



CENTRE
FOR ECONOMIC
STRATEGY

POLICY
PARER

ACCESS TO FINANCING FOR SMALL AND MEDIUM ENTERPRISES IN UKRAINE

AUTHORS:

Volodymyr Landa
Yeleazar Levchenko
Oleksandra Myronenko

DATE:

June 2024

TABLE OF CONTENTS

Executive Summary	4
1. Entrepreneurship in Ukraine.....	7
1.1 Ukrainian Entrepreneurship Overview	7
1.2 The Role of Small and Medium-sized Businesses in the Economy	7
2. Assessment of the Financing Needs of SMEs in Ukraine	8
2.1 Sources of Estimating Losses and Financing Needs	8
2.2 Assessment of Losses from the Full-scale Invasion	9
2.3 Assessment of Financing Needs	10
2.4 Sectors in Most Need of Funding	12
3. Financing Instruments	15
3.1 Overview of Available Financing Instruments	15
3.2 Overview of the Lending System	17
3.3 State Programme “Affordable Loans 5-7-9%”	21
3.4 Other Bank Lending	25
3.5 State and Regional Programmes	25
3.6 International Partners	27
3.7 Other Sources of Funding	37
3.8 Alternative Sources of Funding	40
4. Non-monetary Instruments of Business Support	42
5. Absorption Capacity of Small and Medium-sized Businesses	43
5.1 Requirements for Applicants	43
5.2 Reasons for Refusal to Provide Funding	44
5.3 Reasons for Refusals to Attract Funding	46
6. Recommendations	48

The Centre for Economic Strategy is an independent centre for public policy research. CES's mission is to support reforms in Ukraine to achieve sustainable economic growth. The Centre contributes to the development of Ukraine's economic growth strategy, provides independent analysis of the most important aspects of state policy, and works to strengthen public support for reforms. The Centre was founded in May 2015.

Our principles:

- Economic freedom (liberalisation, deregulation, privatisation)
- Free and fair competition
- Smaller role of the state with increased efficiency
- Information transparency and freedom of speech
- Rule of law and protection of private property
- Healthy and stable public finances
- A knowledge-based economy.

For more information about CES, please contact Viacheslav Nozdrin, Communications Director (tel.: (044) 492-7970, office@ces.org.ua).

We also invite you to visit our website at www.ces.org.ua and follow us on social media at facebook.com/cesukraine or x.com/ces_ukraine.



Government of the Netherlands

This project «Access of small and medium enterprises to financing in Ukraine» is supported by the Ministry of Foreign Affairs of The Netherlands under Dutch development foreign policy, financed by the Private sector development program of the Netherlands Enterprise Agency (RVO.nl).

The study aims to provide an assessment of the overall situation and outline the main vectors of development but does not claim to be absolutely objective or complete. The information used for this study may be incomplete and is also fluid and subject to change.

The contents of this note are the result of the authors' judgements and are subject to interpretation. The following information should be regarded as a point of view and not as the ultimate truth. We have provided a balanced view based on a variety of sources, including publicly available information, legal frameworks and other reliable materials.

EXECUTIVE SUMMARY

- According to RDNA3, **the need for recovery and reconstruction over the next 10 years** is estimated at **\$486 bn**, including \$26 bn in 2024 (5% of the total need), of which \$15 bn is public spending and spending of state-owned enterprises, and \$11 bn is private sector investment, including expected financing needs.
- **The largest losses and recovery needs** are in trade, industry, energy, and agriculture.
- Numerous credit, grant and non-monetary **support instruments are available** to Ukrainian businesses. At the same time, difficulties in attracting them significantly limit their positive impact on the Ukrainian economy.
- **The estimated annual volume of financing programmes available to businesses is UAH 341 bn**. Of this amount, bank financing accounts for 72.6% (including 29.6% under the “Affordable Loans 5-7-9” programme, 30.3% for other lending in national currency, and 12.7% for lending in foreign currency). Other available options are loans and grants from international organisations (12.8%), financial leasing (8.0%), government and regional support programmes (4.7%), loans and grants from financial companies, enterprises and organisations (1.9%).
- As of 1 May 2024, the **share of hryvnia loans in the corporate loan portfolio was over 68%**; 22% were in US dollars, 10% in euros, and only 0.01% in other currencies. At the same time, according to the estimates of the NBU and the Centre for Economic Strategy, the share of new hryvnia loans exceeds the share of the national currency in the current loan portfolio.
- **Bank lending** remains the undisputed leader in terms of funding. As of the end of April, the loan portfolio granted to residents totalled UAH 1023 bn. Of this amount, UAH 765 bn was accounted for by loans to the corporate sector. This amount includes loans to state-owned (UAH 66 bn) and non-state-owned (UAH 671 bn) corporations, individual entrepreneurs (UAH 15 bn), financial corporations (UAH 12 billion), and non-profit organisations serving households (UAH 0.4 bn). This amount does not include loans to non-residents totalling UAH 58 bn.
- 70% of all bank loans to legal entities are **concentrated in three sectors**: trade (39%), manufacturing (16%) and agriculture (15%).
- The basis for lending to businesses in hryvnia is the **government programme “Affordable Loans 5-7-9,”** with loans under this programme accounting for 40% of the hryvnia corporate portfolio and almost 50% of new loans. This share may decline in the future due to recent changes in the programme's eligibility requirements and its reduced advantage over conventional local currency lending.
- In addition to bank lending, Ukrainian companies have other, sometimes more affordable and appropriate lending options. Such options may be offered by **credit unions, lessors, financial companies**, etc.

- SMEs can receive support by participating in **programmes funded by the state and local budgets**. Financial assistance can be provided through credit, non-repayable loans, or interest rate compensation. The “eRobota” programme and the Export Credit Agency provide the largest state support.
- In 2023, **Ukraine's international partners** supported businesses through loans and grants totalling \$692 mln. Grants and other non-repayable assistance account for the majority of this amount. Donors include foreign governments and international organisations. Ukraine's largest loan and grant support partners are the United States (mostly through USAID), the International Finance Corporation, and the European Union. In total, dozens of different funding sources are available at any time.
- Some **private companies** also contribute to SME financing by developing SME support programmes, including in the sectors or regions where they operate. Such initiatives usually have limited resources but can significantly impact the segments and regions where they operate.
- In addition to providing funding, a number of foreign initiatives in Ukraine also aim to **support Ukrainian businesses through non-monetary means**. These types of support include business training and education, consultations and expert support for communities, and assistance establishing international relations. Such support can be provided under separate programmes or as part of comprehensive support programmes that include monetary instruments.
- On June 10, NBU Governor Andriy Pyshny said that the **Lending Development Strategy** mentioned in the memorandum with the IMF had been approved the day before and would be made public shortly. According to the Head of the regulator, the document will contain the following components: infrastructure development for small and medium-sized businesses (trade factoring, financial leasing and supply chain financing products), modern technologies and digital solutions to facilitate access to financial services, support for the financial stability of defence companies, and compliance with the principles of responsible lending, clear credit procedures and minimisation of legal risks, expanded access to information from government resources for lenders and additional requirements for assessing consumer creditworthiness, reducing the share of non-performing loans, introducing the principles of “green” financing, raising the level of financial literacy and a conscious approach to the use of financial services.
- **The requirements for businesses** raising additional capital vary significantly depending on the financing type and the funds' providers. But in general, the standard conditions for obtaining financing include being registered in Ukraine, being transparent and honest, belonging to a certain category of businesses in terms of number of employees and revenues, having a realistic business plan, belonging to a certain sector or region of activity, and having experience in obtaining financing in the past.
- Despite 50% of surveyed businesses considering high lending rates to be a factor that could force them to avoid or postpone using bank lending services, in early 2024, **only 6% of respondents considered limited credit opportunities to be a limiting factor for increasing production**.

- In the World Bank's Firms through the War study, **17% of respondents reported difficulties in accessing finance**, particularly due to high interest rates and high risk of default due to uncertainty.
- Businesses noted the need for **greater awareness of government support programmes among the private sector**, with one in four respondents not knowing about their existence.

Key Recommendations

- **To state agencies:** to create a fully functional mechanism for insuring war risks, publish an NPL reduction strategy, ease restrictions on repayment of existing external debt as part of currency liberalisation, ensure the focus of the “Affordable Loans 5-7-9” programme, adopt bylaws regulating the conditions for the possible seizure of vehicles and equipment for the needs of the Armed Forces, continue the gradual liberalisation of leasing, insurance and other financial services as part of the overall liberalisation of financial markets.
- **To commercial banks:** to provide personalised support to enterprises in the process of granting loans, adapt internal scoring models, and provide advice on alternative sources of financing.
- **To borrowers:** to adhere to the principles of integrity and transparency in doing business, provide borrowers with detailed information about the company's activities, and diversify funding sources.
- In addition, **financial market participants**, with the help of government agencies and international partners, should promote credit union loans to small businesses and entrepreneurs, improve application and business plan skills, create a map of opportunities for Ukrainian businesses, increase the organisational capacity of enterprises to raise debt capital and involve business associations in organising training processes.

1. ENTREPRENEURSHIP IN UKRAINE

1.1 UKRAINIAN ENTREPRENEURSHIP OVERVIEW

Ukrainian legislation defines entrepreneurship as the independent activity of individuals and legal entities registered as entrepreneurial entities to produce goods, perform work, and provide services for profit¹.

Ukrainian legislation defines the following categories of enterprises by the number of employees and revenues:

- Micro-enterprises: the average number of employees per year does not exceed 10, and annual revenue does not exceed €2 mln;
- Small enterprises: the average number of employees per year does not exceed 50, and annual revenue does not exceed €10 mln;
- Large enterprises: the average number of employees per year exceeds 250, and annual revenue exceeds €50 mln;
- All other enterprises are considered as medium.

Due to the full-scale invasion, the number of businesses decreased significantly in 2022 by 11%. In 2022, there were 1.733 million business entities, compared to 1.956 million in 2021.

Individual entrepreneurs occupy the largest share of the total business entities at the end of 2022 - 84.9% (1.471 million). The rest are 206,213 (or 11.9%) micro-enterprises, 40,434 (2.3%) other small enterprises, 14,783 (0.9%) medium enterprises, and 494 large enterprises (0.03%).

We classify business entities into the following categories in this report:

- 1) Large enterprises
- 2) Medium enterprises (excluding individual entrepreneurs)
- 3) Small enterprises (excluding micro-enterprises and individual entrepreneurs)
- 4) Micro-enterprises (excluding sole proprietorships)
- 5) Individual entrepreneurs (we include all individual entrepreneurs in a single group; for reference, 99.64% of individual entrepreneurs are microenterprises, 0.34% are other small enterprises, and 0.02% are medium-sized enterprises).

In 2022, the total revenue of Ukrainian business entities was UAH 11.1 trillion.

1.2 THE ROLE OF SMALL AND MEDIUM-SIZED BUSINESSES IN THE ECONOMY

In this paper, we focus on the problem of access to finance for micro, small and medium-sized enterprises, which accounted for 15% of all enterprises in Ukraine at the beginning of 2023.

SMEs generate more than half of all enterprises' total revenue—64%, of which medium-sized businesses generate 44%. SMEs also provide the majority of jobs: in 2020, small and medium-sized enterprises employed

¹The Law of Ukraine “On Entrepreneurship”. [Link](#).

75% of Ukraine's total number of employees. Moreover, medium-sized enterprises employed over 48% of workers, while small and micro enterprises employed 27%.

After the first shock of the full-scale invasion, Ukrainian businesses, particularly small and medium-sized enterprises, adapted to wartime conditions, seeking to improve productivity and increase production. According to the NBU, Ukraine's economic recovery will continue to be driven primarily by business adaptability².

Supporting SMEs is important not only for creating jobs but also for stimulating innovation and sustainable economic and social development. National strategies to stimulate SME development include tax incentives, grants for development, support for access to loans and export initiatives. Such measures not only directly contribute to SME growth but also strengthen the national economy through a multiplier effect, making SME support a strategic choice for the government and international donors in Ukraine to stimulate recovery and development.

2. ASSESSMENT OF THE FINANCING NEEDS OF SMES IN UKRAINE

2.1 SOURCES OF ESTIMATING LOSSES AND FINANCING NEEDS

Entrepreneurial activity is a complex process, and its numerical assessment provides only a partial understanding of its importance for the development of the economy and society. A number of material, institutional, political and other factors influence entrepreneurial activity. That is why business needs assessments require a comprehensive, multifaceted approach that takes into account various data sources.

We use a variety of sources to assess the situation of losses and needs of SMEs for financing and external support. An important source for the overall assessment is the **World Bank's RDNA3 report**. It provides quantitative estimates of direct and indirect losses by major industries and identifies general sectoral financing needs that explain the main differences between the supply and demand side of financing.

The National Bank of Ukraine is an important data source for this study. In particular, financial sector statistics, supervisory statistics, and surveys of enterprise business expectations were used.

In addition, we rely on several **surveys of enterprises** on the state of their business and their need to attract financing. These include the monthly survey by the Institute for Economic Research and Policy Consulting (IER), the European Business Association's large-scale business sentiment survey, and the regular Business Survey of Ukraine.

These surveys allow us to assess the state of business, its needs, and prospects over time and place them in a broader macroeconomic context. In addition, this study's conclusions are based on interviews with the management of the National Bank of Ukraine, the Entrepreneurship Development Fund, commercial banks, and companies that receive funding.

²The NBU's inflation report. April 2024. [Link](#).

In assessing financing needs, it is crucial to understand the key factors influencing the process of raising capital: business transparency and integrity, the sufficiency and qualifications of human capital, and regional peculiarities caused by the war. Thus, major challenges in raising finance come from several areas: insurance or other risk coverage, poor regulation, de-shadowing of business, raising awareness of available financing instruments, and macroeconomic features of the Ukrainian financial system, including the high share of non-performing loans. In Section 3.2, we discuss the challenge of excessive NPL levels.

2.2 ASSESSMENT OF LOSSES FROM THE FULL-SCALE INVASION

Since the start of Russia's full-scale invasion of Ukraine in 2022, all businesses have faced huge challenges due to the danger of ongoing war, forced relocation, full or partial suspension of production, etc.

The Third Rapid Damage and Recovery Needs Assessment for Ukraine (RDNA3)³ is a joint assessment by the World Bank, the Government of Ukraine, the EU, the UN and other partners assessing the damage, losses and recovery needs following two years of Russia's full-scale invasion. The assessment was conducted between 24 February 2022 and 31 December 2023. The RDNA3 provides the following quantitative estimates:

- direct losses from damages to buildings and infrastructure,
- economic, social and other losses,
- financial needs for recovery and reconstruction.

According to the RDNA3, **direct losses** totalled \$152 billion. Of this, \$16 billion was in trade and industry, \$11 billion in the energy sector, and \$10 billion in agriculture.

The amount of **economic, social, and other losses** totalled \$499 billion. Of these, the largest share is in trade and industry — \$173 billion; agriculture lost \$70 billion; and energy and mining — \$54 billion. Losses in one sector may affect losses in another; for example, a decline in agricultural production affects transport activities, etc.

The financial needs for recovery and reconstruction over the next ten years are estimated at \$486 billion. We will examine the structure of financing needs further.

The Business Survey was conducted in Ukraine to assess the needs of the business during the war⁴. It was completed in late 2023 and early 2024 and involved 696 business entities. According to its findings, two-thirds of SMEs in Ukraine were forced to fully or partially suspend their operations for various periods due to the full-scale invasion. However, only 6% of the surveyed businesses stopped working for more than one year, and 36.5% did not stop working at all. The eastern and southern regions were most affected by the start of the full-scale invasion. In the east part of Ukraine, almost one in five surveyed enterprises was forced to suspend operations for more than one year. In terms of sectors, the construction, hospitality and tourism sectors have been affected the most.

According to the survey, in 2022, enterprise workload (*according to business entities' self-assessment*) decreased significantly from 72.4% to 45.7%.

³Third Rapid Damage and Needs Assessment (RDNA3). February 2022 – December 2023. [Link](#).

⁴«Business Survey in Ukraine». [Link](#).

Due to the ongoing hostilities, some respondents have been forced to relocate their businesses since 2022. According to the survey, 4% of companies reported full relocation, 9% partially moved to a new region or opened new branches and outlets, and 87% did not relocate. Full or partial relocation was reported mainly by businesses in the telecommunications and IT sector (25%), construction (18%), and industry (16%).

According to the **Ministry of Economy of Ukraine**, in 2022, 800 businesses were relocated to safer regions under the state relocation programme, of which 24% relocated to Lviv region, 14.5% to Zakarpattia, 10% to Chernivtsi, 8% to Ivano-Frankivsk, 7% to Khmelnytskyi, and 6% to Ternopil regions. Meanwhile, more than 650 companies planned to relocate their production facilities, but they refused to do so due to the de-occupation of the territories. Also, in 2022, 44 companies returned to Kharkiv, Chernihiv, and Sumy⁵ regions due to the improved security situation.

The World Bank's "Ukraine: Firms through the War"⁶ survey covered 2,700 small (approximately 70% of all respondents), medium (approximately 25% of all respondents) and large (approximately 5% of all respondents) enterprises. Of all the surveyed enterprises, 31% belong to the service sector, 23% to the manufacturing sector, 22% to trade, 22% to construction and housing and utilities, and 2% to the hotel and restaurant business. According to the survey, around 84% of all businesses surveyed reported difficulties accessing finance. According to the survey, large enterprises are more exposed to financial difficulties: 69% of all large enterprises have debts or expect to have debts, which is higher than the exact figure for small (50%) and medium-sized enterprises (56%). Financial instability is prevalent in all sectors, but the worst situation is observed in the hotel and restaurant business, with 63% of surveyed representatives reporting financial difficulties. On average, 53% of all surveyed businesses have or expect to have debts.

