

APPROVED

by the Decree of the Cabinet of Ministers of Ukraine  
dated 2022 No.

## **INDUSTRIAL PARKS DEVELOPEMNT STRATEGY**

**for the period until 2030**

### **Challenges that led to the adoption of the Strategy, regulations governing the creation and operation of industrial parks**

Industrial parks can offer businesses what they need most – land, ready-made premises, resource efficient and reliable engineering infrastructure, access to skilled workers, educational institutions, and related services. This allows the investor to focus on their core tasks, such as the production of goods that meet national and international quality standards and are popular in relevant markets, their quality or development, improving the skills of its employees.

The world experience demonstrates that industrial parks are a time-tested and internationally verified mechanism for the industrialization of the economy, the modernization of industry through the introduction of resource efficiency and circular economy approaches, attracting investment, increasing employment and ensuring balanced regional and local development.

Since the adoption of the Law of Ukraine "On Industrial Parks" (hereinafter – the Law), the development of industrial parks has not been dynamic, as economic activity of industrial parks remains the same: at the beginning of 2022, out of total 52 industrial parks included in the Register of Industrial Parks (hereinafter – the Register), 32 industrial parks have their management companies, and 8 industrial parks have residents and other entities of industrial parks.

Currently, a significant share of industrial parks included in the Register are not developed and do not receive necessary attention from the respective communities and regions.

There is a high risk that initiatives for the establishment of industrial parks will not be coordinated with prospects for territorial development. This situation is caused by total absence or outdated or incomplete city planning documentation.

Most of the industrial parks have been established without up-to-date local or regional documentation.

Moreover, the lack of such documentation, clear development strategies and integrated spatial planning with a focus on industrial symbiosis and synergy does not allow for a proper prioritisation of engineering and transport infrastructure development.

In general, a significant barrier in ensuring proper state incentives for industrial parks is the inadequacy of the initiatives to be created and included in the Register in terms of the priorities of social and economic development at the local and regional levels, which are reflected in the relevant strategic documents and action plans.

One of the main challenges of most industrial parks face, especially those built on the community owned land, is the search for financial resources to build their engineering and transport infrastructure and connect their facilities to external networks/grids.

The management companies of industrial parks (henceforth referred to as IP management) do not contribute and are not ready to contribute their own funds or those borrowed from extra-budgetary sources to the construction of buildings in industrial parks. The situation could change if the demand for participation in industrial parks becomes higher and is reinforced by positive examples. In addition, the parks should be geared towards the profitability of the products produced within their territory.

Thus, the situation today looks as follows: the industrial parks included in the Register do not show any real development dynamics. A number of industrial parks in Ukraine are already in operation, but most of them are still at the initial stage of development, mainly due to a number of systemic shortcomings in the process of preparation and implementation of initiatives to create industrial parks, inadequate legislative regulation of certain aspects for the establishment and operation of industrial parks, the need for significant investment in the infrastructure, the lack of experience of the people who initiate industrial parks (hereinafter referred to as the initiators), and lack of experience among management companies in the implementation of such projects, which leads to significant delays in their implementation.

These circumstances also have a negative impact on the investment climate, as there is no capability to provide potential participants of industrial parks with a good offer to place their production facilities in such parks.

The law stipulates that the selection of territory for industrial parks on state or communal property, the state incentives for the development and operation of industrial parks can be funded by the state and local budgets as well as other sources not prohibited by the law.

The funds for the establishment of IP could come from state and local budgets allocated in the order and quantities required by the law, as well as from private investors, borrowed funds, including loans from banks and other financial and credit institutions, and other sources not prohibited by law.

The government incentives from the state budget funds can be carried out, through the subvention from the state budget to local budgets to boost the industrial parks development, provided for by the State Budget of Ukraine for 2022, Article 241 (funds of the State Regional Development Fund (hereinafter – SRDF)) and part one of Article 97 of the Budget Code of Ukraine, which stipulates that the State Budget of Ukraine may provide transfers to local budgets, including earmarked subventions.

Until 2021, the SRDF funds earmarked for regional development projects aimed at creating infrastructure for industrial parks, were extremely insufficient (in total, from 2016 to 2020, only 4 regional development projects related to Svema, Trostianets and Novodnistrovsk industrial parks were financed at a total cost of about UAH 8 million).

In 2021, the SRDF (State Regional Development Fund) allocated funding for the development of 3 industrial parks (AzovAquaInvest, Zhytomyr-Skhid and Kam'yanka-Buzky Industrial Park) for a total of over UAH 62.3 million.

