



Ukraine: your new Shared Service Centre destination

Looking for a new location?
We can help

June 2019

KPMG in Ukraine



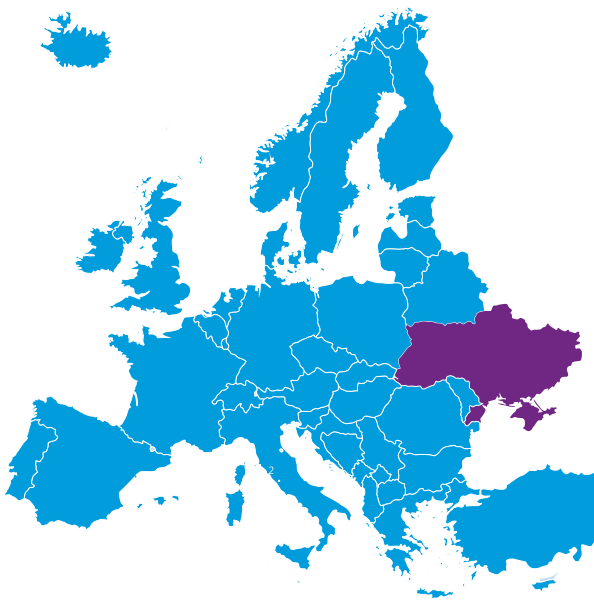
At KPMG, we believe that Ukraine is an attractive destination for investors looking for a location for a new shared service centre (SSC) or business process outsourcing (BPO) operation. Ukraine's location, within two hours journey time of most European capitals, its highly-qualified labour force, low-cost utilities and extensive transport infrastructure, mean that Ukraine is already the country of choice for IT outsourcing, with more than 500 outsourcing companies and 100 global R&D centres operating in the country.

Whether you are an investor considering locations for your accounting, finance, internal audit, IT or R&D SSC/BPO, or an existing operator seeking to expand, this report provides a clear overview of the opportunities, along with critical information on legal matters relating to doing business in Ukraine.

Andriy Tsybmal
Managing Partner
KPMG in Ukraine



Market insights: Ukraine in figures



In recent years, Central and Eastern Europe (CEE) has enjoyed dynamic growth and has become a key destination for SSCs, but Ukraine has been lagging behind the more mature markets, such as Poland and the Czech Republic in attracting business. However, as costs in those territories rise and skilled labour is becoming scarce, companies are increasingly focusing on Ukraine as a destination for their SSC, as it offers a highly educated and motivated young workforce at a fraction of the costs of European and CEE countries.

In 2017 Ukraine and the EU signed an Association Agreement (DCFTA), which commits the parties to co-operate and converge economic policy, legislation and regulation, across a broad range of areas, including equality of workers' rights, visa-free movement of people, and the modernisation of Ukraine's infrastructure.

Ukraine has committed to conform gradually to EU technical and consumer standards. This will further strengthen Ukraine's already prominent position as a location for IT outsourcing and help drive the transfer of BPO operations and labour-

Economy



USD 347
Average monthly
income (2019)



3.4%
Real GDP growth
(Q4 2018)



9.3%
Unemployment
(Q4 2018)



USD 2,991.63
GDP per capita
(2017)

Population



42 million
Population



1.3 million
Students in higher
education (2018)



99.7%
Literacy rate



79%
Higher education

Source: State Statistics Service of Ukraine, Trading Economics

intensive manufacturing plants from more expensive locations. Already, many multinational companies have a significant presence in Ukraine and benefit from high quality operations with a lower cost structure.

