



# Ukraine: your new Shared Service Centre destination

Looking for a new location?  
We can help you

KPMG in Ukraine

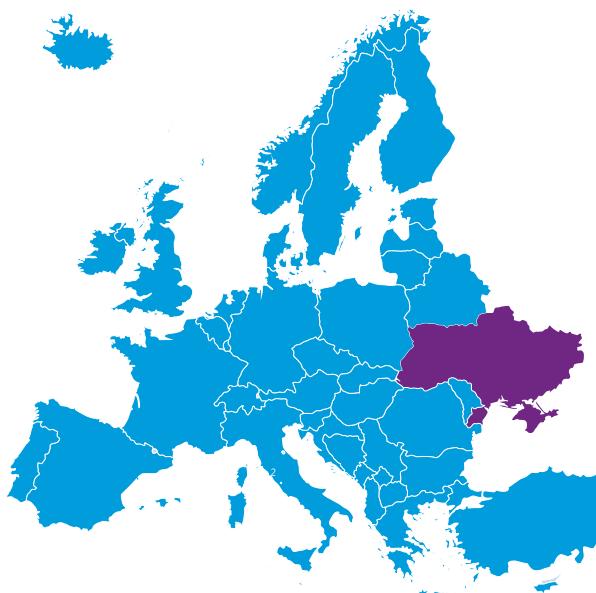


At KPMG, we believe that Ukraine is an attractive destination for investors looking for a location for a new shared service centre (SSC) or business process outsourcing (BPO) operation. Ukraine's location, within two hours journey time of most European capitals, its highly-qualified labour force, low-cost 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 Tsymbal**  
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.

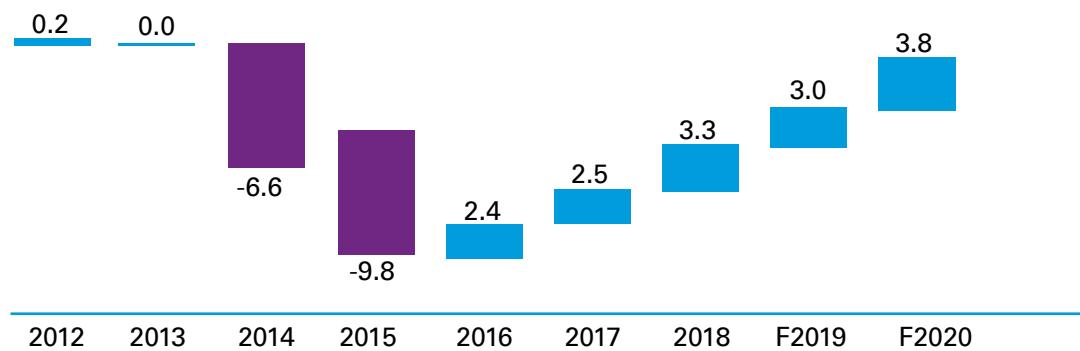
# Macroeconomic overview

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

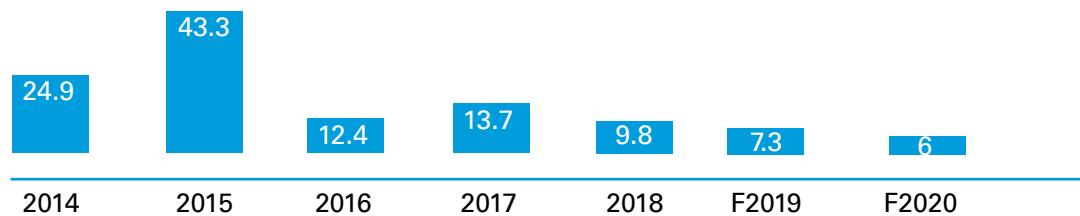
2012-2020  
y-o-y %



Source: State Statistics Service of Ukraine

## Inflation

2014-2020  
y-o-y %



Sources: National Bank of Ukraine, IMF

## Improving investment climate

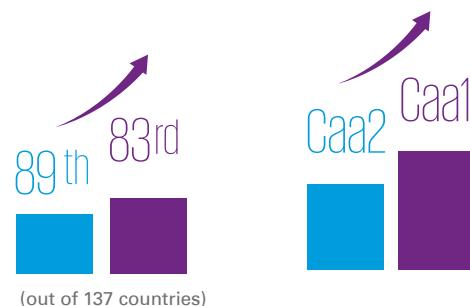
In recent years, Ukraine has made significant progress in improving its investment policy framework and has introduced reforms to ease the business climate and attract investors.

