

# THE IMPACT INVESTING ECOSYSTEM IN UKRAINE



November 2021



## **The Impact Investing Ecosystem in Ukraine**

November 2021

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United Nations Development Programme  
Istanbul International Center for Private Sector in Development

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## | About UNDP Ukraine

As the development arm of the United Nations, UNDP supports strategic capacity development initiatives to promote inclusive growth and sustainable human development. Through partnerships with national, regional, and local governments, civil society, and the private sector, UNDP strives to support Ukraine in its efforts to eliminate poverty, develop people's capacity, achieve equitable results, sustain the environment, and advance democratic governance.

Today Ukraine is facing its most serious challenges since achieving independence in 1991. The conflict in the east forced more than 1.5 million people to leave their homes to save their lives.<sup>1</sup> Recovery and Peacebuilding of the conflict-affected areas, as well as support of internally displaced people (IDPs) are among the top priorities for UNDP in Ukraine.

Humanitarian aid is very important but is not enough. There is an urgent need for systemic response to the needs of internally displaced and people living in conflict-affected areas that goes beyond provision of short-term shelters. Working in close partnership with international partners and Ukrainian government UNDP Recovery and Peacebuilding Programme employs a holistic approach responding to the needs of the people in need and strengthening social cohesion and mutual understanding, at the same time preventing excessive social pressure on the host communities.

UNDP is helping to restore critically important social and economic infrastructure and effective work of local governments in eastern Ukraine; to create jobs and spur entrepreneurship among IDPs and host communities; and to promote peace and reconciliation.

# About UNDP's Istanbul International Center for Private Sector in Development (IICPSD)

UNDP partners with people at all levels of society to help build nations that can withstand crises and to drive and sustain the kind of growth that improves the quality of life for everyone.

On the ground in nearly 170 countries and territories, we offer global perspective and local insight to help empower lives and build resilient nations. UNDP's Istanbul International Center for Private Sector in Development (IICPSD), one of the five global thematic policy centres of UNDP, acts as an enabler for the private sector and foundations to become more active partners in development, encouraging them through policy advice and technical services on how to contribute towards the achievement of the 2030 Agenda. IICPSD was established in 2011 in partnership with the Government of Turkey.

The Center's work to engage foundations and the private sector focuses on delivering policy advice and technical services in four thematic areas:

- Private sector engagement through South-South cooperation for the SDGs
- Private sector engagement in skills development
- Impact investing
- Resilience and crisis response

The Center has vast experience in providing research and advocacy to mobilize impact investing activities for the Sustainable Development agenda. IICPSD manages its impact investing portfolio in close collaboration with the UNDP Finance Sector Hub (FSH), which is a finance and innovation platform that draws on a critical mass of UNDP expertise, initiatives and partnerships to support the mobilization and leveraging of resources for the SDGs. In order to expand impact investing in countries with nascent ecosystems, IICPSD has developed the "impact investing ecosystem mapping" methodology to take stock of current stakeholders, opportunities and challenges

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# | List of Acronyms

AA	Association Agreement
AR	Augmented reality
AR	Autonomous Republic
ATO	Anti-terrorist operation
AUM	Assets under management
BEPS	Base erosion and profit shifting
BMO	Business membership organization
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
CAGR	Compound annual growth rate
CBA	Carbon Border Adjustment
CEP	Competitive Economy Program
CEA	Classification of Economic Activities
CIS	Commonwealth of Independent States
DCFTA	Deep and Comprehensive Free Trade Area
DFIs	Development Finance Institutions
DOBRE	Decentralization Offering Better Results and Efficiency
EaP	Eastern Partnership
EBA	European Business Association
EBRD	European Bank for Reconstruction and Development
EECA	Eastern Europe, Russia and Central Asia
EEN	Enterprise Europe Network
EIB	European Investment Bank
ERA	Economic Resilience Activity
ESG	Environmental, social and governance
EU	European Union
FDI	Foreign direct investment
FTA	Free trade agreement
FUIB	First Ukrainian International Bank
GDP	Gross domestic product
GHG	Greenhouse gas
GIIN	Global Impact Investing Network
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSG	Global Steering Group for Impact Investment
HDI	Human Development Index
IBAN	International Bank Account Number
ICSD	International Central Securities Depository
ICT	Information and Communications Technology
IDP	Internally displaced person
IFC	International Finance Corporation
IICPSD	Istanbul International Center for Private Sector in Development
IMF	International Monetary Fund
IOM	International Organization for Migration
IoT	Internet of things
ISO	International Organization for Standardization
IT	Information technology
iXBRL	Inline eXtensible business reporting language
JSC	Joint stock company

KhIP	Kharkiv Innovation Platform
KIC	Knowledge and Innovation Community
LLC	Limited liability company
M&A	Mergers and Acquisitions
MoU	Memorandum of Understanding
NAB	National Advisory Board
NBU	National Bank of Ukraine
NDC	Nationally Determined Contribution
NSSMC	National Securities and Stock Market Commission
NURE	Kharkiv National University of Radio Electronics
OECD	Organization for Economic Co-operation and Development
OPIC	US Overseas Private Investment Corporation
OSCE	Organization for Security and Cooperation in Europe
PE	Private equity
PPP	Public-private partnership
PRO	Platform for effective regulation
PWD	Persons with disabilities
R&D	Research and development
RDA	Regional development agency
SAAS	Software as a Solution
SDGs	Sustainable Development Goals
SE Asia	East and Southeast Asia
SME	Small and medium-sized enterprise
SMEDO	SME Development Office
SOE	State-owned enterprise
SRI	Socially responsible investing
SROI	Social Return on Investment
SSA	Sub-Saharan Africa
STEM	Science, technology, engineering, and mathematics
SUP	Union of Ukrainian Enterprises
TSP	Thematic Support Package
UASIF	Ukrainian Sustainable Fund
UBA	Ukrainian Business Association
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNDP FSH	UNDP Finance Sector Hub
UNIDO	United Nations Industrial Development Organization
UN RPP	United Nations Recovery and Peacebuilding Programme
USAID	U.S. Agency for International Development
USF	Ukrainian Startup Fund
USVF	Ukrainian Social Venture Fund
UVCA	Ukrainian Venture Capital and Private Equity Association
VAT	Value-added tax
VC	Venture capital
VNR	Voluntary National Review
VR	Virtual Reality
WNISEF	Western NIS Enterprise Fund
WNS Europe	Western, Northern and Southern Europe
XML	Extensible Markup Language

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## Executive Summary

The Sustainable Development Goals (SDGs) provide a blueprint for achieving a more equitable and sustainable future for all. Globally, an estimated US\$5-7 trillion worth of investments are needed each year to achieve the SDG Agenda by 2030. Developing countries are particularly exposed to a lack of sufficient SDG financing, facing a massive gap of \$2.5 trillion in annual SDG investments.<sup>2</sup> To bridge this gap and alleviate the financial burden on governments, donor agencies and multilateral development banks, it is essential to partner with the private sector to increase SDG investments through private capital. Considering that the private sector accounts for 60% of GDP, 80% of capital flows and 90% of jobs in an average developing country, cooperation with the private sector is essential to accelerate development progress.

Despite their greater needs, developing countries often attract lower levels of private capital and investment due to constraints such as lack of data on investment opportunities and risks, limited capacities and networks to actualize market potential, and high real or perceived country-specific risks. In addition to these challenges, the COVID-19 pandemic is expected to cause a sharp decrease in global foreign direct investment (FDI) flows, estimated around a drop in value of more than half a trillion US dollars. Developing countries are expected to see the largest fall in FDI due to their heavy dependence on global value chain-intensive industries and their restricted capacities to implement effective support mechanisms.<sup>3</sup> Due to the impact of the pandemic, the global economy contracted by 3.6% in 2020.<sup>4</sup> As of the end of 2020, FDI collapsed by 42% falling to an estimated \$859 billion from \$1.5 trillion in 2019. The decline in developing countries was measured around 12%, amounting to an estimated \$616 billion. Investments in greenfield and project finance pose a major concern for developing economies given their vitality for productive capacity and infrastructure development. Fragile macroeconomic outlook and uncertainty caused by the pandemic is expected to continue affecting FDI flows in 2021.<sup>5</sup>

Ukraine is no exception as a developing country facing bottlenecks in attracting domestic and foreign investments which could play an instrumental role in addressing its SDG needs. The country has officially prioritized SDG 8 (Decent Work and Economic Growth), SDG 3 (Good Health and Wellbeing), SDG 4 (Quality Education), SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Responsible Consumption and Production) and SDG 16 (Peace, Justice and Strong Institutions) to supplement economic progress in an inclusive and sustainable manner.<sup>6</sup> Efforts to increase investments in these SDGs, which are positioned as economic accelerators, are all the more necessary in view of the estimated 4% decline in annual GDP following the pandemic in 2020.<sup>7</sup>

Although the financial means to achieve the SDGs by 2030 are insufficient, the global financial landscape is witnessing growing interest among investors in directing capital into activities that reduce poverty and inequality, advance health and education, and protect the environment, while delivering strong financial returns. The investment strategy known as impact investing has been recognized in recent years as a way for the private sector to generate social and environmental impact while making a profit.

Defined as “investments made with the intention of generating positive, measurable social and environmental impact alongside financial return”, impact investing is a key model for aligning monetary profit with positive developmental impact<sup>8</sup>, and deserves to be used alongside the other existing models available to institutional investors such as DFIs, IFIs, asset managers and pension funds to achieve maximum effect and efficiently pool the resources necessary to achieve development goals. Even though impact investing is a relatively new model of financing, it has shown exponential growth since 2015, reaching \$2.3 trillion in total assets under management as of the end of 2020.<sup>9</sup> The investor appetite in this market is expected to continue growing, reaching as much as \$26 trillion in the near future.<sup>10</sup> This wave of impact investing needs to be explored further, particularly in the context of developing countries where investments of this kind have a great potential to become mainstream instruments for addressing the SDGs. The present report, ‘The Impact Investing Ecosystem in Ukraine’, seeks to provide a snapshot of the nascent impact investing landscape in the country, identifying the major stakeholders and the main opportunities and challenges in establishing a strong impact investment ecosystem.

Although the Ukrainian economy has been seriously affected by instability, it had shown a positive trend until the pandemic, with GDP growth reaching 3.2% in 2019 from a 9.8% slump in 2015.<sup>11</sup> However, due to the pandemic, this trend has been reversed and Ukraine’s GDP declined by approximately 4% in 2020.<sup>12</sup> Yet, forecasts on 2021 and 2022 foresee a return to growth.<sup>13 14</sup> The long-term prognosis puts the country’s GDP at around \$164.59 billion in 2021 and \$185.19 billion in 2022.<sup>15</sup> This growth can be attributed to Ukraine’s highly educated workforce, the considerable potential of its agriculture and its industrial infrastructure, and its relatively low-cost base, which enables it to attract businesses targeting European and Middle Eastern markets. Ukraine’s market progress in recent years is also evident in its Ease of Doing Business ranking, which rose to 64th in 2020 from 112th in 2014.<sup>16</sup>

Building on its successful performance in economic development, Ukraine is committed to achieving the SDGs to ensure that its economic growth is inclusive and sustainable. Considerable success has been achieved in the eradication of poverty and inequality. This growing economic resilience needs to be coupled with efforts to deliver on all the SDG targets so as to ensure that wealth is enjoyed by all generations. Impact investing represents a significant financing option if Ukraine is to achieve this objective by 2030.

Ukraine already hosts core market elements which are well-positioned to become drivers of SDG investments in the country. The Ukrainian diaspora, for example, could provide significant resources for impact investments. The diaspora is estimated to include around 20 million people, spread over 53 countries, with the largest communities residing in Russia, Canada, the United States and the EU.<sup>17</sup> This large diaspora community has the potential to promote SDG investments through better use of remittances and to support the circulation of skills, knowledge and innovation needed to tackle Ukraine’s socio-economic challenges.<sup>18</sup> The high level of remittances – \$15.054 billion as of 2020 – can provide new sources of finance for regions and sectors which are not traditionally targeted by FDI.<sup>19</sup>

Ukraine is also a priority partner of the European Union (EU) with strong engagement through a number of initiatives that seek to foster socio-economic prosperity and security, including the EU Neighborhood Policy, the Association Agreement and the European Green Deal. Along with other European financial institutions, the EU has mobilized over €17 billion in grants and loans to support Ukraine’s economic and political reform process since 2014.<sup>20</sup>

Although impact investing remains a peripheral activity for commercial investors in Europe, it is a sector exhibiting significant growth in recent years. Various estimations sizing the impact investing market in the EU exist with a wide range of assets under management (AUM) figures reaching as high as EUR 108.6 billion by Eurosif.<sup>21</sup> According to the Global Impact Investing Network (GIIN) figures, Western, Northern and Southern Europe emerge as the region with the second highest AUM allocated after United States and Canada, which amount to over \$33 billion.<sup>22</sup> The impact investing market is set to thrive in the EU region especially given current commitments by European Commission around energy efficiency and renewable energy. Further growth of the market in the region will greatly benefit from using a mix of public and private capital to drive investor appetite. Impact investments can leverage the effectiveness of such grants and loans by opening a new avenue for blended finance mechanisms to support a higher number of impact-generating companies in the country.

This study finds that Ukraine's impact investing ecosystem is at a nascent stage and is in need of targeted interventions. To reach its full potential, Ukraine needs to develop key elements of its ecosystem that will connect its market and talent with foreign and domestic sources of finance. There are clear gaps in aspects of the business environment such as innovation, connectivity with global markets, financial literacy and access to international investors. The development of bankable projects to attract impact investors constitutes yet another challenge. Moreover, the business environment is not yet fully aligned with environmental, social, and governance (ESG) standards that would allow potential impact investors to screen for suitable enterprises. Despite the many constraints, Ukraine's promising market potential and strong workforce provide it with a strong base from which to develop a globally competitive ecosystem for impact investing. Greater awareness of impact investing, especially in the private sector, is essential to nurture impact investments. Enhanced awareness also needs to be supported by a comprehensive legal framework which incentivizes both investors and companies to explore opportunities in the impact investing market. These critical steps could help Ukraine to develop a strong track record of SDG and impact investments which in turn could become the main driver of further transactions.

Some steps have already been taken to boost entrepreneurship in Ukraine, such as the new draft of the comprehensive 2020-2024 "Anti-Corruption Strategy" developed by the National Agency on Corruption Prevention. Anti-corruption efforts are expected to improve the business environment and increase Ukraine's credibility, thereby contributing to its global competitiveness. A strengthened entrepreneurship landscape would also offer more opportunities for enterprises to generate positive development impact.

Based on a meticulous analysis of the Ukrainian business and investment landscape, the present study has identified the following cross-cutting areas as central to the goal of attracting impact investments, considering their impact potential and close alignment with national priorities: (i) Technology with a Focus on the IT Industry and Digital Economy, (ii) Infrastructure, (iii) Renewable Energy, (iv) Healthcare, (v) Education and (vi) Agriculture. To propagate bankable projects in these areas which would make it possible to quantify positive impact, an evidence-based approach will be needed to identify specific investment opportunity areas within each of these sectors.

Ukraine has a dynamic tech industry which has been growing faster than the world average. Among the world's 20 largest IT exporters, Ukraine registered the fastest growth in 2018, achieving exports of \$4.5 billion.

Although exports from Ukraine fell by 4.6% in 2020, the IT sector performed even better than before, achieving 20.4% growth and over \$5 billion in exports despite the pandemic.<sup>23</sup> This growth was driven by Ukraine's high-quality IT talent pool, which is the largest in Central and Eastern Europe. Riding the burgeoning tech wave, venture capital (VC) investments in the IT industry set a new record of \$571 million in 2020.<sup>24</sup> Despite this promising momentum, the industry still faces significant challenges including subdued domestic demand due to high intellectual property piracy, low connectivity with global markets, limited capacity to scale up businesses and the low number of M&A exits.<sup>25</sup> Tech startups are working to overcome these challenges with great success in some cases. A good example is uMuni, a Software as a Solution (SAAS) service for energy analysis, management and optimization to promote smart buildings, companies and cities.

Infrastructure is essential for economic resilience. The improvement of regional airports and roads, the construction of new railways, the expansion of warehousing facilities and the development of modernized water supply and waste management systems could offer significant development outcomes alongside considerable financial returns for investors. Currently, Ukrainian infrastructure is relatively poor in comparison with neighbouring countries, posing a serious impediment to economic growth. Impact investments in infrastructure which improve efficiency and develop Ukraine's capacity to leverage its geographical location have the potential to achieve market-rate returns while generating considerable SDG impact.

Special attention also needs to be paid to renewable energy projects and the adoption of clean means of transport that would contribute to the reduction of emissions. The "green tariff" introduced to attract investments into renewable energy succeeded in attracting \$4.5 billion worth of investments in solar and wind power in 2019.<sup>26</sup> However, issues over the payment of green tariff debts saw this figure fall to €1.2 billion in 2020.<sup>27</sup> The success of the previous years seems to be tempered by subdued public support, as the government has only pledged to buy half of the renewable power produced in 2020.<sup>28</sup> As the issue of the payment of green tariff debts continued, the Government reduced the rate on the green tariff and suspended this incentive beyond 2030.<sup>29</sup> A new incentive scheme is to be announced, with a draft law passed on the establishment of an auctioning system. Despite this change in circumstances, the share of renewable energy in the electricity mix needs to be improved, particularly during the coal phase-out process, if Ukraine's Nationally Determined Contribution (NDC) target of achieving carbon neutrality by 2060 is to be met. Ukraine already has companies working on carbon-neutral sources of energy. For example, Wind Parks of Ukraine is a wind energy company that undertakes the full cycle of production of wind parks from the design and production of wind turbines to their operation and deployment in designated wind-energy parks.

Healthcare establishments could also be of interest to impact investors. Ukraine has a strong base of qualified medical personnel. It is therefore capable of meeting its healthcare targets under SDG 3 provided investors come forward to improve its physical and technical facilities. There has already been notable progress, especially in the area of digital health, which is improving access to services across the country. Cardiomo, for example, is a Ukrainian patented digital gadget which makes it possible to monitor the health of the person wearing it remotely from anywhere in the world in real time.

Ensuring quality inclusive education in safe environments is of great importance in Ukraine. Technological advances and tools can be deployed to improve access to education services in line with its SDG 4 targets. Innovation in distance learning has emerged as an urgent need in response to the COVID-19 pandemic. The 'Global Innovative Online School', for example, is a Ministry of Education and Science accredited online platform that offers students an opportunity to study mathematics, prepare for examinations and find suitable tutors.

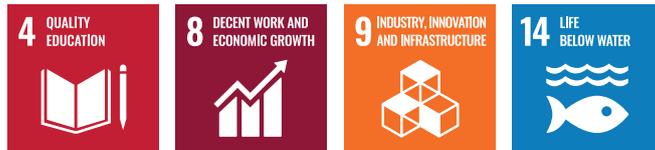
Ukraine has extensive areas of arable land and the agribusiness sector has traditionally been one of its strongest sectors, employing a high proportion of the population and contributing around 10% of GDP.

Although food production is sufficient, low purchasing power jeopardizes food security for vulnerable populations.<sup>30</sup> If Ukraine is to attain its targets under SDG 2 and SDG 12, it will be necessary to raise agricultural productivity and increase household purchasing power. The agriculture sector is striving to be more innovative and environmentally efficient, accelerating Ukraine's sustainable development efforts. BIOsens, for example, produces sensors that scan food for toxins and detect pesticides, antibiotics and pathogenic microorganisms in crops, making early detection possible. In this way, costs related to detoxification and processing are reduced and CO2 emissions lowered.

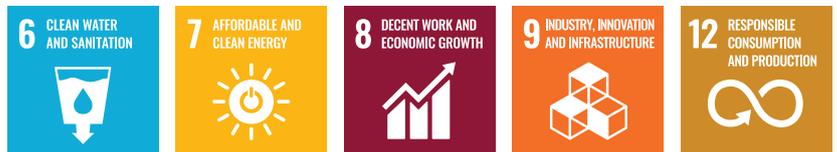
**Prioritized sectors**

**Relevant SDGs**

**Technology**



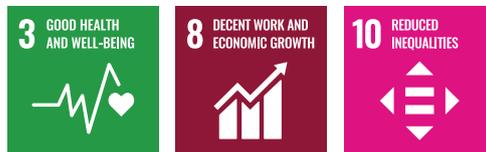
**Infrastructure**



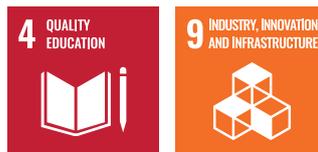
**Renewable energy**



**Healthcare**



**Education**



**Agriculture**



The main recommendations which this study makes for improving Ukraine's impact investing ecosystem include targeted awareness raising and the development of local capacity to promote impact investments as an effective and preferred financing strategy for sustainable development. These efforts would benefit from a structured roadmap, led by a dedicated public or private institution, for establishing a track record of pioneer impact investment transactions in the country. The said initiatives would then need to be accompanied by the creation of a comprehensive legal and regulatory framework which incentivizes both investors and companies to engage more actively in impact investing activities. Strict adherence to the legal framework would need to be ensured to create an environment encouraging full disclosure of the non-financial information necessary to evaluate companies' performance, such as the environmental and social impact generated and the companies' stances on the promotion of human rights and anti-corruption.

Additional efforts could usefully include the creation of standards and sustainability metrics and a transparent impact management system in harmony with the best practices of the international community. Sizable investments in quantifiable metrics could provide a credible way of evaluating companies' impact performance. Reliable and forward-looking company-level data collection methods also need to be developed to ensure consistent reporting.

Re-aligning the investments made by both the private and public sectors with the SDGs and national targets would ensure that the targets are met and that stakeholders are informed of any underperforming areas. It is also important to develop SDG key performance indicators at investment and company level so that the private sector can track its progress towards the SDGs. Meanwhile, Ukraine's impact investing ecosystem could be strengthened by establishing a platform that would function as a marketplace for impact investments and through which companies could disclose their impact data with verification by a third-party. These actions would increase the visibility of bankable impact investment opportunities in Ukraine for foreign and domestic investors, while also potentially encouraging conventional players to increase their engagement in sustainable development.

# | Impact Investing as a New Model

Impact investments are investments made with the intention of generating positive, measurable social or environmental impact while targeting a range of financial returns from below-market to market-rate, depending on the investors' strategic goals.<sup>31</sup> Impact investors may target both emerging and developed markets, depending on their risk appetites and investment missions. Impact investments can operate as a financial facilitator for the achievement of the Sustainable Development Goals (SDGs) by mobilizing capital towards areas of opportunity such as sustainable agriculture, renewable energy, microfinance, housing, healthcare and education, which are intended to address the world's most urgent development challenges.<sup>32</sup>

There are other innovative financial practices, such as Environmental, Social and Governance (ESG) investing and Socially Responsible Investing (SRI) that can also contribute to national or international development targets. These investment practices differ from impact investing in some essential respects. SRI works on the basis of excluding investments that will have negative social or environmental impacts. It does not actively seek to generate a positive impact but tends rather to set ethical exclusion criteria. Similarly, ESG investing integrates environmental, social and governance risks into traditional financial analyses. It operates as a set of criteria used to screen investments based on how they score in different ESG categories. Significantly, the main performance criterion for both investment groups is still the financial returns generated by the investment activity. However, impact investing intentionally sets out to generate positive social or environmental returns at the same time as generating profits. This deliberate intention and the inclusion of the achievement of positive impact in the investment mission are the key principles that set impact investing apart from other categories of investment.

## Characteristics of impact investing<sup>33</sup>

<b>Intentionality</b>	The willingness and the investor's intention to have a positive social or environmental impact through their investment
<b>Return Expectations</b>	Generation of a financial return on capital or, at minimum, a return of capital
<b>Range of Return Expectations and Asset Classes</b>	Targeted financial returns ranging from below market (concessionary) to risk adjusted market rate. The returns can be made across asset classes (cash equivalents, fixed income, venture capital, and private equity)
<b>Impact Measurement</b>	The commitment of the investor to measure and report the social and environmental performance and progress of their underlying investments, to guarantee transparency and accountability

## Global Trends in Impact Investing

As a sustainability framework, the concept of the ‘triple bottom line’, which addresses social, environmental and economic impact of business and investment activities, has been attracting more and more attention. The aims of this approach coincide with the principles of impact investing. Impact investing has begun to transform the mainstream investment perspective from a solely profit-oriented activity to a way of doing business that is more sustainability-oriented and inclusive. The International Finance Corporation (IFC) has predicted that investor appetite for impact investing will reach as much as \$26 trillion in the near future.<sup>34</sup>

The impact investing market is estimated by the IFC at \$2.3 trillion in assets under management (AUM) as of the end of 2020.<sup>35</sup> In parallel with IFC’s estimates, the Global Impact Investing Network (GIIN) data confirm that the impact investing sector has grown dramatically over the last five years – a trend which is projected to continue.<sup>36</sup>

### Impact Investment AUM by year (US\$ billion)

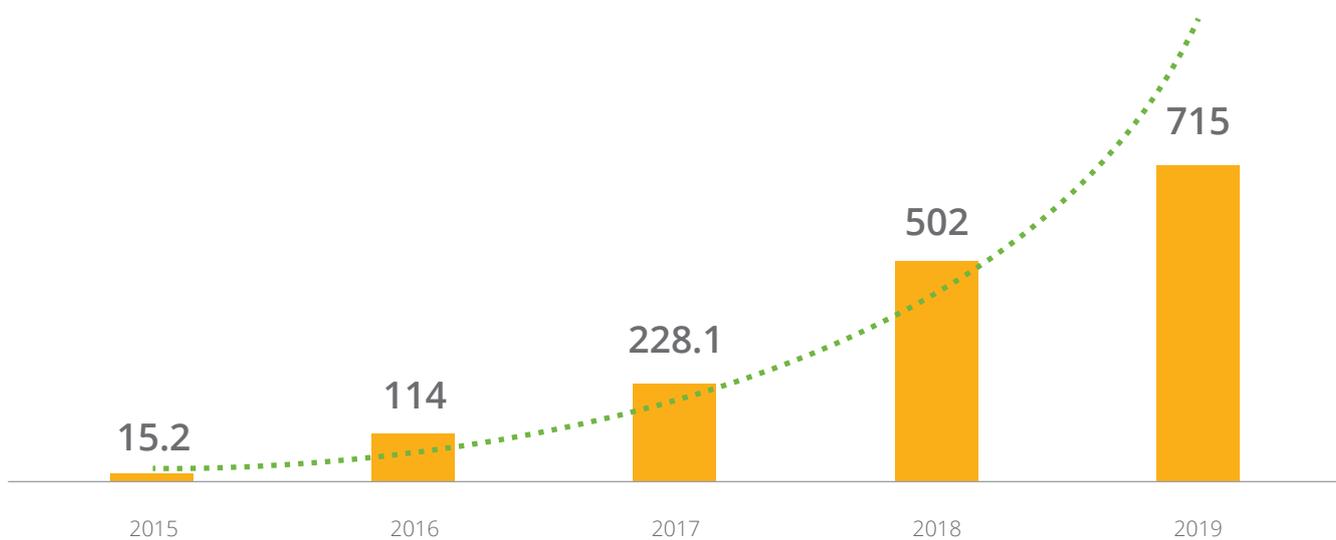


Figure 1. Growth of the Impact Investing Market, GIIN

The impact investing landscape contains a wide range of investors and types of organization. Half of the organizations in the impact investing market are for-profit asset managers. These are followed by non-profit fund managers and foundations. Emerging players in the supply of impact capital, such as pension funds, insurance companies and family offices, currently account for only 7% of the organizations in the impact investing market.<sup>37</sup>

Impact AUM by Organization Type

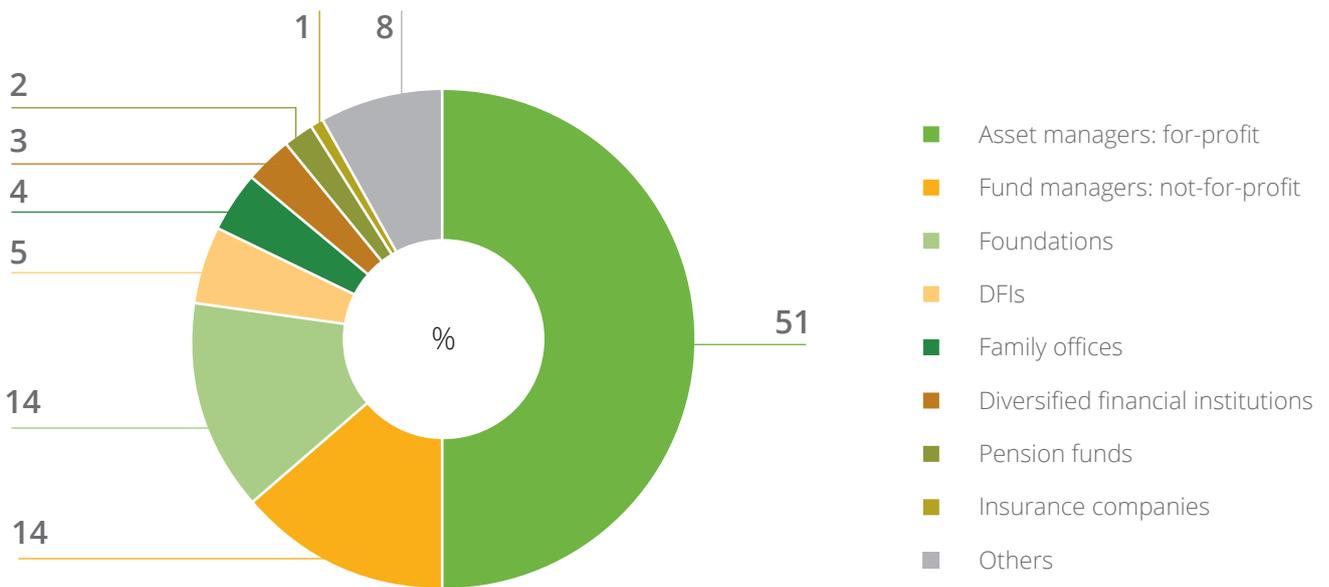


Figure 2. Impact Investment by Type of Organization. GIIN, 2020

Investor preferences in the impact investing market vary with the type of investor. Developed markets focused investors (DM-Focused) and emerging markets focused (EM-Focused) investors differ in terms of the sectors in which they invest most. For instance, EM-Focused investors allocate a greater share of their capital to energy (23% of AUM versus 12% for DM-Focused investors), financial services excluding microfinance (29% versus 3%) and microfinance (12% versus 2%). These differences may reflect a particular demand for access to basic services such as energy and finance in emerging markets.<sup>38</sup>

As for asset class allocations, greater shares of the capital managed by EM-Focused investors are allocated to private debt (36%), private equity (25%) and publicly traded debt (22%). Around 55% of EM-focused investors prefer to allocate their capital to companies in the growth stage. A breakdown of the SDG-aligned impact themes targeted by impact investors shows that the EM-focused investors tend to concentrate on 'gender equality' (SDG 5) (71%) and 'no poverty' (SDG 1) (77%).<sup>39</sup>

Many intergovernmental organizations including the G8, the Organization for Economic Co-operation and Development (OECD), the European Union (EU) and the United Nations (UN) have recognized impact investing as an efficient financial tool for sustainable development. In 2013, the G8 established the Social Impact Investment Taskforce, which in 2015 became the Global Steering Group for Impact Investment (GSG). The main goals of the GSG are to develop the global ecosystem for impact investing and to facilitate innovation, entrepreneurship and development finance. Countries and regions are linked to the GSG through a network of National Advisory Boards (NABs) which bring together governments, practitioners, intermediaries and other ecosystem builders to develop policy recommendations, create an action plan for a country's progress, and supply the necessary resources for carrying out the action plan.<sup>40</sup> There are currently 28 NABs.

Recognizing the promising growth of the impact investing market and its potential to help achieve sustainable development, Development Finance Institutions (DFIs) have extended considerable support to efforts to streamline impact investing activities around the world. In April 2019, the IFC published its “Operating Principles for Impact Management”, which describes the essential features of impact investments and requires annual disclosure statements and independent verification of the signatories’ impact management systems and processes. A total of nine principles are identified within the following five building blocks of impact management: (i) Strategic Intent, (ii) Origination and Structuring, (iii) Portfolio Management, (iv) Impact at Exit and (v) Independent Verification. The 106 signatories are impact investors from 29 different countries with more than \$340 million AUM that have publicly demonstrated their commitment to implementing a global standard for managing investments for impact.<sup>41</sup>

The global impact investing market is projected to follow a relatively stable trajectory despite the outbreak of the COVID-19 pandemic. In a survey conducted by GIIN with 294 impact investors in March and April 2020, 57% of the respondents reported that their investment plans for 2020 would go unchanged despite the pandemic, and 16% projected an increase in their investment activities. Only 20% of the respondents predicted that their investment plans would be affected negatively while the remaining 7% were uncertain.<sup>42</sup> Investors reportedly maintained their interest in Latin America and Sub-Saharan Africa despite the sudden upsurge in the associated investment risks.<sup>43</sup> These findings suggest that impact investing can work as an important tool to facilitate the post-pandemic recovery in emerging market economies where the virus has revealed gaps in essential infrastructure and services.

## Impact Investing in EECA

Although the impact investing market has witnessed huge growth in recent years, the distribution of impact capital across the globe has been uneven. In 2019, around 40% of all global impact investments were allocated to emerging markets. Within this category, only 6% was channelled towards Eastern Europe, Russia and Central Asia (EECA), the region which includes Ukraine. Aggregate impact investment AUM in the region grew from \$6 billion in 2015 to \$9.2 billion in 2019, representing a compound annual growth rate (CAGR) of 11%. EECA is the region with the second slowest growth rate in impact investing after Sub-Saharan Africa (SSA). To provide context, the fastest-growing regions for impact investing are Western, Northern and Southern Europe (WNS Europe) and East and Southeast Asia (SE Asia), with CAGRs of 25% and 23% respectively.<sup>44</sup> In order to boost growth and attract more investors to the region, the impact investing ecosystem in the EECA region needs to be developed further, starting at the country level. Ukraine emerges as a promising entry point for catalyzing impact investments in the region in view of its pressing needs for development progress and growing economy.

## | Ukraine: Country Context

After the financial crisis of 2008-2009, the Ukrainian economy recovered quickly. Between 2010 and 2013, the performance of the economy improved. Over the past seven years, however, Ukraine has been exposed to serious political, security and economic challenges.<sup>45</sup> The country has witnessed several momentous events from the outbreak of conflict in eastern Ukraine and Crimea to the global COVID-19 pandemic. The years 2014 and 2015 were marked by an economic downturn as industrial production was interrupted, civilian infrastructure destroyed and living standards reduced.

