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INNOVATIVE INVESTMENTS FOR THE ECONOMIC RECOVERY OF UKRAINE

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EXECUTIVE SUMMARY

Ukraine has undergone a significant economic and industrial decline as a result of full-scale military aggression. The country's GDP has contracted by over 29.2%, and the share of manufacturing has dropped to 7% in 2022 from 11% in 2021. Although businesses have shown resilience in their operations, they face limitations in terms of accessing finance and technologies. The ongoing war in Ukraine represents the largest land military operation in Europe since World War II, highlighting the urgent need for innovative approaches to financing investments.

To revitalize the economy and industrial sector in Ukraine, immediate action is required in the form of impact investments utilizing blended finance, combining state, donor, and private capital, along with attached war/political risk insurance mechanisms. These measures will help stimulate economic growth and attract international companies interested in entering the Ukrainian market.

The purpose of this analytical report is to identify suitable mechanisms for Ukraine's rebuilding and economic transformation, specifically focusing on supporting the development of Ukrainian SMEs and facilitating the entry of international companies into Ukraine. The findings of this report will serve as a valuable resource for governments, international organisations, development finance institutions (DFIs), donors, and leaders in the global investment market. By leveraging these findings, they can create specialized investment vehicles aimed at promoting economic stability and fostering further development in Ukraine.

1. MACROECONOMIC OVERVIEW

The war in Ukraine has had devastating consequences, including loss of life, severe destruction of infrastructure, and a significant impact on the country's economy. As of February 24, 2023, the direct physical destruction caused by the war is estimated at USD 135 billion, which is equivalent to over 60% of the country's pre-war GDP. The damage primarily affects residential buildings, transportation infrastructure, energy systems, and businesses. The projected cost for reconstruction and recovery is estimated to be around USD 411 billion.[1]

Key sectors have been heavily affected by the war, with notable examples being the destruction of facilities responsible for half of the metal production. This has resulted in a substantial and likely long-lasting impact on the productive capacity of these sectors. Additionally, the mass migration of people both abroad and within the country will lead to a reduction in domestic consumption and a decrease in the labour supply. This will put pressure on the labour market, potential GDP, and the pension system of Ukraine.[2]

The country's **gross domestic product (GDP)** experienced a significant decrease of approximately 29.2% in 2022.[3] According to the State Statistics Service of Ukraine, the GDP contracted by 10.5% in the first quarter of 2023 compared to the same period in 2022. However, when compared to the fourth quarter of 2022, the GDP showed a 2.4% increase. For the full year of 2022, the real GDP declined by 29.1% compared to 2021, calculated in constant 2016 prices, amounting to UAH 5,191.028 billion in actual prices. [4]

According to the World Bank, the **population** of Ukraine was recorded as 38 million in 2022.[5] Notably, the population figures for Ukraine are subject to continuous changes due to ongoing population movements, including migration and displacement. As a result of the outbreak of war, as of May 23, 2023, there are 8,255,288 recorded refugees from Ukraine across Europe. Among them, 5,140,259 refugees have been registered for Temporary Protection or similar national protection schemes.[6] These significant displacements have created imbalances in the labour market, leading to a decline in real wages and a substantial increase in unemployment.

1 World Bank. 2023. Ukraine Rapid Damage and Needs Assessment: February 2022 - February 2023. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099184503212328877/p1801740d1177f03c0ab180057556615497

2 National Bank of Ukraine. 2022. Inflation Report, July 2022 (Ukr). https://bank.gov.ua/admin_uploads/article/IR_2022-Q3.pdf?v=4

3 World Bank. 2023. Recent Economic Developments. https://www.worldbank.org/en/country/ukraine/overview#3

4 Ukranian News. 2023. Fall in GDP Continued in Q1 As Well - State Statistics Service. https://ukranews.com/en/news/937896-fall-in-gdp-continued-in-q1-as-well-state-statistics-service

5 World Bank. 2022. Population, total – Ukraine. https://data.worldbank.org/indicator/SP.POP.TOTL?locations=UA

6 UNHCR. 2023. Operational Data Portal. Ukraine Refugee Situation. https://data.unhcr.org/en/situations/ukraine

According to the International Labour Organization, an estimated 4.8 million jobs have been lost in Ukraine since the start of the full-scale Russian invasion.[7] The **unemployment rate** in Ukraine is 20.9% in 2023 as estimated by the International Monetary Fund.[8] The labour market is expected to continue a recovery in 2023, primarily driven by robust economic growth and a mild fiscal policy. Although the forecast for 2023 predicts a further decline to 18.3%, 16.5% in 2024, and 14.7% in 2025,[9] it will remain elevated compared to pre-war levels. This can be attributed to significant disparities in qualification and regional variations within the labour market. Moreover, the **poverty rate** witnessed a significant rise from 5.5% to 24.2% in 2022, resulting in an additional 7.1 million people falling into poverty and erasing 15 years of advancement.[10]

According to the State Statistics Service of Ukraine, **consumer inflation** in June 2023 exhibited a continued annual slowdown, with the rate decreasing to 12.8% year-on-year, following 15.3% in May 2023 and marking the lowest reading since March 2022. Additionally, there was a modest monthly growth of 0.8% in prices in June. Consumer prices in Ukraine exhibited a general slowdown, with 10 out of 12 categories experiencing a decrease in inflation, notably in food & non-alcoholic beverages, restaurants & hotels, miscellaneous goods & services, and transportation.[11]

As of May 2023, Ukraine experienced a significant increase in **exports**, with a year-on-year growth of 7.6% from US$3.127 million to US$2.905 million in the corresponding period of 2022.[12] There was also a significant surge in Ukraine's **imports**, with a year-on-year increase of 35.2%, reaching US$5.046 million compared to US$3.731 million in the same month of the previous year.[13] Ukraine's main exports include iron ore, seed oils, wheat, corn, and semi-finished iron, with major export destinations being China, Poland, Türkiye, former Soviet Union countries and Italy. On the import side, key imports for Ukraine consist of refined petroleum, cars, petroleum gas, packaged medicaments, and coal briquettes. Ukraine ranked as the top global importer of organic composite solvents and garnetted wool or animal hair.[14]

Furthermore, the Autonomous Trade Measures (ATMs) have positively impacted Ukraine's **trade** with the EU, ensuring uninterrupted trade despite war-related disruptions. These temporary and unilateral measures suspend duties, quotas, and anti-dumping/safeguard measures on Ukrainian imports, expanding tariff liberalization under the EU-Ukraine Deep and Comprehensive Free Trade Area (DCFTA). Temporary preventive measures were introduced on May 2, 2023, focusing on specific agricultural products and allowing their free circulation in EU member states, excluding certain countries. The EU has extended the suspension of import duties, quotas, and trade defence measures on Ukrainian exports for another year, gradually phasing out exceptional preventive measures.[15]

By the first quarter of 2023, a notable **trade deficit** in goods and services persisted, but the receipt of a grant from the US resulted in a surplus in the current account, supported by substantial official financing that facilitated net capital inflows and led to an increase in international reserves,

7 ILO. 2022. The impact of the Ukraine crisis on the world of work: Initial assessments. https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/documents/briefingnote/wcms_844295.pdf

8 IMF. 2023. https://www.imf.org/external/datamapper/LUR@WEO/UKR?zoom=UKR&highlight=UKR

9 National Bank of Ukraine. 2023. "Inflation Report" for April 2023: https://bank.gov.ua/admin_uploads/article/IR_2023-Q2_en.pdf?v=4

10 The World Bank. 2023. Ukraine In Numbers. https://www.worldbank.org/en/country/ukraine/overview#1

11 Trading Economics. 2023. Ukraine Inflation Rate. https://tradingeconomics.com/ukraine/inflation-cpi

12 Trading Economics. 2023. Ukraine Exports. https://tradingeconomics.com/ukraine/exports

13 Trading Economics. 2023. Ukraine Imports. https://tradingeconomics.com/ukraine/imports

14 OEC.World. 2023. Ukraine. https://oec.world/en/profile/country/ukr

15 European Commission. 2023 EU extends trade benefits for Ukraine. https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3059

amounting to US$35.9 billion by the end of April 2023. Furthermore, in May 2023, the reserves continued to grow, reaching the highest level since 2011 at US$37.3 billion.[16]

In Ukraine, **international financial assistance** has become a significant source of foreign currency income for the country. Despite the forecasted rebound of Ukraine's economy in 2023, it continues to rely on foreign assistance, necessitating monthly financial aid of USD 3-4 billion to sustain essential government operations amid the ongoing conflict.[17]

In total, government-to-government commitments totalling over €143 billion were identified from January 24, 2022 until January 15, 2023. The largest bilateral supporter of Ukraine is the United States (US), with commitments amounting to €73.18 billion, which represents more than 50% of the total commitments in the database. EU country governments made bilateral commitments of €19.9 billion, while the EU Commission and Council committed €29.92 billion. Additionally, the European Peace Facility contributed €3.1 billion, and the European Investment Bank (EIB) provided €2 billion, bringing the total EU commitments to €54.92 billion. It is noteworthy that the US alone has committed significantly more than the combined total of all EU countries, despite the conflict occurring in their immediate vicinity. Multilateral organizations, including the IMF, World Bank, UN, and the EBRD, contributed €13.27 billion in financial aid.

Furthermore, the contribution of Eastern European countries, including the Baltic countries, Poland, the Czech Republic, and Bulgaria, stands out when considering the percentage of their GDP dedicated to supporting Ukraine, particularly when factoring in the estimated cost of hosting refugees by the OECD. Notably, the United States also ranks among the top five donors in terms of the percentage of its GDP, highlighting its significant commitment to the conflict and emphasizing its major role as a donor.[18]

The small and medium-sized enterprise (SME) sector, constituting 82% of the total labour force and creating the largest share of value added (64%) at the cost of production, has been significantly affected.[19] Prior to the conflict, Ukraine had 370,834 registered enterprises, with only 610 classified as large companies. The State Statistics Service of Ukraine reports that SMEs make up 99.98% of all businesses in the country, with the **wholesale and retail trade** sector having the highest concentration at 42.9%. The **IT sector** has also seen a notable increase in SMEs, with a growth rate of 10.6% in 2019 compared to 5% in 2015.[20] Other sectors such as **agriculture, forestry and fishing, manufacturing, and construction** also have a relatively high number of SMEs.[21]

Supporting small and medium-sized enterprises (SMEs) in the agricultural sector is of utmost importance for Ukraine's reconstruction efforts. A robust agricultural sector in Ukraine plays a vital role in guaranteeing global food security. The military aggression has highlighted a critical vulnerability in Ukraine's agricultural sector, specifically the lack of logistics diversification. One of

16 National Bank of Ukraine. 2023. Monthly Macroeconomic and Monetary Review, June 2023. https://bank.gov.ua/admin_uploads/article/MMR_2023-06_en.pdf?v=4

17 Congressional Research Service (CRS). 2023. Ukraine and International Financial Institutions.https://crsreports.congress.gov/product/pdf/IF/IF12107

18 Kiel Institute for the World Economy. 2023. The Ukraine Support Tracker: Which Countries Help Ukraine and How? https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Kiel_Working_Paper/2022/KWP_2218_Which_countries_help_Ukraine_and_how_/KWP_2218_Trebesch_et_al_Ukraine_Support_Tracker.pdf

19 State Statistics Service of Ukraine. 2021. The volume of sold products (goods, services) of enterprises by types of economic activity with a breakdown into large, medium, small and micro enterprises (Ukr). https://ukrstat.gov.ua/operativ/operativ2022/fin/fin_new/Orp_kved_10_21.xlsx

20 OECD. 2022. Financing SMEs and Entrepreneurs: An OECD Scoreboard. Ukraine. https://www.oecd-ilibrary.org/sites/3b8d797e-en/index.html?itemId=/content/component/3b8d797e-en#section-d1e227159

21 State Statistics Service of Ukraine. 2021. The number of enterprises by type of economic activity, with a division into large, medium, small and micro enterprises (Ukr). https://ukrstat.gov.ua/operativ/operativ2013/fin/kp_ed/kp_ed_u/arh_kp_ed_u.htm

the solutions to this problem could be the processing of raw materials on the territory of Ukraine and investment attraction in this sector. By implementing European Union (EU) standards, Ukrainian enterprises can further integrate themselves into EU and global supply chains.

The process of reconstruction presents numerous investment opportunities for producers of building materials. A notable example is the high demand for residential apartment construction in Ukraine, which will require millions of square meters. This surge in construction also creates significant potential for suppliers of construction equipment and various installations.

Supporting SMEs is considered vital in Ukraine's National Recovery Plans, which aim to promote economic growth and development by fostering private investment and entrepreneurship.[22] However, ongoing conflict and frequent blackouts have severely affected SMEs. Many businesses have experienced significant income losses and face challenges in planning for the future. Higher costs throughout value chains and decreased access to bank loans have limited alternative financial resources for SMEs, leading to closures. The weighted average need for additional financing in March-April 2023 was US$925,907, with 24% of SMEs requiring US$10+ mln for 3 years growth.[23] The conflict has also resulted in port closures, disrupted trade routes, power shortages, and extensive material damage, exacerbating the challenges faced by Ukrainian SMEs.[24]

According to the UNDP study, about 50% of enterprises operated at only 10-60% capacity of the pre-war level as of mid-April 2022.[25] In the second quarter of 2023, around 50% of SME companies worked with some restrictions and 10% of SMEs reported to not have resumed their operations.[26]

Another survey conducted by the European Bank for Reconstruction and Development (EBRD) offers an analysis of the key challenges and needs faced by small businesses in Ukraine. The survey findings indicate a range of significant challenges experienced by these enterprises, including a decline in demand and the loss of market outlets, rising costs, reduced labour productivity, uncertainty in long-term forecasting and strategic planning, and the inability to enhance employee salaries. Furthermore, production companies encounter the specific obstacle of disrupted supply chains. Additionally, the research sheds light on the critical needs expressed by small businesses in Ukraine. Among the top priorities is assistance with business reconstruction, acquiring grants to support diverse business objectives, seeking guidance from successful companies that have overcome similar challenges in comparable markets, leveraging the experiences of international enterprises, and facilitating international partnerships. Notably, there is also a demand for grants to enable participation in business study trips and international exhibitions. Local authorities and the existing Ukrainian entrepreneurial ecosystem have a crucial role in supporting the growth of the SME sector. Their initiatives include facilitating access to production premises, support services, and new technologies for entrepreneurs and business owners.[27]

22 National Recovery Council. 2022. Ukraine's National Recovery Plan. https://uploads-ssl.webflow.com/621f88db25fbf24758792dd8/62c166751fcf41105380a733_NRC%20Ukraine's%20Recovery%20Plan%20blueprint_ENG.pdf

23 BusinessDiia. 2023. Дослідження стану бізнесу в Україні. https://business.diia.gov.ua/uploads/6/30910-doslidzenna_stanu_ta_potreb_biznesu_za_rik_povnomasstabnoi_vijni.pdf

24 Spark. 2023. Ukrainian SMEs hold the key to the country's economic revival. https://spark.ngo/ukrainian-smes-hold-the-key-to-the-countrys-economic-revival/

25 UNDP. 2022. Rapid Assessment of the War's Impact on Micro, Small and Medium Enterprises in Ukraine. https://www.undp.org/ukraine/publications/rapid-assessment-wars-impact-micro-small-and-medium-enterprises-ukraine

26 European Business Association. 2022. Despite the growing financial losses, SMEs continue to pay salaries and support the Armed Forces of Ukraine. https://eba.com.ua/en/msb-prodovzhuyut-vyplachuvaty-zarplaty-ta-pidtrymuvaty-zsu-popry-zrostannya-finansovyh-vtrat/

27 EBRD. 2023. EBRD, USA and Sweden assess impact of war on SMEs in Ukraine. https://www.ebrd.com/news/2023/ebrd-usa-and-sweden-assess-impact-of-war-on-smes-in-ukraine.html

At the international level, governments, philanthropists, and institutional donors have collaborated to address Ukraine's escalating humanitarian needs. While relief efforts during the conflict have garnered significant attention, it is equally important to prioritize economic recovery and support for Ukrainian businesses. The Netherlands Ministry for Foreign Trade and Development Cooperation pledged substantial funds in 2022 to empower Ukrainian SMEs for business investments and contribute to the reconstruction of Ukrainian cities. In 2023, the Commission launched two invitations for proposals initiatives to support Ukrainian entrepreneurs in leveraging opportunities offered by the Single Market. [28]

Continuing these efforts with a specific focus on supporting the SME sector is crucial. Restoration efforts and the support of Western partners are pivotal in driving economic recovery, revitalizing Ukrainian businesses, and promoting overall stability and development.[25]

Furthermore, the development of SMEs has the potential to have wide-reaching impacts on various Sustainable Development Goals (SDGs), including poverty eradication (SDG 1), zero hunger (SDG 2), good health and well-being (SDG 3), gender equality (SGD 5), inclusive and sustainable economic growth, employment and decent work (SDG 8), and sustainable industrialization and fostering innovation (SDG 9). Given the increasing interest and commitment by international investors to positive social and environmental impact, adopting SDG or ESG can help Ukrainian SMEs reach European markets and access additional financing from foreign partners for recovery, reconstruction, development, and growth.

28 European Commission. 2023. Commission launches €7.5 million calls to support the integration of Ukrainian SMEs in the Single Market. https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1224

2. OVERVIEW OF THE INTERNATIONAL FUNDING APPLICABLE TO UKRAINE

Both access to financing and affordability of lending resources have become a top issue for MSMEs since the beginning of the full-scale invasion. Commercial banks have practically stopped active lending to MSMEs. Based on the UNDP assessment of access to finance, high interest rates remain the most pertinent obstacle in using debt financing. Limitations of financing programs (e.g., limited amount of assets that are accepted as collateral) significantly restrict access to financial support for enterprises. In terms of equity financing, MSMEs believe the lack of suitable investors in the local area to be the most significant issue.[29] Additionally, many non-traditional financing mechanisms such as supply chain financing, crowdlending, or IPO are in the development stage and lack proven business models within small-scale companies or a favourable policy environment.

Credit resources for working capital and project financing are now available only via state government programs. However, despite the success of these programs, co-financing at the level of 30-70% of the declared cost of the project hinders the participation of some MSMEs.