The low financing level of regional development projects associated with the creation of infrastructure for industrial parks is primarily caused by low community activity and lack of appropriate regional development priorities.

Moreover, the budget funds can be used to finance regional development projects that have an indirect positive impact on the creation and functioning of industrial parks and ensure the proper preparation of initiatives for the creation of industrial parks.

For example, in 2021 a project for the construction of a public road between the M-07 Kyiv-Chop Highway and Poliova Street in Myrotske village was selected and financed. Poliova street in the village of Mirotske is located close to the Mirotske Industrial Park in the Buchanskyi municipality of the Buchanskyi region in Kyiv oblast.

At the same time, within the framework of the budget programme "Support to Regional Policy of Ukraine", the regional development project "Industrial Parks Network called "Western Industrial Cluster" was financed on the territory of Zhytomyr, Ternopil and Rivne oblasts in 2021.

It should be mentioned that in accordance with the provisions of the Tax Code of Ukraine local municipalities are authorized to set the rates and benefits from payment of local taxes and fees, including the tax on non-movable property other than land, land fees and land leases. At the same time, the provision of such benefits may be considered as the state support.

The Law of Ukraine "On State Assistance to Businesses" generally regulates the formation and implementation of state support programs in accordance with the admissibility criteria established by the Ukrainian Government.

These programmes will enable to offer a specific list of forms and amount of state support from the local budget during the specified period to the economic entities that will implement investment projects aligned with the long-term priorities of community development.

Currently, at the beginning of 2022, no state support programme funded from local budgets has been formed and agreed with the Anti-Monopoly Committee for the initiators of the industrial parks, which could be business entities, management companies and participants of industrial parks.

This situation leads to the following – despite the envisaged legislative possibilities and declared by municipalities intentions to support industrial parks, these municipalities have no mechanisms to practically implement those initiatives.

Alternatively, they can be implemented in a way that may cause negative impact on the respective businesses in the future.

The importance of available/potential skilled workers is also increasing while the shortage of skilled labour is growing. This factor can be decisive in determining the prospects for the operation and development of established industrial parks and those that are yet to be created.

Thus, the greater prospects in industrial parks development are gained by the so-called regional poles of economic growth – these are the territories demonstrating significantly higher demographic, social and economic development indicators compared to other similar territories in the region.

Another challenging issue is the Ministry of Economy's capability to ensure proper access to information about the already established industrial parks, because the initiators often violate the requirements of Article 14 (part two) of the Law and do not submit a copy of the decision on the creation of an industrial park and the concept of an industrial park to the mentioned authority.

Moreover, there are no mechanisms to ensure that established industrial parks in Ukraine, which are not included in the Register, comply with the basic features and conditions of their creation and operation, which are specified in the Law. This situation can negatively impact the understanding and acceptance of industrial parks in Ukraine in the domestic and foreign business environment.

In the national policy on the creation and operation of industrial parks the below given regulatory and legal acts are in force:

Constitution of Ukraine;

Tax Code of Ukraine;

Civic Code of Ukraine;

Economic Code of Ukraine;

The Law of Ukraine "On Industrial Parks";

The Decree of the President of Ukraine dd. 30.09.2019, No. 722 "Sustainable Development Goals in Ukraine for the period up to 2030";

The Decree of the Cabinet of Ministers of Ukraine dd. 27.05.2020, No. 534 "On Approval of the State Programme of Economic Stimulation for Mitigation of Negative Consequences, caused by Interim Measures for the Prevention, Occurrence and Spread of COVID-19, caused by SARS-CoV-2 coronavirus, for 2020-2022 years";

The Decree of the Cabinet of Ministers of Ukraine dd. 03.03.2021, No. 179 "On Approval of the National Economic Strategy for the period until 2030";

The Decree of the Cabinet of Ministers of Ukraine dd. 19.01.2022, No. 25 "On Approval of the Procedure for Consideration of Documents on Inclusion of Industrial Parks into the Register of Industrial Parks";

The Decree of the Cabinet of Ministers of Ukraine dd. 19.01.2022, No. 27 "On Approval of Way of Keeping of the Register of Industrial Parks".

## **Analysing the status quo in the creation and operation of industrial parks, the trends and validating the need to solve challenges identified**

With the aim to attract direct investment in the creation of new industries through the industrial parks' mechanism to transform them into a driving force of economic and industrial development through the introduction of low-investment incentives, which correspond to the modern world tendencies and increase the competitiveness of domestic industrial parks, the Verkhovna Rada of Ukraine adopted the Law of Ukraine as of 07. 09.09.2021, No. 1710-IX "Amending the Law of Ukraine "On Industrial Parks" and other legislative acts of Ukraine to attract investments to the national industry by stimulating the creation of industrial parks.

