

# THE MAIN AVAILABLE FUNDING MECHANISMS FOR BUSINESS



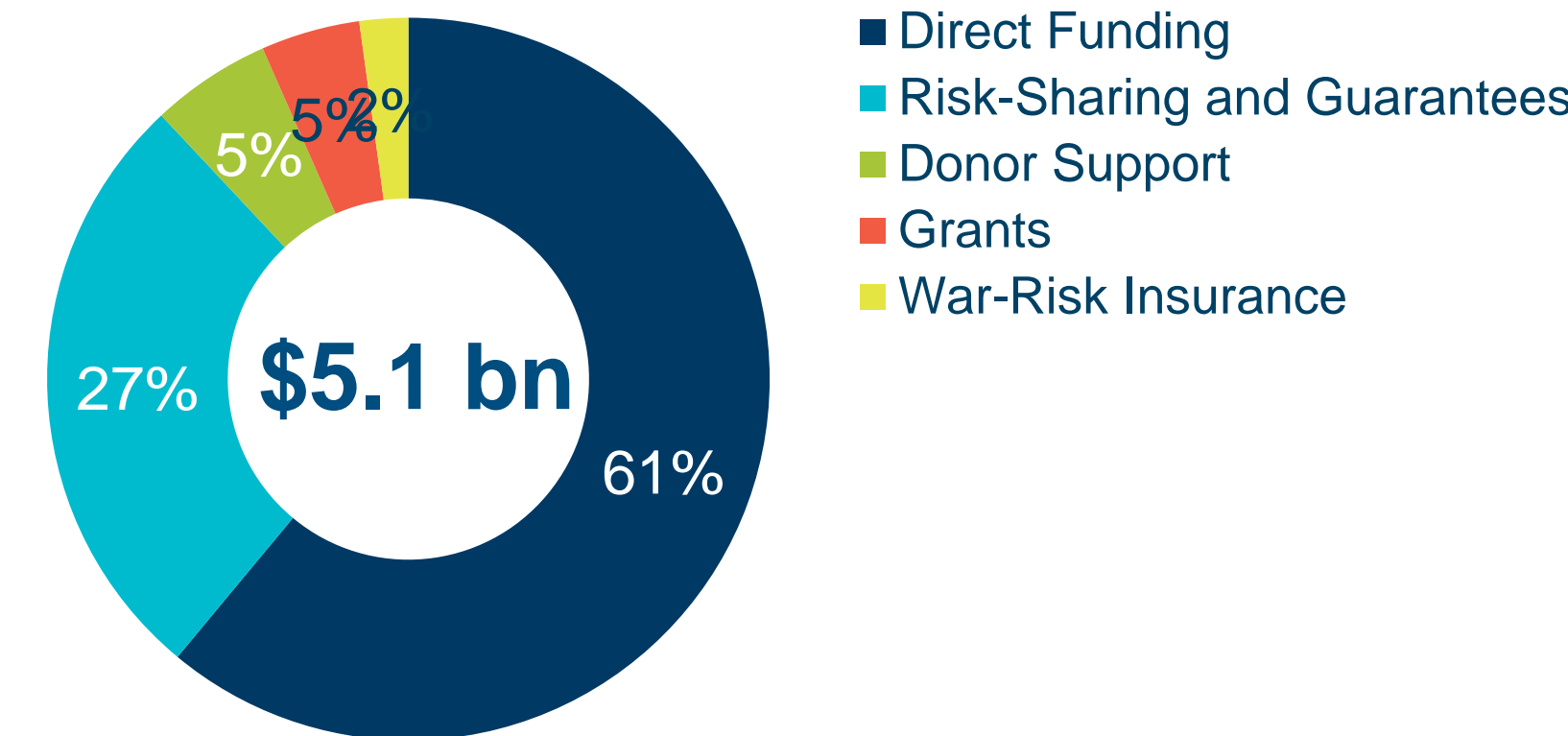
# AVAILABLE FUNDING MECHANISMS: SUMMARY

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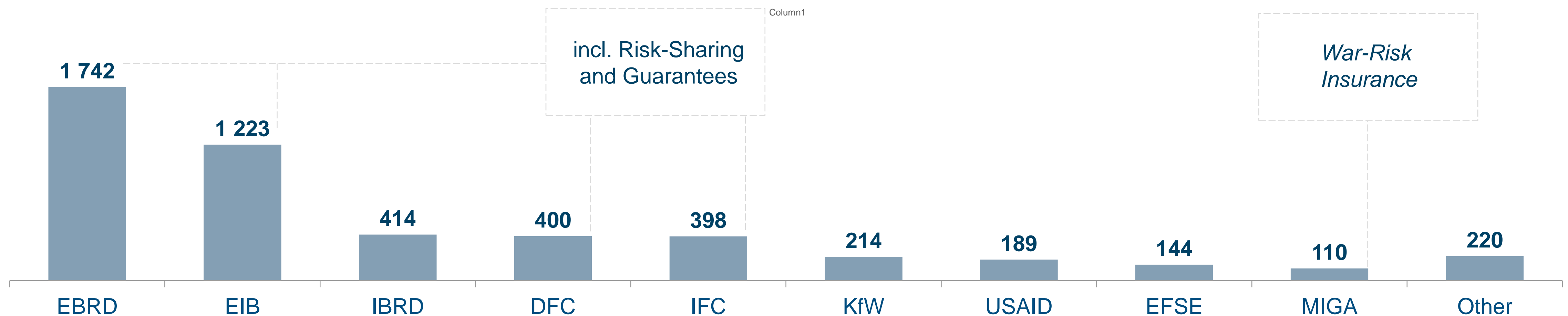
- Ukraine's current financing mechanisms fall short of supporting the nation's economic recovery and fostering sustainable growth across sectors. To address this, **there's a critical need to expand financing programs**. This involves increasing available funds, implementing project financing for both greenfield and brownfield projects, introducing new instruments, and enhancing existing ones. **The focus should be on SMEs and the investment component, including avenues like bank loans, leasing programs, venture capital investments, crowdfunding, and state grants**
- The main (largest) business support programs available in Ukraine:
  - **EBRD**: Focuses on large projects in energy, logistics, and agro-industrial sectors, with financing exceeding **\$3.0 bn (over \$1.7 bn in the private sector)** from March 2022 to October 2023
  - **EIB**: Concentrates on transport, SMEs, energy efficiency, and municipal infrastructure. Financing reached **€1.7 bn (over \$1.2 bn in the private sector)** from March 2022 to October 2023
  - **IFC**: Prioritizes private sector needs, supporting trade, energy, agriculture, women-founded businesses, and technology companies. Project financing amounted to approximately **\$0.4 bn** from March 2022 to October 2023
