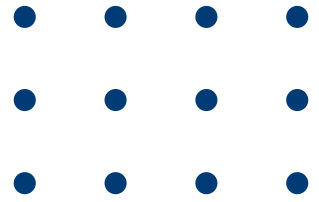




EU4Business



[SME POLICY TRENDS OCTOBER 2022 BULLETIN]



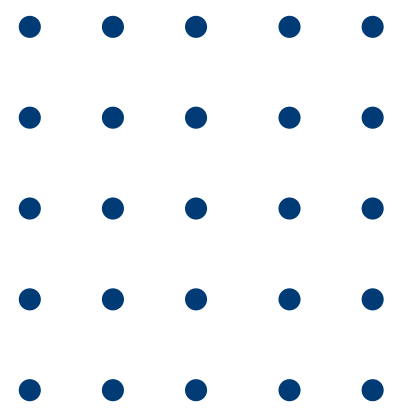
UKRAINE



WWW.EU4BUSINESS.ORG.UA

TRENDS IN SME DEVELOPMENT

IN UKRAINE Q1 2022



Total SMEs in Ukraine

373,310

Of which

14,297

export

compared with

373,310

in 2021

Government Resources supporting SMEs in 2022

€661.96

million

0.5%

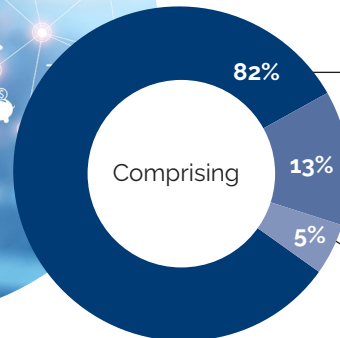
of GDP

Annual Change in SMEs':

Incomes **+0.53%**

Employment **+1.73%**

Exports **+0.6%**



Micro

307,871

Small

47,837

Medium

17,602

SMEs supported by EU

amounted to

16,602

2.1%

of total in Ukraine
in 2021

Estimated Annualised EU support SMEs in Ukraine

€41

million

(annualised budgets available in 2022)

Performance of EU supported SMEs in 2021. Annual Change:

Incomes **+36.3%**

Employment **+7.6%**

Exports **+11.75%**

GOVERNMENT OF UKRAINE CURRENT SME POLICY

LATEST POLICY DEVELOPMENTS ON UKRAINIAN SME POLICY

The vision of the Working Group for Economic Recovery and Development '**We will rebuild Ukraine as a strong, rich, technologically advanced country and sign the European Union Membership Agreement in December 2024**', formulated by the President of Ukraine Volodymyr Zelenskyy, 2022.*

Link Statement of Prime Minister, Denys Shmyhal, made during the All-Ukrainian forum "Ukraine 30. Economy Without Oligarchs." on June 14, 2021.

President Volodymyr Zelenskyy defined the priorities of the post-war economic development: '**SMEs should get the most comfortable and free tax and administrative environment**' Zelenskyy said. He also named digitalization among the top priorities. He also stressed that the shadow component should disappear from the Ukrainian economy."

Link **Link** Statement of President of Ukraine, Volodymyr Zelenskyy, made during his video messages on April 19, 2022, and June 10, 2022.

Photo
www.president.gov.ua



UKRAINE RECOVERY PLAN

PUBLISHED JULY 2022

[Link](#)

OBJECTIVES

- Ensuring an effective state policy on business development.
- Stimulating the development of entrepreneurial culture and competencies.
- Creating conditions for increasing the level of access of enterprises to finance.
- Creating conditions for increasing the level of access of enterprises to markets.
- Stimulating the development of innovations.

SME support is also envisaged by the number of strategic goals under other strategic vectors:

- Strategic vector 3 'Regulatory environment'.
- Strategic vector 5 'International economic policy and trade'.
- Strategic vector 7 'Investment attractiveness'.
- Strategic vector 8 'ICT'.
- Strategic vector 9 'Agro-industrial sector and food industry'.