This law specifies the mechanisms of state incentives for the development and operation of industrial parks, namely:

- Full or partial compensation of the interest rate for loans (bank credits) for the arrangement and/or business development within the industrial parks;
- Granting irrevocable funds for the industrial parks` development and/or ensuring the construction of joint infrastructure facilities (motorways, communications lines, heat, gas, water and electricity supplies, engineering communications, etc.) needed for establishment and operation of industrial parks;
- Compensating the costs for the connection to the engineering and transport networks;
- Providing tax and customs incentives in line with the Law.

The implementation of this Law will open up the potential of industrial parks and improve the investment environment in Ukraine, which will contribute to an increase in investment flows replenishing the Ukrainian economy.

Along with this, the National Economic Strategy until 2030 outlines the state policy strategy aimed at increasing investment attractiveness which includes expansion and creation of new industrial parks and creating conditions for doing business within the limits of industrial parks.

The target indicator until 2030 for the Strategic Objective 4 "Creation of New Production Capacities by Stimulating Innovative Activities of Enterprises in All Regions of the Country Using the Competitive Advantages of Each of Them" (within the section INDUSTRY) is the attraction of USD 8 billion through industrial parks. The following tasks are foreseen for the development of industrial parks:

Ensuring conditions for the creation and development of industrial parks as investment locations with existing engineering and transport infrastructure.

Providing incentives for the residents of industrial parks.

Ensuring that industrial parks development is prioritized in regional development strategies and their implementation plans include appropriate specific activities.

Cooperation in planning and synergy-building between urban/municipal development and the park` development (e.g. common local transport system, common electricity supply (e.g. optimized day/night power distribution), common fire brigade, etc).

Ensuring electricity supply in the areas where industrial parks are being developed and connecting them to the power grids.

Ensuring sustainable water supply and wastewater treatment with a focus on wastewater reuse.

Provision of an integrated energy supply system (electricity, gas, heat) and their connection to the networks, as well as guaranteeing sustainable energy supply, focusing on the production of own energy based on renewable energy sources.

Ensuring state support for the industrial parks included in the Register of Industrial Parks by means of financing the measures, aimed at improving the environmental, energy and economic indicators of their operation (planning to introduce the Eco-Industrial Parks Model).

Support and promotion of a highly professional management of the eco-industrial park.

The National Economic Strategy until 2030 defines, in particular, such principles and valuables in economic policy like European integration (implementation of the state's strategic policy aimed at Ukraine's full membership in the European Union) and decarbonisation of the economy (energy efficiency improvement, development of renewable energy sources, introduction of circular economy and synchronization with the European Green Deal initiative).

The deepening of Ukraine's relations with the EU calls for a tailored approach to applying the Carbon Border Adjustment Mechanism (CBAM) to Ukraine as a country, that is committed to political association and economic integration with the EU within the framework of the Association Agreement between Ukraine and the EU (hereinafter referred to as the Association Agreement) as well as review of the Addendums XXX and XXXI to the Association Agreement (on the environment and climate protection).

Article 262 of the Association Agreement stipulates the points which would ensure the due implementation of the Association Agreement, such as (f) support for investments in order to comply with the mandatory standards defined by the EU directives set out in Annex XXX to Chapter 6, "The Environment", section V of this Agreement, during the implementation period specified therein, in particular the adaptation of enterprises and equipment to the new requirements, may be allowed up to 40 per cent of the eligible costs.

Article 293 of the Association Agreement provides that the Parties of the Treaty make efforts to promote and encourage trade and direct foreign investment in environmentally friendly goods, services and technologies and the use of renewable energy resources and energy saving products and services. The Parties shall also make efforts to facilitate trade in goods with a view to promoting sustainable development, in particular, in goods which are the subject of "fair and ethical trade" as well as those related to the principles of corporate social responsibility and accountability.

Article 365 of the Treaty calls for the development of a sector-wide environmental strategy, developing sectoral strategies in the areas of air quality improvement; water quality and water management, including the marine environment; waste and resource management; nature protection; industrial pollution and industrial accidents; chemicals, in particular clearly defined terms and milestones for implementation, administrative responsibility and financial strategies to attract investment in infrastructure and technology; the development and implementation of a climate change policy, in particular as specified in Agreement's Amendment XXXI.