  - **Ukrainian Business Lending Program 5-7-9**: A government initiative primarily financing SMEs, especially in agriculture, trade, and services. However, the program's structure, managed through Ukrainian banks, poses challenges for smaller and new enterprises. Project financing totaled around **\$4.3 bn** from March 2022 to October 2023. The program primarily provides financing for operational activities through the provision of working capital. The share of investment projects – is only about 6%. The largest part (82%) is aimed at agriculture, trade and the sphere of services

- The key foreign creditor is **EBRD** that provided for private sector over **\$1.7 bn**
- **Only 4% of resources of IFIs** are provided in the form of grants
- **Challenges:** direct funding is available mostly for large business with a good credit history, mostly it is possible to lend in foreign currency with high interest rates – local currency funding is frozen, conditions do not allow banks to provide concessional loans for MSME/Corporate investment loans
- **Necessary further improvements:** more donor funds and blended finance channeling to war risk insurance, long-term funding in local currency, concessional funding and programs supporting investment loans for the processing industry, targeted specified programs in micro, small, and medium form for dedicated industries

IFIs activities by type of financial instruments, %



Recourses allocated by international financial institutions since the beginning of the full-scale invasion, \$m








Source: Ministry of Economy of Ukraine, open sources

# IDENTIFIABLE AREAS IN IFIs FOCUS (MARCH 2022 – NOVEMBER 2023)

- Support of agribusiness, trade flows, municipalities and critical infrastructure (inc. energy) are among the top directions of international financial institutions' programs in Ukraine

## Sectors of the economy and support programs in focus of IFIs and projects budgets allocated and/or disbursed by IFIs (March 2022 – November 2023), m