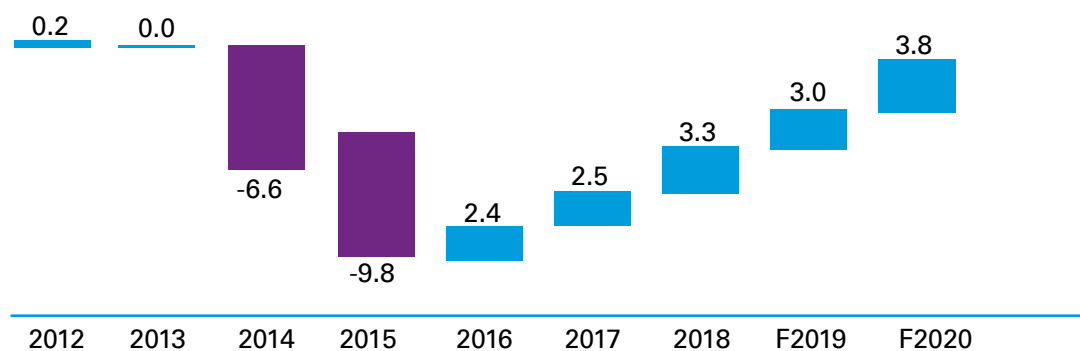
Macroeconomic overview

Ukraine's economy has been steadily recovering from the economic decline in 2014- 2015 following the start of the conflict with Russian-backed separatists in Eastern Ukraine. GDP grew by 2.5% in 2017, 3.3% in 2018 and is expected to grow by 3.0% in 2019. Driven by comprehensive economic reforms and of

its highly educated low-cost workforce, Ukraine is expected to achieve higher rates of economic growth in the coming years. Its sizeable local market and the ongoing integration with the EU make Ukraine a promising investment destination.

Real GDP

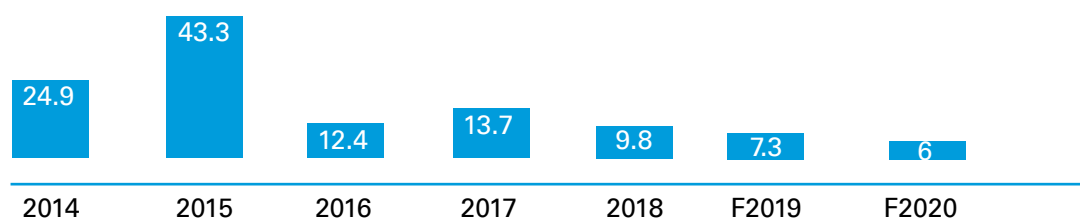
2012-2020
y-o-y %



Source: State Statistics Service of Ukraine

Inflation

2014-2020
y-o-y %



Sources: National Bank of Ukraine, IMF

Improving investment climate

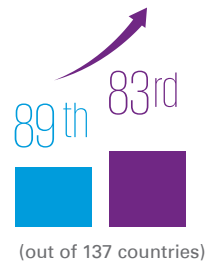
In recent years, Ukraine has made significant progress in improving its investment policy framework and has introduced reforms to ease the business climate and attract investors.

● 2017 ● 2018

Source:

¹ WEF – Global Competitiveness Report

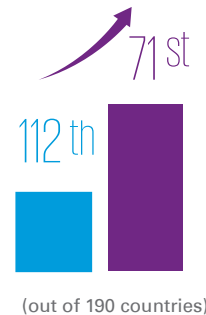
² Moody's – Sovereign Debt Rating



Global Competitiveness Index ¹



Moody's Sovereign Debt Rating ²



World Bank, Doing Business Report 2019

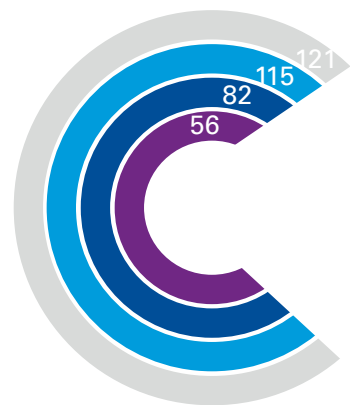
Improving business climate

The Doing Business Report, published by the World Bank assesses business regulation, bureaucracy, and protection of property rights.