TARGETS

Strategic objective 1:

- coordination of the activities of state bodies on the development of small and medium business. in particular. a clear definition of the role of each of the stakeholders in the ecosystem of small and medium business development;
- coordination of strategies and programs for small and medium business development at the central. regional and local levels;
- regular collection of statistical data on small and medium business challenges. and policy making based on the information collected.

Strategic objective 2:

- improvement of Ukraine's position in the Business Dynamics component of the Global Competitiveness Index from 73 to 40;
- course to increase the level of economic and financial literacy has been taken by 10 million citizens of Ukraine;
- functioning of a "single window" ensuring the remote access of SMEs to information. finance. training. and consulting. also at the regional level.

Strategic objective 3:

- creation of a single integrated guarantee instrument providing loans to SMEs;
- liberalization of the National Bank's requirements for factoring operations;
- creation and full functioning of the state Fund of funds.

Strategic objective 4:

- to increase the share of exporting SMEs from 15% to 50%.

Strategic objective 5:

- development of start-ups as an element of the national innovation system;
- participation of entrepreneurs in the process of exchange of experience between innovation centers;
- coordination of business support organizations;
- increasing the amount of venture financing of Ukrainian start-ups from USD 510 million to USD 5 billion;
- improving Ukraine's position in the Global Innovation Index from 45 to 30.

BUDGET COMMITMENTS

€661.96
million
for 2021

Actions aimed to implement the Strategy are included in the action plans of the Cabinet of Ministers of Ukraine. Program and strategic documents of the Cabinet of Ministers of Ukraine. action plans of ministries and other central executive bodies should be aligned with the Strategy and should be implemented with the priority to achieve the strategic objectives set by the Strategy.

MAJOR INSTRUMENTS

AVAILABLE FOR SMES IN UKRAINE

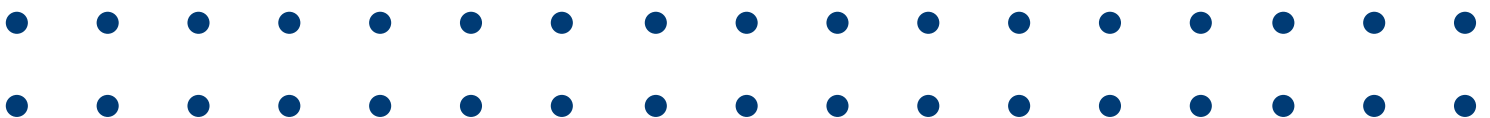
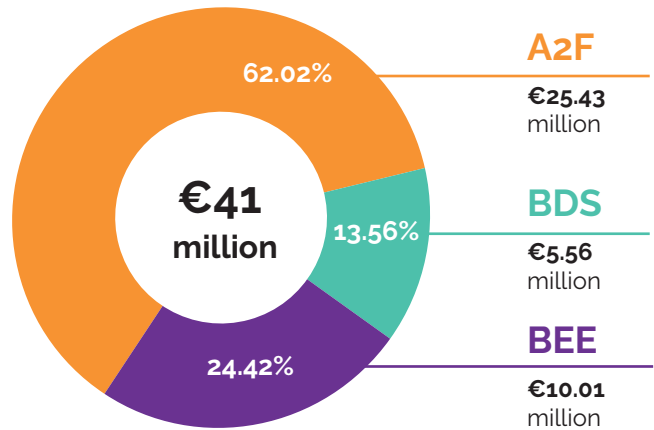
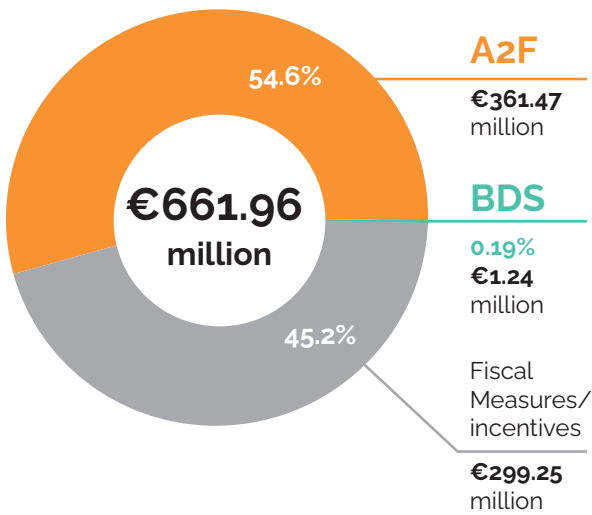
These are instruments that were active in 2021, some of which have ended already

