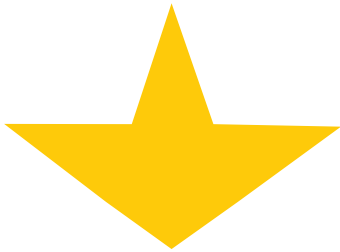




EU4Business



COUNTRY REPORT 2020 UKRAINE



WWW.EU4BUSINESS.ORG.UA

TABLE OF CONTENTS

| | | |
|---|---|-----------|
| ➤ | EXECUTIVE SUMMARY: 2019 at a glance..... | 4 |
| ➤ | EU SUPPORT TO SMES IN UKRAINE IN 2019..... | 10 |
| | Portfolio overview..... | 11 |
| | Breakdown by intervention | 12 |
| | Overview by type of intervention..... | 13 |
| | Access to Finance..... | 13 |
| | Business Development Services..... | 18 |
| | Business Enabling Environment | 22 |
| ➤ | ACHIEVEMENTS IN 2019 | 25 |
| | Aggregated results..... | 26 |
| | Access to Finance | 32 |
| | Business Development Services..... | 40 |
| | Business Enabling Environment..... | 46 |
| | Article by the OECD: SMEs in Ukraine..... | 49 |
| ➤ | ANNEX | 53 |
| | List of projects in Ukraine as of 2019 | 53 |



[EXECUTIVE] [SUMMARY]

EXECUTIVE SUMMARY FOR UKRAINE:

2019 AT A GLANCE



As this difficult year draws to a close, we are proud to present the results of the EU4Business Initiative in this 2020 Country Report for Ukraine. Despite the pandemic and its stark impact on business, the entire EU4Business team has worked tirelessly to expand the range of projects that we collect data on and we are pleased to say that we can now show the results that accurately reflect the entirety of EU support to SMEs in the Eastern Partnership, including Ukraine.

WHAT SUPPORT DOES THE EU PROVIDE TO SMES?



Access to Finance (A2F):

- ➔ concessionary loans via national banks
- ➔ microfinancing for household businesses
- ➔ small grants to SMEs
- ➔ training staff at national banks to better serve SMEs
- ➔ training SMEs in financial literacy



Business Development Services (BDS):

- ➔ providing direct advice and training to SMEs
- ➔ training and capacity building among national business support organisations (BSOs)
- ➔ establishing business incubators for start-ups
- ➔ developing business clusters for mutual support and development
- ➔ supporting governments in identifying new markets
- ➔ building capacities at export support organisations



Business Enabling Environment (BEE):

- ➔ promoting regulatory reform and best practices
- ➔ building capacity amongst policymakers and regulators
- ➔ encouraging public-private dialogue
- ➔ informing business about reform processes and rules/procedures

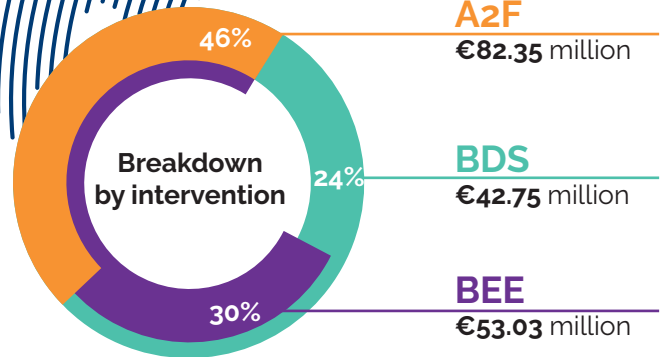
PORTFOLIO FOR UKRAINE IN 2019

39 projects

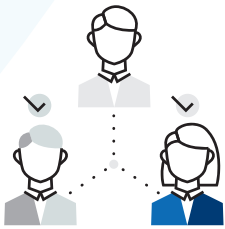
Total budget of EU support in Ukraine

€178.14
million

of which
€47.6 million was disbursed

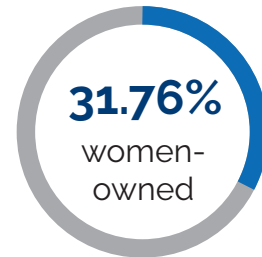


RESULTS OF EU SUPPORT IN UKRAINE IN 2019



4,287

SMEs supported



€2.2

billion

total turnover of SMEs supported

€406

million

extra income generated by SMEs



50,799

new jobs created



RESULTS OF EU SUPPORT IN UKRAINE IN 2019

288,882

employed in EU-supported SMEs



the average SME supported by the EU in Ukraine

has

€510,000

an annual income



employs

68

individuals



WITH THE SUPPORT OF THE EU

these SMEs grew on average by

↑ **+24.7%**

more SMEs engaged in export

↑ **+9.06%**

expanded their staff by

↑ **+21.3%**

EU-supported SMEs increased their exports by

↑ **+5%**

For every one million euros of EU support,

€1 million



an average of

90

SMEs benefited



258

new jobs were generated



€15.6 million

increase in income was recorded

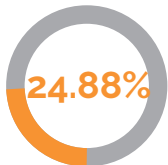
RESULTS PER PILLARS

ACCESS TO FINANCE (A2F):



995

SMEs received loans



to women-owned SMEs

€163.96

million

total value of loans

€160,000

average loan

12

partner financial institutions provided support

BUSINESS DEVELOPMENT SERVICES (BDS):

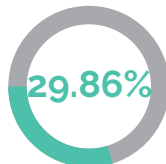


30

business support organisations improved their capacity

1,006

consultancy services delivered to SMEs



women-owned

1,578

SMEs participated in B2B events

BUSINESS ENABLING ENVIRONMENT (BEE):



406

laws, policies, and regulations reformed

346

public-private dialogue events held

65

government institutions improved their capacity

EU4BUSINESS COMMUNICATION

EU4Business communication activities have provided an ongoing continuous effort using a structured and targeted approach. Having set out an updated vision in our communication strategy, we aligned all processes to build a more structured system for communicating the EU4Business brand.



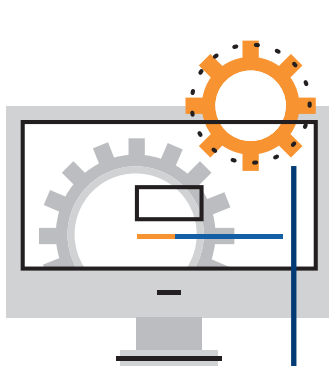
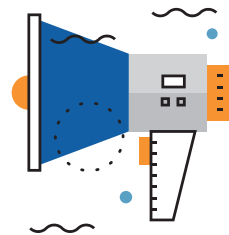
Our focus is on storytelling and putting quality of content over quantity.

Since August 2019, we have prepared more than

50
success stories
and news items

about EU support to Ukrainian SMEs that have been shared with the EU, our partners, and the press.

Our stories have gained wide coverage in the mainstream media in Ukraine.



The number of visitors to the current EU4Business website grew

17.8%

over January-August 2020, compared to the same period last year.

MODERNISING OUR WEBSITE

We have revamped our website to better match the needs of our target audiences. In December 2020, we launched the main donor-oriented platform and six country SME-focused web pages, providing a one-stop-shop for SMEs to find information about EU support.

According to Google Analytics, we received

156,975

page views

85.3%

new visitors

The initiative has eschewed paid ads, focusing instead on promoting meaningful content.

CHECK OUT



the new SME-oriented EU4Business web page for Ukraine:

www.eu4business.org.ua



the updated donor-oriented main website:

www.eu4business.eu

IN RESPONSE TO THE COVID CRISIS

our team quickly launched COVID business help pages for all six countries under the EU4Business Initiative in just two weeks.

We brought together recommendations from the EU, governments and business.

Over May-August 2020, we recorded more than

3,000 visits to these Covid-19 pages

CHECK OUT

the Covid-19 Information Support Webpage for Ukraine:
covid-19-ukraine.eu4business.eu



Since the pandemic hit, we have issued more than

25

Covid-19 Weekly Alerts

that registered a remarkable

40%

open rate

9%

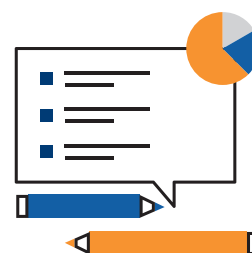
click rate

The number of subscribers to our digest has grown by

20%

since January 2020

To ensure all messaging is consistent and cohesive in order to establish a strong brand voice, we have upgraded the branding guidelines for the EU and our partners with easy-to-use templates and toolkits that each country will be able to adapt to its needs. The guidelines were presented to the EU, partners and projects at the beginning of 2021. Our information exchange guidelines have been widely communicated to make information flows more effortless and avoid unnecessary paper work and bureaucracy.



Despite the challenges facing SMEs in the EaP region, and indeed the whole world, the EU's commitment to supporting Ukrainian businesses remains unchanged. With a new and improved vision and approach, EU4Business is ready for any further challenges 2021 might present and looks forward to reporting on yet more positive results for this year.



Mark Hellyer
Team Leader



**EU SUPPORT
TO SMES
IN UKRAINE
LIN 2019**

[PORTFOLIO OVERVIEW]



EU support to SMEs is based on the joint policy between the EaP and the EaP states as set out in the Eastern Partnership, 20 Deliverables for 2020, Priority I: regulatory environment, SME development and access to finance.

THEREFORE, THE EU IS FOCUSING ON THREE TYPES OF INTERVENTIONS:



Access to Finance (A2F):



Business Development Services (BDS):



Business Enabling Environment (BEE):

39

projects provided support to SMEs in Ukraine in 2019



with a total budget of

€178.14

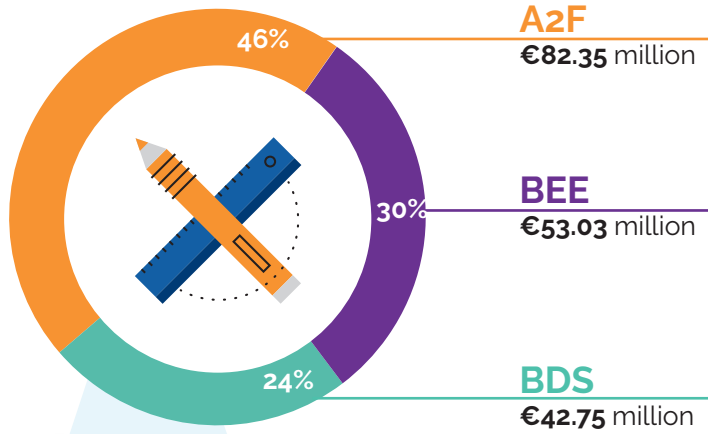
million

* This is the total value of contracts being implemented rather than disbursements in 2019.

[BREAKDOWN]

BY INTERVENTION

Breakdown of Active Projects in Ukraine by intervention (total regional and bilateral) in 2019

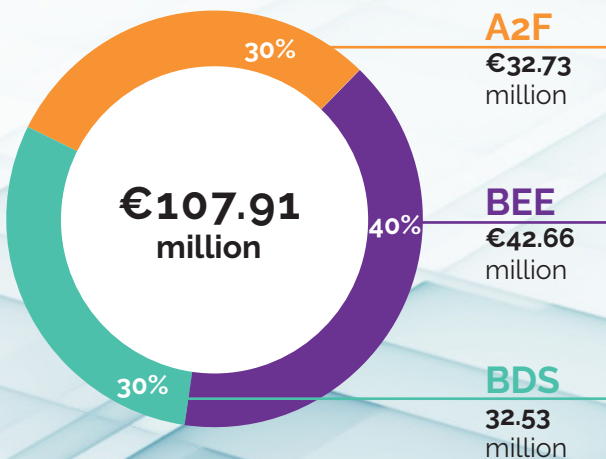


€178.14
million

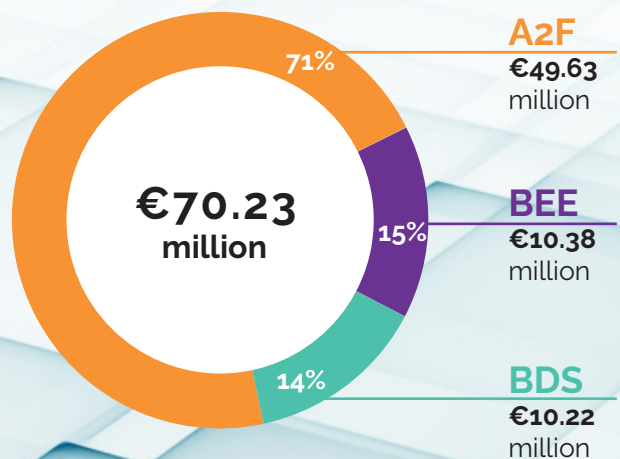
61%
of total budget

39%
of total budget

Breakdown of Bilateral Projects in Ukraine by Intervention in 2019



Breakdown of Regional Projects in Ukraine by Intervention in 2019



OVERVIEW

BY TYPE OF INTERVENTION

ACCESS TO FINANCE (A2F)

A2F is the largest area of EU intervention to support SMEs in Ukraine.