According to part 4, Article 4 of the Law, the operation of industrial parks is focused on: attraction of investments and development of Ukrainian economy; balancing the economic development of the regions and improving the quality of life of Ukraine's population; implementation of innovative and energy-saving technologies; creation of new jobs; and sustainable development and environmental protection.

Moreover, although the eco-industrial park model operates on the principles of circular economy, its implementation is conditional on the fulfilment of the National Economic Strategy until 2030, namely Strategic Goal 3 "Strengthening the Competitiveness of Industrial Goods Produced in Ukraine, Implementing Resource and Energy Efficient Technologies" of the section 10 "Industry", which provides for measures (4) boosting circular economy development, (5) enhancing the resource efficiency.

This lays the foundation for the transformation of industrial parks into eco-industrial parks. The eco-industrial park model is considered as a tool to solve regional and sectoral development challenges within the framework of the sectoral strategies and social-economic regional development strategies.

### **Strategic goals and principles of industrial parks development**

The strategy has been developed with the purpose of specifying the directions and ways of ensuring the development of industrial parks in Ukraine, thus contributing to the formation of a decent investment environment and the growth of the national economy and its decarbonization.

The implementation of the Strategy will also help to use the potential of industrial parks more effectively as part of the decentralization process of management and

contribute to solving the problems of the degradation of environment, the creation of added value and new qualified workplaces.

The key goals of the Strategy are:

1. Improving legal framework for the creation, operation and development of industrial parks, including in terms of deregulation of certain types of business activities within industrial parks, in order to implement the model of eco-industrial park targeted to increase economic, environmental and social indicators of their activity, legislative definition and practical implementation of the eco-industrial park model in Ukraine, including industrial symbiosis and cooperation with local municipalities measures.

2. The establishment of financial and economic (including tax and customs) and non-financial (advisory and information support) incentives for industrial parks.

3. Inclusion of initiatives for the creation of new industrial parks into appropriate action plans for the implementation of regional development strategies, optimization and development of the industrial parks network, taking into account the priorities, identified in the program documents of economic and social development as well as the current and future needs of the business sector.

4. The concentration of state incentives on projects concerning the creation of infrastructure and the development of industrial parks, which ensure the most favourable social and economic conditions, positive environmental effect and minimize the impact on the climate, as well as ensure the scaling and multiplication of this effect.

5. Establishing cooperation with relevant international organizations, governmental and non-governmental organizations, innovation enterprises of Ukraine and foreign countries aiming to analyze and consolidate the experience in ensuring the operation of industrial parks and attraction of investments, direct involving of financing for the implementation innovative and investment projects by the industrial parks.

6. The encouragement of the initiators and the management companies in attracting potential participants into the industrial parks.

7. Encouraging the establishment and implementation of industrial park management practices that are in line with the world's best practices and management approaches in this area.

8. Ensuring institutional development of the system of formation and implementation of the state policy on the establishment and functioning of industrial parks on the territory of Ukraine, including on the basis of self-regulation, encouragement of establishment of professional unions which will support mutual cooperation, including regular exchange of information and experience in this domain.

9. Encouraging the development (transformation) of industrial parks on the basis of the eco-industrial park model.

This Strategy is based on the following basic principles:

- 1) The justified selection of the territory for the creation of industrial parks with consideration of the following:
  - ♣ the public interests reflected in the national, regional and local programme documents of economic and social development.
  - ♣ the already established industrial parks (their functional purpose, size of free plots, expansion options).
  - ♣ the results of quantitative and qualitative analysis of actual and projected demand and supply of available labour resources.
  - ♣ the results of the analysis of existing production and business relations, including ones focused on the use of previously disposed waste (solid, liquid, gaseous, etc.) by other enterprises to obtain a valuable by-product.
  - ♣ the availability of city planning documents of the appropriate quality.
  - ♣ the investment plans of resource providers (electricity, water supply and disposal, gas supply).
  - ♣ the possibilities to use local production resources.
  - ♣ the access to social infrastructure facilities, including those outside the industrial parks for people working within the industrial parks.
- 2) preventing the misuse of market position by businesses, including abuse of the monopoly position and concentration of businesses. Within industrial parks.
- 3) the priority of financing the projects on creating the infrastructure of industrial parks located in the regions and on certain types of territories (first of all, in regional economic growth poles), requiring a special attention from the state and the application of special measures to boost their development, and a focus on the development of small and medium-sized enterprises within the industrial parks.
- 4) facilitating the development of industrial parks based on the eco-industrial park model (implementation of sustainable development principles, circular economy approaches, resource efficient and cleaner production, the reduction of negative environmental impact, enhancing the efficiency of resource and waste disposal, in particular, by creating a closed-loop cycles and industrial symbiosis, increasing the production and use of energy derived from renewables, improving the quality of social component both

within and outside the parks, including on a local and regional scale, and improving the quality of management at the park level).