The NBU's Business Expectations of Ukrainian Enterprises survey⁷ for the first quarter of 2024 included 661 small (32% of the total number of respondents), medium (38%), and large (30%) businesses. According to its results, in 2024, businesses slightly improved their self-assessment of their financial and economic condition - 20% of respondents consider it poor, 62% - satisfactory and 18% - good. At the end of 2023, 22% of enterprises considered their financial and economic situation poor, 16% considered it good, while the same share of enterprises considered it satisfactory - 62%. In this survey, small businesses are more likely to describe their financial and economic condition as poor than medium and large enterprises.

The full-scale invasion is still a crucial factor limiting the ability of enterprises to increase production. Respondents to the NBU survey point to the hostilities and their consequences as the most significant factor hampering business development (82.5% of respondents consider this factor as significant). Other vital factors are insufficient demand (38%), lack of skilled workers (38%), and too high prices for raw materials (34%) and energy (30%). However, **only 6% of respondents considered limited access to credit a limiting factor for increasing production.**

2.3 ASSESSMENT OF FINANCING NEEDS

The **RDNA3** estimated a total need of almost \$486 billion for recovery and reconstruction over ten years. In particular, the need of the trade and industry sector was \$67 billion, the agriculture sector \$56 billion, and the energy and mining sector \$47 billion. According to the Government of Ukraine, in 2024 alone, there is

⁵Over a year of war, 800 enterprises relocated to safer regions, - Tetiana Berezhna. [Link](#).

⁶World Bank. 2024. Ukraine: Firms through the War. [Link](#).

⁷Business activity expectations of Ukrainian enterprises. NBU. [Link](#).

already a need for \$15 billion, of which the most significant amount will need to be allocated to industry and services - \$3.6 billion, housing and utilities - \$3.1 billion, and energy (not including the consequences of missile attacks on energy infrastructure in March-April 2024) - \$2.7 billion. Out of the \$15 billion, \$5.5 billion has been provided by the state budget and donor support as of January 2024. However, there is still a \$9.5 billion funding gap to address the priority recovery and reconstruction tasks. By region, businesses in Kyiv, Donetsk, and Dnipro oblasts need the most funding for recovery. Enterprises are gradually recovering and trying to adapt their operations to the new conditions of a more complex business environment by introducing new technologies, including supply chain management. However, trade is recovering at a slightly slower pace than industry.

The Institute for Economic Research and Policy Consulting (IER) regularly conducts the **New Monthly Enterprise Survey**,⁸ which polls up to 550 enterprises from different regions. According to its results, in January 2024, 7% of respondents reported that one of the main obstacles to production growth was the lack of access to credit financing, and 12% reported high loan rates. In February 2022, 21% of respondents reported such obstacles.

In 2023, the European Business Association conducted the **Small Business Sentiment Index**⁹ survey as part of the “Unlimit Ukraine” project, surveying 4.7 thousand small business representatives. The study showed that 80% of respondents plan to raise additional funds for business in 2024. Among them, 40% want to finance their business at their own expense, 20% through grant programmes, 12% through loans and 9% through investments.

According to the **Business Expectations of Ukrainian Enterprises survey**,¹⁰ in the first quarter of 2024, 37% of respondents expect an increase in the need for additional financial resources in the near future, especially in the electricity and water supply sectors. At the beginning of 2024, 35% of respondents said they planned to take loans (36% at the end of 2023). In terms of industries, representatives of the manufacturing and agricultural sectors are most likely to borrow. At the same time, large enterprises are more willing to take loans - 46% of large enterprises surveyed want to do so, while the share of small enterprises is 25%.

According to the **Business Survey in Ukraine**¹¹, 21.4% of companies reported losses in the range of \$10 to \$50 thousand, 18.8% from \$50 to \$100 thousand, and 17.9% from \$500 thousand to \$1 million. Only 1.6% of respondents reported more than \$10 million in financial losses. The eastern and southern regions, where the ongoing hostilities have suffered the most significant financial losses. Almost half of the surveyed business representatives from the eastern regions reported losses of \$50 to \$500 thousand, and more than a quarter of respondents reported losses of more than \$500 thousand. Among business representatives from the western and northern regions, about a tenth did not suffer any losses due to the full-scale invasion. Among the sectors, the industry suffered the most, with 23% of its representatives reporting losses of more than \$1 million. At the same time, one in seven representatives of the trade and marketing, consulting and design sectors had no losses due to the war.

Forced relocation has also significantly increased financial losses since the start of the full-scale invasion. In March 2022, the government launched a programme to relocate businesses in the war zone to safe areas. The program provided free transportation of Ukrainian businesses' property and assistance in adapting to a new

⁸Key economic trends and expectations in December 2023 [Link](#).

⁹Small Business Sentiment Index for 2023. [Link](#).

¹⁰Business activity expectations of Ukrainian enterprises. NBU [Link](#).

¹¹Business Survey in Ukraine.[Link](#).

location¹². Despite the benefits of this type of support, forced relocation leads to an increase in unforeseen costs, such as finding new premises, employees, etc.

Respondents assessed their businesses' financial and economic condition as worse than before the full-scale invasion. 30% of respondents considered their condition during the survey in December 2023 - January 2024 to be poor, 20% good, and only 2% excellent. By comparison, only 1% of respondents considered their business's financial and economic condition before the full-scale invasion to be poor, while 60% considered it good and 18% excellent.

Businesses need additional funding to recover. To estimate the approximate amount of additional business funding, the survey¹³ calculated a weighted average of the need for additional financing for one business representative over the next three years, which was \$953,000.

As expected, businesses from the eastern regions are in the greatest need of additional financing - 48% estimated the need for additional financial resources in amounts above \$300,000.

Respondents in the construction (14%) and industry (12%) sectors expressed the greatest need for more than \$3 million in additional financial resources. Respondents from the marketing, consulting and design sectors did not report a need for funding over \$3 million at all, and only 3% said they needed between \$1 million and \$3 million.

The consequences of a full-scale invasion in 2022 have led to more significant funding needs for small and medium-sized businesses, which are more vulnerable to sudden changes, have fewer opportunities and a smaller safety margin. In late 2023 and early 2024, 33% of respondents stated that insufficient capital was a significant reason for slowing down business recovery. The diversity and adequacy of support instruments for small and medium-sized businesses is an essential prerequisite for an effective recovery.

2.4 SECTORS IN MOST NEED OF FUNDING

The RDNA3¹⁴ provides a detailed analysis of direct damages, economic losses and recovery needs for the most critical sectors. The recovery needs for 2024 alone are estimated at \$26 billion (5% of the total needs), of which \$15 billion is public and state-owned expenditures and \$11 billion in private sector investment, including expected financing needs¹⁵. According to the RDNA3 methodology, direct damages, economic losses, and recovery needs for the service sector are estimated as part of the assessment of similar indicators for the sectors surveyed.

1) Agriculture

The total amount of direct damage and economic losses in the agricultural sector is estimated at \$80.1 billion. 87% of this amount is economic losses, while direct damages from infrastructure destruction in the sector amounted to \$10.3 billion. Direct damages include the consequences of the destruction of the Kakhovka hydroelectric power station and storage facilities, the destruction of various types of farms, the theft of machinery and equipment by the occupants, etc. Machinery and equipment (57%) and warehouses (18%) account for the largest share of total direct damages. Significant economic losses are caused by the loss of farmers' income due to lower production volumes, lower purchase prices due to disruptions in export logistics,

¹²Government program of state support for the temporary relocation of production facilities of Ukrainian enterprises. [Link](#).

¹³"Business Survey in Ukraine" p.38. [Link](#).

¹⁴Third Rapid Damage and Needs Assessment (RDNA3). February 2022 – December 2023. [Link](#).

¹⁵RDNA3, p. 48. [Link](#).

higher production costs due to higher fertiliser and fuel prices, the cost of land reclamation after demining, etc. Most of the economic losses are attributed to the decline in harvest. The total financial need for the sector is \$56.1 billion. In 2023, donors provided \$343 million (0.6%), more than half of which was for the rapid recovery of agricultural production, specifically for compensation of interest rates on "5-7-9" loans - \$180 million.

2) Processing Industry

The processing industry faced direct damages amounting to \$13 billion. More than half of the direct damages were incurred by large and medium-sized enterprises, including \$4.2 billion in damages from the destruction of two steel plants in the Donetsk region (Azovstal and Mariupol Illich Iron and Steel Works). Total economic losses amounted to \$116.9 billion. Financing needs for the processing industry by 2034 are estimated at \$46.7 billion, of which \$17.7 billion is needed for reconstruction and \$29 billion for the resumption of services.

3) Trade

The trade sector suffered direct damages of \$2.6 billion and economic losses of \$59.2 billion. While direct damages were caused by the destruction and seizure of retail and warehouse premises, economic losses were caused by decreased trade turnover and power cuts. Specific to trade: the estimated amount of economic losses is 23 times higher than direct damages. The total funding needs for the trade sector by 2034 are estimated at \$20.8 billion, of which \$3 billion is needed for reconstruction and \$17.8 billion for the resumption of services. According to the RDNA3 methodology, the estimates of direct damages, economic losses and reconstruction needs include, among other things, similar indicators for the catering sector.

4) Energy sector

Since the end of 2022, the energy sector has been under constant attack due to regular shelling throughout Ukraine. The eastern regions close to the frontline are more affected. In the summer of 2023, attacks on critical infrastructure decreased, but their intensity resumed in the spring of 2024. At the end of 2023, losses in the industry amounted to \$7.5 billion (+\$1 billion compared to the RDNA2 estimate). This amount includes losses in power generation of \$4.9 billion and in electricity transmission of \$2.1 billion. Economic losses in the energy sector are estimated at \$32 billion. Funding needs for the energy sector over the next ten years are estimated at \$40.4 billion, to be used for the reconstruction and recovery of the energy sector, including the restoration of electricity generation, transmission and distribution systems.

5) Extractive industry

The direct damages to the extractive industry sector due to the full-scale invasion amounted to more than \$3 billion. Of this, \$1.3 billion was incurred in the gas sector and about \$1.7 billion in the oil sector (including oil refineries, fuel depots and stations). The estimate of direct damages does not include losses in coal and mining due to the lack of information from mines located in the areas temporarily not under the control of Ukraine's authorities. Economic losses in the gas sector are estimated at \$8.1 billion, in the oil sector at \$7.7 billion, and in the coal sector at \$6 billion. The financing needs for the processing industry by 2034 are estimated at \$6.7 billion, of which \$3 billion is required to rebuild gas transportation systems, \$3.4 billion to rebuild the oil sector, and \$320 million to restore the coal mining sector.

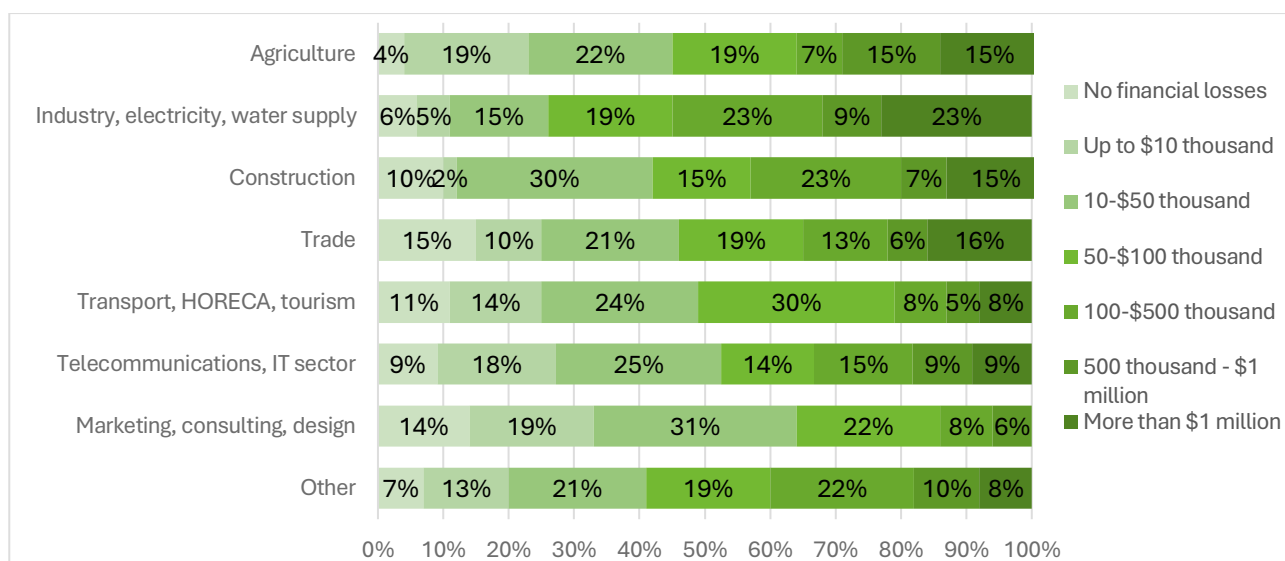
6) Communications and IT

The total direct damage in the sector is estimated at \$2.1 billion, of which fixed broadband operators incurred \$950 million, mobile operators \$900 million, postal operators \$192 million, and TV companies \$51 million. Donetsk, Luhansk, Kharkiv, Zaporizhzhia, Kherson and Kyiv suffered the most significant damage by region. 100% of losses in the broadcasting sector were incurred by state-owned companies. The economic losses in the telecommunications and digitalisation sector are estimated at \$2.3 billion, which includes revenue losses due to disruptions in postal, mobile and internet services, as well as increased costs for generators, etc. Postal operators suffered the largest economic losses (65%), while mobile operators accounted for another 30%. The total recovery need for the sector is estimated at \$4.7 billion over ten years, of which 43% is for reconstruction and 57% for restoration of services.

According to a survey conducted by the United Nations Development Programme “Support to Ukraine,”¹⁶ the sectors that reported losses of more than \$1 million were industry, electricity and water supply (23%). This share was 16% in trade and in agriculture and construction - 15% each.

According to the survey, smaller financial losses were recorded in the service sector, including IT. The distribution of losses is also apparently related to the size of the surveyed businesses: only 6% of micro businesses reported financial losses of more than \$1 million, compared to 28% of small and medium-sized enterprises. Also, among microbusinesses, 10% said they had no financial losses due to a full-scale intrusion, compared to 8% of SMEs.

Figure 1. SMEs' responses to the question “How do you estimate financial losses due to a full-scale invasion?” by industry sector.



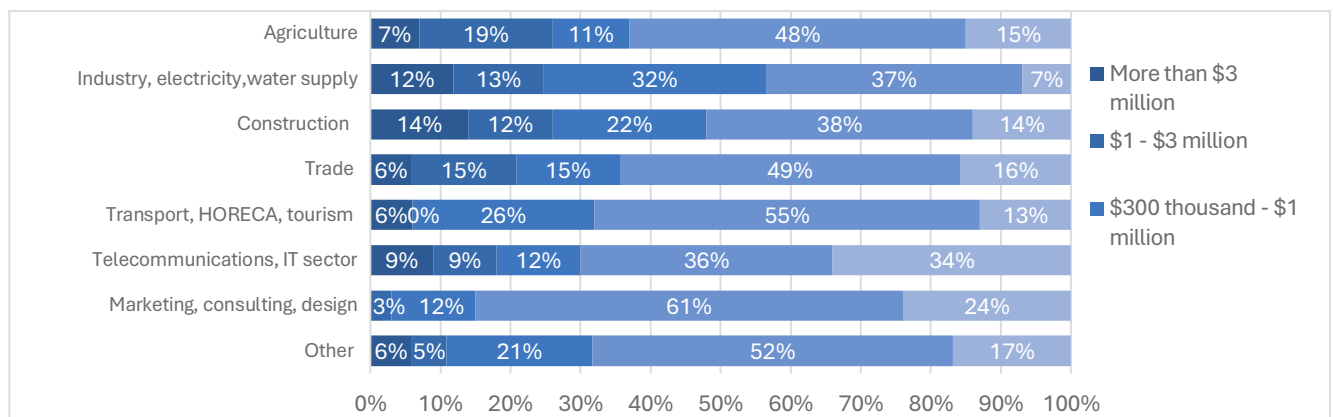
Source: Business Survey in Ukraine.

The survey¹⁷ also asked businesses how much additional financial resources they needed for development over the next three years. Construction companies (14%) and companies in the industry, electricity, and water supply sectors (12%) most often indicated a need for \$3 million or more. The lowest number of companies that reported needing additional resources were marketing, consulting, and design companies.

¹⁶Business Survey in Ukraine [Link](#).

¹⁷ Business Survey in Ukraine. [Link](#).

Figure 2. SMEs' responses to the “How much additional financial resources does your business need (in addition to your existing resources) to implement your business development strategy over the next three years?” by Industry sector.



Source: Business Survey in Ukraine.

3. FINANCING INSTRUMENTS

3.1 OVERVIEW OF AVAILABLE FINANCING INSTRUMENTS

Numerous credit, grant and non-monetary support instruments are available to Ukrainian businesses. However, difficulties in accessing them significantly limit a positive impact on the Ukrainian economy. The information in this research reflects the situation as of the publication date. It does not aim to cover all available instruments. Nevertheless, the authors have made every effort to include all types of support and descriptions of the largest programmes. The list and conditions of programmes may change rapidly over time.

Even during martial law in Ukraine, various instruments are available to help increase business resilience. In addition to financial components (loans, grants, interest rate compensation), they may include non-monetary components (training, consultations, support in carrying out certain activities). Sometimes, applicants can choose the type of support or combine them. For example, a lending programme can be combined with grant support to cover operating costs or to repay the loan, or a company can receive financial support based on the results of training sessions.

An important aspect of all financing programmes is their duration. Programmes are fluid in time, so it is not uncommon for some to end and new ones to emerge, either from the same or other borrowers and grantors. In this research, the authors focus on the instruments relevant as of 1 May 2024.