A total of
€82.35
million

in EU support was allocated to unlock access to finance in Ukraine in 2019¹



7 major specific support instruments:

A1

Capped Loss Recovery

A2

Interest Subsidy

A3

Targeted Assistance (TA) to PFIs

A5

Currency Hedging Subsidy

A6

SME Incentive to Grants (linked to loans)

A7

Grants to SMEs

A8

Structured Funds

¹ This is the total value of contracts being implemented, not disbursements in 2019.

THE SEVEN SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR ENABLING ACCESS TO FINANCE ARE DEFINED BELOW:

A1

Capped Loss Recovery

This is a risk sharing instrument in the form of a grant that the EU provides to an IFI. This grant is used by the IFI to partially cover the loss that any PFI, such as a local bank, would carry as a result of SMEs not repaying part or all of its loan. In this way, the PFIs feel more comfortable and are willing to use the credit lines from IFIs to lend to SMEs. However, the EU grant only partially covers the potential loss that PFIs could claim. The recovery of loss covered by this EU risk sharing instrument is generally up to 10% of the total loan

portfolio of the respective PFI (total value of the loans disbursed by the PFI from the respective credit line of the IFI) and generally up to 50% of each individual sub-loan. This actually means that if an SME does not pay back the loan to the local bank, the EU grant for capped loss recovery can actually cover half of the loss of the bank. In this way, the local banks are more willing to disburse loans to SMEs which are generally perceived as high-risk borrowers.

A2

Interest Subsidy

This instrument is a grant given by the EU to IFIs in order to lower the cost of their loans to SMEs in the EaP. The grant provides interest subsidies of up to 10%, which is applied to the regular interest

rate, with which the IFI lends to PFIs and further on to SMEs. The purpose of this instrument is to lower the final cost of finance for SMEs in the EaP.

A3

Targeted Assistance (TA) to PFIs

This instrument consists of technical assistance to PFIs in the form of consultancy services, mentoring, and specialised training. The main effect of this instrument is that the PFIs (local banks and microfinance institutions) become more

familiar with the modus operandi of the big IFIs, with the characteristic of their credit lines, their reporting requirements, as well as to the standards regarding financial and risk analysis of the potential borrowers.

A5

Currency
Hedging
Subsidy

This instrument is given to IFIs in order to enable them to disburse loans to PFIs (and ultimately to SMEs) in local currency. Traditionally, the IFIs only provide credit lines in euros or dollars. In order to sign credit contracts in national currency, the IFIs need to protect their investment through "currency hedging", a currency risk coverage facility provided by specialised agencies (that would cover the cost of currency devaluation, therefore the IFIs

do not lose any money) at a certain cost. Without the EU grant to cover the cost of the "currency hedging", the IFIs would add this additional cost in the lending contract with PFIs, and the loans for SMEs in local currency would naturally become more expensive. Due to the EU grant, the IFIs and subsequently the PFIs can offer loans in local currency to SMEs at a competitive price.

A6

SME Incentive
Grants (linked
to loans)

This instrument is different from regular grant schemes as the incentive grants are not given directly to SMEs as a "pure grant". The SME signs a loan contract from one of the credit lines of the IFIs via the PFIs. After the loan is disbursed, there is a verification process to check if the loan was used for the purpose listed in the business plan or feasibility study and

of the other pre-conditions for the loan disbursement. Once the verification report confirms compliance, a part of the loan is transformed into a grant, so that the total "cost" of financing is lowered. The most common incentive grants are between 10% and 15% of the loan value as it is the case for the EBRD DCFTA facility 1 and 2.

A7

Grants to SMEs

These grants are non-reimbursable and generally modest in value in order to support as many SMEs as possible. In general, SME grants are disbursed in order to target specific economic development goals such as development in rural areas,

poor communities, or a response to various types of crisis. These grants are usually disbursed through Non-governmental Agencies (NGOs) with links into the targeted communities.

A8

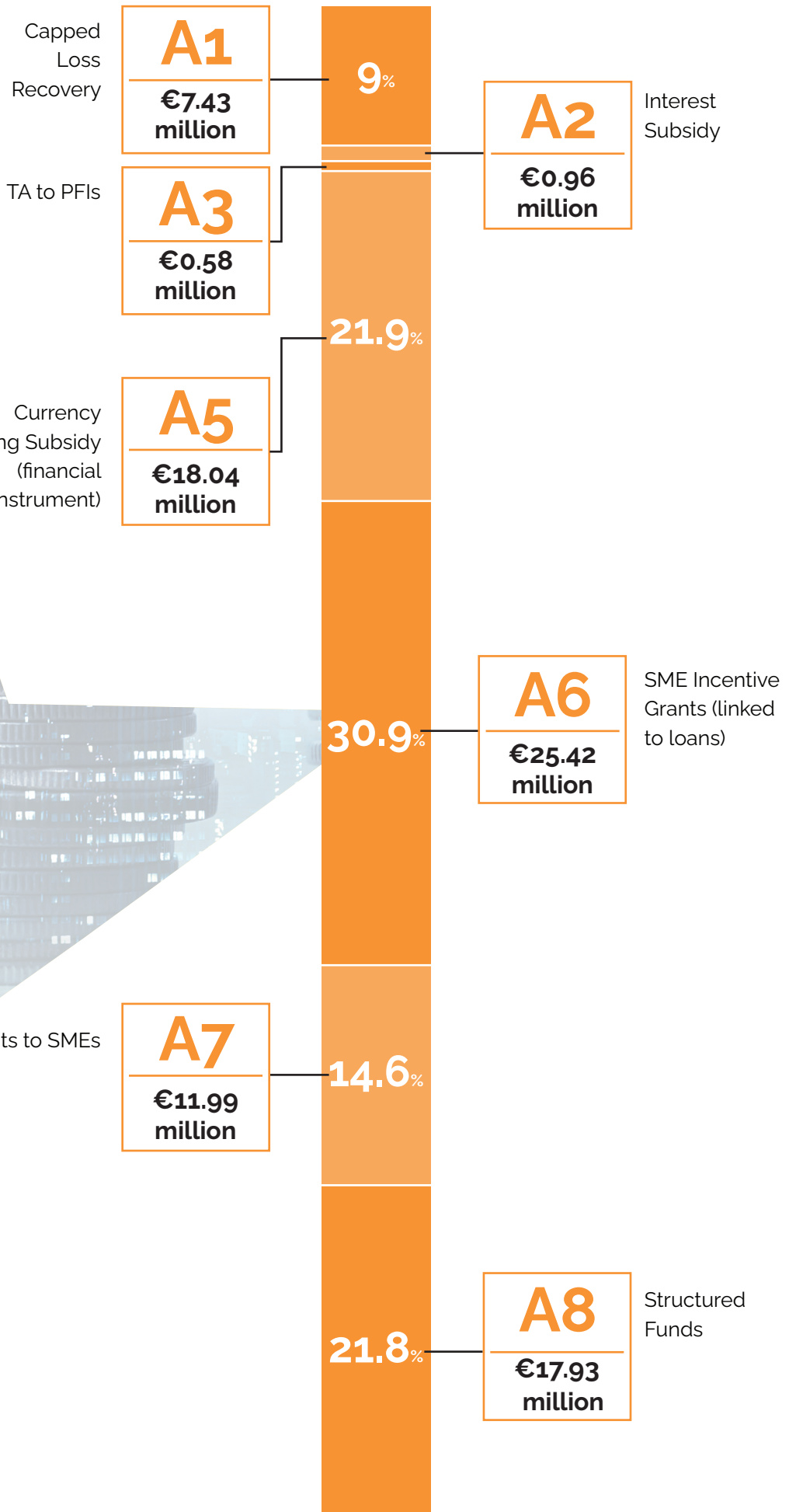
Structured
Funds

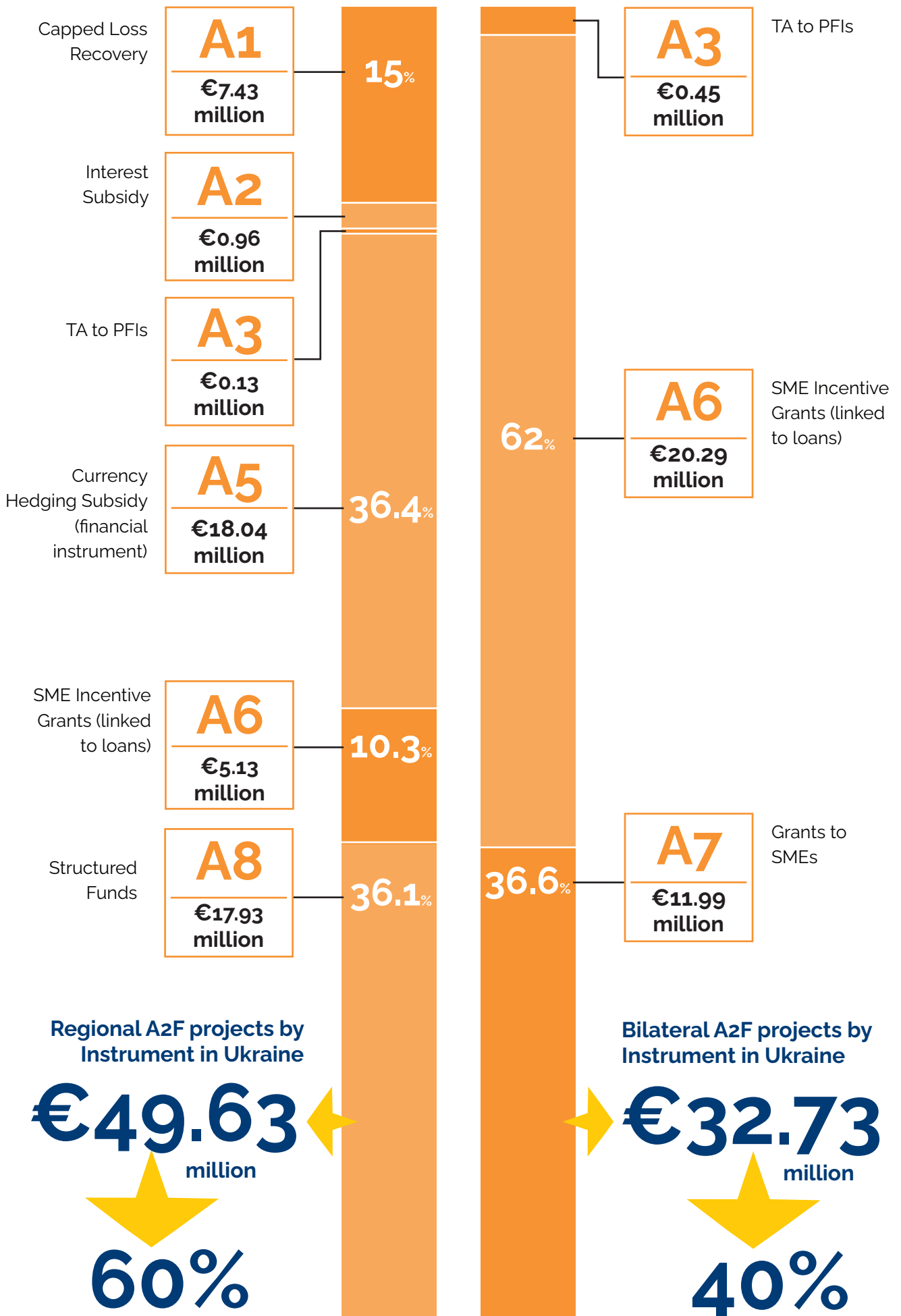
This direct finance instrument is implemented directly by EU participation as opposed to the risk sharing with IFIs. Typically, this involves direct loans or equity investment in a financial instrument or fund. As the EU does not have the

capacity to disburse direct loans to SMEs, this function is assigned to an intermediary. The most important EU investment in Direct Finance is shares in the European Fund for Southeastern Europe (EFSE).

Allocation of A2F Budgets in Ukraine by Instrument

There might be some round-off errors in some figures throughout the report





* There might be some round-off errors in some figures throughout the report

BUSINESS DEVELOPMENT SERVICES (BDS)

BDS is the third largest area of EU intervention to support SMEs in Ukraine.