The following instruments to support SMEs are categorised by instrument in line with EU4Business Facility to allow comparison and coherence of EU support in Ukraine

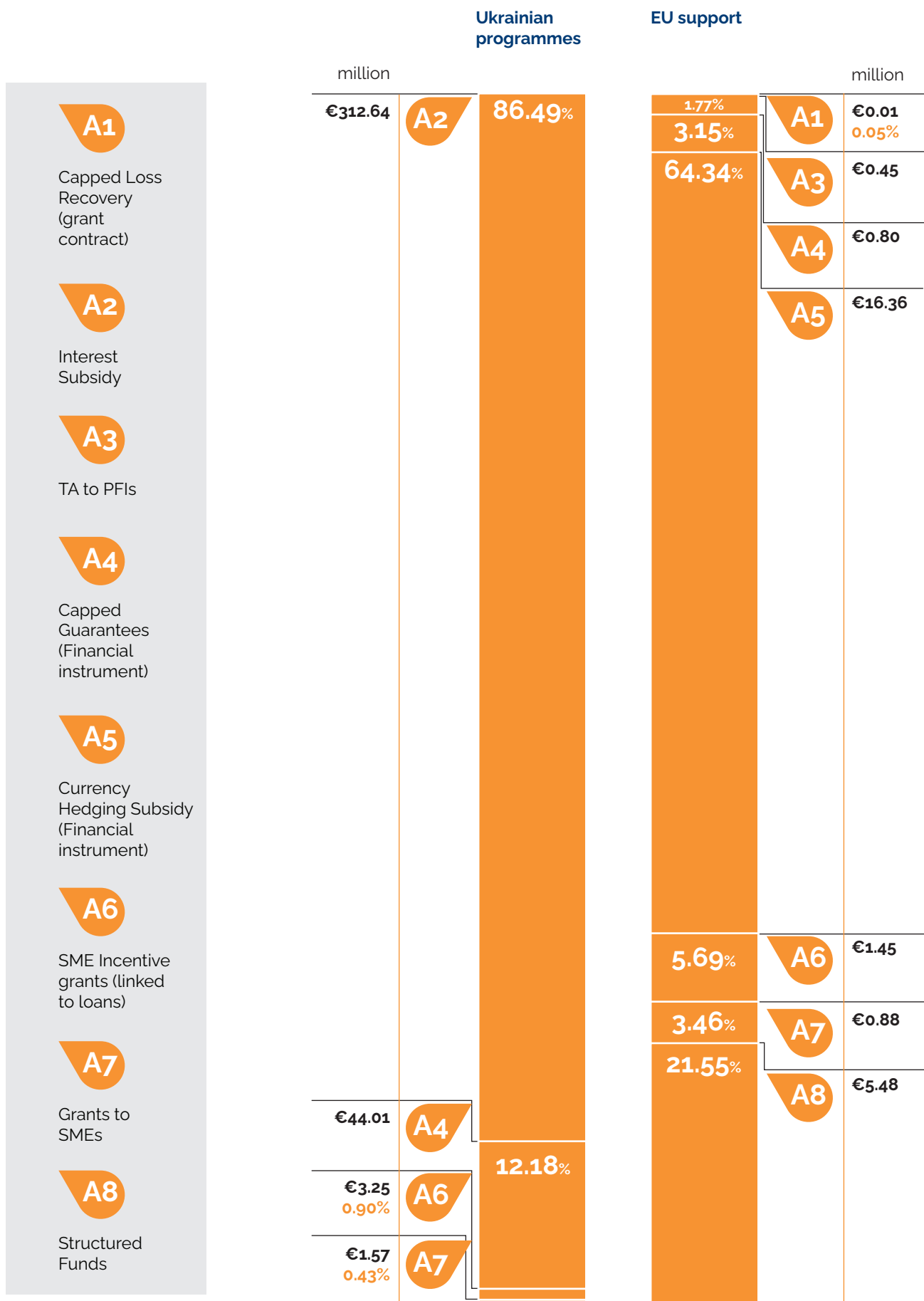
Government of Ukraine



EU4Business



ACCESS TO FINANCE (A2F) INSTRUMENTS



Ukrainian programmes

A2

Interest
Subsidy

The government continued implementation of the programmes dedicated to the financial support of SMEs: State Programme 'Affordable Loans 5-7-9', financial leasing and the program of state portfolio guarantees. After the NBU raised the discount rate, these programmes slowed down. Therefore, the Government announced the introduction of changes that will make it possible to remove those barriers that appeared under mentioned programmes. For the period of martial law, banks will now have an opportunity to increase the interest rate up to 20% for new loans. Emphasis is also placed on investment loans. The main goal of the changes is to activate preferential lending programs for businesses. The 5-7-9 programme was additionally adapted to wartime conditions. During the wartime it provides an opportunity to get a loan of up to UAH 60 million to any Ukrainian enterprise at 0%. (from Business Development Fund); total value of support **€125.75 million**.