Additionally, Ukraine has been facing challenges at scale, affecting every sector of the economy and potentially hindering the flow of investments into the country. These include but are not limited to:

- **Insufficient Knowledge of Financing Instruments.** Lack of capacity and awareness of the availability and application process for MSME financing instruments. Limited knowledge about impact investing and existing pipeline of projects.
- **Limited Financing Options.** Limited affordable financing options for small-scale companies whose cash flow has been disrupted.
- **Uncertain Demographic Situation.** As a result of the war, approximately 8.1 million people are displaced across Europe. An estimated 5.4 million people are internally displaced.
- **High Unemployment Rates.** In 2023, unemployment reached 20.9%.

29 UNDP. 2022. Access to Financing by MSMEs in Ukraine.

- **Infrastructure Bottlenecks.** Ageing or deficient infrastructure stock. As a result of the war, Ukraine's infrastructure market is one of the smallest in the region in terms of value.
- **Damage to Energy Infrastructure.** According to the second Rapid Damage and Needs Assessment, damage to power, gas, heating infrastructure and coal mining is above US$10 billion in March 2023.
- **Restrictions on Agricultural Export.** Delays and restrictions in the export of grain, ban on grain sales in neighbouring countries, and low value-added of agricultural produce.
- **Stagnated Business Activity.** As a result of war, 800 businesses relocated to western Ukraine. The vast majority of MSMEs lost between US$10-50 thousand during the war. Around 50% of MSMEs continue working with restrictions.
- **Business Competence.** Lack of financial literacy among entrepreneurs and lack of trained managerial personnel.
- **Lack of a Comprehensive Legal Framework.** No comprehensive legal framework for impact investing is currently in place.
- **Market Volatility.** Political or economic volatility stemming from corruption, ambiguous incentive mechanisms, regulations or geopolitical.
- **Subdued Demand.** Low domestic demand or accessibility of advanced technological products. Regional disparities in affordability or connectivity.

International practice shows that supporting fragile and conflict-affected states on a path to stability and prosperity requires innovative solutions that combine impact-making and sustainability with financial profit as well as bringing various stakeholders from public and private sectors together to scale up the outcome and mitigate risks. Ukraine can benefit from such an approach in many ways, including:

- Improved access to finance can help Ukrainian MSMEs recover, scale up and enter new export markets such as the European Union and beyond.
- Enhanced funding of MSMEs in Ukraine will accelerate the post-war reconstruction of the country and its economy.
- As the major contributor to the labour force in the country, improved access to finance for SMEs would drive job creation and directly benefit the poor and vulnerable, particularly women and youth, thereby directly reducing poverty, increasing income and positively impacting household investments in education and health immediately and over time.
- SMEs will be encouraged to upgrade their production processes to comply with sustainability standards in exchange for more accessible financial products or better financing terms, reconstructing their businesses in alignment with the EU Green Deal to avoid any fallbacks.

In this light, it is important to highlight that sustainability also becomes a top priority for investors, customers, and employees all over the world. 60% of consumers globally rate sustainability as an important purchase consideration.[30] Inflows into sustainable funds rose from $5 billion in 2018 to more than US$50 billion in 2020—and then to nearly US$70 billion in 2021.[31] Despite a decline in the

30 Business Wire. 2021. Recent Study Reveals More Than a Third of Global Consumers Are Willing to Pay More for Sustainability as Demand Grows for Environmentally-Friendly Alternatives. https://www.businesswire.com/news/home/20211014005090/en/Recent-Study-Reveals-More-Than-a-Third-of-Global-Consumers-Are-Willing-to-Pay-More-for-Sustainability-as-Demand-Grows-for-Environmentally-Friendly-Alternatives

31 McKinsey. 2022. Does ESG really matter—and why? https://www.mckinsey.com/capabilities/sustainability/our-insights/does-esg-really-matter-and-why

market value of the global sustainable fund market from its high of US$2.7 trillion in 2021 to US$2.5 trillion in 2022, net inflows to the market in 2022 remained positive, in contrast to traditional funds, which experienced net outflows.[32] Environmental, social and governance (ESG) mutual funds and ETFs attracted a net of USD 120 billion in the first half of 2022.[33] And amid geopolitical tensions and rising inflation, the outstanding, cumulative value of the sustainable bond market increased from US$2.5 trillion in 2021 to US$3.3 trillion in 2022.[34] Sustainable investing strategies become more and more common among investors, offering financial benefits alongside social impact. Such strategies include but are not limited to ESG investing, socially responsible investing, blended finance, and impact investing.

32 UNCTAD. 2023. World Investment Report 2023. https://unctad.org/system/files/official-document/wir2023_en.pdf

33 Qontigo. 2022. ESG fund flows show resilience amid 2022 market sell-off. https://qontigo.com/esg-fund-flows-show-resilience-amid-2022-market-sell-off/

34 UNCTAD. 2023. World Investment Report 2023. https://unctad.org/system/files/official-document/wir2023_en.pdf

***Table 1** Definition of key sustainable investing strategies*

Environmental, Social, and Governance (ESG) is used as an additional criterion in the risks and opportunities matrix during assessing corporate behaviour or screening potential investments. ESG investing prioritizes financial returns in the first instance. Asset managers globally are expected to increase their ESG-related assets under management (AuM) to US$33.9 trillion by 2026 from US$18.4 trillion in 2021. With a projected compound annual growth rate (CAGR) of 12.9%, ESG assets are on pace to constitute 21.5% of total global AuM in less than 5 years. Accordingly, nine of ten asset managers surveyed by PwC believe that integrating ESG into their investment strategy will positively influence financial returns. Furthermore, 60% of institutional investors reported that ESG investing has already resulted in increased profit, compared to non-ESG equivalents.[35] In other words, SMEs prioritizing ESG today would be in a better position to penetrate new markets, expand in existing ones and better perform financially.
Socially Responsible Investing (SRI) implies investing in companies that make positive environmental or social impact. Unlike ESG, SRI evaluates investments solely on a specific ethical consideration. An investor might avoid companies associated with negative effects on society, such as alcohol, tobacco, and other addictive substances, gambling, weapons production, human rights and labour violations, and environmental damage. A socially responsible investor will rather allocate a certain significant proportion of their portfolio to companies that donate a high proportion of their profits to charitable causes or similar. [36][37]
In contrast to ESG and SRI investing, **blended finance** is not an investment strategy but rather an approach to structuring transactions, which allows multiple types of investors to invest alongside each other while pursuing their own objectives.[38] Since 2015, total blended finance flows have reached over US$160 billion, with annual capital flows averaging approximately US$9 billion. Nonetheless, Europe and Central Asia region, including Ukraine, lags in blended finance transactions with only 4% of closed deals in 2020, posing a potential for future growth.[39] Within a blended finance structure, **impact investors** represent a small but consistent investor group, with a share of 14% of commitments made between 2018 and 2020.

The idea of **impact investing**, a type of investment that seeks to achieve not only financial profit but also a specific good consequence in the form of market development, social development, or environmental betterment, has emerged in the financial industry over the past ten years.[40] Impact investing has been instrumental in advancing the global investing landscape from a unilateral understanding of monetary profit towards a more sustainable and inclusive support of private sector. Impact investing differs from SRI in a way that it supports companies that proactively make a difference, while SRI focuses more on mitigating the risk of harm only.[41]

35 PwC. 2022. ESG-focused institutional investment seen soaring 84% to US$33.9 trillion in 2026, making up 21.5% of assets under management: PwC report. https://www.pwc.com/gx/en/news-room/press-releases/2022/awm-revolution-2022-report.html

36 S&P Global. 2020. What is the difference between ESG investing and socially responsible investing? https://www.spglobal.com/en/research-insights/articles/what-is-the-difference-between-esg-investing-and-socially-responsible-investing

37 Investopedia. 2022. ESG, SRI, and Impact Investing: What's the Difference? https://www.investopedia.com/financial-advisor/esg-sri-impact-investing-explaining-difference-clients/#toc-sri

38 Convergence. 2019. What's the difference between blended finance and impact investing? https://www.convergence.finance/news-and-events/news/fdSOITog958vDXGsJNRJj/view

39 Convergence. 2021. The State of Blended Finance. https://www.convergence.finance/reports/sobf2021/assets/The_State_of_Blended_Finance_2021.pdf

40 Ibid.

41 Ivey Business Journal. 2022. Beware Convergence of SRI and Impact Investing. https://iveybusinessjournal.com/beware-convergence-of-sri-and-impact-investing/

Impact investment can play a crucial role in addressing many problems caused by military aggression of Russia in Ukraine. Here are some examples of how impact investments in various sectors can contribute to resolving social and environmental problems in Ukraine:

- **Renewable Energy and Clean Technologies:** Impact investment can promote the development and deployment of renewable energy sources and clean technologies. Investments in solar, wind, hydro, and other forms of clean energy can reduce reliance on fossil fuels, decrease greenhouse gas emissions, and contribute to mitigating climate change.

- **Sustainable Agriculture and Food Systems:** Impact investors can support sustainable agriculture practices that prioritize soil health, water conservation, and biodiversity preservation. Investing in organic farming, regenerative agriculture, and local food systems can promote resilient and environmentally friendly food production methods.

- **Circular Economy:** Impact investment can drive the transition to a circular economy, which aims to minimize waste and maximize resource efficiency. Investing in recycling infrastructure, waste management solutions, and businesses that promote reuse and recycling can contribute to reducing environmental pollution and promoting sustainable consumption and production.

- **Water and Sanitation:** Impact investment can address water scarcity and sanitation challenges by supporting projects that improve access to clean water, promote efficient water management, and enhance sanitation infrastructure in the affected regions.

- **Environmental Education and Advocacy:** Impact investors can also support initiatives that raise awareness, promote environmental education, and advocate for policy changes to address ecological problems. Funding environmental research, education programs, and advocacy organizations can contribute to building a more sustainable and ecologically conscious society.

- **Technology and Innovation:** Impact investments may play a significant role in facilitating technology and innovation transfer. Enabling SMEs to harness and benefit from innovative technologies and practices can significantly enhance their competitiveness, productivity and overall growth.

Such investments can create knowledge spillover effects, where foreign companies share their expertise and skills with SMEs through various channels such as employee training, joint research and development projects, and collaboration. This can contribute to the development of local capabilities and a better understanding of global best practices.

Impact investments can drive the upgrading of local industries by introducing new production processes, management techniques, and quality standards. This can enhance the competitiveness of domestic firms and enable them to participate in global value chains.

Impact investments can stimulate domestic innovation by promoting research and development activities, fostering collaborations between local and foreign firms, and creating an environment conducive to innovation. This will lead to increased competition and a greater emphasis on innovation within the country and stimulate the transformation of the economy.

IFC identifies impact investors by three observable attributes that distinguish them from other investors: **intent** (to achieve social and/or environmental goals through the investment), **contribution** (achievement of the intended goals), and **measurement** (the system that links their intent and contribution to improvements in social and environmental outcomes). The most common investors in impact investments include banks, traditional investment and pension funds, institutional and family foundations, government development agencies, and individual investors. Impact investments can be made in businesses, organizations, and foundations. Major players in the impact investing market are Triodos Bank N.V, Sarona Asset Management, Omidyar Network, LeapFrog Investments, Intellecap Advisory Services Pvt. Ltd., Unitus Capital, LAVCA, REDF, Vital Capital Fund, Reinvestment Fund.

***Table 2** Major Impact Investing Market Players*

Name	Country	Year	Vision and Mission	Total AUM
Triodos Bank N.V	Netherlands	1980	Promote sustainable development by offering our customers sustainable financial products and high-quality service.	22,593 million EUR[42] (2022)
Sarona Asset Management	Canada	1953	The firm seeks to invest in information and communication technology, education, healthcare, financial services, transportation and logistics, light manufacturing and consumer goods sectors.	224.03 million USD (2021)
Omidyar Network	USA	2004	Specializes in investments at any stage of the organization’s development in startups in the field of social entrepreneurship in almost all industries	58.9 million USD (2019)
LeapFrog Investments	Australia	2007	A private equity firm that invests in high-growth financial services and healthcare companies in emerging markets.	1 billion USD (2022)
Acumen	USA	2001	A nonprofit investment fund focused on investing in social enterprises that serve low-income individuals in the United States.	
Intellecap Advisory Services Pvt. Ltd.,	India	2015	Builds enabling ecosystems and channel capital to create and nurture a sustainable & equitable society.	1 billion USD (2023)
Unitus Capital	India	2008	Has been committed to delivering best-in-class investment services that unlock the capital needed to fuel the rapid and sustainable growth of businesses committed to positively impacting the lives of low-income populations.	3,5 billion USD (2023)

42 Tridos Bank N.V. 2022. Integrated Annual Report. https://www.annual-report-triodos.com/2022/our-group/key-figures

Name	Country	Year	Vision and Mission	Total AUM
LAVCA	Latin America (Brazil, Chile, Colombia, Mexico, and Peru)	2002	LAVCA is the Association for Private Capital Investment in Latin America, a non-profit membership organization dedicated to supporting the growth of private capital in Latin America and the Caribbean.	65 billion USD (2023)
REDF	USA	1997	REDF (The Roberts Enterprise Development Fund) is a pioneering venture philanthropy that invests in employment social enterprises (ESEs) — businesses that provide jobs, training, and support to people breaking through barriers to employment.	25 million USD (2022)
Vital Capital Fund	Switzerland	2011	A high-performing investor in growth markets with unique operational expertise to identify overlooked opportunities.	350 million USD[43] (2022)
Reinvestment Fund	USA	1985	A mission-driven nonprofit organization that brings financial and analytical tools to partnerships that work to ensure that everyone has access to essential opportunities.	1 billion USD[44] (2022)
RockCreek	USA	2003	A global investment firm that applies innovation to the decision-making to help shape a more sustainable tomorrow.	15 billion USD[45] (2023)
Apollo	USA	1990	A leading global alternative asset management business.	548 billion USD[46] (2022)
Neuberger Berman	USA	1939	Material environmental, social and governance (ESG) factors are an important driver of long-term investment returns from both an opportunity and a risk-mitigation perspective.	460 billion USD[47] (2020)

The rapidly growing impact investment market provides capital to address the world's most pressing issues, both in developed and emerging economies. According to the International Finance Corporation's (IFC) most recent estimate of the global market for impact investments,

43 a high-performing investor in growth markets with unique operational expertise to identify overlooked opportunities.

44 Impact Asssets. 2023. An Annual Showcase of Impact Investment Fund Managers. https://impactassets.org/ia50/fund.php?id=a012R00001KeCXMQA3

45 RockCreek. 2023. [About]. https://therockcreekgroup.com/about/

46 Apollo. 2023. [About]. https://www.apollo.com/about-apollo

47 Neuberger Berman. 2023. [Homepage]. https://www.nb.com/en/global/home

US$2.3 trillion was invested for impact in 2020.[48] The rising trend in impact investing sparked a promising estimation of as high as a US$26 trillion investor appetite.[49] By investing in SMEs that align with national priorities and SDG needs, impact investors can as well help drive economic growth and promote sustainable development in Ukraine. However, according to the GIIN (Global Impact Investing Network) estimates, in 2022, the vast majority of impact AUM is allocated by organizations headquartered in developed markets (92%), while organizations based in emerging markets only accounted for 8% of impact AUM. Innovative mechanisms should be explored and adopted to mobilize these assets towards emerging markets and channel global financial assets, totalling US$ 463.6 trillion, towards impactful businesses.

With its richness of business activity before the war and entrepreneurs' agility and flexibility gained during the war, Ukraine promises to generate ample demand for a growing impact investing ecosystem. Even though impact investment is not yet widespread, Ukraine already has a strong social entrepreneurship ecosystem that centres around activities that can be considered proximate to impact investing. In this context, there has been an increased focus on generating a positive social effect – particularly in terms of assisting internally displaced people, people with disabilities, women and children – and a lesser focus on financial return. However, few enterprises are taking the next step by targeting greater profitability and sustainability so that they will no longer rely on grants in order to remain viable and will be able to remain in business as social enterprises even after the grants they have received have been spent.[50]

The supply of international private funds comprises institutional investors, high-net-worth individuals and retail investors that provide funding, directly or indirectly, to impact businesses.

48 IFC, 2021. Investing for Impact: The Global Impact Investing Market 2020. https://www.ifc.org/wps/wcm/connect/365d09e3-e8d6-4da4-badb-741933e76f3b/2021-Investing+for+Impact_FIN2.pdf?MOD=AJPERES&CVID=nL5SF6G

49 IFC, 2019. The Promise of Impact Investing. https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/promise-of-impact-investing

50 UNDP. The Impact Investing Ecosystem in Ukraine. 2021. https://www.undp.org/ukraine/publications/impact-investing-ecosystem-ukraine

Venture Capital Firms and Private Equity Funds

The aggregate venture capital investment attracted in deals with disclosed value in Ukraine in the past five quarters was US$881 million. For 2022 alone, the amount stood at US$794.8 million. Despite the forecasts, the Ukrainian venture capital market has demonstrated amazing resilience and the ability to recover in the war conditions. Total investment amounts have been growing steadily for the last five years to the least. They increased by 30% compared to the pre-COVID year of 2019 and by 13% compared to 2021.[51] There were nearly 200 deals with a small average deal value. The largest share – 59% fell on amounts up to US$1 million, 34% on deals from US$1 to US$10 million.[52] The top five venture capital deals accounted for 76.5% of all investments, with an aggregate value of US$666.5 million. Western companies led the market by the number of investments. Their annual result was US$839.3 million, which is more than 95% of the total amount. The largest deals involved software, blockchain and online services companies. The estimated value of ten startups that have R&D in Ukraine amounted to US$3.9 billion as of 2023[53], positioning the Ukrainian ecosystem as one of the most promising, providing opportunities for the development of successful technological and innovative projects and businesses around the world.