A total of
€42.75
million

in EU support was allocated to improving business development services in Ukraine in 2019*



7 specific support instruments:

- | | | | |
|-------------------------------|------------------------------|----------------|-------------------|
| B1 | B2 | B3 | |
| Consultancy Services for SMEs | Capacity Building among BSOs | Incubators | |
| B4 | B5 | B6 | B7 |
| Clusters | Trade Information | B2B Activities | Export Strategies |

* This is the total value of contracts being implemented, not disbursements in 2019.

THE SEVEN SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR IMPROVING BUSINESS DEVELOPMENT SERVICES AND KNOWLEDGE TO SMES ARE DEFINED BELOW:

B1

Consultancy Services for SMEs

Through this instrument, the EU4Business Initiative aims to directly increase the knowledge and skills of SMEs in EaP countries through the direct provision (fully or part paid) of non-financial business services (these can range from basic start up and registration, accounting, marketing, input supply, technology and product

development, training and technical assistance, infrastructure support, and advocacy). These services can be delivered through both international and/or local consultants, in both private firms/ individuals, and/or business support organisations.

B2

Capacity Building of BSOs

This instrument aims at increasing the capacity of Business Support Organisations (such as Chambers of Commerce, SME associations, professional bodies, the Sector Trade Association, training institutes, etc) to deliver BDS

services to SMEs (whether members or not). The capacity building is achieved through mentoring, training trainers, advisory services, and study tours to either enhance existing services, build new ones, or improve organisational structures.

B3

Incubators

The business incubator is an organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections.

The EU4Business incubators instrument generally shares the cost with the

local authorities where the EU bears the cost of refurbishment and cost-sharing arrangements for the running costs and/or service provision. One of the most important aspects related to this instrument is sustainability. As the operation costs are high, the initial financial set-up is crucial for keeping the incubators viable after the EU4Business intervention ends.

B4

Clusters

This instrument involves group support to SMEs involved in the same field of activity but on different positions in the value chain or with common interests. The basis of the clusters approach is the

synergy of creating a more effective value chain within the cluster. The success of the SME cluster is tightly related to the level of value added in the respective field of activity.

B5

Trade
Information

This instrument provides SMEs already exporting, exporting infrequently, or those interested in exporting with the range of information needed to move closer to exporting. This instrument can include

generating the necessary information (brochures, guides, market reports) or developing tools for and covers market information, marketing guides, and market access requirements.

B6

B2B Activities

Business to Business (B2B) activities support SMEs to make specific contact with nominally interested buyers (company decision makers in target export markets who regularly buy the export on offer). These can include participation in online buyer auctions, trade fair participation,

inward and outward trade missions, buyer meetings, etc and EU4Business support can range from organisation, logistics, preparation and advice, as well as covering the costs of travel and/or stand and event costs.

B7

Export
Strategies

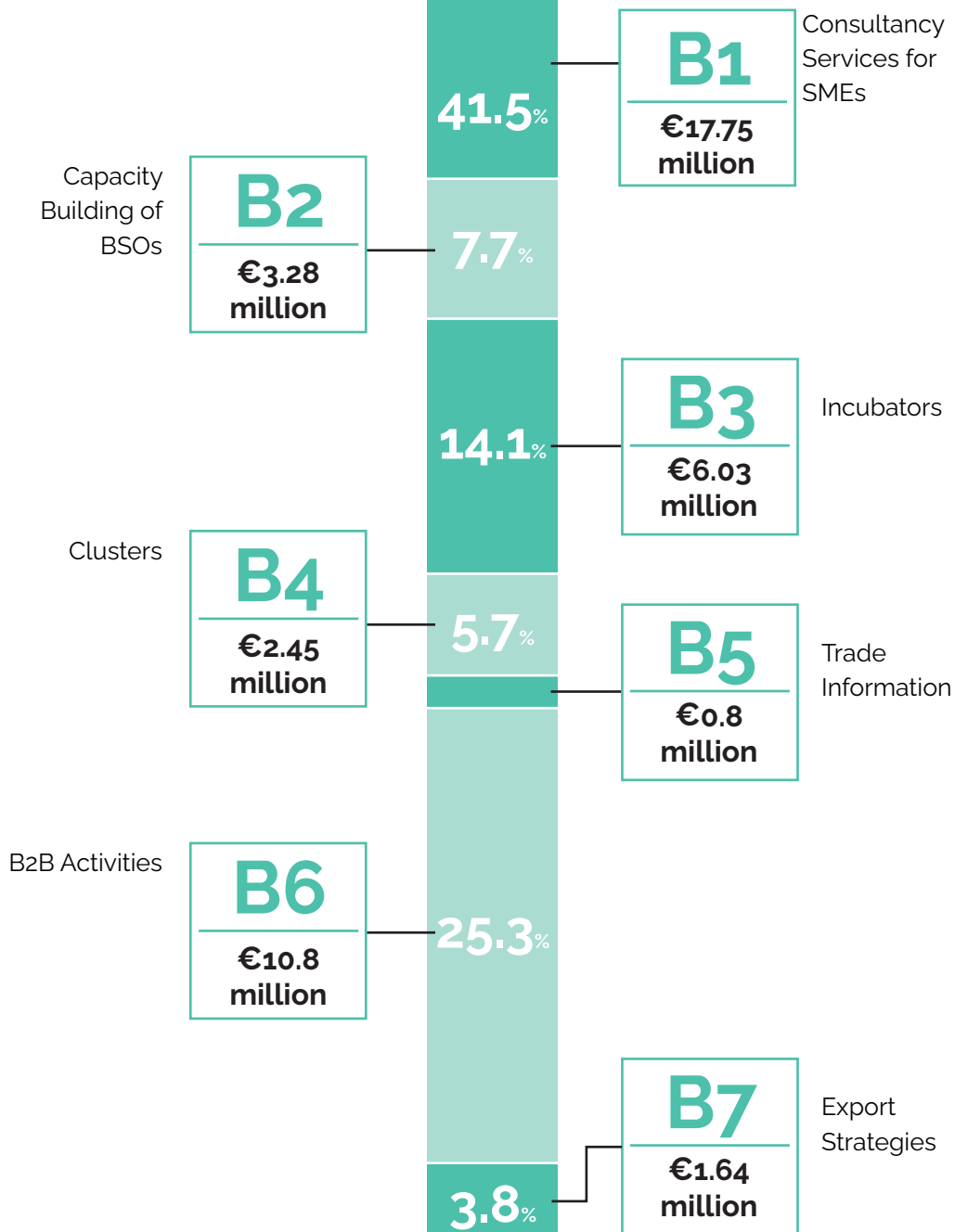
This instrument is used at a national or sector level to develop a policy to increase a country's exports. This instrument is typically based on studies, analysis, and stakeholder consultation that assesses national production, market requirements, and export constraints and then, working with government and stakeholders, builds a common sector or national approach

(and action plan) to develop the exports of competitive products in target markets. In addition, this instrument can also include support in coordination with implementation of the strategy itself as well as national visibility and branding, support programmes, and stakeholder dialogue.



BDS Portfolio by Instrument

* There might be some round-off errors
in some figures throughout the report



Regional BDS projects by Instrument in Ukraine

€10.22 million
24%

Bilateral BDS projects by Instrument in Ukraine

€32.53 million
76%

Consultancy Services for SMEs



78%

Capacity Building of BSOs



2.9%

Incubators



19.1%

30.1%



Consultancy Services for SMEs

9.2%



Capacity Building of BSOs

12.5%



Incubators

7.5%



Clusters

2.5%



Trade Information

33.2%



B2B Activities

5%



Export Strategies

BUSINESS ENABLING ENVIRONMENT (BEE)

BEE is the second largest area of EU intervention to support SMEs in Ukraine.

A total of

€53.03

million

in EU support was allocated to improving the business enabling environment in Ukraine in 2019³



4 specific support instruments:

C1

Capacity Building among policymakers and regulators

C2

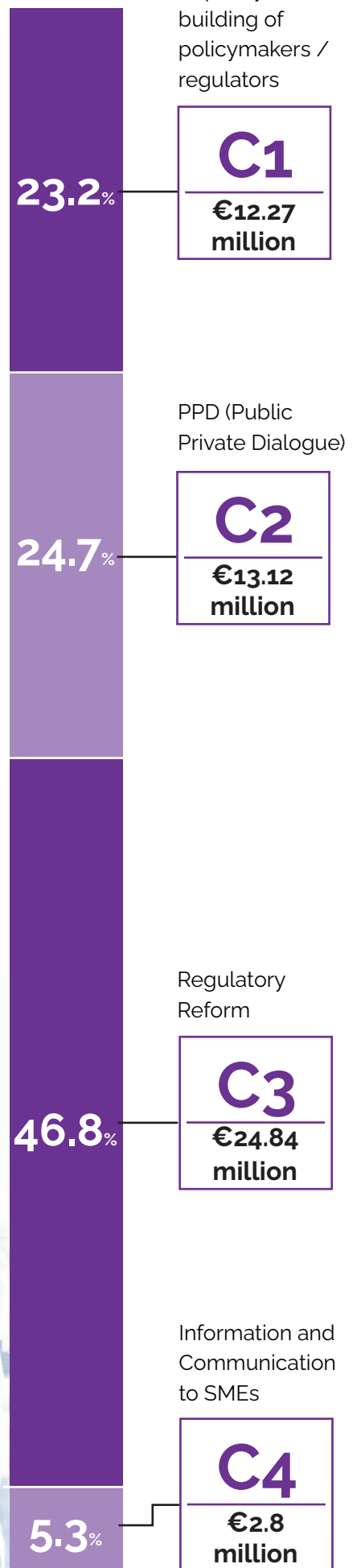
PPD (Public Private Dialogue)

C3

Regulatory Reform

C4

Information and Communication for SMEs



³ This is the total value of contracts being implemented, not disbursements in 2019.

THE FOUR SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR CONTRIBUTING TO A BUSINESS ENABLING ENVIRONMENT ARE DEFINED BELOW:

C1

Capacity Building among policymakers and regulators

Through this instrument, EU4Business interventions aim at strengthening the capacity of staff of various government agencies to ensure better, more transparent and open policies and regulations that affect business, whilst ensuring appropriate controls in the six Eastern Partnership countries. This can

include making and amending policies, laws and administrative procedures based on need and risk assessment. Through this instrument, the EU4Business interventions deliver direct advisory, mentoring services and study tours to the relevant staff involved in policymaking.

C2

PPD (Public Private Dialogue)

Public-private dialogue is an instrument for more inclusive and targeted policymaking. Specifically, it involves effective consultation and collaboration between government and the private

sector and/or its representatives, in order to achieve effective reform and administration of regulations that affect SMEs.

C3

Regulatory Reform

Through this instrument, EU4Business interventions support the EaP countries to improve the regulatory environment based on best practices and most often approximation (to align their SME related legislations, rules, and regulations with those of the EU).