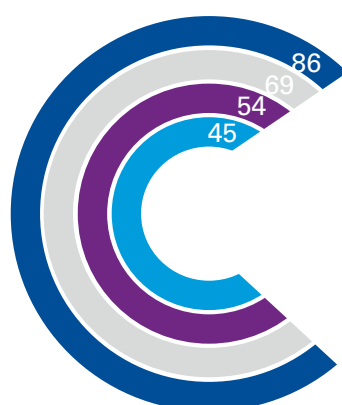
● 2014 ● 2019



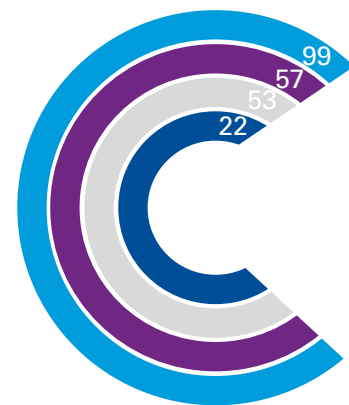
Starting a Business



Paying Taxes



Enforcing Contracts



● Ukraine ● Hungary ● Czech Republic ● Poland

Shared Service Centre: why Ukraine



Ukraine is already the country of choice for IT outsourcing: more than **500 outsourcing companies** and **100 global R&D centres** have launched their operations in the country.



The Ukrainian economy has embarked on a steady recovery since mid-2015. The economy has grown robustly for the last three years and inflation is coming steadily down.

Source: National Bank of Ukraine



Ukraine is 71st out of 190 countries in the World Bank's Doing Business Report 2019. **Higher rankings indicate better, usually simpler, regulation for businesses and stronger protection of property rights.**

Source: World Bank, Doing Business Report 2019

Top-5 shared services centres in Ukraine

Company	Industry	Location in Ukraine	Country of Origin	Services	Approximate Headcount	Foundation Year
NESTLE	Food processing	Lviv	Switzerland	Financial services	>1000	2010
AB-InBev	Food processing	Kharkiv	Belgium	Logistics, procurement, HR and financial services	>500	2009
PwC Service Delivery Center	Professional services	Lviv	United Kingdom	Audit, tax and advisory services	<500	2018
KOSTAL	Automotive	Pereyaslav-Khmelnytsky	Germany	Financial services, procurement, sales, R&D	n/a	2006
Gruma EMEA SSC	Food processing	Cherkasy	Mexico	Financial services	n/a	n/a

Source: Official companies' websites



Ukraine is an attractive destination for investors looking for a location for a new shared service centre (SSC) or intending to launch business process outsourcing (BPO) operations.

Source: Ministry of Economic Development and Trade of Ukraine



Ukraine. Open for U



Kyiv and Lviv were ranked 5th and 8th as the most cost-effective cities in the world in the latest review by fDi Intelligence.

Source: fDi Intelligence

Proximity to your business



Ukraine sits at the crossroads of important trade routes. It takes just **2 hours to fly to Ukraine** from most European capitals.



With 72 new routes announced in 2018, Ukraine was one of the **20 fastest growing aviation markets**

Source: anna aéro



A record-breaking **20.5 million passengers** travelled through Ukrainian airports in 2018, a 24.5% increase on 2017, which was itself a record year.

Source: The Minister of Infrastructure of Ukraine



More than 70 new flight destinations from six Ukrainian airports in 2018

Source: anna aéro



Citizens of the European Union, United States, Canada, UAE and many other countries can visit Ukraine visa-free for up to 90 days in every 180