At the same time, the full-scale invasion of Russia into Ukraine has put a stop to the M&A market in 2022. Many transactions, prepared in advance, have been cancelled or postponed. The Ukrainian M&A market has always been closed to a certain degree. War has only intensified this trend. On average, every 8th large business changed ownership last year. The number of real shadow deals, according to Mind's estimates, exceeded US$1 billion.[54] Large Ukrainian businesses in the metallurgy sector, the agricultural sector, retail, construction, processing and mining industries have lost their investment potential for new M&A transactions. At the same time, the real estate, IT, and trade and services sectors in general stayed more resilient.[55] Among the most prominent VC and PE funds that also have a focus on delivering a positive social and environmental impact through their activities are AVentures Capital, ICU Ventures, Horizon Capital, Overkill and TA Ventures and others (See Annex I). Some of the examples of private sector financing for SMEs in Ukraine that can be tailored to attract impact investments include:

- **AVentures Capital** is a VC fund established in 2012. The fund aims to cooperate with companies that influence global markets, leveraging research and development (R&D) teams based in Central and Eastern Europe to compete globally. Its investment strategy focuses on software technology including machine learning, big data, augmented reality (AR), virtual reality (VR), Software as a Solution (SAAS), cloud applications, storage, enterprise software, web and mobile, and the Internet of things (IoT). The fund invests in early-stage startups and IT companies in the growth phase. It has closed over 460 deals in Ukraine over the last six years.[56] Its portfolio includes **Bookimed** – a free global platform enabling

51 Mind.ua 2023. $881mln and nearly 200 deals: The Ukraine venture market doesn't scare off investors despite turbulence. https://mind.ua/en/publications/20258312-881mln-and-nearly-200-deals-the-ukraine-venture-market-doesnt-scare-off-investors-despite-turbule

52 Mind.ua. 2023. Ukrainian Venture Capital and Private Equity Overview. https://s.mind.ua/files/Dealbook_2022-23_eng.pdf

53 Mind.ua 2023. $881mln and nearly 200 deals: The Ukraine venture market doesn't scare off investors despite turbulence. https://mind.ua/en/publications/20258312-881mln-and-nearly-200-deals-the-ukraine-venture-market-doesnt-scare-off-investors-despite-turbule

54 Mind.ua. 2023. Ukrainian Venture Capital and Private Equity Overview. https://s.mind.ua/files/Dealbook_2022-23_eng.pdf

55 Inventure.Com.Ua. 2022. Private equity, VC and M&A market in Ukraine 2022: expecting the end of the war. https://inventure.com.ua/en/analytics/investments/private-equity-vc-and-manda-market-in-ukraine-2022:-expecting-the-end-of-the-war

56 Aventurescapital.Com, 2020. Aventures Capital. http://aventurescapital.com/#about.

users to search for hospitals and arrange treatment worldwide. Bookimed has become the world's leading medical tourism provider. The platform lists 300 hospitals and services over 300,000 users per month, clearly increasing people's access to medical services.[57] AVentures has also invested in **SolarGaps**, which produces smart blinds that automatically track and generate energy from the sun. Besides reducing users' electricity costs by 30%, SolarGaps helps to mitigate climate change by reducing their carbon footprints.[58]

- **TA Ventures** is an international VC fund that invests in early-stage startups. Areas of interest include mobility, digital health, SAAS, artificial intelligence and machine learning, online marketplaces, and deep tech, to name just a few. It has established a strong track record in Ukraine with more than 125 successful impact-generating investments. For example, TA ventures invested in **Liki24** – a drug delivery service provider in Ukraine that offers affordable prices for consumers, increases the coverage of pharmaceutical services and ensures efficient delivery. This service is particularly important for people living in less urbanized areas where pricing tends to be higher and supply limited due to the smaller number of pharmacies and the limited variety of the products which they stock.[59]

- **Horizon Capital** is the leading private equity firm in Ukraine and Moldova backed by over 40 institutional investors, managing four funds with AUM of US$ 1.4 billion and a tenure of 29 years in the region. Horizon Capital managed to raise US$125 million at the first close of its Horizon Capital Growth Fund IV, which has been set up to invest in technology and other export-oriented companies in Ukraine and the surrounding region. Such private funds as WNISEF and Zero Gap Fund, an impact investing collaboration between The Rockefeller Foundation and the John D. and Catherine T. MacArthur Foundation, made their contributions.[60]

- **ICU Ventures** is an independent asset management private equity and investment advisory firm that manages over US$500 million in assets. Its investment portfolio includes **Good Money** – the first banking platform owned by its customers. Besides generating a yield of up to 8% on deposits in Good Shares, Good Money donates a percentage of each transaction to the Rainforest Trust. Every purchase a client makes saves ten trees and 133 insects and animals. Good Money pledges to invest 50% of its profits in environmental and social justice.[61]

- **Overkill Ventures** is a Nordic-based angel fund investing in technology companies that create business-to-business solutions, offering them up to US$250,000 in pre-seed funding. Overkill Ventures has invested in the **Meridot** electrical scooter charging startup, which saves energy spent on recharging with its innovative wireless charging pad technology. This technology can potentially be applied to other electric vehicles, including bicycles and cars.[62]

57 En.Bookimed.Com, 2020. About Bookimed. https://en.bookimed.com/about/.

58 SolarGaps, 2020. Smart Blinds With Built-In Solar Panels. https://solargaps.com/pilot/.

59 Liki24.Com, 2020. Liki24 Drug Delivery Service. https://liki24.com/

60 Kerameya.Com.Ua, 2020. Kerameya Eco Standards. https://kerameya.com.ua/ru/page/ekologicheskie-i-socialnye-standarty-kerameyya.

61 Good Money, 2020. Good Money. https://www.goodmoney.com/.

62 Overkill, 2020. Meredot — Overkill. https://www.overkill.vc/meredot.

High Net Worth Individuals

In 2018, as part of a global initiative to increase control over tax collection, the Ukrainian Ministry of Finance amended regulations on high-net-worth individuals. The regulation redefined high-net-worth individuals in the three following ways:[63]

1. Persons who hold shares of 10% or more in a legal business entity with an annual income of US$11.7 million or more.

2. Persons who declare an annual income of approximately US$1.76 million or more.

3. Persons who are the ultimate beneficiary owners of a large taxpayer.

In 2019, Ukraine was among the world's top ten countries in terms of the pace of growth in the number of high-net-worth individuals, and the top 100 high-net-worth Ukrainians accumulated nearly US$37.5 billion.[64] After Russia's full-scale invasion, Ukraine's 20 richest people are now worth US$22.5 billion, down by over US$20 billion from February 2022.[65] The Ukrainian Business Association (Business 100) officially became a participant in the UN Global Compact network at the beginning of 2020. Its members pledged to contribute to the Global Compact Trust Fund and organize Partnership for Sustainability Campaigns, which in 2019 received more than 80 applications with more than 300 partners. Business 100 members often support education initiatives for underprivileged or gifted children and children from rural areas. They also engage in business projects and partnerships that accelerate progress towards the SDGs through their core business models.[66]

Globally, impact investments made by high-net-worth individuals surged from US$114 billion in 2014 to US$502 billion in 2018, with growing expectations for the future.[67] Ukraine needs to take note of this trend and engage with its high-net-worth individuals and help them to move away from philanthropy towards impact investing to increase their impact in a more sustainable way. The goal here should be to incentivize these individuals to invest in those areas in which they can bring about the most positive change and have the greatest social and environmental impact. All stakeholders stand to benefit from efforts to increase the visibility of examples of impact investing. This would assist the investors in balancing and enriching their portfolios and the companies in broadening the pool of potential funders.

63 Ips.Ligazakon.Net, 2018. On Amendments To The Tax Code Of Ukraine And Other Regulatory Acts Regarding Criteria For Determination Of High Net Worth Individuals. https://ips.ligazakon.net/document/view/nt4283?an=43.

64 Datawrapper.Dwcdn.Net, 2020. Top 10 Fastest Growing High Net Worth Countries (2018-2023). https://datawrapper.dwcdn.net/v6pbQ/1/.

65 Forbes.ua. 2022. Рейтинг найбагатших воєнного часу. [Ranking of the richest during the war]. https://forbes.ua/money/reyting-naybagatshikh-voennogo-chasu-26122022-10741

66 100.Business.Ua, 2020. Business 100. A Force For Good. https://100.business.ua/wp-content/uploads/&behggsk&t2t6gvbnmahgs/Ukraine_Davos_2020.pdf.

67 Wealth-X, 2020. HNW Impact Investing On The Rise. https://www.wealthx.com/intelligence-centre/exclusive-content/2019/hnw-impact-investing/.

3. OVERVIEW OF IMPACT INVESTMENT PRACTICES IN AREAS AFFECTED BY WARS, AND OTHER DISASTROUS EVENTS

To achieve a significant impact in fragile contexts, it is imperative that all parties involved perceive each humanitarian and resilience investing opportunity as an integral component of a broader framework. This implies the necessity for various entities to harmonize and collaborate, thereby unleashing transformational change. Businesses and investors see an opportunity to expand involvement in humanitarian contexts beyond philanthropy and charity. These organizations bring a wealth of experience, innovative solutions and capacity to serve recovery needs. In particular, opportunities are emerging for the private sector to invest and play an active role in long-term interventions, notably those rebuilding the local economy during the recovery period.

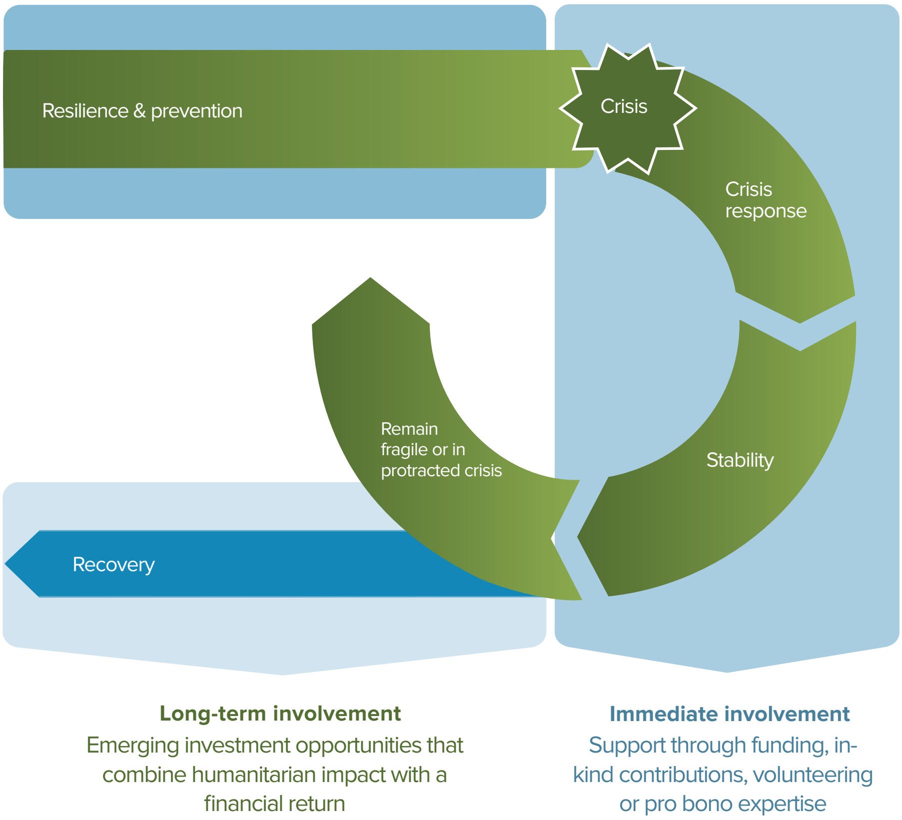
Private sector interest in creating new mechanisms that support Sustainable Development Goals (SDGs) and deploying capital for positive social and environmental impacts is the highest it has ever been. In addition, more and more development finance institutions (DFIs) are supporting smaller, riskier investment opportunities and deploying new mechanisms to de-risk and catalyse private investment.[68]

In areas affected by wars and other disastrous events, impact investment could play a crucial role in building back better by adopting a long-term resilient approach, addressing the underlying challenges, rebuilding communities, and fostering sustainable development.

Impact investment practices in areas affected by wars and other disastrous events around the world can serve as examples of future opportunities in Ukraine.

68 World Economic Forum. 2022. Cultivating Investment Opportunities in Fragile Contexts: Catalysing Market-Driven Solutions to Strengthen Community and Economy Resilience. Discussion Paper. https://www3.weforum.org/docs/WEF_Cultivating_Investment_Opportunities_in_Fragile_Contexts_2022.pdf

***Table 3** The private sector in humanitarian contexts*



Source: World Economic Forum. 2022.

Central Africa SME Fund (CASF)

Central Africa SME Fund (CASF) is an investment fund investing in small and medium-sized enterprises (SMEs) in the Democratic Republic of Congo (DRC) and the Central African Republic (CAR). The Fund believes in achieving sustainable economic development by encouraging entrepreneurship in the fast-growing markets of DRC and CAR. Currently, many opportunities in these countries remain unexploited due to the lack of risk capital and support. The multiplier impact of such entrepreneurial endeavours creates jobs and income. In most cases, entrepreneurs create businesses with regional growth prospects.

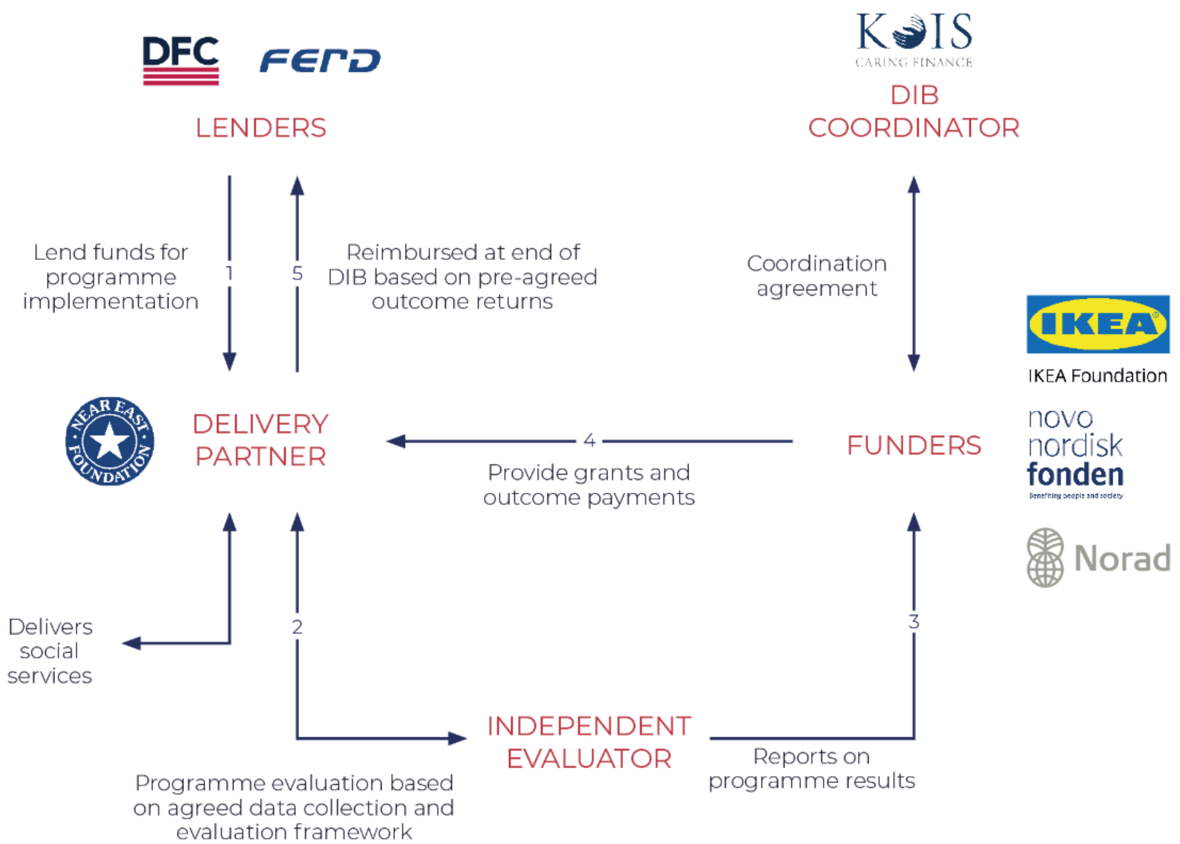
The Central Africa SME Fund is a US$ 19 million fund and provides private equity, long-term debt and management expertise to SMEs in the DRC and CAR. The fund has invested at a steady pace in a variety of sectors, mostly in Kinshasa-based companies. It has disbursed US$15.8 million (97% debt) to 30 entities in the DRC, of which 28 are SMEs and two are personal loans. The fund disbursed small amounts, ranging from US$100,000 to US$1.3 million. CASF offered SMEs more favourable financing conditions than banks by providing a grace period, longer loan tenures, and lower interest rates. The fund reached mainly small companies and helps them to professionalize. On top of the 958 direct jobs supported at all 28 portfolio SMEs, sample SMEs supported an estimated 292 indirect jobs and 154 induced jobs. The food & beverage and services sectors benefit most from these effects. Current investors in the Fund are IFC, FMO and Lundin Foundation.[69]

The target gross IRR for the Fund's overall portfolio is 25 per cent per annum, and the target net IRR to its investors is 16 per cent per annum in USD terms, net of fees, expenses and carried interest. A hurdle rate is 4%.

Development Impact Bond (DIB) for Displaced People

The Syrian conflict has forced 6.6 million people to flee the country; 80% have settled in neighbouring countries. The development impact bond, structured by Kois Invest, has attracted 14 million USD to support displaced people in Jordan and Lebanon. The proceeds of the development impact bond are to be utilized to deliver vocational, entrepreneurship and resilience-building programs for more than 4,000 refugees and hosts and provide 3,400 business start-up grants in Jordan.