- 5) ensuring a unified approach to the understanding of the concept of "industrial park" and "eco-industrial park", their criteria in Ukraine and their observance by all parties concerned.
- 6) promoting the sustainable development of territories, taking into account the participation of industrial parks in the development of innovation and research infrastructure, innovative enterprises and harmonious urban and industrial development.
- 7) gradual minimization of state participation in the issues of institutional support for the operation of industrial parks in Ukraine.

### **Tasks to achieve the set goals of industrial parks development, the implementation stages and expected results per each stage**

The implementation of the Strategy is aimed at increasing the institutional capacity of industrial parks for the overall development of the production, research and technological potential, the digitalization of national economy, low-carbon and resource efficient development as the basis for achieving the maximum level of efficiency of economy, the balance and sustainability of social and economic development of Ukraine, its regions and individual territories.

The main tasks of the Strategy are:

*Under Strategic Goal 1 "The improvement of the legal framework for the establishment, operation and development of industrial parks, including in terms of deregulation of certain types of business activities within the industrial parks in order to implement the eco-industrial park model to enhance the economic, environmental and social performance of their activities, legally define and ensure the practical implementation of the eco-industrial park model in Ukraine, including industrial symbiosis and cooperation with local municipalities".*

1) To provide a legal definition of "industrial symbiosis within an industrial park" and "eco-industrial park", define criteria and degree of conformity of objects under state regulation to these concepts, the mechanism to confirm those concepts, introduce the state incentive mechanisms for transforming industrial parks into eco-industrial parks with the formation of industrial symbiosis on their territory, creation of new industrial parks following the eco-industrial park model.

The concept "eco-industrial park" shall imply that a park is a community of producers and service providers, that occupy a common area and work together in resource management (through the implementation of an industrial symbiosis and waste

management system) to enhance economic, environmental and social performance of their activities, with the direct involvement of the park's management.

This community should consist of the industrial park members linked together by industrial symbiosis.

2) To amend the current legislation to deregulate economic relations related to production, supply (distribution), use of resources (materials, energy, water, etc.), and waste exclusively within the limits of an industrial park. Thus, one of the basic conditions for the implementation of the eco-industrial park model and its practical implementation will be ensured.

3) To amend the current legislation to make possible the establishment of industrial parks by one of the ways of complex territorial development, which shall be carried out to ensure the interests of socio-economic development of municipalities and shall be preceded by engineering preparations, the construction of engineering and transport systems, social and industrial facilities, residential buildings, other constructions, as well as the improvement of the territory;

4) To amend the current legislation to enable the possibility of including the target profit for connection to the electric networks of small distribution systems of industrial parks into the tariffs for electricity transmission and distribution services; a free of charge connection of small industrial parks' power installations to the electricity grids of the transmission and distribution system operators; the possibility of electricity distribution in small distribution systems of industrial parks by the management company or other authorized creation initiators of the industrial park by the public utility within the framework of the industrial park. It is also advisable to provide a possibility of a contractual basis for the operator of a small system of distribution of industrial park within the allocated capacity of the technical conditions for the affiliation of a standard form; use of the technical conditions as inputs for the design of buildings within the industrial park; the possibility of production and use of energy generated from renewables by businesses within the park;

5) Legislative provision for the application of mechanisms to ensure compliance of industrial parks included in the Register with the condition of allocating at least 40% of the total area of the industrial park to its participants, and those not included in the Register should comply with general requirements stipulated by the Law;

*Under Strategic Goal 2 "Provide financial and economic (including tax and customs) and non-financial (advisory and information support) incentives for the industrial parks":*

1) To adopt amendments to the Tax Code of Ukraine to create favorable conditions to attract large-scale investments in industrial production.

2) To adopt amendments to the Customs Code of Ukraine to create favourable conditions to attract large-scale investments in industrial production.

*Under the Strategic Goal 3 "Incorporating initiatives for the creation of new industrial parks into relevant action plans for the implementation of regional*

*development strategies, optimization and development of the industrial parks network, taking into account the priorities identified in the program documents of economic and social development, as well as the current and future needs of the business sector":*

1) To include the tasks for creation and operation of industrial parks into state, regional and local programme documents of economic and social development and corresponding action plans.