Financing can be provided by the Ukrainian government, banks, financial companies, other Ukrainian companies, and international partners.

Bank loans are the most important systemic form of business financing in the Ukrainian financial market. Commercial banks are the main institutions that bridge the gap between savers and lenders. The Ukrainian

banking system is characterised by a large share of non-performing loans (NPLs), which constrains lending to the real sector and causes a significant challenge for both the regulator and the banks themselves.

In February 2020, the NBU presented the government programme "Affordable Loans 5-7-9%", primarily for SMEs. The programme provides banks with the ability to issue loans at a preferential rate and then compensate them for the difference in the market rate. Since the beginning of the full-scale Russian invasion, due to the increased cost of lending, this programme has allowed businesses to maintain access to finance and has become a major source of funding. Business entities may also use other institutions to attract credit funding. These can be both non-bank financial institutions and private legal entities. The NBU distinguishes the following types of non-bank financial institutions and other companies that are authorised to provide certain financial services:

- insurance companies;
- insurers with a special status;
- credit unions;
- financial companies;
- pawnshops
- leasing companies;
- postal operators¹⁸.

The NBU distinguishes credit unions, financial companies (fast lending institutions), and leasing companies among the non-bank financial institutions that can provide loans to businesses. Credit unions will only be allowed to provide loans to microenterprises in certain areas of activity from the beginning of 2024, but these lending agents are still in the process of institutional development.

In addition to credit instruments for business financing, we have reviewed forms of non-repayable financing, including grants and voucher programmes. They can be provided by the governments of Ukraine and other countries.

An additional tool for supporting businesses is bill avalisation. This tool involves the bank taking on an obligation towards the bill holder to pay the bill on behalf of the primary payer in case the payment is not made within the specified time.

While the diversity of funding options is positive in itself, potential recipients of support may not understand the full range of available options. To address this problem, several platforms have been created to collect and classify available funding and non-monetary support options. These platforms include – “**Diia.Business**”¹⁹, **GrantMarket**²⁰, **AgriAnalytica**²¹, “**Business Information Support Centre Network**”²² etc. These platforms have their own advantages, limitations, and industry-specific features.

¹⁸Classification of non-banking institutions by the NBU. [Link](#).

¹⁹Marketplace of financial opportunities for business [Link](#).

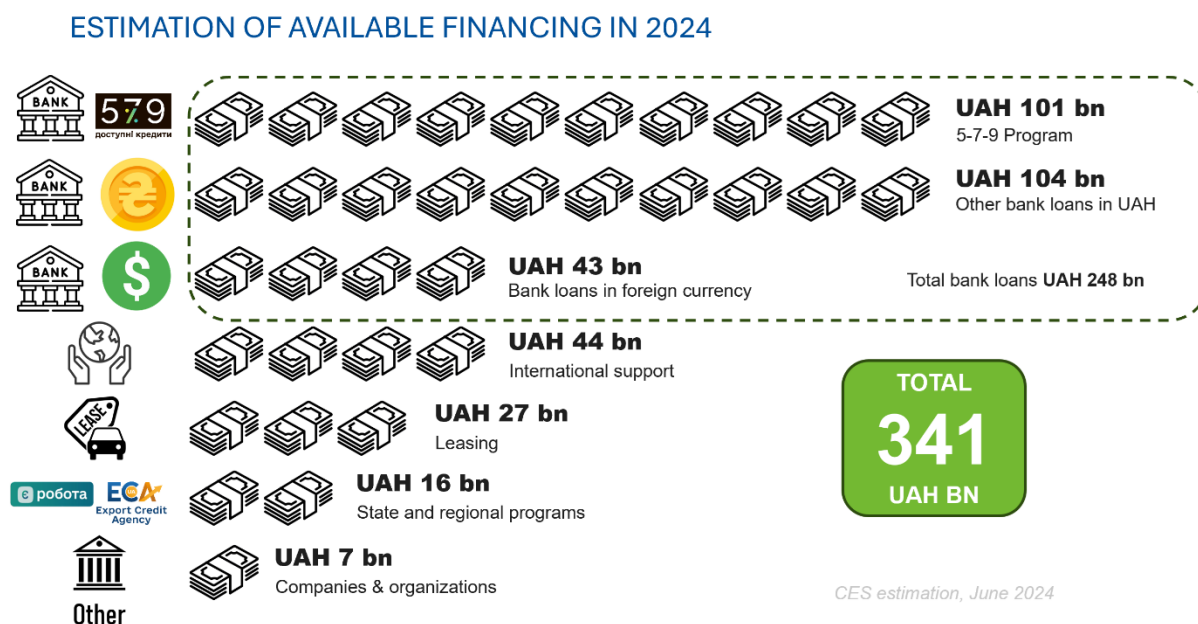
²⁰GrantMarket. [Link](#).

²¹Grants for MSMEs - AgriAnalytica. [Link](#).

²² Business Information Support Centre Network. [Link](#).

The estimated amount of funding programmes available to businesses, calculated based on actual data for 2023 and partially for 2024, as well as projected figures for 2024, is UAH 341 billion. Of this amount, bank funding accounts for 72.6% (including 29.6% under the "Affordable Loans 5-7-9" programme, 30.3% for other lending in national currency, and 12.7% for lending in foreign currency). Other available options include loans and grants from international organisations (12.8%), financial leasing (8.0%), government and regional support programmes (4.7%), and loans and grants from financial companies, enterprises and organisations 1.9%).

Figure 3. Estimation of available financing in 2024



Sources: NBU, Entrepreneurship Development Fund, Ministry of Economy, information from funding providers, Centre for Economic Strategy calculations.

Amendments to the “Affordable Loans 5-7-9” programme dated 30 April may result in a further partial flow of available funds under the programme to other banks lending in national currency and partial flow to other funding sources.

3.2 OVERVIEW OF THE LENDING SYSTEM

The bank lending instrument, available in various forms, remains the absolute leader by volume of provided funding. As of the end of April, the loan portfolio granted to residents totalled UAH 1.023 trillion. Of this amount, UAH 765 billion was allocated to loans to the corporate sector. This amount includes loans to state-owned (UAH 66 billion) and non-state-owned (UAH 671 billion) corporations, individual entrepreneurs (UAH 15 billion), financial corporations (UAH 12 billion), and non-profit organisations providing services to households (UAH 0.4 billion). As this report focuses on funding opportunities for Ukrainian businesses, the total does not include loans to non-residents of UAH 58 billion.

The Ukrainian banking sector is generally characterised by high levels of non-performing loans (NPLs). According to the World Bank, following the nationalisation of PrivatBank in 2017, Ukraine had the highest

share of NPLs globally at 55%.²³ Although this figure steadily declined before the full-scale invasion, reaching 32% in 2021, it is still the second highest in the world after Equatorial Guinea.

In 2016, as part of the nationalisation and reformation of PrivatBank, the NBU changed its approach to calculating the NPL, bringing it closer to international standards. According to the NBU methodology, as of 2024, an asset is recognised as non-performing if it meets the following conditions:

- the overdue repayment of the debt exceeds 30 days;
- purchased or originated credit-impaired financial assets;
- if the counterparty is unable to fulfil its obligations within the established time without the collateral enforcement procedure (default)²⁴.

More detailed terms of recognition of a customer's default by the bank, as well as the conditions for termination of such recognition, are described in Articles 166 and 167 of the NBU Resolution No. 351 "On Determining the Amount of Credit Risk by Banks of Ukraine on Active Banking Operations".²⁵ In particular, a bank may terminate recognition of a default if:

- the debtor has resumed regular payments and has made full repayments of the principal or interest for 180 consecutive days (in the case of monthly payments) or 365 days (in the case of quarterly payments);
- none of the debtor's obligations are overdue by more than 30 days;
- the bank has formed the judgment that, despite existing difficulties, the debtor is capable of servicing the debt

In the Ukrainian banking system, the top 10 banks with the largest loan portfolios have 84% of all loans to legal entities. As of 1 February 2024, the banks with the largest number of lending (PrivatBank, Oschadbank, Ukreximbank) had the largest share of loans with the highest risk level among the top 10 banks (86%, 53% and 46%, respectively).

PrivatBank's share of non-performing loans (NPLs) is 60%. This share has been steadily decreasing since 2017, when it was 89%, following the nationalisation and changes to the NPL regulation.

The Strategy for the Development of the Financial Sector of Ukraine until 2025 states that "lending to the real sector by banking and non-banking financial institutions is constrained by insufficient protection of creditors' rights and the problem of non-performing loans". According to the NBU, the settlement of NPLs will require a developed secondary market for distressed assets with new participants and investments²⁶. In 2023, the NBU updated this strategy following consultations with the IMF and published sections that did not contain market-sensitive information.²⁷

Under the new Financial Sector Development Strategy, an independent asset quality assessment (AQR) was published in January 2024. This assessment should become a prerequisite for developing and implementing

²³Non-performing loans of banks to total gross loans (%). [Link](#).

²⁴New approaches of the NBU to the definition of non-performing assets/loans. [Link](#).

²⁵NBU Resolution No. 351 «On Determining the Amount of Credit Risk by Banks of Ukraine on Active Banking Operations». [Link](#).

²⁶Strategy for the Development of the Ukrainian Financial Sector until 2025. [Link](#).

²⁷IMF-Ukraine. Letter of Intent and Memorandum of Economic and Financial Policies, 01 December 2023. [Link](#).

an interagency action plan to resolve NPLs.²⁸ Twenty banks, accounting for over 90% of the banking system's assets, underwent an asset quality assessment. For five banks, the NBU set higher required capital adequacy ratios and required them to submit restructuring or capitalisation programmes²⁹.

In October 2023, NBU Head Andriy Pyshnyi reported on the NBU's work on the Lending Development Strategy.³⁰ In the updated memorandum to the IMF, the NBU committed to present this document by the end of May 2024, including a plan for resolving NPLs.³¹ On 10 June, the NBU Governor announced that the Strategy had been approved the day before and would be published in a short time. According to the Head of the NBU, the document will contain the following components:

- development of infrastructure for small and medium-sized businesses: trade factoring, financial leasing and supply chain finance products;
- modern technologies and digital solutions to facilitate access to financial services and improve the efficiency of customer service;
- support for the financial stability of defence companies and their ability to invest in modern technologies and develop production capacities;
- adherence to responsible lending principles, clear credit procedures and minimisation of legal risks;
- expanding access to information from public resources for lenders and additional requirements for assessing consumer creditworthiness;
- reducing the share of non-performing loans;
- introduce green finance principles with appropriate exemptions to support lending to the military-industrial complex and energy sector;
- Increasing the level of financial literacy and conscious approach of the population and entrepreneurs to the use of financial services.

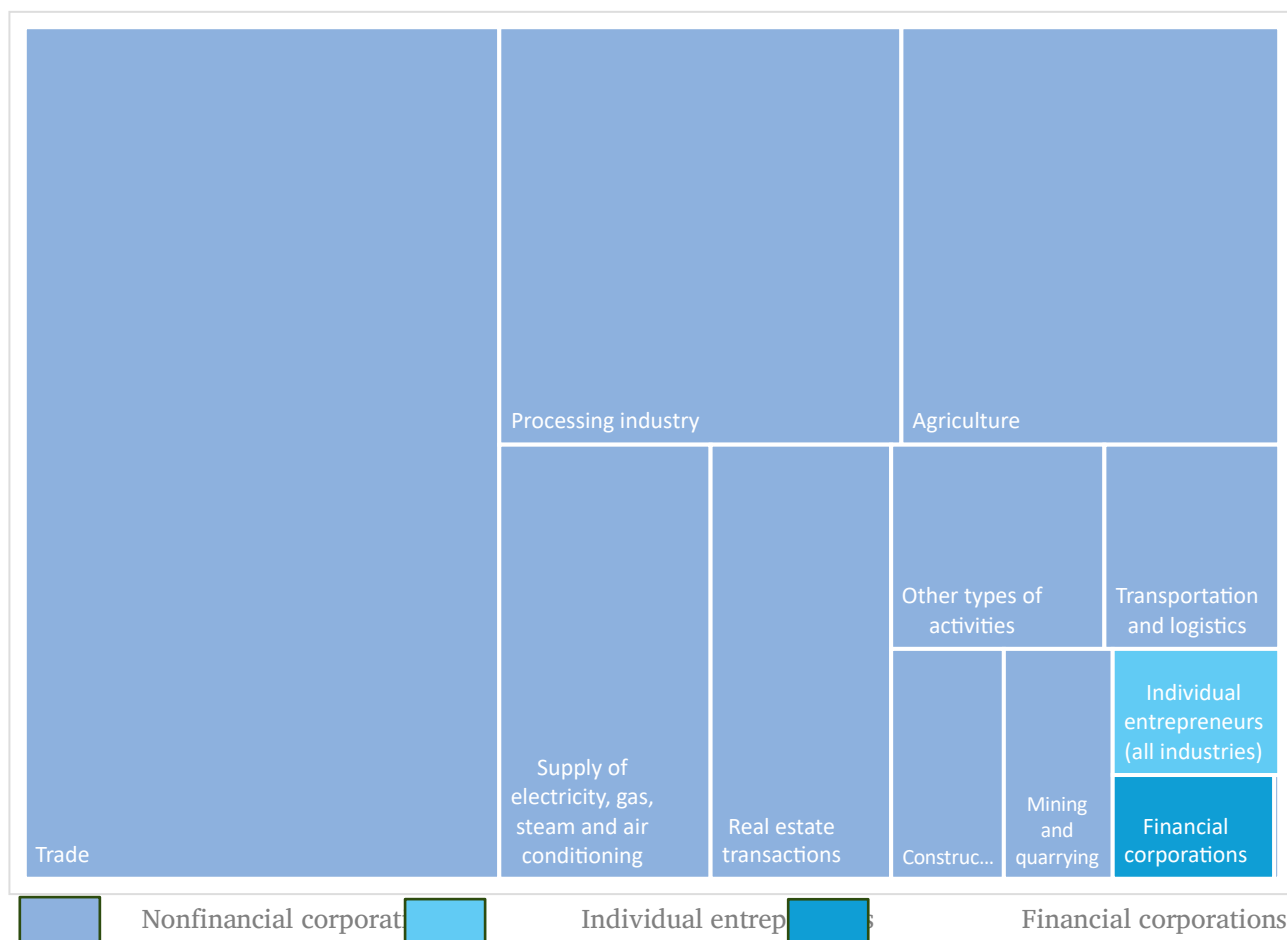
²⁸Strategy for the Development of the Financial Sector of Ukraine. NBU. [Link](#).

²⁹Ukrainian banks' resilience assessment 2023. NBU. [Link](#).

³⁰Interview with Andriy Pyshnyi. Forbes. [Link](#).

³¹The lending resumption strategy will include a plan to resolve non-performing assets. Ukrinform. [Link](#).

Figure 4. Corporate portfolio of Ukrainian banks as of 1 May 2024, UAH billion



Sources: NBU, calculations of the Centre for Economic Strategy.

By industry, 70% of all bank loans to legal entities are concentrated in three sectors: trade (39%), manufacturing (16%), and agriculture (15%). In a number of sectors, the share of non-performing loans is extremely high. These include real estate (76%), construction (74%), administrative and support services (63%), and trade (51%).

Medium-sized enterprises receive the largest share of loans (31%). However, there is a correlation between enterprise size and the share of NPLs: smaller enterprises have a higher share of non-performing loans. This was also present before the full-scale invasion.

Table 1: Amount of loan balances granted to non-financial corporations by enterprise size as of 1 April 2024

Types of non-financial corporations	Amount of loan outstanding (UAH billion)	% of total loans	% NPL
Large enterprises	181.5	23.4%	19.5%
Medium-sized enterprises	244.2	31.5%	41.5%
Small enterprises	76.9	9.9%	27.8%
Larger micro enterprises	50.6	6.5%	58.4%
Medium-sized micro-enterprises	30.2	3.9%	64.6%

Small micro enterprises	75.1	9.7%	86.6%
Other	115.8	15.0%	36.6%
Total	774.2	100.0%	40.6%

Sources: NBU, calculations of the Centre for Economic Strategy.

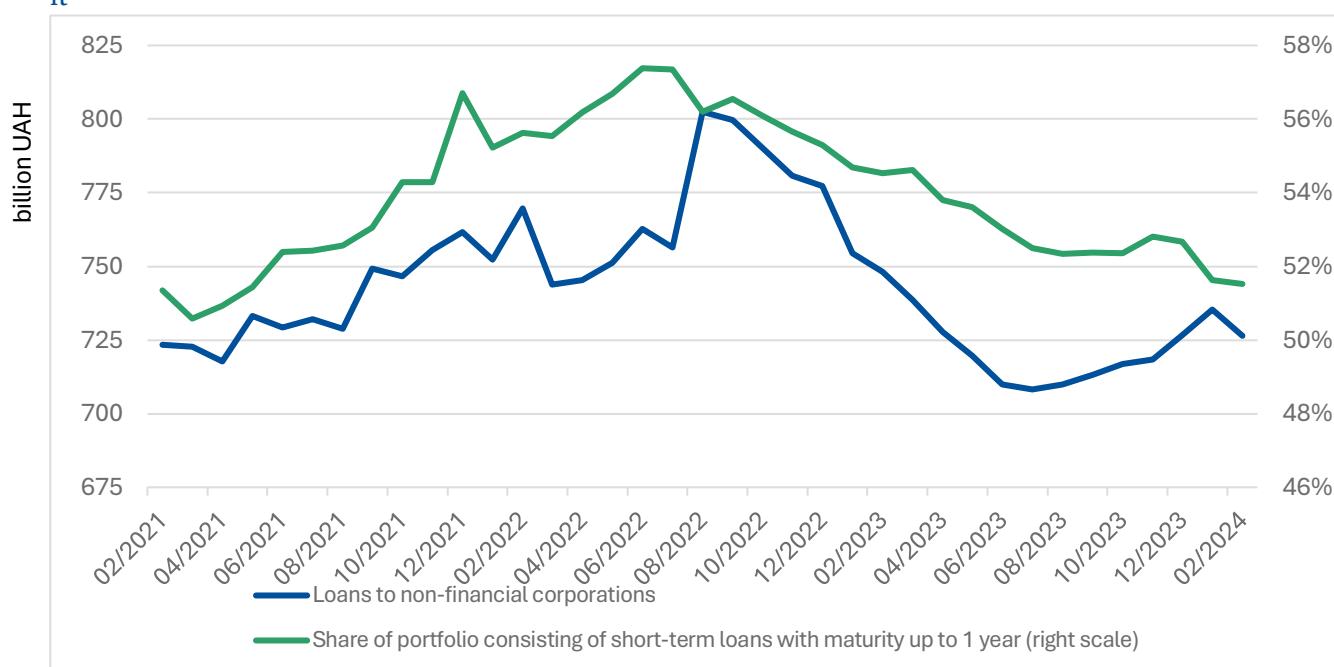
Remark. Large microenterprises - with annual revenues from €500 thousand to €2 million. Medium-sized microenterprises - with annual revenues from €50 thousand to €500 thousand. Small microenterprises - with annual revenues up to €50 thousand. Other - undefined, non-residents, general government, non-profit organisations.