[Link](#)

Support of agribusinesses: a) support of farmers via subsidizing interest rates for bank loans; b) subsidies per unit of cultivated land. (from Ministry of Agrarian Policy of Ukraine, programme is implemented via partner banks); total value of support **€186.89 million**.

[Link](#)

A4

Capped
Guarantees
(Financial
instrument)

State guarantees to ensure partial fulfillment of debt obligations under the portfolio of loans of creditor banks granted to micro, small and medium-sized enterprises. (from Ministry of Finance); total value of support **€44.01 million**.

[Link](#)

A6

SME Incentive
grants (linked
to loans)

The government launched the eRobota project that provides grants for starting and developing businesses. The grant will allow to purchase equipment, buy raw materials or pay for the rent of the premises. (from Ministry of Economy of Ukraine together with Ministry of Digital Transformation, Ministry of Agrarian Policy of Ukraine, State Social Service and Oschadbank); total value of support **€3.25 million**.

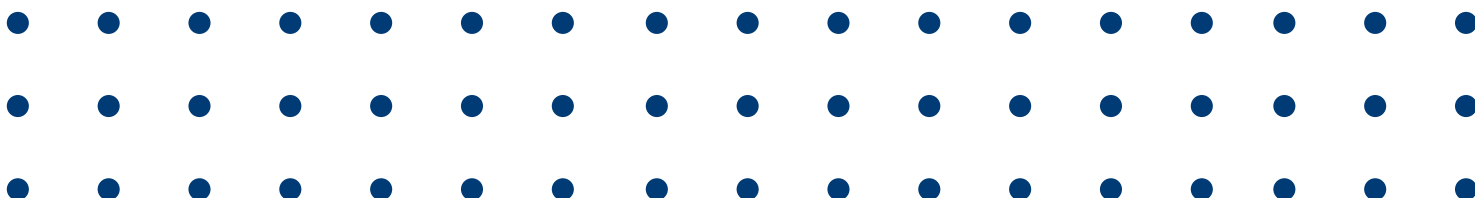
[Link](#)

A7

SME
Incentive
grants (linked
to loans)