Between 2014 and 2021, the government undertook a series of reforms which included switching to a flexible exchange rate, reorganizing the banking sector, setting up anti-corruption infrastructure, reinforcing transparency in public procurement, reforming electricity markets, simplifying business regulations, decentralization and reforms of the pension and healthcare systems.<sup>46</sup>

Despite the recent conflicts and serious economic and financial challenges, Ukraine retains strong potential for growth and competitive advantage through increased investments in various sectors. As a priority partner of the EU, the Ukrainian government committed itself to an ambitious and wide-ranging reform agenda in 2019 which is expected to accelerate economic growth and ensure a stable and prosperous future for its citizens. Building an impact investing ecosystem would leverage present and future opportunities for greater economic growth and generate measurable positive social and environmental impact.

### Economic Snapshot

Led mainly by agriculture and sectors dependent on domestic consumption, Ukraine's economy gained momentum in 2016, and achieved a growth rate of 3.2% in 2019. However, due to the global economic recession fueled by the pandemic, Ukraine's GDP contracted by 4% in 2020.<sup>47</sup> As of 2020, Ukraine is a lower-middle income country with a per capita GDP of \$3,726.927.<sup>48</sup>

The population of Ukraine is around 44.134 million. The population is decreasing due to rising migration rates, low birth rates and high death rates. Since 2015, the rate at which the population is shrinking has increased, reaching 0.56% in 2021.<sup>49</sup> The United Nations estimates that Ukraine may see its population fall by 20% by 2050.<sup>50</sup>

Until the pandemic, Ukraine's unemployment rate had improved. Unemployment fell from 9.1% in 2018 to 8.6% in 2019.<sup>51</sup> However, the unemployment rate increased again between 2020 and 2021, reaching 10.5% at its peak. The current level of unemployment remains around 9.48%.<sup>52</sup> Ukraine is notable for its highly educated workforce: in 2017, 46% of adults had been educated to tertiary level.<sup>53</sup> The highly educated population is one of Ukraine's main competitive advantages and a major catalyst for economic growth. Ukraine ranks 49<sup>th</sup> out of 131 countries in the 2021 Global Innovation index.<sup>54</sup> It is the third-most innovative country in the "lower middle-income" category, and in this respect, it outperforms many countries in higher income groups.

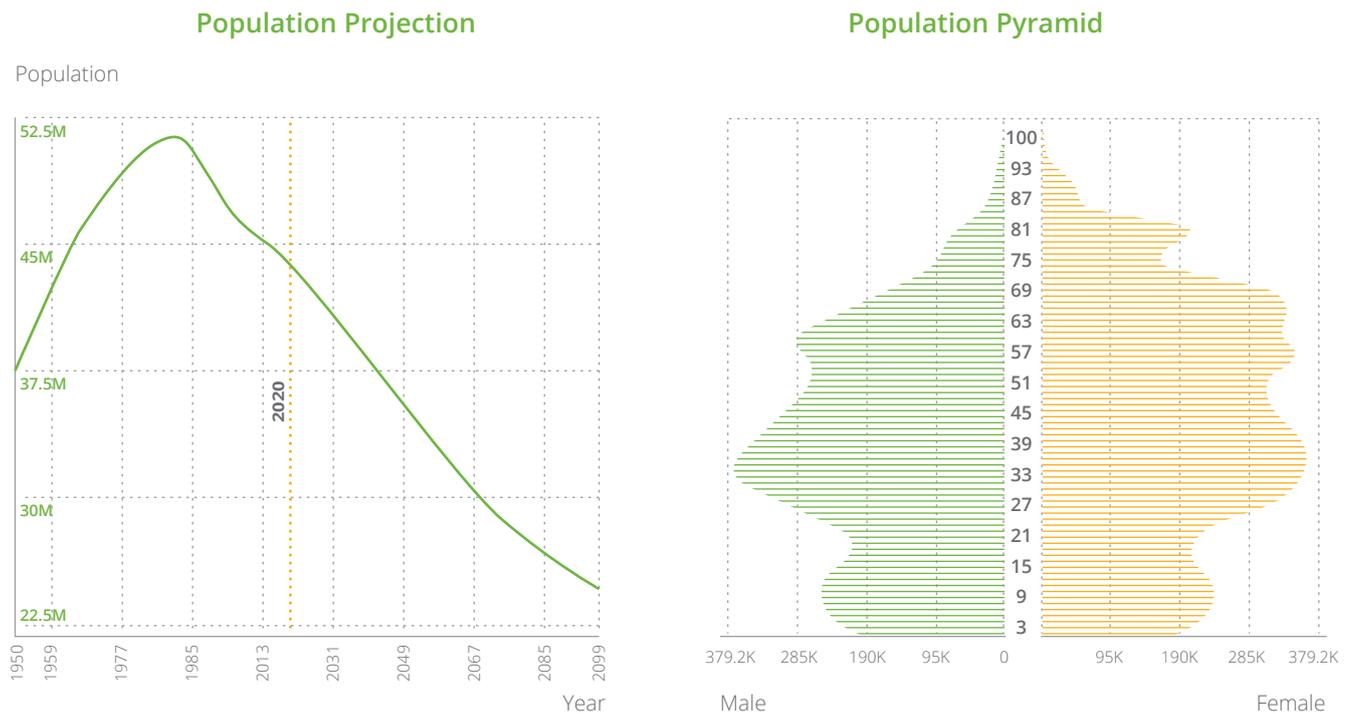


Figure 3. Population Prospects: Ukraine. UN, 2019

Various policy tools are needed to tackle the problem of population decline. Ukraine needs to analyze and combat the drivers of migration to mitigate the outflow of human capital. Promoting reverse immigration would help address skills shortages in key sectors and have the ancillary effect of opening the economy to global markets. New immigrants would bring in not just expertise, but also connections and different cultural attitudes which might help offset some of the resistance to change that affects SME growth and development. Impact investment could also mitigate high emigration by expanding, or initiating, businesses with positive social impacts. By investing in the creation of decent jobs, improving the quality of current jobs, and developing a skilled workforce, the current trend of emigration can be reversed.

One major driver of migration, and of displacement within the country, are the conflicts in Crimea and Eastern Ukraine. As of July 6, 2021, according to the Ministry of Social Policy, there are 1.5 million individuals displaced by conflict in Ukraine. This amounts to approximately 4% of the total population.<sup>55</sup> Apart from the registered internally displaced persons (IDPs), some residents of the conflict-ridden territories have emigrated from the country. The flow of IDPs has been distributed unevenly within Ukraine, overwhelming the communities, labour markets and social infrastructure of the host regions.<sup>56</sup> IDPs have faced challenges finding accommodation, acquiring official documents, obtaining decent employment and accessing healthcare facilities and day care services.

As a natural outcome of migration, Ukraine is characterized by relatively high levels of remittances. The value of personal remittances to Ukraine was estimated at \$15 billion in 2020, constituting approximately 9.7% of GDP.<sup>57</sup>

A survey conducted by the International Organization for Migration (IOM) in 2016 showed that 39% of remittances was spent on consumption (including the purchase of durable goods), 17% was used for the purchase or renovation of real estate, 42% was dedicated to savings and only 1% was directed towards investments in business, stock or shares.<sup>58</sup> By comparison with other countries in receipt of remittances, the shares of remittances allocated to consumption and business investments in Ukraine are low and the shares allocated to savings high. This can be attributed to political uncertainty and instability.

Foreign Direct Investment (FDI) inflows amounted to 1.9% of GDP in 2019, according to World Bank figures, and were mostly directed towards manufacturing, wholesale and retail trade, and financial and insurance activities.<sup>59</sup> The availability of capital from remittances represents a potential opportunity for impact investing activities aimed at stimulating development in regions and sectors that traditional FDI does not target.<sup>60</sup> Directing a portion of the assets of households, companies and financial institutions towards projects that seek to have positive social and environmental impacts can contribute to the achievement of the SDGs.

Ukraine: Main Economic Indicators	2020-2021
Population, million	44.134
GDP (current \$ billion)	155.582
GDP per capita (current \$)	3,726.927
GDP annual growth rate (%)	-4.02
Unemployment rate (% of labour force)	9.48
Human Development Index (HDI) ranking	74
Doing Business ranking	64

\*Population, GDP, GDP per capita, GDP annual growth rate and unemployment by the World Bank, HDI ranking by UNDP, Doing Business ranking by World Bank Group

Table 1. Ukraine's Economic Indicators – A Snapshot

### Economic Impact of COVID-19 In Ukraine

Before the outbreak of the COVID-19 pandemic, the Ukrainian economy was growing steadily, prices and exchange rates were relatively stable, and the level of the public debt was moderate. Ukraine entered the active phase of the pandemic at the end of March 2020. To save lives and avoid overloading the healthcare system, the government implemented a lockdown which inadvertently caused an economic recession. In the Materials for Discussion to Overcome the Consequences of COVID-19, Ukraine's Cabinet of Ministers found it highly likely that a majority of SMEs would have to cut down on employees' wages if the pandemic continued for longer than two months, and that a quarter of the SMEs were likely to lose around 40% of their revenues in comparison to 2019.<sup>61</sup> The hospitality, manufacturing, and wholesale and retail trade sectors were estimated to be the most vulnerable to the effects of the pandemic, and were consequently in need of immediate financial support.

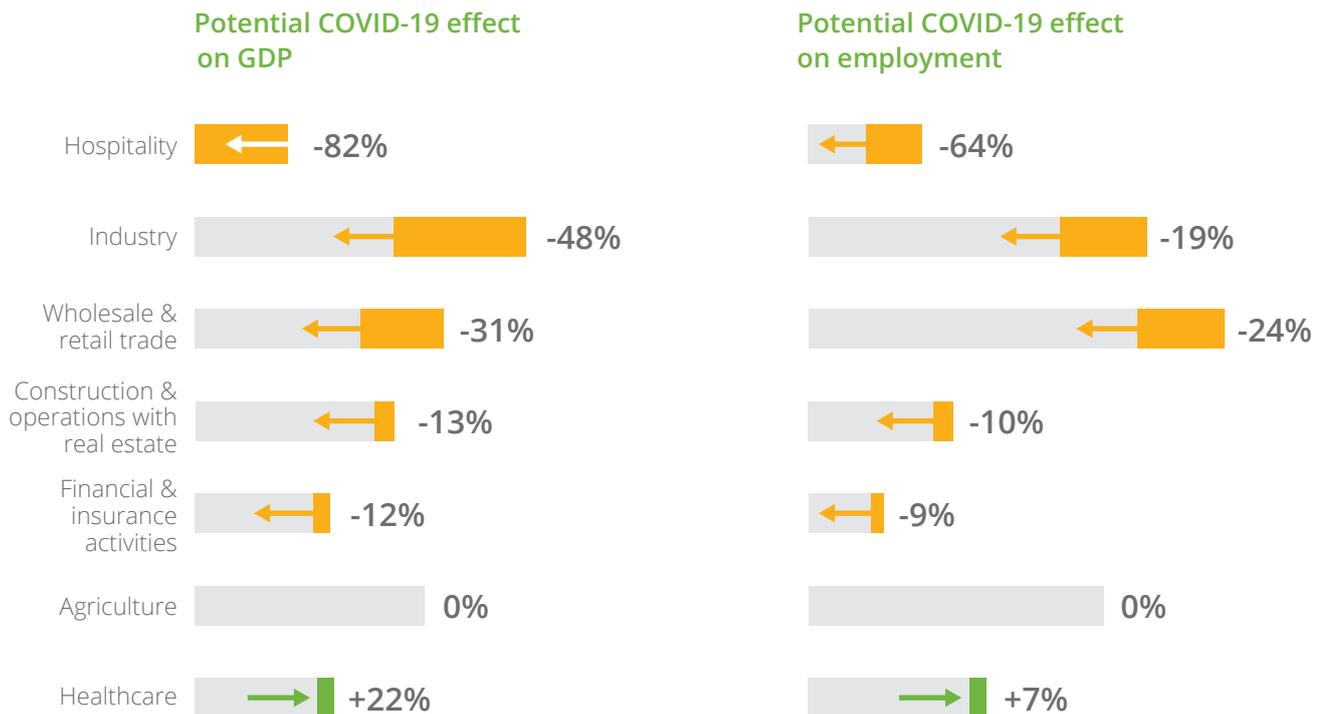


Figure 4. Potential COVID-19 Effects on GDP: Breakdown by Sectors, Q2 2020. UkraineInvest, 2020.<sup>62</sup>

Figure 5. Potential COVID-19 Effects on Employment: Breakdown by Sectors, Q2 2020. UkraineInvest, 2020.<sup>63</sup>

Initially, to ameliorate the effects of the pandemic, the Ukrainian Government had introduced some important measures to help tackle the health implications and the negative social and economic effects of the pandemic. As a response to the pandemic, an economic stimulus package was introduced prohibiting banks from charging any penalties, fines or increased interest on consumer loans, and raising single taxpayer income limits. In this context, the government also introduced weekly wage supplements to frontline workers such as medical personnel who are directly engaged in eliminating the effects of the pandemic. In addition, the pensions of all individuals receiving less than UAH 5,000 (\$180) per month were supplemented, and a law was introduced to provide compensation to workers who had lost their jobs due to the pandemic.<sup>64</sup> To facilitate the acquisition of vital medical equipment and goods, customs duty was abolished on priority goods such as medical appliances. In terms of public safety and health, Ukraine initially imposed a total lockdown. This was later converted into an adaptive quarantine involving social distancing, remote learning and measures regarding sanitation and personal protective equipment. Stricter conditions applied in the areas with the highest infection rates such as Kyiv, Lviv and Chernivtsi. On September 2021, the Government of Ukraine decided to extend the partial quarantine regime until December 2021. This new phase involves restrictions such as a 50% occupancy rule for cultural institutions, restaurants, gyms and other such public venues and a mask-wearing mandate. The current data indicates that only 15.6% of the population is fully vaccinated, and the daily number of cases is on an increasing trend.<sup>65</sup>

The government is keeping in place some of the fiscal measures aimed at reducing the impact of the pandemic on economic life such as tax relief for SMEs, one-time non-taxable support payment to individuals who lost their job due to the pandemic and increased spending to support health services.<sup>66</sup>

The actual effects of the initial waves of the pandemic are revealed in the second quarter of 2021. Due to the effects of the pandemic, Ukraine's GDP declined by 4% in 2020 despite previous years' growth projections. The EBRD attributes the GDP decline to the effects of the pandemic, including changed consumption patterns and shrinking disposable income owing to the lockdown, lower remittances due to travel restrictions, weaker economic activity in Poland and other EU countries, currency depreciation, increased debt refinancing costs on international financial markets and lower commodity prices, which have affected Ukraine's exports. In parallel, due to the pandemic, consumer confidence fell from 92.2% in December 2019 to 60.7% in January 2021. By the fourth quarter of 2020, the unemployment rate in Ukraine rose to 10%. This significant increase also does not capture the effects of the pandemic on informal employment. Data from September 2020 indicates that 700,000 SMEs were closed until that point, leading to the loss of 3.5 to 4 million jobs and affecting mostly female-led enterprises.<sup>67</sup> In this context, the key economic sectors of the country were affected, with construction seeing the sharpest decline in output growth (-12.8% year on year in February 2021) followed by agriculture (-4.8% year on year in March 2021) and industrial production (-4.2% year on year in February 2021).<sup>68</sup> Despite the initial shock of the pandemic, projections for the near future indicate a mild return to growth. The National Bank of Ukraine (NBU) estimates that real GDP will grow by 3.8% in 2021<sup>69</sup>, 4.7% in 2023 and 5% in 2024.<sup>70</sup> Similarly, the IMF projects a 4% growth in Ukraine's real GDP in 2021.<sup>71</sup> The World Bank forecasts a 3.8% growth in 2021, due to the high uncertainty surrounding structural reforms and vaccination rollout.<sup>72</sup> According to the recent estimates of the European Bank for Reconstruction and Development (EBRD), a 3.5% growth in GDP is foreseen in 2021 and 2022.<sup>73</sup> Overall, Ukraine weathered the pandemic better than it was previously estimated. Some businesses have adapted to the conjecture with online trading and delivery services, but NBU still expects economic activity to be slower than before.<sup>74</sup>

Organization	GDP growth outlook in 2021
The National Bank of Ukraine	3.8%
The IMF	4%
The World Bank	3.8%
The EBRD	3.5%

Table 2. GDP Growth Expectations for 2021

## Investment Landscape

### Overall Investment Landscape

Ukraine has enormous investment potential due to its large consumer market, highly educated, cost-competitive workforce, strategic geographical position at the crossroads of Europe and Asia and abundant natural resources.<sup>75</sup> The government has established investment promotion agencies in order to facilitate foreign investments. The Association Agreement with the EU provides Ukraine with preferential market access and accelerates the country's economic integration with the EU. Ukraine currently has 17 free trade agreements (FTAs) with 46 countries, including the Deep and Comprehensive Free Trade Agreement with the EU.

Constraints on attracting investments in Ukraine have included corruption, poor infrastructure, weak protection of property rights and political instability. The government has taken measures to facilitate the ease of doing business by improving the protection of minority investors, simplifying procedures for small claims and pre-trial conferences for contract enforcement, and eliminating certain verification requirements that have hindered trading across borders.<sup>76</sup> Ukraine ranks 64th out of 190 countries in the World Bank's "Ease of Doing Business" survey, which focuses on regulatory environments for private investments, with a score of 70.2. Within the Europe and Central Asia region, it is ranked 17th out of 24 countries.<sup>77</sup>

Another relevant indicator is the European Business Association (EBA)'s Investment Attractiveness Index. This index measures the perceptions of leading EBA member businesses of the investment climate and the profitability of doing business. Currently, Ukraine scores 2.84 out of a possible 5.<sup>78</sup> The index suggests that the attractiveness of Ukraine for investors has been decreasing since 2018, except for the improvement observed in 2021. The previous years' decline is attributed to political and economic turbulence, which created an environment of uncertainty.<sup>79</sup>

The improvement in the investment index for 2021 stems from parallel improvements on the happiness barometer, measuring the citizens' satisfaction about various aspects of life in Ukraine such as employment, social life and leisure, education and healthcare among other categories, and the Western Ukraine labor market index, which measures trends in the labor markets in Western Ukraine. However, it should be noted that the current status of the index measures such indicators up to the first quarter of 2021. This does not yet reveal a full image of the year-end conjuncture.

## Ukraine's Performance in 2020 Doing Business Indicators

Score from 0 to 100	
Starting a business	91.1
Dealing with construction permits	81.1
Getting electricity	62.5
Registering property	71.3
Getting credit	75.0
Protecting minority investors	68.0
Paying taxes	78.1
Trading across borders	80.1
Enforcing contracts	63.6
Resolving insolvency	31.4

Table 3. Ease of Doing Business Indicators. World Bank, 2020

## Improved Ease of Doing Business Ranking

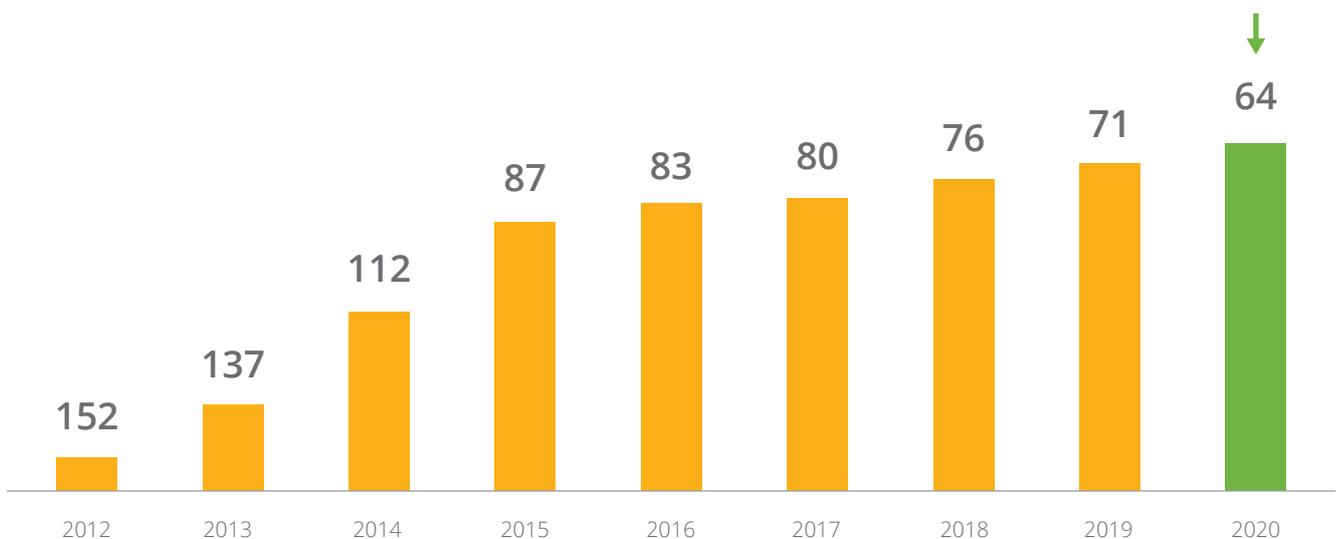


Figure 6. Ease of Doing Business Ranking by Years. World Bank, 2020

The main types of legal entity in Ukraine are the limited liability company (LLC) and the joint stock company (JSC). The latter can be either private or public.

An LLC is a private company the charter capital of which is divided into shares in accordance with its constituent documents and the liability of which for its obligations is limited by its assets. The advantages of this type of legal entity include relative ease of establishment and operation, and the absence of a minimum equity capital requirement. LLCs are not regulated by the National Securities and Stock Market Commission (NSSMC).<sup>80</sup>

**EBA Investment Attractiveness Index** (index, as at year)

Figure 7.

Investment Attractiveness Index Trend. Investment Promotion Office of Ukraine/EBA, 2021.<sup>81</sup>

Foreign investors generally choose to establish wholly owned subsidiaries in the form of LLCs. It is also common for foreign companies to set up representative offices, which are not corporate legal entities. The other types of legal entity which are available, such as additional liability companies and private enterprises, are rarely used.

A JSC is a private company the charter capital of which is divided into a certain number of shares of the same nominal value. JSCs may be private or public, depending on how the shares are placed. Private JSCs place shares only among their existing shareholders or with persons on a list approved by the shareholders, whereas shares in public JSCs can be placed and sold publicly. Entities of this type are regulated by the NSSMC, and any share issues must be registered with this institution.

The majority of the existing companies in Ukraine are small and medium-sized enterprises (SMEs). In 2019, 95.2% of companies (a total of 362,328 companies) were categorized as small enterprises, 4.7% (17,751 companies) as medium-sized enterprises, and 0.1% (518 companies) as large enterprises.<sup>82</sup> Micro-enterprises accounted for 82.3% of the total number of small enterprises. According to the latest statistics, SMEs generated 59% of total value added and 57.6% of total output (goods and services) in Ukraine in 2019.<sup>83</sup>

### Government Approach and Incentives

The existing investment incentives in Ukraine can be categorized into general incentives, special tax regimes, regional incentives and sectoral incentives. Under general incentives, any imported in-kind contribution made by foreign investors to the charter capital of an enterprise is exempt from import duties. Companies with at least 10% foreign capital have the right to establish subsidiaries, affiliates and branches on the territory of Ukraine and abroad. Some additional incentives are available upon application for qualifying investments under Ukraine's international treaties on scientific, technical or financial cooperation.<sup>84</sup>

The country also offers relatively generous depreciation rates for most fixed assets – including property, plant and equipment – for both foreign and domestic investors.<sup>85</sup>

Ukraine has a simplified tax regime for those private entrepreneurs who are able to benefit from low effective tax rates. Similarly, small businesses are subject to easier reporting requirements. Enterprises in some sectors – for example, agricultural producers – are entitled to a favourable tax regime incorporating significant exemptions.<sup>86</sup> In general, foreign and domestic companies are taxed equally. However, projects that fall into state programmes for the development of priority industries may benefit from preferential treatment.<sup>87</sup> Moreover, investors may enjoy tax incentives in the context of production-sharing agreements and agreements for the acquisition of state-owned enterprises. Specific grants or incentives may be made available in public-private partnership projects.

Foreign investors in Ukraine generally have the same rights and obligations as Ukrainian investors. There are few restrictions on foreign investment. The main restriction is the statutory prohibition on foreign persons owning agricultural land. Other areas in which restrictions apply include bio-ethanol production, publishing activities and the manufacture of carrier rockets. Some industry-specific restrictions apply equally to foreign and Ukrainian nationals. Due to the military conflict in Ukraine, certain restrictions have recently been introduced on investment by nationals and companies of foreign states that engage in military aggression against Ukraine.

In order to attract additional financial resources, the Ukrainian government introduced a Package of Bills and Programmes on Investment Raising in 2020. The most essential draft laws in this package are the laws numbered 3760, 3761 and 3762. According to the draft law No. 3760, otherwise known as the Law on State Support for Investment Projects with Large-Scale Investments, investments of over €20 million are to be eligible for state support in the form of an exemption from the payment of certain taxes, fees and import duties on new equipment needed for the investment project. This law also allows for the provision of land and related infrastructure required for the project during the term of the contract.<sup>88</sup> The document covers investment projects in the processing, infrastructure, logistics, waste management, tourism, healthcare, education and sports industries. To be eligible, the duration of the investment project must not exceed five years, and more than 80 new jobs must be created in the implementation phase with salaries at least 15% higher than the average salary in the region in question. The draft laws Nos. 3761 and 3762 contain amendments to draft law No. 3760 with regards to the Tax and Customs Codes. The laws exempt equipment imported for large-scale investment projects from value-added tax (VAT) and import duties and provide income tax benefits for the period 2021-2035.<sup>89</sup> Also in 2020, in line with the programme on raising investments, the President of Ukraine announced a reduction of the investment threshold for participation in the 'Investment Nanny' programme. This programme matches a personal manager to any investor who invests a significant amount in Ukraine. Acting in an advisory capacity, the manager helps to resolve any issues that the investor might encounter while doing business in Ukraine. The programme also offers income tax benefits to prominent investors.<sup>90</sup>

In addition to these regulatory changes, draft laws No. 3724 and 3725 have been adopted to introduce investment incentives for companies located in industrial parks.<sup>91 92</sup> The incentives target companies operating in the processing, research, information and telecommunications industries that choose to locate in industrial parks.

They include an exemption from customs duty and a 3% rate of VAT on equipment, raw materials and semi-finished products imported for the company's economic activities.

The law offers companies located in industrial parks a five-year exemption from income tax, state support in the form of compensation for interest payments on loans, reimbursement for capital expenditures and 50% compensation for the cost of connecting to the power grid. All in all, the adoption of these bills by the Ukrainian Parliament showcases the government's determination to improve the investment environment.

### Foreign Direct Investment (FDI) and Mergers and Acquisitions (M&A)

Foreign direct investment (FDI) stocks in Ukraine increased from \$44 billion in 2018 to \$51.4 billion in 2019, according to Ukraine Invest. However, in 2020, there was a net FDI outflow from the country leading to the fall of FDI stocks to \$48.9 billion.<sup>93 94</sup> This trend is in parallel with the effects of the pandemic.

#### Direct investment in Ukraine (million dollars)

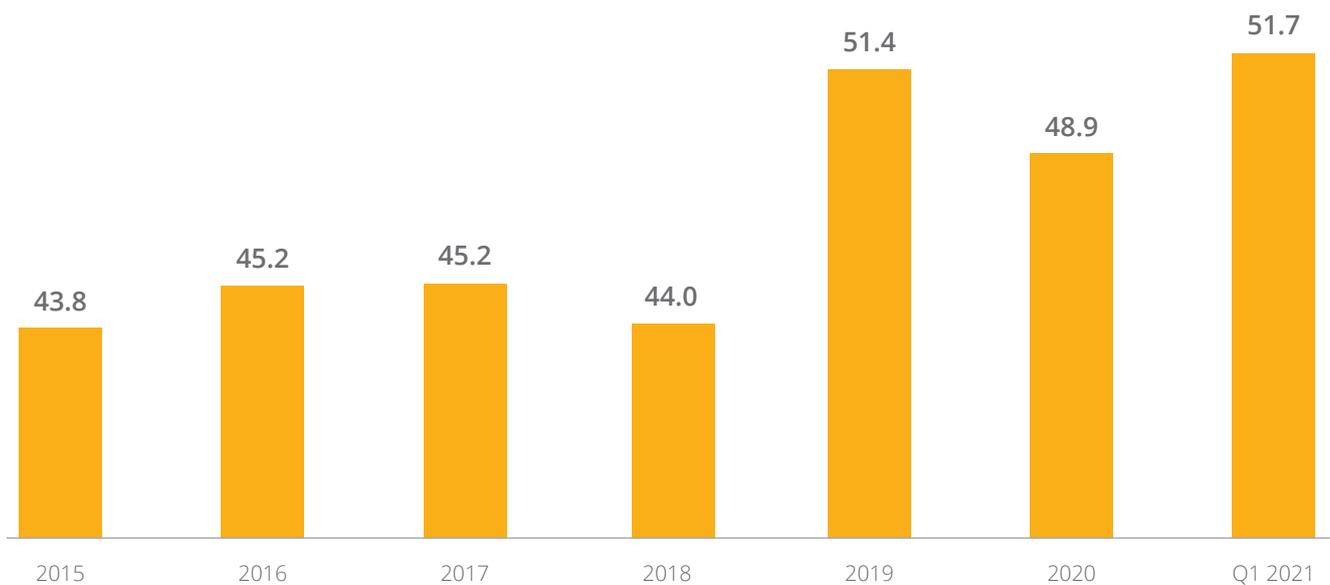
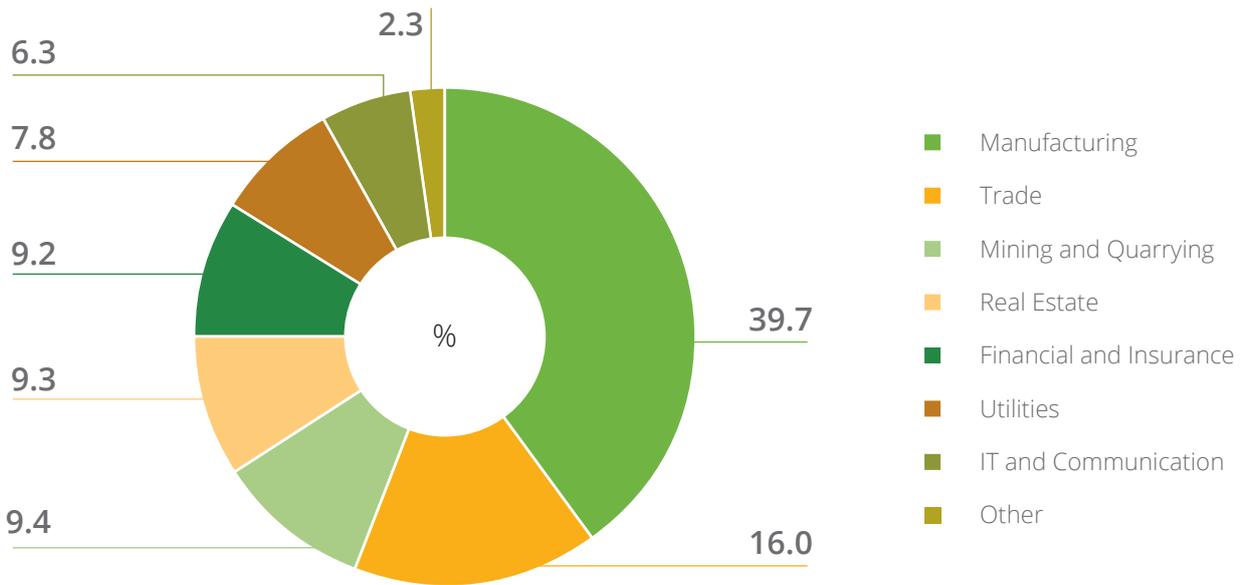


Figure 8. Total FDI Stock in Ukraine, billion USD. Ukraine Invest, 2021

i The volumes of FDI recorded by the National Bank of Ukraine and those recorded by international organizations such as the World Bank differ because Ukraine's methodology for calculating investment was in transition. Both sets of figures indicate that the situation has improved slightly in recent years after the sharp drop in FDI that followed the conflicts in the region in 2014. However, FDI flows also dropped sharply following the COVID-19 pandemic.

The breakdown of FDI in Ukraine by country of origin in 2020 shows that investments from Cyprus (30.6% of FDI), the Netherlands (20.4%), the United Kingdom (6%), Switzerland (5.6%), Germany (4.7%), Austria (3.4%), Luxembourg (2.5%) and France (2.1%) take the lead in that respective order.<sup>95</sup> The breakdown of FDI by type of economic activity demonstrates that FDI is mostly dedicated to manufacturing (39.7% of FDI) followed by trade (16%), mining and quarrying (9.4%), real estate (9.3%), financial services and insurance (9.2%), utilities (7.8%), IT and communications (6.3%), and other uncategorized economic activities (2.3%).

**FDI by types of economic activity**



**FDI by Country of Origin**

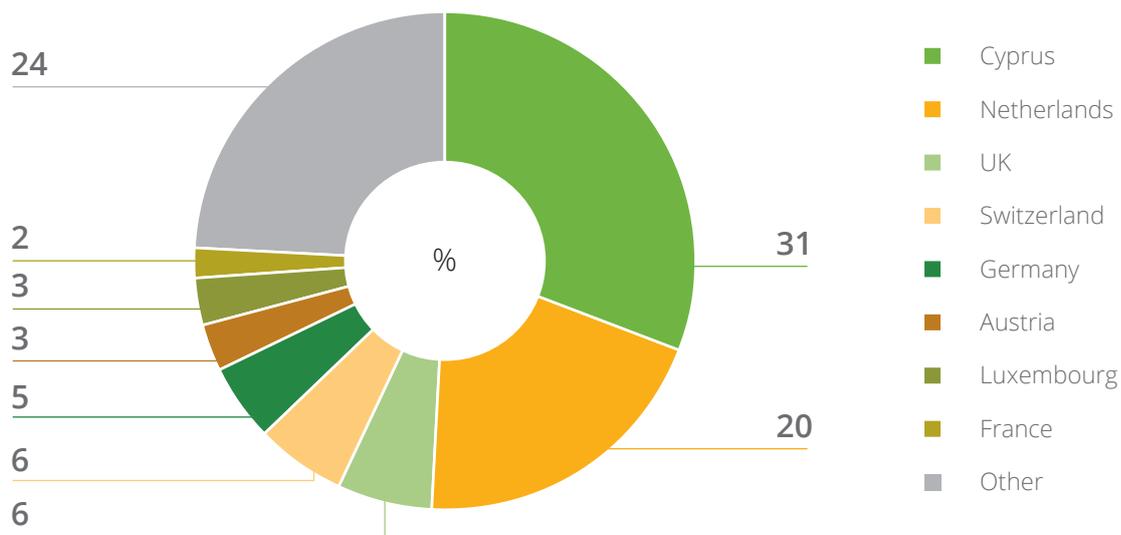


Figure 9. FDI by types of economic activity & FDI by country of origin. Ukraine Invest, 2020

According to the 2020 UNCTAD World Investment Report, approximately one-third of Ukraine's FDI for 2019 was reported to be Ukrainian capital cycled back into the country through offshore centres such as Cyprus.<sup>96</sup> Due to its tax incentives and flexible legislation, Cyprus has in recent years become the largest source of FDI in Ukraine. At the end of 2019, equity capital from Cyprus was invested primarily in industry (27%), real estate activities (19.2%) and wholesale and retail trade and the repair of vehicles and motorcycles (13.4%).<sup>97</sup>

Dutch investors include Royal Dutch Shell, ING, Rabobank, Philips, Unilever, Louis Dreyfus Holding and Akzo Nobel.<sup>98</sup> The sectors that have attracted the most equity capital from the Netherlands are as follows: industry (34.3%), information and telecommunications (30.1%) and wholesale and retail trade and the repair of vehicles and motorcycles (11.4%).<sup>99</sup> One recent deal was a \$10 million tea factory investment by Unilever. A list of other deals in Ukraine can be found in Annex 1.