The maturity of loans issued to companies in the banking system is relatively short: 51% of loans are issued for up to 1 year. This share increased by 5-6 percentage points in the first months of the war but has since returned to pre-war levels. The share of long-term loans (over five years) has rarely exceeded 15% since the beginning of 2021.

The upward trend in the portfolio of loans to non-financial corporations continued until June-July 2022, and the upward trend in this portfolio's share of short-term loans also remained (see Figure 5).

Since summer 2022, both trends have declined: the loan portfolio volume and the share of short-term loans have returned to the level before the full-scale invasion.

Figure 5. Changes in the portfolio of loans to non-financial corporations and the share of short-term loans in it



Sources: NBU, calculations of the Centre for Economic Strategy

3.3 STATE PROGRAMME “AFFORDABLE LOANS 5-7-9%”

The “5-7-9% Affordable Loans programme” is a significant government support for SMEs. According to the Financial Stability Report, as of the end of 2023, about 40% of the net corporate portfolio in Hryvnia was

loans under the “5-7-9” programme³². The programme aims to reduce the cost of loans for small (including micro-) and medium-sized enterprises. The state provides under this programme funds from the Entrepreneurship Development Fund for the following purposes:

- Partial compensation of interest rates on SME loans;
- Providing guarantees to ensure the fulfilment of obligations on these loans;

Under this programme, banks provide loans to SMEs using their own credit resources for investment purposes (construction, acquisition or modernisation of fixed assets, real estate, vehicles, intellectual property, etc.) and operating costs.³³

According to the Entrepreneurship Development Fund data, as of 29 April 2024, 87,000 loans totalling UAH 298 billion were issued. Most of these loans were issued in agriculture - 48%; trade - 25%; industry - 17%; and services – 7%.

According to the RDNA3, interest rate compensation to banks under the “5-7-9” programme for 2024 will reach approximately \$670 million and support companies in the trade, manufacturing, and agricultural sectors³⁴. The state budget, however, foresees less funding for this programme - UAH 18 billion.

Meanwhile, by February 2024, significant delays in paying preferential lending rate compensation to banks had occurred. According to Pervin Dadashova, Director of the NBU's Financial Stability Department, the amount of debt at the beginning of 2024 was UAH 7 billion.³⁵ In early February, the Cabinet of Ministers extended the period allowed for the Government to pay compensation under the “5-7-9” programme from 6 to 9 months, during which a bank cannot declare a debt overdue.³⁶ Difficulties in paying compensation to banks and uncertainty, in turn, reduce the willingness of banks to issue loans under the “5-7-9” programme.

According to the IMF memorandum, the government committed to target the programme to small and medium-sized enterprises, gradually phasing out large companies, strengthening monitoring, and maintaining appropriate safeguards, a structural benchmark to be met by the end of March 2024³⁷. On 30 April, the Government amended the parameters of the "Affordable Loans 5-7-9%" programme, which came into force on 2 May.³⁸

- The maximum loan amount for working capital replenishment has been reduced from 60 million UAH to 5 million UAH;
- The loan limit for the livestock sector has been increased from 60 million UAH to 150 million UAH;
- The margin of banks participating in the "5-7-9" program has been restricted, which, according to the government's assessment, is expected to free up an additional 3 billion UAH for direct business lending.

³²NBU Financial Stability Report. December 2023. [Link](#).

³³"Affordable Loans 5-7-9% programme" [Link](#).

³⁴RDNA3. [Link](#).

³⁵Forbes. [Link](#)

³⁶Resolution of the Cabinet of Ministers of Ukraine of 2 February 2024 No. 109. [Link](#)

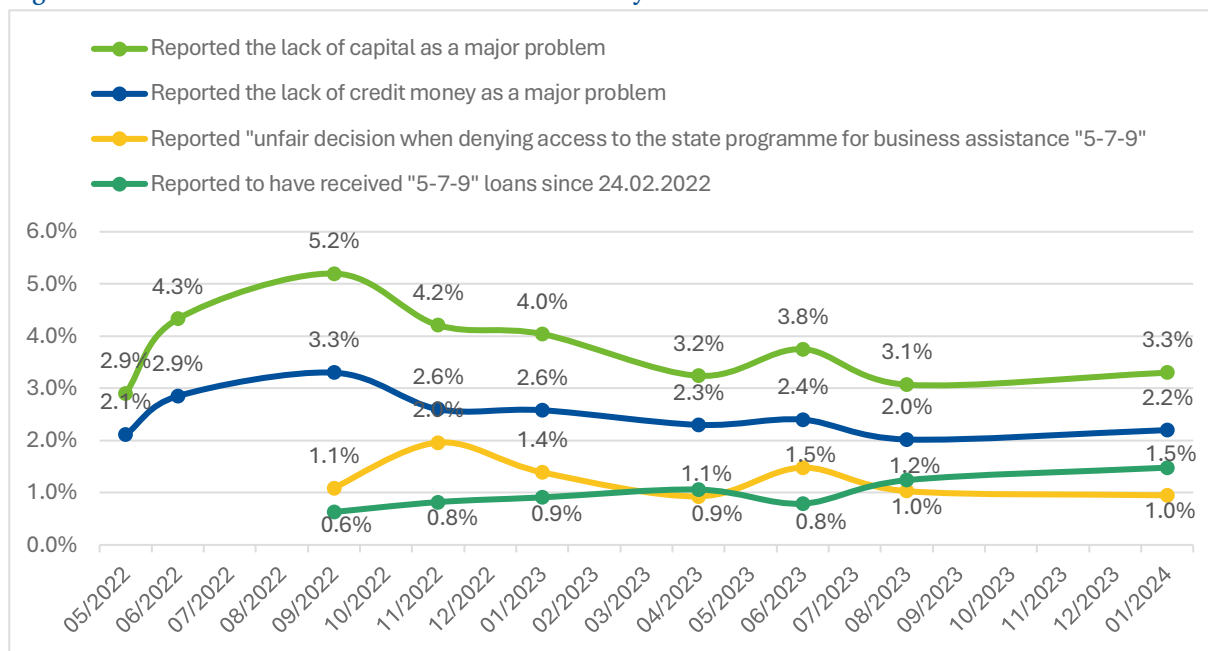
³⁷IMF Memorandum. [Link](#)

³⁸The government is reorienting the "Affordable Loans 5-7-9%" programme to investment purposes - Nadiia Bihun. [Link](#)

On the one hand, as anticipated by the government, these changes could make the “5-7-9” programme more focused on investment needs (as opposed to working capital). On the other hand, this adjustment may limit the programme's scope. According to bankers, the programme's reformatting will increase competition in the lending market, and a significant number of borrowers will switch to lending outside the programme³⁹.

The Business Survey of Ukraine shows that the share of businesses that have used "5-7-9" lending has more than doubled during the full-scale war - from 6.3% in September 2022 to 14.8% in early 2024⁴⁰. The share of businesses reporting unfair or unreasonable refusals to provide loans under the “5-7-9” programme has also decreased by half.

Figure 6. Selected results of the business needs survey



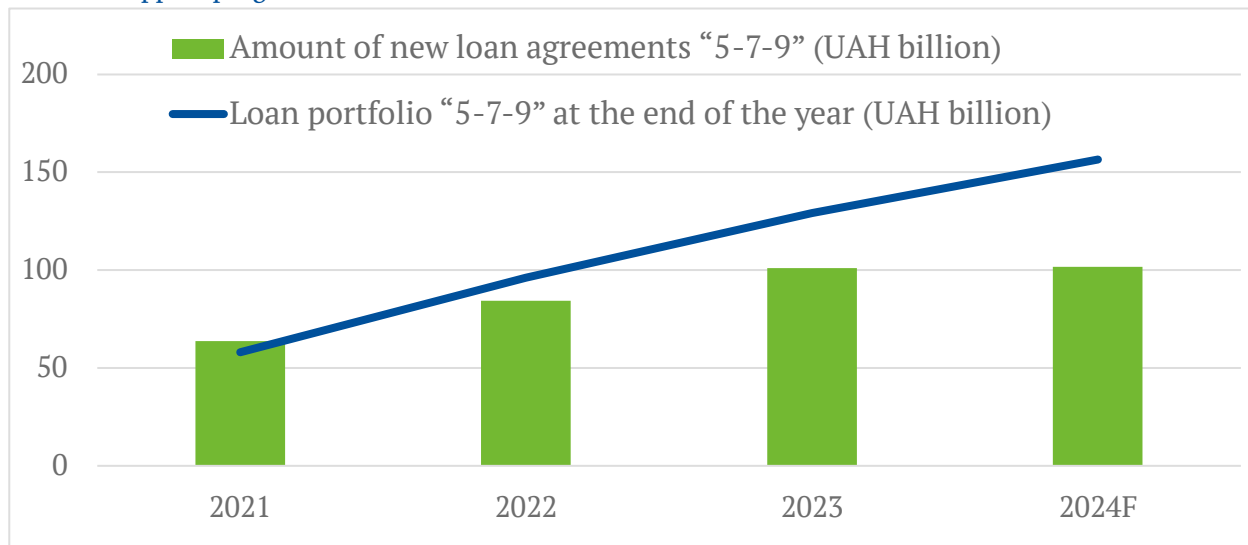
Source: [Business Survey in Ukraine](#).

The results of the Business Survey in Ukraine are in line with the statistics of the Entrepreneurship Development Fund on "5-7-9" loans. According to this data, from September 2022 to February 2024, the amount of loans disbursed doubled from UAH 140 billion to UAH 280 billion. As of March 2024, the ratio of current debt to the total amount of loan agreements was 30%. After the full-scale Russian invasion, the pace of disbursement of “5-7-9” loans increased 1.5 times: before the full-scale invasion, an average of UAH 5.1 billion was disbursed monthly. After the invasion, an average of UAH 7.9 billion is disbursed monthly. At the same time, the average share of signed applications remains at 63%, the same as before the full-scale invasion.

³⁹ Up to 60% of the loan portfolio may lose support for the “5-7-9% programme”. [Link](#)

⁴⁰Business Survey in Ukraine. [Link](#).

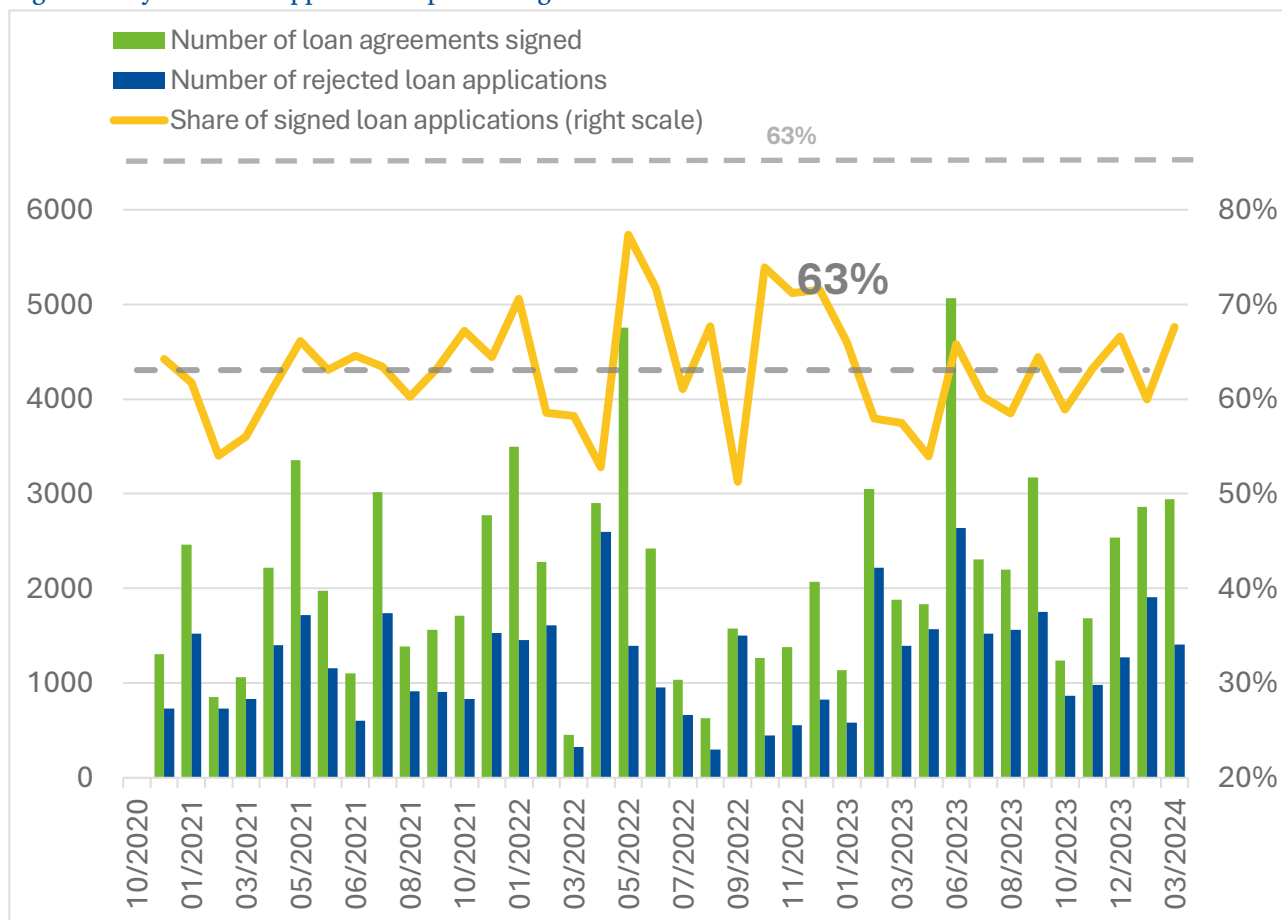
Figure 7. Amount of signed loan agreements and current debt (loan portfolio) under the government business support programme “5-7-9.”



Source: [Entrepreneurship Development Fund](#), CES calculations.

Remarks. The forecast of the amount of new loan agreements and the loan portfolio at the end of 2024 was calculated by linear regression based on weekly data for the first quarter of 2024.

Figure 8. Dynamics of applications processing for the "5-7-9" loans



Source: [Entrepreneurship Development Fund](#)

3.4 OTHER BANK LENDING

During the period of the full-scale invasion, subsidised loans became the most popular instrument for allocating funds. With the introduction of amendments to the Resolution on the provision of financial state support, the programme gradually lost its attractiveness. The share of new hryvnia loans granted under the "5-7-9" programme is not reflected in public statistics. According to the Centre for Economic Strategy, based on a survey of commercial banks, in January-April 2024, about 50% of new hryvnia loans to businesses were issued under the "5-7-9" programme. At the same time, commercial banks have become more interested in issuing loans on market terms over time, partly because of the less predictable timing of loan rate compensation under the government programme.

However, non-subsidised loans continue to occupy a particular segment of the market. They are the primary source of financing for companies that do not meet the necessary conditions for participation in the "5-7-9" programme, including large enterprises, financial non-banking companies, non-residents, manufacturers of weapons or excisable goods, real estate lessors, etc., as well as companies that need loans for purposes other than those provided for by the programme (working capital financing or investment purposes).⁴¹

As of 1 May 2024, the share of hryvnia loans in the corporate loan portfolio was over 68%; 22% were denominated in US dollars, 10% in euros and only 0.01% in other currencies. At the same time, according to the NBU and the Centre for Economic Strategy, the share of new hryvnia loans exceeds the share of the national currency in the current loan portfolio.

Also worth mentioning are the partnerships between banks and manufacturers of products and services in providing financing. In certain cases, companies interested in purchasing goods and services from certain producers, particularly agricultural companies, can obtain loans on favourable terms.

3.5 STATE AND REGIONAL PROGRAMMES

SMEs can receive support by participating in programmes funded by the state and local budgets. Financial assistance can be provided in the form of credit instruments, non-refundable loans, or interest rate compensation.

Since the beginning of the full-scale invasion, the "eRobota" project has been launched. This government programme, which is non-refundable and includes five ongoing programmes and one programme under development, provides Ukrainians with grants of up to UAH 8 million to start businesses and create jobs.

Table 2. Business financing programmes within the "eRobota" project

Name of the programme	Brief description of the programme	Amount of funding	Number of grants awarded*, billion UAH	Amount of grants issued*, billion UAH
"Own business"	Grant for starting or developing a small or micro business	up to UAH 250 thousand	14 694	3.5

⁴¹What are the terms and features of the program "Affordable loans 5-7-9%" - Sense Bank. [Link](#).