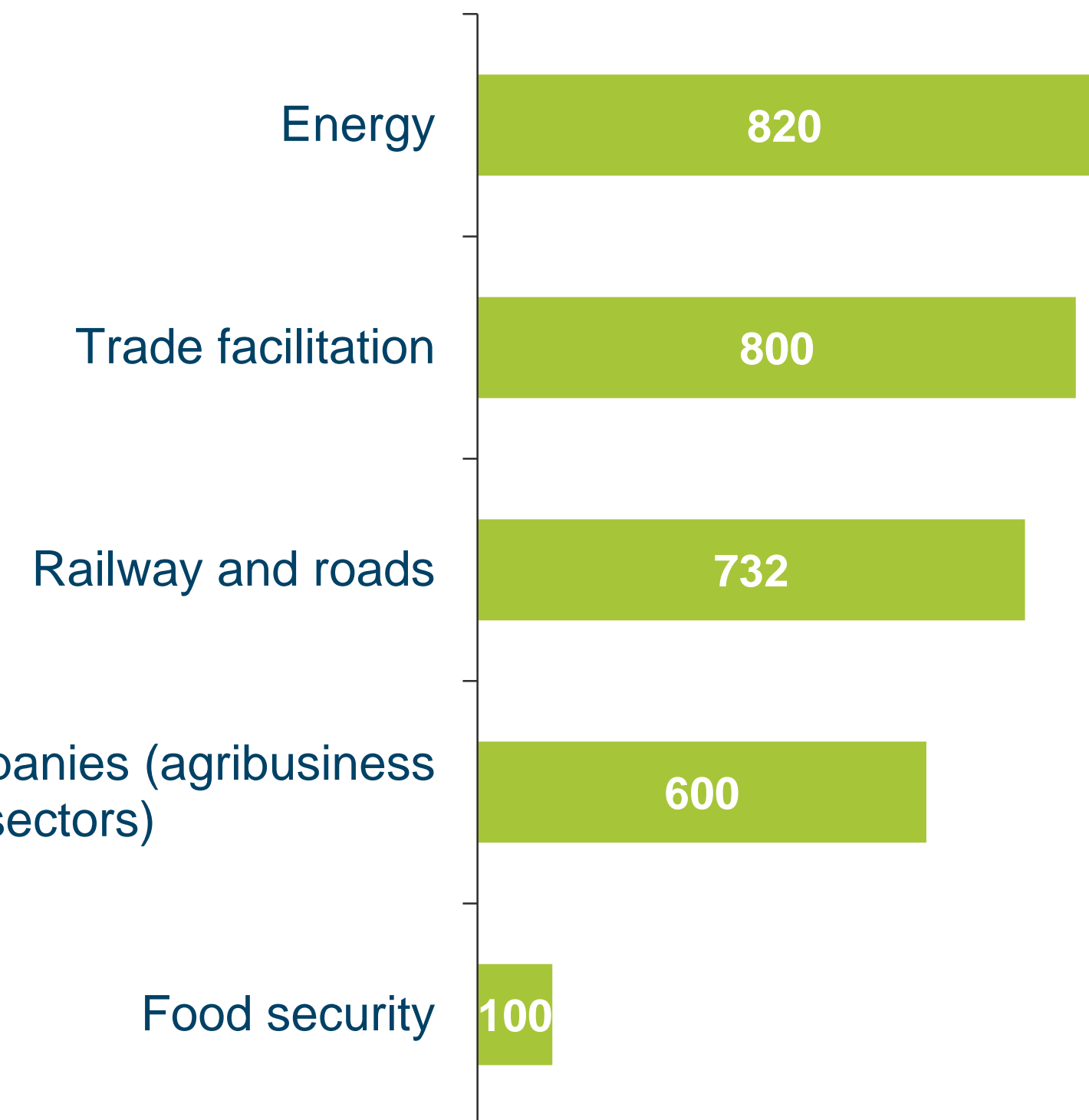
	EBRD  European Bank for Reconstruction and Development	EIB  European Investment Bank	IBRD  INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	DFC 	IFC  International Finance Corporation WORLD BANK GROUP
Sectors	Agrobusiness	\$100 MHP		\$1,500	\$250 MHP \$130 MHP €65 InVivo
	Energy	€520 Ukrenergo €300 Naftogas			
	Transport and Logistics	€250 UZ €482 road and rail access			
	Tech				\$60
Programs	SMEs		€230		\$60 \$53
	Private companies				
	Municipalities and critical infrastructure	€600	€840		
	Trade Facilitation	€800			\$50 \$130

Source: Open sources. Please contact us via [Recovery in Ukraine](#) to review any data provided

- EBRD aimed to provide **€3 bn** in financing to Ukraine's real economy in 2022-2023, with plans for a capital increase of **€3bn to €5 bn** by year-end
- EBRD has allocated funds for various projects since March 2022 – energy security, vital infrastructure, food security, trade and private sector. The Bank have strict requirements for borrowers, limited capacities. Currently, they are **not able to provide mass financing**. Key activities:
  - ~**€800m** for trade through the trade facilitation program. Over **€700m** in new lending to municipalities and private companies in critical sectors
  - **€520m** for Ukrenergo's liquidity and **€300m** to Naftogaz
  - Memorandum of Understanding for **€600m** in new financing for Ukrenergo, Naftogaz, and Ukrhydroenergo
  - **€250m** in loans to Ukrainian Railways (Ukrzaliznytsya) for operations and railway upgrades
  - **€182m** to upgrade a road section between Lviv and Rava-Ruska on the Polish border. Investments in road and rail supply routes to counter uncertainty over Black Sea shipping routes
  - Focus on food security includes **€9.6m** for expanding a rail terminal and building a grain transshipment complex for Agrosem



**Financing in Ukraine's sectors in 2022-2023, €m**



Source: Open sources. Please contact us via [Recovery in Ukraine](#) to review any data provided



- **The European Investment Bank (EIB)** has provided over **€7.5 bn** in funding to Ukraine, including **€1.7 bn** since March 2022
- In March 2022, the EIB approved **€668m** in immediate financial support, reaching **€1.7 bn** by June 2023. This support, initially intended for SMEs and the agricultural sector, has contributed to Ukraine's economic recovery
- For Ukraine's recovery projects, a Memorandum of Understanding was signed, allocating **€840m** for priority infrastructure projects in 2023
- In the private sector, the EIB allocated **€230m** through credit lines with partner banks and partial portfolio guarantees for new SME loans. Direct financing in 2023 included **€58.7m** for agricultural and transport projects
- Looking ahead, the EIB plans to launch a risk-sharing mechanism with donors under the EU4U Initiative, supporting SME loan portfolios with **€500 to €600m** in the coming years. Additionally, the EIB will fund projects for digital transformation and cybersecurity to further contribute to Ukraine's development