***Table 4** The Refugee Impact Bond Structure*



Source: Refugeeimpactbond.com

The U.S. International Development Finance Corp. and Ferd, a Norwegian family-owned holding company, provided the upfront capital. If outcome targets are met, DFC and Ferd will receive annualized returns of about 5%, paid by the IKEA and Novo Nordisk foundations and Norway's international development agency. In the case of failure, the same funders will reimburse 80% of the

69 IFC. 2019. Jobs Study: THE CENTRAL AFRICA SME FUND, DEMOCRATIC REPUBLIC OF CONGO. https://www.ifc.org/wps/wcm/connect/f407532d-44d5-471b-a208-73ea0d684395/Job-Study-Draft-6-Small.pdf?MOD=AJPERES&CVID=mSD3ni4

program costs. The maximum 22% total return (5.1% annualised) will depend on the programme's success in achieving two payment metrics: business survival after ten months, and improvement in household spending on basic needs after 24 months. 2,560 sustainable micro-enterprises are to be created, a +17% increase in household consumption is expected, and 4,380 Jordanians and refugees are given the tools to lift themselves out of vulnerability.[70]

The Refugee Investment Facility (RIF)

Uganda hosts the fourth highest share of refugees in the world, with over 1.5 million people mainly from South Sudan and the Democratic Republic of Congo. Jordan hosts the second-highest share of refugees compared to its population in the world. The Syrian refugee influx has had a significant impact on Jordan's socioeconomic conditions. The Refugee Investment Facility (RIF) seeks to address the challenges of unemployment, lack of economic opportunity and limited access to services and goods that are faced by refugees and their host communities. The RIF is implemented through a partnership between iGravity and DRC Danish Refugee Council, combining impact investing expertise with refugee insights and global presence and networks. The impact-linked loans provided through the RIF will allow the enterprises to maintain or build their focus on refugee and host community populations, grow their businesses, and be financially rewarded through interest rate reductions for direct and measurable impacts they have on the refugee and host communities they are serving.[71]

The RIF invests along four impact themes: increasing the employability of displacement-affected populations; increasing decent employment for displacement-affected populations; improving financial inclusion of displacement-affected populations; and increasing access to relevant products and services for displacement-affected populations.

Through the RIF, companies will receive two types of support: (1) favourable financing through impact-linked loans and other financial instruments, and (2) technical assistance for business development and refugee impact.

These loans will have longer tenors (~3-5 years) with the interest rates tied to the achievement of outcomes ("better terms for better impact"). The more impact the organization achieves over the term of the loan, the lower its cost of financing. For the RIF, the interest rate for each company will be linked to one or more KPIs that relate directly back to the impact themes of the facility, resulting in measurable impacts on decent work, capacity and skills, financial inclusion, and access to goods and services.[72]

Credit Guarantee Fund of Afghanistan (CGFA)

In Afghanistan, UNDP has been supporting the establishment of 'Credit Guarantee Fund of Afghanistan' (CGFA) with an aim to lower the risk of default among SMEs that find it difficult to obtain credit from banks and other partner institutions due to their limited capacity to provide collateral. The existing credit guarantee scheme in Afghanistan – namely, the Afghan Credit Guarantee Foundation (ACGF), which has been operating since 2014 – has not been fully functional since 15 August 2021 due to the uncertainties associated with political changes. The creation

70 Refugee Impact Bond. 2023. Funding Livelihood Progrmmes Through a Development Impact Funda. https://www.refugeeimpactbond.org/funding-mechanism

71 Danish Refugee Council. 2023. The Refugee Investment Facility. https://pro.drc.ngo/what-we-do/innovation-and-climate-action/innovative-finance/the-refugee-investment-facility/

72 Refugee Investment Facility. [Homepage]. https://www.refugeeinvestmentfacility.net/

of a new fund with the involvement of international agencies seems to be the optimal solution. The new fund could be established as a private entity but might opt to involve local NGOs and financial institutions as partner institutions.

Armenian Social Investment Fund (ASIF)

The Armenian Social Investment Fund (ASIF) pilot project was funded by the U.S. Agency for International Development, to provide employment, support community initiatives, and enhance civil society during the postcommunist transition in Armenia. In January 1996, the fund received its first World Bank loan of US$12 million in concessional financing for a US$20 million project. When the first WB loan for ASIF closed, the social fund received proposals for 726 projects, of which 334 were approved and 259 completed. The average project size was US$50,000. As a direct result of World Bank financing, 178 contractors implemented projects, providing jobs to 5,000 people. The infrastructure improvements reached an estimated 640,000 beneficiaries.

Of the 259 completed projects, 35% were small-scale school rehabilitations, 32% – potable water projects, 11%– minor irrigation works, and 5% – rehabilitation of health facilities. The other 17% included initiatives for community centres, pension homes, roads and landscaping, and sewage and waste management. 38% of projects were implemented in the earthquake regions – Aragostn, Lori and Shirak and 21% of the project went to the conflict-affected areas such as Sunik and Tavush.[73]

The Humanitarian Impact Bond (HIB)

An estimated 29 million people live with a disability in Nigeria and physical rehabilitation services are not available for many of them. In the North-East of the country, conflict and violence have left many with no access to essential health care services, forcing people to travel 600 miles to reach a facility with adequate care. The ICRC Humanitarian Impact Bond (HIB) for Physical Rehabilitation is the first humanitarian bond; it funds the building of three new physical rehabilitation centres in Mali, Nigeria and the Democratic Republic of Congo (DRC).

The funders have committed a maximum of 26.09 million CHF (€26.7 million), which is made up of 10.0m CHF from the Swiss Confederation; 9.31m CHF (€8.7m) from the Kingdom of Belgium; 3.21m CHF (€3m) from the Republic of Italy; 2.50m CHF (€2m) from the United Kingdom and 1.07m CHF (€1m) from La Caixa Foundation. The final amount payable by the funders will be based on the results of the programme, payable in September 2022, with the exception of La Caixa's €1m funding, which will be payable upon the successful construction of the centres. Amounts payable by the outcome funders, and therefore returns to social investors, will be based on the Staff Efficiency Ratio (SER). This is calculated by the number of beneficiaries having regained mobility thanks to a mobility device, divided by the number of local rehabilitation professionals.[74]

The return to investors ranges from a loss of 11.3% per year (equating to a loss of 40% of their initial commitment) if there is a 100% deterioration in the SER compared to the benchmark, to a return of 7.0% per year (equating to 134.5% of the commitments) if there is an 80% performance improvement.

73 Chase, R. S. (2002). Supporting Communities in Transition: The Impact of the Armenian Social Investment Fund. The World Bank Economic Review, 16(2), 219–240.

74 Government Outcomes Lab. 2021. ICRC Humanitarian Impact Bond: A case study produced as part of the FCDO DIBs pilot Evaluation. https://golab.bsg.ox.ac.uk/documents/ICRC-Case-Study-v5_76YMUKa.pdf

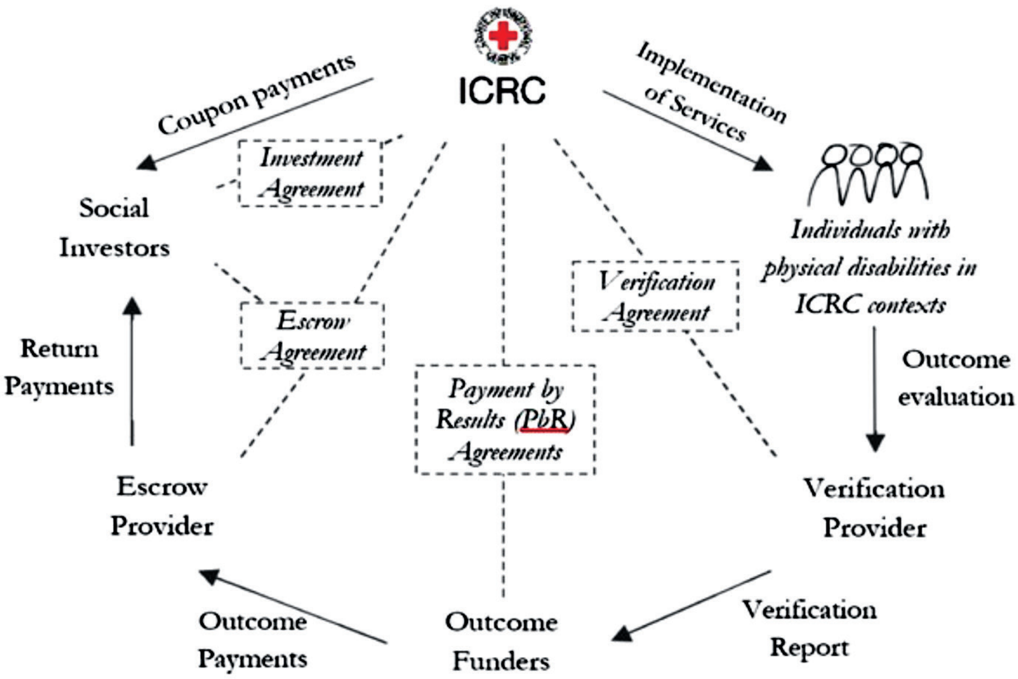
Service Providers: ICRC

Service Users: Users of new ICRC centres, and the 8 pilot centres.

Outcome payers: Swiss Confederation; Kingdom of Belgium; Republic of Italy; United Kingdom; La Caixa Foundation.

Investors: Munich Re, Lombard Odier pension fund and charitable foundations and others

***Table 5** ICRC HIB Structure*



Source: Government Outcomes Lab. 2021

UNHCR Refugee Environmental Protection Fund

United Nations High Commissioner for Refugees (UNHCR) is launching the Refugee Environmental Protection (REP) Fund to invest in impactful reforestation and clean cooking programs in climate-vulnerable refugee situations around the world. UNHCR estimates that 20-25 million trees are cut down in and around refugee settlements each year. 90% of this deforestation is driven by the urgent need for cooking fuel, causing a range of acute issues, including local environmental threats, risks to safe living conditions and risks to women and girls who are exposed to sexual and gender-based violence as firewood collection becomes more difficult. The REP Fund would help address these complex issues by creating an innovative and sustainable financing mechanism to invest in strengthening and scaling up reforestation and clean-cooking programs. The carbon impact of these programs would be registered and verified to generate the first-ever large-scale refugee-generated carbon credits. The sale of these credits would help replenish the Fund, allowing it to re-invest in new reforestation and clean cooking programs, making the Fund more financially and operationally sustainable over time. It will also generate green jobs for refugees and host communities.[75]

Invest for Impact Nepal (INN)

Invest for Impact Nepal (IIN), a collaboration between British International Investment (BII), the Dutch Entrepreneurial Development Bank (FMO), and the Swiss Agency for Development and Cooperation (SDC), is a platform driving to unlock the possibilities of investing patient and flexible capital to support private sector growth and innovation in Nepal. In particular, the platform will support the country's economic development by establishing partnerships to address business environment challenges and ESG risks, explore innovative ways to finance SMEs and increase the skills and capacity of local investment professionals. The platform showcases the potential that can be achieved when stakeholders align on shared objectives while leveraging each partner's strengths and mandate.[76]

The main activities of the fund will include:

1. Establishing an ESG support facility and Fund Growth Facility to provide deal-related technical assistance to FIs and funds.

2. Promoting increased ESG understanding and building the ESG service sector in Nepal.

3. Producing missing data and information needed for effective investment decisions.

4. Supporting the emerging PE/VC industry and upskilling investment professionals.

5. Promoting blended-finance partnerships with existing development partner and Development Finance Institutions activities in Nepal.

6. Promoting inclusive investment from FIs and Funds.

7. Engaging with regulators to better inform them about the reform agenda.

8. Partnering and strengthening key investment market system actors.

9. Engaging and fostering collaboration among investment ecosystem stakeholders (regulators, development partners, DFIs, FIs, funds and private sector actors) to create a conducive investment environment.[77]

Vision Fund International (VFI)

Vision Fund International (VFI) is a unique impact-first microfinance network focusing on the most fragile regions and most vulnerable people, with a rural footprint (64%), a focus on women (69%) and a portfolio mix of very small loans (75%). From disaster recovery lending, to providing financial inclusion for refugees, microfinance can play an essential role in building communities,

75 UNHCR. [Homepage]. https://www.unhcr.org/what-we-do/how-we-work/environment-disasters-and-climate-change/refugee-environmental-protection

76 Ibid.

77 Invest for Impact Nepal. [Homepage]. https://www.investforimpactnepal.com/

so they are resilient to the shocks of an emergency. The Fund serves the most vulnerable in the world's most fragile regions by operating and managing a network of 28 microfinance institutions and partnering with World Vision International and other development/relief organizations to provide affordable credit to clients.

It aims to take advantage of impact track records, operational discipline, accountable management practices, data and reporting standards, and experienced local resources to create large and measurable impacts on fragile populations, while de-risking investments through a US$240 million HRI Fund. The fund serves 1 million clients in highly fragile contexts in Africa, having disbursed US$706 million worth of loans. It will scale current lending initiatives in key product areas, build partnerships to develop new product areas, expand geographically in Africa, lower the existing cost of debt and scale affordable lending to highly vulnerable populations in the world's most fragile regions.

4. OVERVIEW OF THE RECENT INTERNATIONAL EFFORT TO PROVIDE WAR/POLITICAL RISK IN UKRAINE

As CSIS reports in its recent study, Ukrainian insurance needs are significant and are exacerbated by the highly fragmented and limited insurance market. After Russia's annexation of Crimea and the conflict in the east since 2014, many private insurers stopped offering Ukraine coverage. In 2021, the Ukrainian net market premium reached 1.8 billion. Some insurers provided 'Full Political Violence' product, covering "mass riots, strikes, revolutions, rebellions, civil war, war, conspiracy, terrorism, sabotage" but most backed out. As early as 2015, political risk in Ukraine was deemed very high by the private sector.[78]

Since the commencement of the full-scale invasion, many guarantees and insurance products offered by traditional multilateral development banks and DFIs ceased their operations, with remaining insurers covering health and other non-war related risks. Local insurers in Ukraine have an insufficient capacity of €50-60 million. With the initiation of the Black Sea grain deal, Lloyd's has provided the only new insurance product that covered up to US$50 million in damages to grain each ship carries from Ukrainian ports.[79]

Approaching the Ukraine Recovery Conference (URC), the Parliament of Ukraine approved in the first reading the draft of law No. 9015, which allows risk insurance by the Export Credit Agency. Currently, the draft law is awaiting adoption in the second and, if necessary, in the third reading. In line with the law, the Export Credit Agency of Ukraine could insure domestic and foreign investments against risks caused by armed aggression or terrorism.[80]

78 CSIS. 2023. Insurance as a Critical Enabler for Investing in Ukraine. https://www.csis.org/analysis/insurance-critical-enabler-investing-ukraine

79 Politico. 2022. Lloyd's to insure Black Sea grain shipments for up to $50M each. https://www.politico.eu/article/lloyds-to-insure-black-sea-grain-ships-for-up-to-50m-each/

80 The Kyiv Independent. 2023. Parliament adopts law to allow insurance against war risks. https://kyivindependent.com/parliament-adopts-law-to-allow-insurance-against-war-risks/

During the URC, the United Kingdom announced establishing a new framework, **London Conference Framework for War Risk Insurance**[81], for war risk insurance, aimed at encouraging and helping businesses to invest in Ukraine with the UK's contribution of up to **£20m**, on top of Japan's existing **US$23m** contribution. MIGA also announced the signing of an extended MOU with ProCredit, bringing the total guarantee **to €40.85m**. The French Foreign Minister, Catherine Colonna, announced the French government's plan to introduce an insurance mechanism to cover investments in Ukraine against war-related risks via the French public investment bank. This mechanism would be consistent with the one proposed by Britain and Ukraine.[82] Ukraine, the EU, Norway, Switzerland and the EBRD signed an agreement on joint work on war risk insurance. Professional services firm **Aon** and **Lloyd's** insurance market followed with the announcement to join forces with the **Vienna Insurance Group**, one of the largest insurers operating in Ukraine, to deliver fast-track access to foreign reinsurance capacity to support Ukraine's recovery. Furthermore, **Marsh McLennan** proposed a "war risk pool" to insure over US$400 billion Ukrainian reconstruction plan under discussion.[83]

The World Bank's Multilateral Investment Guarantee Agency (MIGA) recently confirmed a $9.1m, ten-year insurance package for the M10 industrial park project in the Lviv region. Once construction is complete, the facility is expected to create 3,000 new workplaces and provide the surrounding region with a significant economic boost.

The US International Development Finance Corporation (DFC) is actively engaged in the issue of war risk insurance for Ukraine, with several applications currently in the pipeline.

Meanwhile, the German government has recently extended export credit guarantees to Ukraine, broadening the scope of support for companies operating in Ukraine. The French export credit agency, Bpifrance Assurance Export, is now also offering insurance coverage to French companies investing in Ukraine.

Most recently, the European Bank of Reconstruction and Development (EBRD) and the UK Government confirmed their shared intention to establish a new fund that will boost the local insurance market for property and trade risks, including insurance of goods in transit. (See New insurance scheme supporting Ukraine).

Recently, Ukraine and the United States agreed to create a working group on developing war risk insurance services. The Ministry of Economy of Ukraine reported that they are developing a risk data exchange platform that will allow insurers and investors to assess and guarantee military risks in Ukraine. This is a long-term solution to create an insurance pool and adequate risk coverage.[84]

As highlighted in the CSIS study, donor agencies and DFIs need to partner on a more concerted effort and pool resources to provide a multi-donor political risk or war insurance mechanism, with a view to crowding in private investment. This need for more capital and collaboration across DFIs / donors should be further emphasized.

81 Ukraine Recovery Conference. 2023. London Conference Framework on War Risk Insurance for Ukraine. https://global-uploads.webflow.com/621f88db25fbf24758792dd8/6491f516e7473574962fd033_20230614_London_Conference_Framework_on_War_Risk_Insurance_for_Ukraine.pdf

82 Reuters. 2023. French foreign minister sets out new war insurance mechanism to support Ukraine. https://www.reuters.com/world/europe/french-foreign-minister-sets-out-new-war-insurance-mechanism-support-ukraine-2023-06-21/

83 The Insurer. 2023. Marsh McLennan proposes "war risk pool" to insure $400bn+ Ukrainian reconstruction plan under discussion. https://www.theinsurer.com/news/marsh-mclennan-proposes-war-risk-pool-to-insure-400bn-ukrainian-reconstruction-plan-under-discus/

84 Governmental Portal. 2023. The U.S. government will support Ukraine in restoring the insurance market in the country, says Yuliia Svyrydenko. https://www.kmu.gov.ua/en/news/uriad-ssha-pidtrymaie-ukrainu-u-vidnovlenni-rynku-strakhuvannia-v-kraini-iuliia-svyrydenko

5. BLENDED FINANCE FOR THE REVITALIZATION OF UKRAINIAN SMES

Addressing barriers in the context of the war in Ukraine requires tailored approaches and innovative support mechanisms to attract impact investments to the country. There is a strong need to adopt blended finance mechanisms for de-risking to enable SMEs to have access to additional finance.