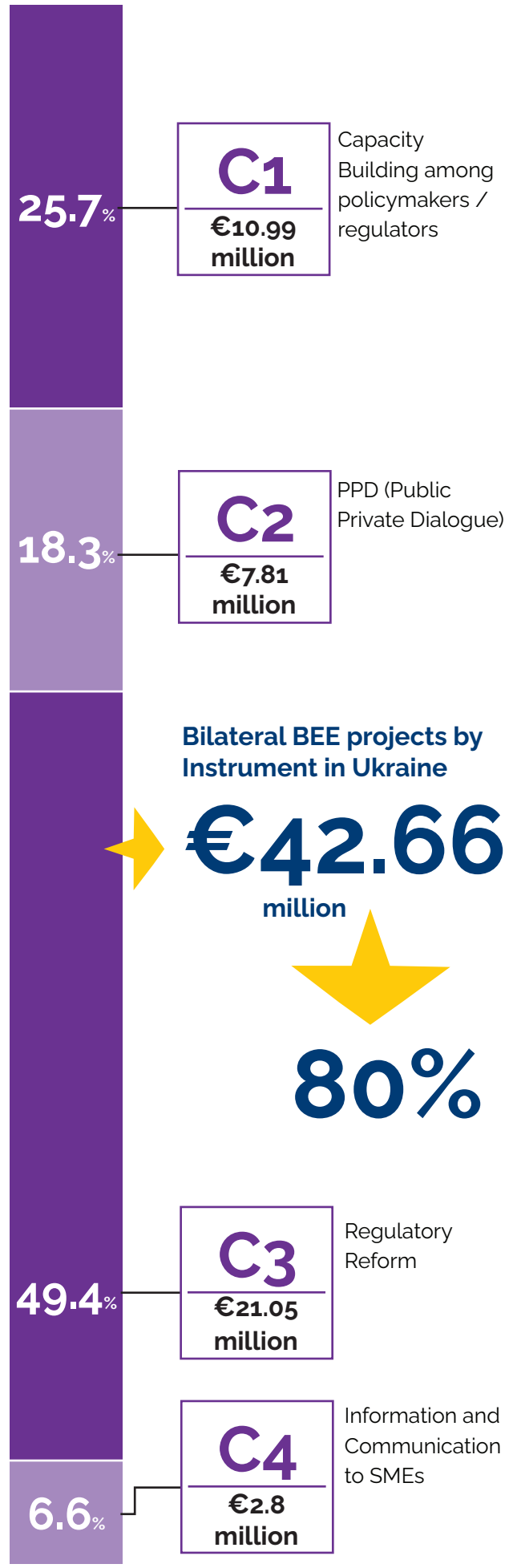
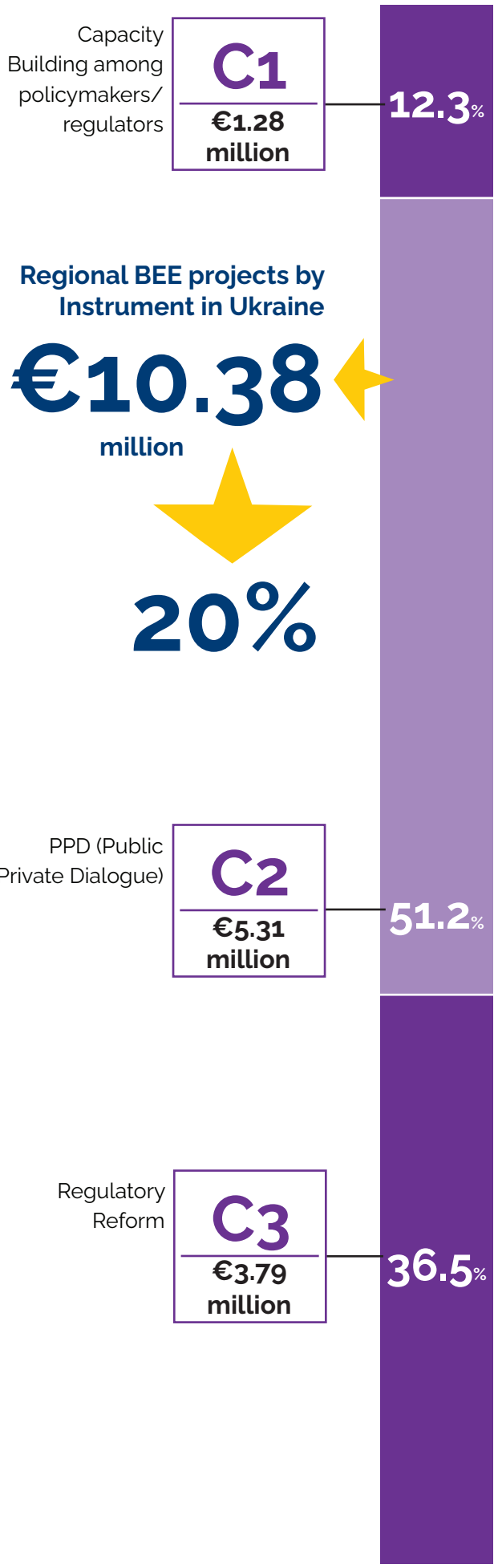
Approximation occurs in all six Eastern Partnership countries, but it is more intensely applied in the three DCFTA countries, which have committed to widespread adoption of EU business acquis under the Association Agreement (AA).

C4

Information and Communication to SMEs

Through this instrument, EU4Business interventions support government to inform SMEs on reforms and implications

for their business and steps to comply with regulatory reform.

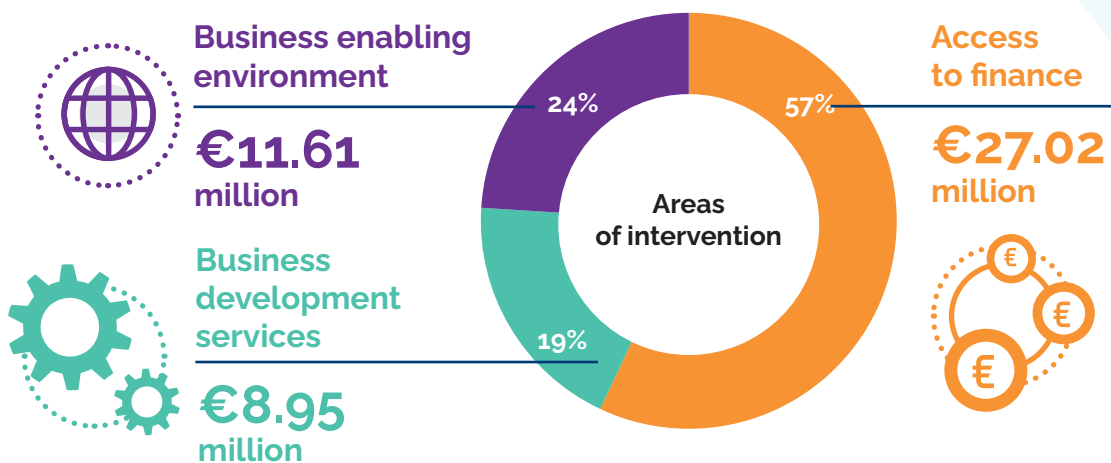




[ACHIEVEMENTS] LIN 2019

[AGGREGATED RESULTS] IN UKRAINE IN 2019

EU support to SMEs in Ukraine is reported here under the EU4Business banner. It is a cumulation of all EU support but, unlike in previous years, we are reporting by instrument rather than by project, based on the three types of intervention (A2F, BDS and BEE). This makes it possible to isolate and present results by country, intervention and/or instrument in a more meaningful way to enable readers to analyse and assess EU support more readily.

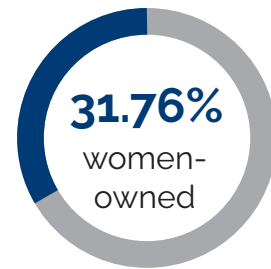


NUMBER OF SMES SUPPORTED



Overall, the EU supported a massive of

4,287
SMEs in Ukraine in 2019



€ 2.2



billion

total turnover
of EU-supported
SMEs in Ukraine

288,882

employed in EU-supported
SMEs in Ukraine



the average
SME supported
by the EU in Ukraine

has

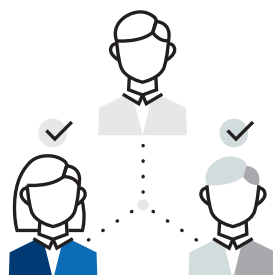
€510,000
annual income



employs

68

individuals



22 of whom
were women



This is the largest average income per SME supported in the EaP, where the average was **€123,000**.

SMES SUPPORTED

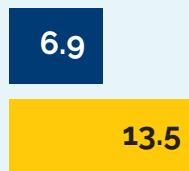
Average jobs per SME supported



Average income per SME supported



Number of employees per €100,000 of income



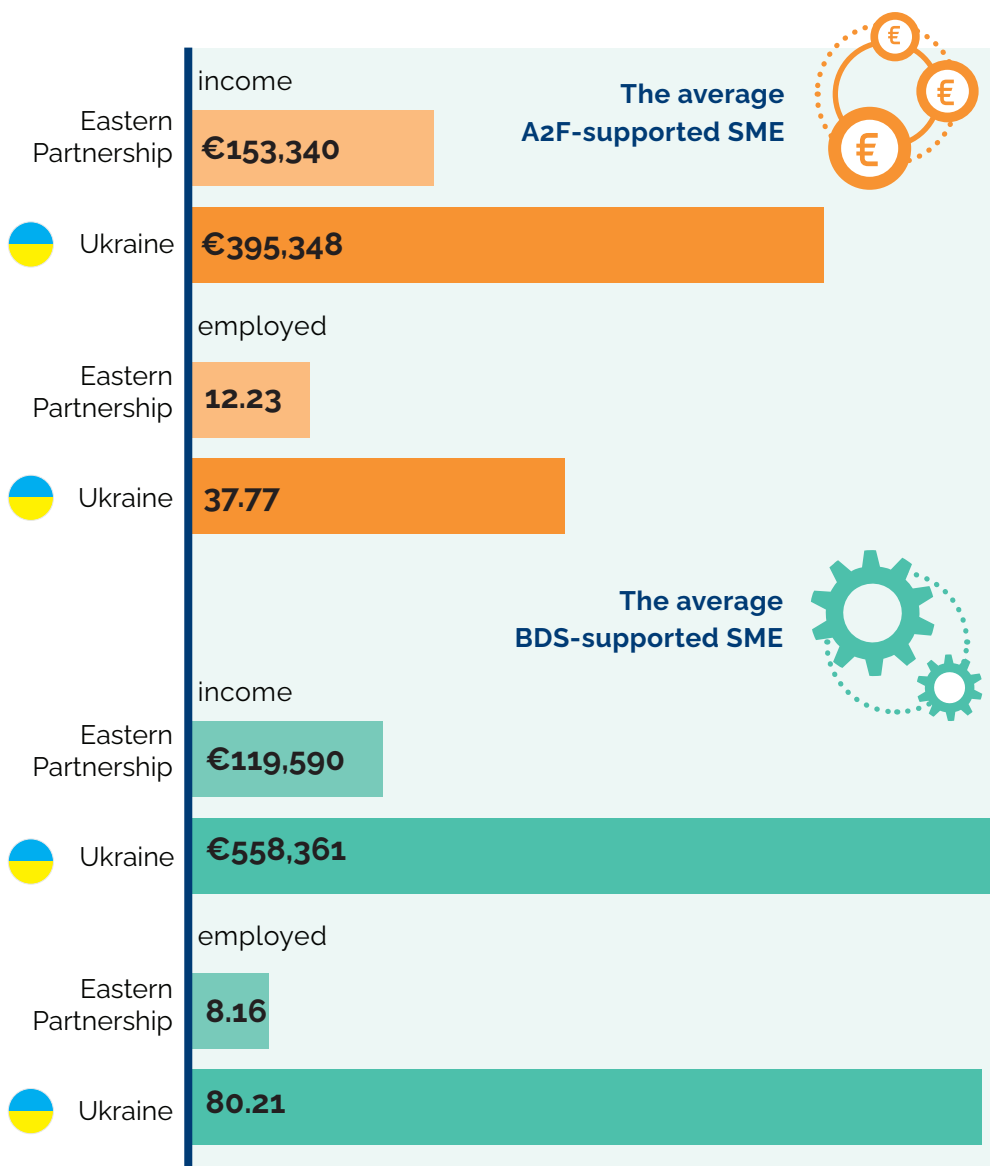
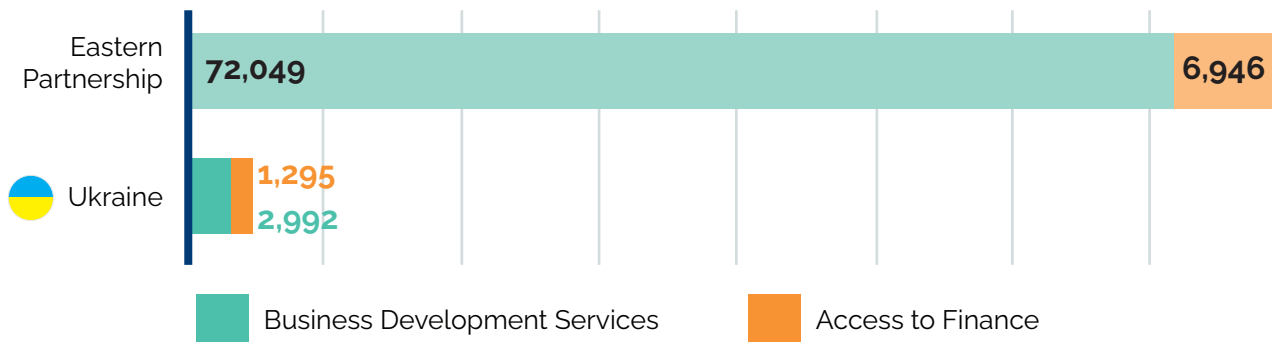
Average income per SME supported employee



The average number of jobs in SMEs supported in Ukraine is double per SME and per **€100,000** in income compared to the regional average. This means that EU-supported SMEs in Ukraine employ relatively more people than the average, but this also means that the average income per employee of SME supported in Ukraine is almost **49%** lower in Ukraine.

NUMBER OF SMES SUPPORTED PER PILLAR UKRAINE VS THE EAP

The number of SMEs supported through access to finance accounted for **30%** of all SMEs supported in Ukraine, higher than the average of **8.8%** across the EaP, with the remaining SMEs being supported through business development services. Note that SMEs benefiting from improved business enabling environment activities are not included in the consolidated reporting of support, as potentially all SMEs in the country can benefit from reforms.