2) To ensure an integrated approach to planning the areas where industrial parks are to be created, also taking into account the efficient use of the industrial park territory (conducting activities mainly in the areas determined by the Law), availability of social and other infrastructure beyond the limits of the industrial park.

3) To prepare and adopt informed and coordinated decisions on the creation of industrial parks by the creation initiators of industrial parks, and their preliminary broad public discussion with all possible interested parties.

*Under the Strategic Goal 4 "Concentration of state incentives on the projects for the creation of infrastructure and development of industrial parks that provide the most favourable social, economic, and positive environmental effect and minimize the impact on the climate, as well as ensure the scaling and multiplication of this effect":*

1) To hold consultations with the Anti-Monopoly Committee and to implement procedures stipulated by the legislation.

2) To include the provisions for the allocations of state incentives for the development of industrial parks in regional growth poles in the state and local budgets for a relevant year in order to use the available potential of such territories for economic development of the region.

3) To define and adhere to the conditions and criteria for industrial parks that receive budgetary funding, in accordance with the rules of using budgetary funds.

4) To ensure that the approach to gradual and sequential development of the industrial park territory is adhered to, with the possibility of increasing the capacity of its engineering and transport infrastructure.

*Under the Strategic Goal 5 "The establishment of cooperation with relevant international organizations, governmental and non-governmental organizations, Ukrainian and foreign innovation enterprises to analyze and consolidate the experience in the field of ensuring the operation of industrial parks and attracting the investments, as well as direct involving the financing for the implementation of innovative and investment projects by industrial parks":*

1) To ensure the effective cooperation with relevant international organizations, especially the United Nations Industrial Development Organization (UNIDO), the partners, and foreign countries on the use of industrial and eco-industrial parks as a tool for developing international cooperation and increasing the competitiveness of the national economy, in particular through grants for environmental projects in industrial parks.

2) To establish cooperation with international financial institutions, governmental and non-governmental organizations of foreign countries that may be interested in the implementation of projects for the creation and development of eco-industrial parks.

3) To create conditions for successful and sustainable integration of industrial park members into international value-added markets and export of their products.

4) To finance the joint participation of industrial parks representatives, their members in international trade and exhibition and investment events aiming to represent the industrial parks in Ukraine.

5) To expend possible financial sources for the implementation of development projects (transformation) of industrial parks into the eco-industrial park model (for example, by issuing the "green bonds" and other financial instruments);

*Under the Strategic Goal 6 "Supporting initiators and management companies in the recruitment of potential participants in industrial parks":*

1) To ensure the announcement of information about industrial parks in Ukraine and their capabilities on information platforms.

2) To hold informational events (forums, conferences, etc.) aimed at demonstrating and promoting the benefits of industrial parks in Ukraine.

*Under the Strategic Goal 7 "Promote the development and implementation of industrial park management practices in line with best global practices and management approaches in this area":*

1) To organize and deliver training sessions to ensure that industrial parks comply with the general requirements of the Law;

2) To facilitate the formation, support and promotion of high-professional management of the industrial parks, including by increasing the capacity of management companies to represent the interests of industrial park participants and preventing discriminatory practices in the activities of management companies;

3) To provide informational, organizational and financial support to all-Ukrainian public associations whose activities are aimed solely at institutional development of industrial parks to implement the measures outlined in this Strategy;

4) To involve regional development agencies in the institutional system of support for industrial parks development;

*Under the Strategic Goal 8 "Ensuring institutional development of the state policy formation and implementation system for the creation and operation of industrial parks on the territory of Ukraine, including on the basis of self-regulation, promoting the establishment of professional unions that support mutual cooperation, including regular exchange of information and experience in the area of:*

1) Establishment of a central agency of executive power that implements the state policy on establishment and operation of industrial parks on the territory of Ukraine.

2) Establishment of a state institution to support the creation initiators, management companies and participants of industrial parks in order to enhance the

creation and development of industrial parks, as well as to facilitate the implementation of this Strategy.

3) Ensuring a wide participation of the professional community and other stakeholders in the process of formation and implementation of the state policy regarding the establishment and operation of industrial Parks on the territory of Ukraine on the grounds of self-regulation – the legislative provision of the tools to support self-regulatory activities of all-Ukrainian public unions, the activity of which is focused exclusively on the institutional development of industrial parks in Ukraine, co-ed representation of their interests;

*Under the Strategic Goal 9 "Promoting the development (transformation) of industrial parks into eco-industrial park model":*

1) To assist the authorities and local self-government agencies and ensure practical implementation of approaches to industrial park management in line with the eco-industrial park model (including the procurement of advisory services as state support).