“New level”	Grant for processing enterprises	up to UAH 8 million	657	3.4
“Own garden”	Co-financing grant for setting up a new garden, berry or vineyard	up to UAH 400 thousand per hectare, but not more than 70% of the project cost	195	0.86
“Own greenhouse”	Co-financing grant for the development of greenhouse facilities	up to UAH 7 million for 2 hectares, but not more than 70% of the project cost		
“IT start-up”	Grant for employee salaries, consulting services, equipment purchases, etc.	up to UAH 3.5 million	0**	0.00**
“Grant for veterans and their families”	Grant to start or develop a veteran business	up to UAH 1 million	431	0.19

Sources: Ministry of Economy, “[eRobota](#)”.

* - Since the launch of the “eRobota” project in July 2022, according to the Ministry of Economy of Ukraine as of 13 May 2024.

** - The grant funding programme for IT startups is under development

According to the latest available data as of 13 May 2024, more than UAH 8 billion has been invested in business support through the “eRobota” project over the programme's entire existence. The most popular of the above programmes is microgrants for starting your own business — “Own Business”, within which 14.7 thousand microgrants were issued.

The state programme “**Made in Ukraine**” was launched in 2024. It provides farmers with 25% compensation for the cost of purchasing agricultural machinery from Ukrainian producers. To implement the programme, UAH 1 billion was allocated in the 2024 budget to support 4,000 agricultural producers.⁴²

In March 2024, the **Ukrainian Veterans Fund** initiated a programme to finance businesses run by veterans, their families, and family members of deceased war veterans. The programme provided grants ranging from UAH 500,000 to UAH 1.5 million on a competitive basis. As a result, 85 business entities received funding. The Ukrainian Veterans' Fund also launched a microfinance programme for veterans and their families,

⁴²Made in Ukraine. [Link](#).

which provides up to UAH 20,000 to buy goods and equipment for running their own businesses. The programme is designed for 500 applicants and has a total budget of UAH 10 million.⁴³

There are also regional programmes of support for small and medium-sized businesses. They can be initiated by city councils, regional administrations, and territorial communities. Regional financial support programmes can be divided into the following types:

- vouchers/grants for business development and recovery;
- concessional lending;
- non-monetary support.

For example, the Lviv Regional Military Administration (LRMA) initiated grants for ATO/JFO participants to start their businesses or develop entrepreneurial activities as part of the Programme for Improving the Competitiveness of the Lviv Region for 2021-2025.⁴⁴ The Lviv city administration has created a number of voucher programmes to support businesses registered in the Lviv community for various purposes and under different conditions. These include a reconstruction voucher of up to UAH 2 million for businesses affected by rocket attacks; a business voucher for veterans of up to UAH 300,000 for the purchase of equipment, rent, etc.; a voucher for processing companies of up to UAH 2 million (the amount depends on the number of jobs created); an investment voucher of up to UAH 300,000 for the purchase of equipment, rent, reimbursement of expenses, etc.⁴⁵ The budget for 2023 planned UAH 52.7 million for voucher support, and the plan was fulfilled by 88% (UAH 46.4 million).⁴⁶ Lviv Regional Administration has also established a programme to provide loans on a concessional basis to war veteran agrarians who are micro, small and medium-sized businesses. Concessional loans are up to UAH 700 thousand and are issued at 3% per annum for up to 5 years with the possibility of up to 1-year deferral.⁴⁷

3.6 INTERNATIONAL PARTNERS

A significant part of small and medium-sized businesses' funding is covered by the support of Ukraine's international partners, who provided \$692 million in loans and grants to businesses in 2023, according to the Ministry of Economy of Ukraine. Grants and other non-repayable assistance account for the majority of this. Donors include both foreign governments and international organisations. Ukraine's largest partners in providing loans and grants are the United States, the International Finance Corporation, and the European Union.

In 2023, the United States was the largest provider of grants, providing \$325 million in non-repayable assistance (grants, interest rate compensation), mainly through USAID programmes. The mechanism of interest rate compensation allows businesses to provide financial resources with a significant multiplier (~x10) to the donor resource.

⁴³Projects. Veterans' Fund. [Link](#).

⁴⁴Supporting entrepreneurial initiatives of ATO (JFO) participants and war veterans. [Link](#).

⁴⁵Voucher support for small and medium-sized enterprises. [Link](#).

⁴⁶Voucher support for SMEs during martial law. [Link](#).

⁴⁷Concessional loans for war veteran farmers. [Link](#).

The USAID structure in Ukraine is highly branched in terms of programme and project management and, therefore, decentralised in business process management. This makes it difficult for applicants to obtain the necessary information about the range of available business support opportunities within USAID.

USAID's key current support programmes in Ukraine:

- Economic resilience activity (**ERA**);
- **Agricultural Resilience Initiative (AGRI-Ukraine)**: loan and grant support for agriculture; since the beginning of the programme, USAID has invested \$350 million;
- **Harvest** with a total budget of \$60 million;
- Agriculture Growing Rural Opportunities Activity in Ukraine (**AGRO**): one of the co-financing projects worth UAH 703 million for 20 subgrants; grants of up to UAH 11 million for dairy enterprises;
- Competitive Economy of Ukraine (**USAID CEP**): runs from October 2018 to October 2025, with a total budget of \$170 million;
- New project for the private sector: **STRONG UA**; lasts from 2024 to 2029; the expected budget of the programme is \$100-300 million;
- Investments for Business Resilience (**IBR**): loans with a grant component; the budget is \$93 million until July 2027.

USAID's "Economic Resilience Activity (ERA)" programme aims to build agricultural export and logistics capacity, with a focus on grain trade, and improve export infrastructure, technology, and processes along Ukraine's western borders.⁴⁸ The programme was launched in 2018 and runs until 2026. The ERA project provides various types of grant support to achieve the goals of Ukraine's economic recovery. The grants are provided to companies, associations or manufacturers of logistics equipment in the agricultural sector, as well as market analysis agencies, NGOs, government agencies, etc. The amount of funding is determined for each application individually, but the approximate amount of the grant is between \$25,000 and \$500,000 and, in some cases, may exceed \$500,000. The project provides for four types of grants: in-kind grants (procurement of goods and services and their transfer to the grantee), fixed-amount grants, standard grants (reimbursement of actual costs) and mixed-type grants.

At the end of July 2023, the Ministry of Infrastructure and the USAID ERA Project signed a Memorandum of Cooperation. Under this agreement, the United States will support projects that increase Ukrainian exports and help attract additional funding from international financial institutions for logistics recovery and development projects. The total budget for the project is \$130 million.⁴⁹

In July 2022, the United States, through USAID, launched the Agriculture Resilience Initiative - Ukraine (**AGRI-Ukraine**) to support agriculture, address urgent and strategic issues in the sector and agricultural exports, and help restore Ukraine's agrarian sector. The USAID Economic Recovery Activity (ERA) is implementing the initiative. USAID has invested over \$350 million in the project and leveraged more than \$250 million from the private sector and other donors for a total target investment of \$850 million. As a result of the project, more than 14,000 Ukrainian farmers have been provided with seeds, fertilisers, and access to funding.⁵⁰ The programme has facilitated loans and grants for over 2,000 agricultural producers, totalling

⁴⁸USAID. Grants. [Link](#).

⁴⁹USAID's Economic Support for Ukraine project will support projects to develop Ukraine's export infrastructure. [Link](#).

⁵⁰The United States Announces \$60 Million to Bolster Agriculture Amid Wartime threats in Ukraine. [Link](#).

over \$85 million.⁵¹ In May 2024, a new initiative to support the agricultural sector, “**Harvest**”, was announced as part of the AGRI-Ukraine programme. To implement the programme, USAID will allocate an additional \$60 million to develop Ukraine's agricultural sector by assisting micro, small and medium-sized producers of grains and oilseeds.⁵²

Also, at the end of 2023, USAID announced the provision of subgrants under the Agricultural and Rural Development Programme (“**AGRO**”). The USAID “AGRO” programme aims to accelerate rural communities' economic development by improving agricultural sector governance. The programme runs from November 2019 to November 2026. USAID AGRO works with the Ministry of Agrarian Policy and Food, industry associations, and rural communities to provide small and medium-sized agribusinesses with critical inputs (fertilisers and seeds) and services (plant protection and fertiliser application by drones and self-propelled sprayers advisory and technical services to food producers, legal services, etc.) USAID AGRO co-invests in projects to introduce crop processing and grain storage technologies and provides co-financing to support processing and dairy enterprises. The total co-financing for 20 export-oriented processing companies is UAH 703 million.⁵³

In 2024, subgrants are being implemented to support dairy family farms with a grant of up to UAH 11 million.⁵⁴ The USAID AGRO programme also helps to improve SMEs' access to finance through cooperation with agricultural suppliers (ADAMA⁵⁵, UKRAVIT⁵⁶, Agro-Arena⁵⁷) to create deferred payment instruments for the agricultural sector. By April 2024, 349 farmers had received commodity loans totalling \$6.9 million to purchase inventory. In March 2024, USAID AGRO supported the financial company “Activitis” in creating a specialised online service based on the WEAGRO factoring principle,⁵⁸ enabling agricultural businesses to defer payments for goods and services.

Another USAID programme, the “**Competitive Economy of Ukraine (CEP)**”, aims to support start-ups and SMEs in increasing their competitiveness in domestic and international markets. The programme runs from October 2018 to October 2025, with a budget of \$170 million.⁵⁹ In 2023, the programme provided grants to Ukrainian export alliances of at least five companies to promote exports and take steps to enter new markets. The total budget of the programme was about \$1.5 million. It was planned to provide 15 grants ranging from \$35,000 to \$150,000.⁶⁰ At the end of 2023, the programme increased grant support for Ukrainian processing companies with a total funding of up to \$11 million, with 75 grants planned.⁶¹ In the spring of 2024, the USAID KEY program also announced a non-monetary project component. Processing companies will be able

⁵¹Agri-Ukraine. [Link](#).

⁵²Deputy Administrator Isobel Coleman's Visit to Ukraine. [Link](#).

⁵³Export-oriented programme for processing of grains, oilseeds and pulses. The USAID Agriculture and Rural Development Programme [Link](#).

⁵⁴Supporting Value-Added Milk Production by Family Farms. The USAID Agricultural and Rural Development Programme (AGRO)[Link](#).

⁵⁵ADAMA. [Link](#).

⁵⁶UKRAVIT. [Link](#).

⁵⁷Agro-Arena. [Link](#).

⁵⁸WEAGRO. [Link](#).

⁵⁹Presentation of the USAID Competitive Economy of Ukraine programme at the Kyiv Investment Day conference.

⁶⁰Grants to support export alliances [Link](#).

⁶¹News. Ministry of Economy of Ukraine [Link](#).

to receive online consultations in the field of exports and foreign economic activity from experts from leading consulting companies to increase their export potential.⁶²

Also, in April 2024, USAID announced a new area of activity for private sector development, “**STRONG-UA.**” The project will be based on the “Competitive Economy of Ukraine” programme and will improve the business environment by providing grant support to businesses. The programme will run from 2024 to 2029, with the first grants expected to be awarded in November 2024. The total project budget is estimated at \$100-300 million.⁶³

In addition to its own business support programmes, USAID also promotes private sector development through its participation in other programmes, such as the visionary women's accelerator “**Brave 2. Scaling and Digitalisation,**” which has a total financial support fund of UAH 5.2 million. Under the programme, active and future entrepreneurs can receive training and a UAH 100 to 400 thousand grant.⁶⁴

In August 2022, USAID initiated the “**Investing for Business Resilience (IBR)**” project, which aims to increase sales and exports of Ukrainian enterprises and create jobs. The project provides financing to businesses. The programme runs until July 2027 and has a budget of \$93 million. Over the six months of the project's implementation, more than 570 companies have been supported, and \$48 million in support has been unlocked. In 2023, the programme was implemented through a grant component of the bank lending rate (partner - OTP Bank), through crop insurance and simplified access to finance (partner - Universalna Insurance Company), and by reducing the cost of leasing by 30% through a grant (partner - BEST Leasing).

Another American donor is the Western NIS Enterprise Fund, which, together with the **Ukrainian Startup Fund** (USF, officially known as the Innovation Development Fund), initiated a grant programme in 2024 to support technology companies in the early stages of project development. A total of \$2.5 million is planned to be allocated, with a budget of up to \$50,000 per grant. WNISEF funds the programme, and USF is its main implementer.⁶⁵

In April 2024, WNISEF announced a grant programme, ‘CREATE!’, supporting small and medium-sized businesses in the production and processing sector. The programme was launched by the Ministry of Economy of Ukraine with the support of the KSE Foundation and is being implemented in partnership with Oschadbank. The programme's total budget is \$1 million, with each grant amounting to \$15,000.⁶⁶

WNISEF also provides loans on favourable terms to social enterprises under the Social Investment Programme. This programme aims to support business entities in achieving social and environmental impact in Ukraine. Loan amounts under the programme range from \$10,000 to \$100,000 in UAH equivalent for 36 months at an interest rate of 5 to 10%.⁶⁷

At the end of 2023, the US Corporation for International Development (DFC) announced the creation of five new projects in Ukraine to support food security, small business, healthcare, and international trade with a total value of \$380 million. Of this amount, \$60 million is planned in the form of guarantees in cooperation

⁶²Consultations to improve export potential. [Link.](#)

⁶³New Private Sector Activity: STRONG UA. [Link.](#)

⁶⁴Brave 2. Scaling and digitalisation [Link.](#)

⁶⁵Ukrainian Startup Fund [Link.](#)

⁶⁶CREATE! [Link.](#)

⁶⁷Social Investment Programme. [Link.](#)

with USAID to provide loans to two banks in Ukraine: \$20 million in guarantees to Bank Lviv and \$40 million in guarantees to Raiffeisen Bank to facilitate access to credit financing for SMEs.⁶⁸

The **International Finance Corporation** is one of the institutions of the World Bank Group. In 2023, it provided \$198 million in loans, making it the second-largest international partner after the United States in terms of financing. In 2022, the IFC initiated the Economic Resilience Action (ERA⁶⁹) programme to support the private sector in funding during a full-scale invasion. The programme's total cost is \$2 billion, including financing from IFC's account, guarantees, concessional loans and grants from donor governments. The programme's main focus is trade finance for Ukrainian banks, the agricultural sector and small and medium-sized businesses.⁷⁰ The British International Investment (BII), the US International Development Finance Corporation (DFC) and the Multilateral Investment Guarantee Agency (MIGA) agreed to share the risks associated with IFC trade finance. The BII and DFC planned to provide \$25 million and \$50 million, respectively, to support trade flows of critical commodities. In addition, MIGA approved the allocation of \$20 million to support trade finance guarantees. The United Kingdom also planned to allocate \$30 million to the IFC ERA programme to support Ukraine's energy security. IFC and the European Commission have announced a partnership to reduce risks and provide up to €200 million in financing from Ukrainian financial institutions to small businesses, focusing on agribusinesses and women-owned enterprises.

Since the start of the ERA programme and up to February 2024, IFC has provided more than \$650 million in financing and mobilised \$400 million to support the technology sector, agribusiness, critical exports and imports, and SME finance. In February 2024, the EU and IFC signed a guaranteed agreement worth up to €90 million to support investments in Ukraine under **the IFC's Better Future Programme (BFP)**.⁷¹

In 2016, **the European Bank for Reconstruction and Development** and the EU initiated the EU4Business-EBRD Credit Line programme, which provides loans to support projects to develop the competitiveness and empowerment of SMEs. Investments are made in equipment and modernisation of production facilities. The initiative was launched under the EU4Business project and aims to harmonise Ukrainian businesses with EU directives and improve the quality of products or services, among other things. The programme provides for three types of lending:

- For equipment modernisation up to €300 thousand;
- For investments in any business up to €3 million;
- Accelerated process of obtaining sanitary and phytosanitary and food safety permits for investments up to €300 thousand⁷²

In addition, in 2023, the EBRD continued its cooperation with Ukrainian banks under the “Resilience and Livelihoods Framework (RLF)” programme, launched in April 2022, in response to the outbreak of the full-scale invasion. The programme was designed to respond quickly and effectively to urgent challenges in Ukraine and neighbouring countries facing the influx of Ukrainian refugees. Since July 2023, the programme

⁶⁸DFC. Media Release. [Link](#).

⁶⁹The IFC Economic Resilience Action (ERA) programme and the USAID Economic Resilience Activity (ERA) programme are two different initiatives.

⁷⁰The World Bank. [Link](#).

⁷¹EU and IFC to unlock over €500 million in private sector investments for reconstruction in Ukraine. [Link](#).

⁷²EU4Business-EBRD Credit Line. [Link](#).

has covered only Ukraine. Under the “RLF” programme, the largest state-owned bank, PrivatBank, was provided €60 million through a risk-sharing facility to secure €240 million in new loans to agribusiness and other critical sectors⁷³. In the summer of 2023, the EBRD provided Bank Lviv with a €7.5 million funding package under this instrument to provide sub-loans to SMEs worth €30 million. As a result, Bank Lviv can give loans to businesses on simpler terms and without collateral.⁷⁴ In 2024, the EBRD also started cooperation under the risk-sharing programme with Oschadbank, opening a €50 million credit line for the financial institution, allowing it to provide €200 million in new loans to the private sector. The total amount of credit financing under similar EBRD guarantees provided from the start of the full-scale invasion until the end of 2023 was approximately €900 million⁷⁵.