- **The International Bank for Reconstruction and Development (IBRD)** supports Ukraine in several directions: social sector, logistics infrastructure, energy, agriculture. As for supporting the private sector, the IBRD and the World Bank through “The Ukraine Agriculture Recovery Inclusive Support Emergency (ARISE) Project” will provide access to affordable finance for agricultural producers in 2023 and 2024. The project will help mobilize about **\$1.5 bn** in working capital for farmers and provide grants to small farms for agricultural production

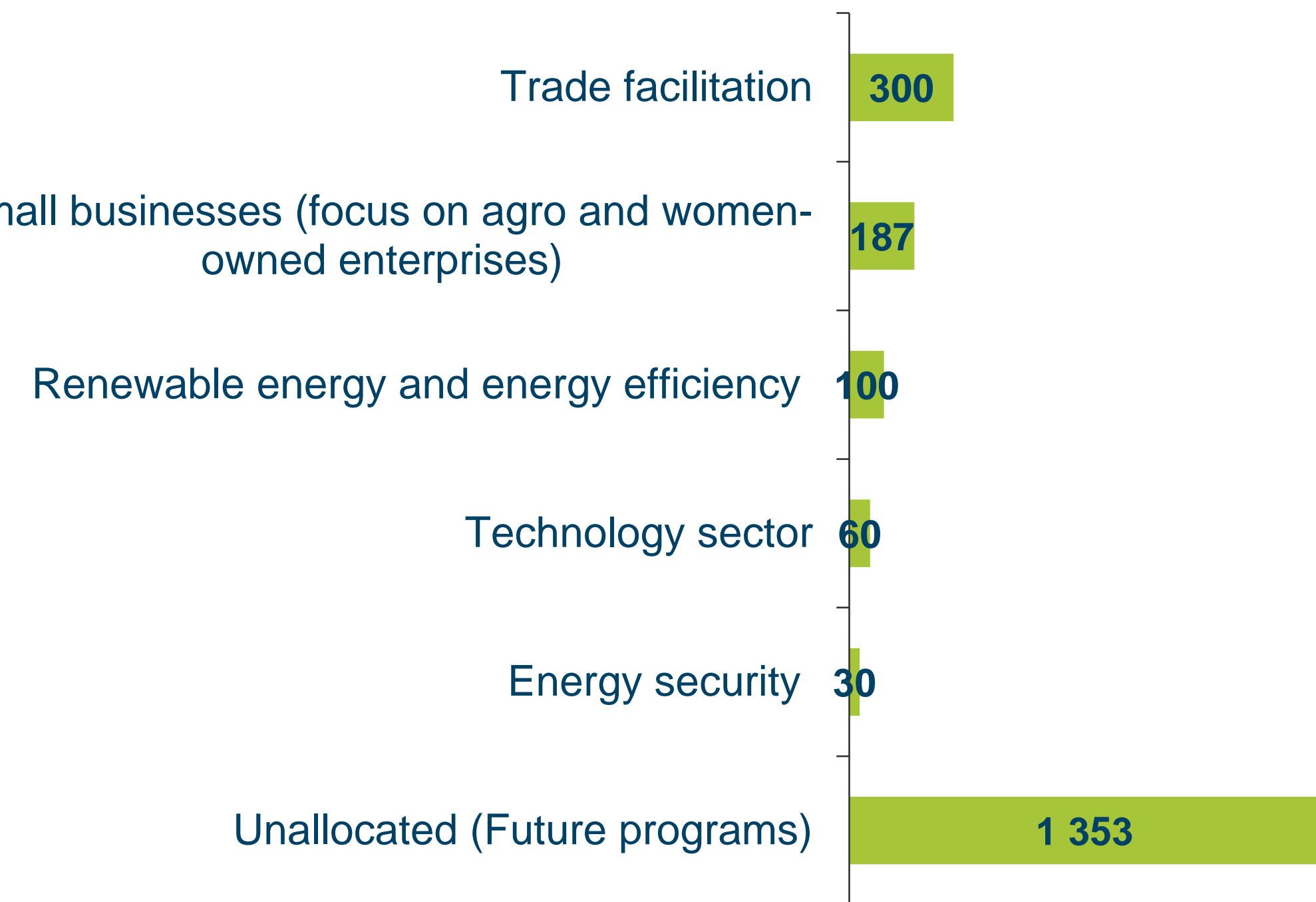


- **The U.S. International Development Finance Corporation (DFC)** has supported projects in Ukraine with a total value of **\$400m**:
  - Includes \$250m allocation to aid Ukrainian poultry and grain producers affected by Russia's war
  - DFC has announced agreements – \$60m with Ukrainian banks to support small and medium-sized businesses' access to finance
  - \$50m guarantee for the International Finance Corporation's (IFC) Global Trade Finance Program, enhancing international trade finance for Ukrainian banks
  - DFC is also providing \$25m in political risk insurance to the Superhumans Center, a non-profit aiding war-wounded individuals in Ukraine