The vast majority of the equity capital from Switzerland as of the end of 2019 was invested in industry (59.9%). Several world-famous Swiss enterprises operate in Ukraine, including Nestle SA, Sandoz AG, Philip Morris International, F. Hoffman la Roche and Geberit International AG.<sup>100</sup> About 23.2% of the Swiss capital was invested in wholesale and retail trade and the repair of vehicles and motorcycles.

In 2020, Ukraine and the United Kingdom have signed the Ukraine–United Kingdom Political, Free Trade and Strategic Partnership Agreement. The aim of the agreement is to increase trade between the two countries. This bilateral agreement placed the United Kingdom among the leading countries in terms of investment volumes in Ukraine.

Austria is actively investing into Ukraine and accounts for 4.8% of all direct investment from EU countries.<sup>101</sup> Industry, manufacturing, trade, financial and insurance activities are among the sectors that attracted the most equity capital from Austria.<sup>102</sup> Major Austrian companies such as Raiffeisen Bank Aval, Porsche Leasing, Billa and Red Bull are active in Ukraine.<sup>103</sup>

As of September 2020, Luxembourg investments in the Ukrainian economy amounted to \$1.18 billion.<sup>104</sup> The investments are dispersed among 100 Luxembourgian enterprises. The equity capital from the country is involved in such sectors as industry, wholesale and retail trade, construction and transportation.<sup>105</sup>

During 2019, the trade relations between Ukraine and France increased by 20% (compared to 2018) and amounted to almost €1.3 billion. Within the Ukrainian market, France predominantly focuses on investments in retail (Auchan, Décathlon, Leroy Merlin), the banking sector (Crédit Agricole and Ukrsibbank BNP Paribas Group), and agricultural production (Soufflet group, Fromageries Bel, Louis Dreyfus, Savencia, Malteurop, and Limagrain).<sup>106</sup>

The renewable energy sector has attracted more than \$4 billion in capital inflows in the 2018 and 2019 as investors have taken advantage of the attractive tariff regime. However, the government recently decided to reduce the tariffs, causing investor interest to decline. The cut-off date for green tariffs has also been pulled to 2030. The new incentive scheme to replace this system is yet ambiguous.

Despite the political and economic challenges of the last few years, the total volume of M&As in Ukraine grew for three consecutive years to reach a total of \$2,347 billion in 2019, when 80 deals were completed.<sup>107</sup> The communications and media sector led the way with deals worth an estimated total of \$754 million. This sector was followed by real estate and construction (\$468 million) and power and utilities (\$250 million).<sup>ii</sup> In 2020, due to the effects of the pandemic, the total M&A deal value fell by 62% to \$925 million with 69 deals completed of an average transaction value of \$28 million.<sup>108</sup>

Ukrainian M&A (2013–2020)

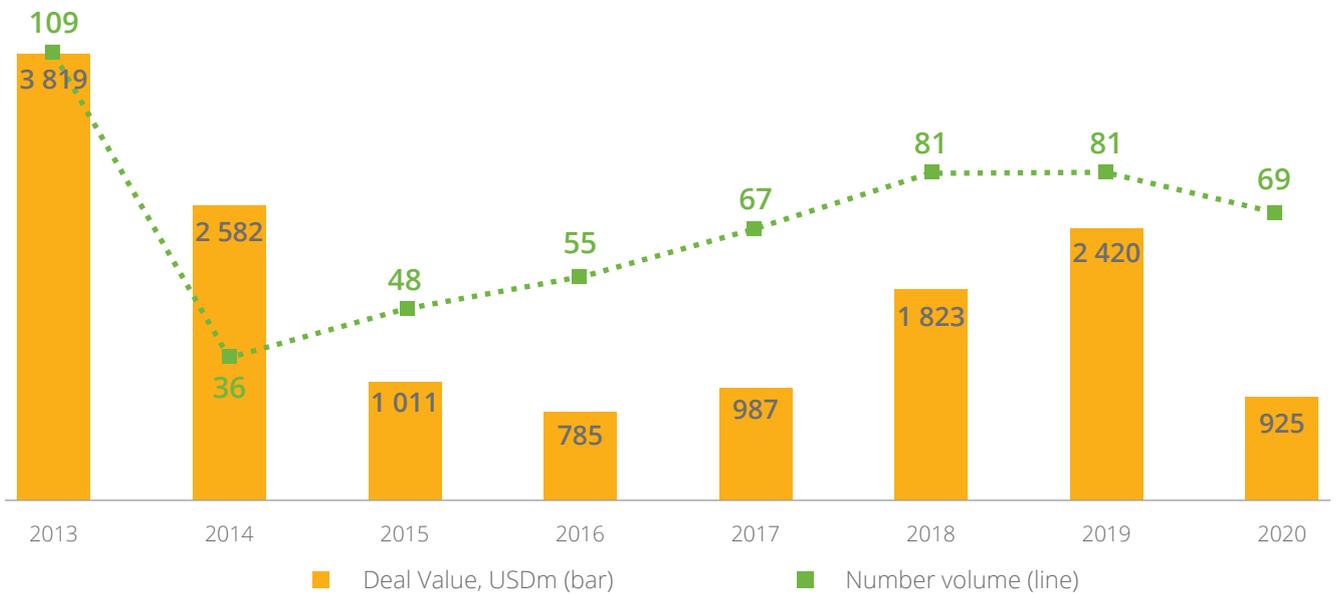


Figure 10. Mergers and Acquisitions in Ukraine by Years. KPMG M&A Radar

The Ukrainian startup ecosystem is also developing. The total value of venture capital (VC) investments increased to \$509.9 million in 2019 with software and online service companies taking the lead in terms of both the number of deals and their total value.<sup>109</sup> The value of M&As rose from \$25.2 million in 2018 to \$460 million in 2019 – an eighteenfold increase. Private equity investments amounted to \$38.4 million and angel investments to \$6.1 million. In parallel with previous years’ dynamics, investments in Ukrainian start-ups reached \$571 million in 2020.<sup>110</sup>

ii In terms of the number of deals, real estate and construction ranks first with 16 deals, followed by agriculture with 15 deals, and innovation and technology and consumer markets with eight deals each.

### Industry Snapshot 2019

<p><b>Total value of Venture Capital (VC) Deals</b></p> <p>2019 – <b>\$509.9m</b></p> <p>2018 – \$336.9m (1.5x increase)</p>	<p><b>Number of deals:</b></p> <p>2019 – <b>111</b></p> <p>2018 – 115</p>	<p>The prevalent amount of funds operating in Ukraine focused on the Growth stage.</p> <p>The average ticket at Growth stage – <b>\$ 110m*</b>.</p>
<p><b>Value of M&amp;A Deals</b></p> <p>2019 – <b>\$460m</b></p> <p>2018 – \$25.2m (18x increase)</p>	<p><b>Number of deals:</b></p> <p>2019 – <b>15</b></p> <p>2018 – 7</p>	<p>M&amp;A considered as a tool for business development, unification of efforts and expertise. Ukrainian startup <b>Al factory</b> (top-performing mobile app startup) was acquired by Snapchat for \$ 166m.</p>
<p><b>Angel Investments</b></p> <p>2019 – <b>\$6.1m</b></p> <p>2018 – \$0.9m (7x increase)</p>	<p><b>Number of deals:</b></p> <p>2019 – <b>21</b></p> <p>2018 – 7</p>	<p>Hardware and Online service companies prevail by the number of deals among Angel Investments.</p>
<p><b>Private Equity</b></p> <p>2019 – <b>\$38.4m</b></p>	<p><b>Number of deals:</b></p> <p>2019 – <b>11</b></p>	<p>Hardware and Software companies prevail by the deal value. Horizon Capital invested \$10m in <b>Ajax Systems</b>. Dragon Capital and Aventures Capitol became the minority shareholders of <b>Ciklum</b>.</p>

Note: VC deals exclude deals with Angel investors only, M&A deals, PE deals  
 Source: Deloitte Research, UVCA Research

\*excluding deals with undisclosed amount (see Glossary)

Figure 11. Venture Capital Industry Snapshot 2019. Deloitte

## Reforms to Improve the Business Environment in Ukraine

### Decentralization

The decentralization reform has transferred power and resources from the central government to local authorities, empowering municipalities, cities, and regions to be responsible for their own development. As a result of the reform, which began in 2014, local authority budgets increased to \$9.7 billion in 2019 from \$2.4 billion in 2014.<sup>111</sup> The \$50 million ‘USAID Decentralization Offering Better Results and Efficiency (DOBRE)’ initiative will provide technical assistance to improve e-governance, public trust in governing institutions and strategic planning in seven target regions, meet specific needs for economic development and facilitate access to the Regional Development Fund, Infrastructure Fund, and Inter-Municipal Cooperation Fund. The consolidated communities that achieve the most development progress will also gain access to a number of grant schemes.<sup>112</sup> The ‘U-LEAD with Europe – Ukraine Local Empowerment, Accountability, and Development Programme’ is another initiative that aims to support the decentralization reform.<sup>113</sup> The programme has a budget of nearly \$180 million for the 2016-2023 period.

It is supported by the German Federal Ministry for Economic Cooperation and Development (BMZ) and carried out by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The programme focuses on building the capacity of the regional authorities to make them more self-sustainable. It supports initiatives to improve administrative service delivery, extend e-governance and raise awareness about the benefits of ongoing reform and opportunities for engagement in local governance.<sup>114</sup> GIZ has provided funding for 18,500 training sessions and workshops which attracted a total of 245,000 participants, over 50% of them women.

### **Deregulation**

The deregulation programme aims at increasing regulatory compliance and convergence with EU standards. The reform will reduce levels of bureaucracy, which are in some cases 30% higher than in Europe,<sup>115</sup> ensure predictable and honest conduct on the part of the regulatory agencies, and remove burdensome regulatory barriers to entrepreneurial activity. So far, 1,298 pieces of legislation have been reviewed, deregulation has gone ahead in construction, energy, transport and logistics, and IT and technology, and an inspection portal has been developed containing information on planned inspections and inspection results in order to improve transparency and reduce the risk of corruption.<sup>116</sup>

### **Banking sector**

In the first stage of financial reform, the banking sector was reorganized, leading to a significant reduction in the number of banks, thereby improving the overall banking and financial landscape. The financial services market for non-bank entities was split among the Central Bank, private pensions funds and the NSSMC. The Central Bank and private pension funds became responsible for pawnshops and for regulating insurance, leasing, and financial companies, while the NSSMC oversees private pension funds and construction financing funds.

### **Currency liberalization**

The currency liberalization reform has simplified the opening, use and closure of accounts and streamlined the procedure for non-residents to obtain loans. Currency liberalization is also necessary to deregulate and increase investment activities, facilitate international foreign currency transactions, and expand the range of foreign exchange transactions, improving the vitality of the market.

### **Privatization and management of state-owned enterprises (SOEs)**

This reform aims to reduce the number of SOEs by liquidating inactive enterprises, to improve operational and reporting transparency and to regulate corporate governance. SOEs that are about to undergo privatization are catalogued by the State Property Fund of Ukraine, which monitors all privatization activities and disseminates positive examples, such as the acquisition of Park Inn by Radisson Donetsk and its modernization under new management, or the privatization of the Odesa Culture Centre.<sup>117</sup> Ukraine plans to offer 1,007 SOEs for privatization. Large-scale privatization and small-scale privatization are organized separately. Large-scale privatization involves SOEs with a value of \$8.8 million. Investment advisors are contracted to disseminate information about the enterprise to be privatized and to seek out prospective investors. The whole procedure must adhere to the rules of transparency and accountability. To ensure that suitable investors are found, and the price is fair, all activity apart from the auditing of the SOEs has currently been put on hold due to the COVID-19 pandemic. However, work is expected to pick up as soon as the situation improves.<sup>118</sup>

Small-scale privatization involves SOEs valued at less than \$8.8 million. These are sold publicly through the Prozorro.Sale platform, which gives larger numbers of bidders access to the tenders and allows for broader oversight by the public. As of 2019, the total value of small-scale privatization assets for e-auction through Prozorro.Sale amounted to \$74 million. The approach has been found to be successful in over 40% of cases, raising the initial value of each asset by more than 60%.<sup>119</sup>

### **Investment market**

A trading repository, a regulated market operator, and a central counterparty have been introduced. These new institutions are expected to facilitate the operations of the capital market. New financial instruments such as derivative contracts, bank certificates of deposit and more secure corporate bonds will soon be launched to develop the market further.

### **Tax system**

The main achievements of the tax system reform can be listed as follows: a reduction in the number of taxes from 22 to 11, a reduction in the payroll tax rate from 41% to 22%, the launch of an automatic VAT reimbursement mechanism, and the introduction of on-line services for taxpayers. In addition, Ukraine has joined the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) which aims to provide a more transparent tax environment, manage tax avoidance, and improve the coherence of international tax regulation.<sup>120</sup>

### **Clearstream<sup>121</sup>**

Clearstream connects the Ukrainian market to the International Central Securities Depository (ICSD) network. In effect, Clearstream makes it possible to settle all government bonds in Ukraine's local currency, the hryvnia. This is expected to increase the demand for Ukrainian bonds and boost liquidity.

### **Land market reform**

The land market reform lifted the moratorium on agricultural land sales, which will foster investment in the sector. However, the land market will still be subject to significant restrictions for Ukrainian and foreign companies and individuals.

### **Energy Sector**

The energy sector reform reorganizes the domestic energy market to meet EU rules and standards and ensure competitive pricing. By 2025, Ukraine aspires to become energy-independent through the development of the domestic renewable energy sector. To achieve this, the government has re-oriented its energy-related collaboration away from Russia and towards Europe.

### **Space liberalization**

Space liberalization reform gives private companies the right to engage in space-related activities, including rocket launches. This reform is expected to help attract investments and develop competition in this sector.

### **E-residency in Ukraine**

E-residency allows foreigners to launch and conduct business activities in Ukraine remotely. The reform is aimed at professionals from the creative industries.

### Anti-corruption

The anti-corruption reform has strengthened the public institutions responsible for combating corruption, including the Anti-Corruption Court, the National Anti-Corruption Bureau, the Special Anti-Corruption Prosecutor's Office, the National Agency on Corruption Prevention and the National Agency of Ukraine for finding, tracing, and managing assets derived from corruption or other crimes. A public procurement system known as ProZorro has been introduced to prevent corruption and ensure transparency in the use of public funds.

### Concession Law

The Concession Law is intended to boost investments in improving and extending infrastructure and increasing the quality of services.<sup>122</sup> The law also facilitates public-private partnerships.

## Development Context

In 2020, Ukraine ranked 74<sup>th</sup> in the Human Development Index – below most Eastern European countries, which hold ranks ranging from 27<sup>th</sup> to 73<sup>rd</sup> (excluding Moldova and North Macedonia). With this ranking, Ukraine falls below Eastern European countries such as the Czech Republic (27<sup>th</sup>), Poland (35<sup>th</sup>) and Slovakia (39<sup>th</sup>), while overtaking most Commonwealth of Independent States (CIS) countries such as Armenia (81<sup>st</sup>), Azerbaijan (88<sup>th</sup>), Turkmenistan (111<sup>st</sup>) and Kyrgyzstan (120<sup>th</sup>).<sup>123</sup>

Since 2015, a wide range of reforms have been implemented in Ukraine that have incrementally advanced socio-economic change and strengthened the democratic system. The SDGs have been adapted to reflect Ukraine's national development context. The national SDG system consists of 86 national targets with 183 monitoring indicators, as listed in Annex 3.<sup>124</sup> The SDGs have been adopted as a benchmark for monitoring national development progress by a presidential decree. The decree also sets out the responsibilities of the various ministries for achieving them. To further these efforts, the Ukrainian government has initiated the establishment of an Inter-Agency Working Group on Achieving the former Ministry for Development of Economy, Trade and Agriculture; currently the Ministry of Economy.

The Working Group will function as a temporary advisory body responsible for assigning tasks to different ministries to coordinate their efforts in achieving the national development targets. An assessment gauging the extent to which the SDGs have been integrated into national and sub-national planning shows that the SDG targets have been incorporated into 12 governmental regulatory legal acts and 4,300 planned actions. The new Cabinet of Ministers has expressed its support for these actions and in March 2020 reaffirmed the government's commitment to the SDGs.

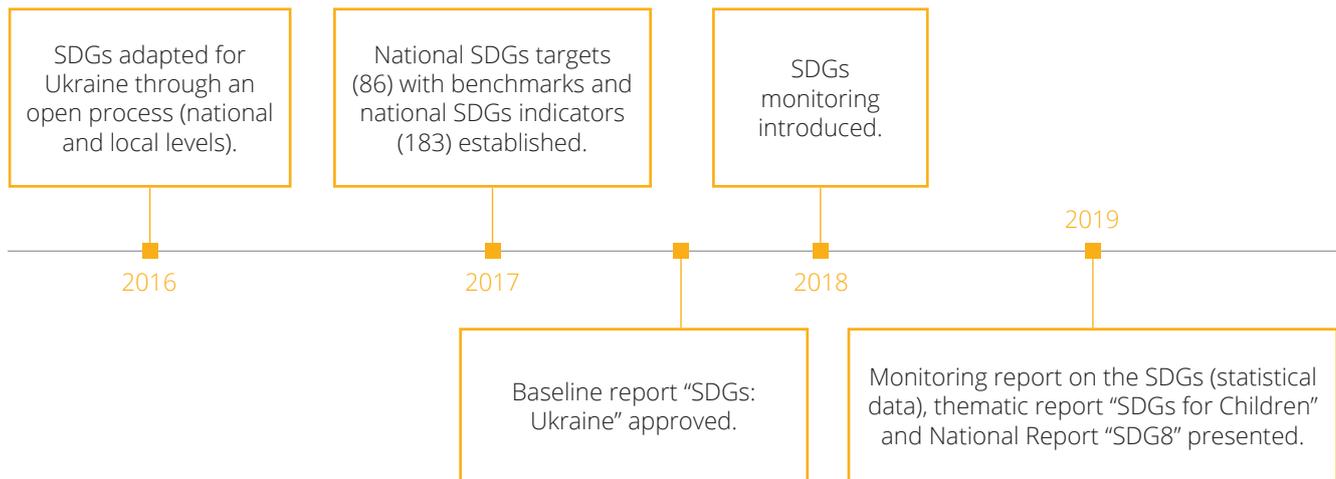


Figure 12.

### Key Milestones in SDG Progress in Ukraine: Progress and Challenges

The 'Ukraine-2020' Sustainable Development Strategy prioritizes the sustainable development of the country while safeguarding the economy and structural reforms, the security of the state, business and citizens, and responsibility and justice.<sup>125</sup> The government has formulated a series of actions for the next decade that cut across four categories – namely, economic, social and environmental development, and effective management.<sup>126</sup>

According to its Voluntary National Review (VNR), Ukraine prioritizes SDG 8 (Decent Work and Economic Growth), which it perceives as an accelerator of progress.<sup>127</sup> Emphasis is placed on this goal in view of its direct impact on the other SDGs. The Ukrainian government recognizes young people as a key factor for success in achieving this goal and is deeply concerned about the underutilization of the labour force aged 15-24 and the high levels of emigration.<sup>128</sup> The achievement of SDG 8 is hindered by insufficient progress in providing safe conditions at work, ensuring equal pay for men and women, increasing the share of high-tech goods in exports, and providing access to finance for SMEs. Along with SDG 8, SDG 3 (Good Health and Wellbeing), SDG 4 (Quality Education), SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Responsible Consumption and Production) and SDG 16 (Peace, Justice, and Strong Institutions) are also prioritized in the local context. With regard to SDG 3, the government emphasizes the need to introduce innovative practices in diagnosing diseases, to improve healthcare facilities physically and technically, and to address the issue of inefficient pharmaceutical use. The need to address these issues has become more evident during the pandemic. The existence of significant problems in terms of SDG 3 is demonstrated by high premature mortality rates and the high number of positive HIV patients, which has made Ukraine a "leader" in the European region. Besides the health dimension, sustainable development is undoubtedly contingent on quality education, which is at the core of human capital. Notwithstanding good results in the education sector, there are areas where efforts need to be made to succeed in achieving SDG 4. These areas include vocational training, which has lost its attractiveness for the population, technologies for distance learning, which have been in great demand during the pandemic, and pre-school education institutions that do not meet the needs of the market. SDG 9 calls for constant innovation and the use of resilient infrastructure, with a spillover effect on other sectors.

In this context, Ukraine's needs encompass the improvement of roads, the modernization of seaports, airports and industrial companies, access to clean water and quality transport services, and the expansion of infrastructure that reduces the country's ecological footprint. Every year it becomes more difficult for civil society and the state to turn a blind eye to the problems associated with excessive waste. The need to address increased waste generation and limited recycling was the rationale for emphasizing SDG 12. Finally, Ukraine's performance against SDG 16 is hampered by the consequences of the military conflict in the country, the high level of corruption and the inefficiency of public authorities, all of which has an impact on other sectors as well.

Prioritized SDGs in Ukraine

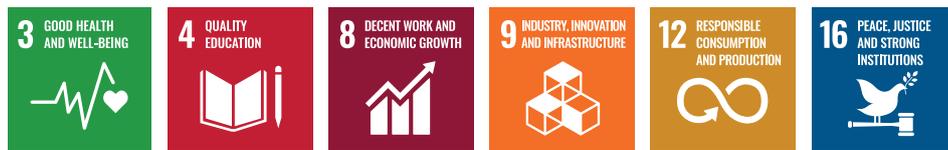


Figure 13. Prioritized SDGs in Ukraine. Voluntary National Review

According to recent international estimates, which are reflected in the 2020 SDG Index, Ukraine ranks 36<sup>th</sup> among 165 countries with a performance index score of 75.5 out of 100.<sup>129</sup> Ukraine has achieved the most success in poverty and inequality reduction (SDG 1 and SDG 10). As shown in Figure 14, the poverty headcount ratio at the national poverty line fell from 12.7% in 2007 to 1.1% in 2019.<sup>130</sup> Ukraine made progress in this area by improving labour remuneration standards and expanding the coverage of housing subsidies.<sup>131</sup>

Overall performance



Poverty headcount ratio at national poverty lines (% of the population)



Figure 14. SDG Progress. Overall Performance by Cambridge University Press; Poverty Headcount Ratio by World Bank

Despite the progress achieved so far, the country still faces major challenges in making progress towards SDG 14 (Life below Water), SDG 15 (Life on Land) and SDG 16 (Peace, Justice and Strong Institutions).



Figure 15. Current Assessment of SDG Performance and Trends. Cambridge University Press Sustainable Development Report 2021: Ukraine

With respect to climate action, Ukraine has carried out an electricity market reform to align national legislation with the EU's Third Energy Package, which requires the separation of electricity distribution and electricity transmission companies.<sup>132</sup> The country has also made progress towards using renewable energy sources by enforcing the law. The existing policies foster renewable energy development and propose a new way of supporting investment in renewable energy based on capacity auctions rather than feed-in tariffs as at present. With its Nationally Determined Contribution (NDC), Ukraine has committed itself to a net domestic reduction of 65% in greenhouse gas (GHG) emission levels by 2030 compared to 1990 levels.<sup>133</sup>

As stated above, pathways for the next decade of action for the SDGs fall into four categories – namely, economic, social and environmental development, and effective management.<sup>134</sup> The economic category addresses the development of innovations and circular economy technologies, the completion of infrastructure projects, increased productivity in the agro-industrial complex, SME development, digitalization of the economy and decent new jobs. Actions in the social category anticipate improvements in living standards, a reduction in all forms of inequality, and the mitigation of multi-dimensional poverty.

The proposed steps in the environmental category include amendments to environmental policy, the modernization of waste management and ending the unsustainable use of land, forest and water resources. Under effective management, Ukraine sets out to establish the rule of law, increase the efficiency of central and local authorities, and enforce human rights, the rights of the child, and gender equality.

## Ukraine-EU Relations

Ukraine has set course to build relations with the West and is currently a priority partner for the EU and the EU's Eastern Partnership (EaP). It has committed itself to a wide range of reforms to bring it closer to the EU. Priorities in this context include the fight against corruption, reform of the judiciary, constitutional and electoral reforms, improvement of the business climate, environmental protection, energy efficiency, public administration reform and decentralization. The EU and its financial institutions have supported the reform process with more than €17 billion in grants and loans since 2014.<sup>135</sup>

The EaP is a joint initiative of the EU and the partner countries, which also include Armenia, Azerbaijan, Belarus, Georgia and Moldova. The EaP aims to strengthen and deepen the political and economic relations between the member states of the EU and the partner countries while supporting sustainable reform processes in the partner countries. It also aims to contribute to the delivery of many global policy objectives, including the Paris Agreement on Climate Change, the UN 2030 Agenda and the SDGs.<sup>136</sup> The priority policy objectives of the EaP for the period beyond 2020 are: (i) Resilient, sustainable, and integrated economies, (ii) Accountable institutions, the rule of law and security, (iii) Environmental and climate resilience, (iv) Digital transformation, and (v) Fair and inclusive societies.<sup>137</sup>

In 2014, the EU and Ukraine signed an Association Agreement (AA) and created a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Ukraine. The Agreement came into force on 1 September 2017. It commits Ukraine to economic, judicial, and financial reforms as well as to aligning its policies and legislation with those of the EU and gradually adopting the EU's technical and consumer standards.

The EaP and AA have given Ukraine access to the largest single market in the world and provided it with programmatic support for the development of the private sector. In this context, Ukraine has received over €205 million from the EU External Investment Plan and the Neighborhood Investment Platform since 2014, in tandem with €4 billion from the EBRD.

# The Five Pillars of Impact Investing and their Stakeholders

Robust and thriving impact investing ecosystems are built on five main pillars: (i) Supply, (ii) Demand, (iii) Intermediaries, (iv) Ecosystem Enablers, and (v) Government.<sup>138</sup> All of these five market facilitators catalyze and support the functioning of an impact investing environment within a bottom-up approach. By analyzing each of the five pillars and the stakeholders concerned, it is possible to determine the strengths which a country possesses and the challenges which it faces in nurturing a nascent impact investing ecosystem. This section will analyze main pillars of the impact investing within Ukraine context.

## Supply of Impact Capital

The supply pillar comprises the actors that provide funding, directly or indirectly, to impact businesses. These include institutional investors, high net worth individuals and retail investors.

### Commercial Banks

Banks are the most influential institutions in the Ukrainian financial markets, supplying vital financing instruments and financial mediation. Given the importance of the banks, Ukraine has sought to create a regulatory framework that will provide investors with the necessary assurances about the stability and reliability of the banking system. Since 2014, the number of Ukrainian banks has been reduced by more than half. There are now 82 functioning banks with US\$71.6 billion in total assets. For 2020, the Ukrainian commercial banks reported \$19.9 billion in long-term investments<sup>139</sup> and \$6.7 billion in revenue. Currently only 19 of the commercial banks engage with Ukrainian SMEs. There are several programmes for SMEs including the '5-7-9 Affordable Loans Programme' launched in 2020 which offers loans of between \$18,000 and \$105,000. In order to obtain such a loan, however, an enterprise must have a spotless credit history and a detailed business plan. It must also be classified as highly profitable<sup>140</sup> while making less than \$3.5 million in annual profits<sup>141</sup>. These conditions make the programme accessible to only a few SMEs. The programme has led to the provision of 24,114 loans of a total size of UAH 63.6 billion until September 2021.<sup>142</sup> Other state-supported initiatives include the green loans programme provided for the renewable energy sector, and the partial compensation of operating costs and the costs of machinery, fuel, and supplies for agriculture, up to \$290,000.<sup>143</sup> SMEs in manufacturing, agriculture and services can also receive microloans ranging from \$26,000 to \$290,000. SMEs in other priority sectors determined by the government, such as energy, food production and hospitality, can apply for loans at a reduced interest rate of 5-6%.<sup>144</sup>

The prognosis for commercial banks is favorable. Recent data show that 76% of the banks expect an increase in their business loan portfolios, and 69% forecast growth in loans provided to SMEs and individuals.<sup>145</sup> However, most of the banks active in Ukraine are not currently engaged in the government programmes providing credit to SMEs.

Moreover, challenges related to the low level of financial literacy among entrepreneurs and the stringent selection criteria set by the banks make it quite difficult to obtain a loan. The figures show that 60% of loan refusals are due to the poor reputation or credit history of the business or its inability to provide collateral, while 11% are due to the lack of a sustainable business plan.<sup>146</sup>

Box 1.

## Ukrainian commercial banks providing support to SMEs

Bank	Description
 <p data-bbox="153 725 320 757"><b>ProCredit Bank</b></p>	<p><b>ProCredit Bank</b> is a development-oriented commercial bank. It is also the first bank in Ukraine to certify the compliance of its eco-management system with the International Organization for Standardization (ISO)'s 14001:2015 standard, which establishes environmental management requirements and contributes to SDGs 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 12 (Responsible Consumption and Production) and 13 (Climate Action). The environmental management system allows ProCredit Bank to manage its environmental impact by limiting its consumption of energy, fuel, paper and water and so reducing the amount of waste which it generates. Since the introduction of the environmental management system in 2012, the bank has reduced its annual consumption of energy by 42% (or 2.4 million kWh), of paper by 81% (or 38.5 tons, preserving 924 trees) and of water by 55%.<sup>147</sup> ProCredit Bank has implemented this system for its internal operations and is committed to providing loans to companies that adhere to similar environmental and social impact standards. The intended outcomes include enhanced environmental performance and the achievement of environmental goals. ProCredit Bank provides loans for projects of up to \$10 million under the green loans programme. Its green loans support investments in energy efficiency, renewable energy, and environmental protection in Ukraine. It is seeking to increase the share of green loans in its total loan portfolio to 20%. Since 2012, the bank has issued 2,838 green loans. As of 31 May 2017, the green portfolio of the bank stood at \$42.5 million, or 12% of its total loan portfolio. By 31 March 2020, the share of the green portfolio in the bank's total loan portfolio had risen to 18.5%.<sup>148</sup></p>
 <p data-bbox="153 1368 336 1413"><b>ukrgasbank</b> eco-bank</p>	<p><b>UKRGASBANK</b> is one of the top five Ukrainian banks by assets. The goal of the bank is to strengthen the role of clean energy and promote energy efficiency while popularizing "green" ideas in Ukraine. Its main objective is to help local companies invest in renewable energy and energy efficiency to combat climate change in Ukraine. Its preferred business strategy is to focus on projects that contribute to the efficient use of resources, thereby reducing negative environmental impacts.<sup>149</sup> UKRGASBANK provides loans for projects of up to \$7 million under the green loans programme. The United Nations Industrial Development Organization (UNIDO) and UKRGASBANK have launched a \$1.5 million Loan Guarantee Fund within the framework of the "Introduction of Energy Management System Standards in Ukrainian Industry" project to facilitate the access of industrial companies to capital for the implementation of efficient energy management in compliance with International Organization for Standardization (ISO) 50001 energy efficiency measures. The bank has also created an eco-deposit programme for individual clients. Using the funds to finance environmental projects in Ukraine. It has helped to finance nearly 40 renewable energy projects, reducing CO2 emissions by 47,600 tonnes annually and generating 67.5 million kW of green energy to fulfill the needs of more than 28,000 families. Its eco-banking programme offers SMEs and corporate clients access to eco-loans at special interest rates. Eco-loans are provided to finance renewable energy projects, recyclables and energy-efficient modernization.</p>

## Investment Banks

Ukraine has both pure investment banking institutions and commercial banks that act as investment banks.<sup>150</sup> Traditionally, investment banks provide broker services in Ukraine, and their activities are regulated by the legislation on 'Investment Funds and Investment Companies'<sup>151</sup> and 'Collective Investment Institutions.'<sup>152</sup> As of 2021, there were 23 investment banks in the country.<sup>153</sup> The total investment portfolio in 2018 amounted to \$17.3 billion.<sup>154</sup> The Ukrainian Association of Investment Business puts its members' total AUM at around \$18.8 million, making investment banks an important player in the Ukrainian financial sector.<sup>155</sup> Investment activities are overseen by the Office of the National Investment Council – an advisory body to the President of Ukraine that provides a platform for dialogue between local businesses, international investors and official bodies. Investment banks are most interested in Ukraine's manufacturing and consumer goods sectors and the renewable energy sector.<sup>156</sup>

Box 2.

### Ukrainian investment banks

Bank	Description
	<p><b>Dragon Capital</b> is one of the leading institutions working for the development of the Ukrainian capital markets. It has played a crucial role in attracting investors for initial public offerings, private placements and debt financing transactions, raising nearly \$2 billion in equity capital for Ukrainian companies.<sup>157</sup> The Dragon Capital New Ukraine Fund aims to invest in various sectors of the Ukrainian economy and provide businesses with both capital and managerial support to enhance their performance and upgrade their technology with a view to sustained long-term growth. Its investment activities range from the KMZ Industries agricultural machine-building company in the agriculture sector to the Nova Liniya hyper-market chain in retailing.<sup>158</sup> The Fund is aiming to invest \$150 million in well-established businesses in Ukraine with strong management teams and growth potential via privately negotiated equity instruments. The Fund is expected to help sustain long-term economic growth in Ukraine by providing businesses with capital and managerial support to enhance performance. The Fund has an Environmental and Social Management System, including a community grievance mechanism that describes how the Fund will resolve concerns and grievances about the Fund's environmental and social performance.<sup>159</sup> One of its recent projects is the E40 Industrial Park, which is expected to make a positive contribution to the development of infrastructure in the Kyiv region.<sup>160</sup></p>

## Venture Capital Firms and Private Equity Funds

The total value of venture capital deals in Ukraine in 2019 amounted to \$509.9 million – 50% higher than the \$339.6 million recorded in 2018. There were 111 deals in all, with a typical deal size of \$5.7 million, 78% higher than a year earlier. The top five venture capital deals accounted for 87% of all investments, with an aggregate value of \$444 million. The largest deals involved software and online services companies. According to the Ukrainian Venture Capital and Private Equity Association (UVCA) Investor Survey conducted in February 2020, 75% of investors are satisfied with the quality of startups in Ukraine. However, 81% of investors also feel that there are not enough startups to invest in. Private equity (PE) funds predict that investment market dynamism will increase, and expect artificial intelligence, big data and analytics to prove the most attractive sectors for VC and PE funds.