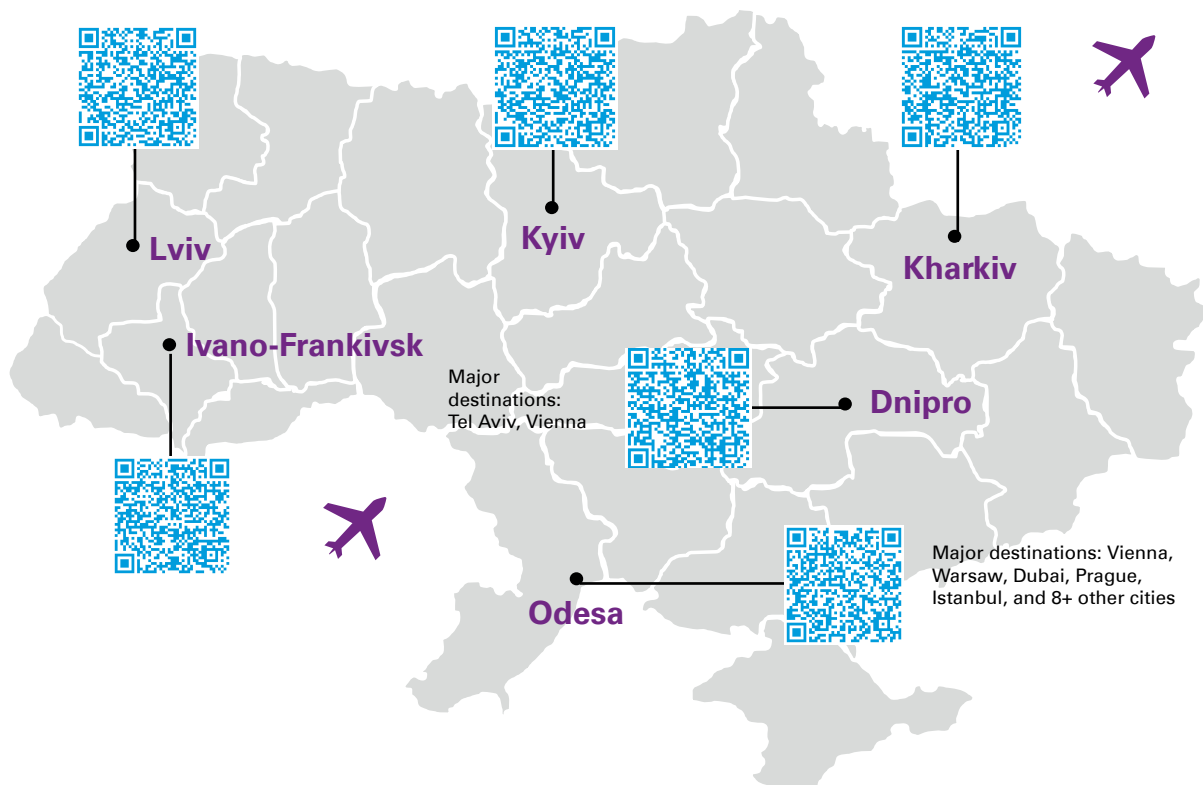
Source: The Ministry of Foreign Affairs in Ukraine

Potential SSC locations are well connected

Major destinations: Vienna, Istanbul, Munich, Warsaw, Rome, Madrid, Tel Aviv, and 15+ other cities

Major destinations: Munich, London Heathrow, Warsaw, New York, Amsterdam, Paris, Doha, Istanbul, and 70+ other cities

Major destinations: Warsaw, Vienna, Milan, Istanbul, and 5+ other cities



Human capital



Ukraine is ranked **50th of 157 countries** in the World Bank's Human Capital Index. The Index quantifies the contribution of health and education to the productivity of the next generation of workers.

Source: World Bank Human Capital Index



More than 14 million people with higher education

Source: State Statistics Service of Ukraine



About 400,000 graduates every year



Ukrainian students are bilingual (Ukrainian/Russian). More than half also speak English (a mandatory subject from primary school), German, French or Polish.

Educational statistics by selected region in 2017/2018

Region	University	Students	Graduates
Kyiv Region	97	363k	100k
Lviv Region	43	121k	32k
Kharkiv Region	64	171k	45k
Odesa Region	40	105k	29k
Dnipro Region	55	112k	31k

Source: State Statistics Service of Ukraine

Labour cost

Poland/Czech Republic

Ukraine



Based on the minimum monthly salary in 2019 in Poland (USD 591), Czech Republic (USD 585), Ukraine (USD 156).