- The IFC's Economic Resilience Action Program (ERA) is set to address the immediate needs of Ukraine's private sector and support reconstruction efforts with a **\$2 bn** response package. This includes financing from IFC's own account and guarantees from donor governments.
  - Since February 2022, IFC has disbursed **\$0.4 bn**, providing support to private companies and financial institutions
  - To boost cross-border trade, BII, DFC, and MIGA will risk-share IFC's trade finance exposure, with contributions of **\$25m**, **\$50m**, and **\$20m**, respectively
  - The UK's contribution of **\$30m** to IFC's ERA program aims to **enhance energy security** and mobilize an additional **\$100m** for renewable energy and energy efficiency in Ukraine
  - IFC and the European Commission are partnering to de-risk and enable up to **€200m** in financing for smaller businesses, focusing on agribusiness and women-owned enterprises



**Plan of financing in Ukraine's sectors since 2022, \$m**



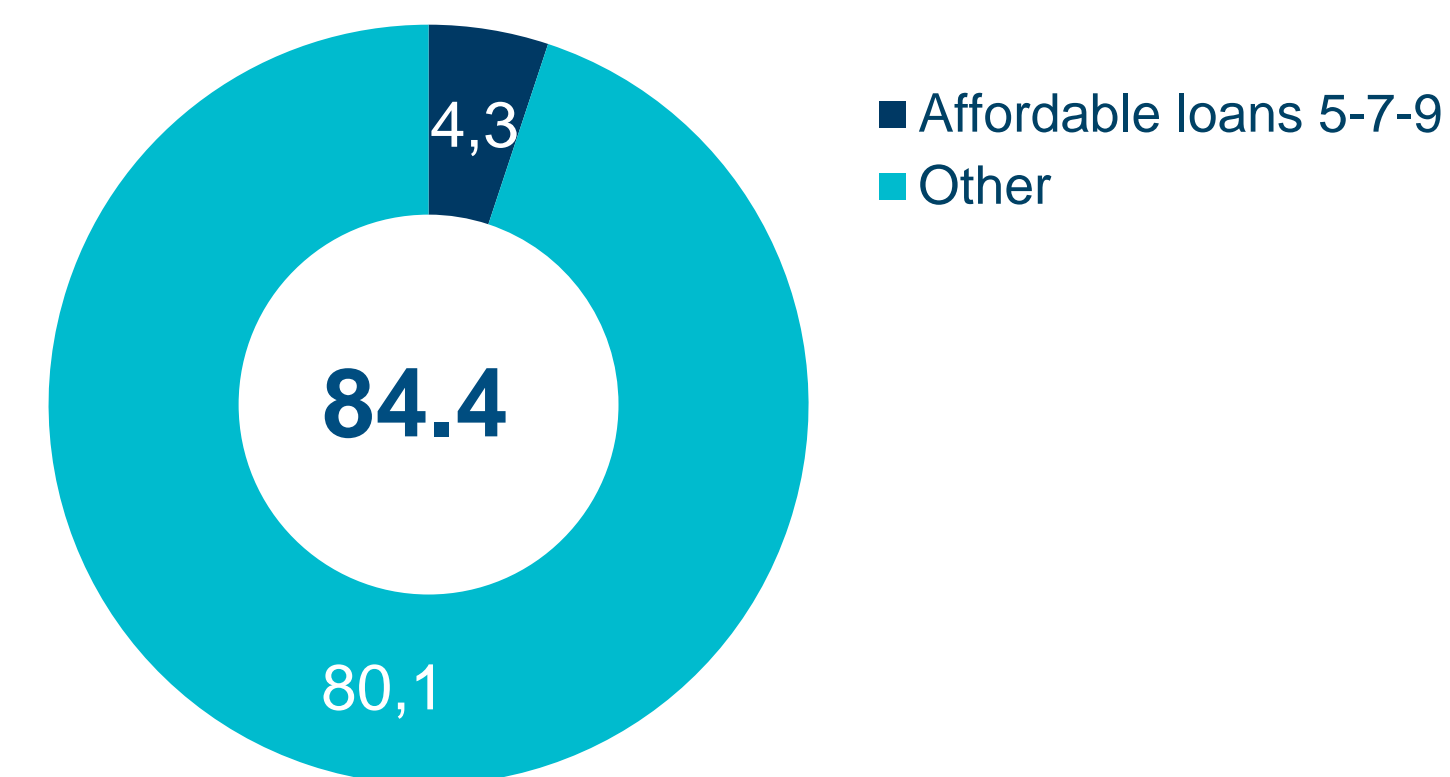
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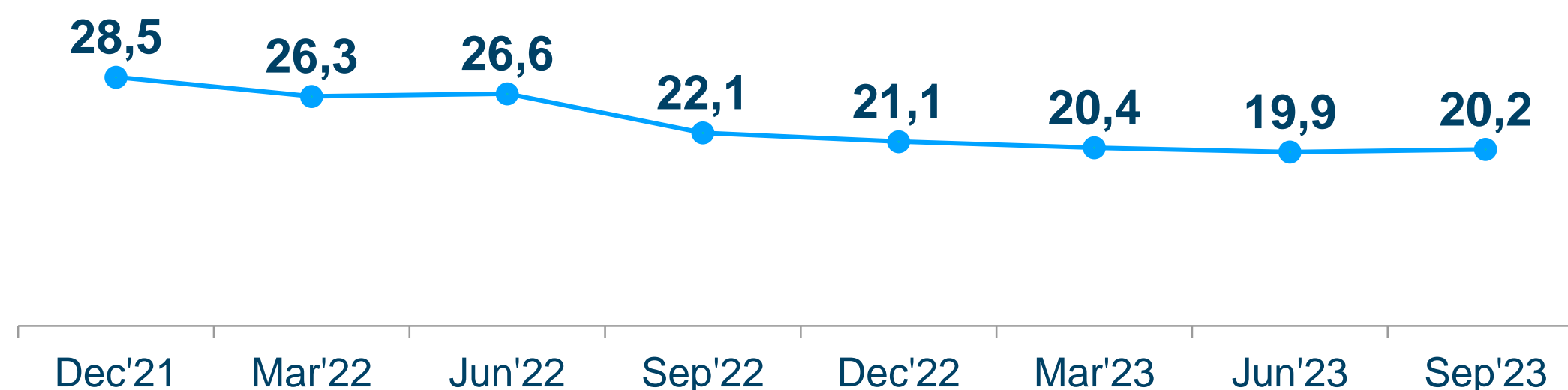
# KEY STATISTICS ON INTERNAL CORPORATE LOANS