This forecast is in accordance with the government's aims to achieve broader digitalization so as to improve access to goods and services, which is particularly important for harder-to-reach rural areas and in healthcare. There is still a visible gender disparity in the startup environment, as only 25.9% of the startups surveyed had one or more women among their founders. While the COVID-19 pandemic has led investors to take a more conservative approach to their portfolios, the general outlook for investing remains positive.<sup>161</sup> In 2020, the total value of venture capital deals reached the \$527 million benchmark. The vast majority of investments were made by large companies that harbor hopes to increase their R&D interests in Ukraine, since the country is now home to over 100 R&D subsidiaries including software, telecoms, gaming, e-commerce ventures. In 2020 Ukraine also managed to secure a record volume of early-stage deals, amounting to \$161 million. The top four companies in this domain were responsible for 62% of overall 2020 funding.<sup>162</sup>

Of all the VC and PE funds in Ukraine, AVentures Capital, Horizon Capital, ICU Ventures, Overkill and TA Ventures are among the most active investors, as measured by the number of deals in 2019. These funds also have a focus on delivering a positive social and environmental impact through their activities.<sup>163</sup>

Box 3.

## Impact generating Venture Capital firms and Private Equity funds

Enterprise/ fund	Description
	<p><b>The Western NIS Enterprise Fund (WNISEF)</b> is a \$150 million regional fund. It is a pioneering fund in Ukraine and Moldova with more than two decades of successful experience in investing in small and medium-sized companies. The US government funded WNISEF via the US Agency for International Development (USAID). Since its inception, WNISEF has invested a cumulative \$186 million in 130 companies employing around 26,000 people, making it possible to unlock \$1.85 billion for companies in Ukraine and Moldova. WNISEF's Impact Investing programme started five years ago and quickly became a pioneering programme in Ukraine. Through this programme, WNISEF provides social enterprises with low interest loans ranging from \$10,000 to \$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 \$1 million. In turn, the beneficiary social enterprises have already invested more than \$1.3 million in local social and environmental projects. WNISEF has a quarterly monitoring mechanism which is designed to measure the positive impact of these projects as well as the efficiency and performance of the enterprises it supports. Other key projects funded by WNISEF have included the Export Promotion Office, UkraineInvest, ProZorro, ProZorro.Sale, CANactions School for Urban Studies, International Mayors Summit, Technovation Ukraine, Social Entrepreneurship, Ukrainian Leadership Academy and SEED Grant projects<sup>164</sup></p>
	<p><b>TA Ventures</b> 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.<sup>165</sup> For example, TA ventures invested in <b>Liki24</b> – 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 the 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.<sup>166</sup></p>



**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.<sup>167</sup> 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.<sup>168</sup> 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.<sup>169</sup>



**Horizon Capital** is the leading private equity firm in Ukraine and Moldova backed by over 40 institutional investors, managing four funds with AUM of over \$850 million and a tenure of 25 years in the region. The firm is an active, value-added, growth equity investor, investing alongside visionary entrepreneurs leading transformational businesses in Ukraine and the near region. Its investment strategy focuses on export champions in technology, e-commerce, light manufacturing and food and agro-industry, as well as select domestic champions in fast-growing sectors. Horizon Capital is committed to investing in enterprises that provide services that are strictly environmentally and socially responsible, with robust review and compliance processes, while also aligning their investments with SDGs. Its portfolio includes **Liki24**, which operates in e-health, and the **Dobrobut** healthcare network which – inter alia – provides discounted healthcare services to people with disabilities and through online services, thus broadening access to healthcare for the Ukrainian population. It also includes **Rozetka-EVO**, a leading online retail platform and marketplace implementing digital solutions and a fintech product company that minimizes the environmental footprint of retail operations and helps to digitize their business operations with the help of its **Vchasno.ua** digital document management service. This system makes it possible to use resources rationally and preserve the environment (For instance, Rozetka-EVO has saved about 1.4 hectares of forest over the last three years through digitalization). The company offers different plans that simplify the digitalization processes for enterprises, including a free-of-charge plan for micro-enterprises with under 4 employees, which greatly broadens access to a service that is vital for many companies. Horizon Capital's portfolio also includes **Anex**, the baby stroller company that produces baby strollers using over 1 kg of recycled plastic per item, and **Kerameya**, a construction supplies company that strives to produce robust 100% eco-construction materials and adheres to the ISO 14001:2015 standard. The work of Kerameya contributes to SDG 9 (Industry, Innovation and Infrastructure) and SDG 13 (Climate Action) via greater energy efficiency and 'green office' principles.<sup>170</sup>



**ICU Ventures** is an independent asset management private equity and investment advisory firm that manages over \$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.<sup>171</sup>

<b>OVERKILL VENTURES</b>	<b>Overkill Ventures</b> is a Nordic-based angel fund investing in technology companies that create business-to-business solutions, offering them up to \$250,000 in pre-seed funding. Overkill Ventures has invested in the <b>Meridot</b> 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. <sup>172</sup>
<b>SMRK VC Fund</b>	<b>SMRK</b> is a Ukrainian VC Fund for IT-startups. <sup>173</sup> 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 \$100,000 and \$1 million. <sup>174</sup> Since its establishment in 2013, SMRK's portfolio has grown to include 15 projects, among them <b>Esper Bionics</b> , the developer of IoT devices for prostheses, and <b>Carbominer</b> , the creator of an advanced technology that captures CO2 emissions from the air.

### Development Finance Institutions

Various development finance institutions are supporting Ukraine in its efforts to achieve sustainable and inclusive economic growth. The **European Bank for Reconstruction and Development** (EBRD) has been active in Ukraine ever since its independence. The oldest completed project between Ukraine and the EBRD dates back to 1992. The EBRD pays special attention to projects that integrate investments and policy engagement in privatization, energy security and efficiency, the financial sector, trade, and infrastructure. To date, the EBRD has supported 505 projects and provided \$15.319 billion in investments. Its portfolio in Ukraine currently amounts to \$4,053 million. Of the 206 active projects, 55% are related to sustainable infrastructure while the remainders are in industry, commerce and agribusinesses, and financial institutions.<sup>175</sup> The number of new projects undertaken by the EBRD in Ukraine decreased from 51 in 2019 to 36 in 2020. Examples of recently approved projects include a \$58 million loan to the municipal enterprise 'Kyivsky Metropolitan' for use in procuring new 'metro' (subway) cars or conducting projects that aim to bridge the liquidity gaps caused by adverse market conditions brought on by the COVID-19 crisis.<sup>176</sup> The \$29 million UkSATSE Liquidity Facility project aims to provide a lifeline to the Ukrainian State Air Traffic Services Enterprise.<sup>177</sup> Projects like UkSATSE are typical examples of the support which the EBRD is providing during the COVID-19 pandemic.

Since 2007, the **European Investment Bank** (EIB) has helped finance 51 projects, investing \$7.8 billion in Ukraine. The majority of these investments have been in the transport sector (33.42%), credit lines (26.56%) and energy (18.61%).<sup>178</sup> Significant projects include the partial financing of the Rengy Bershada LLC solar power plants, which will reduce Ukraine's dependence on energy imports, through an investment valued at \$15.6 million and the \$148 million worth of support extended for a climate change mitigation and adaptation plan<sup>179</sup>.

The **International Finance Corporation** (IFC) is another key investor for the Ukrainian economy. The total value of the investments approved by its Board during its years of operation in Ukraine adds up to almost \$2.5 billion.<sup>180</sup> The institution has primarily supported agriculture, finance and infrastructure. Recent prominent investments in agriculture include Nyva Pereyaslavshchyna and Agrofusion. With regard to the financial sector, The IFC has a strong partnership with Ukrgasbank (Eco-bank), which it has provided with a five-year loan valued at \$35 million convertible into an equity stake of up to 20%.<sup>181</sup>

Under the IFC's Cities Initiative, the institution has provided loans to the city of Mariupol to improve the transport infrastructure and purchase environmentally-friendly buses.<sup>182</sup> In the short term, the IFC intends to continue investing in the agricultural and financial sectors, expand its activities in infrastructure and take a closer look at healthcare. The Institution expects that some other sectors will be unlocked with the privatization reform.

As an international development agency, the **U.S. Agency for International Development** (USAID) is highly active in Ukraine. Its areas of interest encompass democratization and economic development. As a result, USAID has provided grants and loans to SMEs in a number of priority sectors. In this context, agricultural enterprises have received a total of \$3.5 million. In the science, innovation and technology sector, startups have received \$1.3 million and 533 entrepreneurs have taken part in training to improve their business skills. In 2018, USAID also distributed \$332,648 in low-interest loans to improve access to finance. Other important initiatives include the development of the Energy Transparency Index and assistance for the signing of an MoU between Ukraine and a number of international development institutions to bolster the energy sector and secure \$100 million for future development.<sup>183</sup> Ukrainian SMEs also have a chance to engage with the USAID Economic Resilience Activity (ERA), which helps to promote Ukrainian exports in international markets and provides technical assistance with a particular focus on Eastern Ukraine.<sup>184</sup> The USAID Country Development Cooperation Strategy for 2019-2024 concentrates on bolstering the capacity of the economy and government. Its goals include increasing transparency and reducing corruption in the government sector, achieving democratic governance and greater accountability, mitigating the negative impact of the conflict in Eastern Ukraine, and helping to promote sustainable economic growth and improve the resilience of the economy, with a particular focus on the energy sector and SME development.<sup>185</sup>

The USAID Competitive Economy Program (CEP) mandate for 2018-2023 is supported by a \$41.9 million contract which presupposes that \$12.5 million will be dispersed as grants with the aim of improving access to investment and finance in Ukraine. The main activities aimed at supporting businesses and ameliorating the environment include business development programmes such as the TRACTIONCamp online peer-to-peer accelerator style masterclasses on sales, marketing, business strategy and investor relations, the Entrepreneurial University initiative, encompassing 76 universities, which offers an Innovative Entrepreneurship and startup management course, and the Women Biz Camp, which provides networking opportunities and traineeships in finance, marketing, including social media marketing, and legal issues. The USAID CEP also seeks to increase the visibility of startups and attract prospective investors, to contribute to business education initiatives that focus on scaling up successful social entrepreneurship models and to support business associations and SME development organizations.

### 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:<sup>186</sup>

1. Persons who hold shares of 10% or more in a legal business entity with an annual income of \$11.7 million or more.
2. Persons who declare an annual income of approx. \$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 top 100 high net worth Ukrainians accumulated nearly \$37.5 billion.<sup>187</sup> 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 the rural areas. They also engage in business projects and partnerships that accelerate progress towards the SDGs through their core business models.<sup>188</sup>

Globally, impact investments made by high net worth individuals surged from \$114 billion in 2014 to \$502 billion in 2018, with growing expectations for the future.<sup>189</sup> Ukraine needs to take note of this trend and to engage with its high net worth individuals and help them to move away from philanthropy towards impact investing to increase their impact on a more sustainable way. The goal here should be to incentivizing 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.

### Other Sources of Funds

While impact investing is a growing global trend, it has yet to gain substantial traction in Ukraine. While half of all impact investing AUM have been invested in emerging markets, Ukraine has largely been excluded from the global impact investment market. High quality impact investment opportunities remain limited due to limited awareness of the financial mechanisms, the absence of a track record and the lack of government support for impact investing.<sup>190</sup> Financial support for social enterprises in Ukraine is provided primarily by a small number of international agencies, foundations and venture philanthropy organizations including:

- the Organization for Security and Cooperation in Europe (OSCE)
- IOM
- the United Nations Recovery and Peacebuilding Programme (UN RPP) in eastern Ukraine
- the Nechitaylo Family Foundation
- the Renaissance Foundation
- the East Europe Foundation
- the Mondelez International Foundation
- the Omidyar Network
- the Federation of Canadian Municipalities.

Crowdfunding is an emerging source of impact investment for social enterprises in Ukraine. Crowdfunding platforms of both domestic (e.g.: Spilnokosht based on the Great Idea platform, Ukrainian Charity Exchange) and foreign origin (e.g.: Kickstarter, GlobalGiving, Firstgiving) have helped launch Ukrainian startups that work in education, tourism, or environmental protection such as ZELENEW, WOWkids, EdEra books, Mobilna Tekhnostudiya, and WordArt.

Box 4.

## Other funds

Fund	Description
	<p>The <b>Ukrainian Startup Fund (USF)</b> supports early-stage technology startups via grants on a no-equity basis.<sup>191</sup> The Fund provides financial and non-financial aid for startups and promotes Ukraine's technology startup ecosystem globally. So far, 2,178 applications have been received by USF and 47 startups funded.<sup>192</sup> The Fund has launched a pre-seed and seed-stage grant programme with awards of \$25,000-\$50,000 for qualifying businesses. It also plans to facilitate startups' access to support services, foster globally competitive incubation/acceleration programmes in Ukraine and enhance cooperation among stakeholders. To date, USF had 20 pitch days and took interest in 85 Ukrainian startups, investing \$3.15 million total.<sup>193</sup></p>
	<p>The <b>Ukrainian Social Venture Fund (USVF)</b> was established in 2020 as a component of the Active Social Entrepreneurship in Ukraine initiative.<sup>194</sup> There are four partner organizations: School of ME (Mindful Entrepreneurship), Childfund Deutschland, WNISEF and SiLab Ukraine. The first USVF investment was made through the Active Social Entrepreneurship in Ukraine project and implemented by the School of ME in partnership with ChildFund Deutschland and the Ukrainian Catholic University Centre for Entrepreneurship with the financial support of the Ministry of Foreign Affairs of the Federal Republic of Germany. The Fund helps secure social investments for social enterprises operating in the form of a legal entity (either a for-profit or non-profit organization) or a natural person-entrepreneur. The Fund receives financial backing from donors and businesses alike, it has adopted a hybrid model that relies upon partially refundable grants for social enterprises. Currently, five impact-generating projects have received financial support from the Fund. The first beneficiary, InvaFishki, was provided with \$1,700 for the development of an online shop selling equipment for people with disabilities.<sup>195</sup> This company was established by people with disabilities and 10% of the profit is transferred to a foundation to support vulnerable groups. Simka and Stare Misto, which received \$2,500 and \$3,100 respectively, are both contributing to the inclusion of persons with disabilities in the workplace by providing jobs in a call-centre and restaurant.<sup>196</sup> The company Re:ban received \$1,700 for the purchase of sewing machines to be used in the upcycling of advertising banners. The Fund also provided \$3,400 to WoodLike, which produces eco-friendly wooden souvenirs and allocates part of the profits to local initiatives in the Donetsk region.</p>
	<p>The <b>Entrepreneurship Development Fund</b> was established to provide financial and logistic support to SMEs. The fund facilitates SMEs' interactions with banks and financial institutions in order to provide broader access to loans through a system of partner banks. The programmes made available to SMEs include '5-7-9' accessible loans, microloans of between \$26,000 and \$290,000, and loans to help cover operational costs in the agri-business sector. Loans to SMEs in priority sectors are provided at lower interest rates. In addition, SMEs in eastern Ukraine can benefit from the Fund's FinancEast subsidies programme, which helps SMEs cover 50% of the loans they take out to finance their operations.<sup>197</sup> Entrepreneurship Development Fund loan experts analyze the SMEs' business models and help them to prepare the necessary paperwork and file it with the partner banks. The Fund also studies best practices to ensure their smooth implementation in the Ukrainian context.</p>



The **Ukrainian Fund for Entrepreneurship Support** was established to provide direct finance and credit opportunities for entrepreneurs. It has reoriented itself towards the implementation of regional socially oriented programmes. Its operations include engaging vulnerable populations in entrepreneurial activities, providing access to educational resources aimed at business development and promoting private sector engagement in regional development. The Fund offers financial support in the form of loans to private sector enterprises in priority sectors such as agriculture, construction, pharmaceuticals, the production of consumer goods and social services.<sup>198</sup> It also monitors the realization of national projects and analyzes the effectiveness of the use of funds. The Fund has a regional office in each region of Ukraine that aims to support investment projects in the priority areas in the initiated state programmes. Currently, 23 regional offices are working to support local entrepreneurs – for instance, by helping with the implementation of the regional SME development strategies or by providing information on the ‘5-7-9’ loan programme.

### Demand for Impact Capital

With its richness of business activity, Ukraine promises to generate ample demand for a growing impact investing ecosystem. Investors may choose to engage with several types of business: the limited liability companies, the joint stock companies (open and closed) and the partnerships (general or limited). 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 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. In other words, social enterprises need to re-design their business models to align them with both purpose and profitability. The existing social enterprises in Ukraine cannot make commitments to deliver returns on investment. However, they do have plans to generate returns in the future, which should make it possible for them to attract investors.

Box 5.

Examples of impact investment

Enterprise	Description
	<p><b>Promprylad.Renovation</b> is one of the largest impact investment projects in Ukraine. It centres around revitalizing a former industrial area in Ivano-Frankivsk. Promprylad.Renovation focuses on fostering regional social and economic development in four key areas: new economy, urbanism, contemporary art, and informal education. The renovated factory buildings will be leased to third parties and the remaining spaces dedicated to social and charitable functions. Promprylad.Renovation seeks to create an ecosystem of collaboration between businesses, social initiatives, artists, and educators. The project was initially founded by various non-profit companies and foundations including Teple Misto, Insha Osvita, PACT Ukraine, MitOst and LvBS.</p>

Partners include the Renaissance Foundation, the Kingdom of Sweden, the Robert Bosch Foundation, BMW Foundation Herbert Quandt, the Swiss Agency for Development and Cooperation, Beetroot Academy and SRI International.<sup>199</sup> Promprylad.Renovation follows the impact investing model by encouraging investors to contribute to social initiatives in the region and obtain a social return on their investment in the form of dividend payouts. It has managed to attract more than \$6 million from over 600 investors. The social return on the investment is estimated on the basis that each \$1 invested transforms into an additional \$5 worth of benefit to the community of Ivano-Frankivsk while simultaneously contributing to progress towards several of the SDGs including SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities) and SDG 11 (Sustainable Cities and Communities). Promprylad.Renovation uses the Social Return on Investment (SROI) methodology to measure social impact.<sup>200</sup> On 3 February 2020, Promprylad.Renovation acquired additional property that will make it possible to create more than 37,000 m<sup>2</sup> of space for lease, including offices, co-working spaces, hotels, an R&D centre and an exhibition centre. Within the project, 70% belongs to co-investors and 30% is allocated to the charity foundation to support the startup ecosystem in education and urban development. A 30% portion of the facilities will be offered for lease to local cultural, educational, and urban initiatives at a reduced rate.<sup>201</sup>



**Urban Space** is an impact-oriented restaurant with a retail store and other facilities where people can eat, socialize, purchase local goods, or organize and take part in activities such as presentations, training sessions, lectures, discussions, roundtable discussions or public hearings. The idea of opening this social restaurant in ‘Urban Space’ format came from the platform ‘Teple Misto’. It has become a successful example of a community gathering around a common idea. Opened in Ivano-Frankivsk in 2014, Urban Space 100 had the goal of having a positive influence on the development of the surrounding urban space. Four fifths of the annual profits from the restaurant are used to fund social community projects and startups through a transparent trust fund. Urban Space offers a platform where activists can engage in the initiatives they deem important and move them forward. The initial investors each contributed \$1,000, in return for which they were able to participate in Urban Space’s management and in the selection of the social projects that subsequently received financing. The restaurant is operated by a local restaurant management company which receives 20% of the net profit for its work. The restaurant has supported over 100 social projects in Ivano-Frankivsk.<sup>202</sup> The ‘Teple Misto’ platform manages the social component of the initiative and the development of franchise. Urban Space 500, which opened in Kyiv in 2018, was the first restaurant to be opened under this social franchise. The concept is also replicable in other Ukrainian cities on a smaller scale. Urban Space 500 unites 500 co-investors who have collectively put up \$500,000 to establish the restaurant. In addition, WNISEF provided a loan of \$75,306 to help secure a suitable location. The investors are now working on defining criteria for the social projects that will receive support from their trust fund in Kyiv. The idea of the project is to build trust between citizens by creating a transparent local fund supporting grassroots initiatives and fostering collaboration for the implementation of new ideas.<sup>203</sup>

## The Startup Ecosystem in Ukraine

In 2020, Ukrainian startups attracted nearly \$571 million in investments<sup>204</sup> – a significant increase when compared with the \$544 in 2019 and \$323 million raised in 2018. IT startups were among the most successful.<sup>205</sup> Ukraine still needs to develop key elements of the ecosystem to connect its market potential and talent with ease of doing business and access to finance. So far, there are clear gaps in the startup ecosystem due to low demand for technology-based products and services in the domestic market and low connectivity with global markets. There is also a need to scale up existing businesses and facilitate angel investments and other types of support for turning new ideas into functioning business.<sup>206</sup> There is a clear interest in developing social entrepreneurship: over 150 additional companies have registered as businesses that generate social impact when compared to 2016-2017.<sup>207</sup> However, foreign investors are placing more emphasis than local players on the idea of impact-focused investment activities.

Box 6.

### Impact generating enterprises

Enterprise	Description
	<p><b>uMuni</b> is a Software as a Solution (SAAS) company offering data collection and analysis services for building activities. Founded in 2015, uMuni is headquartered in Lviv, Ukraine. uMuni can provide analytics on the city level, building groups level and building level depending on the type of contract requested. Lviv City Council is famously one of its clients. The Council was able to save 30 million hryvnias in 2015 by deploying the uMuni energy management system for 500 public buildings.<sup>208</sup> uMuni claims that on average, it saves up to 15% of the cost of utilities for its customers.<sup>209</sup></p>
	<p><b>Effa</b> produces 100% eco-friendly recyclable toothbrushes made from paper, reducing its users CO2 footprint by 60% if fused regularly.<sup>210</sup> Effa won the Ukrainian Climate Launch Pad start-up competition and was recognized as one of the five best start-ups globally at Clim@ competition in Germany.<sup>211</sup> Its products are a sustainable alternative for plastic disposable toothbrushes, which are often used in hotels and on board in many modes of transportation.</p>
	<p><b>Carbominer</b> is an innovative hardware start-up that produces CO2 from open air. Carbominer sells the CO2 it produces to greenhouse operators which utilize carbon dioxide to accelerate plant growth.<sup>212</sup> Carbominer was founded in 2020. Carbominer won the national final of Climate Launchad and was selected among the world's top 16 climate projects. The company is looking for funding to create industrial modular units for CO2 capture and to expand into Western markets.</p>
	<p><b>Delfast Inc.</b> is a smart transportation company manufacturing electric-motorized bicycles known for their long battery endurance. Delfast's e-bikes broke the Guinness World Record in 2017 by travelling a distance of 367 km (228 miles) on a single charge.<sup>213</sup> The company was founded in 2014, and its headquarters are based in Kyiv, Ukraine. Customers in more than 30 countries currently use the electric bicycles produced by Delfast. Delfast notes its annual growth rate as 453%.<sup>214</sup> In turn, its annual sales revenue increased to \$566k in 2018 from \$124k in the year prior.<sup>215</sup> The company's main focus regions are as follows: USA (50%), EU (30%) and other countries (20%).<sup>216</sup> In 2018, Delfast received funding from Imperious Group VC.</p>



**Hempire** offers a green insulation technology for houses to save costs on heating and cooling. In order to provide eco-dwellings, Hempire insulates using natural and non-toxic materials to promote sustainability as well as wellbeing.



**Prana** produces air ventilation and heat recuperation technology allowing to efficiently reduce energy losses. The buildings equipped with Prana's copper heat exchange recuperators save up to 96% of energy resources while improving air quality.<sup>217</sup> Currently company's revenue is around \$2.38 million. It also joined the Climate Innovation Vouchers programme piloted by EBRD<sup>218</sup> and participates in the Green Logistics initiative realized in cooperation with Meest 4D programme – Environment-Friendly Delivery that for only 1 additional hryvnia allows to cut CO2 emissions while having the goods delivered to the customer. With each purchase Prana directs some of the revenue towards planting trees in Ukraine's Carpathian region. The programme implies no additional fees for the customer.<sup>219</sup>

haus.me

**Haus.me** formerly known as PassivDom builds 3D printed 100% autonomous intelligent houses that come assembled in the factory and delivered to the consumers ready-to-go fully equipped with all the amenities and furnished. The houses are producing zero carbon emissions, powered by solar panels, their frameless structure is earthquake and fire resistant, ergonomic ensuring complete thermal insulation and allowing each building to run on as little as 1.5 kilowatt/hour of solar energy. The house is also equipped with a 2-ton autonomous water supply module and filtration system that generates water from air. Special shower system allows to save up to 80% of the resources.<sup>220</sup> To scale up the production, the company has received a total of \$1.1 million in funding, with the European Bank of Reconstruction and Development, Beqa Lagoon VC, Horizon 2020 as the most recent investors. The Haus.me model receives multiple streams of revenue it generates from sales, services, hardware (HaaS) for construction companies, and the HAUS Operating System.<sup>221</sup>



**Re-Leaf** produces paper out of fallen leaves. The company patented and developed its own technology to extract fiber from this rather unusual raw material instead of traditional wood. This technology works towards combatting deforestation and reduces the levels of water use and emissions of traditional paper production processes.<sup>222</sup>

## The Social Entrepreneurship Landscape in Ukraine

Social entrepreneurship combines some profit generation with social purpose and takes centre stage in addressing pressing social, economic, and environmental challenges, while also supports inclusive economic growth and social inclusion, which can be a major stimulus for job creation, particularly at a local level, as well as improvement of welfare services coverage.<sup>223</sup> Currently financial support for social enterprises is mainly provided by international donor organizations through technical assistance projects. Overall, funding is drawn from investment funds, philanthropists, and, most recently, regional public funds<sup>224</sup> as well as crowdsourcing. However, the business climate can be quite challenging even for a conventional business to survive due to unstable business conditions or development challenges, and recently in relation to COVID-19. The situation is especially testing for social enterprises because they do not make the same level of profits as conventional companies who are not focused on delivering social and environmental outcomes.<sup>225</sup> However, regardless of the challenges, there is a growing interest in the social entrepreneurship because it has the capacity to resolve pressing social and economic issues.

Apart from social enterprises, incubators, accelerators, and financial institutions (donors, investors, venture philanthropists)<sup>226</sup> also tend to join in, motivated by the positive effects social entrepreneurship can have on their image. A key component for effective ecosystem development in Ukraine is to increase the frequency of interaction and communication amongst social entrepreneurs. In addition, a platform that would allow for effective networking and experience-sharing conducive to sustainable development is needed.<sup>227</sup>

The directions of social entrepreneurship development at the national level are determined in the Concept of State Policy on the Development of Social entrepreneurship in Ukraine for 2021 – 2023, where the experience of other countries and best domestic cases were taken into account.<sup>228</sup> On the basis of the above-mentioned Concept, regional policies aimed at defining the priorities for social entrepreneurship development to solve regional social and environmental issues are determined. These policies are further integrated into the regional development strategies, SME development programmes and regional targeted programmes. In terms of the local level, the territorial communities in Ukraine have no experience in designing local policies that would include social entrepreneurship tools for solving social and environmental problems. However, two local programmes for the development of social entrepreneurship can be highlighted in the country – in Zaporizhzhia and Vinnytsia regions.

As of 2020, 1000 enterprises that generate social impact operate in Ukraine,<sup>229</sup> 290 of which are established by civic organizations of people with disabilities. There is a clear discrepancy between the number of such companies in rural and urban settings. The vast majority of social enterprises are situated in urban areas, most extensively in Ukraine's capital, Kyiv.<sup>230</sup>

No specific laws exist to regulate social enterprises in Ukraine, therefore applicable laws depend on the way the enterprise is legally registered. About 30% of social enterprises are registered with personal entrepreneurs, while 20.5% constitute civic organizations, and 13.7% are civic associations.<sup>231</sup>

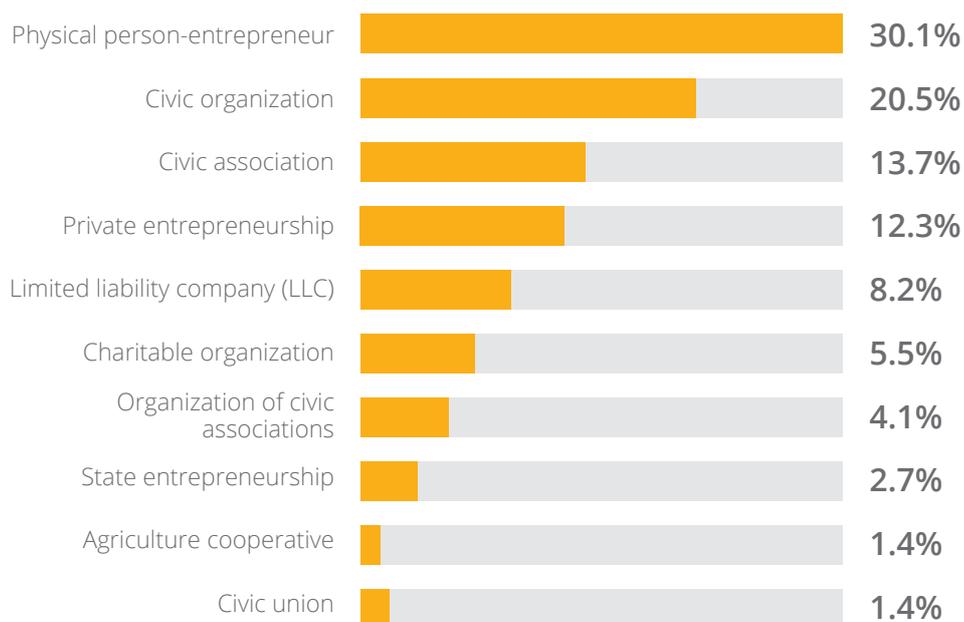
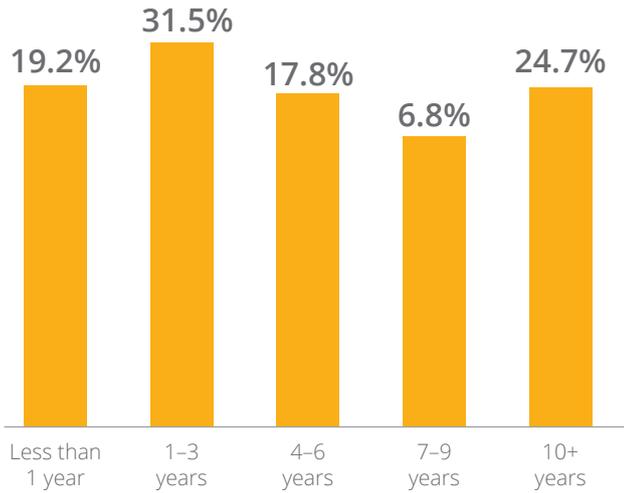


Figure 16.