Cost of living

According to MoveHub, Ukraine is the most affordable country in Europe in terms of living costs, and is among the top-10 cheapest countries globally, with only Egypt and Pakistan being more affordable. While Kyiv, the country's capital, is the most expensive place to live in the country, the cost of living is still very low by international standards.



Net salaries

Vacancy		Kyiv	Kharkiv	Lviv	Dnipro	Odesa
Accountant	0-2 (years)	\$333.30	\$235	\$303	\$270	\$300
	2-5 (years)	\$555.50	\$335	\$424	\$405	\$580
	5+ (years)	\$1,037	\$555	\$740	\$540	\$780
Customer support	0-2 (years)	\$300	\$300	\$307	\$243	\$263
	2-5 (years)	\$555.50	\$370	\$423	\$324	\$355
	5+ (years)	\$900	\$590	\$523	\$529	\$610
SMM	0-2 (years)	\$296	\$260	\$216	\$216	\$314
	2-5 (years)	\$555.50	\$410	\$405	\$405	\$456
	5+ (years)	\$1,100	\$635	\$675	\$540	\$555
HR	0-2 (years)	\$300	\$260	\$278	\$256	\$370
	2-5 (years)	\$570	\$370	\$507	\$324	\$555
	5+ (years)	\$1,350	\$1,000	\$800	\$832	\$770
Financial analyst	0-2 (years)	\$296	\$260	\$370	\$370	\$270
	2-5 (years)	\$550	\$350	\$632	\$505	\$490
	5+ (years)	\$1,500	\$400	\$921	\$740	\$980
HelpDesk	0-2 (years)	\$296	\$300	\$470	\$416	\$414
	2-5 (years)	\$550	\$420	\$624	\$770	\$650
	5+ (years)	\$872	\$700	\$1,086	\$900	\$913
System Administrator	0-2 (years)	\$470	\$400	\$700	\$524	\$600
	2-5 (years)	\$900	\$600	\$1,300	\$705	\$1,200
	5+ (years)	\$1,600	\$750	\$1,800	\$975	\$1,800
Contact Centre Specialist	0-2 (years)	\$320	\$240	\$211	\$268	\$250
	2-5 (years)	\$530	\$370	\$324	\$370	\$378
	5+ (years)	\$920	\$600	\$505	\$505	\$580
Project manager	0-2 (years)	\$520	\$405	\$337	\$600	\$400
	2-5 (years)	\$700	\$540	\$540	\$1,365	\$550
	5+ (years)	\$1,100	\$810	\$675	\$1,650	\$1,000
Legal specialist	0-2 (years)	\$250	\$243	\$324	\$225	\$250
	2-5 (years)	\$450	\$253	\$405	\$410	\$410
	5+ (years)	\$820	\$324	\$540	\$740	\$700
QA	0-2 (years)	\$370	\$324	\$324	\$400	\$370
	2-5 (years)	\$670	\$405	\$405	\$1,235	\$630
	5+ (years)	\$1,500	\$459	\$486	\$1,850	\$1,200
Recruiter	0-2 (years)	\$290	\$243	\$243	\$275	\$290
	2-5 (years)	\$480	\$405	\$297	\$370	\$480
	5+ (years)	\$670	\$540	\$351	\$445	\$650
Office manager	0-2 (years)	\$270	\$189	\$190	\$215	\$270
	2-5 (years)	\$350	\$270	\$220	\$300	\$350
	5+ (years)	\$450	\$405	\$270	\$370	\$460