● 2017      ● 2018

Source:

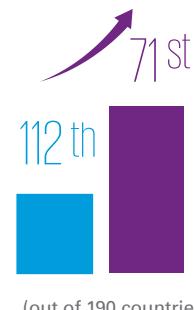
<sup>1</sup> WEF – Global Competitiveness Report

<sup>2</sup> Moody's – Sovereign Debt Rating



Global  
Competitiveness  
Index<sup>1</sup>

Moody's  
Sovereign Debt  
Rating<sup>2</sup>



World Bank, Doing Business  
Report 2019

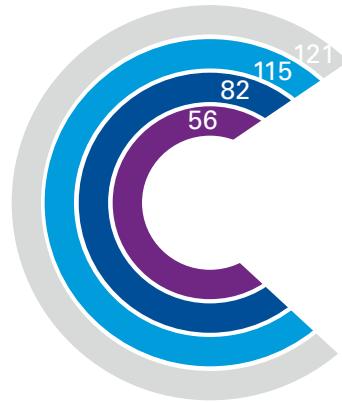
## Improving business climate

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

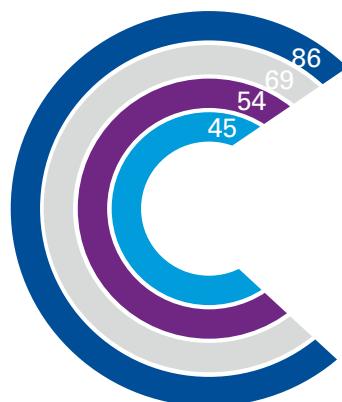
● 2014      ● 2019



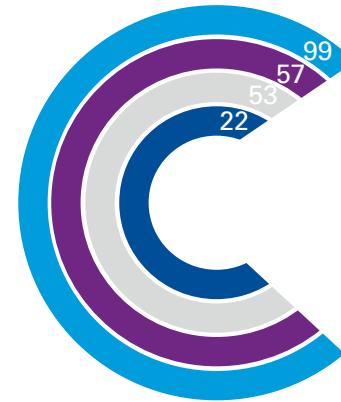
### Starting a Business



### 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 **71<sup>st</sup>** 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 5<sup>th</sup> and 8<sup>th</sup> 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 aero



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 aero



**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



Lviv

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



Kyiv

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



Kharkiv

Major destinations: Tel Aviv, Vienna



Dnipro

Major destinations: Vienna, Warsaw, Dubai, Prague, Istanbul, and 8+ other cities



Odesa



# Human capital



Ukraine is ranked **50<sup>th</sup> 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.

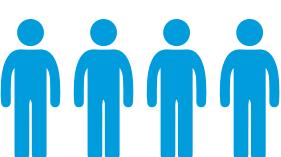
## Educational statistics by selected region in 2017/2018

| 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.



Kyiv is ranked among 377 European cities  
**No. 320** for cost of living

Source: Numbeo

# 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 4<sup>th</sup> largest railway network in Europe

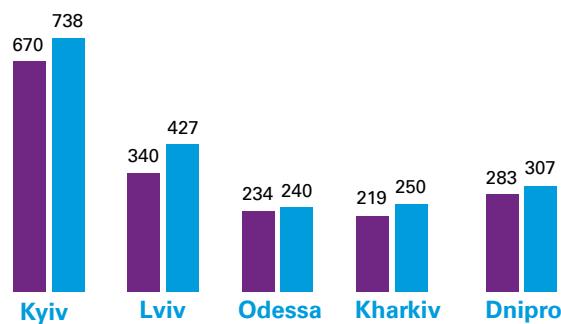


Quality office space is available for BPO/SSC operations

## 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 <sup>2</sup> ) | Prime base rent, \$/m <sup>2</sup> /month | Office vacancy (%) |
|--------|--------------------------------------|---|--------------------|
|--------|--------------------------------------|---|--------------------|

|      |           |       |      |
|------|-----------|-------|------|
| Kyiv | 1 948 480 | 22-30 | 6.7% |
|------|-----------|-------|------|

|      |         |       |      |
|------|---------|-------|------|
| Lviv | 254 000 | 14-19 | 1.7% |
|------|---------|-------|------|

|       |         |       |      |
|-------|---------|-------|------|
| Odesa | 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 54<sup>th</sup> 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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Since 2009 KPMG has been ranked on the International Association of Outsourcing Professional's (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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