In the summer of 2023, the EBRD expanded its cooperation with Kredobank under the “Trade Facilitation Programme (TFP)” by providing a €25 million guarantee covering 50% of the credit risk of new funding totalling €100 million.⁷⁶

The EBRD is also supporting a project to provide grant support for consulting projects implemented by external consultants and funded by the United States, Sweden, and other donors. The project offers consulting services for business development and reimburses 85% of the cost of the consulting project.⁷⁷

The EU's main SME support programme is the EU4Business initiative, with a budget of €245.8 million⁷⁸ in 2022. The programme was initiated by the European Union and the German Government to strengthen the competitiveness and internationalisation of SMEs in Ukraine. The German Society for International Cooperation (GIZ) implements the programme, which provides funds for SME lending and grant support. Under the EU4Business programme, the EU and Germany support entrepreneurs by providing grants and concessional loans. The total funding for the programme in Ukraine in 2022 was €34 million. The programme supported 25,500 businesses, which generated more than €1.7 billion in additional revenue and created almost 24,000 jobs.⁷⁹

In 2024, the EU4Business programme launched the 100 MSME Grant Programme, which will provide Ukrainian micro, small and medium-sized enterprises (MSMEs) with grants of up to €10,000 each. The programme aims at enterprises with export and innovative potential to support economic resilience, recovery and development⁸⁰. The deadline for grant applications passed in March. However, in May 2024, EU4Business support for SMEs with export and innovation capabilities was extended. Twelve companies in the manufacturing and creative industries can receive advisory support and grants of up to €40,000 to promote exports, research and development, certification, equipment purchases, etc.⁸¹

In 2024, the “Ukraine-Ready4EU” project was developed to offer financial support to 1,500 SMEs planning to increase their activity in the EU Single Market and increase cooperation with European business partners.⁸²

⁷³EBRD provides EURO 60 million guarantee to support lending by Ukraine’s PrivatBank. [Link](#).

⁷⁴RLF - RLG - Bank Lviv. [Link](#).

⁷⁵The EBRD extends guarantees to Ukraine's Oschadbank to release €200 million in loans. [Link](#).

⁷⁶The EU and the EBRD are expanding their cooperation with Kredobank in support of the Ukrainian economy. [Link](#).

⁷⁷Grant support for consulting projects. [Link](#).

⁷⁸EU4Business. Country report. Ukraine. 2023. [Link](#).

⁷⁹EU4Business. Country report. Ukraine. 2023. [Link](#).

⁸⁰€1 million: 100 Ukrainian companies can receive grants from the EU and Germany. [Link](#).

⁸¹EU4Business. [Link](#).

⁸²Business Bridge — Ukraine-Ready4EU. [Link](#).

In 2022, the “EU4Youth” programme was created to support young veterans and internally displaced people. It provides training and €6,000 grants for ten people to start their own businesses.⁸³

In 2024, the European Union, through the European Innovation Council, initiated the Seeds of Bravery (UASEEDs)⁸⁴ project, under which Ukrainian tech startups can receive grant funding in five areas totalling up to €60,000. The total budget of the project is €20 million. The programme offers the following types of support:

- Innovation Services - grants of up to €10,000 to improve business models, growth plans and strategies;
- Entrepreneurship - a grant of up to €25,000 to support business continuity and the creation of women-led companies;
- Deep tech incubation - grants of up to €25,000 for early-stage startups to conduct user or demand testing, prototype validation and other critical innovation tasks;
- Rebuilding Ukraine - a grant of up to €25,000 for innovative products/services for the rapid reconstruction of post-war Ukraine;
- Deep Tech Scale-up—a grant of up to €50,000 for scaling up prototypes that have successfully passed the pilot launch and expanding the companies' market reach.

The programme also provides non-monetary support, such as access to investor and accelerator communities, access to a wide range of activities, specialised training, etc.

In July 2023, **the European Investment Bank (EIB)**, along with ministers from 16 EU countries, signed letters of intent to support the EIB's EU for Ukraine Fund, which is aimed at recovery and reconstruction programmes in Ukraine. Confirmed contributions to the fund from the signatory countries totalled €383.3 million, including €100 million from France, €100 million from Italy, €70 million from Spain, €52 million from the Netherlands, and €25 million from Poland. The Fund will support projects in the public and private sectors, focusing on municipal infrastructure and improving access to finance for Ukrainian businesses.⁸⁵ A €100 million package of technical and advisory assistance has also been set up as part of the EU for Ukraine (EU4U) Initiative to provide loans.⁸⁶

EIT Food (European Initiative for Food Innovation), supported by the European Institute of Innovation and Technology (EIT), is implementing a mentoring programme in Ukraine to support women with a business idea or existing business in the agri-food sector, Empowering Women in Agrifood. From June to November 2024, ten selected participants will receive individual work with mentors, training, and the opportunity to receive grant funding of €5,000 and €10,000.⁸⁷

Germany remains one of Ukraine's main donors. In 2023, the German government distributed \$22 million through various institutions.

The **Kreditanstalt für Wiederaufbau (KfW)** is Germany's leading development bank, promoting development in Germany and other countries worldwide. One of KfW's main activities is supporting small and medium-sized businesses.

⁸³EU4Youth application form - Supporting young veterans and internally displaced people in Ukraine. [Link](#).

⁸⁴Seeds for Bravery. [Link](#).

⁸⁵The EIB Fund supports Ukraine. [Link](#).

⁸⁶400 million to support Ukraine. [Link](#).

⁸⁷Empowering Women in Agrifood. [Link](#).

In June 2022, the programme "**Add Energy to Your Business**" was approved. The programme is being implemented by KfW, the Cabinet of Ministers of Ukraine, represented by the Ministry of Finance of Ukraine, and the Entrepreneurship Development Fund to provide SMEs with loans on favourable terms for energy efficiency and renewable energy. The total amount of lending is €7 million, and the amount of non-repayable support is €400 thousand. The maximum loan amount is €500 thousand for a period of up to 5 years (for fixed assets) or up to 2 years (to finance costs associated with an investment project) at 16% per annum (UIRD + 5 pp).⁸⁸ This programme can be combined with the "Affordable Loans 5-7-9" programme, which can result in a more favourable interest rate on the loan, even 0%.⁸⁹

In 2021, a programme to stimulate the development of SMEs was initiated with the support of the German Federal Ministry for Economic Cooperation and Development and implemented by the International Organization for Migration. The programme aims to support businesses relocated or otherwise affected by the war. The total budget is €10 million. The programme provides the following grant support options:

- Up to €4,500 for 500 micro-enterprises to restart and sustain operations;
- Up to €20,000 for 175 small businesses to restart and sustain operations;
- Up to €7,000 for 70 start-up micro-enterprises to create jobs⁹⁰.

Since the start of implementation in 2021 until December 2023, €6.2 million in grants have been issued, more than 2,000 jobs have been created, and 735 enterprises have been supported⁹¹.

The **German Society for International Cooperation (GIZ)**, in cooperation with the **German Development Cooperation Fund (DSIK)** and the Entrepreneurship Development Fund, initiated the programme 'Access to Finance and Support for the Sustainability of MSMEs in Ukraine', under which the German Government provides financing permanently in the form of loans for investment projects with the possibility of receiving additional grant support. The programme allows participants to choose the type of support and combine loan and grant components⁹². In 2024, GIZ plans to increase its grant support tenfold - from €600 thousand to €6.3 million.

In the spring of 2024, the **Green for Growth** Investment Fund (**GGF**) provided €6 million to Bank Lviv to support the sustainability of Ukrainian businesses and promote Ukraine's green economic revival⁹³. The GGF was initiated by the European Investment Bank and the German development bank KfW. At the end of 2022, the GGF had six investment projects in Ukraine and three partner institutions - ProCredit Bank (with an initial investment of €40 million), OTP Leasing (€22.6 million) and Bank Lviv (€8.2 million). Since the start of cooperation, €114.4 million in sub-loans have been disbursed.⁹⁴ Also, in 2023, the **European Fund for Southeast Europe (EFSE)** announced a €4 million in hryvnia equivalent credit line to Bank Lviv for SME lending⁹⁵. In November 2022, the GGF and EFSE jointly allocated €900,000 in grants to cover the investment

⁸⁸"Energise Your Business" programme. [Link](#).

⁸⁹Businesses from Kyiv region can receive a full reimbursement of the interest rate on loans from Ukragazbank from the Kyiv Regional Insurance Company – [Link](#).

⁹⁰SME boost: economic integration of internally displaced people and business recovery. [Link](#).

⁹¹SME development: economic integration of internally displaced persons | IOM Ukraine. [Link](#).

⁹²Programme 'Access to Finance and Sustainability Support for MSMEs in Ukraine. [Link](#).

⁹³Bank Lviv has allocated €6 million from the Green for Growth Fund (GGF) to support business projects in the green economy. [Link](#).

⁹⁴Ukraine – Country Fact Sheet. [Link](#).

⁹⁵EFSE. [Link](#).

and working capital needs of green technology SMEs in Ukraine.⁹⁶ Also in 2022, the GGF, EFSE and Finance in Motion (impact asset management) initiated the Stand with Ukraine programme to mobilise resources and support the Ukrainian people and businesses. A total of €2 million was allocated to the programme⁹⁷.

In addition to government development agencies, national development banks can also act as potential lenders or grantors to businesses. The advantage of such institutions is their ability to provide risk capital on a non-profit basis to attract private capital. However, the CEPR report on the financial architecture for Ukraine's reconstruction, published in April 2024, notes that development banks are risk-averse and prefer to invest in companies that have passed their rigorous due diligence⁹⁸.

In many cases, European development banks invest in companies in Ukraine that have a beneficiary in the bank's jurisdiction or other reliable Western jurisdictions. For example, FMO (Netherlands) and IFU (Denmark) are two European national development banks that have historically invested more in Ukrainian projects than other European national development banks and have significant active investments in Ukraine. Most of the Ukrainian companies in their portfolio among the projects published on their websites are businesses of Dutch or Danish origin, respectively.

The **Dutch government**, through **the Netherlands Enterprise Agency (RVO)**, also has a number of support programmes for Dutch businesses and businesses from developing countries (including Ukraine). The Netherlands has identified healthcare, agriculture and water as priority investment sectors but is open to other proposals, particularly in the infrastructure and energy sectors.

Below are four investment programmes offered by the Dutch government:

- 1) "Ukraine Partnership Facility." This programme finances Dutch and international companies' investment projects in Ukraine.⁹⁹ The programme has already allocated €25 million, and the next phase of €35 million is expected to be announced in autumn 2024.
- 2) "Private Sector Development." This programme's tools are designed to strengthen the private sector through research, training, and the exchange of experience¹⁰⁰.
- 3) "Impact Clusters Programme." The programme promotes the development of sectoral clusters in Ukraine and other countries and aims to establish links between interested Ukrainian and Dutch businesses. Impact Clusters provides for a budget of €4 million in subsidies in 2024 and a maximum amount of €680 thousand per application. The programme is valid until 2028¹⁰¹
- 4) "Climate and Energy Response Facility (CERF)." This programme, which runs from 2022 to 2025, supports the green transition in partner countries and promotes climate dialogue between governments through Dutch diplomatic missions.¹⁰²

The Danish Investment Fund for Developing Countries (IFU) has a significant financial and physical presence in Ukraine. The IFU's Kyiv office provides advisory services to Danish companies wishing to establish operations in the region, including Ukraine. IFU also provides risk capital. As a rule, involvement in a project begins at the

⁹⁶EFSE bolsters support for Ukrainian Greentech and SME business. [Link](#).

⁹⁷Stand with Ukraine. [Link](#).

⁹⁸Ukraine's Reconstruction: Policy Options for Building an Effective Financial Architecture. [Link](#).

⁹⁹Ukraine Partnership Facility – UPF. [Link](#).

¹⁰⁰Private Sector Development. [Link](#).

¹⁰¹Impact Clusters Programme. [Link](#).

¹⁰²Climate and Energy Response Facility – CERF. [Link](#).

planning stage, continues during the establishment and continues until the company can operate independently. When shares are sold, or a loan is repaid, the funds are reinvested in new projects.¹⁰³

The IFU reports about 58 projects in Ukraine, of which 15 were active as of May 2024. Renewable energy and livestock enterprises account for the largest share of the active projects. In total, the IFU reports allocating DKK 825 million (about \$120 million) to Ukraine.¹⁰⁴

The Japanese government also has a project (funded through the UN agency UNIDO) aimed at industrial recovery in Ukraine by promoting technology transfer and joint creation of innovative enterprises with Japanese private companies. The estimated duration of the project is from 2024 to 2029. The budget for 2024 is about \$16.9 million,¹⁰⁵ and the total programme is \$188 million.

On 19 February 2024, a Memorandum of Understanding and Cooperation was signed between the Japan International Cooperation Agency (JICA) and the Ministry of Economy of Ukraine. Under this agreement, the parties will collaborate to engage the Japanese private sector in Ukraine's reconstruction.

In addition, the Japan Bank for International Cooperation (JBIC) will provide a \$150 million loan to support Ukrainian business recovery projects through the Black Sea Trade and Development Bank.¹⁰⁶ In addition, an agreement was signed at the conference between JICA and Horizon Capital, one of the largest investment companies in Ukraine, on \$20 million in private sector investment financing in Ukraine and Moldova.¹⁰⁷

In 2024, **the Norwegian Refugee Council (NRC)** launched a grant programme to support microbusinesses. The NRC plans to support 20 business representatives affected by the war who have moved or are planning to move and/or restart their business in the Volyn or Khmelnytskyi regions of Ukraine with a grant of up to \$5,000 per application.¹⁰⁸

Since November 2021, **the International Organization for Migration (IOM)** has been providing a grant programme to support micro and small businesses, with the main goal of supporting Ukraine's economy by restoring jobs and production, as well as meeting the population's demand for critical goods and services. In 2024, the programme will be extended to businesses in Sumy, Kyiv (excluding Kyiv), Chernihiv, Dnipro, Mykolaiv, Lviv (excluding Lviv) and Chernivtsi regions. The maximum grant amount is \$7,000 for microenterprises and \$20,000 for small businesses¹⁰⁹. Between November 2021 and December 2023, IOM provided grant funding to 735 businesses over \$6.2 million.¹¹⁰

In June 2024, the Small and Medium-sized Enterprises Resilience Alliance for Ukraine was launched at the International Conference on Ukraine's Recovery in Berlin, with 30 international partners joining the **Alliance**. The Alliance provides financial investments, policy advice and development programmes. Total commitments amount to more than €7 billion for ongoing and new programmes for SMEs, of which more than €4.5 billion is for new projects. The Alliance has been joined by the EU, USAID, World Bank, UNDP, UNIDO, Council of

¹⁰³Kyiv – IFU. [Link](#).

¹⁰⁴Investments – IFU. [Link](#).

¹⁰⁵Ukraine – UNIDO. [Link](#).

¹⁰⁶[Link](#).

¹⁰⁷Ukraine – UNIDO. [Link](#).

¹⁰⁸Проект грантів для релокації/відновлення мікробізнесу. [Link](#).

¹⁰⁹Applications for grant support for micro and small businesses. [Link](#).

¹¹⁰SME boost. [Link](#).

Europe Development Bank (CEB), EBRD, EIB and other organisations, as well as by countries including Austria, Canada, Estonia, etc¹¹¹.

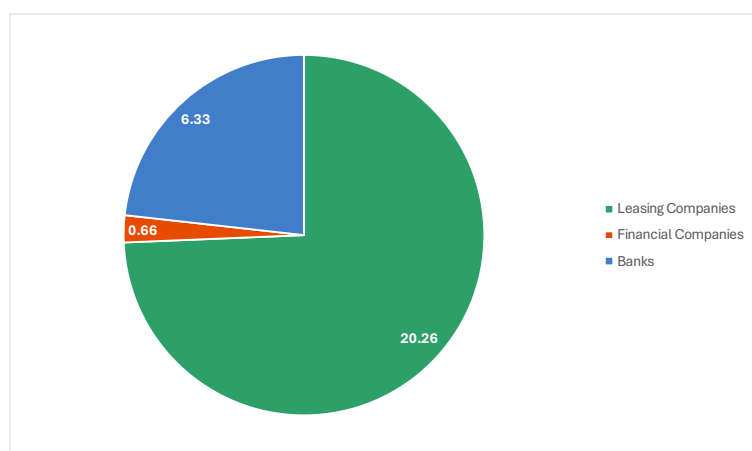
3.7 OTHER SOURCES OF FUNDING

The options listed above do not cover all the possibilities for Ukrainian companies to raise finance. Credit unions, lessors, private organisations, financial companies, and other commercial companies may also offer such options.

Leasing allows customers to use certain assets (such as cars, agricultural machinery, industrial machines, etc.) without purchasing, paying for maintenance, and selling them. In 2023, financial leasing agreements concluded by financial companies and lessors amounted to UAH 20.9 billion. This is 70% more than in 2022 (UAH 12.3 billion) but still half of what it was in 2021 (UAH 41.2 billion).

According to the NBU and our calculations, in 2023, the leasing market carried out transactions worth more than UAH 27 billion. Among service providers, lessor companies were the largest (UAH 20.3 billion - almost 75% of all leasing transactions). Banks provided leasing for UAH 6.3 billion, while financial companies provided only UAH 0.7 billion. We expect that in 2024, the share of leasing transactions among financial companies will increase due to the re-registration of some leasing companies due to the new regulation of financial leasing.

Table 3: Financial leasing transactions by type of service provider in 2023, UAH billion



Sources: NBU, CES calculations.

* The value for banks is the total of debit accounts 2071 and 2394 from the banks' balance sheets from January to December 2023, where account 2071 is Financial leasing (rent) provided to business entities accounted for at amortised cost. Account 2394 is Financial leasing (rent) provided to business entities accounted for at fair value through profit or loss.