- Corporate sector has received **\$84.4 bn** loans (since March 2022), but portfolio size decreased from **\$27.0 bn** in February 2022 to **\$20.2 bn** in September 2023
- More than half are disbursed **for current needs** (less than 1 year), while 1/3 – for medium-term (1-5 years)
- **70%** of loans are in national currency, and the rest – in foreign
- **\$4.3 bn** have been issued under the "Affordable loans 5-7-9" program (~5% of corporate loans)
- The weighted average lending rates for Non-Financial corporations is **16.6%** (15.7% for large entrepreneurship, 18.4% for medium, 19.9% for small), and **23%** for sole proprietors

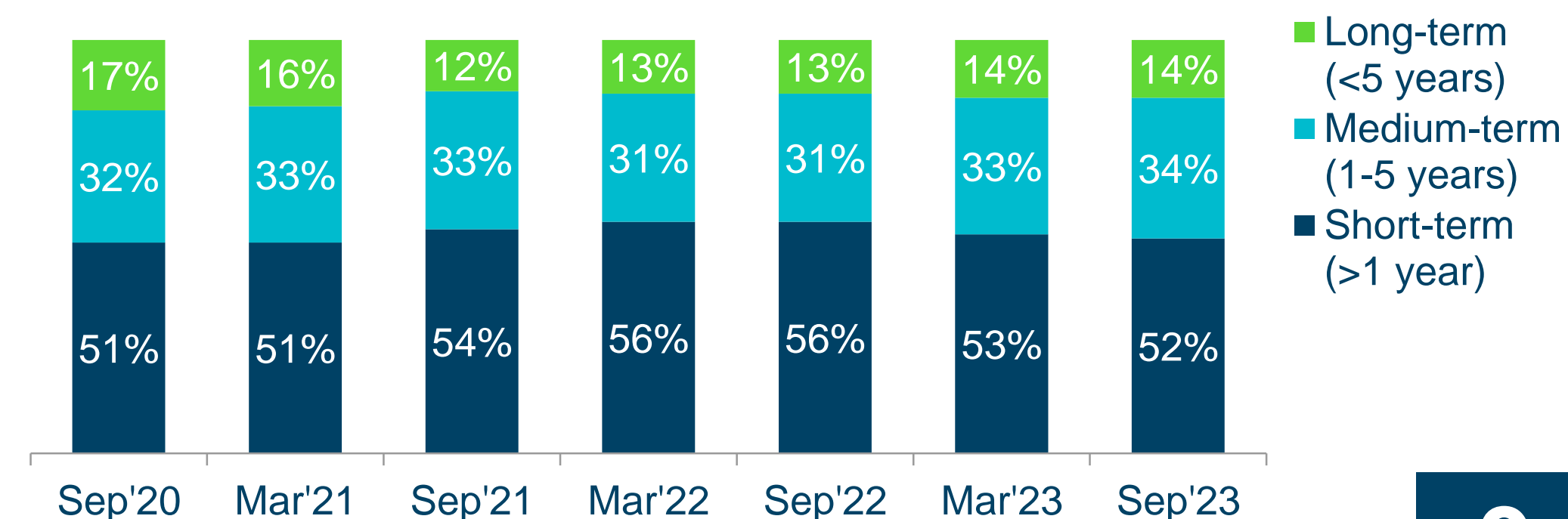
**Corporate loans provided by Ukrainian banks and other deposit corporations since the beginning of the full-scale war, as of 30.09.2023, \$ bn**