This shows that the SMEs receiving both A2F and BDS support in Ukraine have a much higher income than the regional average (**2.6** and **4.7** times greater respectively).

Employment in supported SMEs in Ukraine is also significantly higher, **3.1** times more employed in A2F-supported SMEs and **9.8** times more employed in BDS-supported SMEs than the regional average.

JOB CREATION PER PILLAR UKRAINE VS THE EAP

In 2019, SMEs supported by the EU in Ukraine generated

50,799
jobs

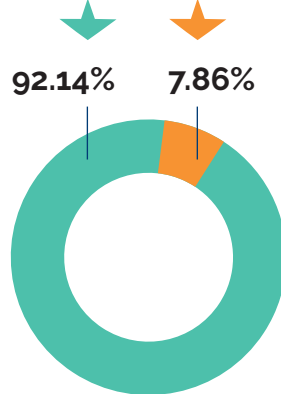
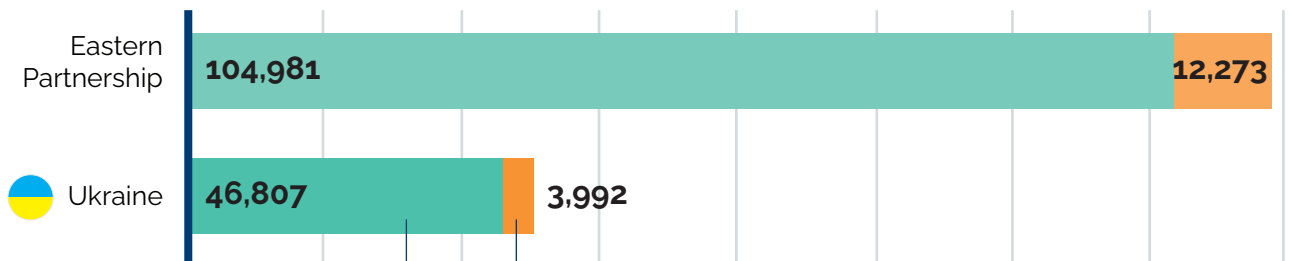
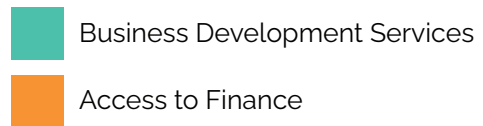


increased staff by
+21.3%

and ranked second highest in the Eastern Partnership region

compared to the EAP average of

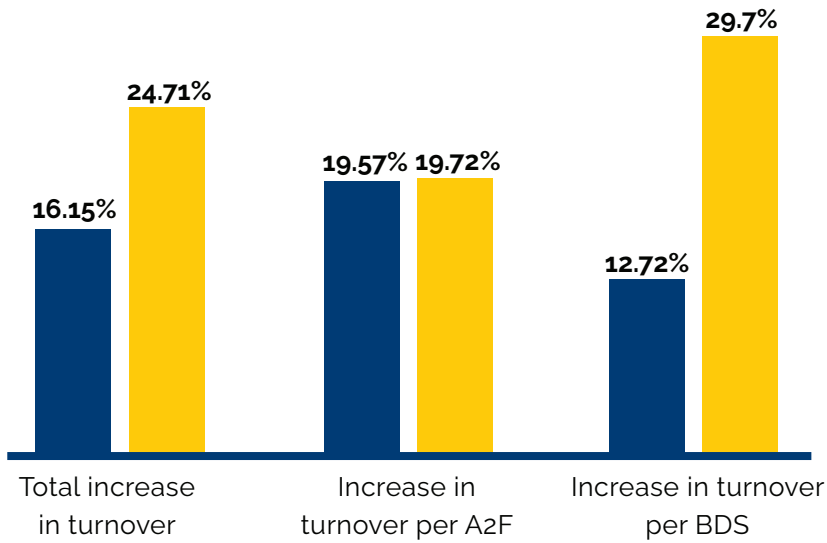
+21.1%



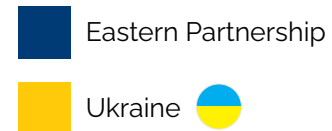
In Ukraine, more SMEs were supported through BDS and the distribution of new jobs reflects this: business development services generated **92.14%** and access to finance generated **7.86%** of all new jobs.

This is in line with the EaP average, where the majority of SMEs supported are in BDS, **91.2%**, and on average **89.53%** of jobs generated are among the BDS firms.

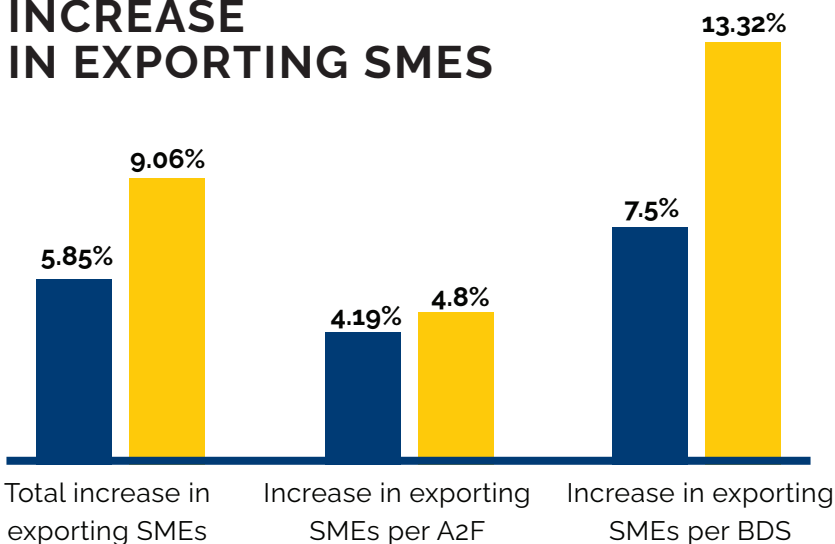
INCREASE IN TURNOVER



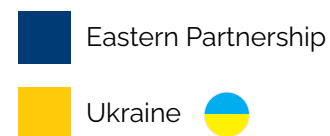
EU-supported SMEs in Ukraine increased turnover by **24.7%** in 2019, which was higher than the **16.15%** regional average.



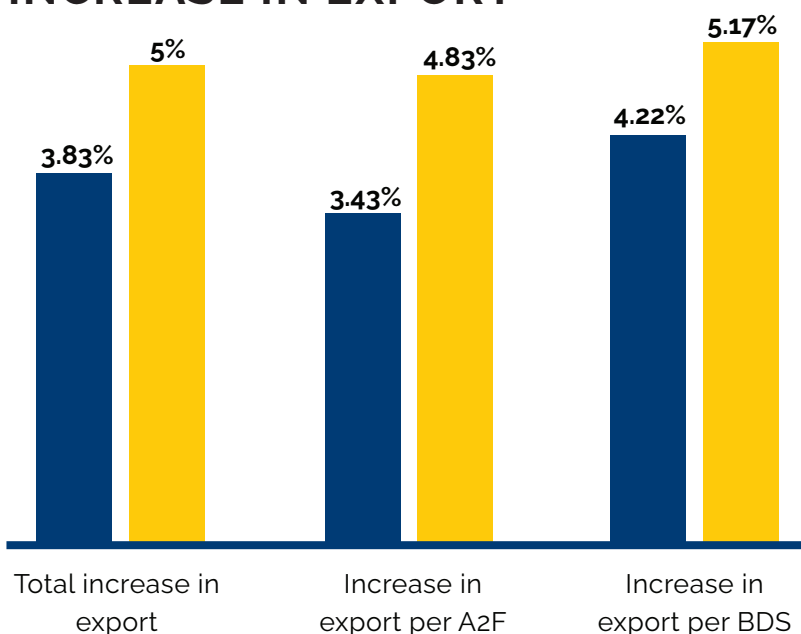
INCREASE IN EXPORTING SMES



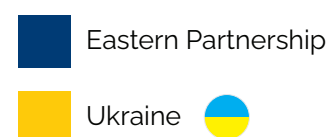
The number of supported SMEs in Ukraine engaged in exporting grew more than the EaP average.



INCREASE IN EXPORT



Amongst supported SMEs engaged in export, there was a **5%** increase in exports, the highest in the region, and well above the **3.8%** average growth in the region.



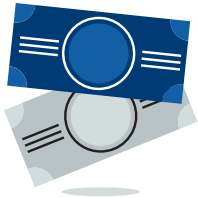
ACCESS TO FINANCE FOR UKRAINIAN SMES

OVERALL RESULTS OF A2F
INTERVENTIONS IN 2019 WERE:



1,295

SMEs supported with
A2F interventions



€16.96
million

in loans disbursed

€3
million

in grants disbursed



3,992

new jobs
generated at SMEs
supported through A2F

19.72%

increase in income
of supported SMEs

MAIN FIGURES

TWO UKRAINIANS SAVE CUSTOMERS UP TO 30% ON FUEL

GPS PRO installs Global Positioning Systems (GPS) in commercial vehicles for companies to control fuel use. Oftentimes, it can mean savings of up to 30% for vehicle owners. With EU4Business and the EBRD programme, the founders acquired a vehicle by borrowing or leasing, under which the car cost 10% less on a 2-year leasing term.

[Read full story](#)



“The manager offered us a leasing programme from one of the banks, but she quickly understood that it was too expensive for us. She then told us about a programme from the EBRD and OTP Leasing supported by EU4Business. Under this programme, our car cost 10% less, or approximately €1,670, on a 2-year leasing term. These conditions were a lifesaver.”

Ivan Semenyuk
the co-founder of GSP PRO

NUMBER OF SMES SUPPORTED PER ACCESS TO FINANCE INSTRUMENTS IN UKRAINE



1,295

SMEs were supported with A2F interventions in Ukraine through access to finance instruments in 2019.



€27 million

This is the largest amount among all EaP countries.

The EU used five instruments: capped loss recovery, currency hedging subsidy, SME incentive grants, grants to SMEs, and structured funds.

25

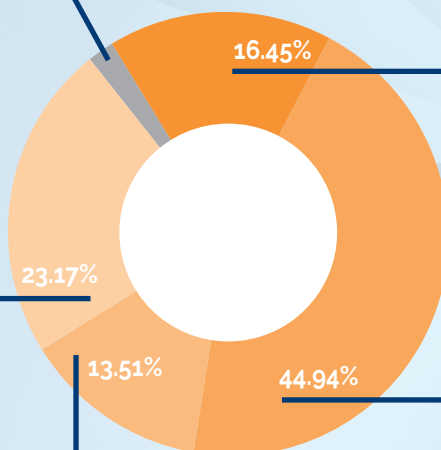
Structured Funds

targeted loans averaging **€740,000**, of which **25%** went to SMEs owned or managed by women

300

Grants to SMEs

averaged **€10,000**, of which **25%** went to SMEs owned or managed by women



213

Capped Loss Recovery

targeted loans averaging **€136,357**, of which **24.5%** went to SMEs owned or managed by women.

582

Currency Hedging Subsidy

targeted loans averaging **€118,098** out of which **24%** went to SMEs owned or managed by women.

175

SME incentive grants

targeted loans averaging **€272,452**, of which **26%** went to SMEs owned or managed by women.

The volume of loans triggered in Ukraine in 2019 was

€163,9
million



995

SMEs received loans



Grants disbursed

€3
million

300

grants given to SMEs

25%
women-owned



€164,780

average size of loans

€10,000

average amount of grant



12

local financial institutions supported

THE VOLUME OF LOANS

triggered in Ukraine in 2019 was **€163.9 million**, which is significantly higher than the EaP average of **€84 million**.