Operative leasing is not subject to financial regulation, particularly the Law of Ukraine “On Financial Leasing”. It does not require a licence from the National Bank of Ukraine (and is therefore not regulated by it). An operating lease does not allow the lessee to purchase the property at the end of the lease term and is not the subject of this study.

Since the beginning of 2024, new market regulations have come into force, requiring those lessors planning to provide financial leasing services to register as financial companies. This will involve reporting to the NBU,

¹¹¹SME Resilience Alliance for Ukraine. [Link](#).

compliance with capitalisation, transparency and risk management requirements, and higher disclosure requirements. These rules were adopted to increase capitalisation and market stability. As a result, leasing companies, especially smaller ones, find it challenging to adapt to the new requirements.

The most commonly leased items are motor vehicles and agricultural machinery. According to the Ukrainian Union of Lessors, in 2023, leasing financed 10.5% of passenger car sales in Ukraine. The three leaders in terms of new vehicle registrations last year were OTP Leasing - 37% of all registrations in 2023, ULF Finance - 20%, and VIP-Rent (Avis TM) - 17%. The top three companies in the used vehicle segment are ULF Finance - 38%, Avtokredit Plus - 27%, and Aventus Leasing (Automoney) - 25%¹¹².

The leasing market in Ukraine showed dynamic growth both before the full-scale invasion and after 2022. Given the upcoming need for large-scale reconstruction in Ukraine, leasing instruments can play a significant role in raising the necessary funds for the reconstruction process.

In May 2024, the leasing market faced a new challenge, hidden in an amendment to the Law on Mobilisation Training and Mobilisation. The legislative amendments prohibited the transfer of ownership of vehicles intended for staffing the Armed Forces of Ukraine and other military formations during a particular period and registered with the territorial recruitment and social support centres. This policy risks harming the leasing market and industries dependent on leasing services (such as agriculture).

The government has not yet adopted bylaws specifying the type or amount of property that lessors can seize. The Government has until August 2024 to bring its regulations in line with the Law on Mobilisation Preparation and Mobilisation.

Credit unions are non-profit cooperative financial institutions. This makes them high-risk financial institutions, as they raise funds from their members. However, the non-profit status allows credit unions to offer loans with lower interest rates than other commercial players in the market.

In early 2024, the new Law of Ukraine “On Credit Unions” came into force, granting access to membership in a credit union (CU) not only to individuals but also to certain legal entities: farms, cooperatives, trade unions, religious organisations, condominiums, and microenterprises. Among individuals, as of the end of 2023, 17% of COP members had loans, including 26% for business needs, 20% for construction, purchase and repair of real estate, and 53% for consumer loans¹¹³.

Non-bank financial institutions authorised to lend to legal entities also include financial companies. As of the end of 2023, the total debt owed to financial companies by legal entities was UAH 90 billion, equivalent to 12% of bank loans to non-financial corporations. According to the NBU, in 2023, financial companies entered into loan agreements with legal entities for UAH 68.5 billion, which is almost twice as much as in 2022 (UAH 36.4 billion) and 7% higher than in 2021 (UAH 64.2 billion).¹¹⁴

The Export Credit Agency (ECA) is a government agency that aims to support and stimulate Ukrainian exports of goods and services. As an insurer with a special status, the Agency provides insurance for the interests and risks of Ukrainian exporters related to the (non-)fulfilment of their financial obligations by foreign buyers. Ukrainian partner banks of the Export Credit Agency can provide loans to finance an export contract secured by an ECA insurance contract.

¹¹²Leasing financed 10.5% of passenger cars registered in 2023. [Link](#).

¹¹³Overview of the non-banking financial sector. March 2024.. [Link](#).

¹¹⁴Performance indicators of credit unions.[Link](#).

The volume of business support provided by the Agency grows significantly every year, and this trend is likely to continue. In 2023, the ECA supported exports worth UAH 7.8 billion, 0.6% of total annual exports.

Table 4. Statistics of the Export Credit Agency's activities

Year	Exporters supported	Agreements concluded	The volume of exports supported, UAH billion	The volume of exports supported (% of exports)	The volume of financing received by exporters through the ECA, UAH billion
2021	6	6	0.082	0.0%	0.013
2022	35	46	3.176	0.2%	0.275
2023	74	93	7.839	0.6%	1.065

Sources: [Export Credit Agency](#), NBU and the Centre for Economic Strategy calculations.

Businesses themselves are also involved in financing SMEs. Companies develop programmes to support SMEs, including in their industries or regions. Such initiatives usually have limited resources but can significantly impact the segments and regions where they operate.

For example, the charitable foundation of **MHP**, a leading Ukrainian agricultural company, MHP-Gromadi, initiated a business idea competition for entrepreneurs in small towns and villages called “Do Your Own”. The programme provides training, partnerships and funding of up to UAH 100,000 for businesses in small towns and villages with a business idea and need for funding or war veterans and their families. In 2023, more than UAH 9 million was provided under this programme.¹¹⁵ Also in 2024, the business support programme “Agrokebety. Grow Your Own” was launched with the support of the MHP-Community Foundation, Horsch, the International Finance Corporation (IFC), Raiffeisen Bank, IMC and the Ukrainian Business Support Club. The program includes training in developing business plans to attract financing and competition for business projects in the agri-food industry with grants of up to UAH 200,000.¹¹⁶

In March 2024, Forbes Ukraine BrandVoice launched the Unbreakable Business program, a grant program to support micro and small businesses in the frontline areas. The program provides a grant fund of UAH 5 million for 15 winners, who will receive from UAH 200 to 500 thousand each.¹¹⁷

In February-March 2024, the Ukrainian pharmaceutical company Farmak, together with the Ukrainian Startup Fund, initiated the Farmak HealthTech Race program, which allowed attracting investments of \$10,000 or more for the implementation of an innovative project in medical technology¹¹⁸.

Starting in 2022, the Kyiv School of Economics will annually hold the Talents for Ukraine grant program, which provides financial support with a total budget of \$1 million. Of these, 60% of the grants will be provided

¹¹⁵MHP Gromadi. A competition of business ideas for entrepreneurs in small towns and villages. [Link](#).

¹¹⁶Agrokebety. Do your own. [Link](#).

¹¹⁷Unbreakable business. [Link](#).

¹¹⁸Farmak HealthTech Race. [Link](#).

to support STEM, i.e. talented engineers, bioengineers, innovative scientists, chemists, and mathematicians. The remaining 40% will be allocated to culture, public sector, business, etc. Each grant is \$5,000¹¹⁹.

The Visa Foundation, a foundation of one of the world's largest payment companies, is funding a program to support women entrepreneurs with Ukrainian and Polish citizenship. The program provides training in business scaling and the opportunity to receive a grant of up to \$10,000¹²⁰.

In 2024, Google announced grants of up to \$100 thousand for innovative Ukrainian startups using artificial intelligence. It is planned to finance 100 Ukrainian startups in 2024 and 2025.¹²¹

The international humanitarian organisation Mercy Corps, with the support of the Howard G. Buffett Foundation, is implementing the Ukraine Agriculture Support Program,¹²² which aims to overcome the consequences of the war and support the local population, IDPs, farmers and businesses that need help in restoring agricultural activities that have been lost or affected by the war. The program includes the following types of support:

- \$3,000 to households engaged in agricultural activities and small farmers in Donetsk, Zaporizhzhia, Mykolaiv, Kharkiv and Kherson regions;
- \$75,000 to SMEs in the agricultural sector in Dnipro, Donetsk, Zaporizhzhia, Mykolaiv, Kharkiv and Kherson oblasts.

In May 2024, multimarket chain Aurora and Diia Business initiated the Trajectory educational and grant program. Under the program, start-up entrepreneurs (veterans, military personnel, and spouses) can receive basic knowledge, practical advice, and financial support of up to UAH 100,000 to launch and develop their own businesses.¹²³

3.8 ALTERNATIVE SOURCES OF FUNDING

Crowdfunding is one of the most powerful alternative financing tools in the world. It allows to raise substantial funds without collateral and on more accessible terms than may be required for bank loans. However, there are currently no active crowdfunding platforms in Ukraine. In Ukraine, crowdfunding is mainly used to finance social, cultural, or other nonprofit projects. Among the most famous examples are the public restaurants Urban Space 100 and Urban Space 500, funded by the respective number of residents, mainly in Ivano-Frankivsk and Kyiv, respectively, and where 80% of the profits go to public initiatives¹²⁴. Another well-known example is the “Promprylad.Renovation” innovation centre, created on the base of an old factory. As of April 2024, the total investment in the project exceeded \$16 million with the participation of 1,685 investors who simultaneously contribute to the social impact on the region and receive a return on investment in the form of dividends¹²⁵.

In 2017, Family Dairy Farms, a large investment project to develop dairy farming, was launched. Investors can invest from UAH 100,000 and receive a return of 21% annually. From June 2020 to January 2024, the

¹¹⁹KSE-150. [Link](#).

¹²⁰Female Startup Pre-accelerator. [Link](#).

¹²¹Ukraine Support Fund. [Link](#).

¹²²Mercy Corps UASP. [Link](#).

¹²³Траєкторія. [Link](#).

¹²⁴Urban Space. [Link](#).

¹²⁵Promprylad.Renovation [Link](#).

project allocated more than UAH 70 million¹²⁶. Another example of a successful crowdfunding experience in Ukraine is the English-language media outlet The Kyiv Independent, which managed to raise £1.6 million.¹²⁷

To develop Ukrainian crowdfunding in 2024, the “IN:SURE UA program”¹²⁸ was initiated to conduct training and attract non-repayable financing for SMEs. School of ME also conducts training sessions as part of the “STALI. Incubator of Crowdfunding and Self-Reliance for NGOs and Social Entrepreneurs” project, which aims to provide the public and business community comprehensive guidance and advice on fundraising for social and business projects.¹²⁹

Due to the high requirements and other restrictions associated with obtaining a bank loan, businesses may use shadow banking instruments to meet their financing needs. In addition, businesses can seek funding from other business entities if their ability to raise funds from financial institutions is limited for various reasons.

Informal business consortiums can also be a relevant tool for additional financing for micro and small businesses. This type of capital raising does not require most of the mandatory conditions necessary to obtain a bank loan.

Startups based on technology and innovation can receive investment through venture capital funds. For example, Angel One, an angelic venture capital fund created by the Ukrainian Catholic University Foundation, invests in seed capital from \$50 to \$200 thousand to scale up such Ukrainian startups.¹³⁰ Overall, venture capital investment declined sharply globally in 2023, with venture capital investment in Europe falling by more than 60% in the first half of 2023 compared to the same period in 2022.¹³¹ After February 24, 2022, the Ukrainian IT market experienced a decline in investment not only from foreign venture capital funds. According to the Ukrainian online magazine AIN.ua, only 14 of 28 active local funds continued to invest in Ukraine. Among them are SID Venture Partners, SMRK, Horizon Capital, Burner, Angel One Fund, U.Ventures, etc.¹³²

Other business financing opportunities exist for IT companies. One of the largest tech events in Ukraine and Eastern Europe, IT Arena, regularly hosts a Startup Competition where tech startups can receive grant funding. The maximum grant amount is \$15,000, and the total prize fund in 2024 is initially \$60,000 but may be increased.¹³³

An alternative to taking out loans is raising investment in companies' capital. The advantages of capital investments include not having to repay the financing, maintaining debt ratios, long-term investments, attracting additional expertise and knowledge, and not restricting the use of funds.

On the other hand, the disadvantages of attracting equity investments are a partial loss of control over the company, the need to give up part of future income, and possible complications in the decision-making and conflict resolution system.

¹²⁶Family Dairy Farms project. [Link](#).

¹²⁷Keep the Kyiv Independent going. [Link](#).

¹²⁸Big Idea - a platform for social innovation. [Link](#).

¹²⁹STALI. Incubator of Crowdfunding and Self-Reliance for NGOs and Social Entrepreneurs. [Link](#).

¹³⁰Angel One. [Link](#).

¹³¹Who can receive investments in the venture capital crisis.[Link](#).

¹³²14 investors: who funds Ukrainian IT during the war — ranking by AIN.Capital. [Link](#).

¹³³Startup Track. [Link](#).

4. NON-MONETARY INSTRUMENTS OF BUSINESS SUPPORT

Several foreign initiatives in Ukraine also aim to support Ukrainian businesses through in-kind support. These types of support include, among other things, the organisation of training and education for businesses, consultations and expert support to communities, assistance in establishing international relations, etc. Such support can be provided under separate programs or as part of comprehensive support programs that include monetary instruments. Non-monetary support is a good practice that complements financial support and facilitates the transfer of necessary know-how and business management technologies, stimulating the development and more efficient use of monetary instruments.

The initiatives mentioned in the previous subsections, including international ones, also provide non-monetary support instruments along with funding. For example, the joint program of the EU, Ukraine, and individual European governments, U-LEAD with Europe, aims to strengthen the resilience of communities, in particular through support for businesses. U-LEAD provides policy and legal advice at the national, regional, and local levels. U-LEAD also organises regular training on relevant topics for business development: project management, documentation, investment attraction, etc.

The EU's **EU4Business** initiative also focuses on SMEs. In addition to microgrants and support for reforms, EU4Business provides direct business advice and training and is working to establish startup incubators.

The **EU4Digital** project is funded by the EU and implemented by the E-Governance Academy (eGA, Estonia) and the International and Ibero-American Foundation for Administration and Public Policy (FIIAP, Spain) in close cooperation with the Ministry of Digital Transformation of Ukraine. One of the project's components aims to inform and raise awareness of e-services in Ukraine among the population and businesses.

Erasmus for Young Entrepreneurs is a European exchange program co-funded by the European Commission. The program is designed to help new entrepreneurs acquire the necessary skills to start a small business in Europe. New entrepreneurs (without age restrictions) come together and exchange knowledge and business ideas with experienced entrepreneurs-mentors. The exchange lasts from 1 to 6 months.

In 2024, the United Nations Development Programme (UNDP), with the support of Switzerland, organised the project "**Strengthening Business Associations of Micro, Small and Medium-Sized Enterprises (MSMEs) in Ukraine**" at Kyiv Mohyla Business School, which includes a series of management development training programmes. On 13 May, the first module, "Systemic Thinking", was held. The training cycle will last until 14 August 2024.¹³⁴ Also, with the assistance of UNDP, the Impactpreneurship Course on the "FUNdraiser" platform was initiated with the financial support of the European Union and the governments of Denmark and the Netherlands. The course will provide online training for young Ukrainians, IDPs and veterans wishing to start a social business.¹³⁵

Also, in the spring of 2024, Google and EdEra, an online education studio, created an online program for small business owners called "**Grow with Google**" with the support of the Ministry of Digital Transformation of Ukraine, the Office for Entrepreneurship and Export Development, and the Diia.Business platform. The

¹³⁴Strengthening business associations of micro, small and medium-sized businesses (MSMEs) in Ukraine [Link](#).

¹³⁵Impactpreneurship 2.0. [Link](#).

programme includes eight weeks of training on business strategy, finance, sales, etc.; online meetings and workshops with experts; and a mentoring programme.¹³⁶

In 2024, with the support of the USAID KEU Programme, free consultations and services for small and medium-sized businesses, “**Light of Opportunity 2.0**,” were launched to develop communication strategies, provide audits and recommendations on the work of the sales department, etc.¹³⁷

5. ABSORPTION CAPACITY OF SMALL AND MEDIUM-SIZED BUSINESSES

To assess the absorptive capacity of a business, it is necessary to analyse the factors that may affect the willingness and readiness of economic entities to raise additional capital. Part of this analysis examines potential applicants' requirements to receive financial support. A business's need for financing may not be met due to a number of factors, ranging from a business's voluntary refusal to raise resources to rejections by financing providers. In this section, we will look at the requirements for applicants to receive various forms of financial support, the reasons for refusals to provide funding and refusals to raise financial resources.

5.1 REQUIREMENTS FOR APPLICANTS

Each business financing programme has its own requirements, limitations and peculiarities. They may differ depending on the financing type, the financing provider and other criteria. Since the start of Russia's full-scale invasion of Ukraine in 2022, the requirements of most business finance programmes have been slightly modified. Now, support programmes take into account possible direct and economic losses to businesses, so they can focus more on relocation from active hostilities, restoration of affected businesses and creation of new businesses in new specific conditions. However, like before the full-scale invasion, most programmes target specific areas of activity, sectors and regions where businesses operate, etc.

Current SME financing programmes aim to help Ukrainian businesses recover, develop, and overcome the consequences of the full-scale invasion.

The requirements for businesses seeking to raise additional capital vary considerably depending on the financing type and the funds' providers. But in general, the usual conditions for obtaining financing include:

- **Ukrainian registration.**
- **Belonging to a specific category of business entities** regarding the number of employees and revenues. The financing programme can target micro, small, medium, and large enterprises.
- **Relation to a specific industry.** Most funding programmes are targeted at particular areas of business activity. For example, a programme to support SMEs in agriculture, manufacturing, logistics, high-tech (IT, Biotech, Medtech, Healthtech), etc.
- **Being registered and/or operating in a particular region.** The conditions for granting funds may also include the criterion of the region of origin, operation or relocation of the business. For example, some programmes require applicants to be located in frontline regions (excluding areas where active hostilities are ongoing, as well as areas with limited access or high risk to life and business), while

¹³⁶Grow with Google.[Link](#).

¹³⁷Light of Opportunity 2.0 [Link](#).

other programmes require relocation of businesses from regions of active hostilities to a specific list of relatively safe areas in the western part of the country.