2) To form and implement state support programmes, including long-term programmes for the state to boost business activities of industrial park participants funded by the local budgets.

3) To provide state support for the initiators (businesses, management companies and participants of industrial parks) to undergo procedures for approval of compliance with management standards and technological processes, that are minimum requirements for an industrial park to be considered as an eco-industrial park.

4) To promote knowledge and information about the specifics of the eco-industrial parks model, its advantages, and possibilities in increasing the competitiveness of the national economy.

5) To ensure the creation of new industrial parks taking into account the eco-industrial parks model.

6) To form and implement a support system for the implementation of the eco-industrial parks model.

7) To promote educational component and the development of industrial skills, in particular in terms of knowledge dissemination, understanding, search and implementation of the best available technology and management methods.

8) To ensure a common understanding and use of the term "industrial park" and "eco-industrial park" for all relevant entities.

The implementation of the Strategy is designed for the period until 2030 and will be carried out by implementing the action plan for the implementation of the Strategy in 2022-2024 (hereinafter referred to as the Action plan), which is attached to this document.

During 2030, the results of the Strategy implementation and the operation of eco-industrial parks in Ukraine will be assessed in order to identify the status quo and future needs for sustainable industrial development.

To achieve the Strategy goals it is necessary to ensure effective interaction of legal, organizational, economic, financial and environmental mechanisms of state policy for the establishment and operation of industrial parks in Ukraine.

The legal framework should create the right conditions for the effective application of other mechanisms envisaged by the Strategy, taking into account the general legal and regulatory framework defined by the national legislation.

The organizational mechanism is aimed at ensuring the principles of partnership and cooperation between the governing agencies, local municipalities, relevant international organizations, representatives of business, professional and other unions, and the community. A clear definition of tasks for those involved in the implementation of the Strategy will make it possible to share responsibility for the decision-making and its implementation.

The main components of the institutional mechanism are:

An Action Plan for implementing the Strategy, which using established performance indicators will enable the achievement of the Strategy goals by monitoring and determining the effectiveness of the impact of actions implemented at the state, regional and local levels.

Action plans for the implementation of local and regional development strategies, which include specific measures to ensure the creation and operation of industrial parks.

Relevant information campaigns and specific activities.

International technical assistance projects aimed at improving state policy on the creation and operation of industrial parks in Ukraine and providing practical support aspects in its implementation.

The economic mechanism ensures adherence to the principles of sustainable development of the territories and maintaining a high level of competitiveness by:

- ♣ using state incentive tools to creating favourable conditions for attracting investment within the industrial parks.
- ♣ Facilitating the implementation of the eco-industrial parks model in Ukraine.

The financial mechanism ensures the implementation of the principles of transparency and consistency of the actions of public authorities, local governments in terms of the distribution of funds from state and local budgets, international organizations, investments, grants, funds from other sources not prohibited by the Law.

The environmental management mechanism is designed to facilitate the transition of industrial parks to an eco-industrial park model and the implementation of innovative, resource efficient and environmentally friendly production and industrial symbiosis, including through:

- The implementation of programmes to encourage the reuse and recycling of materials and the use of by-products from technological processes, industrial symbiosis.

- Facilitation of the implementation of environmental and/or energy management systems.
- Promotion of the creation of exchange platforms for resources, recycling and waste treatment.
- Promotion of the development of market mechanisms and tools for the investment in resource efficient and cleaner production.

### **Expected results from Strategy implementation at the beginning of 2030**

#### **Ukraine:**

- 1) Industrial parks are already created, included in the Register and there are:
  - Not less than 30 industrial parks operating with at least two members each, including at least 5 industrial parks in coal regions;
  - 5 industrial parks with more than 10 participants, whose operation corresponds to the eco-industrial park model.
- 2) There is at least one science park in industrial parks and the science park projects are being implemented.
- 3) The construction of infrastructure for industrial parks and their arrangement have been funded from the state budget funds amounted to not less than UAH 16.0 billion.
- 4) At least USD 8.0 billion worth of investment in industrial parks has been attracted.
- 5) The development of industrial areas is carried out mainly through planning and creation of industrial parks, both on the territories that are free from construction, and on the territory of existing enterprises and industrial areas that are losing their production value, as well as on the territory around seaports, and on harbour territories.
- 6) The management companies of industrial parks ensure the provision of a minimum specified range of services to members in a one-stop-shop approach to the provision of such services.
- 7) A central government agency is established that implements the state policy on the establishment and operation of industrial parks on the territory of Ukraine.
- 8) There has been established a state agency to support initiators, management companies and participants in industrial parks in order to enhance the creation and development of industrial parks, as well as to facilitate the implementation of the Strategy.
- 9) At least one self-regulatory professional organisation representing the common interests of at least one third of the industrial parks included in the Register has been established and functioning.