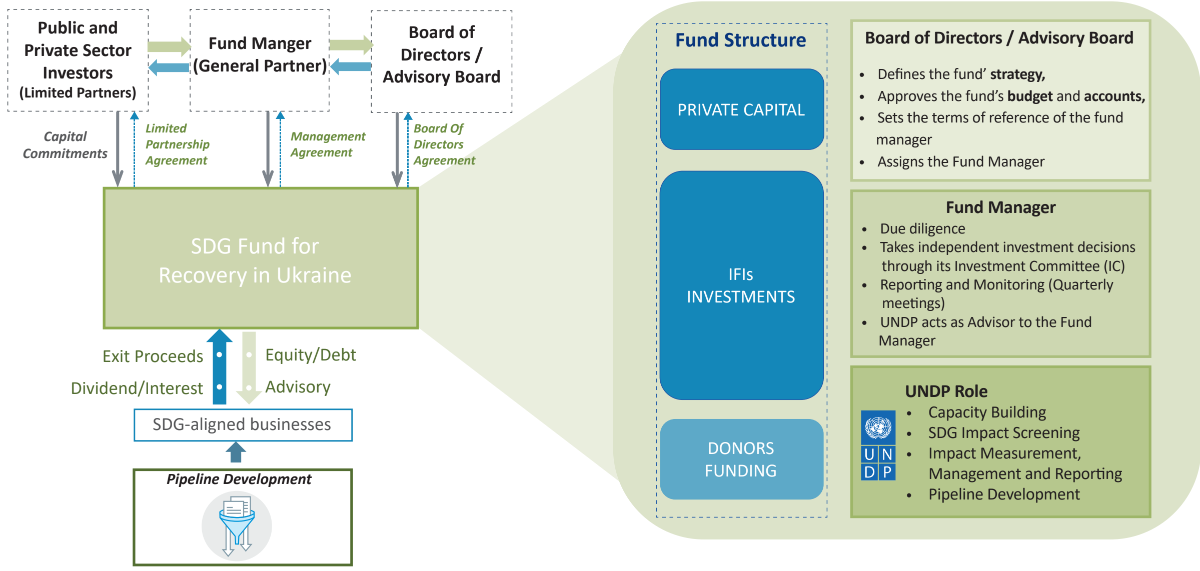
Seven examples of such instruments follow. Each has been vetted at a high level with a subset of national and international stakeholders. However, each mechanism requires further work to move from concept through pre-feasibility assessment to implementation. There is also a need to consider the potential interplay between the different structures to ensure harmonization, and thus maximise potential impact.

In addition, it is also worth noting that, while only one of the seven examples below is in-and-for-itself a risk finance structure, each of the other six mechanisms would likely have an insurance component. This is because the right insurance is a necessary enabler of all investment, de-risking projects for issuers, investors and beneficiaries.

A. SDG Fund for Recovery in Ukraine: An Impact Fund for SMEs

The impact investing fund will identify and invest in Ukrainian SMEs which are critical to the country's recovery and reconstruction process and create positive social and development impact through their core business models. An insurance-backed guarantee could also be considered as that would afford investors additional comfort around the performance and alignment of the supported entities and projects. The fund will have a rigorous due diligence process to ensure that the organizations and initiatives it supports are effective and aligned with the fund's objectives. The fund will also seek to measure and evaluate the impact of its investments, using metrics such as the number of people served, the quality of services provided, and the long-term outcomes achieved.

***Table 6** Structure of SDG Fund for Recovery in Ukraine*



This financing mechanism will be structured as a private equity/venture capital fund with a target size of US$250 million. The fund will make equity investments and in specialized cases may consider quasi-equity/mezzanine-type structures. Depending on the findings of the feasibility study, the fund may provide loans through a banking partner as a wholesale provider of financing for loans to SMEs. In addition, depending on demand and to the extent permissible under local regulations, innovative structures that wholly or partially build exits into the investment structure, such as redeemable equity, revenue-based financing or mezzanine financing can also be used to manage exit risks and ease valuation negotiations. The fund will have a ten-year investment horizon, and investors will be able to commit capital in tranches over the first three years of the fund's life.

The fund will receive grants from donors whose proceeds will be used as the "First Loss Tranche" of the Fund. The Fund Manager will commit to bringing funds from sources other than directly allocated from the government budget that match such First Loss trench.

Alternative structure

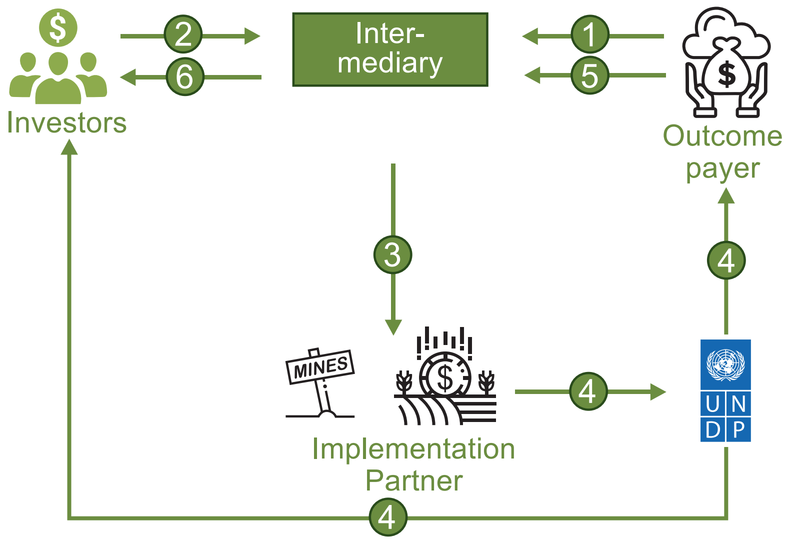
The Fund can have an alternative structure based on **diaspora investment**. The fund will have the same target size of US$250 million. It can have a 5 to 10 years investment horizon and can require 25 per cent of the funding coming from the diaspora, another 25 per cent coming from the entrepreneurs themselves, and 50 per cent would be secured by the government of Sending Country (the proportion of committed capital per contributor may differ depending on the results of the pre-feasibility study). The initiative may be involved in the management of the enterprises it invests in, possibly providing an additional advisory role. The advisory board will be headed by the Representative for Ukraine in the Sending Country. Its members will include the diaspora, representatives from the diplomatic mission of Ukraine in the Sending Country, civil society, and the private sector.

B. De-Mining Impact Bond for Sustainable Agriculture Recovery

As a result of the Russia's full-scale invasion of Ukraine, more than 180,000 square kilometres of land – an area four and a half times the size of Switzerland – may be contaminated with mines.[85] Demining key areas in Ukraine is now a critical step towards the country's recovery. Currently, mine action is financed by donors and national budgets of respective governments.[86] There are exceptions where private sector companies are demining farmland at their own expense which promises to improve the land value and revenue generated from farmland[87]. While big companies can raise funds to finance de-mining themselves, there is a strong need to create an instrument for the tens of thousands of smallholder farmers operating in Ukraine.

The De-Mining Impact Bond for Sustainable Agriculture Recovery will combine donor funding with investments from international institutional investors and will have an outcome-based payment structure, where the re-payment of the investor depends on independently assessed results, such as the de-mining activity of farmland. The repayment is made by an Outcome Payer which can be a donor or the Ukrainian government.

Table 7 *Schematic visualization of the Impact Bond*



The structure of the De-Mining Impact Bond would include the following key steps:

1. Outcome Payer defines desired KPIs and Targets in return for donor capital commitment.
2. Institutional Investors provide upfront investments to enable mine action and agriculture-related activities on the land.
3. The Intermediary runs a procurement process to select the best partners for the implementation.
4. Results are independently verified by UNDP and reported to the Outcome Payer and Investor.

85 UNDP. 2023. Energy infrastructure, mine action and debris removal top priorities for Ukraine, says UNDP Crisis Chief. https://www.undp.org/ukraine/press-releases/energy-infrastructure-mine-action-and-debris-removal-top-priorities-ukraine-says-undp-crisis-chief

86 Landmine & Cluster Munition Monitor. 2021. Landmine Monitor 2021
Support for Mine Action. http://www.the-monitor.org/en-gb/reports/2021/landmine-monitor-2021/support-for-mine-action.aspx

87 Stakeholder consultation with non-government organisation in agriculture sector, 11 May 2023.

5. If pre-defined KPIs are met, then the Outcome Payer disburses pre-agreed payment to the Intermediary.

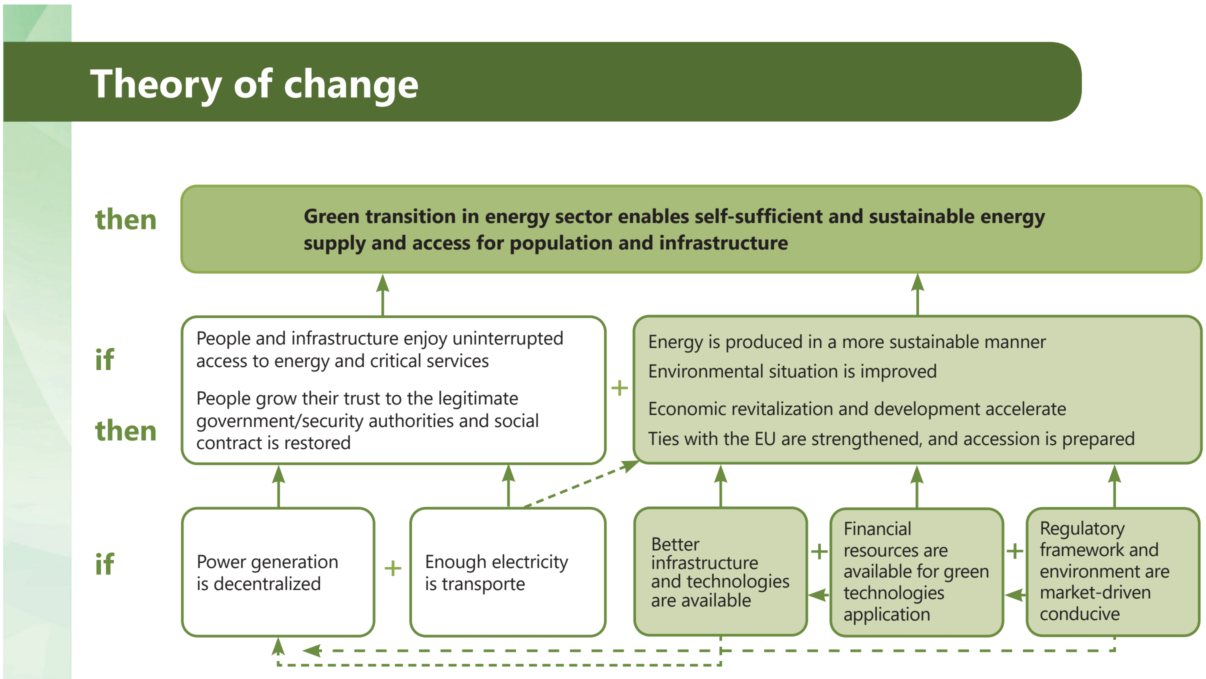
6. Intermediary re-pays the investors.

Additionally, an insurance-backed guarantee could be offered to give investors further comfort around the selection and performance of the supported de-mining activities. Indeed, involving local insurance companies in the process of signing off on the efficacy of any mine action will be important lest smallholder farmers are unable to secure the required coverage to protect the economic value of the de-mined land.

C. Multi-Region Recovery Bond

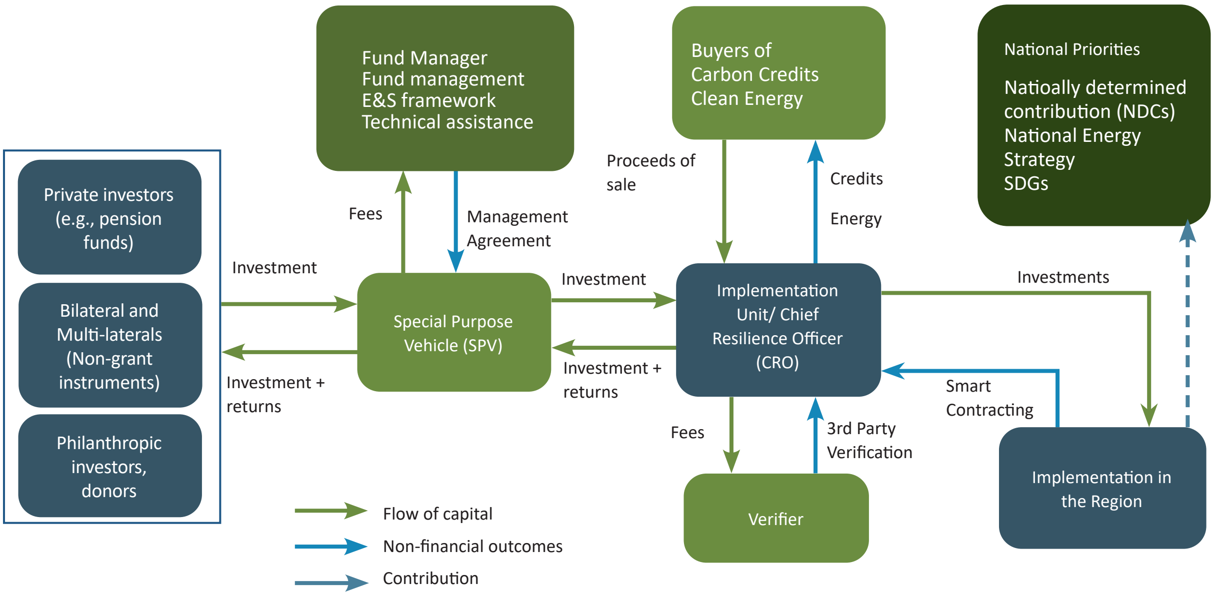
The continuing war in Ukraine has inflicted severe damage to the country's energy infrastructure, as documented in the Energy Damage Assessment Report led by the UNDP and the World Bank. Of particular concern is the impact on high-voltage power transmission assets and flexible generation capabilities, which include thermal and hydroelectric power plants. The UNDP's Theory of Change highlights the critical importance of decentralizing power generation.

Table 8 *Theory of Change of UNDP Sustainable Energy Accelerator*



The Multi-Region Bond will specifically invest in local energy projects to advance energy agenda of the country. This financing mechanism involves the creation of a Special Purpose Vehicle (SPV) where various types of investors will provide capital by buying tranches of debt with different seniority issued by the SPV.

***Table 9** Multi-Region Recovery Bond*



The SPV will be overarching and deployed centrally in Luxemburg to make the product scalable and cost-efficient. The SPV will then invest through a Chief Resilience Officer (CRO) in local energy projects that are aligned with the municipality's resilience strategy. Each CRO will act independently and will be financially governed by the management of the SPV. One CRO will be established for each Oblast to make the solution modular and add Oblasts from occupied regions over time. The energy and, potentially, carbon credits generated in each Oblast will be sold to respective buyers at the market price. The proceeds from sales will be routed through and the SPV back to investors and paid in the form of coupons. The coupon size will depend on the seniority of the tranche bought by the respective investor, and the principal amount will be amortized throughout the respective debt instrument. The advantage of this structure is that it is an off-balance sheet for the country.

D. War & Political Risks Insurance

Whether attracting overseas companies to open operations in Ukraine or supporting economic activity locally, one of the major challenges is the absence of insurance coverage for war and political risks. This complication has hindered the entry of foreign businesses into the Ukrainian market, while also being an inhibitor for domestic companies. To address this issue, a sustainable, public-private pool can be established to provide war/political risk insurance over the long term.

We recommend that the insurance be sold alongside traditional property policies – especially for domestic insurers. For overseas companies, the pool will work in tandem with the incentives offered by the Nanny Law (1116). Without such a solution, overseas companies considering investments in Ukraine would lack the necessary assurance to proceed. The proposed solution involves the establishment of a pool, backstopped financially at the excess layer by the G7 countries, and with cessions to reinsurers. In time, greater retentions by the Ukrainian government and domestic insurers are envisaged, as are cessions into the ILS market. To work, the financial commitments from the donor nations need to be large. However, these commitments can start relatively small, scaling with the amount of bound risk. Moreover, these commitments do not necessarily need to be fully collateralised.

To get this off the ground quickly, a simple escrow account can be opened by UNDP and funded by donors and Ukraine, with a linked insurance contract providing some protection from the international risk markets. However, as soon as possible, it would be recommended to create a more formal, regulated structure.

One way to design this in the first instance is to secure a notional commitment of, say, US$5 billion from the G7 and Ukraine. In practice, however, each of the eight countries (i.e., G7 plus Ukraine) would contribute, say, only US$62.5 million in the first instance, resulting in an initial capitalisation of US$500 million, or 10% of the total notional commitment. This initial capital would be utilized to cover qualifying investments, as advised by the Ministry of Economy and/or UkraineInvest. The fund would operate as an escrow account initially, administered by UNDP. There are precedents for using an escrow account as a short-term solution for war risk insurance in other conflict and frozen-conflict countries (e.g. Yemen). In the longer term, the fund can transition to either a Special Purpose Vehicle (SPV) or a domestic insurer.

To help sustain the fund and ensure its financial viability, a premium would be charged to the participating insureds. This figure would need to be large enough to make a meaningful contribution to co-funding the pool while remaining attractive when considered in conjunction with the various benefits offered by Nanny Law (1116). The pool would also benefit from interest on the balance in the escrow account, in addition to income from premiums. These income streams would provide a contribution to the operating costs of the fund.

To limit the net exposure of the fund, financial protection (in the form of an insurance contract for the funds in escrow) would be purchased to cover some part of each of the 10% tranches of the US$5 billion. The size of donor capital and the insurance purchased would scale as the capital in the pool is deployed against risks underwritten, ensuring room to cover new, qualifying investments. This risk mitigation strategy provides an added layer of financial protection for the pool and helps maintain its long-term sustainability. It also ensures that the private risk capital markets are fully engaged in solving the problem from the outset.

The creation of a pool to provide war/political risk cover is an essential step in stimulating net new investments in Ukraine and enhancing its economy. By addressing the absence of a commercial market for war risks, this proposal offers a comprehensive solution that aligns with Nanny Law (1116) and provides the necessary reassurance to overseas companies considering operations in Ukraine. The proposed financial structure, involving an escrow account initially operated by UNDP, ensures transparency and accountability. This initiative will attract foreign investments, promote economic growth, and contribute to the overall development of Ukraine’s economy. Furthermore, by including an SDG lens in the underwriting guidelines, investments in sustainable sectors (e.g. green energy) can be incentivised and accelerated.