- **Direct and economic losses due to a full-scale invasion.** Some programmes assist in the event of large business losses or forced displacement due to war, lack of investment, grants or government assistance over a certain threshold over a specified period of business operation.
- **Transparency and integrity.** All types of funding programmes include integrity requirements. The applicant must have a good reputation, comply with all applicable civil and fiscal regulations, not be located and not operate in the territories of Ukraine temporarily occupied by the Russian Federation, and not be on any sanction lists. Other requirements may include the following: the company must not have any court or enforcement proceedings, including for corruption offences; the owner of the declared business must not be a citizen of the Russian Federation and/or Belarus, etc.
- **Creation of jobs.** This particular requirement is relevant for many programmes, as they are inherently aimed at recovery and development. However, it is mainly applicable to the state grant programme “eRobota,” where the minimum number of jobs to be created depends on the grant amount.
- **Positive experience receiving funding under the programme in the past.** A significant number of grant programmes have a requirement that limits access to financing to those enterprises that have previously successfully participated in this or related programmes. This requirement ensures equality and inclusiveness of access for all potential participants.
- **No operations or ties to certain industries.** Many financing programs restrict access to applicants who are involved in the production of weapons, dual-use products, nuclear materials, oil refining products, production and sale of alcohol and tobacco products, gambling, etc. In some instances, the restriction also applies to pharmaceutical, agricultural, and IT companies.
- **Other specific requirements.** Most of the requirements differ depending on the program's focus and purpose. Among these conditions are unique ideas that can solve current problems in the industry, export or innovation potential, co-financing of a certain part of the total project budget, etc.

These terms and conditions may apply to both grant and loan programs for business support. However, banks and other financial institutions may additionally impose the following requirements to receive a loan:

- detailed and reasonable business plan;
- positive credit history of the business and its key stakeholders;
- compliance with financial monitoring standards;
- satisfactory credit rating;
- no other outstanding debts.

5.2 REASONS FOR REFUSAL TO PROVIDE FUNDING

Despite the variety of financing instruments available to small and medium-sized businesses, they still often do not have access to financial support. Different studies indicate quite different self-assessments of enterprises' access to finance. In summary, limited access to funding is a significant but not critical problem for businesses, and respondent's assessment of the relevance of this problem is gradually decreasing over time, given other business problems.

According to the EBA Small Business Sentiment Index, almost 18% of small businesses surveyed believe that bank lending is not available to them, nearly 24% consider it challenging to access, only 12.5% rate bank lending as “available” and slightly more than 6% believe that there are many offers and opportunities to

receive bank lending. Based on a survey of small businesses, this indicator of bank lending availability has a positive trend compared to the first year of the full-scale invasion.¹³⁸

As part of the World Bank's "Business in Time of War survey",¹³⁹ businesses were asked whether they had problems accessing finance and, if so, to identify their main difficulties. 17% of respondents reported no problems with access, while 22% stated that they did not need additional funding. Businesses that had problems accessing finance reported the following principal reasons:

- too high interest rates;
- problems with blocking tax invoices;
- high risk of non-repayment due to uncertainty.

As part of the GIZ study, a survey was conducted among EU4Business grant program partner banks on the reasons for refusing to provide grant funding to SMEs. According to its results, the main reason for refusals is proceedings under the Commercial Procedure Code, which are mentioned in almost half of the refusals. In 30% of cases, the reason for the refusal was not specified; in 9% of refusals, the reason was overdue loans, and the same number of refusals were due to criminal proceedings or court cases. The study surveyed representatives of small and medium-sized businesses. According to the survey, the respondents indicated the following reasons why banks do not provide loans:

- A significant amount of companies' turnover is not reflected in official reports;
- high credit indebtedness, including overdue loans;
- complicated process of loan/grant applications;
- the owner's status as an internally displaced person and residence in the temporarily occupied territory;
- insufficient financial results in the previous reporting period.

The survey also questioned businesses about their reasons for not participating in grant support programs. The results show the following reasons: lack of awareness of the programs and inability to participate.

To improve business access to financing, it is advisable to implement measures to spread awareness of programs, facilitate access to participation in financing programs, and improve skills in applying for programs.

¹³⁸Small Business Confidence Index for 2023 [Link](#).

¹³⁹World Bank. 2024. Ukraine: Firms through the War. [Link](#).

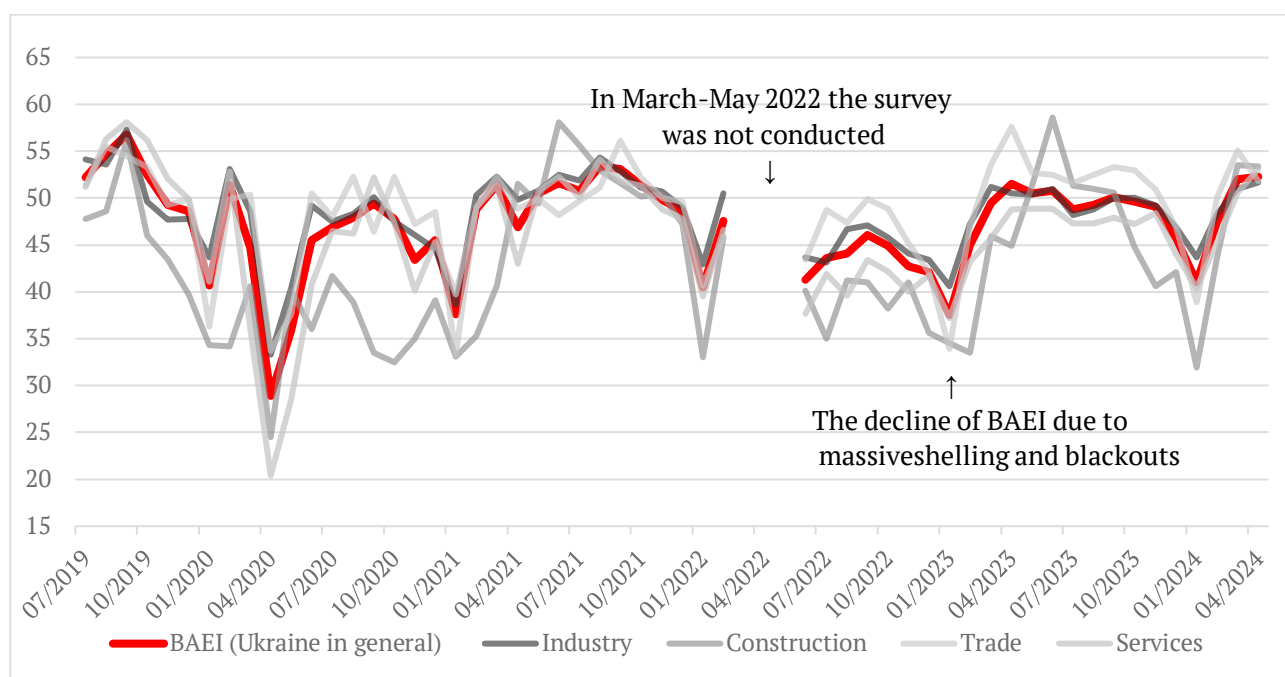
5.3 REASONS FOR REFUSALS TO ATTRACT FUNDING

Lending is the main instrument of financing for small and medium-sized businesses, but there is a problem with the absorptive capacity of these enterprises to use available credit resources. This indicates obstacles limiting the ability of businesses to allocate and effectively use funding despite the wide range of lending opportunities provided by financial institutions.

Due to the full-scale invasion, SMEs are less willing to attract additional funding, given the growing uncertainty associated with the war. New severe risks have emerged: massive shelling, power blackouts, mobilisation of workers, and a reduction in the number of labour force and consumers. These conditions create obstacles to planning long-term investments and may force businesses to postpone allocating additional resources for development and recovery.

The NBU conducts the Monthly Survey of Ukrainian Enterprises, which includes the business activity expectations index (BAEI). This indicator was 52.3 in April, showing a positive trend compared to the March result 52.0. BAEI has had an overall positive trend since the beginning of 2024.¹⁴⁰

Figure 9. Business Activity Expectations Index (BAEI) in Ukraine in general and by industry sectors in 2019-2024



Source: NBU.

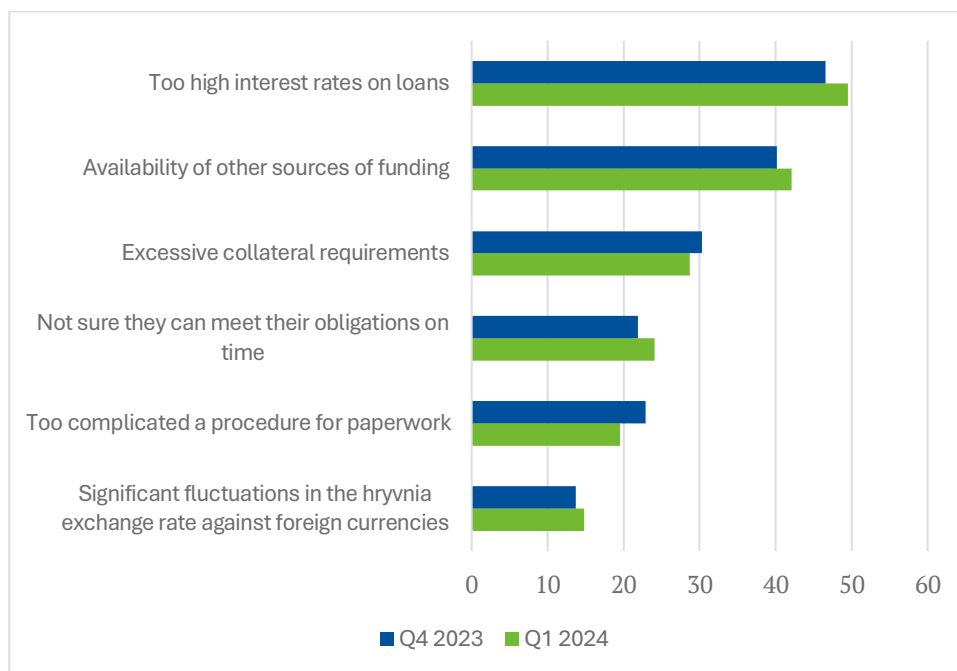
According to the **Business Expectations of Ukrainian Enterprises** survey,¹⁴¹ in the first quarter of 2024, 23% of surveyed businesses believed that the conditions for accessing bank lending had recently become more demanding, 8% believed that they had eased, and the remaining 69% of respondents believed that conditions had not changed.

¹⁴⁰ Monthly surveys of Ukrainian enterprises. [Link](#).

¹⁴¹ Business expectations of Ukrainian enterprises. NBU. [Link](#).

As part of the survey, businesses also assessed the most influential factors that may make their companies avoid or postpone using bank lending services. The most critical factor identified by businesses was **too high loan rates** (50%). Other significant obstacles to attracting credit resources may be the **availability of other sources of financing** (42%) and **excessive collateral requirements** (30%).

Figure 10. The respondents' assessment of the most significant reasons causing their businesses to avoid/postpone using bank credit services, %



Source: [Business Expectations of Ukrainian Enterprises](#). NBU.

The Index of Expected Changes in Business Activity over a two-year period is regularly calculated by the Institute for Economic Research and Policy Consulting. In the 23rd “New Monthly Survey of Enterprises”¹⁴² in March 2024, it was 0.15, 0.02 lower than in January and February. There is a general decrease in the share of those who expect to expand their activities and those who expect to reduce them. This may indicate a decrease in the business's desire to scale up and a growing trend towards maintaining the current level of production.

¹⁴²23rd Monthly Enterprise Survey "Ukrainian Business in Time of War" (March 2024).[Link](#).

6. RECOMMENDATIONS

As part of the **World Bank's Ukraine: Firms through the War research**,¹⁴³ surveyed businesses identified three main areas that require increased government support:

- financial support;
- improvement of the regulatory environment;
- access to the market.

In response to the question, "What type of government support would be most important for your business today?" 37% of respondents indicated the need for tax and non-tax incentives, 35% pointed to resolving issues with blocked tax invoices, and 31% of the surveyed businesses expressed interest in obtaining new investment loans or loans for working capital. Larger enterprises showed a greater need for loans and grants to restore damaged assets. Specifically, 17% of large enterprises expressed a need for grants to rebuild destroyed assets, compared to only 9% of small businesses. For SMEs, assistance entering new markets is more relevant: 31% of small and 33% of medium-sized businesses indicated such a need, compared to 26% of large businesses.

Respondents indicated that the private sector **needs to be better informed about government support programmes**, as one in four respondents was unaware of their existence.

Government support for the private sector should be targeted at businesses that need it most in the sectors and regions most affected by the full-scale invasion. Due to limited resources, such targeting of state support is essential to increase its effectiveness. Support programmes should also take into account not only the extent of direct and economic losses but also the structural changes in the economy caused by the change in trade patterns.

The World Bank study also asked multinational corporations about the main policies that would encourage future investment in Ukraine. The three most needed policies were **war risk insurance (27%), the introduction of a system of tax incentives (22%), and investment protection guarantees (21%)**.

As part of this study, interviews were conducted with stakeholders involved in the processes of providing and attracting financing, including the governor and management of the National Bank of Ukraine, representatives of the Ministry of Economy of Ukraine, management of commercial banks with state, foreign and private capital, representatives of various business sectors, and providers of different types of international financial assistance to Ukrainian businesses. Together with other information, these interviews were used to develop the following recommendations:

1. **Design a fully functional war risk insurance mechanism.** In the Ukrainian context of constant high risk, insurance is vital because of the financial leverage it can provide to stimulate lending and investment in risky assets. War insurance will allow risk transfer from the insured party (business or bank) to the insurer, increase the confidence of economic agents, enhance the efficiency of capital use, and have a significant multiplier economic effect.

¹⁴³World Bank. 2024. Ukraine: Firms through the War. [Link](#).

2. **Commercial banks - to provide personalised support to businesses in the process of granting loans.** The competitive advantage of smaller banks in the lending market is their ability to provide more personalised support to clients on the way to obtaining a loan. This includes, among other things, advising businesses on how to improve their creditworthiness or improve their chances of passing financial monitoring. Larger institutions could also improve their practices in dealing with borrowers. Some of the entrepreneurs interviewed for this study have received rejections from large banks without any explanation. Although banks have the right to do so, it would be better practice to support businesses in the event of rejections. This would help to create an environment of trust between lenders and borrowers.
3. **Commercial banks should adapt their internal scoring models to avoid unfair loan denials.**
4. **Commercial banks - to provide advice on alternative sources of financing** in case the bank is unable to satisfy a loan application.
5. **Remove barriers to the acceptance of different classes of assets as bank collateral.**
6. **Promote credit union lending opportunities for small businesses and entrepreneurs.** Credit unions should inform small economic agents such as farms, cooperatives, condominiums, and other microenterprises about the new credit opportunities available to credit unions to finance these legal entities. This will help to diversify the market for financing and take over lending to microenterprises from banks, which are more regulated lenders.
7. **To borrowers - to adhere to the principles of integrity and transparency in doing business.** The interviewed bank representatives identify the lack of business transparency as one of the main reasons for loan refusals. Bad practices include tax evasion, tax optimisation by registering staff as individual entrepreneurs, doing business in the occupied territories, having court or enforcement proceedings, understating official net income, etc. Therefore, in addition to the moral and ethical component of paying taxes, a transparent and honest business is also a more competitive borrower.
8. **Improve skills in preparing applications and business plans.** Some businesses in need of financing refuse to borrow because they are unable to prepare a loan application or because they do not have enough time to prepare it. Banks reject a significant proportion of loan applications due to insufficient quality or feasibility of the business plan. Understanding lenders' requirements for borrowers is essential to improving access to finance. This can be addressed through specialised training, educational videos and detailed step-by-step instructions.
9. **Businesses should provide banks with detailed information about their activities,** such as a strategic development plan, means of production, etc. It may also be effective to invite bank representatives to the company's office, production facilities, and other locations of commercial activity. Such partnerships with banks build a good credit reputation for the borrower.
10. **Diversify sources of financing.** Considering offers from different lenders provides businesses with better lending terms and reduces their dependence on a single lender. Also, for small amounts, grants or offers from credit unions are sometimes available, which can offer a lower interest rate.
11. **Publish an NPL reduction strategy.** In May 2024, the NBU committed to publishing a Lending Recovery Strategy, an essential part of which is a plan to reduce NPLs. The publication, along with the accompanying communication and further adherence to this strategy, is part of rebuilding trust between the regulator and market participants.
12. **Adopt by-laws regulating the conditions for possible seizure of vehicles and equipment for the needs of the Armed Forces.** The adoption of the Law of Ukraine "On Mobilisation Preparation and Mobilisation" did not regulate the list and conditions for possible seizure of vehicles, which created uncertainty in the market and threatened to slow down the lending and leasing of relevant vehicles.

13. **Continue the gradual liberalisation of leasing, insurance and other financial services** as part of the overall liberalisation of financial markets. This will expand the range of opportunities for raising capital.
14. **Ease restrictions on the repayment of existing external debt** as part of currency liberalisation, which will be a step towards restoring the trust and confidence of international economic agents in investing in Ukrainian enterprises
15. **Create a roadmap of opportunities for Ukrainian businesses.** Such a map of financing and non-monetary support opportunities should be comprehensive, i.e. include not only government programmes but also private, grant and international programmes. In addition, such information should be complete and up-to-date and include key financing parameters.
16. **Increase businesses' capacity to borrow funds.** Given the problem of poor-quality applications and business plans that enterprises submit with their loan applications, it is advisable to conduct training for entrepreneurs on preparing the necessary documentation and generally improving enterprises' bankability. An essential component of this work is communicating information about such training to potential borrowers.
17. **Engage business associations in organising training processes.** This will simultaneously increase the effectiveness of educational processes, provide access to target audiences, and promote business trust in the state.
18. **Focussing the state programme “Affordable Loans 5-7-9”:**
 - target the programme primarily at the de-occupied and frontline territories;
 - identify a priority list of financing sectors that can receive a loan;
 - gradually replace preferential lending programmes with lending on market terms as the discount rate decreases and the financial system stabilises and liberalises.