€163.9 million

€84 million

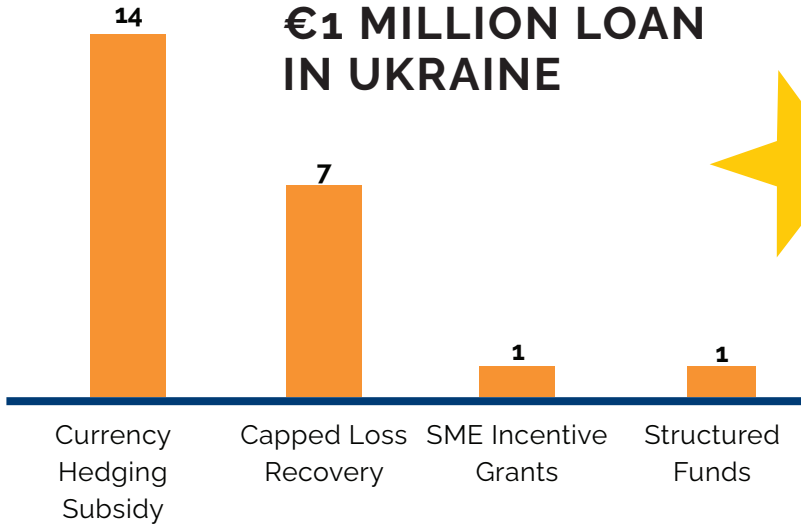
RESULTS PER A2F INSTRUMENT



| | Number of SMEs supported | Income of SMEs | Jobs in SMEs | Jobs generated | Increase in turnover |
|--------------------------|--------------------------|---------------------|---------------|----------------|--------------------------------|
| Total | 1,295 | €511,975,859 | 48,906 | 3,992 | €102,218,491 |
| Capped Loss Recovery | 213 | €125,966,667 | 15,548 | 1,008 | €34,011,000 ↑ 27% |
| Currency Hedging Subsidy | 582 | €254,855,622 | 28,965 | 1,032 | €54,156,820 ↑ 21.25% |
| SME Incentive Grants | 175 | €107,528,570 | 2,043 | 1,362 | €9,677,571 ↑ 9% |
| Grants to SMEs | 300 | €9,000,000 | 350 | 200 | €3,203,100 ↑ 35.59% |
| Structured Funds | 25 | €14,625,000 | 2,000 | 390 | €1,170,000 ↑ 8% |

Of the loans, **17.72%** were disbursed via capped loss recovery, **41.92%** via currency hedging subsidies, **29.08%** via SME incentive grants, and **11.28%** via structured funds.

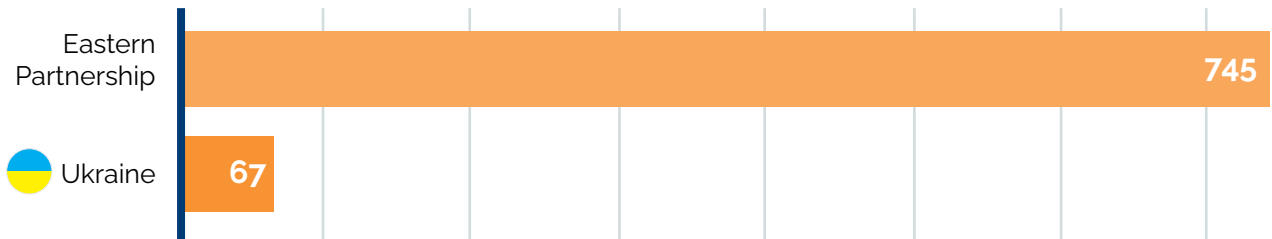
JOBS CREATED PER €1 MILLION LOAN IN UKRAINE



For each **€1 million** in loans, **23 jobs** were generated, which is close to the regional average of **25**.



JOBS CREATED PER €1 MILLION GRANTS



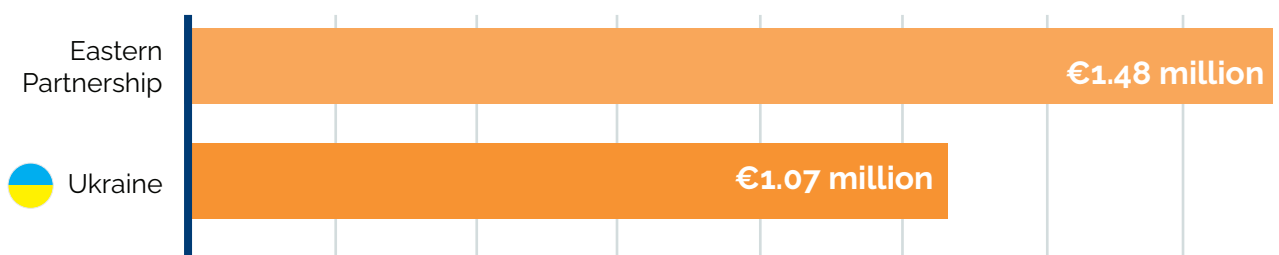
INCREASE IN TURNOVER PER €1 MILLION LOANS

For each **€1 million** of lending in Ukraine in 2019, supported SMEs increased turnover by **€510,000**. This is close to the regional average of **€640,000**.



INCREASE IN TURNOVER PER €1 MILLION GRANTS

The increase in turnover among supported SMEs per **€1 million** in grants, **€1.07 million** in 2019, is lower than the regional average of **€1.48 million**.



BUSINESS DEVELOPMENT SERVICES (BDS)

FOR UKRAINIAN SMES

OVERALL RESULTS OF BDS INTERVENTIONS IN 2019



2,992

SMEs supported through BDS interventions



46,807

new jobs
generated at SMEs supported through BDS



29.7%

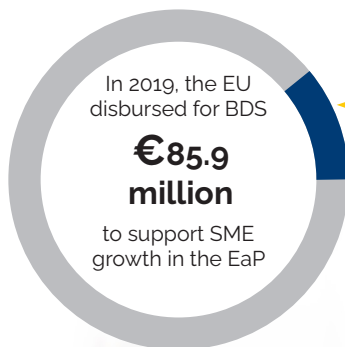
increase in income at supported SMEs



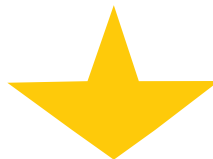
30

BSOs capacitated

Ukraine ranks first in the Eastern Partnership region in terms of funds disbursed for improving business support services in 2019.



10.3% of total spent on BDS occurred in Ukraine



€8.9 million

SUCCESS STORIES



UKRAINIAN TOY PRODUCER ENTERS EUROPEAN MARKETS

Ukrainian toy producer LisLis has reshaped their communication model and approach to foreign clients after attending training supported by EU4Business and the EBRD. In just a few months, the company attracted several overseas orders and has focused on exporting to the USA, the UK, Sweden, and France with a 40% increase in sales.

[Read full story](#)

“The knowledge we gained at the training programme supported by EU4Business and the EBRD unlocked our negotiations with potential investors. We almost doubled the number of new clients and increased the number of repeat buyers.”

Oleksandr Shestakovych
founder of LisLis

SUCCESS STORIES

WESTERN UKRAINE'S BIGGEST AQUAPARK BROADENS ITS BUSINESS



After attending a series of training sessions supported by EU4Business and the EBRD, Plyazh Aquapark changed its entire business model resulting in **15%** growth in customer flow and almost **40%** repeat sales.

[Read full story](#)



EU4BUSINESS SUPPORTS AN ECO-RESORT IN THE UKRAINIAN CARPATHIANS

The EBRD and EU4Business helped the TAOR Karpaty Resort & Spa complex develop an automated accounting and reporting system. This has allowed the company to improve its reservation system, which now provides further details on visitor preferences and generates invoices automatically. After the project, the company managed to increase the number of guests from **15,000** in 2018 to **27,000** in 2019.

[Read full story](#)



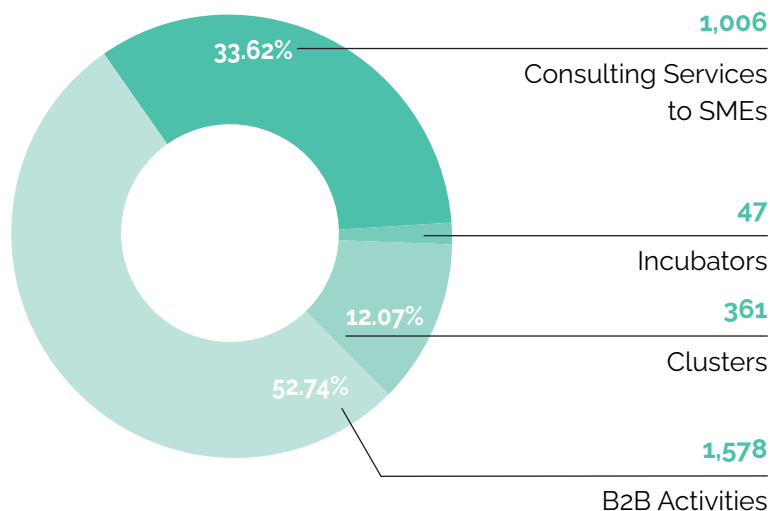
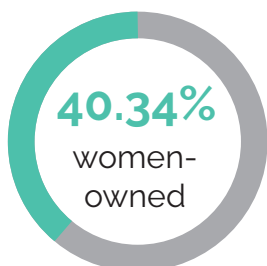
NUMBER OF SMES SUPPORTED PER BUSINESS DEVELOPMENT SERVICES INSTRUMENTS IN UKRAINE



A total of **2,992** SMEs, **40.34%** owned by women, benefited from business development services support by the EU; **52.74%** through B2B activities provided directly to SMEs, **33.62%** through consulting services, **12.07%** through clusters, and **1.57%** through incubators.

2,992

SMEs benefited

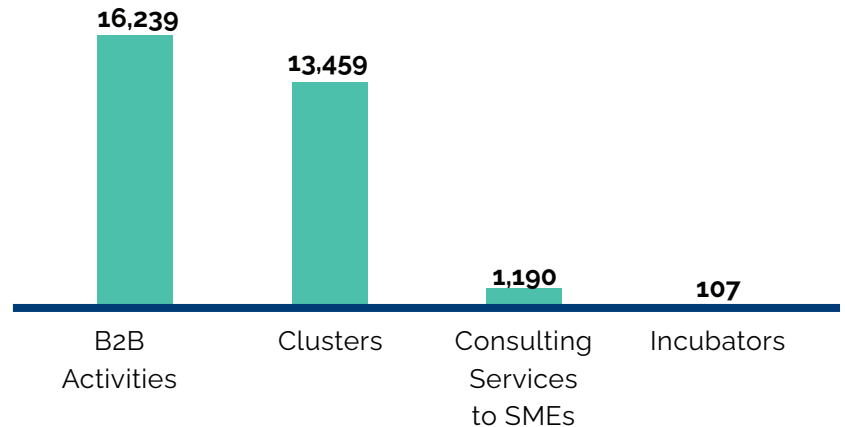


RESULTS BY BDS INSTRUMENTS

| | Sustained jobs | New jobs | Turnover | Turnover increase |
|-----------------------------|----------------|----------|----------------|-------------------------|
| Consulting Services to SMEs | 29,866 | 4,790 | €378,482,743 | €26,493,792 ↑ 7% |
| Incubators | 668 | 126 | €31,600,821 | €26,332,964 ↑ 83.33% |
| Clusters | 39,018 | 7,806 | €234,833,095 | €63,404,936 ↑ 27% |
| B2B Activities | 170,424 | 34,085 | €1,025,700,000 | €43,079,400 ↑ 4.2% |

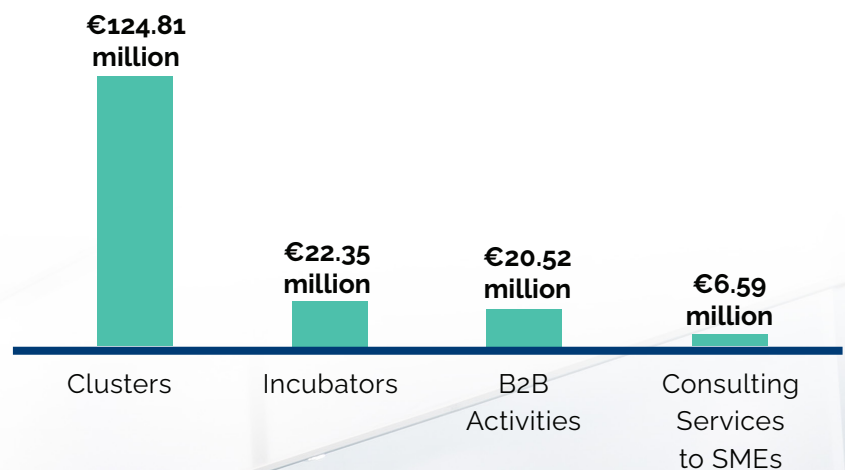
JOBS CREATED PER €1 MILLION EU SPEND ON BUSINESS DEVELOPMENT SERVICES IN UKRAINE

SMEs that received EU support in the form of consulting services generated more jobs for every **€1 million** of support in the form of B2B activities; generating **16,239** new jobs as compared to **13,459** for SMEs supported through clusters, **1,190** jobs for SMEs supported through consulting services, and only **107** jobs by SMEs supported through incubators.



INCREASE IN TURNOVER PER €1 MILLION EU SPEND ON BUSINESS DEVELOPMENT SERVICES IN UKRAINE

By contrast, SMEs supported through clustering increased income by far higher levels than SMEs supported through other instruments. For each **€1 million** of support to clusters, supported SMEs grew by **€124.81 million** compared with **€22.35 million** through incubators, **€20.52 million** through B2B activities, and only **€6.59 million** through consulting services.