E. Debt for Green Energy Swap

Ukraine agreed on a debt service freeze with Western governments until end of 2023[88]. The tenure of the debt freeze is supposed to be prolonged until end of 2024 given the ongoing war with Russia. However, Ukraine’s Public Debt Department (PDD) must deal with distressed debt once the freeze period ends. As can be seen in Table 8 distress levels are either relatively high or high on most of the indicators. One way to deal with the dilemma is a debt swap or debt-buyback transaction.

88 Reuters. 2022. Ukraine's western government creditors agree debt service freeze. https://www.reuters.com/markets/europe/ukraines-western-government-creditors-agree-debt-service-freeze-2022-09-14/

***Table 10** Debt distress indicators of Ukraine*

indicator / countries by region	public debt / gross domestic product	trend[1]	public debt / annual government revenues	trend[1]	external debt / gross domestic product	trend[1]	external debt / annual export earnings	trend[1]	debt service / annual export earnings	trend[1]	risk of debt distress according to IMF[2]
Ukraine	60.8	▼	152.1	▼	82.2	▼	214.2	▲	29.5	▲	
Uzbekistan*	37.8	▲	142.1	▲	56.0	▲	199.7	▲	20.7	▲	

1 ▲ increase by more than 10 per cent; ▼ decrease by more than 10 per cent; — stagnation (change of less than 10 per cent)
2 ☐ low risk of debt distress; ☐ moderate risk of debt distress; ☐ high risk of debt distress; ☐ debt distress;
☐ no risk assessment by IMF and World Bank; risk assessments older than 2019 were not included.
n.a. = no data available

A debt swap reduces a creditor's claim in return for investment in the debtor's development. Debt swaps rechannel the debt owed by a debtor country into its projects, easing its debt burden and resource needs. Debt-for-development involves the cancellation of external debt in exchange for funding development projects in the debtor country. Debt swaps emerged during the Latin American debt crisis and have been implemented in over 100 operations since then. They attract attention due to their positive impact on debt sustainability and commitment to socially beneficial development programmes[89].

A sovereign debt buyback transaction is a financial strategy that countries employ to manage their outstanding traded debt obligations. It entails the country, acting as a debtor, repurchasing its own debt, usually at a large discount to face value. A debt buyback transaction can be combined with a loan or new issuance (see Belize Blue Bond[90]). The transaction can be used to enforce policy and regulatory changes across the energy sector while helping the country to reduce outstanding debt.

F. Green Recovery Savings Account

During the ongoing war, Ukraine suffered dramatic damage to energy infrastructure as illustrated by the UNDP and World Bank-led Energy Damage Assessment Report, particularly high-voltage power transmission assets and flexible generation capacities (thermal and hydropower plants) were affected. Part of the theory of change of UNDP is the decentralisation of power generation. Decentralised energy generation is crucial for Ukraine as it reduces reliance on a centralised energy source which can be an easy target for Russian attacks and it minimises transmission and distribution inefficiencies, resulting in a more efficient and resilient energy system. This is especially important in war times when resources may be limited and the demand for energy potentially elevated. One way to decentralise energy generation is through photovoltaics (PV). Having PVs on rooftops across a city or oblast enables the utilisation of distributed energy resources, where end-user-level technologies, such as rooftop PV systems, are a key component. These systems allow for energy generation at the point of consumption, reducing transmission losses and increasing overall system efficiency. In addition, this solution will allow for energy community practices.

89 IMF. 2022. Debt-for-Climate Swaps: Analysis, Design, and Implementation. https://www.imf.org/en/Publications/WP/Issues/2022/08/11/Debt-for-Climate-Swaps-Analysis-Design-and-Implementation-522184

90 The Nature Conservancy. Case Study: Belize Blue Bonds for Ocean Conservation. https://www.nature.org/content/dam/tnc/nature/en/documents/TNC-Belize-Debt-Conversion-Case-Study.pdf

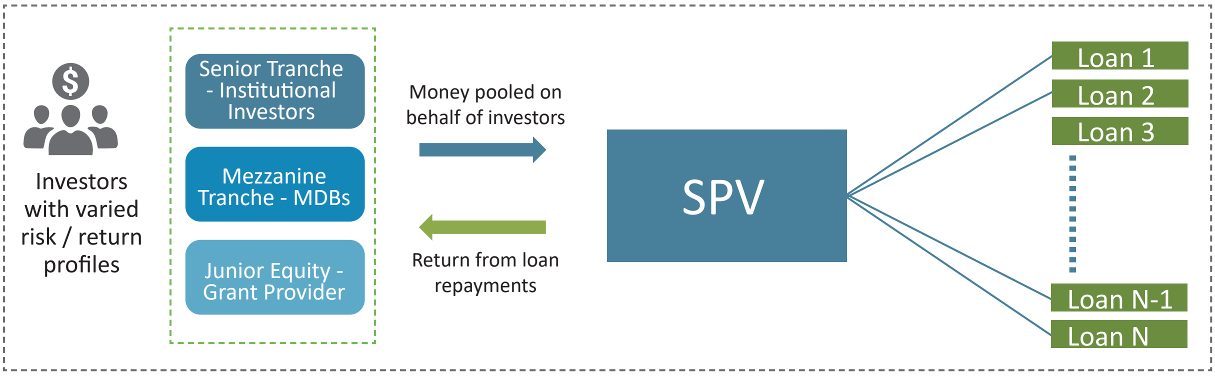
The PV revolution of Ukraine can be financed through the excess liquidity currently on the balance sheets of Ukrainian banks. This money from retail customers of the banks is depreciating. By investing it in the form of savings accounts dedicated to PV financing this money could generate significant revenues. In addition, to reduce war-related and project-related risks de-risking mechanisms could be put in place to protect retail clients.

G. Loan Facility

One of the pathways towards sustainable recovery security is local MSMEs. The business case of investment on a case-by-case basis for traditional lending is challenging given low loan amounts, prevailing high-cost levels and high debt servicing costs.

To add to the challenge, large international financial institutions typically have minimum size requirements for loan disbursement of this type, which are usually above US$ 50 million per transaction. A portfolio approach can often be promoted where the investment required is at least US$ 10 million per participant where this amount equates to around 10% to 20% of the total project size, resulting in a total facility of between US$50 million and US$ 100 million.

Table 11 *Revolving Loan Facility*



Credit or loan facilities can provide a suitable solution in this space. This credit facility can be structured using a form of blended finance, or they can simply work on a portfolio approach where all investors have the same risk-return profile. These credit facilities provide debt to local MSMEs on an individual basis but as part of a large portfolio which achieves a level of risk mitigation through the portfolio approach. Usually, facilities like this are set up for a multi-year period, e.g., for 20 years, or are rolled into a new facility on a yearly basis. SPVs are often used for this type of financial instrument. An SPV is defined as a legally distinct entity created specially to carry out pre-specified activities for a sponsor company. Within this financial structure, the capital is paid into the SPV at the point of setup of the SPV. Within the facility, the capital is used to provide loans to local MSMEs for a pre-determined purpose and in line with pre-defined measurement, reporting and verification criteria and financial risk assessment. The investments into the SPV will be in a blended manner combining Junior, Mezzanine and Senor Tranches (see Table 11). On the other hand, the SPV will provide loans to eligible companies. Eligibility criteria will be set up in close collaboration with UNDP.

Blended Finance Mechanisms for Revitalization of Ukrainian SMEs in the Manufacturing Sector

The impact investing fund I (IIF I)

- Funders: Ukraine as a state through a public entity (share of 10%), donors (up to 30%), and private investors.
- Profitability: 5% for donors, market rate of return for private investors.
- Target: Ukrainian SMEs which are critical to the country's recovery and reconstruction process and create positive social and development impact.
- Fund Manager will be outsourced to the private sector professionals, selected jointly through the tender.

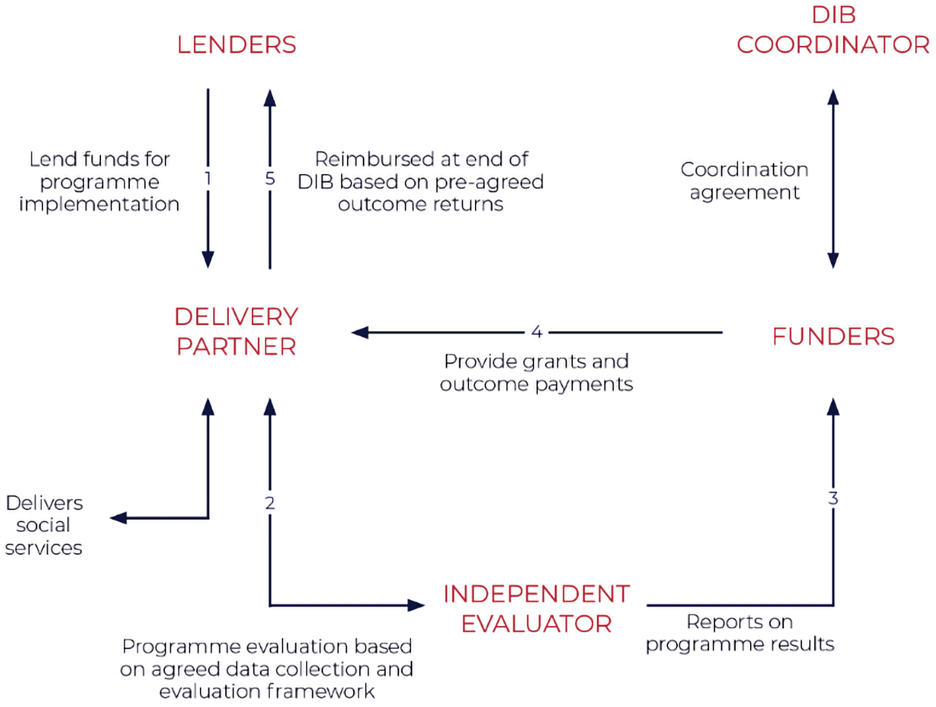
Impact investment fund II (IIF II) - Bond issuance (As an option, the issuance may be private among private investors, foundations, and development agencies)

- Newly established Impact investment fund (IIF II) will invest in Ukrainian SMEs that generate both a social or environmental impact as well as a financial return, and in which private or institutional investors can potentially invest.
- IIF will hold a placement of bonds. To reduce risks, the interest under such bonds will be paid by donors - IFIs and/or development agencies according to preliminary commitment, thus, financial returns for investors are guaranteed.
- Principal will be paid bullet payment in 7 years (tentatively) upon exits unless extended by the investors for an extra 5 years. Proceeds above the principal will be repaid/made available to the donors who compensated the interest.
- SME targets equity, envisaging respective put options. Ukraine as a state will participate in every project with a 10% share.
- Fund management will be outsourced to the private sector professionals, selected jointly through the tender.
- Insurance might be thought on an optional basis for those private investors considering joining IIF.

The impact bond (Development Impact Bonds (DIBs))

- Bond is a privately placed issuance which is a contract among Lenders (private investors, donors, and implementing agencies) that have agreed upon a shared social outcome (jobs creation, food security, environmental conservation efforts, etc).

***Table 12** Development Impact Bond Structure*



- Lenders fund social programs in advance, and third-party donors (funders) remunerate investors with principal plus financial returns if – and only if – evidence shows that programs achieve pre-agreed outcomes.

- Key steps include developing an agreement with clearly defined performance indicators and outcomes, verifying results, and disbursing payments if and when pre-agreed results are achieved.

- **Donors (funders)** – multilateral organizations, charity oundations, and corporations that pay for outcomes.

  Investors (lenders) – social impact investors, including corporates, and foundations.

  Recipients – a fund that receives pre-financing to invest in SMEs in order to deliver social impact.

  Evaluators – provide independent verification of results as required.

  Intermediaries (DIB coordinator) – facilitate and manage the development of contracts, transfers of payments, and performance management.

  Delivery partner – Ukrainian Investment fund or newly established fund.

- In the case of failure, the donors will reimburse 50% of the costs to the bondholders.

- Social Investors take the risk of funding a development programme upfront knowing that repayment and interest will depend on the level of success of the Delivery Partner in generating pre-agreed social outcome targets. These "outcome payments" are made by Outcome Funders. The quality of the model rests on a robust evaluation of the outcomes by an independent third party.

Food Security Facilitation Program

- Background: due to the military aggression of the Russian Federation in Ukraine, approx. 20% of the territory remains occupied, with respect to losses in the agricultural infrastructure, land bank and stocks, which resulted in a significant deterioration of the financial standing of major exporters, and thus, the availability of fresh credit/trade credit financing (TCF) / pre-export finance (PXF) supporting the trade. Sea logistics are heavily affected by the Russian position.

- Most EU-based TCF banks are trying to cease their risk limits to Ukraine, while local banks offer very low LTVs for grain-secured deals. Local Ukrainian export credit agency (ECA) neither is allowed to ensure commodities (like grain) nor has re-insurance limits available from foreign counterparts to accommodate an extra US$500-600 million of exposure.

- Market structure: roughly half of the 30-50 million tonnes grain exports are being taken care of by a few major global traders, under their in-house credit facilities. For the rest of the exporters, TCF was provided by a few Swiss or Netherlands banks on a bilateral basis.

- Objectives: **to enable public sector finance mechanisms**, addressing the gap in the availability of affordable pre-export and trade finance for Ukraine; to the extent possible, employ quasi-sovereign resources and private asset management/investment funds, on an arms-length basis.

- Framework: an SPV/fund set up by UNDP/UNOPS for Ukrainian export finance risk acquisition

- Three tiers:

  Tier 1: UN to take the role of first loss absorption (being compensated by G20 participants on a pro-rata basis) in the amount of US$100 million at ROI to compensate the cost of the external (outsourced) fund manager.

  Tier 2: G20 countries to allow a country-specific exposure limit for their home ECAs/State Insurance Companies in the SPV/fund, in an aggregate amount of US$200 million at discounted/minimal cost.

  Tier 3: Private funds/asset managers will be invited to participate in the amount of US$ 300 million at market rates.

- Tenor: 2 years+; SPV/fund can be rolled over if the credit supply for Ukraine remains limited.

- Instruments:

  a) direct lending to Ukrainian agri-sector exporters (grain stock used as collateral from the moment of the first inner silo boarding till the LC opening from the buyer);

  b) provision of the SPV/fund guarantee or deposit for EU/Swiss/US banks which facilitates a documentary credit for the trade;

  c) partial portfolio guarantees for the local banks (including state-owned banks) reducing their risk exposure/doubling the grain collateral values.

- The ultimate blended cost of SPV/fund resources for the clients shall be kept under 6% p.a. if cash transaction, and under 1.5% if guarantee(re-insurance) type of structure.

Leasing program

- Main lessors: public or private leasing companies from partner countries (G7).
- Lessors: subsidiary leasing companies of Ukrainian banks or subsidiaries of foreign leasing companies.
- Sublessee: SMEs
- Assets for leasing: industrial and energy equipment, agricultural machinery, etc.
- State (Ukraine) may provide a guarantee for full or partial advanced payment of the sublessee.
- Assets insurance: is covered by Ukrainian insurance companies and reinsured by ECA of leasing assets' country of origin under the political decision of respective governments, to minimize the total financial cost of leasing.

6. READINESS OF UKRAINIAN SMES FOR COOPERATION WITH PE FUNDS, AND DFIS; ILLUSTRATIVE PIPELINE OF PROJECTS

In the modern socio-economic landscape, small businesses constitute the cornerstone upon which innovation-driven nations, particularly those in Europe, build their sustainable development. Ukraine is no exception, where small and medium-sized enterprises (SMEs) wield significant influence over the nation's economic trajectory, contributing substantially to its growth, stability, and employment opportunities. These enterprises stand as the bedrock of Ukraine's business ecosystem, propelling innovation, nurturing entrepreneurship, and diversifying economic pursuits.

In the year 2021, SMEs wielded considerable influence, accounting for approximately 60% of the national Gross Domestic Product (GDP), generating employment for nearly 7 million individuals, and contributing 40% of tax revenues. Even in the face of a full-scale Russian invasion, SMEs continue to serve as a linchpin of the nation's resilience. Before the invasion, SMEs were responsible for a staggering 73% of the nation's employment[91].

Before the invasion, Ukraine boasted approximately 18,000 medium-sized companies and over 350,000 small-scale enterprises. However, in the past 18 months, amidst relentless Russian attacks on critical infrastructure, the nation's GDP plummeted by a stark 29.1% in 2022. SMEs, too, bore the brunt of this full-scale invasion, with countless businesses compelled to suspend or curtail operations, and downsize their workforce, and, regrettably, many were coerced into relocating[92].

It is paramount to underscore that SMEs wield significant influence in nurturing regional development and mitigating economic disparities. Frequently, they establish operations in small towns and rural locales, thus decentralizing economic activities and stimulating local economies. These enterprises represent the vanguard of innovation and entrepreneurship. Renowned for their adaptability

91 Ukrinform, 2021 http://surl.li/mzbuh

92 Forbes.ua, 2023, http://surl.li/mzbuf

and agility in responding to ever-evolving market dynamics, many Ukrainian SMEs remain at the forefront of pioneering technological advancements and innovative business models. They also significantly contribute to Ukraine's global trade footprint, actively participating in exports and expanding access to Ukrainian products and services on the global stage.

Notwithstanding their substantial contributions, SMEs in Ukraine grapple with an array of challenges, including limited access to financing. As Ukraine embarks on an ambitious journey of reconstruction, the role of SMEs remains indispensable, owing to their pre-war track record. Hence, it is imperative to establish a robust foundation and provide unwavering support to these enterprises. In essence, SMEs will serve as the lynchpin for Ukraine's reconstruction, underlining the urgency of fortifying and fostering them at this juncture.

Ukraine has implemented special investment incentives aimed at fostering the growth and sustainability of small and medium-sized businesses (SMEs). One of these incentives is the establishment of industrial parks, offering a range of benefits to qualifying enterprises, including:

- Exemption from Corporate Income Tax: Eligible businesses operating within industrial parks enjoy a tax exemption on corporate income for 10 years.
- VAT Exemption on Imports of New Equipment: SMEs within industrial parks are granted exemption from Value-Added Tax (VAT) for imported new equipment.