Characteristics of Social Enterprises in Ukraine. Pact Ukraine, 2018

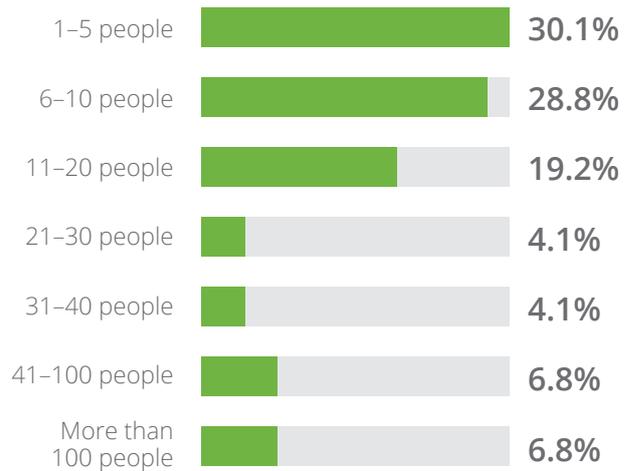
While the oldest social enterprise in Ukraine was established in 1933, most companies have only started appearing on a national and local level since the early 2000s. Enterprises operating for over 10 years currently constitute 24.7% of social enterprises, while the majority are only 1-3 years old. Most social enterprises employ up to 5 people – 30.1%, or 6 to 10 people – 28.8%, while a fraction of them, 6.8%, have headcounts over 100.<sup>232</sup>

**Age of social enterprises**



The oldest social enterprise in the study was established in 1933

**Number of staff working for the social enterprises**



**Geographic coverage of the social enterprises' activities**

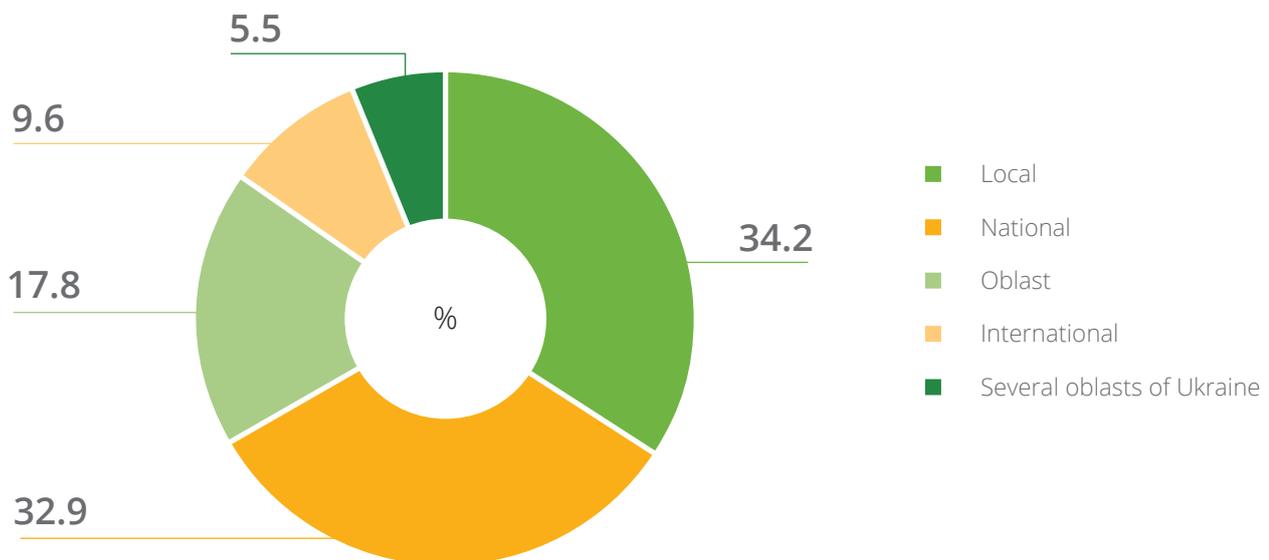
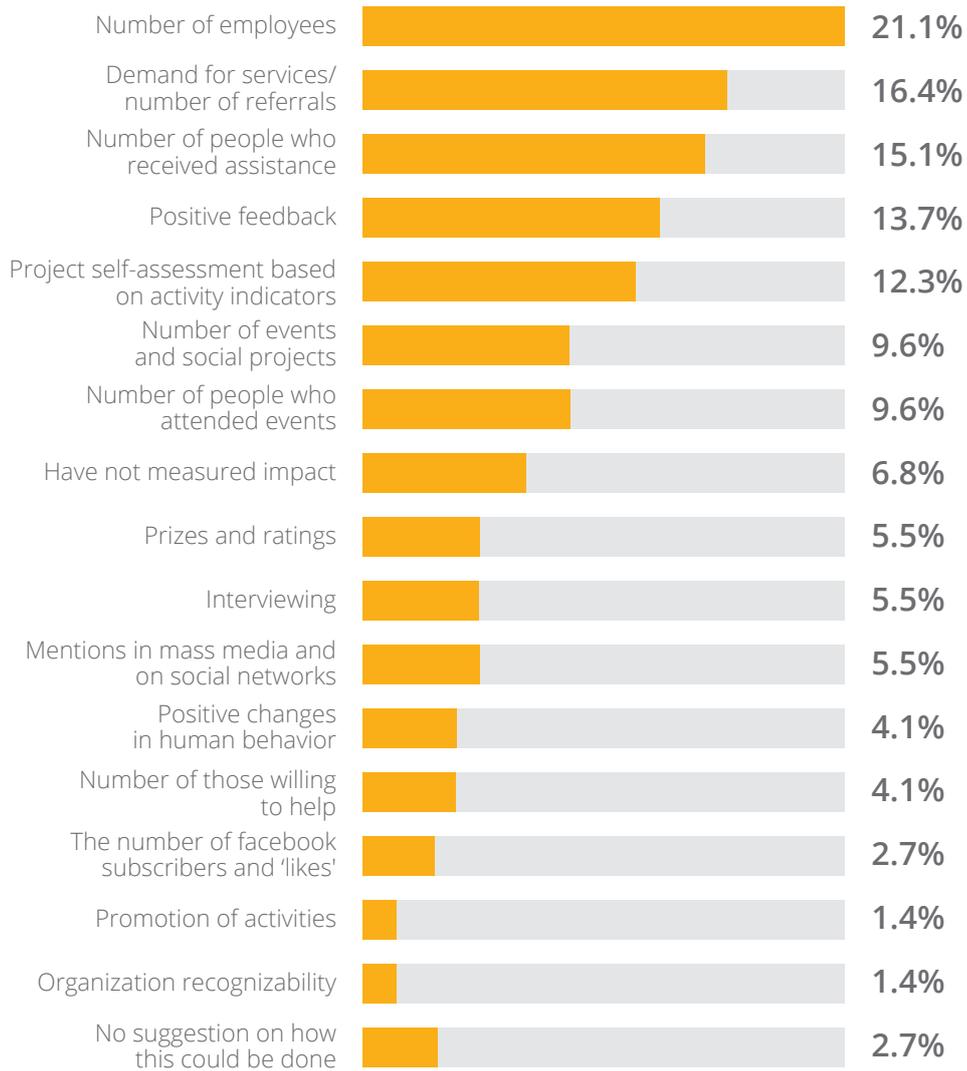


Figure 17. The Situation of Social Enterprises in Ukraine. Pact Ukraine, 2018

How social enterprises measure the impact of their activities



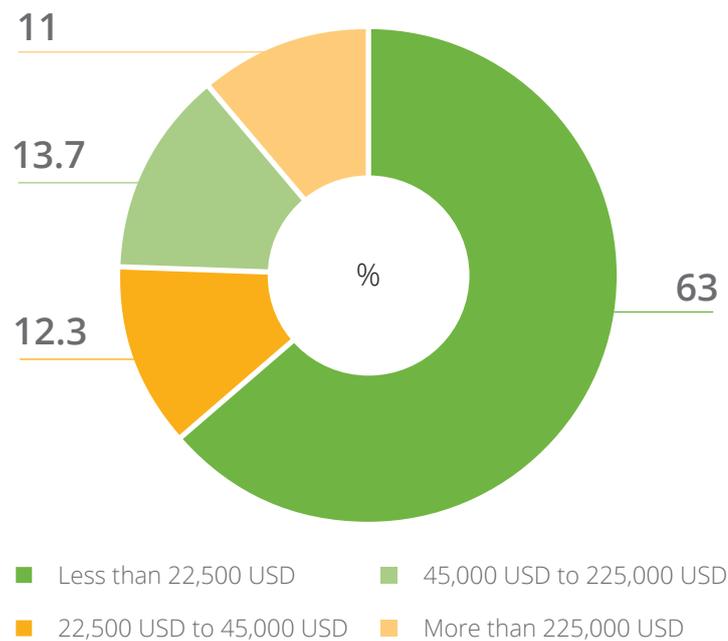
Social enterprises were allowed to choose or suggest multiple answers to this question in the survey, so the percentages will add up to more than 100%.

Figure 18. How Social Enterprises Measure Their Impact. Pact Ukraine, 2018

When determining social impact, social enterprises mostly point out the number of employees on their payroll, demand for their services, number of people who received their assistance, and positive feedback as key indicators signaling success.

Social enterprises have diverse funding sources. Many have generated revenue from their own commercial activities. Other sources include charitable donations, grants, philanthropists, sponsors, and government funding. Administrative functions, such as rent, public utilities, salaries, and taxes, cost social enterprises most of their revenue. Some enterprises spend as much as 70% of their revenue on these costs, but others can go as high as 90%.

Amount of revenue of each social enterprise



How revenue is spent

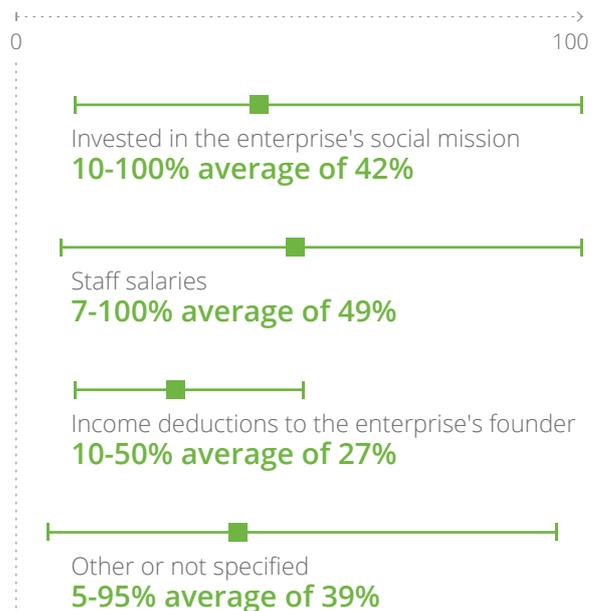


Figure 19. Revenue and Spending of Social Enterprises in Ukraine. Pact Ukraine, 2017

When it comes to generating revenue, only 11% of social enterprises declare they make over \$225,000, while the majority makes less than \$22,500. The bulk of the generated revenue is spent either as investment back into social enterprises – 42% or spent on staff salaries – 49%.<sup>233</sup>

In 2017, Ukraine’s social enterprises were concentrated in sectors that provide occupational, medical, and social rehabilitation for vulnerable population groups (particularly persons with disabilities (PWD), IDPs, and anti-terrorist operation (ATO) veterans) which is characteristic for Ukraine’s ecosystem due to the socio-economic and political factors influencing its development; and production of agricultural products, manufacturing and sale of handmade products; and online or brick and mortar retail charity shops. In many cases, social enterprises work across sectors, addressing multiple social issues which happen to be overlooked by conventional investors.

Box 7. Social enterprises

Enterprise	Description
	<p><b>Walnut House</b> is a social bakery that was established in 2012 with the support of the Centre of Integral Care for Women in Crisis.<sup>234</sup> The enterprise generates a profit by operating a bakery, providing catering services and delivering lunches.<sup>235</sup> At the same time, Walnut House creates workplaces for vulnerable groups. A 40% share of its income is directed into the social projects of the Walnut House Fund and the Center of Integral Care for Women in Crisis. As of today, more than 90 women have found shelter in Walnut House and 80% of these have been able to recover and start a new life.</p>



**Veterano Pizza** is a pizzeria chain which is dedicated to social impact in the sense that it offers employment exclusively to war veterans. It operates in Odesa, Kyiv, Boryspil, Kryvyi Rih and Mariupol. The enterprise also hosts free pizza-making classes for children with special needs and children whose fathers have died in war. A 10% share of its profits is sent to the families of Anti-Terrorist Operation (ATO) combatants. These are also provided with discounts and bonuses. In addition, through a “suspended pizza” campaign, members of the public can purchase pizzas for delivery to members of the military, medics, police officers and lifeguards.<sup>236</sup>

### Types of social enterprise by sector

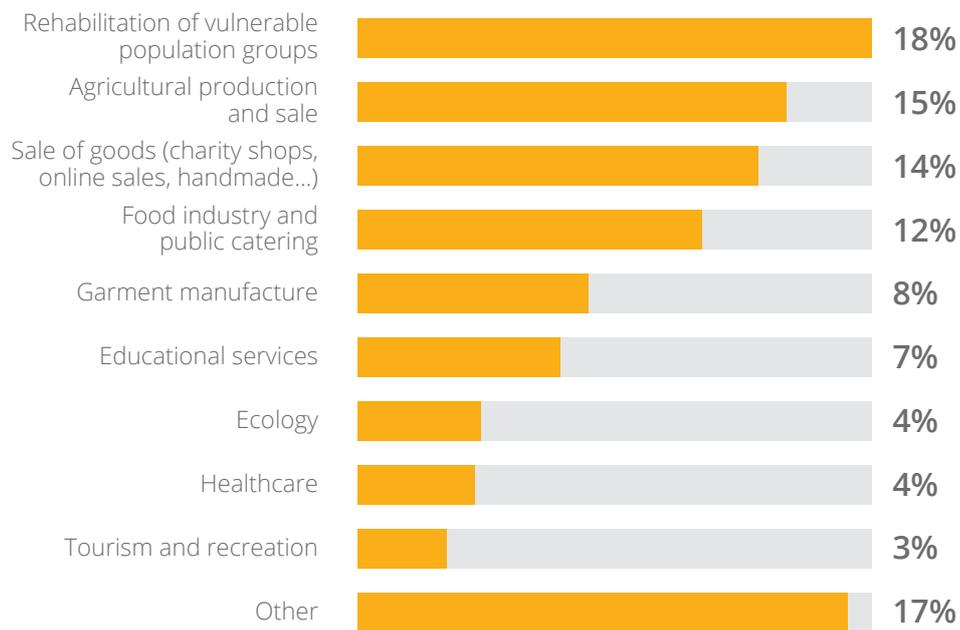


Figure 20.

**Social Enterprises in Ukraine by Sector. Pact Ukraine, 2018**

Among all the social enterprises in Ukraine, 18% – the highest proportion – rehabilitate vulnerable population groups. Agricultural production takes second place with 15%. Only 3% of social enterprises are engaged in tourism and recreation.

Overall, the barriers that prevent social entrepreneurship from developing further include, but are not limited to:

lack of a coherent legal framework, free of outdated laws and lengthy bureaucratic procedures, that can ensure that businesses operate smoothly and give them a clear understanding of the legal requirements they must adhere to;

- lack of transparency;
- corrupt practices, which creates a suspicion of unfair play by investors;
- market saturation by donor funds that are often restricted and limited to seed funding;
- insufficient access to loans, investments, and the funds of private companies;

- lack of experienced managerial personnel;
- lack of the relevant soft skills, insufficient financial literacy and undeveloped business skills;
- insufficient understanding of impact metrics and the lack of a systematic approach to measuring social impact.

Calls for social entrepreneurship principles to be implemented more widely in Ukraine have been increasing in recent years. Proponents include WNISEF, the OSCE, the Ukrainian Social Academy, the Lviv Business School, the Ukrainian Forum of Philanthropists, SILab Ukraine, the EU in Ukraine, UNICEF – UPSHIFT, the Erasmus youth entrepreneurship programme and the School of ME.

Examples of good practices in social entrepreneurship in Ukraine include the **Social Entrepreneurship: Achieving Social Change Through Grass-Roots Initiatives** supported by the EU, which is the largest social business development project in Ukraine. The project is implemented by a consortium of eight civil society organizations from Ukraine, Lithuania, and Latvia, led by the Ukrainian Philanthropist Forum. The project is involved in capacity building and supports a “bank of ideas” with a view to solving social issues through the employment of suitable business methods, engagement with Ukrainian youth, support for startups and entrepreneurship, and educational initiatives. It also aims to foster an ecosystem conducive to development.<sup>237</sup>

In February 2020, a conference on social entrepreneurship was held in Kyiv to support the Social Entrepreneurship: Achieving Social Change Through Grass-Roots Initiatives. One outcome of the conference was the creation of an online platform entitled **Social Business in Ukraine**. The platform is used for mainstreaming social entrepreneurship, advocating for legislative change, information-sharing, and capacity development. In June, a social entrepreneurship guide was published for teachers in higher education and for those interested in developing their own social enterprises. The guide addresses the main approaches to social entrepreneurship, the financial and organizational aspects of a social business, business modelling in social entrepreneurship, and methods for measuring social impact. It also contains a list of recommended sources and a glossary of common terms. The materials in the manual were piloted at the Ukrainian Catholic University, the National University “Kyiv-Mohyla Academy” and the Kharkiv National University of Civil Engineering and Architecture.

The **SELab Accelerator** is an accelerator for social entrepreneurship – a joint initiative of Chasopys Creative Family, NGO “Silab Ukraine” and the Ukrainian Forum of Philanthropists implemented within the Social Entrepreneurship: Achieving Social Change Through Grass-Roots Initiatives. Another recently established accelerator – the **Ukrainian Catholic University (UCU) Center for Entrepreneurship** – acts both as a social entrepreneurship startup accelerator and as an educational platform that promotes business literacy among social entrepreneurs, introduces innovative strategies for startups and helps shape suitable business development strategies.<sup>238</sup>

The problem of financial sustainability in social enterprises is a widespread phenomenon. In Ukraine it is epitomized by the dependence of such companies on grants. This has come about because conventional loans in Ukraine are considered to be expensive and enterprises have difficulties obtaining them, while grants are often the most readily available and well-known means of access to finance, particularly for the early-stage enterprises that have an idea of how they are going to generate social impact but have a vaguer idea of how to sustain and scale up operations.

This issue points to the need for social enterprises to transform their business models so as to be able to generate a sufficient financial return to sustain their businesses without need for external financial support. Transforming their business models in this way would also give social enterprises access to the international pool of impact finance.

### Public-Private Partnerships (PPP)

Public-private partnerships (PPP) are regulated in Ukraine by the law “On Public-Private Partnerships” of 1 July 2010. The public-private partnership is an efficient mechanism for attracting investments.<sup>239</sup> The concession is the most common PPP model in use in Ukraine. With the new law “On Concessions”, which came into force on 20 October 2019, the country took a further step to align its legislation with European standards and balance the interests of the parties in concession contracts. In the previous 20 years, there had been no significant concession projects due to the inconsistencies between the previous law on concessions, which dated back to 1999, and the regulations on concessions and PPPs.<sup>240</sup> Even so, it has recently been possible to detect a slight upward trend in PPP projects in Ukraine. The need for such projects has been growing too. Among the main sectors suited to the use of the PPP model in Ukraine are road and port construction and the supply of utilities, where the majority of projects are of the Build-Operate-Transfer type. Examples of PPP projects are outlined in the box below.

Box 8.

#### Examples from the current PPP Project Pipeline

Project	Description
<b>Kherson Commercial Seaport</b>	In June 2020, Ukraine signed its first seaport concession agreement, a 30-year deal concerning the Kherson Commercial Seaport. The agreement will contribute about \$630,000 to the development of local infrastructure (like the construction of new street pavements) in addition to the investments to be made in the seaport itself, which are to amount to \$2 million within the first 10 years and at least \$7.5 million in total. <sup>241</sup> The deal will make it possible to increase the volume of cargo handled by the port while also ensuring that the environment is protected and providing secure jobs and social guarantees for the port employees. The employees will be protected from dismissal for the next 10 years and from any reduction in wages for the next three years. <sup>242</sup>
<b>PPP Health Care Project in Lviv</b>	Lviv City Council has developed a proposal for a PPP healthcare project that would entail the construction and operation of new healthcare facilities equipped with cutting edge technology to provide inpatient and outpatient services for the population. The importance of the project stems from the high demand for quality healthcare in the city, the population of which is approaching 1 million. The project will have a positive effect on Ukraine's ability to achieve SDG 3 in the region. It is currently at the pre-feasibility stage. If prospective investors respond positively to the concept note prepared for the project, a tender is expected to be opened in 2022. <sup>243</sup>

<b>Railway Stations Concession Pilot Project</b>	<p>Another potential project focuses on a pilot concession that would encompass seven railway stations – namely, Kharkiv, Dnipro, Vinnytsia, Khmelnytsky, Mykolayiv, Chop and Kyiv – which are in need of \$152 million in capital expenditures. The transparency of the process would be ensured by an international lead advisor. In 2019 the railway stations serviced about 48 million passengers. In addition to the stations themselves, which have a combined area of about 83,000 m<sup>2</sup>, some 20 ha of adjacent land could also be modernized. The project is aligned with Ukraine’s strategic development plan and would greatly benefit the country’s infrastructure and improve connectivity.<sup>244</sup></p>
<b>Olvia Seaport</b>	<p>The concession agreement for the seaport of Olvia in Mykolaiv envisages investments of \$120 million with \$2.8 million dedicated to local infrastructure development. Brokered by the EBRD and IFC, it will modernize the seaport and storage facilities so as to improve logistics and make it possible to increase exports of agricultural goods. The concession will last for 35 years after which Olvia will be handed over to the Ukrainian government. The PPP deal protects workers’ jobs and wages for the next 6 years and provides for environmentally sound management and continuous monitoring of the effects of the port on the environment.<sup>245</sup></p>

The Ukrainian State Public-Private Partnership Support Agency (PPP Agency) is a state institution with a mandate to provide support for the implementation of PPP projects. It provides advisory services, training programmes and project support including assistance with the development of concept notes, feasibility studies, the engagement of advisers, and project and contract management. It also assesses market interest, assists in the preparation of tender documents, and facilitates the processes of communication and negotiation with tender winners.

The Ministry of Infrastructure, Ukravtodor (State Road Agency of Ukraine), the World Bank and IFC recently announced six pilot PPP projects in the road transport infrastructure sector, selected from among 21 potential projects.<sup>246</sup> These projects could attract up to an estimated \$2 billion, but some legislation reforms are required first. Under the projects, the investors would be responsible for maintaining the roads in question for the next 20-25 years.<sup>247</sup> Meanwhile, Lviv city council has announced 11 potential PPP projects that would improve urban infrastructure and planning. These range from underground car parks equipped with charging stations for electric cars to the modernization of the water supply and wastewater disposal system.<sup>248</sup>

According to Ukrainian law, foreign investors have the same rights as local investors in PPP projects. With respect to the incentives for PPP projects, the state partner can be expected to ensure land availability and assist in obtaining the necessary licenses and permits. However, there are no additional tax benefits available to PPP projects.

The concession procedure in Ukraine can be divided into five stages.<sup>249</sup> The whole process starts with the initiation of the concession, which can be done by either side – the government/local authorities, or investors (resident or non-resident private companies). Secondly, a decision on the viability of the concession has to be taken by the central or local executive body responsible by law for state property management or, if no such body has been defined, by the Cabinet of Ministers of Ukraine in the case of state property, the Council of Ministers of the Autonomous Republic of Crimea in the case of property owned by the Autonomous Republic, and the local council in the case of municipal property.

The third stage is the selection of the concessionaire. This can be done through a tender, a competitive dialogue or direct negotiations. The fourth stage is the conclusion of the agreement. Here, it is important to note that only a Ukrainian legal entity can be a party to a concession agreement, so a non-resident investor has to establish and register a company under Ukrainian law in order to proceed. The fifth stage comprises the reporting of the concessionaire on its performance.

### Small and Medium-Sized Enterprises (SMEs)

The importance of SMEs is undeniable, as they generate around 64.4% of added value in Ukraine and provide 77% of all jobs. SMEs are important players in the impact-investing ecosystem. However, small enterprises in all sectors have been severely affected by the consequences of the COVID-19 pandemic. Their contribution to GDP declined by 20% in the second quarter of 2020, by comparison with the first quarter, and employment fell by 12%.<sup>250</sup> About 83% of SMEs were expected to lose over 20% of their income or shut down because of the pandemic, and about 45% were expected to reduce the number of their personnel by between 10% and 30%.<sup>251</sup> According to research conducted by Info Sapiens on the state of SMEs in 2020, the majority of micro, small and medium-sized enterprises perceived that business was “stable” in the first quarter of 2020.<sup>252</sup> However, by the middle of the third quarter of 2020, the proportion of the respondents selecting this response had halved from 66% to 32%. Over the same period, the number of enterprises reporting either a decline in business activities or closure surged from 7% to 59%. Due to the pandemic and the related restrictions, every sixth microenterprise and one small enterprise in ten found themselves on the verge of closure. Medium-sized enterprises were more resilient to the consequences of the pandemic than smaller ones, and companies in the agriculture, IT and construction sectors were affected less than others. Reflecting the effects of the pandemic, 700,000 SMEs were closed until September 2020, leading to the loss of 3.5 to 4 million jobs and affecting mostly female-led enterprises.<sup>253</sup>

SMEs faced two groups of challenges.<sup>254</sup> The first category is made up of short-term difficulties, such as the overwhelming effects of the restrictions on movement and social activity for businesses unable to transfer their operations online, poor liquidity and the decline in consumer demand. The second batch of challenges comprises medium-term issues like the disruption of supply and value chains, the crisis conditions in the domestic market and the uncertainty in international markets. The government adopted a number of initiatives in order to alleviate these challenges. These initiatives fall under the four main headings of financial support, tax concessions, regulatory adjustments and individual initiatives aimed at supporting the most affected sectors.<sup>255</sup> <sup>256</sup> The most prominent measures include modifications to the ‘Affordable Loans at 5-7-9%’ programme, exemptions from credit and social contribution liabilities for companies in affected sectors, the deferral of income tax payments, and the extension of the validity of licences and the deadlines for financial statements. However, according to the testimonies of SMEs themselves, only a limited number of enterprises were able to take advantage of these initiatives<sup>257</sup>. The national economic development strategy for 2030 – a roadmap designed to improve Ukraine’s prospects for prosperity – indicated that minimal government involvement and the simplification of the regulatory framework would act as major drivers of SME development and improve the business environment to foster healthy competition.<sup>258</sup>

### Situation of SMEs in Ukraine

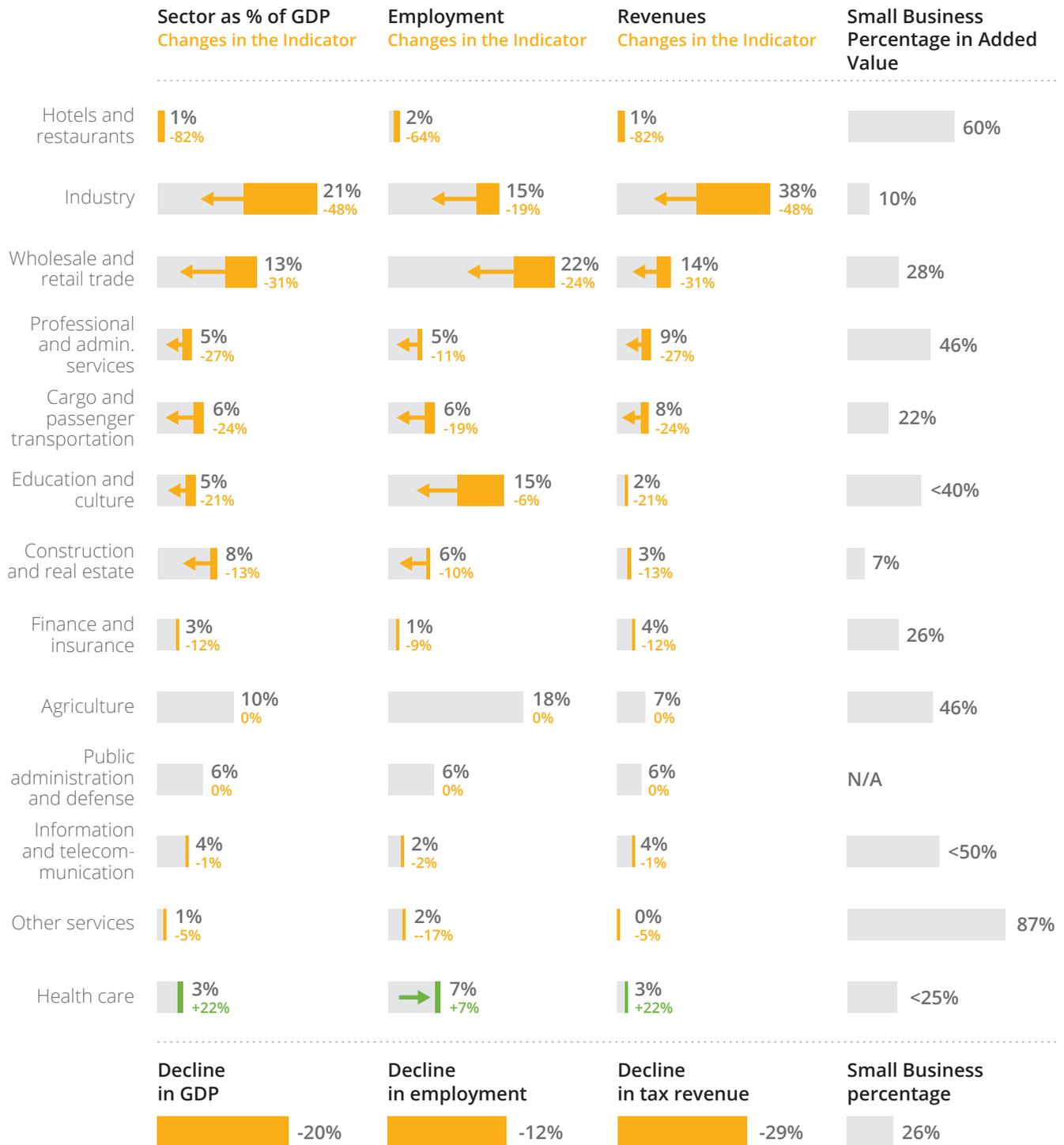


Figure 21. Situation of SMEs in Ukraine. State Statistics Service of Ukraine, State Fiscal Service of Ukraine, 2020

## Intermediaries

Ukraine's impact investing ecosystem is still nascent, which makes the guidelines and frameworks offered by intermediary actors indispensable for growing the space. Intermediaries can help to increase the number of investors engaged in impact investing and to match them with social enterprises.

### National Securities and Stock Market Commission (NSSMC)

**The National Securities and Stock Market Commission (NSSMC)** is the public institution responsible for overseeing the Ukrainian capital markets and enhancing their stability, competitiveness and development. Its responsibilities include protecting the interests of investors and preventing abuses of power or other offences. It is subordinate to the President of Ukraine and accountable to the Verkhovna Rada, the national parliament. Through its regulatory and supervisory functions, the NSSMC seeks to create favourable conditions for the proper and efficient functioning of the securities market. The NSSMC creates a mechanism for the accumulation of funds and their distribution and redistribution from investors to enterprises in need of investment, thereby effectively lowering the transaction costs in the supply and use of capital.

The Commission makes arrangements for the protection of investors' rights, works on corporate governance legislation and supervises the activities of stock market participants. Coherent arrangements have yet to be made for economic, social and governance (ESG) investing. Such arrangements would make it easier for potential investors to screen companies and choose to invest in those that adhere to ESG standards and are socially and environmentally responsible. So far, only a few Ukrainian companies have adopted ESG guidelines.

### EU FORBIZ

**EU FORBIZ** is an EU programme providing support to Ukraine as the government implements reforms and boosts economic recovery. It provides policy support for business-friendly regulations, facilitates business-government relations and dialogue with SMEs, and develops the capacities of public institutions to create an environment conducive to SMEs. It also seeks to collect data on the concrete needs of SMEs on the ground, to anticipate potential challenges, to inform SMEs of existing funding opportunities and to encourage SMEs to voice their grievances and apply for financial help when appropriate. EU FORBIZ is directly involved in the creation of the SME Development Office as an advisory body to the Ministry of Economy of Ukraine. Since the beginning of EU FORBIZ's engagement in Ukraine, it has reviewed 3,122 regulatory measures, leading to the annulment of at least 396 obsolete measures. In this way, it has contributed to an improvement in the overall business environment. In addition, EU FORBIZ has launched a 'Platform for Effective Regulation – PRO' which helps SMEs to operate more effectively. FORBIZ provides quality economic impact assessment in Ukraine with the aim of supporting more efficient regulatory practices.<sup>259</sup> The COVID-19 pandemic prompted FORBIZ to offer additional consulting services via the 'Merezha' and 'Portal for Entrepreneurs' platforms.<sup>260</sup>

## Ecosystem Builders and Enablers

Ukraine's ecosystem provides a strong enough base for future growth to become globally competitive. The country has a promising market potential and its highly educated workforce enables it to compete not only with its Eastern European neighbours but also with developed states. To tap into this potential, Ukraine needs to increase the number of ecosystem builders and enablers that would help accelerate investments in early-stage startups, to engage in capacity building and to stimulate R&D. There is also a growing need to attract more foreign specialists to technology hubs, improve management competencies and generally encourage the sharing of expertise. This would not only help grow the talent pool but would also facilitate the scaling-up of startups.

### Innovation hubs

Hubs, incubators, and accelerators increase global connectedness and can help to attract the foreign investors which Ukraine needs.

Box 9.	Innovation hubs
Hub	Description
	<p><b>Impact Hub Odessa</b> is a platform that creates development opportunities for local communities of social innovators as a part of the global Impact Hub network. The Hub has over 1,300m<sup>2</sup> of facilities including a social innovation centre, co-working spaces, a conference centre, a 'Hub Lounge' cultural entertainment platform, and the 'Hub Lab', an open laboratory and workshop. The person behind the project is Yehor Hrebennikov, an entrepreneur from Odesa who was also involved in the revival of the local Green Theatre and the Pro Bono Club Ukraine. He has invested about \$5 million into educational projects and helped train internally displaced persons to operate their own businesses. Besides contributing to the country's development, success stories of this kind help to forge positive attitudes towards displaced persons. The Pro Bono Club Ukraine programme's mission is to provide social entrepreneurs with opportunities to benefit from free professional services and private sector expertise. The programme helps the entrepreneurs to tackle socially important issues and provides them with the tools they need to improve their performance.</p>
	<p><b>AgroHub</b> is an agricultural innovation platform that brings start-ups and corporations together. It specializes in market analysis, regular industry heat maps and innovation reports, nurturing a culture of innovation in the agri-business sector.<sup>261</sup></p>

### Innovation Parks

In 2021, Ukraine ranked 58<sup>th</sup> in the Bloomberg Innovations Index, which ranks R&D spending and the concentration of high-tech companies.<sup>262</sup> Ukraine ranks 49<sup>th</sup> in the Global Innovation Index, which represents a strong performance relative to the country's overall development status as a lower middle-income country.<sup>263</sup> Innovation parks, however, are a relatively new concept for Ukraine with only 3 parks currently operating in the country.

Box 10.

## Innovation parks

Park	Description
 <b>UNIT.City</b>	On 1 July 2020, the European Investment Bank agreed to lend \$58,7 million to <b>UNIT.City</b> to build Ukraine's first vertically integrated innovation park and state-of-the-art technology campus in Kyiv. The facility will include a non-profit IT education academy and multifunctional office space for technology-driven companies. The project will generate 549 full time and 2,400 temporary jobs, while indirectly supporting some 15,000 jobs around UNIT.City. <sup>264</sup> It currently includes 108 resident companies, hosts over 420 events annually and offers more than 1,000 work desks in three business buildings and the co-working space Chasopys. UNIT. The programme "UNIT Perks" provides access to \$220,000 worth of software for members. In addition, UNIT.City members can make use of the park's laboratories – the FabLab Fabricator, the Sensorama VR/AR Lab and the Blockchain Lab.

### Incubators and Accelerators

There are several incubators and accelerators that provide support, resources and services to a variety of businesses, although only a few explicitly support the impact investing ecosystem. Currently, some key services offered include business skills training, mentoring support, and networking. Some incubators and accelerators that operate within international technical assistance projects provide access to small-scale grants. While some entities offer loans and investment funds, many merely connect enterprises with local Ukrainian investors via personal networks. Ukrainian incubators and accelerators also receive seed capital from individual investors who understand such investments, both as philanthropic contributions and as investments in real estate and equipment.<sup>265</sup>

Box 11.

## Incubators and accelerators

Incubator/accelerator	Description
 <b>polyteco</b>	<b>Polyteco</b> is the business incubator of the Kyiv Polytechnic Institute. It aims to help launch and commercialize innovative ideas developed by the students and postgraduates. Polyteco provides infrastructure, expertise, training, workspaces, mentorship and access to investments from its external partner funds. The latter include Green Pickle International Ltd. (Ireland), Exigen Capital (USA), Helix Ventures (USA) and System Analysis and Decisions (USA). <sup>266</sup>
 <b>GROWTH UP</b>	The <b>GrowthUP</b> business accelerator is the first accelerator in Ukraine focused on technology-based projects requiring investments ranging from \$25,000 to \$50,000. The accelerator provides complex support and advisory services for start-ups as well as access to investments. It supports the expansion of businesses into European and US markets by attracting early customers and testing for proof of concept. The GrowthUP+ venture fund co-invests in seed or pre-seed business-to-business and business-to-customer projects in software and hardware.



Active in Ukraine since 2010, **Greencubator** is attempting to achieve broader recognition for “green” business models while also helping startups to make effective use of the available mechanisms to advocate for energy independence and efficiency. Greencubator also supports educational and information campaigns promoting green energy and inspiring entrepreneurs to engage in climate projects. It acts as a bridge between entrepreneurs, startups, and corporate business leading to the launch of new renewable energy initiatives. One such initiative is the Climate Innovation Vouchers programme initiated by the EBRD and EU Neighbourhood Facility. Since 2019, this programme has provided over \$1.15 million to 30 green companies involved in the development of cutting-edge climate-friendly technologies. The programme will also be involved in the transfer of these technologies.<sup>267</sup> One of the companies in question, V.A. Solution, addresses energy efficiency issues by producing software that automates energy management processes, allowing its clients to save up to 15% of the energy they use. In 2020, Greencubator also signed a memorandum of cooperation with Lviv Business School with a view to developing a training course in ‘Cooperation for Sustainable Development’ for SMEs, green activists, and civil servants. The memorandum underlines the importance of such knowledge for creating investment opportunities and fostering economic growth.<sup>268</sup> Other prominent projects include a renewable energy innovations camp dubbed TeslaCamp, the ClimateLaunchpad Ukraine green business competition, and the Hack4energy hackathon.