BUSINESS ENABLING ENVIRONMENT

IN UKRAINE

OVERALL RESULTS IN BUSINESS ENABLING ENVIRONMENT INTERVENTIONS IN UKRAINE IN 2019



In EU4Business reports, support for improving the business enabling environment is treated differently. Whilst improvements in the business enabling environment will inevitably improve competitiveness, lower costs, and make SMEs more efficient, it is more difficult to isolate which SMEs actually benefit, as, potentially, all will benefit: for example, reforms that make it easier and less costly to pay taxes will benefit all SMEs.

EU SUPPORT AIMED AT IMPROVING THE BUSINESS ENABLING ENVIRONMENT IN UKRAINE



SUCCESS STORIES

UKRAINE

HOW AN EU PROJECT TURNED A UKRAINIAN TOWN INTO A DREAM PLACE FOR ITS CITIZENS

“Young people aged 13-17 in Ukraine have their own online stores and patents for inventions. They run businesses and sometimes support their entire families.

These kids not only earn some money, but they are self-fulfilling. We are glad that now we are able to give our children such an opportunity in our native Baranivka.”

Oksana Zagorska
action manager

For the second year in a row, a pilot project under the European Union's M4EG programme, Mayors for Economic Growth, is being implemented in Baranivka, a small town in Zhytomyr oblast, as part of the EU initiative EU4Business. In just two years, the project “Youth-Driven Organic Business Cluster in Baranivka UTC” has provided more than 1,100 schoolchildren and 400 adults with opportunities to gain practical professional skills through a number of means, including 30 master classes.

[Read full story](#)



THE SUPPORT INSTRUMENTS AIMED AT IMPROVING THE BUSINESS ENABLING ENVIRONMENT ACTIVE IN UKRAINE IN 2019 INCLUDED:



Changing / improving laws and regulations



Public-private dialogue events



Capacity building among government agencies / regulators

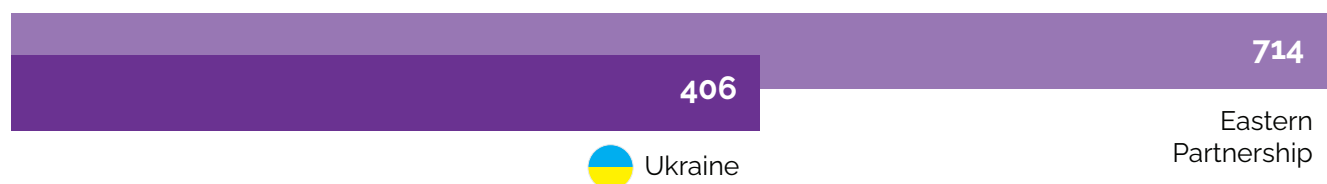
The most effective instrument used in Ukraine to improve the business enabling environment in 2019 was capacity building at government and regulating agencies.

NUMBER OF REGULATORS/GOVERNMENT BENEFITING FROM CAPACITY BUILDING



NUMBER OF LAWS / REGULATIONS CHANGED

This is the highest amount in the region and well above the EaP average of 119.



NUMBER OF PUBLIC PRIVATE DIALOGUE EVENTS

Ukraine also ranks first in the Eastern Partnership region with 346 PPD events, compared to the regional average of 255 such events.



SUCCESS STORIES

FORESTRY MARKET REFORM: E-AUCTIONS AND TIMBER TRACEABILITY SYSTEM

For years, Ukraine's forestry market has been a hotbed of corrupt schemes, with 27% of the business still in the shadows. Timber from state-owned forests is often sold through openly underpriced contracts. To eliminate this abuse, BRDO agriculture experts, together with the State Forestry Agency and Prozorro.Sales, have drafted two resolutions to bring the timber market in from the cold and let civic society monitor the process.

In early December 2019, the government adopted the resolution, making electronic timber accounting mandatory in Ukraine. This resolution obligated forest users to

mark timber with barcodes indicating source and quality. The regulation led to a 20% reduction in illegal logging and returned nearly UAH 300 million to the state budget.

In early February 2020, another government resolution launched a pilot project under which all unprocessed timber in Ukraine could only be sold through electronic auctions. As the second component for bringing the country's timber market out of the shadows, this regulation ensured a 100% transfer of timber trading to transparent online auctions, putting an end to openly bogus contracts.



EASY STEP-BY-STEP INSTRUCTIONS FOR STARTING A BUSINESS: #STARTBUSINESSCHALLENGE GETS INTERNATIONAL RECOGNITION

#StartBusinessChallenge, a free state service presenting 180 personalised step-by-step instructions for starting a business in a specific city, has gained National Winner status and a special mention at the European Enterprise 2020 Promotion Awards. Offering a unique user-friendly resource where a person can find extensive information on how to run a café or a barbershop in their hometown, #StartBusinessChallenge has become an integral part of the DIIA. Business government resource. Developed and supported by the BRDO team, #StartBusinessChallenge won the Open Data Social Impact Award of 2017, the Social Project Awards of 2018, and was a nominee for the Top Decisions for Business rating in the European Commission Report on Legal & Regulatory Advice (e-service).

The objective of #StartBusinessChallenge is to streamline the process of business registration in Ukraine's 25 regions, and establish a more favourable business climate in the country. After selecting a type of business, a user can run a test involving a number of questions, including the business location, preferred legal form and tax system, requirements for staff, premises, advertising, and so on. After the answers are filled in, the software generates a tailored list of actions that the person needs to take in order to successfully launch that kind of business. This comprises detailed information about the public services and permit procedures provided by law, details about legislation, regulating procedures, licensing and permitting agencies and their contacts, lists of documents, timeframes, costs, grounds for refusal, appeal procedures, and more.



SMES IN UKRAINE BENEFIT FROM IMPROVED BUSINESS ENVIRONMENT

NUMEROUS CHALLENGES REMAIN

The OECD has been working with Eastern Partner (EaP) countries for more than 10 years in an effort to guide SME policy reforms. Within the framework of the EU4Business Initiative, the OECD together with the EBRD, the European Training Foundation, and the European Commission published a third edition of the SME Policy Index¹ in March 2020, monitoring progress with regards implementation of the Small Business Act for Europe (SBA) and highlighting outstanding reform priorities.

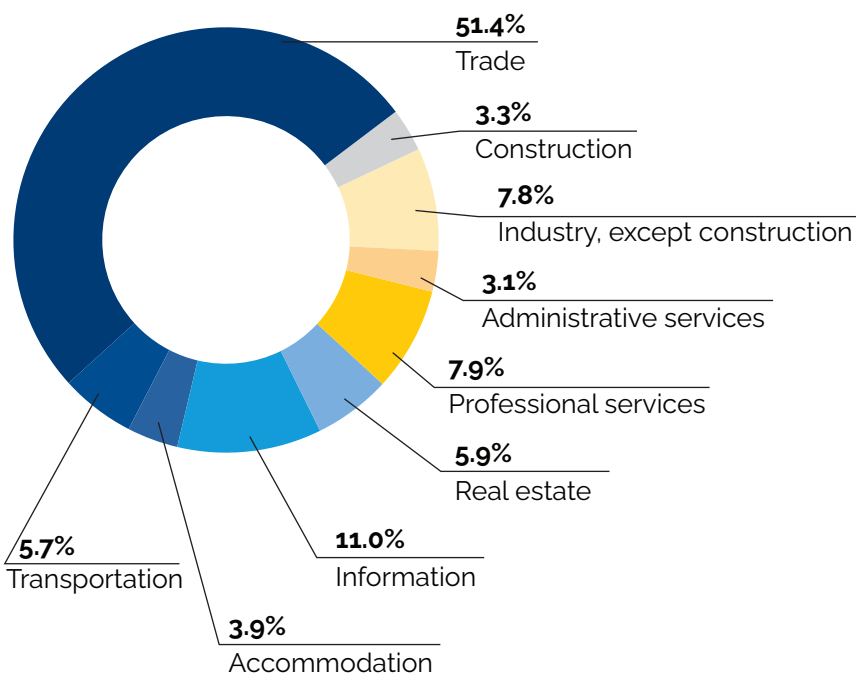
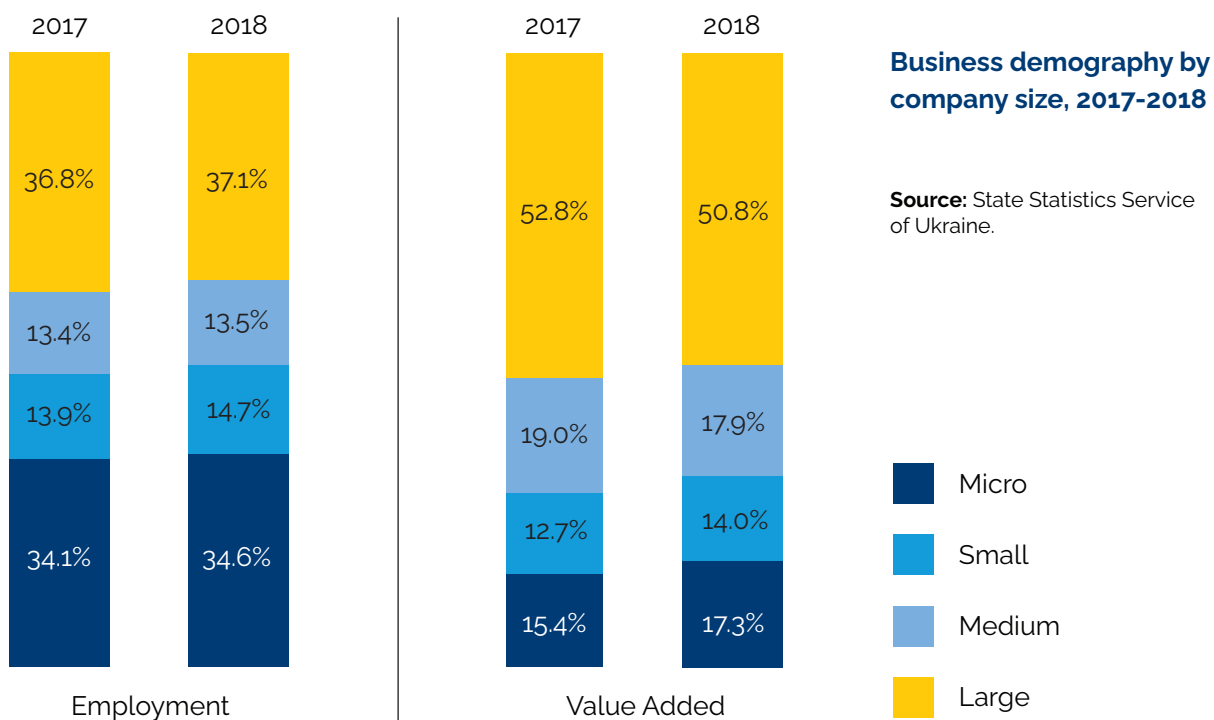
Despite ongoing economic and political challenges, Ukraine has made significant progress since the 2016 SBA Assessment through continuous implementation of reforms in fields such as deregulation, public procurement, and harmonisation with the EU acquis and bankruptcy procedures. In 2018, the SME Development Strategy until 2020 was adopted and an SME Development Office was established.

Going forward, Ukraine would be advised to ensure sustainability of its institutional and regulatory framework for SME policy, step up deregulation efforts, and ensure the creation of level-playing-field conditions through consistent enforcement of corruption and competition legislation, as well as by granting broader budgetary autonomy to its competition authority.

SMES IN UKRAINE'S ECONOMY

SMEs are of growing importance in the Ukrainian economy. In 2018, they accounted for **63%** of total business employment and generated **49%** of value added (+1.5 and +2 percentage points, respectively, since 2017). Most operate in wholesale and retail trade, and thus remain concentrated in **low-value-added** sectors. However, recent years have seen a growing number of SMEs in the IT sector (9% in 2018 versus 5% in 2015).