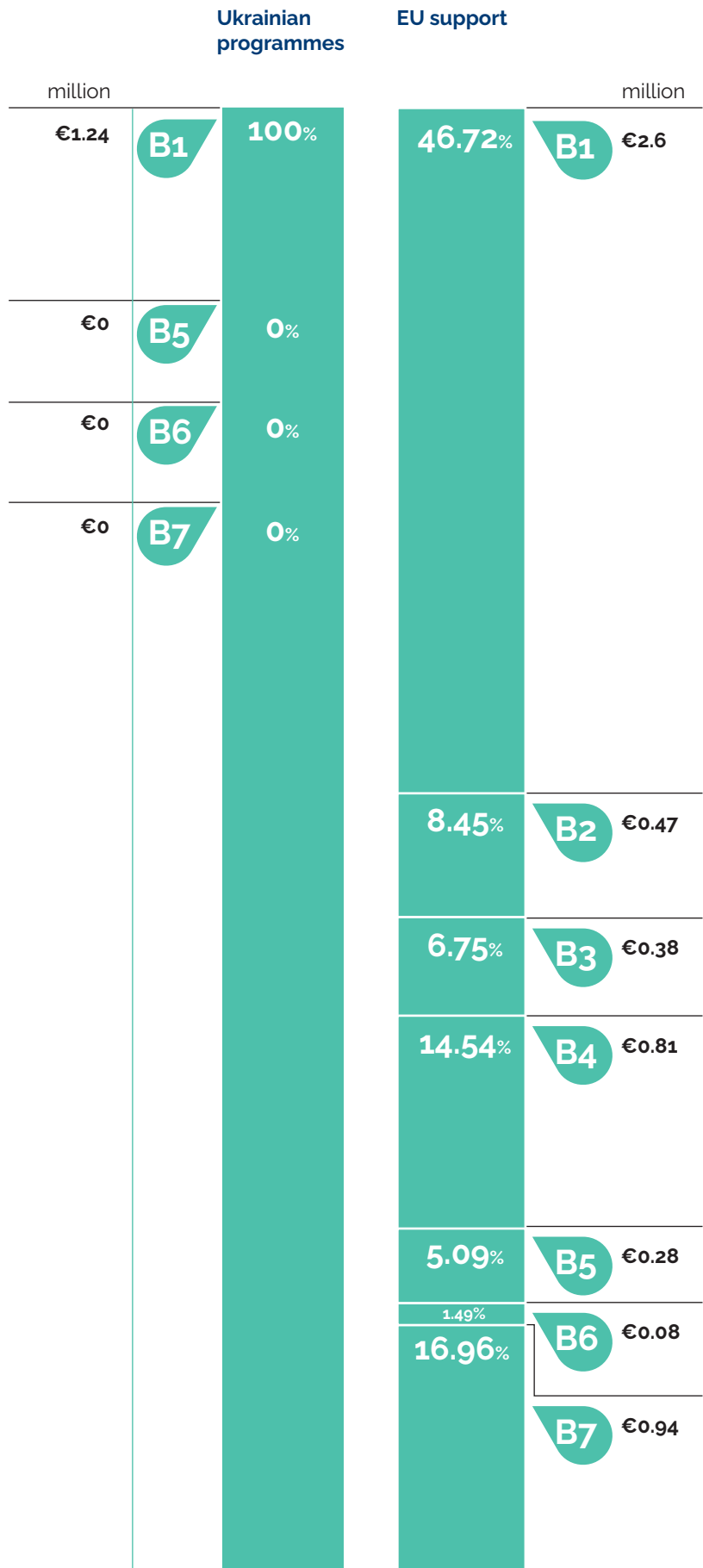
Grants to start-ups (from Ukrainian Start-Up Fund); total value of support **€1.57 million**.

[Link](#)



BUSINESS DEVELOPMENT SERVICES INSTRUMENTS

- B1**
Consultancy Services for SMEs
- B2**
Capacity Building of BSOs
- B3**
Incubators
- B4**
Clusters
- B5**
Trade Information
- B6**
B2B activities
- B7**
Export Strategies



Ukrainian programmes

B1

Consultancy services for SMEs

State Institution 'Entrepreneurship and Export Promotion Office' was created in 2021 on the basis of Export Promotion Office. In fact the Office performs as SME support Agency. Main tasks among others are following:

- delivering of training programs on entrepreneurship and export;
- providing analytical information and advice for businesses;
- free of charge export consulting for businesses;
- support businesses in participation in trade promoting events: trade missions, conferences, business visits, business forums etc.