**Corporate loans portfolio size dynamics, \$ bn**



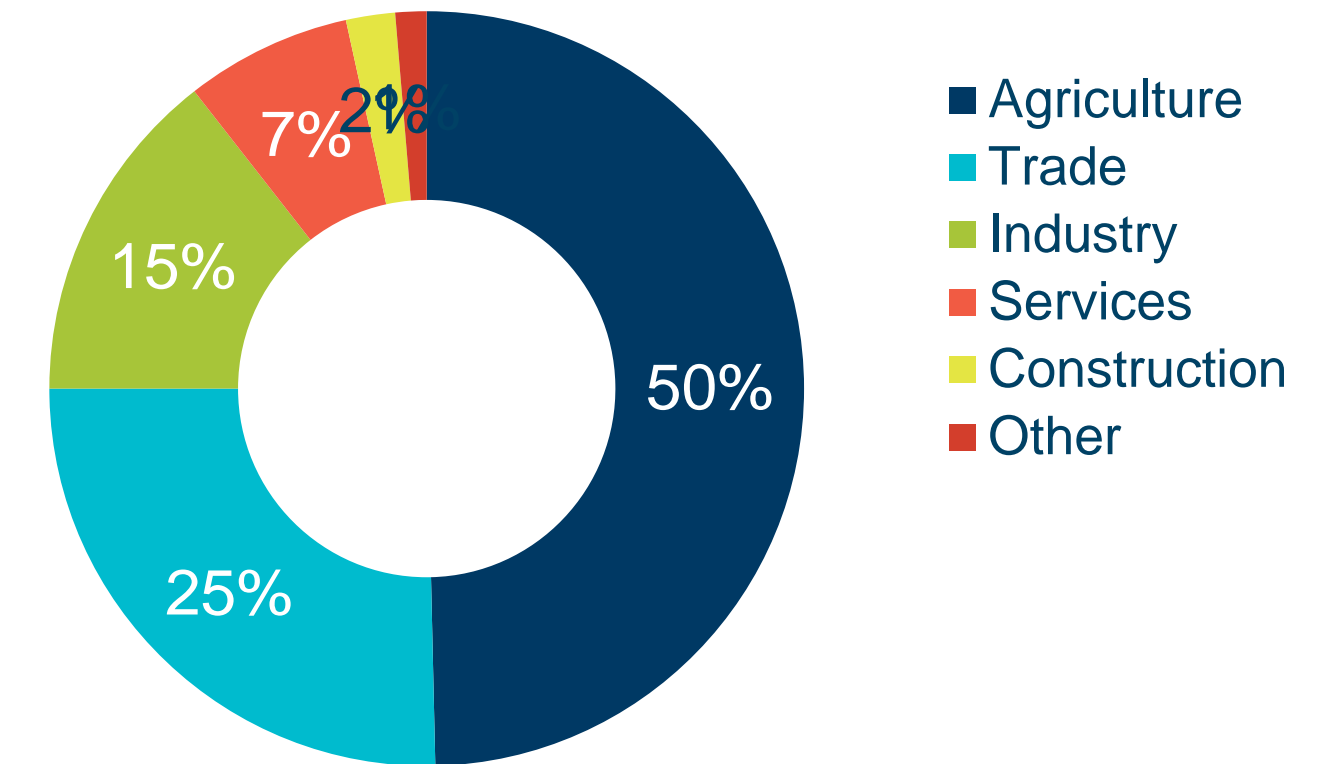
**Share of corporate loans based on its maturity, %**