Furthermore, the government has improved the existing legislation in support of investment projects with significant contributions in Ukraine. Key amendments include:

- Reduction in Investment Thresholds: The revised law has lowered the investment threshold from 20 million euros to 12 million euros, aiming to encourage more investment into the country.
- Early Investment Allowance: The law now permits up to 30% of investments to be made 18 months prior to the formalization of a special investment agreement.
- New Forms of State Support: The updated legislation introduces new state support measures, including compensation for the costs associated with constructing related infrastructure.

Moreover, Ukraine maintains the Law of Ukraine on State Support of Investment Projects with Significant Investments in Ukraine, which continues to offer several benefits:

- Five-Year Corporate Income Tax Exemption: Businesses under this law benefit from a five-year exemption from corporate income tax, thereby easing the tax burden during the initial phases of their projects.
- VAT Exemption on Equipment and Components Imports: The law extends the VAT exemption to the import of new equipment and its components, reducing financial barriers.
- Land Leasing Without Auction: The law permits the lease of state or municipally owned land plots without the necessity of an auction, simplifying land acquisition.
- Land Tax Exemption or Reduced Rates: Lastly, the law grants an exemption from land tax or lower land tax rates, providing additional financial relief.

These comprehensive incentives collectively aim to create a conducive environment for investment, stimulate economic growth, and facilitate the flourishing of small and medium-sized businesses in Ukraine.

The Ukrainian government duly recognizes the vital role played by small and medium-sized businesses in the nation's economy. Consequently, there are ongoing efforts to stimulate and support these enterprises. However, it's acknowledged that further support is essential for SMEs to recover and flourish swiftly. To address this, it's imperative to attract substantial private capital for SMEs, emphasizing the necessity to establish impact investment funds in Ukraine, with a specific focus on small and medium-sized businesses. These funds would play a crucial role in providing the required financial backing for the growth and sustainability of SMEs, contributing significantly to the nation's economic recovery and prosperity.

Projects seeking investments

Despite the challenging global circumstances, various projects are actively seeking investment opportunities to endure and thrive.

Project 1

In the year 2021, a prominent agricultural conglomerate in Ukraine initiated a strategic investment project with a total capital outlay about of USD 50 million, with the primary objective of expanding its soybean processing capabilities. This ambitious endeavour aimed to bolster the company's soybean crushing operations by introducing a new production line specifically engineered for the manufacture of Specialty Protein Concentrate (SPC). This SPC product boasts a protein content ranging from 60% to 70%, complementing the existing repertoire of soybean meal and oil production.

Comprehensive market research has conclusively demonstrated that Specialty Protein Concentrate stands poised as a unique and valuable commodity in the European market. The introduction of Feed SPC holds particular significance, as it directly addresses the burgeoning demand for specialized aquaculture feed within European markets. This ground-breaking product is set to mark Ukraine's entry into this niche sector and exhibits substantial export potential. While the project has received considerable financial backing from the Ukrainian government along with a range of tax incentives, its successful execution still necessitates private equity investment to reach fruition.

Project 2

A prominent Ukrainian agribusiness specializing in tomato processing has undertaken a strategic initiative to expand its production capacity and venture into new markets. To strengthen its capabilities, the company plans to build a fourth processing plant to extend its operational reach and enhance its market presence and overall competitiveness. The project strives to amplify the total production capacity of tomato paste by 30%, strategically aligning with burgeoning market demands.

Implementation of precision farming methodologies, logistics optimization, adoption of energy-efficient equipment, and increased automation are anticipated not only to elevate production efficiency but also to mitigate CO2 emissions, thereby contributing to improved climate resilience. This substantial undertaking has been acknowledged and classified as a "GREEN" initiative, demonstrating exceptional compliance with Environmental and Social Impact Assessment (ESIA) standards.

The estimated cost for the entire project stands at more than EUR 50 million. Although the company has already applied to a financial institution, additional investments remain critical to ensure the prompt operationalization of this endeavour.

Project 3

Another company, a consortium of logistics operators, remains committed to advancing its operations in Ukraine. As part of their ongoing efforts, they are undertaking a significant project involving the construction of a cutting-edge Class A logistics complex. For this ambitious endeavour, the company has adopted a multifaceted investment strategy. This approach encompasses a diverse array of financing sources, potentially encompassing equity investments, loans, and strategic partnerships, all of which are vital in securing the necessary capital for the project's realization. The total investment requisite for the project stands at approximately USD 40 million, with the company pledging 20% of this sum.

The company had already received technical specifications for connecting all communications, held two stages of tender among design organizations, started preparing for the audit procedure according to international standards, held a tender, and selected the winner to develop a feasibility study for the project.

Sample pipeline of companies

Amidst the ongoing Russia's full-scale invasion of Ukraine, businesses are not merely in pursuit of investment, they are also demonstrating remarkable resilience by securing and effectively executing their projects.

Company 1

Investment fund with the support of the European Bank for Reconstruction and Development have recently inked a substantial agreement, committing USD 20 million to Ukraine's company. The investment will be channelled into several key initiatives, including the construction of a state-of-the-art soybean processing plant, expansion of the capacity for feed additives production, and introduction of additional production lines for packaged feed.

The planned capacity of the lines is designed to process about 100,000 tons of soybean products per year. The implementation of the investment agreement will help expand the company's production and create new jobs, which will bring the company to a new stage of development and expand the range of high-value-added products.

Company 2

Meanwhile, another Ukrainian company network, encompassing medical centres and hospitals catering to both adults and children, has experienced noteworthy expansion. Ukrainian investment bank has been instrumental in supporting the development of a comprehensive hospital facility within the medical chain. With a total investment of approximately USD 20 million, this medical complex covers a sprawling area exceeding 10,000 square meters. The new facility covers all the needs of patients - from emergency care and basic diagnostics to complex surgical interventions.

Thus, approximately 1000 jobs were created. The multidisciplinary hospital will increase the number of adults and children admitted by almost 50% per year, which will allow the company to reduce the negative impact of Russian aggression on business operations.

Company 3

Further bolstering Ukraine's agricultural sector, the Ukrainian agriculture company is set to receive approximately EUR 30 million from the foreign investment fund. This substantial infusion of capital is earmarked for expanding the capacity in southern Ukraine. The investment will fund the construction of a cutting-edge elevator with a storage capacity for more than 100 thousand tons of grain.

The facility expansion will significantly increase the branch's export capabilities, with the expected annual output almost doubling the current figures. This expansion will enable the company to supply flour to both domestic markets and support the UN World Food Program's vital food security mission. Furthermore, this development will generate employment opportunities for an additional 100 specialists within the region, contributing to local economic growth and sustainability.

In summation, small and medium-sized businesses stand as the lifeblood of Ukraine's economic landscape, propelling economic growth, fuelling job creation, and spearheading innovation. Recognizing their pivotal role and instituting policies tailored to their advancement represent the linchpin for Ukraine's long-term economic prosperity and stability.

7. GOVERNMENT, UNDP, AND OTHER INTERNATIONAL ORGANIZATIONS' ROLE IN THE CREATION, AND FACILITATION OF IMPACT INVESTMENT IN UKRAINE

UNDP's Role and Value Added

UNDP is uniquely positioned to promote sustainable finance through its extensive global network and established credibility. UNDP works in about 170 countries and territories, helping to eradicate poverty, reduce inequalities and exclusion, and build resilience so countries can sustain progress. Under its multiple projects, it draws on a critical mass of UNDP expertise, initiatives, and partnerships to support the mobilization and leveraging of private and public resources for the Sustainable Development Goals (SDGs).

Due to its particularly neutral role, UNDP is not engaged with financial transactions and focuses primarily on providing advice on how sustainable development can be integrated into financial transactions. UNDP's engagements across governments, private sector, and other partners distinctively places UNDP as an architect for the multistakeholder platforms necessary to leverage and align finance at the scale necessary to deliver on the SDGs.

Expertise and experience gleaned from this extensive work is pooled in UNDP's dedicated Sustainable Finance Hub (SFH), and devolved to 170 programme countries via UNDP's country offices. UNDP's Istanbul International Center for Private Sector in Development, established in 2011 in partnership with the Government of Turkey, is an integral part of the SFH. It supports the private sector and foundations to become transformative partners in development through research, advocacy for inclusive business, and the facilitation of multi-stakeholder partnerships.

Other examples of specific centres of excellence within the SFH include the Insurance & Risk Finance Facility (IRFF). Working side-by-side with the insurance industry and governments, the IRFF scales financial protection, builds long-term resilience, stimulates economic activity and advances human development.

As a result, there are numerous roles UNDP could play in promoting impact investing specifically in Ukraine. These roles include, among others, the following:

1. **Convener:** Design, structuring, and implementation of innovative financing mechanisms requires cooperation with various stakeholders. UNDP can play a fundamental role in coordinating and convening the multiple parties, including international organizations (as discussed below), governments, philanthropic organizations, private sector, and subject experts, that need to be involved in order for this initiative to succeed.

2. **Pipeline:** Develop a pipeline of investment-ready projects seeking commercial and blended investments in business areas in recovery priority areas identified by the government.

3. **Investor Mapping:** Map investors, concessional and commercial, ready to deploy capital to expansion and mature-stage projects through debt, equity and quasi-equity instruments.

4. **Partnership Development & Product Structuring:** Identify and build partnerships with the right private sector partners, helping them develop financing structures to execute transactions.

5. **Incubation:** Prepare select growth-stage SMEs for capital deployment by providing technical assistance on investment readiness and pre- and post-investment support, with a particular focus on impact management and measurement.

6. **Product innovator:** Through the Sustainable Finance Hub (SFH) and Istanbul International Center for Private Sector in Development (ICPSD), UNDP has been providing support in the design and deployment of impact investing and innovative fit-for-purpose finance mechanisms.

7. **Capacity building:** Capacity building in the form of workshops and the production of informational and educational materials required by investors, donors and local stakeholders to build institutional knowledge, capabilities and skills around impact investing.

8. **Impact measurement and management:** Provide impact measurement and management services for enterprises, private equity and VC funds, bond issuers, financial centres and business accelerators to help them integrate sustainability and the SDGs into business and investment strategies, management systems and decision-making to enhance their performance on sustainability and positive contribution to achieving the SDGs.

9. **Research and advocacy:** The UNDP ICPSD is well placed to inform the global policy environment with research and advocacy on the critical role of impact investing in enabling economic recovery and growth. Under its “Impact Investment” thematic area, the Center offers research, advocacy and multi-stakeholder partnership services to diversify sources of financing for the Sustainable Development Goals (SDGs) with a focus on attracting private impact capital. In collaboration with the UNDP Country Office, the Center developed the **SDG Investor Map** and **Impact Investing Ecosystem study**, aimed at promoting impact investing climate in the country. After the beginning of the full-scale invasion by the Russian

Federation, ICPSD resumed its support and conducted an **Assessment of Access to Finance** by MSMEs in Ukraine.

International Organizations' Role and Value-Added

The role of international organizations, in our case of International Financial Institutions (IFIs) and Development Finance Institutions (DFIs), is comparatively broader and is suggested to positively impact financial asymmetries of individual economies and help rebalance the uneven distribution of global investments.[93] In the context of sustainable finance, IFIs and DFIs offer a vast range of financial and non-financial products and services, such as bond issuance, de-risking, guarantees, and blended finance as well as technical assistance and capacity building.

Set up to support the social and economic development of developing countries and countries with emerging economies, international financial organizations, including the multilateral development banks (MBDs) and national development banks (NDBs), increasingly focus on enabling sustainable development and meeting the SDGs.

1. **Anchor Investor:** International financial organizations can play the role of anchor investors to help gather momentum for the impact fund, enhance the perceived credibility of the issuer and, through its network, attract other investors to provide seed financing for businesses. For example, in 2022, the World Bank's International Finance Corporation (IFC) pitched US $30 million as an anchor investor for the Horizon Capital Growth Fund IV (HCGF IV) that will focus on growth equity in tech and export-oriented SMEs in Ukraine and Moldova.[94]

2. **Bond Issuer:** Financial organizations can issue thematic bonds to fund SDG-aligned projects and finance bond investments from other issuers. Issuing a thematic bond can boost local markets and at the same time provide the issuance support in jurisdictions where the state or municipalities do not have the capacity. For example, in 2022, the first issuance of green bond listed and traded in Georgia was supported by the Dutch Entrepreneurial Development Bank (FMO), International Finance Corporation (IFC), the EBRD, and the Asian Development Bank.[95]

3. **Guarantee Provider:** IFIs and DFIs can use guarantees to mobilize private finance. Guarantees ensure private investors' returns, therefore, enabling private investments into projects with high-risk profile. In 2023, the European Bank for Reconstruction and Development (EBRD) issued a €60 million risk-sharing instrument to support newly originated loans by state-owned Ukrainian bank PrivatBank to agribusiness and private sectors.[96]

4. **Blended Finance & Grants:** Blended finance is another tool IFIs can use to mobilize private capital. It allows for attracting commercial capital towards projects in sustainable development and can yield different levels of financial returns to investors. DFI can also

93 Francisco Z.A., 2022. Impact of international organizations on the institutional development of investment activity, European Research on Management and Business Economics, Vol. 28, Issue 3, 100191, ISSN 2444-8834, https://doi.org/10.1016/j.iedeen.2021.100191.

94 TechCrunch. 2022. IFC and other impact investors return to backing Ukraine startups, with new $250M fund aimed at founders under the gun. https://techcrunch.com/2022/09/26/ifc-ukraine-startups/

95 EBRD. 2022. EBRD invests US$ 13.8 million in first green bond listed in Georgia. https://www.ebrd.com/news/2022/ebrd-invests-us-138-million-in-first-green-bond-listed-in-georgia-.html

96 EBRD. 2023. EBRD provides €60 million guarantee to support lending by Ukraine's PrivatBank. https://www.ebrd.com/news/2023/ebrd-provides-60-million-guarantee-to-support-lending-by-ukraines-privatbank.html

provide **grants** and/or equipment and training. These grants significantly reduce project risk for the commercial lender.[97]

5. **Capacity Building and Technical Assistance:** IFIs and DFIs play an important role in developing methodologies, providing knowledge through training and courses, and giving access to tools and experts to governments and businesses for the issuance of bonds, implementation of sustainable finance policies or blended finance transactions. Technical assistance can include framework- or pipeline development.

6. **Project pipeline development:** Project preparation facilities (PPFs) are key to supporting the development of economically attractive project and pipeline investment opportunities. For example, under its PPF, the Green Climate Fund (GCF) provides financial and technical assistance for the preparation of climate finance project and programme funding proposals. The PPF helps accredited entities, usually sub-national, national or regional organizations, in preparing full proposals based on a concept note cleared for project preparation support.[98]

7. **Data Provision:** Financial institutions are also engaged in data provision related to climate change, energy transition, and carbon foot printing. For example, the IMF Climate Change Indicators Dashboard offers a statistical tool linking climate considerations and global economic indicators. The data can be useful for governments and central banks which lack the capacity to collect the data for investment evaluation.[99]

97 Climate Bonds Initiative. Development Finance Institutions can ensure private capital is accessed by all. https://www.climatebonds.net/policy/101-policymakers/finance

98 GCF. 2020. Project Preparation Facilities. https://www.greenclimate.fund/projects/ppf

99 IMF. 2023. Climate Change Dashboard. https://climatedata.imf.org/

8. MAPPING OF KEY STAKEHOLDERS THAT MAY CONTRIBUTE TO THE DEVELOPMENT OF IMPACT INVESTMENT MARKET IN UKRAINE, THEIR ROLES, PROPOSED COURSE OF ACTIONS, AND COORDINATION OF ACTIVITIES

(See annex II. Major stakeholders for Impact Investing in Ukraine. Taken from Ukraine Impact Investing Ecosystem study).

9. COORDINATION OF UKRAINE'S, AND G7 ACTIONS TO FACILITATE IMPACT INVESTMENT FOR SMES IN UKRAINE, OR SMES INTERESTED IN ENTERING UKRAINE

Given the full-scale military aggression in Ukraine, we consider the importance of reviewing the strategic approaches of international financial organizations to cooperate with investment funds that support SMEs. Such cooperation should be implemented with the active support and coordination of the Government of Ukraine, the G7 countries, UNDP, and other international partners.

In particular, it is necessary to pay attention to the restrictions that exist concerning the creation of new Ukrainian investment funds and consider the possibility of lifting such restrictions. Here are a few straightforward steps to support the development of an ecosystem for VC/PE funds aimed at financing and supporting the development of the SME sector which is pivotal for the overall reconstruction and economic transformation processes in Ukraine:

1. Policy Adjustments for Key Anchor Investors (EBRD, IFC, FMO, DFC, DEG, IFU, PROPARCO, and other developmental institutions). It is recommended to consider:

1.1. Launching the investment processes (screening, due diligence) by key anchor investors into funds in Ukraine now, without waiting for the resolution of the conflict.

1.2. Expanding the team size of key anchor investors to be able to approve investments in Ukrainian funds annually.

1.3. Removing standard restrictions for Ukrainian funds, including “no first-time funds”, “no one-country funds,” “no one-sector funds”, “no more than 20% of capital in one fund,” etc.

2. Creation of a "Ukrainian Fund of Funds":

2.1. Establish a "Ukrainian Fund of Funds" that automatically co-invests in Ukrainian PE/VC funds approved by any of the aforementioned anchor investors.

2.2. "Ukrainian Fund of Funds" will match the investment amount under the same terms and conditions set by the anchor investor.

An intergovernmental group with the participation of the representatives of international financial organizations as well as investors and SMEs. The main goal of this group is to regularly discuss and develop proposals for supporting SMEs through investments, as well as:

- Adapting to the rapidly changing conditions in the conflict zone requires prompt solutions, in particular in response to the challenges faced by businesses: logistical constraints, supply chain disruptions, and the need to establish new production lines in Ukraine. Particular attention should be paid to supporting SMEs that help Ukraine shift from exporting raw materials to domestic processing and supplying the local and regional markets with high-value products.

- To bolster the reliability and allure of investments in Ukraine amid military conflict, intensified cooperation in investment insurance, especially against war risks and unforeseen events, is crucial.

- Involve multinational corporations in co-investment by using their funds aimed at corporate social responsibility by promoting the development of SDGs and ESGs. Such funds can be used in conjunction with donor funding to ensure sustainability by covering potential first losses.

- The Government of Ukraine and the G7 are also recommended to strengthen efforts to develop the capacity of Ukrainian SMEs to prepare investment projects that can be financed by impact investment funds. It is necessary to focus on the proper preparation of feasibility studies, reporting, risk assessment, and other important aspects that are considered when investing.