Diia.Business, a large-scale national project for entrepreneurship and export promotion, provides consultancy services for SMEs for free. See: BEE_C4 Information and Communication to SMEs (from The Office is managed by the Economic and Financial Department of the Secretariat of the Cabinet of Ministers of Ukraine); total value of support **€1.24 million**.

[Link](#)

B5

Trade Information

Supporting SMEs in export promotion, including the preparation of trade information is one of the tasks of the State Institution 'Entrepreneurship and Export Promotion Office'. See 'BDS_B1 Consultancy services for SMEs'.

The international version of the Diia.Business Export provides support to foreign companies interested in Ukrainian goods and services or looking for a partner in Ukraine. In particular, stakeholders have the opportunity to familiarize themselves with the country's economic situation, market potential, specific features of the country, investment policy, and obtain information on free trade agreements between Ukraine and other states.

Diia.Business also provides support to exporters during wartime via the sub-portal 'Export during the war'. It helps to find partners, promote Ukrainian producers etc.

(from Economic and Financial Department of the Secretariat of the Cabinet of Ministers of Ukraine); total value of support - Included into 'BDS_B1 Consultancy services for SMEs'

[Link](#)

B6

B2B activities

Support B2B activities, including trade fairs and exhibitions is one of the tasks of the State Institution 'Entrepreneurship and Export Promotion Office'. Information is also available through Diia. Business. See 'BDS_B1 Consultancy services for SMEs' and BDS_B5 Trade Information. (from Economic and Financial Department of the Secretariat of the Cabinet of Ministers of Ukraine); total value of support - Included into 'BDS_B1 Consultancy services for SMEs'.

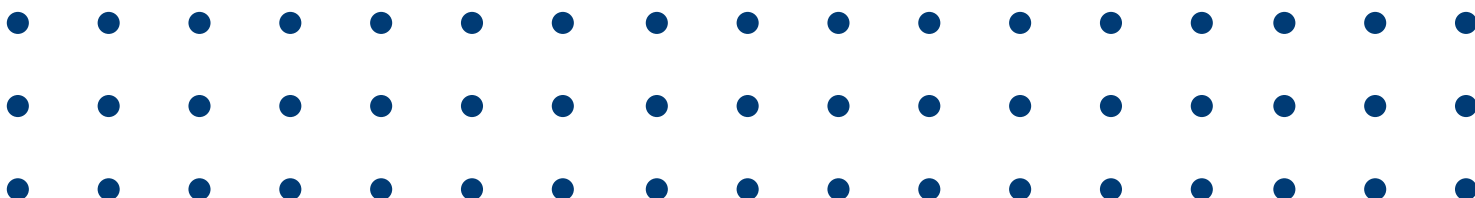
[Link](#)

B7

Export Strategies

Contributing to the development of export strategies is one of the tasks of the State Institution 'Entrepreneurship and Export Promotion Office'. See 'BDS_B1 Consultancy services for SMEs' (from Economic and Financial Department of the Secretariat of the Cabinet of Ministers of Ukraine); total value of support - Included into 'BDS_B1 Consultancy services for SMEs'.

[Link](#)



FISCAL AND OTHER INSTRUMENTS



Introduction of e-declaration that allows getting the permission to start/conduct economic activity during martial law (from Ministry of Digital Transformation of Ukraine via Portal Diia.gov.ua); total value of support - Portal Diia is administrated by the Ministry of Digital Transformation of Ukraine, however it is fully supported by private investors.

[Link](#)



PPD platforms are not functional at the moment due to the war. The Ministry of Economy created an Economic Council with the participation of business representatives however it could not be considered a PPD platform. (from Ministry of Economy of Ukraine); total value of support - Non-cost activity.

[Link](#)



The Parliament Committee approved the draft law aimed at the institutionalisation of a Business Ombudsman Council in 2021. The objective of this draft Law is to introduce an institution of a business ombudsman. Its function is to protect small and medium-sized businesses, as well as to assist businesses affected by unfair behaviour, to protect their right to freedom of entrepreneurial activity or to protect them from unlawful interference in their economic activities. (from Parliament; Government); total value of support - Initiative supported by donors via EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (Ukraine MDA).

