange rate of 2020). The estimate is based on the assumption that the share of investments in fixed capital will be 80% of the expected capital investments.
- The assessment of the economic effects from the state support for existing production facilities is given using the EOT for 2020 (determining the effect of large-scale construction and localization in public procurement, implementation of state programs) and the GTAP model (estimation of the effects of cheaper lending and export insurance, partial compensation of the cost of agricultural machinery and equipment, reimbursement of expenses for exhibition and fair activities, etc.). Total amount of the state support is \$30 billion.

The modeling was carried out by CMD-Ukraine in cooperation with the State Scientific Research Institute for Informatization and Economic Modeling.



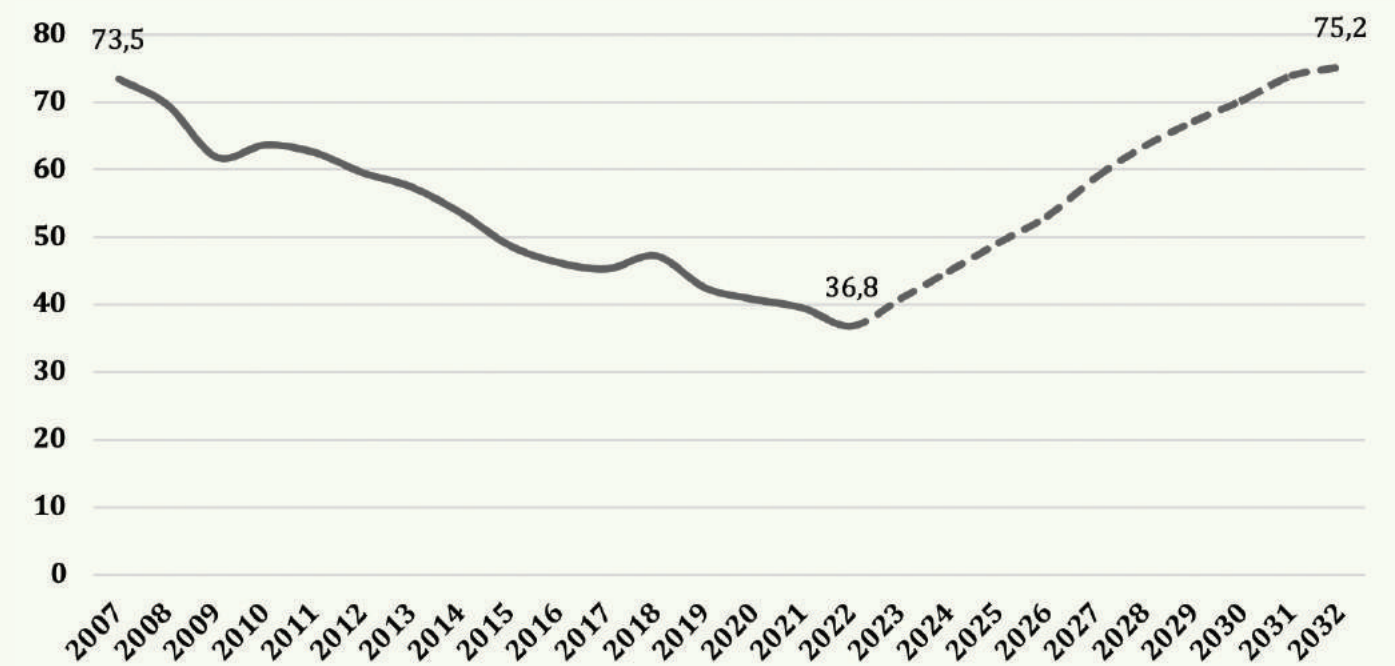
# Implementation of the plan is a real economic European integration of Ukraine

It will ensure the growth of the manufacturing industry share in GDP to the level of the OECD benchmark of **20 – 25%**



Expected dynamics of the manufacturing industry share in the formation of the GDP of Ukraine and the countries of the European Union according to the simulation results, 2023–2032, %

It will ensure the increase of the manufacturing industry share in Ukrainian exports to the European level



Expected dynamics of the share of manufacturing industry products in commodity exports of Ukraine according to the simulation results, 2023–2032, %

Source: UNCTAD – Merchandise trade matrix in thousands United States dollars, annual; author's calculations based on the simulation results.

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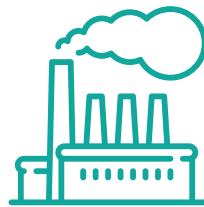
# MANUFACTURING INDUSTRY

Economic growth, employment, and a capable state



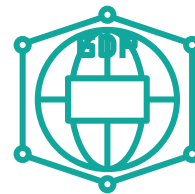
**\$ 90 billion**

investments



**570**

manufacturing  
plants



**73%**

additional GDP  
growth



**575 000**

new jobs



**UAH 2.7 trillion**

of additional taxes

**SET OF ECONOMIC DEVELOPMENT TOOLS**