Infrastructure



Well connected to major European and US cities



The 4th largest railway network in Europe

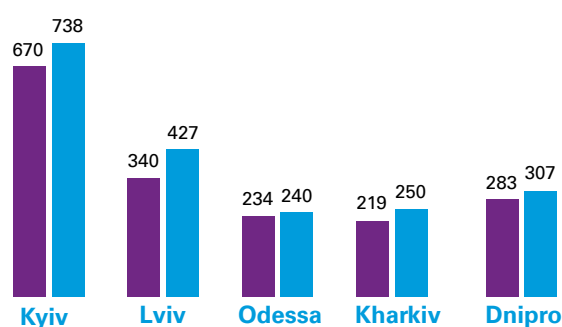


Quality office space is available for BPO/SSC operations

Key trends

The strengthening demand for prime space has been driven by continued growth in the IT sector and BPO operations. The resulting low vacancy levels and upward pressure on prime rents, means that developers are increasingly considering new projects in major cities in Ukraine. In Kyiv and Lviv several larger-scale office developments are already in construction.

Current and forecast office stock for major regional cities per 1,000 inhabitants*



● Current stock per 1,000 inhabitants

● Forecast stock per 1,000 inhabitants in 2020

Source: Cushman & Wakefield, State Statistics Committee of Ukraine

* Q1 2019

Key office property market indicators in major cities in Ukraine, Q1 2019

Cities	Total office stock (m ²)	Prime base rent, \$/m ² /month	Office vacancy (%)
Kyiv	1 948 480	22-30	6.7%
Lviv	254 000	14-19	1.7%
Odessa	233 230	14-17	2.1%
Kharkiv	312 300	14-18	0.9%
Dnipro	279 570	12-15	1.9%

Source: Cushman & Wakefield

Regulatory framework

Ukraine's taxation system ranks 54th out of 190 countries in the World Bank's Doing Business Report

One-Stop-Shop – open a business in 2-3 days

Starting a business in Ukraine is easy. There is a One-Stop-Shop for corporate registration. Local councils, local state administrations and notaries, can all set up a business for you, for as little as EUR18.



A Limited Liability Company (LLC) can be registered in 2-3 business days (including registration with fiscal, statistics and social security authorities, and setting up a bank account). There is no minimum share capital requirement for an LLC. Founders of an LLC should contribute 100% of the declared share capital within one year of the date of incorporation.

An LLC can be entirely owned by foreign investors (there are limited restrictions for companies engaged in the media and agricultural sectors).

Favourable tax rates for business



Corporate Income Tax (18%)

Value Added Tax (20 %)

Personal Income Tax (19,5 % including a temporary 1.5% military tax)

Unified Social Security Contribution (22%) capped at the level of 15 minimum wages (UAH 62,595)

Transfer pricing policies similar to OECD countries



Transactions with non-resident related parties are deemed to be controlled from a transfer pricing perspective if the annual income of a taxpayer from any activities exceeds UAH 150 million in a reporting year.

Employment regulation



Whilst protecting workers' rights, the Ukrainian Labour Code is flexible and allows investors and employers to reorganise their business in the event of changes to the business environment or exit from the Ukrainian market.

The length of the working week should not exceed 40 hours and employees are entitled to annual leave of at least 24 calendar days.

The minimum monthly salary is UAH 4,173 (about USD 156).

Contacts

If your business is interested in setting up an SSC/ BPO operation in Ukraine please feel free to contact us. We would be delighted to provide you with more detailed information.

Key contacts at KPMG in connection with this report are:



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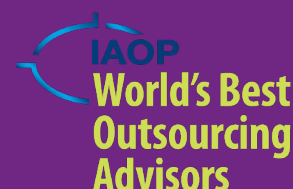
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Since 2009 KPMG has been ranked on the International Association of Outsourcing Professionals' (IAOP) list of the World's Best Outsourcing Advisors. The KPMG Shared Services and Outsourcing Advisory team in Ukraine will provide support during the entire life cycle of the process, from setting up and running a shared services centre, to ongoing operations and market exit. Along with our comprehensive understanding of the market, we use proprietary methodologies and tools that enable us to cope effectively with the challenges faced by each of our individual clients. KPMG helps clients transform business services to improve value, increase agility and create sustainable performance. You are always welcome to contact our team.



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