[Link](#)



Diia.Business was further developed. Diia.Business — is a large-scale national project for entrepreneurship and export promotion, that was initiated by the Ministry of Digital Transformation of Ukraine in February 2020. Since May 2021 the project is implemented jointly by the Ministry of Digital Transformation of Ukraine and the Entrepreneurship and Export Promotion Office. Entrepreneurship and Export Promotion Office is the state institution, that is in charge for the promotion and support of Ukrainian entrepreneurship both in the domestic and foreign markets.

Diia.Business is sub-brand of the Diia ecosystem. Diia – is the digital government brand and ecosystem of projects: Diia portal, mobile app Diia, national projects Diia.Digital education, Diia. Business and Diia City.

- Project philosophy
- To encourage to start business in Ukraine
- To teach the entrepreneurship since childhood and during all life
- To help to set up own business
- To defend Ukrainian entrepreneurs — business climate and regulatory environment follow ups
- To promote and scale business internationalization.

Special platform to support businesses during the war time was launched <https://business.diia.gov.ua/> wartime (from Ministry of Digital Transformation of Ukraine); total value of support - Support center for entrepreneurs are opened at the initiative of the Ministry of Digital Transformation of Ukraine and with the support of partners. Budgetary funds are not used for the opening of Diia. Business support centers for entrepreneurs.

[Link](#)



"The program of affordable financing for exporters during the war ""Loans for the execution of foreign economic contracts under a simplified procedure"" aims to help Ukrainian manufacturers to enter new markets and become competitive. (from Export Credit Agency); total value of support **€5.66 million.**

[Link](#)



The government established the Partial Credit Guarantee Fund in Agriculture. Thanks to the Fund, farmers who cultivate up to 500 hectares will have guarantees from the state for obtaining loans from financial institutions. The Fund will provide guarantees of up to 50% of the outstanding amount of the principal debt and guarantees for the term of the credit agreement, but not more than 10 years. (from Ministry of Agrarian Policy and Food of Ukraine); total value of support **€6.29 million.**

[Link](#)



The government approved a new programme to support newly established farms. In the first three years after establishment, farms are provided with assistance from the state budget, in particular through the Ukrainian State Fund for the Support of Farms. Assistance can also be provided at the expense of local budgets. (from Ukrainian State Fund for the Support of Farms; Ministry of Agrarian Policy and Food of Ukraine); total value of support **€0.24 million.**

[Link](#)



Launch of the Diia City - a special legal and tax regime that creates favorable conditions for the development of IT business, as well as introduces a set of incentives for Ukraine to become a high-tech digital state. (from Ministry of Digital Transformation of Ukraine); total value of support - Funds are not allocated, this is specific tax rezhym.

[Link](#)



On the period of martial law businesses can get the following support:

- Individual entrepreneurs of group 3 can apply the simplified tax system at the rate of 2% (previously 5%);
- Voluntary payment of a single tax by individual entrepreneurs of groups 1-2;
- Cancellation of all inspections. (from Regional State Tax Services); total value of support **€0.22 million.**

[Link](#)



Employers can get compensation of labor costs for each employed internally displaced person (from Regional State Tax Services); total value of support **€6.29 million.**

[Link](#)



The Government launched the program for the temporary relocation of enterprises from regions affected by the war. (from Ministry of Economy); total value of support **€2.83 million.**

[Link](#)



The programme of microfinancing of businesses of veterans and their family members. Under the programme veterans can get reimbursement for the purchase of goods and equipment for running their own business. (from The Ministry of Veterans Affairs of Ukraine); total value of support **€0.31 million.**

[Link](#)



The programme to support businesses that were most affected during the pandemic was launched. Vaccinated persons can receive UAH 1,000 from the state and spend it on theaters, movies, museums, gyms, concerts, books, domestic transportation (from Ministry of Economy, Ministry of Culture, National Bank of Ukraine); total value of support **€277.41 million.**

[Link](#)