- Continue to work actively in establishing investment insurance programs. Esteemed international insurance agencies, including MIGA, USDFC, and certain German agencies, are currently offering investment insurance services in Ukraine, notably covering war-related and unexpected events. Despite these provisions, the current scope of coverage is insufficient to secure the necessary investment influx for Ukraine's reconstruction endeavours.

It should be highlighted that the issue of engaging the private sector, especially with a focus on small and medium-sized businesses, should be an integral part of the agenda of all intergovernmental meetings between Ukraine and its international partners. Each such meeting should become a platform for discussing and developing specific recommendations and action items for implementing programs to support and promote SME development in the face of the challenges facing Ukraine.

ANNEX

Annex I. Major Impact Generating Private Capital Enterprises and Funds

Enterprise/Fund	AUM	Region	Description
Activitis	N/A	Ukraine	Activitis is a Ukraine-based financial firm specialising in financing solutions and factoring. Since 2013, Activitis has assisted mid-sized and large businesses to achieve their financial goals and scale up their operations. The company provides an opportunity to instantly receive funds upon shipment of products under current contracts. It has financed over UAH 200 million small and medium-sized enterprises and has over UAH 4.4 billion of fulfilled debt obligations under factoring contracts.[100]
AVentures Capital	US$ 100 million	United States / Global	The fund invests in early-stage startups and IT companies in the growth phase. It has closed over 460 deals in Ukraine over the last six years. Its portfolio includes **Bookimed** – a free global platform enabling users to search for hospitals and arrange treatment worldwide. Bookimed has become the world's leading medical tourism provider. The platform lists 300 hospitals and services over 300,000 users per month, clearly increasing people's access to medical services. AVentures has also invested in **SolarGap**s, which produces smart blinds that automatically track and generate energy from the sun. Besides reducing users' electricity costs by 30%, SolarGaps helps to mitigate climate change by reducing their carbon footprints.
Flashpoint Venture Capital	US$400 million	Global	Flashpoint manages five venture funds: three VC funds, a Venture Debt Fund, and a Secondary Fund. Flashpoint is committed to investing in themes that change the world for the better, including investments in e-learning, telemedicine, and online job platforms.[101] In its portfolio, Flashpoint holds several companies of Ukrainian origin, including **Preply** a global language learning marketplace, connecting 50,000+ tutors with millions of learners from all over the world. The company has launched a Language Aid Program to match volunteer tutors with displaced Ukrainians for free online language lessons. During the program, Preply's volunteers offered more than 1,300 lessons to over 31,500 students in the program. [102]

100 Activitis [Homepage]. https://activitis.com/

101 Flashpoint [Homepage]. https://flashpointvc.com/

102 Preply. 2022. Preply announces Language Assistance Program to help displaced Ukrainians. https://preply.com/en/blog/preply-language-assistance-program/

Enterprise/Fund	AUM	Region	Description
Gazelle Finance (GF)	N/A	Eastern Europe	Gazelle Finance (GF) is a private equity fund manager based in the South Caucasus that invests in high-growth companies in countries of Eastern Europe. GF targets underserved SMEs operating under US$ 3 million in revenue segment. Gazelle Finance provides growth capital and risk financing to SMEs in the form of two instruments: income participation loans and equity investments. With the support of DFC, FMO and DGGF, Gazelle Finance launched **Ukraine Bridge Facility** to provide bridge financing and technical support to a select group of Ukrainian companies and their employees, who have been forced to relocate or disperse across the region and need to regroup and centralize their operations for an indeterminate period in the business-friendly environments of Tbilisi and/or Yerevan.
Horizon Capital	US$ 1.4 billion	Emerging Europe	Horizon Capital managed to raise US$254 million at the first close of its Horizon Capital Growth Fund IV, which has been set up to invest in technology and other export-oriented companies in Ukraine and the surrounding region. Such private funds as **WNISEF** and **Zero Gap Fund**, an impact investing collaboration between The **Rockefeller Foundation** and the John D. and **Catherine T. MacArthur Foundation**, made their contributions. (Forbes.ua https://forbes.ua/news/horizon-capital-zaluchiv-254-mln-dlya-investitsiy-v-ukrainskiy-biznes-pid-chas-viyni-28042023-13369)
ICU Ventures	Over US$500	Global	Independent asset management private equity and investment advisory firm. Its investment portfolio includes **Good Money** – the first banking platform owned by its customers. Besides generating a yield of up to 8% on deposits in Good Shares, Good Money donates a percentage of each transaction to the Rainforest Trust. Every purchase a client makes saves ten trees and 133 insects and animals. Good Money pledges to invest 50% of its profits in environmental and social justice.
Overkill Ventures	N/A/	Europe, United States	Nordic-based angel fund investing in technology companies that create business-to-business solutions, offering them up to US$250,000 in pre-seed funding. Overkill Ventures has invested in the **Meridot** electrical scooter charging startup, which saves energy spent on recharging with its innovative wireless charging pad technology. This technology can potentially be applied to other electric vehicles, including bicycles and cars.
SID Venture Partners	N/A	Global tech companies with Ukrainian & CEE founders	SID Venture Partners is a Ukrainian high-technology venture capital firm, focusing on investments into early-stage technology startups. Its portfolio includes social companies, telemedicine, and financial management for SMEs among other things. **Numo** is a woman-led social company with an application for people with ADHD (Attention Deficit Hyperactivity Disorder). Numo uses life-gamification, rewards, accountability community, executive function coaching, and cognitive behavioural therapy to get ADHD treatment to the next level.[103]

103 SID Venture Partners. https://sid.fund/

Enterprise/Fund	AUM	Region	Description
SMOK Ventures	PLN 46.3 million (~US$ 12 million)	Central and Eastern Europe	A US-based venture capital fund investing $US100k-US$1m in early-stage startups. Although the fund's primary focus is software and game development, its portfolio includes impact startups, and companies specializing in renewable energy, telehealth, and environmental solutions. SMOK Ventures looks ahead to start investing in early-stage startups in Ukraine and the Baltic states with two investments to be announced soon.[104]
SMRK	US$ 10 million	Ukraine	The fund considers projects at all stages of maturity; however, it mainly deploys capital into startups in the seed and Round A stages. The fund typically invests between US$100,000 and US$1 million.[105] Since its establishment in 2013, SMRK's portfolio has grown to include 15 projects, among them **Esper Bionics**, the developer of IoT devices for prostheses, and **Carbominer,** the creator of an advanced technology that captures CO2 emissions from the air.
SupplierPlus	N/A	Estonia, Ukraine	SupplierPlus is an Estonian fintech company providing reverse factoring services. In 2020, a subsidiary company in Ukraine opened reverse factoring limits for Ukrainian companies in the amount of UAH 100 million (USD 2.7 million). In 2021, the company expected to reach the limit of factoring financing on its platform UAH 500 million–UAH 1 billion (USD 76 million – USD 27.3 million). These limits have been closed since the 24th of February, but a locally owned bank has reported a new limit against a retail chain operating in Western Ukraine, with financing restarted in May 2022. The reverse factoring programme was joined by such partners as **OTP Bank**, **MTB Bank**, **Agroprosperis Bank**, **Ternopil Dairy Plant** (Molokia brand), **Buchachagrokhipprom**, **Gadz farm**, and **Ramburs Group**.[106]
TA Ventures	US$ 83 million	Europe, North America	The fund invests in early-stage startups specializing in mobility, digital health, SAAS, artificial intelligence and machine learning, and others. It has established a strong track record in Ukraine with more than **125 successful impact-generating investments**. For example, TA ventures invested in **Liki24** – a drug delivery service provider in Ukraine that offers affordable prices for consumers, increases the coverage of pharmaceutical services and ensures efficient delivery. This service is particularly important for people living in less urbanized areas where pricing tends to be higher and supply limited due to the smaller number of pharmacies and the limited variety of the products which they stock.

104 SMOK Ventures. 2023. Sasha Yatsenko Joins SMOK As Principal For Ukraine & The Baltics. https://www.smok.vc/sasha-yatsenko-joins-smok-vc-as-principal-taking-over-ukraine-and-the-baltics/

105 VC Funds. Everything for the development of Small and Medium Enterprises. http://www.smedevelopment.info/searchfinance/6/#14

106 Open4business. 2021. Estonian SupplierPlus opens reverse factoring limits for Ukrainian companies. https://open4business.com.ua/en/estonian-supplierplus-opens-reverse-factoring-limits-for-ukrainian-companies/

Enterprise/Fund	AUM	Region	Description
TQ Ventures	About US$ 100 million	Global	In 2020, the firm invested in seed funding for Reface, a Ukraine-based startup building a software app for video and GIF face-swaps. **Reface** positions itself as an impact-generating company that promotes the virtualization of activities and digitization of SMEs. It also participates in socially important projects in cooperation with other organizations. [107] [108]
Western NIS Enterprise Fund (WNISEF)	US$ 150 million	Ukraine, Moldova	Funded by the US Agency for International Development (USAID), WNISEF's Impact Investing programme provides social enterprises with low-interest loans ranging from US$10,000 to US$100,000 for periods of up to three years at rates of interest of 5-10% interest per annum. Over the last five years, WNISEF has extended 23 such low-interest loans totalling over US$1 million. In turn, the beneficiary social enterprises have already invested more than US$1.3 million in local social and environmental projects.[109]
Ukrainian Social Venture Fund (USVF)	UAH 4.4 million (~ US$ 119,000)	Ukraine	USVF is a venture philanthropy organization that provides financial and non-financial support to strengthen social enterprises and develop a social entrepreneurship ecosystem. The organisation focuses on investments that promote employment or improvement of life quality of people with disabilities, reinvestment into public cultural organisations, and recycling or environmental education. Through investments, USVF helped social enterprises earn UAH 860,500of total profits and allowed enterprises to reinvest UAH 930,000 for social objectives.[110]
Shuttle Diplomacy Capital (SD Capital)	US$ 200 million	Ukraine	The Fund aims to recover and modernize infrastructure, and energy independence of Ukraine, contributing to EU energy independence as well. GRFI to facilitate additional equity and debt participation, aiming to mobilize $1 billion of total financing. The strategy includes hybrid deals, with the Fund providing equity, mezzanine, and debt, with a separate TA facility to modernize Ukraine`s market and companies. The company is considering about 15-20 deals worth $5-20 million each. https://sd.capital/

107 Nordic9. 2020. Reface raised $5.5m in seed financing from Andreessen Horowitz with participation from TQ Ventures and many angel investors. https://nordic9.com/news/reface-raised-5-5m-in-seed-financing-from-andreessen-horowitz-with-participation-from-tq-ventures-an-news7492088198/

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Annex II. Major Stakeholders for Impact Investing in Ukraine

Commercial Banks (with the biggest SME portfolio)

1. Privatbank (state-owned)
2. Oschadbank (state-owned)
3. Ukrgazbank (state-owned)
4. Raiffeisen Bank Aval (Austrian Capital, Raiffeisen Bank International AG)
5. Credobank (Polish capital, PKO Bank Polska)
6. OPT Bank Ukraine
7. Bank Lviv (ResponsAbility Participation AG, Nefco)

Investment Banks

1. Rada Capital
2. Concorde Capital Ltd
3. Dragon Capital
4. Investment Capital Ukraine LLC

VC Firms and Private Equity Funds

1. A7 Group
2. ICU Ventures
3. GR Capital
4. U.Ventures
5. Ukrainian Startup Fund – USF
6. AVentures Capital
7. UFuture
8. Diligent Capital Partners
9. Magnetic One Ventures
10. Noosphere Ventures
11. Bredley Holding
12. Digital Future
13. Imperious Group
14. Almaz Capital
15. SMRK VC Fund
16. TA Ventures
17. Overkill
18. REACTOR
19. Digital Future
20. Startup.Network
21. WannaBiz
22. D2N8 Detonate Ventures
23. TMT Investments
24. Horizon Capital
25. General Catalyst
26. InVenture
27. WeFund Ventures
28. Flashpoint Venture Capital
29. Gazelle Finance
30. SID Venture Capital
31. SMOK Ventures
32. Activitis (fintech company)
33. SupplierPlus (fintech company)
34. Ukrainian Social Venture Fund

Development Financiers

1. Western NIS Enterprise Fund
2. European Investment Bank
3. EU Forbiz
4. European Bank for Reconstruction & Development
5. International Finance Corporation (IFC)
6. SECO
7. Swedfund
8. USAID
9. Delegation of the European Union to Ukraine
10. IOM
11. UN RPP in eastern Ukraine
12. Renaissance Foundation
13. East Europe Foundation
14. Federation of Canadian Municipalities

Enterprises Generating Impact in Ukraine

1. School of ME
2. EcoGuma
3. Fiway
4. GreenBin
5. Mate Academy
6. Betroot Academy
7. Bookimed
8. Solar Gaps
9. Liki24
10. Doctor Eleks
11. Dobrobut healthcare network
12. Anex baby stroller company
13. Rozetka-EVO / marketplace
14. Meredot
15. Esper Bionics
16. Carbominer
17. Promprylad.Renovation
18. Urban space 100 public restaurant
19. Urban space 500 public restaurant
20. Pizza Veterano
21. Gorihoviy Dim “Walnut House” Social Bakery
22. Prometheus
23. uMuni
24. Hempire
25. Delfast
26. Prana
27. Releaf Paper
28. IntelSoft
29. Go To-U
30. Toka
31. SEA
32. Ecopolymer
33. Tokmak Solar Energy
34. Wind Parks of Ukraine
35. LTD “LNK”
36. Soniachne Misto “Solar Town” Cooperation
37. Cardiomo
38. ChoiZY
39. Readlax
40. Global Innovative Online School (GIOS)
41. Rimon Online Education
42. Astarta-Kyiv
43. BIOSENS Ltd
44. Agrofusion
45. OKKO Agrotrade
46. Cherkasy Biozakhyst
47. Niva Pereyaslavshchiny
48. School of Ukrainian Entrepreneurship and the International School of Social Entrepreneurship (SILab)
49. Ukrainian Social Academy
50. Future Development Agency
51. Social Enterprise “Barvysta”
52. Social Enterprise “Dyvogra”
53. Social Enterprise “LoveGaw”
54. Vbrani
55. WOODLUCK
56. Vinnytsia Municipal Center of Innovation
57. Prolisok+
58. Maslo Tom
59. Aroma Fields
60. Yakush
61. Zvyazani
62. Karpatski Gazdi Cooperation
63. Babyni Kozy
64. XME.digital

Innovation parks

1. Unit.City innovative park, Kyiv
2. Bionic Hill
3. Techiia Holding
4. Science Park Kyiv National Taras Shevchenko University
5. Innovation District IT Park

IT Clusters

1. IT Dnipro Community
2. Ivano-Frankivsk IT Cluster
3. Kharkiv IT Cluster
4. Kyiv IT Cluster
5. LITaC: Lutsk IT Cluster
6. Lviv IT Cluster
7. IT Cluster Khmelnytskyi
8. Rivne IT Cluster
9. Vinnytsia IT Cluster
10. Chernihiv IT Cluster
11. Cherkasy IT Cluster
12. Mykolaiv IT Cluster
13. Konotop IT Cluster
14. Mariupol IT Cluster

Incubators

1. 1991 Open Data Incubator
2. Innovation Ecosystem Sikorsky Challenge (INESC)
3. U-INN
4. Polyteco
5. Business Incubator Group Ukraine
6. Greencubator
7. Startup Ukraine
8. eō Business Incubators
9. UF Incubator
10. Impact Hub Odessa
11. Kharkiv Innovation Platform (KhIP)

Accelerators

1. Global Cleantech Innovation Programme for SMEs in Ukraine
2. GrowthUP
3. LvBS Center for Entrepreneurship
4. MHP Accelerator
5. Polish-Ukrainian Startup Bridge
6. Conceptor
7. Starta Accelerator
8. RadarTech
9. AgroHub
10. Arkley Launchpad
11. YEP!
12. Sector X Accelerator Platform
13. Open Innovation Platform RE:ACTOR
14. Indax Manufacturing Accelerator
15. EY Start-up Accelerator
16. Kharkov Technologies Small Business Development Center
17. SocialBoost
18. IoT Hub Accelerator
19. Innovation BOX Business accelerator

Hub/Co-working

1. 1991 Mariupol
2. 1991 Kyiv
3. Chasopys
4. Coworking Platforma
5. Creative Quarter
6. Creative States
7. DataHub
8. HUB 4.0
9. ITEA Hub
10. Startup Depot
11. Terminal 42
12. Coworking 365
13. Fabrika.space
14. Blockchain hub kyiv
15. Kyiv Smart City
16. Communa
17. Kyiv Tech Hub
18. iHub

Forum/Conference

1. Agtech
2. Kyiv International Economic Forum
3. Ukraine Business Forum
4. The Ukrainian FinTech
5. InnoTech Ukraine

Labs

1. InDev Lab
2. InnoLab
3. Sigma Software Labs
4. East Labs
5. MiniBar Labs
6. 4ire Labs
7. LabsTECH
8. Sensorama Lab
9. Syngenta

Universities and Research Centres

1. National Technical University of Ukraine Kyiv Polytechnic Institute
2. Taras Shevchenko National University of Kyiv
3. National University of Kyiv-Mohyla Academy
4. National University of Life and Environmental Sciences of Ukraine
5. Odessa State Environmental University
6. Sumy State University
7. Kharkiv National University of Radio Electronics (NURE)
8. Kyiv National Economic University
9. Kyiv Mohyla Business School
10. Kyiv School of Economics
11. Ukrainian Catholic University - Lviv Business School
12. Krok University - Krok Business School

Other

1. EU4Business - Ukraine
2. Ukrainian Venture Capital and Private Equity Association (UVCA)
3. U-LEAD with Europe
4. Startup Ukraine
5. Global Logic
6. Ukrainian Association of Social Enterprises
7. Centre for CSR Development Ukraine (CSR Ukraine)
8. Union of Ukrainian Enterprises (SUP)
9. Better Regulation Delivery Office

Government Agencies

1. UkraineInvest
2. Ministry of Economy of Ukraine
3. Ministry of Finance
4. Ministry of Digital Transformation
5. SME Development Office
6. National Bank of Ukraine
7. Ukrainian Export Promotion Office
8. National Investment Council of Ukraine
9. Regional Development Agencies
10. National Commission for State Regulation of Financial Services Markets

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