## IT Clusters

IT is one of Ukraine’s fastest developing industries, growing almost 40-fold over the last fifteen years from \$110 million in 2003 to about \$4.5 billion in 2018 – a CAGR of 25%.<sup>269</sup> IT service exports exceeded \$5 billion in 2020, showing an increase of 20.44% compared to 2019.<sup>270</sup> As of 2020, over 20 Ukrainian cities have created their own IT clusters to promote digitalization and better access to digital services and foster innovation. Some of the most prominent examples include the **Lviv IT Cluster** – a community of leading IT companies which work with universities and local authorities to improve and develop IT in the city while also acting as startup hub like Lviv Tech Angels or Startup Depot. The cluster has initiated the development of the Lviv Innovation District. The **Kharkiv IT Cluster** includes 73 leading companies and partners working in IT, software development and export-oriented development. The **Kyiv IT Cluster** is a communication platform for Kyiv-based IT companies that unites over 25 companies. The cluster organizes events for cluster members including meetings with non-tech professionals and representatives of trade missions from EU countries. The **IT Dnipro Community** consists of 29 companies and 4 partners. Significant projects supervised by the cluster include the IT Dnipro Conference and the IT Biz Meetup.<sup>271</sup> The construction of the **Innovation District IT Park**, one of the largest infrastructure projects in Ukraine, began in 2019. This multifunctional centre for technological innovation aims to employ over 10,000 IT professionals. The project has raised \$180 million in investment from investors such as Galereja Centre and Brookfield Asset Management.

## Co-working

Ukraine currently hosts over 50 co-working spaces and hubs. Most of these are in Kyiv, Lviv, Odesa, and Kharkiv. In Kyiv, for instance, Chasopys offers fixed workspaces for individuals or groups of professionals on an hourly, weekly or a monthly basis as well as professional consulting services for residents with monthly access.

## Labs

**InDevLab** is an IT and R&D centre that specializes in developing new IT solutions and enhancing cybersecurity for large and medium-sized businesses in the Commonwealth of Independent States, Europe and the US. Its main areas of expertise include software development, cybersecurity construction and auditing, and IT infrastructure services. The aim is to improve automation in IT infrastructure and provide continuous cybersecurity auditing and cyber risk insurance.<sup>272</sup>

**Sigma Software Labs** aim to foster a new ecosystem for Ukraine-based startups, small product houses and service companies. Startup members are guided by Sigma Software and receive support and benefits to support them at all stages of growth including office space and technical consultancy. They gain access to a network of business advisors, connections to Venture Capital funds in the US, Sweden, Israel, and Australia, and access to all the main company IT hubs located in Kyiv, Kharkiv, Lviv, and Odesa.<sup>273</sup>

## Universities and Research Centres

The 'Concept to Reform State Policy in the Area of Innovation and Innovative Ukraine 2020' report, prepared by the National Academy of Science of Ukraine, calls for greater cooperation between the state, businesses, and universities to support innovation. It argues that collaboration between these three institutions can generate ideas for achieving strategic specialization in the innovation space. When universities respond to business needs in an effective manner, then the innovation pipeline becomes more effective.<sup>274</sup>

Some universities are also engaging closely with the SDGs. The **Kyiv-Mohyla Academy**, for instance, is considering including the SDGs into its curriculum. However, there is still no university in Ukraine offering a comprehensive programme on the SDGs.

Box 12.

### Universities working towards social impact

Institution	Description
	<p>The <b>Kharkiv National University of Radio Electronics</b> (NURE) was founded in 1930. In 2020 it took 11th place in the Higher Education University Impact Ranking in Ukraine.<sup>275</sup> NURE strives to incorporate SDGs into its curriculum in order to raise awareness of the SDGs and generate interest around them. A permanent workshop on the SDGs has been established to host presentations by scientists working on issues related to the SDGs, develop recommendations on how to achieve them and provide a forum for discussion. NURE places special emphasis on SDG 3 (Good Health and Wellbeing), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth) and SDG 17 (Partnership for the Goals). Under SDG 3, it aims to ensure the physical and mental wellbeing of students and staff, particularly students with special needs, supporting fitness activities and providing individual psychological consultations.<sup>276</sup> Under SDG 5, it highlights achievements in the area of support for gender equality and offers courses on gender issues in modern society, anti-discrimination initiatives, gender audits and tolerance training.<sup>277</sup> To achieve SDG 17, NURE partners with local and international NGOs and businesses, like the business incubator YEP!, to bolster development and support student startups.<sup>278</sup> NURE also holds that universities should be among the first institutions to respond to crises. In order to respond adequately to COVID-19, NURE has signed an agreement for scientific and technical cooperation with the Scientific-Practical Medical Rehabilitation-Diagnostic Centre of the Ministry of Health of Ukraine.</p>



Students from the **Kyiv-Mohyla Academy** have established the social enterprise “**Re:ban**”, which contributes to the recycling of advertising banners.<sup>279</sup> By processing these materials, students produce bags, pencil cases, wallets and other goods. “Re:ban” collaborates with other enterprises seeking to include a social component in their business models.<sup>280</sup> Large companies rent storage space for used banners, for example, while social enterprises propose alternative ways of collecting banners and using them to produce needed goods.



The **Kyiv National Economic University** was founded in 1906. It is an autonomous national research university. The university offers a course on impact investing as a module for its postgraduate students.



The **Lviv Business School of the Ukrainian Catholic University** is another leading educational institution in the field of social entrepreneurship. The Business School participates in the Active Social Entrepreneurship Programme in Ukraine. The school offers an MSc Programme in Innovation and Entrepreneurship.

## Other actors

The **Kharkiv Innovation Platform** (KhIP) is a joint project of the Civil Research and Development Foundation and the Ukrainian State Agency for Science, Innovation and Information. The Platform offers training courses, organizes business pitch competitions and provides e-resources for connecting to the various stakeholders in the field of innovation technologies and attracting investors. It is based at the Kharkiv Technologies Centre.<sup>281</sup> KhIP mobilizes private equity funding to support innovative projects. The platform also engages with the Virtual Incubation Platform, which seeks to attract investors to local scientists and innovators.<sup>282</sup>

The **Ukrainian Sustainable Fund** (UASIF) is a special investment promotion platform that aims to accelerate the country’s transition to sustainable energy resources. UASIF supports environmentally friendly businesses such as clean energy companies by attracting investors and climate finance accelerators.

**Startup Ukraine** is an educational centre for entrepreneurs that strives to support SMEs in Ukraine. It holds business camps and provides comprehensive support to persons wishing to start their own businesses.<sup>283</sup>

## Business Membership Organizations (BMO), Associations and Chambers of Commerce

**Business membership organisations** (BMOs) are still developing in Ukraine. Registered BMOs and Associations are listed in the Unified Registry of Civic Organizations.<sup>iii</sup> BMOs may take different organizational and legal forms and may therefore, be regulated under different laws – namely the Economic Code, the Law on NGOs or the Law on Chambers of Commerce. Active business associations include the European Business Association, the Ukrainian Association of FinTech and Innovation Companies, the Ukrainian Venture Capital and Private Equity Association (UVCA), and the Ukrainian Business Association (UBA).

iii As of 2019, there are 2428 registered associations. This includes all types of associations, not only business associations. The number of professional and active BMOs, however, is much smaller, as evidenced by various mappings undertaken by international projects over the past years.

The **Ukrainian Venture Capital and Private Equity Association** (UVCA) was established to make Ukraine's achievements and opportunities more visible locally and globally. The Association also provides comprehensive support to investors by delivering reliable information and establishing international connections across industries and governments. By building a bridge between Ukrainian and global ecosystems, UVCA facilitates the mutual exchange of knowledge and capital. Over the past eight years, UVCA has facilitated investments totalling \$1.5 billion.<sup>284</sup>

The **Union of Ukrainian Enterprises** (SUP) aims to protect the interests of entrepreneurs and foster a favourable business environment by building dialogue with the authorities.<sup>285</sup> It unites more than 800 companies in different regions and sectors of the economy. In September 2020 it launched the Sustainable Development Club. Supported by the UN Global Compact, the Club works toward spreading awareness about sustainable development among Ukrainian entrepreneurs and sharing good practices from the field. The club meetings, which offer a deep dive into the SDGs, can also be attended by non-members.

## Government

The government has a multifaceted role to play in catalyzing the impact investing ecosystem in its capacities of policy maker, financial regulator, facilitator and market participant. With all its relevant administrative units, the government can facilitate the growth of the impact investment market and provide guidance as to which areas of the economy can best benefit from the practice. The following paragraphs provide an overview of the government institutions likely to be involved in creating the impact investing ecosystem, along with a description of their key activities.

### Ministry of Finance

The Ministry of Finance supports the proper fulfillment of the government's functions through a well-balanced budgetary policy. At the same time, it seeks to foster favourable conditions for sustainable economic development. Public financial management is conducted according to the principles of balance, effectiveness, impartiality, integrity, sustainability, and transparency.

The Ministry is also engaged in Ukraine's plans for achieving sustainable development by 2030. Its initiatives in this area include some that promote gender equality in line with SDG 5. One example is the 'Gender Budgeting in Ukraine' project, which seeks to ensure that Ukraine's budget is gender specific and gender sensitive, paving the way for the necessary reforms in this area. Gender-oriented budgeting encompasses two processes – Treasury management and a push for gender equality, thus catering for the current needs of society. In 2019, the Ministry of Finance provided methodological recommendations for the implementation of this project with a view to making it easier to monitor its progress.<sup>286</sup> The Ministry also aims to achieve greater financial inclusion through targeted programmes that would help strengthen financial literacy among the population. Greater attention is also to be paid to consumer rights protection and the development of a more robust financial infrastructure supporting electronic payments, especially in rural and remote locations.<sup>287</sup>

## Ministry of Economy

The Ministry of Economy, formerly known as the Ministry for the Development of Economy, Trade and Agriculture (MDETA), formulates and implements economic and social development policies in areas related to consumer pricing, investment and trade, and offers prognoses and analyses of the economic and social development of Ukraine. It also acts as the EU-Ukraine inter-agency coordinator for economic and social cooperation. The Ministry is the authority responsible for the implementation and adoption of the SDGs in cooperation with the UNDP. The Ministry has initiated the establishment of the Inter-Agency Working Group on Achieving the Sustainable Development Goals. The Working Group takes the form of a temporary advisory body under the supervision of the Ministry of Economy tasked with coordinating the efforts of different executive bodies in achieving the national SDG targets. Such entities can play a key role in strengthening the impact investing ecosystem if they are well aligned with the private sector and other enablers. The Inter-Agency Working Group has also played an active role in producing the first Voluntary National Review report evaluating Ukraine's progress towards the achievement of the SDGs.

## SME Development Office

The SME Development Office (SMEDO) was established by the European Union through its FORBIZ project under the EU4Business Initiative. It had assumed the role of an advisory body within the former MDETA. It spearheads entrepreneurship promotion and acts as a force for developing the competitiveness of SMEs. The principal mandate of SMEDO is to develop targeted SME support programmes that enhance entrepreneurial capacities and skills, facilitate access to finance and support the development of the SME institutional infrastructure. SMEDO also acts as a coordinator for SME policy implementation, boosting cooperation with donors and disseminating information via a dedicated SME portal.

In 2020, SMEDO, MDETA and the state enterprise ProZorro launched the Factoring Hub online platform.<sup>288</sup> The platform assists SMEs in participating in public tenders. It also enables them to obtain non-recourse factoring services from banks. This new financial instrument provides small businesses with the opportunity to expand their sales markets and to obtain rapid access to finance to cover up to 98% of the value of the goods and services they sell. Among the first financial institutions to take part in the online platform, were the First Ukrainian International Bank (FUIB) and JSC Ukrposhta.

## Ministry of Digital Transformation

The Ministry of Digital Transformation was established in 2019 as the government body responsible for electronic control and informatization, the development of an information society and the digitalization of government services in Ukraine. The Ministry aims to provide all government services online by 2024. In June 2020, the Ministry signed an MoU with UNDP to collaborate on the introduction of novel, secure technologies that ensure inclusive economic growth, reduce inequality and build strong institutions. This partnership also contributes to Ukraine's national efforts to use digital transformation to widen citizens' access to transparent and equitable state services.<sup>289</sup> Digital education is also called for to improve general digital literacy among the population. In April 2020, the Ministry launched a national IT contest titled #HackCorona to support IT projects which help improve the lives of citizens and businesses during the COVID-19 pandemic. Solution providers for social benefit are invited to participate in the competition.

The Ministry has also signed an MoU with Microsoft Ukraine concerning the adoption of the Microsoft Azure cloud platform to help drive digital transformation in Ukraine. Microsoft Azure will help to introduce and support e-government solutions as well as providing industry infrastructure support in areas like artificial intelligence, analytics, cloud applications, communications and big data. Microsoft will also participate actively in the capacity building drive to promote better digital skills and broader access to cutting-edge technologies among Ukrainians. For the next three years, the Ministry is targeting about 100,000 professionals currently involved in IT. The value of the collaboration is estimated to be around \$500 million.<sup>290</sup>

Another initiative that may contribute to creating a positive impact in tandem with sufficient financial returns is the **Diia City** project. Draft law № 4303 “On Stimulating Development of the Digital Economy in Ukraine”, the Diia City law was adopted by the Parliament of Ukraine on the 15th of July 2021. If enacted, the law will create a free economic zone for IT enterprises. The zone will offer an environment conducive both to the conduct of business and to attracting foreign investors. Diia City will constitute a virtual version of the free economic zone model for businesses active in the creative economy and IT sector, making it easier to open a business and support R&D activities. It will be under the jurisdiction of English law, thus protecting its residents from instability and allegations of corruption in the local judiciary. The project will adjust the Ukrainian tax code. The currently discussed options for enterprises in Diia City are either a corporate income tax of 18% or a 9% withholding tax on transactions with entities that do not pay corporate income tax.<sup>291</sup> This is designed to reduce the tax burden of IT companies in Diia City. Diia City will also make it easier to import R&D technologies without additional taxes and fees. The residents will be companies with substantial workforces of at least 9 employees or gig workers by the end of each month, although no minimum threshold has been set as of now. They will also need to be export oriented. The law also introduces gig contracts, new rules for the distribution of IP rights among other incentives and privileges. The project is expected to help create about 450,000 jobs and increase the size of the creative industry market from \$6.2 billion in 2019 to \$16.5 billion in 2025.<sup>292 293</sup>

## National Bank of Ukraine

The National Bank of Ukraine (NBU), the central bank, is responsible for the Programme of Ukraine’s Financial Sector Development for 2020, which aims at achieving a sustainable financial market. The NBU promotes the development of innovative financial services in Ukraine as well as better services coverage, particularly in rural areas. The launch of the BankID system aims to simplify banking procedures and expand financial and other commercial services.

The European Payment Services Directive-2 (PSD2) guidelines are being incorporated into national legislation with a view to increasing competition in the financial markets in line with the Open Banking concept and promoting technological progress. The NBU electronic payment system is being upgraded to provide instant payments across the country on a 24/7 basis through the use of the international bank account number (IBAN) system and the implementation of ISO 20022 international standards. A pilot project based on blockchain technology tested has the electronic hryvnia (e-hryvnia), and the NBU is now looking into the possibility of issuing its own digital currency.<sup>294</sup> All these measures are expected to simplify and improve access to financial services significantly and to facilitate business activity.

May 2019 saw the establishment by the NBU of the Expert Council for Communication with Innovative Companies. This step is considered vital for the development of the fintech industry. Aside from regulation, it will provide for a better understanding of current needs and promising directions in innovative financial market development. Innovators will receive guidance on the current regulations and legislative frameworks.

As of July 1, 2020, the NBU also assumed the role of regulator of non-banking financial services including but not limited to insurance, leasing and factoring companies, and credit institutions.<sup>295</sup>

### Ukrainian Export Promotion Office<sup>296</sup>

The Ukrainian Export Promotion Office was established in 2018 by the former Ministry for Development of Economy, Trade and Agriculture (the current Ministry of Economy) to support and promote the export of goods, works and services produced in Ukraine. It provides valuable insights towards developing the Export Strategy of Ukraine, which is considered a blueprint for the strategic development of trade.

The Office is responsible for developing the business literacy and export potential of Ukrainian businesses through advisory services and the provision of various resources, for promoting Ukrainian exports abroad and for facilitating strategic partnerships with foreign businesses in areas such as the distribution, transportation and promotion of exports.

In 2019 the Office joined the European Trade Promotion Organizations Working Group of Information Professionals, which also facilitates the dissemination of information on best practices regarding information and consulting services. The Export Promotion Office also became an official member of the Enterprise Europe Network (EEN)-Ukraine consortium. The EEN unites over 60,000 companies across 17 industries from 65 countries, including the EU. It enables SMEs to find buyers and sellers of goods and services on the international market, to attract investors and partners for better production, to access the latest know-how and to propose their own technologies to foreign markets.

### National Investment Council of Ukraine

The National Investment Council is an advisory body to the President of Ukraine that provides a platform for open dialogue between local businesses, international investors and official bodies. The Council is chaired by the President of Ukraine. Its members include leading international companies that have already invested in Ukraine, or are planning to invest, and international financial organizations.

The mission of the Council is to provide advisory services to supplement the policies adopted to improve the overall investment climate in Ukraine, to highlight and analyze priority sectors, to promote dialogue between government institutions and the private sector, and to facilitate communication with international companies and financial institutions.

The Council is supported by the EBRD through the Ukraine Stabilization and Sustainable Growth Multi-Donor Account. It helps to design and implement policy reforms, improve institutional capacity building, and attract investments.

## UkraineInvest

UkraineInvest is Ukraine's investment promotion office, established in 2016 to promote Ukraine as a viable investment destination and attract FDI into agri-business and food production, IT and telecommunications, land and real estate, banking and finance, energy, and other sectors of the economy. UkraineInvest provides general information about the investment climate in Ukraine, keeps investors informed of the processes they need to go through to start a business, highlights Ukraine's competitive advantages on the global market and provides a link between investors or businesses and the relevant government departments, thereby improving communications and helping investors resolve any systemic issues that might occur. Since its inception, UkraineInvest has managed to attract over \$3.4 billion in FDI while providing 3,200 consultations and helping to resolve over 120 issues of importance to foreign investors.<sup>297</sup> In 2020, UkraineInvest ranked fifth among FDI promotion agencies in Emerging Europe in recognition of its performance in maintaining relations with investors in spite of the difficulties posed by the COVID-19 pandemic.<sup>298</sup>

## Regional Development Agencies

As part of the decentralization efforts launched in 2014, the Ministry for Communities and Territories Development of Ukraine is promoting the work of the 20 Regional Development Agencies (RDAs). The agencies are concerned with the development of infrastructure and with socioeconomic development based on support for local communities. The RDAs seek to make effective use of public-private partnership to solve the problems of their own regions in a holistic manner. They are also involved in efforts to attract investors that are capable of supporting the development projects in their regions. They aim to provide adequate relevant training to the regions' representatives, including through the creation of centres of entrepreneurship, innovation, and start-up support.<sup>299</sup> In 2020, the Ukrainian government approved the Regional Development Strategy for 2021-2027, which emphasises the goals of human development, cohesive economic and social development in urban and rural areas alike, and higher quality services for the population in every region. The RDAs are responsible for monitoring the progress of the development strategy and for managing and implementing regional development projects.<sup>300</sup>

# Ukraine's Opportunity Areas for Impact Investing

The performance of Ukraine's economy in recent years had been encouraging until the pandemic. After a slump of almost 7% in GDP in 2014, the country achieved 3% growth in 2018. In 2019, economic activity flattened and GDP contracted by 0.2%. Due to the pandemic Ukraine, has faced another dip in its GDP, contracting by approximately 4% in 2020.<sup>301</sup> Yet the growth forecasts for 2021 and 2022 remain positive,<sup>302</sup> estimating the GDP of Ukraine at about US\$142 billion in 2021 and \$159 billion in 2022.<sup>303</sup> Ukraine's highly educated workforce means that there are considerable opportunities in sectors such as agriculture and industrial infrastructure, while its relatively low-cost base makes it an attractive partner for businesses targeting the European or Middle Eastern markets. Improvements in Ukraine's Ease of Doing Business ranking confirm that it has become more attractive for investment. The five main sectors that are driving economic growth in Ukraine and are viewed as most attractive for investors are trade, manufacturing, agriculture, transport and real estate. According to Lenna Koszarny, founding partner and chief executive officer of private equity firm Horizon Capital, "Savvy investors recognize the ground-floor opportunity that Ukraine offers, powered by its competitive advantages in brains, hands and grains."<sup>304</sup> This section will provide a comprehensive analysis of Ukraine's most promising sectors for growth and impact investment.

Breakdown of GDP by Sector (2018)

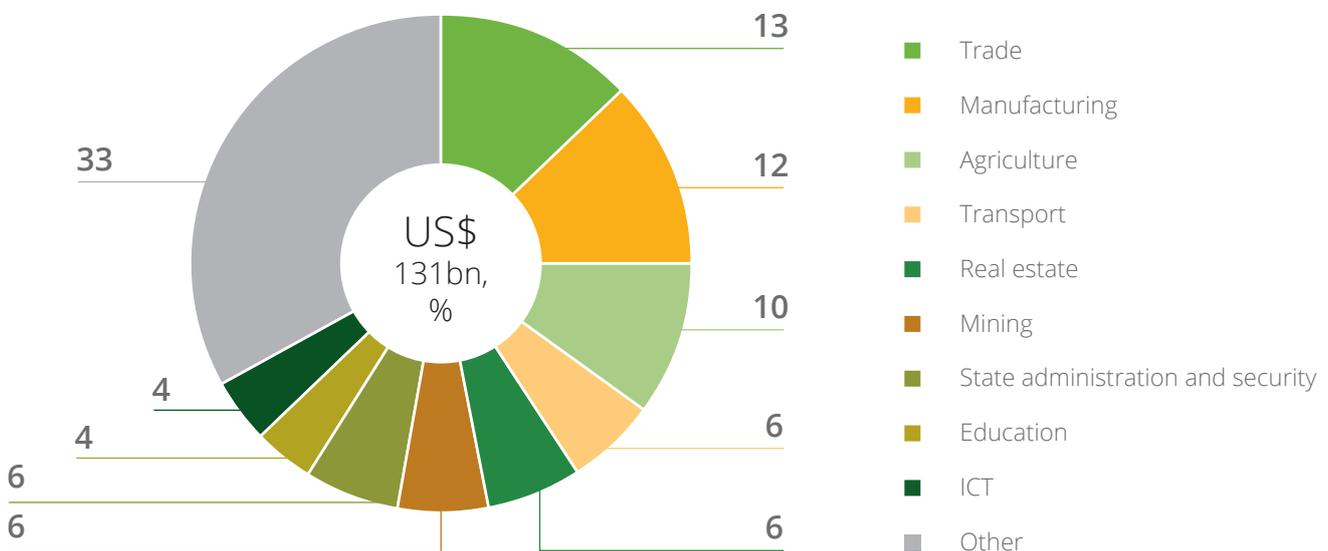


Figure 22. GDP by Sector. InvestUkraine Digest No. 69

In 2018, trade accounted for 13% of GDP, manufacturing for 12%, agriculture for 10.1% and transport for 6%. In 2019, by comparison, trade accounted for 13.2%, agriculture for 9% and transport for 6.8%. In 2019, the sectors registering the greatest growth included services, with an increase of 15%, and IT, which grew by 7.5%. Sectors experiencing negative growth included the energy sector, with a decline of 4.2%, and education, with a fall of 1.3%.<sup>305</sup>

Employment by sector in millions of population (2018)

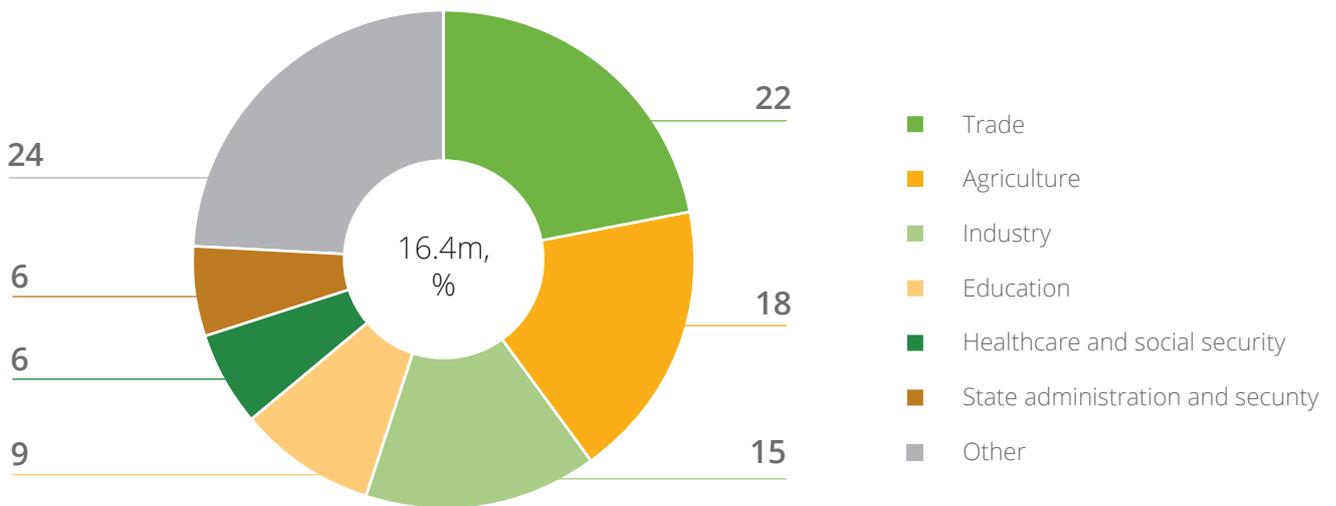
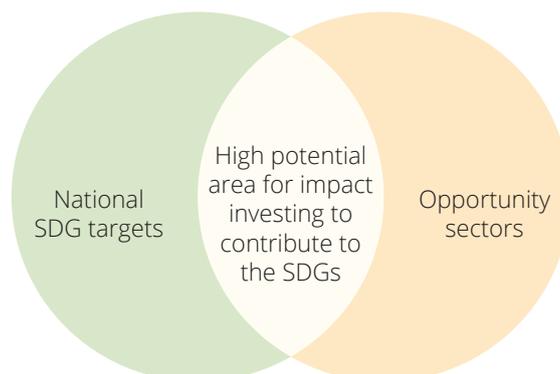


Figure 23. Employment by Sector. Invest Ukraine Digest No. 69

Trade accounts for 22% of employment in Ukraine, followed by agriculture with 18%, industry with 15% and education with 9%. The sectoral distribution of employment remained almost unchanged in 2019. The IT and trade sectors showed the largest positive trend, while there was a slight decline in education. The trend continued in 2020.<sup>306</sup>

Ukraine has the potential to improve its economic performance considerably. The overview of economic activity presented by the Ministry of Economic Development, Trade and Agriculture (former MDETA) of Ukraine for January-May 2020 emphasized the pessimistic outlook of Ukrainian businesses due to the novel coronavirus and its economic fallout. In May, nevertheless, the NBU economic sentiment index stood at 37 points, slightly higher than the 29.9 reported in April. The situation was expected to improve after lockdown measures were relaxed.<sup>307</sup> The EBRD meanwhile noted that Ukraine had the opportunity to benefit from the restructuring of supply chains by emphasizing sustainability and diversification – a post-COVID economic recovery option. Another effect of the crisis will be to provide additional impetus for the information and communications technology, e-commerce and delivery services industries while business models will be challenged in retailing, real estate services and the sharing economy. In order to identify high potential areas for impact investing in Ukraine, it is interesting to examine the intersection of the most promising sectors and the SDG targets which have been prioritized and are in most need of attention.<sup>308</sup>



On this basis, six areas emerge that are likely to be important and attractive for impact investors wishing to contribute to progress towards the SDGs. The first of these is **technology**, particularly in the IT industry, given the need to ensure an effective transition to the digital era – something which has been particularly emphasized during the COVID-19 era. Next comes **infrastructure**. The regional airports, roads and railways are in need of improvement, warehousing facilities need to be expanded, and water supply and waste management systems require further development. **Renewable energy** projects are another key area, together with clean means of transport, which can contribute to the reduction of emissions. **Healthcare** establishments may also be targeted by impact investors to meet the need for physical and technical improvements in these facilities. The COVID-19 crisis has shown that the **education** sector is also in need of investments in order to contribute to the solution of problems via distance education and e-learning. Finally, further investments in **agriculture** are needed to reduce the yield gap compared to European countries. To this end, technologies could be developed and implemented for boosting yields, degraded lands and soils could be rehabilitated, and agricultural infrastructure could be enhanced.



Figure 24. Mapping of Prioritized Sectors and SDGs

Table 4. Mapping of sectors to national targets and SDG objectives

SDGs prioritized by Ukraine and in need of further work	Relevant national targets	Sectors	Areas with a high potential for impact investing
SDG 3 (Good Health and Wellbeing)	<p>3.3. End the epidemics of HIV/AIDS and tuberculosis, including through innovative practices and treatments</p> <p>3.5. Reduce premature mortality by a quarter, including through the introduction of innovative approaches to diagnosing diseases</p> <p>10.3. Ensure access to social services (SDG 10)</p>	Healthcare	<p>Improve physical and technical facilities in health care establishments.</p> <p>Investments in healthcare and other social services can also contribute to SDG 1 and SDG 10.</p>
SDG 4 (Quality education)	<p>4.2. Ensure access to quality pre-primary development for all children</p> <p>4.7. Create a modern learning environment in schools, including inclusive education, through innovative approaches</p>	Education, IT industry and digital economy, Construction, Transport	<p>Develop distance education technologies and the research and innovation infrastructure.</p> <p>Ensure a sufficient number of pre-school education institutions and related transport services, especially in rural areas.</p> <p>Improve access to education and educational materials through digitalization, distance learning and online tools.</p>
SDG 8 (Decent Work and Economic Growth)	<p>8.1. Ensure steady GDP growth by modernizing production, developing innovation, increasing export potential and exporting products with high value added</p> <p>8.2. Increase the efficiency of production based on sustainable development and the development of competitive high-tech industries</p>	IT industry and digital economy, Energy, Manufacturing, Transport, Healthcare	<p>Develop competitive, high-tech production processes with value-added creation along the entire innovation chain.</p> <p>Create high-value production and jobs in the manufacturing sector (electrical equipment, textiles and clothing) which can drive economic growth.</p> <p>Support high-tech industries like aerospace, which was previously one of the priority areas supported by Ukraine's "aerospace university", the National Technical University of Ukraine Igor Sikorsky Kyiv Polytechnic Institute", and by the Scientific Centre for Aerospace Research of the Earth of the Institute of Geological Sciences of the National Academy of Sciences of Ukraine. The hope is to re-establish Ukraine as a state capable of developing and launching high value-added space technology that can attract investors and improve R&amp;D.</p> <p>Carry out infrastructure projects (electric power networks, highways, transport junctions, high-speed passenger railways and the manufacture of vehicles for rail and water transportation such as railway cars and barges).</p> <p>Create new production capacities that ensure a full production cycle for critically needed goods and technologies In the context of the COVID-19 pandemic.</p>

<p>SDG 9 (Industry, Innovation and Infrastructure)</p>	<p>6.1. Provide access to quality safe drinking water services and ensure the construction and reconstruction of centralized drinking water supply systems using the latest technologies and equipment (SDG 6)</p> <p>7.1. Expand the infrastructure and modernize networks for a reliable and sustainable supply of energy through the introduction of innovative technologies (SDG 7)</p> <p>9.1. Develop quality, reliable, sustainable and accessible infrastructure based on the use of innovation technologies, including ecologically clean means of transport</p> <p>9.2. Increase the use of electric transport and related network infrastructure</p> <p>9.4. Promote the accelerated development of high- and medium-technology sectors and manufacturing industries which are based on ‘education–science–production’ chains and a cluster approach through: the development of an innovation ecosystem; the development of information and communications technology (ICT); the use of ICT in agriculture, energy, transport and industry; high-technology mechanical engineering; the development of new materials, and the development of the pharmaceutical and bioengineering industry</p> <p>11.5. Reduce the adverse impact of pollutants, particularly on the urban environment, through innovative technologies</p> <p>13.1. Limit greenhouse gas emissions in the economy</p>	<p>IT industry and digital economy, Agriculture, Energy, Manufacturing, Wholesale and retail trade, Transport, Industry, Construction</p>	<p>Ensure the (re)construction of centralized drinking water supply systems using the latest technologies and equipment.</p> <p>Support renewable energy projects and clean means of transport, along with the necessary infrastructure. This will also contribute to SDG 7 by increasing the share of renewable energy and to SDG 11 and SDG 13 through the reduction of emissions.</p> <p>Improve the level of technological and technical equipment in seaports and modernize regional airports.</p> <p>Develop existing high-added value activities and create new ones.</p> <p>Expand infrastructure (especially warehousing facilities) for the wholesale and retail sectors, facilitating the development of e-commerce.</p>
<p>SDG 12 (Responsible Consumption and Production)</p>	<p>12.4. Reduce waste generation and increase recycling and reuse through innovative technologies and production</p> <p>15.3. Restore degraded lands and soils through innovative technologies (SDG 15)</p>	<p>IT industry and digital economy, Agriculture, Industry</p>	<p>Create infrastructure facilities for waste management and cost-effective technologies for solid domestic waste processing, increase capacity for waste disposal and address the issue of radioactive waste management.</p> <p>Support organic agriculture, which will maintain/improve soil fertility, preserve biodiversity and reduce the contamination of land and water.</p>
<p>SDG 14 (Life below Water)</p>	<p>14.2. Ensure the sustainable management and protection of marine and coastal ecosystems, and improve their resilience and recovery through innovative technologies</p>	<p>IT industry and digital economy, Industry</p>	<p>Integrate resource-saving technologies and sustainable use of marine natural resources.</p>

\*The sectors that are the most promising in Ukraine are marked in green.