¹ OECD et al. (2020), SME Policy Index: Eastern Partner Countries 2020: Assessing the Implementation of the Small Business Act for Europe, <https://www.oecd.org/development/sme-policy-index-eastern-partner-countries-2020-8b45614b-en.htm>



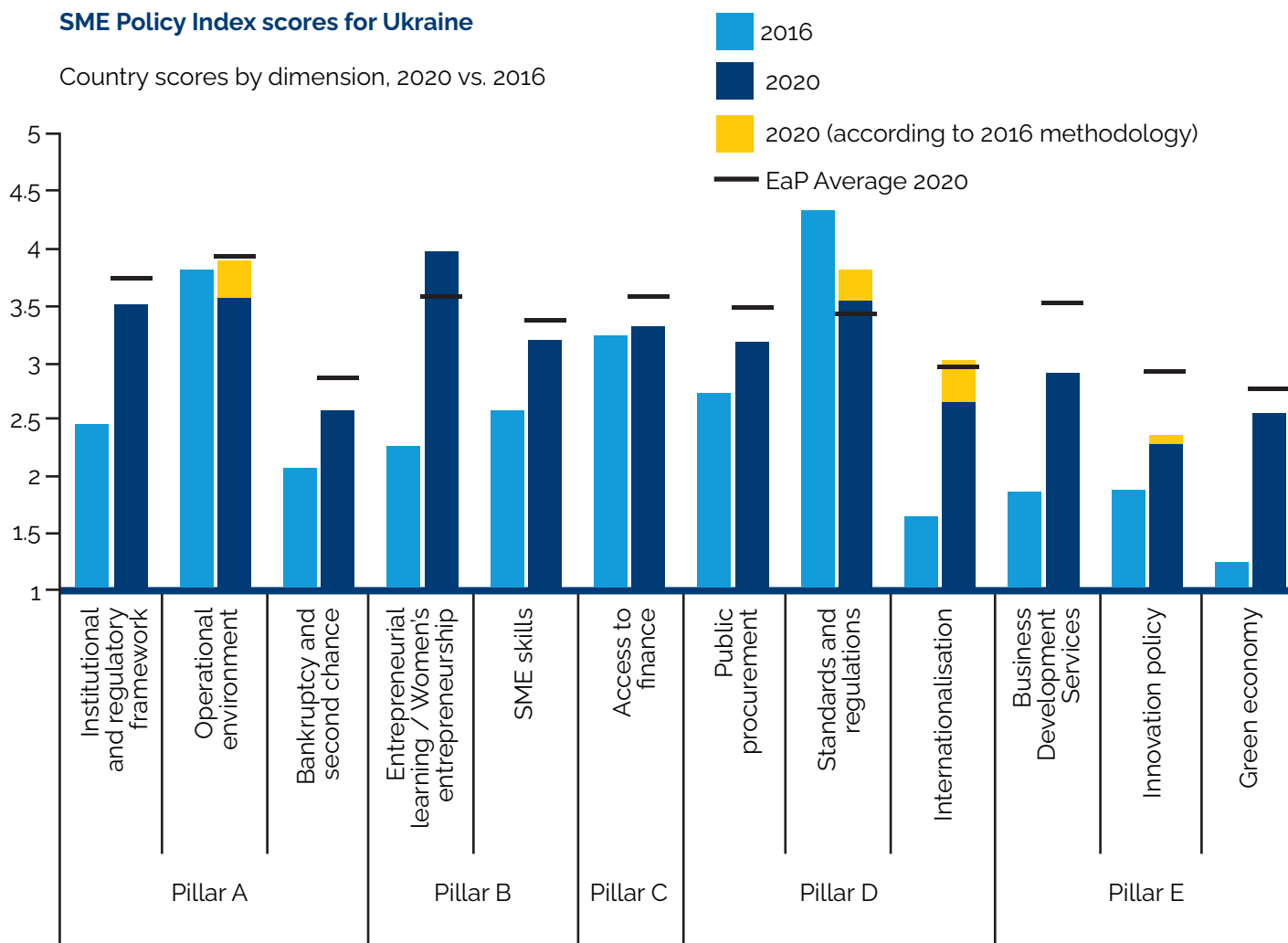
Notes: Sectors entail B-N (ISIC Rev. 4) excepting financial and insurance activities. Data do not include the agriculture sector.

Source: State Statistics Service of Ukraine, OECD (2018).

Ukraine was the top reformer in this assessment round, its efforts having led to the greatest increase in overall performance: starting from a low base in 2016, the country improved its score by 34% on average. The biggest strides were achieved in entrepreneurial learning/women entrepreneurship (+77%) and green economy (+108%), although scores still remain low for the latter.

SME Policy Index scores for Ukraine

Country scores by dimension, 2020 vs. 2016



Since 2016, Ukraine has taken important steps to build an **institutional and regulatory framework** for SME policy. The country adopted an SME strategy in 2018 and established, with financial support from the EU, an SME Development Office (SMEDO). The operational environment for SMEs has improved, particularly via the provision of 120 e-government services, the streamlined allocation of business licences, and the simplification of tax administration. The next priorities should be to:

- Evaluate the effectiveness of SMEDO.
- Implement an early-warning system to detect insolvency.

In recent years, the Ukrainian government has been putting **skills and human capital** at the centre of its policies. It has reformed its education system by making it competence-based, including a "sense of entrepreneurship" competence. **Women**

entrepreneurship has been fostered by several partnerships including targeted training courses at local and regional levels (e.g. the Women's Business School in Bila Tserkva). Going forward, Ukraine should:

- Consolidate the current monitoring and evaluation actions.
- Gather SME skills intelligence data (skills demand, supply, and forecasting) on a regular basis.

Progress in facilitating **SME access to finance** has been slow, partly because of the need to first address the broader financial and macroeconomic challenges that Ukraine faces. However, the banking sector has stabilised and lending activity is picking up. Governmental initiatives are underway to stimulate lending to SMEs, but many of them remain in the early stages. Efforts have also been made to raise levels of financial literacy. Further steps should include:

- Completing reforms to strengthen the legal framework for non-bank financing instruments.
- Completing a review of SME financing support mechanisms.

SME **access to markets** has been facilitated. SMEs can now apply more easily for government contracts through the **ProZorro e-procurement system**, which also increases transparency. Harmonisation with EU standards and transposition of EU technical regulations into national legislation has continued, thereby reducing barriers to trade, and an Export Promotion Office (EPO) and Export Credit Agency have been established. Regardless, SMEs generated only 27% of total exports in 2017. Going forward, Ukraine should:

- Ensure the EPO has sufficient resources to provide export support services.
- Strengthen the review of public procurement activities.

SMEs now benefit from **support services** and **modernised SME support infrastructure**. Innovation is promoted through a broad range of instruments – 329 business centres, 62 incubators, 79 techno/science parks, and industrial clusters. The EU via the EBRD has also set up Business Support Centres

in 15 cities, providing training sessions, seminars, consultations, and other services. As for SME greening, the SME strategy includes related targets and actions aimed at developing green technology. Moving forward, the government should:

- Establish a single information portal for the implementation and development of a business.
- Improve the monitoring and evaluation of current support programmes.

Finally, Ukraine has worked towards creating **level playing field conditions** by improving its competition law regime and streamlining contract enforcement procedures. Businesses facing malpractice by public entities can refer to the Business Ombudsman Council. Nonetheless, efforts should be pursued to ensure a competition-friendlier environment and promote business integrity. It would be beneficial to:

- Increase the budgetary autonomy of the Antimonopoly Committee to ensure recruitment of highly-qualified staff and ward off corruption risks.
- Ensure proper enforcement of criminal liability for corruption-related offences.

ANNEX

LIST OF PROJECTS IN UKRAINE AS OF 2019

| Title | Total Budget* | Start date | End date | Type of the Project | Areas of Intervention | | |
|--|---------------|------------|----------|---------------------|-----------------------|-----|-----|
| | | | | | A2F | BDS | BEE |
| Improvement of legislation, control and awareness in food safety, animal health and welfare in Ukraine | €4,267,150 | 2019 | 2023 | Bilateral | | | ● |
| EU Support to the East of Ukraine | €9,500,000 | 2018 | 2022 | Bilateral | ● | ● | |
| EU Support to the East of Ukraine: Recovery, Peacebuilding and Governance | €13,769,743 | 2018 | 2022 | Bilateral | ● | ● | ● |
| EU Support to Ukraine to Re-launch the Economy (EU SURE) "EU SURE Technical Assistance Project" | €12,878,276 | 2016 | 2021 | Bilateral | | ● | ● |
| Support to the development of a Geographical Indications system in Ukraine | €3,448,975 | 2017 | 2021 | Bilateral | | ● | ● |
| Support to Agricultural and Food Policy Implementation | €5,692,450 | 2016 | 2020 | Bilateral | | | ● |
| Strengthening the regulation and supervision of the non-bank financial market | €2,828,000 | 2017 | 2020 | Bilateral | | | ● |
| Strengthening the Capacity of the Ukrainian National Standardisation Body | €998,582 | 2018 | 2020 | Bilateral | | | ● |
| EU4Business: Network of Business Support Centres in Ukraine | €40,000,000 | 2016 | 2020 | Bilateral | ● | ● | |

* Budgets indicated for regional projects apply for 6 EaP countries

| Title | Total Budget ¹ | Start date | End date | Type of the Project | Areas of Intervention | | |
|---|---------------------------|------------|----------|---------------------|-----------------------|-----|-----|
| | | | | | A2F | BDS | BEE |
| Social Entrepreneurship: Achieving Social Change from Bottom Up | €416,441 | 2018 | 2020 | Bilateral | | ● | ● |
| Financing Technologies against Climate Change / FINTECC | €4,160,000 | 2015 | 2020 | Bilateral | | ● | |
| Technical assistance in the financial sector's priority areas | €4,360,000 | 2015 | 2019 | Bilateral | | | ● |
| Approximation of Ukrainian legislation with the EU in the field of plant protection products and plant health and strengthening associated inspection and laboratory services | €2,000,000 | 2016 | 2019 | Bilateral | | | ● |
| Improvement of food safety control system in Ukraine | €3,591,550 | 2014 | 2019 | Bilateral | | | ● |
| Grant for the DCFTA Initiative East – Local Currency Solution Programme | €5,300,000 | 2018 | 2031 | Regional | ● | | |
| DCFTA Facility Phase II by EBRD | €38,900,000 | 2017 | 2027 | Regional | ● | ● | |
| EU Deep and Comprehensive Free Trade Area (DCFTA) Facility, EBRD DCFTA Programme | €19,430,000 | 2016 | 2026 | Regional | | ● | ● |
| DCFTA SME Direct Finance Facility | €10,220,000 | 2014 | 2024 | Regional | ● | ● | |
| SME Finance Facility Phase I – EBRD/KfW | €10,200,000 | 2010 | 2019 | Regional | ● | | |
| 2018 NIP decision share – Green for Growth – Extension to Neighbourhood East II | €5,162,849 | 2018 | 2040 | Regional | ● | | |
| Green for Growth – Extension to Neighbourhood East II | €6,157,151 | 2018 | 2040 | Regional | ● | | |
| EU4Business – The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE) | €50,320,000 | 2018 | 2039 | Regional | ● | | |
| Eastern Partnership SME Finance Facility – Phase II KfW | €5,200,000 | 2017 | 2032 | Regional | ● | | |

| Title | Total Budget* | Start date | End date | Type of the Project | Areas of Intervention | | |
|---|---------------|------------|----------|---------------------|-----------------------|-----|-----|
| | | | | | A2F | BDS | BEE |
| Eastern Partnership SME Finance Facility – Phase II EIB | €5,200,000 | 2017 | 2027 | Regional | ● | | |
| Structural Reform Facility: World Bank component | €1,500,000 | 2018 | 2023 | Regional | | | ● |
| Women in Business | €5,035,000 | 2015 | 2022 | Regional | ● | ● | |
| Eastern Partnership SME Finance Facility – Phase II EBRD | €5,200,000 | 2016 | 2022 | Regional | ● | | |
| EU-EBRD Country-specific Investment Climate Reviews and Action Plans for Eastern partnership (EaP) countries. | €2,000,000 | 2018 | 2021 | Regional | | | ● |
| Financial Sector Institution Building and Crisis Response | €12,000,000 | 2009 | 2020 | Regional | | ● | |
| Mayors for Economic Growth | €4,979,800 | 2017 | 2020 | Regional | | ● | ● |
| Mayors for Economic Growth 2 TA | €10,000,000 | 2017 | 2020 | Regional | | ● | ● |
| WBG technical support to the implementation of the Mayors for Economic Growth initiative | €500,000 | 2016 | 2020 | Regional | | ● | ● |
| Eastern Partnership: Ready to Trade – an EU4Business initiative | €6,000,000 | 2017 | 2020 | Regional | | | ● |
| EU4Business: From Policies to Action | €4,000,000 | 2017 | 2020 | Regional | | | ● |
| Green for Growth – Extension to NIF East Region | €13,350,000 | 2013 | 2019 | Regional | ● | | |
| SBS Program – EGP BAS Phase II | €8,000,000 | 2015 | 2019 | Regional | | ● | |
| EFSE (Neighbourhood Window of the European Fund for South East Europe) | €5,100,000 | 2009 | 2019 | Regional | ● | | |
| Ukraine top up L shares | €15,000,000 | 2009 | 2019 | Regional | ● | | |
| STAREP (Strengthening Auditing and Reporting in the Countries of the EaP) | €1,000,000 | 2014 | 2019 | Regional | | | ● |

* Budgets indicated for regional projects apply for 6 EaP countries