NATIONAL INSTITUTIONS FOR SME DEVELOPMENT IN UKRAINE

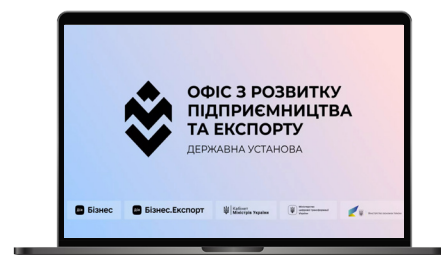
STATE INSTITUTION 'ENTREPRENEURSHIP AND EXPORT PROMOTION OFFICE'

Established
2021

Annual Budget
€1,240,000

Staff
42

[Link](#)



GOALS



Promotion of the development and support of small and medium enterprises.



Support and promotion of exports of goods, works and services of Ukrainian manufacturers in accordance with the program documents of the Cabinet of Ministers of Ukraine.



Other state planning documents.

MAIN ACTIVITIES

1. Promoting the interaction of businesses with governmental and local authorities in order to facilitate the public-private dialogue.
2. Informational support for businesses to ensure their development, internationalization and digitalization of business processes.
3. Making proposals for draft SME development programs at national, regional and local levels.
4. Promotion of entrepreneurship, development of business culture.
5. Technical support and administration of online platforms, websites and web portals for SMEs to raise their awareness on entrepreneurship and exporting.
6. Participation in the creation of online services for businesses.
7. Delivering of training programs on entrepreneurship and export.
8. Drafting proposals to public authorities on the implementation of measures aimed at de-shadowing the businesses.
9. Promoting the development of business support infrastructure and e-commerce development.
10. Providing analytical information and advice for businesses.
11. Free of charge export consulting for businesses.
12. Participation in the preparation, organization and coordination of trade promoting events: trade missions, conferences, business visits, business forums, etc.
13. Contributing to the preparation and organization of Ukraine's participation in the international exhibitions and fairs.
14. Assisting Ukrainian businesses in participation in the international exhibitions and fairs, including organization and coordination of group displays.
15. Cooperation with foreign trade missions and missions on the territory of Ukraine.
16. Participation in the creation and promotion of the export brand of Ukrainian goods and services to foreign markets.
17. Participation in the development and implementation of SMEs and export support measures at the regional level.
18. Ensuring the functioning of the export web portal.

BUSINESS ADVOCACY MECHANISMS

IN UKRAINE

The following mechanisms are in place to engage in dialogue between private sector and Government on business reform and advocacy in Ukraine:

Economic council to solve urgent economic issues

[Link](#)

CHAIR

Mrs. Yuliia Svrydenko.
vidkrytist@apu.gov.ua

OBJECTIVES

Solving of urgent economic issues caused by war. The Council discussed following topics during the first meeting:

- speeding up the movement of goods at customs to increase the physical volume of exports;
- stimulation of agrarian business;
- insurance of military risks to increase business activity.

MEETING FREQUENCY

Ad hoc

SECRETARIAT

Not appointed yet

Coordination Council to promote the development of micro and small-scale entrepreneurship

[Link](#)

CHAIR

Mr. Dmytro Romanovych.
meconomy@me.gov.ua

OBJECTIVES

- To improve the conditions for the development of entrepreneurship.

MEETING FREQUENCY

Meetings are held by the decision of the Council, but not less than once in every three months (last held 6th of May 2020) 5 meetings were held. After establishing of the Council for the Promotion of Small Business Development, the Coordination Council stopped functioning de facto. However, there was no official suspension of the Council. (last held 06.05.2021)

SECRETARIAT

Oleksandr Palazov.
palazov@me.gov.ua

Council for the Promotion of Small Business Development

[Link](#)

CHAIR

Mrs. Yuliia Svrydenko.
vidkrytist@apu.gov.ua

OBJECTIVES

- Facilitation of productive cooperation between public authorities and small businesses and their public associations. It is expected that the Council will help to solve the problems of small entrepreneurs

MEETING FREQUENCY

Meetings are held by the decision of the Chairperson of the Council.
5 meetings were held (last held 04.08.2021)

SECRETARIAT

Dmytro Oliynyk