## Technology with a focus on the IT Industry and Digital Economy

Ukraine's IT industry is among the country's most diverse and fastest growing sectors. It encompasses cutting edge work in AI, cybersecurity, natural language processing, and nanotechnologies, as well as highly commercial ventures in blockchain, FinTech, big data management, gaming, agritech and e-commerce. The IT industry is the second largest export service industry in Ukraine.<sup>309</sup>

The value created by the IT industry has grown by a multiple of almost 40 over the last fifteen years, from \$110 million in 2003 to about \$4.5 billion in 2018. In 2019, the IT sector accounted for 4.5% of Ukraine's GDP (\$5.8 billion). When overall exports from Ukraine fell by 4.6% in 2020 due to the pandemic, the IT sector improved its overall performance, achieving 20.4% growth and reaching over \$5 billion in exports.<sup>310</sup> The IT sector is highly export-oriented, generating almost a quarter of all Ukraine's services exports, with over 50% of these going to the USA.<sup>311</sup> Currently, only 2% of Ukrainian IT companies are oriented towards the domestic market. It is therefore crucial to try to engage them in an effort to boost high-tech aspects of manufacturing processes and achieve the necessary levels of digital transformation. The IT industry drew around \$510 million in investments in startups in Ukraine in 2019 alone.<sup>312</sup> Overall, in 2019 investments into IT exceeded \$544 million,<sup>313</sup> reaching an all time high of \$571 million in 2020.<sup>314</sup> Over the past four years Ukraine has played a significant role in the Eastern European boom in IT services, alongside Poland, Romania and Belarus. The region hosts over 470 companies that are generating over \$5 billion in annual revenues.<sup>315</sup> Three Ukrainian companies have a confirmed unicorn status and another five are reportedly en route to receive it.<sup>316</sup>

Ukraine's educated workforce is the major factor that has driven the development of Ukraine's IT industry. Ukraine's educational system is rigorous, and many universities focus heavily on mathematics, physics and engineering. This has undoubtedly contributed to the creation of one of the region's biggest talent pools. Over 170,000 students are majoring in information technologies. As a result, 20% of the leading Fortune 500 companies have established offices and/or R&D facilities in Ukraine or are in the process of establishing them. This list includes companies such as Oracle, Ring, Siemens, Cisco and Samsung. The IT sector is not solely focused on outsourcing. Several globally recognized startups such as Grammarly, Depositphotos, MacPaw and Petcube are located in Ukraine. Grammarly, to cite a well-known example, is a popular online grammar- and spell-checker that recently signed a deal to support Google Docs. Another successful enterprise is Gitlab – a development and source code management provider. In 2017-2018, both Grammarly and Gitlab raised \$110 million in seed rounds.

### Emerging global R&D hub in Ukraine

- 100 + global players

### IT talent pool

- 130,000 engineering graduates per year
- 6,000 IT graduates per year
- 180,000 + tech specialists work for startups and IT service companies worldwide

Kyiv is the largest IT hub in Ukraine and home to over 1,000 startups and product companies. Kharkiv, Odesa, Dnipro, Lviv and Vinnytsia also are all developing as major centres of IT activity.

IT innovation success stories are helping to attract investor attention, with investment in the startup sector rising from \$39 million in 2014 to \$571 million in 2020 as the search continues for the next big breakthrough among Ukrainian startup projects.<sup>317</sup> Moreover, the COVID-19 crisis has fuelled the development of e-commerce in Ukraine. Since March 2020, the volume of online sales has grown by 270%. Besides e-commerce, the fields of automation and electronic services have received a major boost.

Ukraine has recently introduced regulatory changes to further increase the competitive potential of the IT industry. Between 2018 and 2020, special employment and relocation conditions were introduced to draw foreign IT professionals to the country, and in 2019 the government signed a memorandum with mobile network operators to increase the internet penetration rate throughout Ukraine. In addition to these changes, the harmonization of Ukrainian ICT legislation with the regulatory norms of the EU will allow the country to become fully integrated into the digital single market and open up access for domestic entrepreneurs to explore new markets with high purchasing power, as well as creating attractive conditions for FDI in Ukraine.

### Market segments

- Software development
- Mobile payments
- Cybersecurity and data management
- E-learning
- Cryptocurrency
- E-commerce

Besides IT services, there are two promising areas for technology in the manufacturing sector – namely, computers and electronic goods, and the production of electrical equipment including electric motors and generators, batteries and accumulators, wires, electrical devices and household electrical appliances.

The financial sector is also highly reliant upon IT and technological innovations to expand the range of services it currently offers. The Financial Sector Development Strategy for 2025 stipulates that the digitalization process will permit the broader use of e-signatures, the use of the new standardized XML reporting system, and the reporting of financial statements in the electronic iXBRL format to improve transparency. The Opendata project will improve general access to data and the quality of the data available. The NBU also aims to use new technology to promote financial literacy, access to electronic banking and payments, virtual service channels, personalized financial services and mobile solutions. FinTech companies have been instrumental in the creation of the national payment system PROSTIR. This system is currently used by 21% of the banks and there are plans to raise this figure to reach 70% by 2025. It has made it possible to go ahead with e-Hryvnia initiative. The NBU's plans include the creation of an IT platform for financial service consumers, the establishment of technological sandboxes to ensure security, the introduction of cloud technology, the resolution of the issue of QR codes for funds transfer implementation issues, cryptocurrency exchange arrangements, cooperation with innovation hubs and the development of SupTech and RegTech in order to improve the collection of financial data and its regulation, so ensuring better financial stability. InsurTech and WealthTech are to be used to support lending platforms and crowdfunding. The BankID system, which enhances procedures for remote client identification and verification, is currently used by 22.5% of banks, and the goal is to reach at least 70%.<sup>318</sup>

Despite its promising potential, Ukraine's IT industry still faces some important challenges such as the inadequate protection of intellectual property rights, weak cooperation between businesses and the education sector, insufficient R&D financing, inadequate financial mechanisms to support the start-up ecosystem and a shortage of the financial competencies needed to scale up fledgling businesses. Addressing these issues will increase Ukraine's potential to become an IT hub for the region.

Box 13.

## Technologies for a digital economy

Enterprise	Description
	<p><b>IntelSoft</b> offers analytical software solutions to reduce the operational costs of its customers by using mathematical modelling and artificial intelligence methods to analyze and optimize internal and external company performance indicators and predict consumer behaviour.<sup>319</sup> For instance, its solutions make it possible for manufacturing companies to forecast the percentage of defective products or for banks to calculate potential defaults on loans. This technology can be utilized in multiple areas to increase business integrity and efficiency by detecting fraud, forecasting procurement costs, identifying causes of staff turnover and forecasting inventories in sectors such as finance, manufacturing, healthcare and energy. IntelSoft clients include the World Bank, BNP Paribas and the Ukrainian public sector (Ministry of Social Policy).</p>
<b>AXDRAFT</b>	<p><b>AXDRAFT</b> is a legal digital service that enables businesses to automate the legal aspects of their work processes and to fill out legal paperwork seven times faster, bringing average document drafting time down to 3.7 minutes. AXDRAFT suggests a set of templates based on the type of business model or industry, which simplifies and decreases the administrative workload. All the data is then tracked by the multi-user system ensuring effective self-service, so that some tasks can be safely delegated to employees who have had no legal training. As part of its social responsibility initiative, AXDRAFT has created Avodocs – a platform which provides SMEs with legal document templates free of charge, thereby increasing access to justice in Ukraine, particularly for those SMEs that cannot yet afford to keep a lawyer on their payrolls.</p>
	<p><b>ITFin</b> is a Ukrainian startup providing solutions that ensure effective financial management for firms working in IT. A monthly subscription gives access to instruments and mechanisms which automate time tracking, invoicing and tax payments, monitor business performance, measure profitability, manage resources effectively and automate tax payments. The technology supported by ITFin also improves financial literacy, which is particularly important for startups and SMEs striving to scale up their businesses. The company is currently looking for an investment of \$150,000 to break into the international market.</p>
	<p><b>Document.Online</b> offers an electronic document management service that optimizes business processes so as to save employee time and companies' financial resources.<sup>320</sup> The software provides for the use of a digital signature, a necessary element of the digital economy transition. Each month, more than 700,000 documents are signed via this service saving seven tonnes of paper.<sup>321</sup></p>



**BankID** is an identity verification service used by Ukrainian banks<sup>322</sup> MobileID is an offshoot of this practice that allows customers to acquire bank identification numbers through their mobile service providers. This practice helps to prevent fraud and facilitate the daily access of citizens to financial services. Besides financial and commercial operations, the technology also contributes to other practical improvements in everyday life – for example, by making it possible to sign documents electronically and access public and administrative services using one’s customer identification.<sup>323</sup>



**E-Maliatko** (E-Baby) is an online registry system for new-born babies. Through this service, a newborn child can be registered online at the maternity ward and a registration number can be issued by SMS. Using the same application, the parents can simultaneously apply for 10 government services including the issue of a registration certificate, the issue of a taxpayer number, and child benefits. The system is designed to eliminate the excessive time which parents of newborns spend on bureaucracy and to improve service quality. This is particularly important in areas of eastern Ukraine where access to government services diminished significantly during the conflict. e-Maliatko is boosting access to services in these areas.<sup>324</sup>



**MyCredit** is a loan application platform that offers microloans on a short-term basis to its users through a simplified online application.<sup>325</sup> The loan applications are processed on a 24/7 basis, even during weekends and holidays. The platform does not feature any hidden fees and abides by the Ukrainian legislations in terms of data protection and users’ rights. It also provides ways to restructure the loan if necessary. The platform serves to increase access to finance for people who cannot provide collateral in order to obtain a loan from a traditional bank. Currently the fintech company has about 3,000 customers per day. It is working towards expanding its services into the international market.

Box 14.

Innovation hubs

Enterprise

Description



**Go To-U** offers software and hardware solutions to customers who own electric vehicle (EV) charging stations, and enables EV drivers to charge their vehicles through Go To-U’s partner facilities. Go To-U provides information on more than 65,000 charging stations in around 47 countries<sup>326</sup>. Founded in 2017, Go To-U joined the Climate-KIC Accelerator the same year. Go To-U is a member of the World Alliance for Efficient Solutions and the Solar Impulse Foundation. The company’s efforts to facilitate the transformation of the Ukrainian transport sector and put in on a more sustainable course are widely acknowledged.



**TOKA** has developed a network of charging stations for electric vehicles. The company currently operates charging stations in shopping and entertainment centres, supermarket parking lots, sports clubs and office developments in every regional centre in Ukraine. TOKA reports that one minute of charging at one of its stations can provide a vehicle with a mileage of about one kilometre, while a full battery can be achieved within 30 minutes. The mobile app available to its users shows the network coverage and helps with charging cost calculations.<sup>327</sup>

Box 15.

## Technology holding companies

Enterprise	Description
<b>TECHIIA</b>	<b>TECHIIA holding</b> unites ten technology companies in Ukraine in the areas of software development, IT and media creativity. The holding also supports and invests in innovative projects that promote the consumption of renewable energy resources rather than fossil fuels, contribute to energy conservation and support the adoption of eco-friendly technologies. An example of this is its support for the EcoTechnoPark project. The project hosts data centres, power leasing services and agricultural farms within a techno-park powered using wind turbines, solar panels and the heat generated by its own facilities. The company is looking to create 200 additional jobs, and to support the development of science, technology, engineering and mathematics (STEM) education in Ukraine <sup>328</sup>

### Infrastructure

Ukraine is a transit corridor for many countries within Asia, Europe and the Middle East. It currently has 17 FTAs with 46 countries, including the Deep and Comprehensive Free Trade Agreement with the European Union. Its aspiration is to broaden its trade and access to trade infrastructure further, with a focus on the Middle East and North Africa region and Asia, including the large Chinese and Indian markets.<sup>329</sup> The development of infrastructure is one of the priority policy directions in Ukraine.<sup>330</sup> Transport and infrastructure account for almost half of the services market and employ 7% of the population.<sup>331 332</sup> The sector was seen as highly vulnerable to the pandemic because of the significant drop in the demand for aviation, the high costs associated with lay-ups, reduced cargo traffic and Ukraine's high port charges, which are among the most expensive in the world. The current status of infrastructure in the country is relatively poor compared to neighbouring countries and constitutes a bottleneck that is impeding economic growth. Ukraine is currently utilizing only 25-30% of its infrastructure potential.

However, it is well-positioned to become a global logistic hub provided it succeeds in harmonizing its transport corridors with the EU, which could effectively lead to an additional \$359 billion in transport services exports within the next 10 years. The importance of infrastructure development, along with trade liberalization, is also highlighted by the untapped trade potential, which amounted to \$24 billion in 2019.<sup>333</sup> Ukraine's need to develop its infrastructure has led to the development of a number of projects for augmenting its capacities and work is underway on implementing innovations that will enable the country to leverage its geographical location more effectively.

In addition to transport infrastructure, significant improvements are needed in the waste management infrastructure. Currently, more than 90% of the waste produced in Ukraine is disposed of in landfill sites without being recycled.<sup>334</sup> There are 6,000 landfill sites, few of which conform to EU environmental standards.<sup>335</sup> One step was taken towards improving the performance of this sector with the adoption of a new bill on waste management (draft law No. 2207-1-d) in July 2020.

The new bill determines basic principles for waste management in line with European standards and introduces concepts such as extended producer responsibility, long-term waste management planning at various levels of government and liability for offences in the field of waste management.<sup>336</sup>

Another notable regulatory development affecting the infrastructure sector was the adoption of the Concession Law in October 2019. This law details the conditions for the transfer of operating rights for state and municipal enterprises to private entities, paving the way for public-private partnerships in state-owned infrastructure. This law is expected to attract much-needed investments for the modernization of Ukraine's infrastructure networks.

As an example of one of the outcomes of the Concession Law, a waste processing plant is being constructed in the Zakarpattia region through a public-private partnership programme. The plant will be owned by the Polyana Village Council. It will serve five districts within Zakarpattia, and approximately 180,000 people will benefit from its services.<sup>337</sup> The estimated IRR is 9.2%.<sup>338</sup> Alongside its positive environmental effects, the plant is projected to create 160 new jobs.<sup>339</sup>

With respect to infrastructure improvement, it is important to note the needs of Ukrainian factories for modernization from an environmental perspective. The Ukrainian government is taking several initiatives to improve this sector – most notably, the “Ukraine Green Deal”. The Green Deal lays out the government's plans for a “green” energy transition. Under this programme, Ukraine aims to increase the share of renewable energy to 70%, phase out coal generation completely and reduce the share of energy produced by nuclear power plants by 20% to 25% by 2050. The development of the “Ukraine Green Deal” is an attempt to align the country's economic activities with the European Green Deal. Ukraine urgently needs to adapt its economy to these standards of sustainability. For example, the Carbon Border Adjustment (CBA) tax, which is to apply to the import of metal products in the EU starting from 2023, is threatening the country's metallurgical sector.<sup>340</sup> In order not to lose access to the European market, Ukraine needs to take the necessary steps to implement decarbonization and the greenhouse quotas trading system. In September 2020, bill No. 4101 on amendments to the Tax Code of Ukraine was registered by the Verkhovna Rada, the national parliament.<sup>341</sup> The bill envisages an increase in environmental tax rates. For example, taxes for CO<sub>2</sub> emissions will gradually be tripled from UAH10/tonne to UAH30/tonne by 2024. The tax for water pollution is being doubled as of 1 January 2021 and will be increased gradually by a multiple of 10 by 2029. Undoubtedly, all these initiatives will put Ukrainian companies under pressure, since they will be obliged to meet the new environmental standards and requirements with limited financial resources.

Ukraine also faces significant challenges in ensuring efficiency in the transport sector in view of its worn-out infrastructure. Ukraine could increase the efficiency of this sector by adopting effective regulations, establishing a National Transport Commission as an independent transport regulator to oversee fair competition, modernizing its shipping industry by establishing a tax and customs regime for merchant shipping and setting up an effective system of controls for weights and dimensions, and developing an effective waste management and recycling system with transparent regulations to kick-start the circular economy.

Box 16.

## Innovation in infrastructure solutions

Enterprise	Description
	<p>The Ukrainian company <b>SEA</b> is a leading distributor of electronic equipment for urban infrastructure. Its innovative Weigh-in-Motion (WiM) system makes it possible to detect overloaded cargo vehicles on the roads in real time.<sup>342</sup> WiM is an automated technology for weighing trucks which can be installed on roads to track the speeds and weights of passing vehicles, protecting the infrastructure from excessive wear and tear. The company has also developed SEA Smart City, an automated monitoring system that increases the efficiency of energy and water supply systems so that resources can be used more conscientiously.</p>
	<p><b>LLENTAB</b> is a steel building supplier that specializes in the construction of warehouses and logistics buildings. The company uses energy-efficient construction components that minimize CO2 emissions in storage and production facilities, agricultural buildings and other structures.<sup>343</sup> In order to reduce its ecological footprint LLENTAB chooses environmentally sound materials, working mostly with scrap metal, which can be reused and/or recycled later.</p>
	<p><b>Elvatech</b> is a Ukrainian company, which produces analytical spectrometric instrumentation.<sup>344</sup> Elvatech manufactures portable metal analyzers, which can sort scrap metal by determining the types and grades of the steels and alloys in question, making it possible to recycle them faster. The analyzers can also monitor the environment and detect heavy metals in water, air and soil, so that the source of the pollution can be identified and the issue dealt with.</p>
	<p><b>Eco Guma</b> is a Ukrainian enterprise engaged in the collection and recycling of tyre casings to produce safe rubber modular systems. The company aims to manufacture unique products that help create comfortable spaces for rest and recreation, such as sports facilities and playgrounds, while also protecting the environment. Eco Guma has developed a full-cycle recycling process and has the capacity to recycle 300 tonnes of tyres per month.</p>
	<p><b>Ecopolymer</b> has been producing waste disposal equipment since 2008.<sup>345</sup> It manufactures products like compactors and shredders which overcome problems in the storage and recycling of industrial waste. Ecopolymer also offers products which separate liquids from bottles and compress them further and prepare them for transportation.</p>
	<p><b>Fiway</b> is a company that has developed solutions to increase internet coverage in Ukraine. Its technology is based on the use of multiple-frequency band antennae with cloud support to provide steady internet access even in areas with patchy coverage. This can potentially be used to reach people living in rural areas or other hard-to-reach locations. The company is currently focused on ensuring internet connections on any type of transport system. Installation takes only 30 minutes. Fiway has already provided internet connections on 981 buses in Ukraine.</p>
	<p><b>GreenBin</b> is an online packaging tracking system. It promotes recycling by encouraging the return of plastic packaging in exchange for reward points.<sup>346</sup> Users can scan the QR codes on plastic bottles, dispose of the bottles in designated recycling spots, share a picture and obtain a reward in terms of points that they can exchange for goods or services.</p>

## Renewable Energy

The energy sector in Ukraine can be described as both one of the most underdeveloped and one of the most promising in Central Europe. Energy accounts for 15% of Ukraine's GDP, ensuring economic activity across all sectors and boosting the competitiveness of Ukrainian manufacturing.<sup>347</sup> However, Ukraine is one of the least energy-efficient countries in Europe, demand for investment is very substantial and the opportunities are truly impressive. In recent years, reforms in Ukraine's gas industry have boosted local energy production and attempted to reduce the percentage of gas imports from Russia. The generation and supply of electricity has also been transformed, improving efficiency and fostering the use of alternative energy sources. Unfortunately, energy consumption dropped significantly due to COVID-19. In April 2020, it shrank by 10%. Moreover, due to the drop in personal incomes, the sector faced a 30% increase in non-payments.<sup>348</sup>

Renewable energy (wind, solar and biomass) has attracted considerable national and international investment, helping the country to achieve a better strategic balance in its energy market. This segment has attracted foreign investors from Austria, Belgium, Canada, China, Norway, Spain, Switzerland, Turkey, the United Kingdom and the United States. Leading international financial institutions and banks including the EBRD, the US Overseas Private Investment Corporation (OPIC) and institutions from France, Denmark, Finland, Sweden and the Netherlands have provided long-term financing for renewable energy projects in Ukraine.

By the end of 2019, the amount of investment in renewable energy had reached almost \$10 billion, of which \$6.2 billion was invested in 2018 and 2019. This has made renewable energy one of the top five sectors for investment in the Ukrainian economy. Ukraine's power generation from renewable sources grew from 999 MW in 2015 to 6.8 GW by the end of 2019. By the end of 2020 the share of renewable energy in overall energy production reached 12.4%.<sup>349</sup> The previous years' positive growth outlook appears to be stymied by subdued public support, as the government has only pledged to buy half of the renewable power produced in 2020.<sup>350</sup> As the issue of the payment of green tariff debts continued, the Government reduced the rate on the green tariff and suspended this incentive beyond 2030.<sup>351</sup> In parallel, investments in renewable energy fell to €1.2 billion in 2020.<sup>352</sup> The establishment of a new incentive scheme and the payment of the green tariff debts would restore trust in this sector. A new incentive scheme is to be announced, with a draft law passed on the establishment of an auctioning system. In this sector, the EBRD has secured \$600 million for renewable energy projects in Ukraine. The U.S. International Development Finance Corporation has contributed \$400 million to finance and provide political risk insurance for a wind power project. Bloomberg's New Energy Finance Global Scope for 2019 ranked Ukraine as the eighth most attractive investment market for green energy among the developing countries. Over the last four years, the government has received almost \$2.7 billion in taxes and levies from renewable energy, making the sector one of the largest sources of tax revenue, as well as one of the largest creators of new employment.

### Market segments

- Retail electricity
- Electricity production
- Biofuel
- Natural gas supply
- Energy efficiency

Box 17.

## Businesses contributing to renewable energy

Enterprise	Description
	<p><b>Tokmak Solar Energy</b> is a Ukrainian solar energy company launched in 2011 that provides efficient, environmentally friendly advanced energy technologies tailored to the needs of each specific client based on its patented TSE Tracker System. Tokmak Solar Energy does not only generate renewable energy but also provides the infrastructure needed to transmit it reliably. It is a member of the social movement Global 100%RE Ukraine, which supports Ukraine's transition to green energy. The company positions itself as a socially responsible business that creates favourable conditions for life and work and engages in rebuilding infrastructure in line with Ukraine's targets under SDG 9 (Industry, Innovation and Infrastructure), SDG 13 (Climate Action) and SDG 11 (Sustainable Cities and Communities).<sup>353</sup></p>
	<p><b>Wind Parks</b> of Ukraine is a wind energy company that undertakes the full cycle of production of wind parks from the design and production of wind turbines to their installation and operation in designated wind-energy parks. The total capacity of the company's parks amounts to 289 MW, which makes the company the largest wind energy producer in the CIS countries. The amount of clean energy which the company has produced since its inception is the equivalent of 1,156,528 tonnes of coal.<sup>354 355</sup></p>
	<p><b>LNK LCC</b> implements ecological projects in degassing landfills for solid waste. The company uses the captured gas to generate electricity. The company's biogas power plants serve to reduce greenhouse gas emissions.<sup>356</sup></p>
	<p><b>Solar Town</b> is an energy cooperative in Slavutych. It is the first cooperative in Ukraine to establish a solar power plant funded by residents in the place where it operates. Three solar plants with a total of 720 solar panels have been constructed in the city.<sup>357</sup> The total capacity of the plants is 200kW. Local citizens were given the first chance to acquire shares in the cooperative. As a result, approximately 20% of the shares belong to residents of Slavutych. Principles of fair governance have been adopted. Each member has one vote, the income is distributed according to the number of shares, and 5% of the profits is allocated to local projects under the Action Plan for the Sustainable Energy Development of Slavutych.<sup>358</sup></p>

Box 18.

## Micro solutions using solar power

Enterprise	Description
	<p><b>SolarGaps</b> are window blinds which generate solar electricity to power electrical devices. One square metre of Solar Gaps is enough to charge three laptops.<sup>359</sup> The company is the first Ukrainian startup. It received a €1 million grant from the European Commission under the Horizon 2020 programme.</p>

## Healthcare

Basic healthcare services are available to Ukrainians free of charge. However, private medicine has been growing rapidly in recent years. The number of private healthcare facilities increased from 4,225 in 2016 to 4,991 in 2018.<sup>360</sup> Official figures from 2020 report that 3.6% of the population visits private healthcare facilities, excluding dentistry.<sup>361</sup> Within the first nine months of 2020, Ukraine exported \$192 million worth of pharmaceutical products. In return, the import of pharmaceutical products was valued at \$1,659 million.<sup>362</sup> Moreover, Ukraine consumes considerably lower quantities of pharmaceuticals per capita by comparison with neighbouring countries.<sup>363</sup> The pharmaceutical sector in Ukraine was estimated to have a market size of \$4 billion in 2019.<sup>364</sup> The sector is growing rapidly, demonstrating a CAGR of 11,5% between 2016 and 2020.<sup>365</sup> This trend is expected to accelerate moderately in the years to come. The growth of this sector has been boosted by an increase in public expenditures on healthcare via Ukraine’s “Affordable Medicines” programme and by the investments of domestic producers, which have increased the competitiveness of domestic pharmaceuticals production vis-a-vis imports.<sup>366</sup> Among the leading companies in this market in 2019 were Farmak, Sanofi, Arterium, Darnitsa and Bayer.<sup>367</sup> The rise in the real disposable incomes of the population also points to the high potential for growth in this sector. Ukraine has recently adopted some important regulatory changes with a view to increasing the transparency and efficiency of the healthcare sector. These include the launch of a state enterprise called the Agency on Medical Procurement as a transparent and efficient medical procurement system. The accreditation process for medical facilities was made easier in 2019 and processes for authorizing new pharmaceuticals have been improved.<sup>368</sup>

Box 19.

### Businesses contributing to healthcare

#### Enterprise

#### Description



**Liki24** is a drug delivery service provider that caters to 27,599 towns in Ukraine, ensuring lower prices for the consumer and wider coverage and efficient delivery of pharmaceutical services.



In conjunction with the Lviv IT cluster, **Doctor Eleks** provides key services to the 1,100 public and private hospitals in Ukraine and facilitates their transition to online services such as online consultations and health checkups, e-prescriptions and e-payments. In Lviv, Doctor Eleks has also introduced an online competency assessment system for healthcare workers, including doctors. This was particularly helpful at the height of the COVID-19 pandemic, since it reduced the impact of restrictions on the delivery of healthcare services and broadened access to them.<sup>369</sup>



**Esper Bionics** is a Ukrainian hardware startup company that manufactures robotic limbs. The prostheses they have developed are now in the beta-testing phase. Estimates suggest that they will be 5-12 times cheaper than existing alternatives.<sup>370</sup> With over 10,000 Ukrainians in need of prostheses the company aims to meet the demand at a lower cost to the consumer, while also providing the associated rehabilitation services. In addition, it will be possible to sponsor a person in need of an artificial limb by paying for the services provided by Esper Bionics.<sup>371</sup>

Box 20.

## Mobile solutions for remote monitoring

Enterprise	Description
	<p><b>Dialik</b> is a mobile application which notifies users with hypertension when there is a risk of increased blood pressure due to weather conditions.<sup>372</sup> Dialik has also started to generate personal forecasts for its users.</p>
	<p><b>Cardiomo</b> is a Ukrainian patented product that was developed in 2014 in order to be able to monitor the health of the person wearing it in real time, remotely from anywhere in the world. The device measures the wearer's respiratory rate and records electrocardiograms. It is also sensitive to body position, making it possible to detect falls. The device instantly notifies the caregiver of any life-threatening changes in the patient's condition. The mobile app contains all the biometrics, including daily activity, and offers reliable predictions of future conditions.<sup>373</sup></p>

## Education

As a well-educated nation, Ukraine has many famous experts. However, the Ukrainian education system still needs to take steps to address certain quality issues, to become more modern and competitive in international terms and to align itself with the current needs of the Ukrainian economy and business. Public education facilities in the country are in need of renovation, and research and innovation infrastructure requires further development.

Box 21.

## Good practices in education

Enterprise/ institution	Description
	<p><b>ChoiZY</b> is an educational startup that offers career guidance for teenagers through an online platform.<sup>374</sup> The platform helps its users identify career interests through career guidance tests and psychological consultations and to develop the relevant soft and hard skills through customized online learning paths.</p>
	<p><b>Readlax</b> is a mobile application which offers mental exercises in memory training, speed reading, concentration and peripheral vision. It features gamified tutorials, mini-books, and reading and comprehension tests to help its users enhance their learning capacity.<sup>375</sup></p>
	<p>The <b>Global Innovative Online School</b> is a Ministry of Education and Science-accredited online platform that offers students an opportunity to study math, prepare for exams, and find a suitable tutor. GIOS also partners with the Symplex School to allow children from different regions of Ukraine to study advanced math online for as little as \$100 per semester.<sup>376</sup></p>



The **Rimon Charitable Foundation** provides online and in-person access to medical conferences with highly qualified speakers from Ukraine and abroad. Rimon also offers its members online medical courses and the opportunity to join relevant medical associations.<sup>377</sup>



The **Mate Academy** is an online school of IT that offers vocational training in programming with a chance to master a profession within four months of full day classes or six months of evening classes. The 14-day free trial offers a chance to decide whether the Academy is a good fit and to learn Java Script free of charge. The Mate Academy also helps its students find gainful employment after graduation. Over 700 graduates have found employment in this way. Free English language courses are available to all students to increase their connectivity with the international market. Payments for the courses can be made either through monthly instalments of \$240 or through a two-year 17% payroll deduction after finding employment.<sup>378</sup> This arrangement broadens access both to in-demand education and to the employment market for persons wishing to work in IT, which is particularly important for students in rural areas.



The **Beetroot Academy** is an online school that specializes in IT education offering technical courses on programming and design as well as entrepreneurship and programme management. Its courses, which take 2-4 months to complete, broaden and facilitate access to education in Ukraine. Payment can be made in monthly instalments averaging \$100-150 per month. There is also a system of scholarships sponsored by the Academy's partners. To date, the Beetroot Academy has produced 3,200 graduates, of whom 40% are women, and provided 400 scholarships.<sup>379</sup>



**Prometheus** is a Ukrainian online education platform. Since its establishment in 2014, Prometheus has become one of the major players in online education in Ukraine with 1.4 million active users. Users have the opportunity to attend over 150 free and paid courses in subjects like the English language, data analysis, entrepreneurship and marketing, soft skills for business, and financial management. The company's courses include licensed translations of courses offered by the Massachusetts Institute of Technology. Recently Prometheus has also partially taken over the teachers' qualification certification process in Ukraine recognized by the Ministry of Education and Science, thereby improving access to this service across the country. The platform also creates custom-built courses in vocational training and supplementary education for enterprises and institutions that wish to boost their capacity building initiatives. Prometheus broadens access to better education in rural areas with relatively limited internet connectivity through its desktop and mobile platforms, which can be used to download lectures. The users are predominantly urban at present, and the vast majority inhabit major regional centres. Kyiv accounts for the highest percentage at 34.5%. Nevertheless, the statistics point to a growing tendency for persons in rural areas to take part in the courses, particularly those provided free of charge. Female users make up 61% of the total, and the average age of the platform users is around 31.

## Agriculture

The agricultural sector in Ukraine accounts for approximately 11.4% of GDP<sup>380</sup> and 45% of exports of goods, amounting to \$22.2 billion.<sup>381</sup> One Ukrainian worker in five is employed in this sector. The agriculture sector encompasses 4 million households and 55,000 agricultural enterprises, including almost 41,000 farms. Ukraine is often referred to as the "breadbasket of Europe" on account of its rich soil. It has almost 32 million hectares of fertile land suitable for agricultural activities, equivalent to one-third of all the arable land in the European Union.

### Ukraine's rankings in the global agriculture market

- Largest sunflower oil producer, and exporter
- Second largest wheat, corn, and honey exporter
- Third largest barley, rapeseed, and millet exporter
- Fourth largest exporter of nuts
- Fifth largest flour exporter
- Sixth largest corn producer
- Seventh largest wheat producer

In addition to grains, oilseeds and nuts, Ukraine has demonstrated steady sustainable growth in products like poultry, eggs, dairy products and honey. This growth has been stimulated mainly by expansion into new markets – particularly Middle Eastern and Asian markets with little local production that are eager to diversify their suppliers. Total agricultural exports over the last two years have topped \$17 billion. According to the Ukrainian Agribusiness Club, the share of Asian regions, which accounted for 33% of exports in 2010, had risen to 45% in 2017, while the share of Europe had risen from 20% to 32%. These increases compensated for a drop in exports to CIS countries.

About 90% of fruit and vegetables and 80% of milk are produced by small individual farms and households. These enterprises face numerous challenges which limit their productivity and potential for growth. Most notably, insufficient access to land and finance, lack of storage facilities, and inadequate market infrastructure prevent smaller producers from competing on the export market and meeting the EU food quality and safety standards. Food processing, on the other hand, demands large capital investments, which is why the sector is dominated by large enterprises. Considerable further investments are needed in the areas of management, education, irrigation systems, farming methods, logistics and value-added production if Ukraine is to raise the productivity of its agriculture in terms of yields per hectare and close the gap with Western countries.

Ukraine has extensive areas of arable land and the agribusiness sector has traditionally been one of its strongest sectors, employing a high proportion of the population. Although food production is sufficient, low purchasing power jeopardizes food security for vulnerable populations.<sup>382</sup> If Ukraine is to attain its targets under SDG 2 and SDG 12, it will be necessary to raise agricultural productivity and increase household purchasing power. The agriculture sector is striving to be more innovative and environmentally efficient, accelerating Ukraine's sustainable development efforts.

Recent regulatory amendments have helped to create a favourable environment for investments in agribusiness. On July 1, 2021, Ukraine has enacted the law on land reform, which will gradually facilitate the sale of agricultural land, lifting the previous 20 years' moratorium.<sup>383</sup> In the first phase, between 2021 and 2024, individuals will be allowed to purchase up to 100 hectares of farmland provided that they are Ukrainian citizens. In the second phase, starting from 2024, entities registered in Ukraine with Ukrainian shareholders will be able to purchase up to 10,000 hectares of farmland. The sale of state or municipal agricultural land will still be forbidden. The ban on the purchase of land by foreign investors will remain until and unless it is lifted through a national referendum. However, as before, both Ukrainian citizens and foreign investors will have the right to lease agricultural land for up to 50 years (emphyteusis). Until 2030, the prices of agricultural lands will not be able to exceed their normative market values.

The government estimates that due to the absence of an established land market, the average farmer had lost about \$630 annually that could have been received from the leasing of land. The implementation of the reform is expected to boost rural incomes and further develop small-scale agricultural production.<sup>384</sup> The IMF stipulates that the full implementation of the reform, making land market accessible to both nationals and foreigners, would increase Ukraine's GDP by 12.6% over 10 years.<sup>385</sup> Two other notable recent developments in this sector were the creation of an organic producers' registry in 2019 and the adoption of safe irrigation standards in 2020.

To accompany these regulatory changes, certain structural measures could be taken to optimize the productivity of agriculture in Ukraine. There is a great potential to exploit the synergies between agriculture and the IT sector, as the use of appropriate technologies would permit the production of high value-added products. Ukraine is still mainly an exporter of basic commodities. In order to orient the agricultural sector towards this goal, investments are needed in food processing facilities. Furthermore, the COVID-19 pandemic has shown that reliance on imports of essential products such as fertilizers increases the country's vulnerability to international trade conditions. Two other fundamental challenges affecting this sector are the need to modernize the irrigation infrastructure – both to increase agricultural productivity and to reduce the excessive use of water – and the insufficient knowledge of small-scale producers concerning how to sell and distribute agricultural products in international markets. Recommendations to address these challenges include developing government incentive programmes for the production of high value-added agricultural products, reinforcing the effectiveness of existing state grant programmes, increasing small farmers' access to the markets by creating appropriate distribution channels and integrating this group into remote sale mechanisms and e-commerce, and investing in the modernization of irrigation systems.