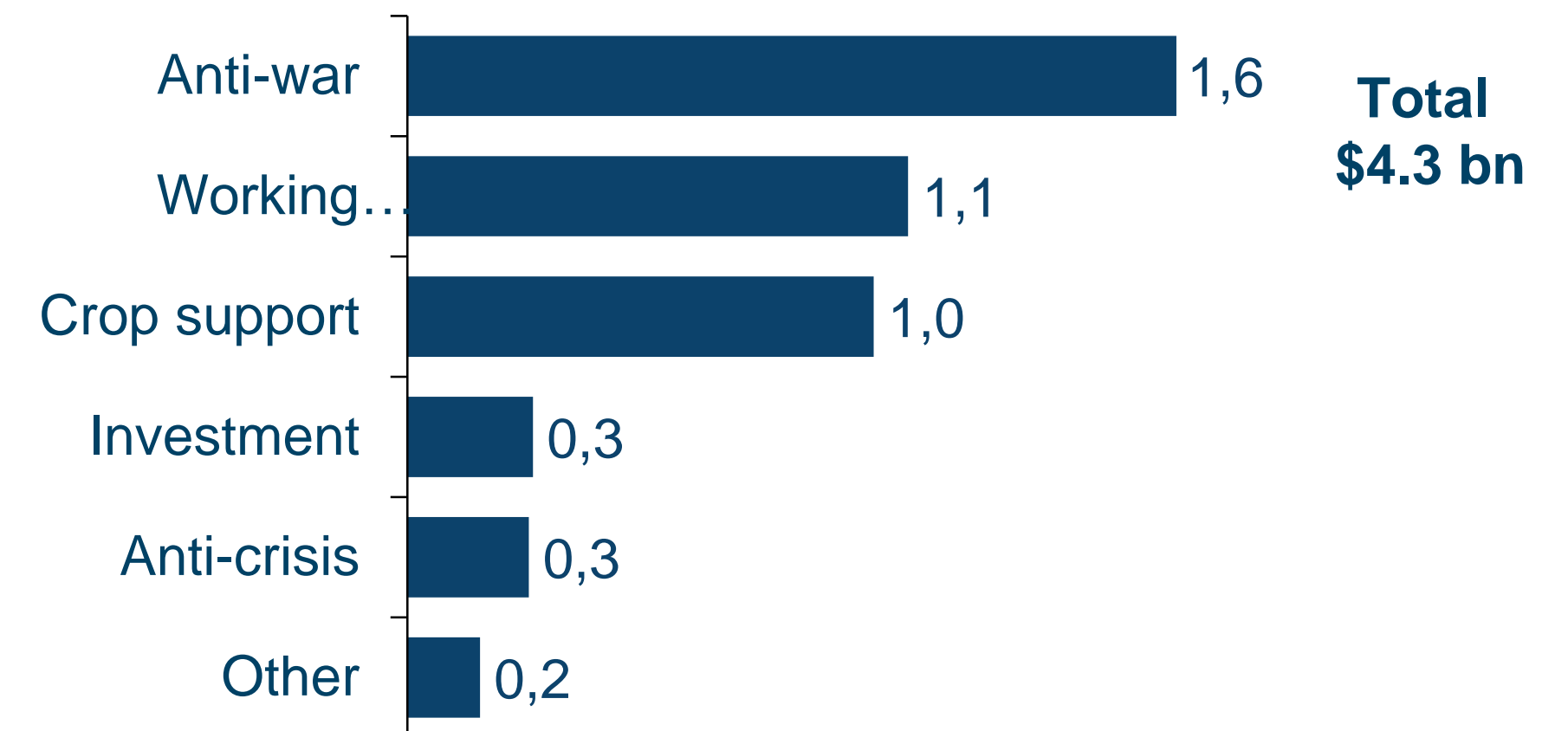
Source: NBU, Entrepreneurship Development Fund as of 30.09.2023

- The government offers various economic recovery support programs, including initiatives for industrial park development, processing industry, grants for small and medium-sized businesses, and the widely utilized **"Affordable loans 5-7-9" program**
- **About 90% of new business loans**, particularly for SMEs, are provided under this program, offering preferential interest rates of 5%, 7%, and 9%, with budget-funded compensation for the interest rate difference
- In August 2023, the 5-7-9 program expanded to include a preferential lending rate for investment purposes in de-occupied territories. The rates warried from 1 to 5%. However, this hasn't impacted lending in front-line regions due to security constraints
- **The program's strategic priorities focus** on reducing fiscal risks, increasing long-term loans for investment, expending funding for processing industry, de-shadowing businesses, and implementing ESG principles

The loan portfolio structure by types of economic activity, as of 10.30.2023 (%)



Credit agreements by purpose, since the beginning of the full-scale war, as of 10.30.2023 (\$ bn)



# AVAILABLE FUNDING MECHANISMS: AFFORDABLE LOANS 5-7-9 (2/2)

- The program “Affordable loans 5-7-9” is adapting according to the current challenges. It was focused on SMEs when it was started but now the program is being expanded to include loans for large enterprises and for enterprises that carry out economic activities in a high military risk zone

	Key requirements
Borrower	SME, individual entrepreneur
Priority areas	<b>Agro producers, processing enterprises and energy efficiency projects</b>
Purpose of funding	<b>Investment goals aimed at recovery and development, Financing of working capital</b>
Currency	UAH
Interest rate	<ul style="list-style-type: none"> <li><u>Investment goals</u>: from 5% to 9% (depending on the amount of revenue and the number of newly created jobs by the business entity)</li> <li><u>Financing of working capital</u>: 7% (for priority areas), 13% (other than priority areas)</li> </ul> Preferential conditions for borrowers who conduct economic activity in a zone of high military risk: <ul style="list-style-type: none"> <li><u>Investment goals</u>: 1% during first two years of lending, 5% thereafter</li> <li><u>Financing of working capital</u>: 3%</li> </ul>
Loan term	<ul style="list-style-type: none"> <li><u>Investment goals</u>: up to 60 months</li> <li><u>Financing of working capital</u>: up to 24 months</li> </ul>
Loan amount	<ul style="list-style-type: none"> <li><u>Investment goals</u>: up to UAH 60m (\$1.6m) on general terms and up to UAH 150m (\$4m) for preferential borrowers, focusing on the processing industry, energy efficiency improvements, reconstruction of assets affected by military aggression, and economic activities in high military risk zones</li> <li><u>Working capital financing</u> covers up to 80% of current assets, capped at 40% of the client's revenue for the last full year or last 12 months</li> </ul>

**The average size of the loan provided by Privatbank – key partner of the program “Affordable loans 5-7-9” – by size of enterprise, \$ thsd**