**The Strategy implementation** is financed by the state and local budgets, international technical support organisations, other international donors, financial institutions, investors and other sources not prohibited by the Law.

According to Article 24 (part II) of the Budget Code of Ukraine, the state fund for regional development is allocated for the implementation of investment programs and regional development projects, which are aimed at the development of the regions and meet the priorities, defined in the State Strategy for Regional Development and the respective regional development strategies.

The State Strategy of Regional Development for 2021-2027, which is approved by the Resolution of the Cabinet of Ministers of Ukraine as of 05.08.2020, No. 695, includes the task to implement effective mechanisms to spur active development of industrial parks on the territories, where coal mining and coal processing business are terminating their activities, in particular, under the topic "Social and economic transformation of territories where coal mining and coal processing business are terminating their activities". The same applies to the area of "Development of Creative Industries" under the goal 5 "Sustainable Industry Development", where the task is to identify and develop the appropriate infrastructure of the territories, where businesses can carry out production activities, especially by providing in the draft city documentation industrial areas, groups of enterprises or separately located enterprises, in particular areas with innovative infrastructure, industrial parks, taking into account their specialisation and transport accessibility.

The procedure for preparation, evaluation and selection of investment programs and regional development projects can be implemented by the funds of State Regional Development Fund, approved by the Resolution of the Cabinet of Ministers of Ukraine as of 18. 03.2015, No.196 (as amended by the Decree of the Cabinet of Ministers of Ukraine dd. 05.04.2021, No. № 299). This procedure envisages that the creation of infrastructure of industrial parks shall be carried out in accordance with the Law of Ukraine "On Industrial Parks".

In accordance with the provisions of paragraph 3, clause 3, section II "Final provisions" of the Law of Ukraine as of 07.09.2021, No.1710-IX "Amending the Law of Ukraine "On Industrial Parks" and other legislation of Ukraine to attract investments into industry development by stimulating the creation of industrial parks", the Cabinet of Ministers of Ukraine during the preparation of the draft Law of Ukraine on the State Budget of Ukraine for the 2022 and for the next four years shall provide earmarked funds for the appropriate year.

The plans are that the costs for the implementation of the Strategy will be distributed among the following areas:

- The implementation of regional development projects that involve the creation of infrastructure for industrial parks.

- Partial compensation of the interest rate for loans (credits) to management companies and the initiators (businesses) for the development of industrial parks.
- Full or partial compensation of the interest rate for credits (loans) to participants of industrial parks aiming to carry out business activities on the territory (within the limits) of the industrial park and/or upgrading of industrial parks.
- Granting irrevocable funds for the management companies and initiators for industrial parks development and/or for the creation and development of engineering and transport infrastructure of industrial parks.
- The construction, reconstruction, repair of engineering and transport infrastructure for the creation and operation of industrial parks as well as upgrading them.
- To provide support for the initiators (businesses), the management companies and industrial park participants, including training and coaching, participation in scientific, practical conferences, educational and informational events (exhibitions, seminars) on industrial park activity, support for industrial park founders and management companies in involving potential industrial park participants, and recruitment of experts and conducting feasibility studies.
- Encouraging the development of a self-regulatory institution for the management of industrial parks.
- Supporting the implementation of other measures set out in the Strategy.

The amount of funding for the Strategy is based on specific tasks within the limits of the State Budget of Ukraine for the relevant year.

### **Monitoring, assessment of the strategy implementation results, and reporting**

The central and local authorities are considered the agencies in charge of the Strategy implementation, as well as local self-organisation agencies and other stakeholders (institutions and organizations, including international ones).

Ministries, other central and local executive power bodies and other stakeholders specified in the Action plan shall submit information on the implementation of the operational plan to the Ministry of Economy, by 1 February annually.

The Ministry of Economy analyses and summarizes the submitted information on the implementation status of the respective Action plan and drafts an annual report on the implementation status of the Strategy, which is published on its official website by March 1, starting in 2023.

The Ministry of Economy evaluates the achievement of the Strategy's objectives during the preparation of annual reports on the Strategy implementation status in the

respective years. The assessment results are used to formulate proposals for the further implementation of state policy on industrial parks.

The results of monitoring can be the basis for adjusting the action plan for the implementation of the Strategy, in particular on the basis of sound proposals of all stakeholders.

---