### Ukrainian agriculture potential



Figure 25.

Potential of Agriculture in Ukraine. UkrainInvest 'Invest in Ukraine Now', 2020.<sup>386</sup>

Box 22.

Good practices in agriculture

Enterprise	Description
	<p><b>BIOsens</b> produces sensors that scan food for toxins. These devices, which can be used in the field, at the farm or in storage facilities, can provide information about food safety within 25 minutes. Other uses include the detection of pesticides, antibiotics and pathogenic microorganisms in crops, making early detection possible. In this way, costs related to detoxification and processing are reduced and CO2 emissions lowered.</p>



**АСТАРТА-КИЕВ**  
агропромхолдинг

**Astarta-Kyiv** is one of the largest vertically integrated agro-industrial holdings in Ukraine and is one of Ukraine's top five agricultural producers in terms of land and production, managing 240,000 ha of farming land. The company uses state-of-the-art, environmentally friendly technology to reduce emissions and waste at each stage of production in line with the reduce-reuse-recycle approach. Its recycling rate reached 32.53% in 2019.<sup>387</sup> Astarta-Kyiv refrains from using asbestos and R-22 freon, favouring organic production and the use of safe substances instead. It also conducts environmental impact assessments. Since 2008 it has taken part in the United Nations Global Compact and the work of the Centre for Corporate Social Responsibility. The company also provides vital support to agricultural startups and contributes to the development of agricultural infrastructure.<sup>388</sup>



**Agrofusion** is a Ukrainian company that produces tomato paste on 20,000 ha of irrigated land in an environmentally responsible manner. Environmental considerations are taken into account at every stage of production. Agrofusion implements responsible energy consumption and is engaged in practices that preserve biodiversity. The company also runs a Social Partnership Programme for the Community in support of the local areas where it operates.<sup>389</sup>

**OKKO**  
AGROTRADE

**OKKO Agrotrade** is part of the OKKO group which is engaged in the development of agricultural infrastructure in Ukraine and provides smaller farmers with access to essential resources like fuel, seeds and finance. In 2015, the company joined the 'Go Green' initiative and started to work towards the SDGs by prioritizing gender equality, ensuring equal pay for equal work, making use of renewable energy sources, contributing to innovation and infrastructure development and undertaking responsible consumption through recycling.<sup>390</sup>



**Cherkasy Biozakhyst** is a Ukrainian company that specializes in organic products that are used to replace harmful chemicals in agriculture. By substituting natural alternatives for these chemicals, it seeks to achieve the 'biologization' of all agricultural processes. The company is active in 17 regions across Ukraine. Its bio-products are being used on 500 000 ha of land to reduce the harmful impact of fertilizers and pesticides on the environment and at the same time ensure higher yields per hectare.<sup>391</sup>



**Niva Pereyaslavshchiny** is a group of companies engaged in grain and food production, managing 23,000 ha of arable land. The company has subscribed to clean energy solutions using cutting-edge technology. It prefers to derive the energy it needs for its production activities from straw rather than gas, at one-twelfth of the cost. Niva Pereyaslavshchiny also makes use of an efficient eco-friendly waste management and water purification system which minimizes the negative impact of its farming activities on the environment.<sup>392</sup>

# | Challenges Facing Impact Investing in Ukraine

This study finds that Ukraine's impact investing ecosystem is still at a nascent stage. Impact investment is only starting to gain traction in Ukraine, with most research in the area occurring within the last five years. To reach its full potential, Ukraine needs to develop key elements of its ecosystem that will connect its market and talent with the necessary sources of finance. There are clear gaps in aspects of the business environment: demand for technologies in the domestic market is insufficient, connectivity with global markets is low, there is a lack of trained, experienced managerial personnel capable of scaling up businesses and access to international investors is limited. Another prominent challenge for business development is limited financial literacy. The vast majority of entrepreneurs do not know, or have had next to no experience of, how to attract suitable investors, to apply for a grant, or to draft an effective business plan. Demand is therefore growing among entrepreneurs for initiatives that would develop their financial literacy. Overall, however, despite the many constraints, Ukraine's promising market potential and strong workforce provide it with a strong base from which to develop a globally competitive ecosystem for impact investing.

The main challenge in developing an effective impact investing ecosystem is the lack of awareness among Ukrainian businesses and investors as to what impact investment is and why they should engage with it. Although the global trend towards impact investing is taking hold, and is only expected to broaden, this information has yet to reach a wider audience in Ukraine. Entrepreneurs and investors have not realized that this practice could improve their visibility to investors globally and put them on the map as desirable socially conscious business partners. In addition, no comprehensive legal framework for impact investing is currently in place. As a result, there are no incentives that could drive interest in impact-generating activities among investors and entrepreneurs. The absence of any such incentives stifles the local private sector in mobilizing for the SDGs and leads to an over-reliance on international development institutions. Greater awareness of the issue across the public and private sectors and a set of conscious policies promoting impact investment would play a key role in satisfying the increasing demand for impact capital in Ukraine.

There still are numerous limitations to effective engagement with foreign and domestic impact investors. The most important issues that cut across all sectors include inadequate tax incentives to draw investments to the country, the need to enhance law enforcement capacity for the protection of investments, excessive and often outdated regulatory restrictions, widespread corruption – which causes prospective investors to fear a lack of fair play – and the absence of mechanisms to protect the rights of investors.

Other challenges are linked to the strong reliance on foreign investors and international development organizations, the lack of knowledge of impact investing and its benefits, the limited numbers of investors aware of the country's potential or looking to invest in Ukraine, which greatly narrows the pool of potential funding sources, logistical problems and deficiencies in the physical infrastructure, and a weak investment-generating ecosystem for encouraging and sustaining growth. Dealing with these challenges would greatly improve Ukraine's future development prospects. There are already some improvements. Particularly encouraging are the anti-corruption strategies and attempts to finally bring about a comprehensive legal framework. However, these policies need to be put into practice without delay so that the adjustments they call for can be made as soon as possible.

## Conclusion and Recommendations

Ukraine is a country with vast untapped potential to develop a robust impact investing ecosystem. Impact investing could encourage the inflow of capital which Ukraine needs and make it easier for the country to rise to the considerable development challenges it currently faces. The government needs to provide additional incentives on top of the improvements implemented so far. There is a clear need to spread awareness around impact investing and its multiple benefits – such as its ability to contribute to solutions to development challenges and have a positive effect on society and the environment while also generating financial returns, broadening investment portfolios, improving companies' images and meeting the demands of their clients. As the investment world increasingly leans towards socially and environmentally responsible transactions, companies should ensure that their business models can respond to the sustainable development criteria put forward by growing impact investing appetite. Ukraine has over 150 universities that could participate in research activities, provide necessary expertise and engage in capacity building, thus becoming one of the stronger links in the ecosystem.

The current investment landscape in Ukraine is yet to utilize the economic system's full potential. The business environment in the country will greatly benefit from aligning targeted capital flows with areas where Ukraine either holds competitive advantages or needs key strategic investments to ensure sustainable development. Despite the many constraints, however, Ukraine's promising market potential and strong workforce provide it with a strong base from which to develop a globally competitive ecosystem for impact investing. Moreover, the current expectations around relocation of supply chains from China to other countries following the pandemic has presented a unique opportunity for Ukraine to become the next Eurasian hub of trade. Ukraine's location as a transit corridor between Europe, Asia and the Middle East already gives the country a competitive advantage.

Efforts to establish a fully functioning impact investing ecosystem in Ukraine should take into account the comparative advantages of the economy and showcase a bankable pipeline of impact projects that address the most pressing needs with respect to the SDGs. Social enterprises will play a pivotal role in paving the way for the establishment of a strong track record of impact investments in the years to come.

In January 2020, the Council of Ministers of Ukraine approved a state policy to boost social entrepreneurship covering the years up to 2030. The policy aims to create a legal and regulatory framework that incorporates the relevant international standards governing social entrepreneurship and includes incentives to engage in social entrepreneurship.<sup>393</sup> In similar fashion, the government should ensure that there are adequate incentives for impact investing in the form of satisfactory tax policies, guarantee schemes and favourable financing options. Companies should be encouraged to disclose the non-financial information that is necessary for evaluating their performance in generating environmental and social impact while adhering to human rights, anti-corruption initiatives and the principle of zero tolerance for bribery. The social entrepreneurship policy is expected to improve the business environment and boost investment in the SDGs through the more active engagement of the private sector.

To this end, the government should not only ensure adherence to the new legislation but also enter into closer cooperation with the stakeholders in the impact investing ecosystem. Higher levels of disclosure should be encouraged with the stipulation that the information reported should be sufficiently detailed, rigorous and reliable for investors to make genuine use of it.

This analysis highlights six investment areas with the potential to contribute both to economic growth and to sustainable and equitable development in Ukraine while offering domestic and international investors commercially viable models for generating profit. These are (i) Technology, with a Focus on the IT Industry and Digital Economy, (ii) Infrastructure, (iii) Renewable Energy, (iv) Healthcare, (v) Education and (vi) Agriculture. These areas are aligned with Ukraine's economic development strategy as the sectors that can lead the country forward and help its people achieve economic prosperity and social wellbeing. They also offer ample opportunities for potential investors looking for ways to channel financial resources towards market solutions with concrete social and environmental impacts. Given the lack of bankable projects in these areas at present, it will be critical to follow an evidence-based approach to identify specific investment opportunities. A clear roadmap to develop access to finance options for enterprises operating in these areas will fuel economic growth in the long run and actively engage businesses along the path towards achieving the SDGs by 2030.

In order to mobilize resources for impact investments in Ukraine, it will be essential to follow a structured roadmap that enhances local awareness and capacity for such investments. This will stimulate investor appetite in the market. This effort can best be led by a selected institution from either the public or the private sector which will also facilitate the initial champion investments. The development of a thorough framework that includes incentives to stimulate both the supply and demand sides of the impact investing market in Ukraine is crucial to unlock further private capital for sustainable development. An enabling environment should be created for investments in the sectors that are crucial to economic growth in the country. A set of regulations and incentives that specifically address the needs of impact investing actors will stimulate market dynamics to develop more solutions for impact.

Other recommendations for nurturing a strong impact investing ecosystem in Ukraine can be summed up as follows:

- Sustainability metrics should be created which are in harmony with those suggested by the international community and aligned with Ukraine's development priorities, rather than permitting a proliferation of various inconsistent metrics. Transparent methods, which provide a clear picture of the achievements related to the SDG targets, and mandatory disclosure of the relevant information should be consistent across the board. Such a framework would benefit overall business performance, provide guidance to companies interested in sustainability metrics, and increase the attractiveness of enterprises that perform well on these indicators to impact investors. Dependable, forward-looking data collection methodologies and consistent reporting would also ensure that evaluation results are transparent and material. The framework should take into consideration the size of the companies, the conditions in the sector and the business activities in question in addition to indicators that clearly project companies' contributions to the SDGs. The framework should clearly specify and explain the assessment criteria and showcase the ways in which impact commitment, monitoring and reporting are to be assessed.

- The government should foster an enabling environment for SDG-aligned investments with a focus on advance technologies to support sustainable and equitable economic growth. Public leadership can play a significant role in spurring private investments in sectors with high SDG impact potential.
- Following the development and implementation of the new framework and methods, companies should be given some time to adjust to the new criteria without any legal liabilities in case of incompliance or inconsistency. In the long term, however, the recommended measures should be made mandatory and any incompliance should have legal consequences.
- The 83 SDG targets prioritized as gaps in the metadata used to evaluate performance hinder results reporting. A complete framework could be adopted especially during government tenders to ensure that private sector is also aligned with Ukraine's SDG priorities. In order to ensure adequate engagement, SDG key performance indicators could also be developed at the transaction/investment and company level in addition to country level. Re-aligning the investments of the private and public sectors with sustainable development objectives would further incentivize compliance with disclosure requirements.
- The government could establish a platform that would serve as a marketplace for impact investment where companies could disclose data regarding their impact and the information provided could be verified by an independent third party. Such a platform would increase the visibility of credible investment opportunities at the national and international levels. Meanwhile, the platform would also provide investors with access to the list of possible impact investments and companies open to cooperation.
- The current incentive scheme that subsidizes public education institutions and influences the quality of education in Ukraine could be improved by extending it to reasonably priced private institutions ranging from kindergartens to universities and providing scholarships to students demonstrating outstanding results in public and private institutions alike. Such initiatives have the potential to broaden access to education and would provide educational establishments with incentives to offer a greater variety of educational products corresponding to the demands of the market.
- Improving cooperation between education and business and making sure that the education sector gives credence to the needs of the market and provides the courses that are in high demand, would also help to build the capacities needed to scale up businesses.
- The government should provide SMEs with assistance in their digitalization efforts in order to improve their access to markets, especially in the light of the effects of the pandemic.
- Initiatives which exploit the synergies between the agriculture and IT/technology sectors, and which promote the more widespread use of innovative and environmentally friendly technologies in agriculture, should be encouraged in order to achieve optimal efficiency. Creating financial and non-financial incentives for agriculture businesses to abandon outdated technologies would accelerate this process and lead to higher productivity while also providing opportunities for impact investing.

- Law enforcement capacity for the protection of investments needs to be enhanced through the establishment of a Bureau of Economic Security. Bureaucratic and administrative obstacles need to be removed through measures such as the automatic extension of licenses and agreements.
- The legal framework should recognize impact investing as a specific activity and put in place custom fiscal mechanisms such as tax incentives for initiatives which fall under this definition to promote the prevalence of private impact investments in the country.
- Ukraine's connections to global supply routes need to be optimized through the development of all kinds of transport infrastructure within the country.
- A National Advisory Board should be established to guide potential impact investors and facilitate the investment pipeline.
- Finally, it is recommended that Ukraine should implement the SDG Investor Map methodology developed by the SDG Impact Team of UNDP as a market intelligence tool to provide data and insights about development priorities and the related investment opportunity areas.

This analysis has set out the strengths of Ukraine's impact investing ecosystem and the bottlenecks which it faces. Leveraging the strengths while overcoming the barriers would create an enabling environment in which investments aligned to the SDGs could flourish. Once a track record of successful impact investments has been established, the private sector will greatly alleviate the burden which Ukraine's sustainable development targets for 2030 impose on the public purse.

# Annexes

## Annex 1. Examples of recent major foreign investments

Company	Size	Explanations
MANUFACTURING		
HEAD	\$80 million	In May 2018, the world-leading producer of ski and scuba diving equipment HEAD announced an \$80 million investment in the construction of a new plant in Ukraine. The total number of workers will be more than 1,000. The plant is due to open in 2021.
Unilever	\$10 million	In 2016, Unilever opened its first production facility in Ukraine, investing \$10 million in a tea factory. At a recent meeting with the company Roshen, representatives confirmed their intentions to invest further in their production facilities in Ukraine.
Kostal	\$43 million	Kostal Ukraine LLC is to construct its second plant for the production of automotive electronics in the Boryspil district of the Kyiv region at an investment cost of €39 million. It is intended to create 900 jobs at the plant, which is due to open in 2021. Kostal Ukraine is currently producing automotive components at a site established in Pereiaslav (Kyiv region) in 2006. About 1,000 employees work at this plant.
STADA	\$30 million	The STADA Group, a global manufacturer of high-quality generic drugs and consumer healthcare products, become a major pharma player in Ukraine by acquiring Biopharma's pharmaceutical prescription and consumer health business, including production facilities in the city of Bila Tserkva, in the Kyiv region.
Arcelor Mittal	\$560 million	The largest steel producer in Ukraine attracted €350 million in financing from the EBRD and European commercial banks in 2017 for use in modernizing its current operations, expanding production and improving ecological standards. ArcelorMittal announced also announced a further \$286 million worth of investments in modernizing its production in Ukraine. Overall the company invested \$560 million in 2017-18.
LEONI	\$20 million	The German company, which supplies cables to major automotive companies, has been constructing a second production plant in Colomyia in the Ivano-Frankivsk region, investing around \$20 million. The number of jobs was set to rise to 5,000 by 2020.
Fujikura	\$8 million	Already operating two plants in Ukraine, the company plans to open a third production facility. The total number of workers will increase to 6,000.
RETAILING		
Auchan	\$50 million	Auchan announced the construction of a new mall near Odesa in 2018. The total investment in the project was put at about \$50 million.
IKEA	-	In September 2018, IKEA officially confirmed the opening of its first store in Kyiv. Located in the shopping mall in the city centre, it will be one of the first IKEA retail spots in the city-store format in the world. Due to the delayed opening of the mall, the IKEA store has not yet opened. However, an on-line store was launched in May 2020.
H&M	-	Well-known Swedish multinational clothing retailer Hennes&Mauritz opened its first store in Ukraine in August 2018, with an area of 2,900m2. By 2020, it had opened its third store.
Decathlon	-	The world's largest sports goods retailer Decathlon officially opened its first store in Kyiv in March 2019. In November 2019, a second store was opened with an area of 3,000m2). The company has identified Odesa and Lviv for further regional expansion.
AGRICULTURE		
Bunge	\$225 million	In 2016, Bunge invested \$180 million in a new industrial and transshipping complex in the Black Sea port city of Mykolaiv. In 2017, the company invested \$30 million in additional storage and transshipment facilities in the port. In 2018, it invested \$14 million in a high-tech grain processing facility.

Company	Size	Explanations
Bayer AG	\$200 million	In September 2018, Bayer AG inaugurated one of the largest seed plants in Europe in the village of Pochuyky in the Zhytomyr region at a total investment cost amounting to \$200 million. The plant employs over 300 people.
SALIC UK	-	SALIC UK Ltd. has acquired one of the largest farming companies in Ukraine, Mriya Farming Plc, which manages 150,000 hectares of land.
ICT		
Brookfield	\$80 million	Canadian company Brookfield Asset Management has invested \$80 million in the Innovation District IT Park in Lviv. Its facility will be located on 10 hectares of land and involve a further \$80 million of investments, bringing the total for the whole project to \$160 million. The first stage of construction is already under way.
Turkcell	\$150 million	Turkcell has invested more than \$150 million in the development of telecommunications infrastructure and is ready to contribute to the development of the digital economy in Ukraine.
Bakcell	\$743 million	In November 2019, Azerbaijan's Bakcell acquired the second-largest telecommunications provider, Vodafone Ukraine, for \$743 million.
Grammarly	\$90 million	Grammarly, a digital writing tool, earned official unicorn status when it attracted \$90 million in October 2019.
Lookery	\$150 million	Snapchat of the USA has acquired Ukrainian start-up Lookery for \$150 million. The start-up was offering a variety of photo and video filters, which were then integrated into the Snapchat platform.
Rakuten	-	The Japan-based company has opened R&D centres in two Ukrainian cities, Odesa and Kyiv
RENEWABLE ENERGY		
NBT	\$400 million	Norwegian company NBT has signed a contract to invest \$400 million in the construction of 64 wind power installations with a total capacity of 250 MW in Ukraine.
Eurocape New Energy	\$400 million	The company has announced an OPIC-backed \$400 million investment to build a 500 MW wind farm in the Zaporizhyya region. Powered by General Electric 4.8 MW wind turbines, the farm will be one of the largest alternative energy plants in Ukraine.
Acciona Energia	\$65 million	In September 2018, AccionaEnergia of Spain started work on the construction of a 57 MWt PV complex in Dymyрка in northern Ukraine, in which it will invest around \$65 million.
INFRASTRUCTURE		
GE Transportation	\$1 billion	GE and Ukrainian state railway monopoly UZ have signed a \$1 billion framework deal covering the leasing of 30 GE locomotives, the modernization of 75 UZ locomotives and the assembly of 195 new GE locomotives in Ukraine. General Electric plans to expand cooperation not only in the transport industry, but also in renewable energy and healthcare.
DP World	-	In January 2018, DP World Maritime acquired Ukrainian towing company LB Shipping and entered the Ukrainian market. The company is operating in two major Ukrainian ports. In 2020, the company bought a 50% stake in the Ukrainian container terminal TIS-Containers.
Cargill	\$150 million	The company invested \$150 million in a grain terminal in Odesa which started operations in 2018 and was officially opened in Autumn 2019.
Ryanair	-	Major low-cost operator Ryanair announced 15 new routes between Ukraine and cities in Europe. Flights were to begin in October 2018. The company anticipated shuttling 800,000 passengers annually. One of the main reasons why the operator entered the market was the elimination of visas for Ukrainian citizens visiting the Schengen area for a period of up to 90 days.
QTerminals	\$125 million	QTerminals won the concession for the port of Olvia. Under the concession, which represents an exceptional opportunity in developing and operating world ports, QTerminals will invest some \$120 million in the port.
Risoil S.A.	\$12 million	Risoil has won the tender for the concession in the port of Kherson. Risoil-Kherson will pay the state 7% of revenue annually, in addition to a fixed amount of about UAH12 million. Investments in the port will amount to around UAH300 million.

## Annex 2. Major Stakeholders for Impact Investing in Ukraine

### Commercial Banks

1. Privatbank (state-owned)
2. Oschadbank (state-owned)
3. Ukreximbank (state-owned)
4. Ukgazbank (state-owned)
5. Raiffeisen Bank Aval (Austrian Capital, Raiffeisen Bank International AG)
6. Alfa-Bank (ABH Holdings S.A.)
7. PJSC First Investment Bank
8. Ukrsibbank (French capital, Paribas Group)
9. Credit Agricole Bank (French capital, the Credit Agricole Group)
10. Credobank (Polish capital, PKO Bank Polska)
11. ProCredit Bank (German Capital, ProCredit Group)
12. First Ukrainian International Bank (PUMB)
13. Deutschebank
14. Alliance Bank
15. Bank Lviv
16. TascomBank
17. Vostok Bank
18. Globus Bank
19. Creditwest Bank Ukraine
20. Megabank
21. OPT Bank
22. Policombank
23. AgroProsperis Bank

### 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

### 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. USAID
7. OSCE
8. EU
9. IOM
10. UN RPP in eastern Ukraine
11. Nechitaylo Family Foundation
12. Renaissance Foundation
13. East Europe Foundation
14. Mondelez International Foundation
15. Omidyar Network
16. Federation of Canadian Municipalities

### Enterprises Generating Impact in Ukraine

1. School of ME
2. AXDRAFT
3. ITFin
4. Document.Online
5. MyCredit
6. EcoGuma
7. Fiway
8. GreenBin
9. Mate Academy
10. Betroot Academy
11. Bookimed
12. Splar Gaps
13. Liki24
14. Doctor Eleks
15. Dobrobut healthcare network
16. Anex baby stroller company
17. Kerameya
18. Rozetka-EVO
19. Vchasno.ua
20. Good Money
21. Meridot
22. Esper Bionics
23. Carbominer
24. Promprylad.Renovation
25. Urban space 100 public restaurant
26. Urban space 500 public restaurant
27. Pizza Veterano
28. Gorihoviy Dim “Walnut House” Social Bakery
29. Prometheus
30. uMuni
31. Hempire
32. Effa
33. Delfast
34. Prana
35. Hose.me
36. Re-Leaf
37. IntelSoft
38. E-Maliatko
39. Go To-U

40. Toka
41. SEA
42. LLENTAB
43. Elvatech
44. Ecopolymer
45. Tokmak Solar Energy
46. Wind Parks of Ukraine
47. LNK LCC
48. Solar Town
49. Cardiomo
50. ChoiZY
51. Readlax
52. Global Innovative Online School
53. Rimon Online Education
54. Astarta-Kyiv
55. BIOsens
56. Agrofusion
57. OKKO Agrottrade
58. Cherkasy Biozakhyst
59. Niva Pereyaslavshchiny
60. School of Ukrainian Entrepreneurship and the International School of Social Entrepreneurship SELab
61. Ukrainian Social Academy
62. Future Development Agency
63. BA&DI Freelance
64. Bookivnychka
65. Social Enterprise "Barvysta"
66. Social Enterprise "Divogra"
67. Social Enterprise "LoveGav"
68. Rukomysly Social Enterprise
69. Re:ban
70. Simka

**Innovation parks**

1. Unit.City innovative park, Kyiv
2. Bionic Hill
3. Techiiia 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 Centers**

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. Wtech
6. Global Logic
7. Ukrainian Association of Social Enterprises
8. Centre for CSR Development Ukraine (CSR Ukraine)
9. Union of Ukrainian Enterprises (SUP)
10. Better Regulation Delivery Office

**Government Agencies**

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

**Related government strategies, policies, and regulations**

1. Strategy for Small and Medium-sized Enterprise Development in Ukraine to 2020
2. The Action Plan for implementing the Strategy of SME development in Ukraine to 2020
3. Comprehensive Programme of Ukraine's Financial Sector Development for 2020
4. Financial Sector Development Strategy for 2025
5. The Law of Ukraine "On Securities and the Stock Market"
6. The Law of Ukraine "On State Regulation of the Securities Market in Ukraine"
7. The Law of Ukraine "On Privatization of State and Communal Property" Document 2269-VIII, valid, current version – Revision on April 2, 2020, on the basis – 540-IX.

## Annex 3. National SDG Targets with Monitoring Indicators

SDGs	National targets	Monitoring indicators
	1.1. Reduce poverty fourfold, including by eliminating extreme poverty	1.1.1. Share of the population whose average per capita equivalent total expenditure is lower than the actual (estimated) subsistence minimum, % 1.1.2. Share of individuals whose daily consumption is below USD5.05 PPP, %
	1.2. Increase the coverage of poor people with targeted social assistance programmes	1.2.1. Share of the poor population covered by state social support in the total number of poor people, %
	1.3. Increase the resilience of socially vulnerable groups of the population	1.3.1. Ratio of poverty levels of households with children to households without children, multiple 1.3.2. Share of food expenditure in total household spending, %
	2.1. Ensure accessibility to balanced nutrition to the level of scientifically based standards for all population groups	2.1.1. Consumption of meat per capita, kg/year 2.1.2. Consumption of milk and dairy products per capita, kg/year 2.1.3. Consumption of fish per capita, kg/year 2.1.4. Consumption of vegetables per capita, kg/year 2.1.5. Consumption of fruit per capita, kg/year
	2.2. Double agricultural productivity, primarily through innovative technologies	2.2.1. Labour productivity in agriculture, US\$'000 per employee 2.2.2. Index of agricultural production, %
	2.3. Ensure the development of sustainable food production systems that help maintain ecosystems and gradually improve the quality of land and soil, primarily through innovative technologies	2.3.1. Index of food production, % 2.3.2. Share of food industry and agricultural raw materials processing production in exports of UCGFEA groups 1–24, % 2.3.3. Share of agricultural land under organic production in the total area of agricultural land, %
	2.4. Reduce the volatility of food prices	2.4.1. Consumer price index for food, %
	3.1. Reduce maternal mortality	3.1.1. Number of cases of maternal mortality, per 100,000 live births
	3.2. Minimize preventable mortality among children under 5	3.2.1. Mortality of children under 5, cases per 1,000 live births
	3.3. End the epidemics of HIV/ AIDS and tuberculosis, including through innovative practices and treatments	3.3.1. Number of patients diagnosed with HIV for the first time, per 100,000 persons 3.3.2. Number of patients diagnosed with active tuberculosis for the first time, per 100,000 persons
	3.4. Reduce premature mortality from non-communicable diseases	3.4.1. Number of deaths from cerebrovascular disease at the age of 30–59, per 100,000 men of corresponding age 3.4.2. Number of deaths from cerebrovascular disease at the age of 30–59, per 100,000 women of corresponding age 3.4.3. Number of deaths from malignant breast tumours at the age of 30–59, per 100,000 women of appropriate age 3.4.4. Number of deaths from malignant cervical tumours at the age of 30–59, per 100,000 women of appropriate age
	3.5. Reduce by a quarter premature mortality, including through the introduction of innovative approaches to diagnosing diseases	3.5.1. Probability of dying at the age of 20–64, Men 3.5.2. Probability of dying at the age of 20–64, women
	3.6. Reduce serious injuries and deaths from road traffic accidents, including through innovative practices of resuscitation, treatment and rehabilitation after road traffic accidents	3.6.1. Number of deaths from road traffic accidents, per 100,000 persons 3.6.2. Number of persons injured in road accidents, per 100,000 persons

SDGs	National targets	Monitoring indicators
	3.7. Ensure universal, quality immunization with innovative vaccines	3.7.1. Immunization rate of population according to the Preventive Vaccination Calendar by six designated age groups for prevention of ten infectious diseases, %
	3.8. Reduce the prevalence of smoking among the population through innovative media information about negative effects of smoking	3.8.1. Share of women who smoke at the age of 16–29, % 3.8.2. Share of men who smoke at the age of 16–29, %
	3.9. Reform health care financing	3.9.1. Share of expenditures of the population in general spending on health, %
 <p>4 ЯКІШНЬ ОСВІТА</p>	4.1. Ensure access to quality school education for all children and adolescents	4.1.2. Number of full-time secondary school students per teacher, at the beginning of the school year
	4.2. Ensure access to quality pre–primary development for all children	4.2.1. Coverage of children aged 5 years by preschool education institutions and structural units of public and private legal entities, %
	4.3. Ensure access to vocational education	4.3.1. Ratio of the number of entrants to vocational technical establishments to the total number of places in vocational technical establishments funded from the state and local budgets
	4.4. Improve the quality of tertiary education and ensure its close relationship with science, and promote the establishment of towns of education and science	4.4.1. Number of Ukrainian cities that are members of the UNESCO Global Network of Learning Cities
	4.5. Increase the prevalence of the knowledge and skills required for decent jobs and entrepreneurship among the population	4.5.1. Level of participation of the population in formal and informal forms of education and vocational training, % 4.5.2. Share of the population who reported using the Internet over the past 12 months, %
	4.6. Eliminate gender disparities among school teachers	4.6.1. Share of men among pedagogical staff, %
	4.7. Create a modern learning environment in schools, including inclusive education, through innovative approaches	4.7.1. Share of rural full-time secondary schools with Internet access, % 4.7.2. Share of rural full-time secondary schools where computers are used in the educational process, % 4.7.3. Share of full-time secondary schools with inclusive education, %
 <p>5 ГЕНДЕРНА РІВНОСТЬ</p>	5.1. Create an environment for ending all forms of discrimination against women and girls	5.1.1. Number of normative acts which are revised or adopted to provide men and women with equal rights and opportunities and to prevent discrimination against women and girls
	5.2. Reduce the level of gender-based and domestic violence, and ensure efficient prevention of its manifestations and timely assistance to victims	5.2.1. Percentage of women and girls over the age of 15 who have ever partnered with a man and have been physically, sexually or psychologically abused by their current or previous intimate partner over the last 12 months, by form of violence and age, % 5.2.2. Number of complaints regarding domestic violence, thousands 5.2.3. Number of established specialized support services for victims of domestic violence 5.2.4. Number of child victims of abuse 5.2.5. Number of persons participating in programmes for abusers 5.2.6. Number of specialists trained in preventing and combating domestic violence 5.2.7. Number of specialists trained in preventing and combating discrimination against women 5.2.8. Number of social services provided in line with the needs of persons who complain of domestic violence

SDGs	National targets	Monitoring indicators
		5.2.9. Number of information campaigns on combating domestic violence conducted 5.2.10. Number of persons covered by information campaigns on combating domestic violence 5.2.11. Percentage increase in zero tolerance of all manifestations of violence among the population of Ukraine 5.2.12. Percentage of funds available in relevant local budgets for regional programmes to combat domestic violence
	5.3. Encourage shared responsibility for housekeeping and childrearing	5.3.1. Ratio of time spent by men and women on unpaid domestic work (housekeeping, care for children and other family members etc.), %
	5.4. Ensure equal opportunities for representation at all levels of decision-making in political and public life	5.4.1. Share of women among the Members of Parliament of Ukraine, % 5.4.2. Share of women among the members of oblast councils and local councils of oblast significance, % 5.4.3. Share of women in the category A civil service positions, %
	5.5. Increase the population's access to family planning services and reduce teenage fertility	5.5.1. Birth rate under the age of 20, per 1,000 women aged 15–19
	5.6. Expand economic opportunities for women	5.6.1. Ratio of average wages for men and women, % 5.6.2. Employment rate of women aged 25–44 with children aged 3–5, %
	6.1. Provide access to quality safe drinking water services, and ensure the construction and reconstruction of centralized drinking water supply systems using the latest technologies and equipment	6.1.1. Safety and quality of drinking water by microbiological parameters (% of non-standard samples) 6.1.2. Safety and quality of drinking water by radiation parameters (% of non-standard samples) 6.1.3. Safety and quality of drinking water by organoleptic, physico-chemical and sanitarytoxicological parameters (% of non-standard samples) 6.1.4. Share of the rural population with access to centralized water supply, % 6.1.5. Share of the urban population with access to centralized water supply, %
	6.2. Provide access to modern sanitation systems, and ensure the construction and reconstruction of water intake and sewage treatment facilities using the latest technologies and equipment	6.2.1. Share of the rural population with access to a centralized water drain, % 6.2.2. Share of the urban population with access to a centralized water drain, %
	6.3. Reduce the discharge of untreated wastewater, primarily through innovative water purification technologies at the national and individual levels	6.3.1. Volume of discharge of polluted (polluted without treatment or insufficiently treated) wastewater into water bodies, million cubic meters 6.3.2. Share of discharge of polluted (polluted without treatment or insufficiently treated) wastewater into water bodies in total discharges, %
	6.4. Increase the efficiency of water use	6.4.1. Water content of GDP, cubic metres of water used per UAH1,000 of GDP (current prices) 6.4.2. Ratio of current water content of GDP to 2015 level, %
	6.5. Implement integrated water resources management	6.5.1. Number of river basins with approved river basin management plans
	7.1. Expand the infrastructure and modernize networks for reliable and sustainable energy supply through the introduction of innovative technologies	7.1.1. Generation of power, billion KWh 7.1.2. Electrical power distribution losses, % 7.1.3. Heat losses in heat networks, %
	7.2. Ensure diversification of the supply of primary energy resources	7.2.1. Maximum share of imported primary energy (excluding nuclear fuel) from any one country (company) in the total supply (imports), % 7.2.2. Share of one supplier on the nuclear fuel market, %

SDGs	National targets	Monitoring indicators
	7.3. Increase the share of renewable energy in the national energy balance, in particular through the introduction of additional capacities at facilities that produce energy from renewable sources	7.3.1. Share of energy produced from renewable sources in total final energy consumption, %
	7.4. Increase the energy efficiency of the economy	7.4.1. Energy intensity of GDP (primary energy consumption per unit of GDP), kg of oil equivalent per USD1 by PPP 2011
	8.1. Ensure steady GDP growth by modernizing production, developing innovation, increasing export potential and exporting products with high value added	8.1.1. GDP volume index, % 8.1.2. Share of gross fixed capital to GDP, % 8.1.3. Share of exports of goods produced using technologies of high and medium-high level in total exports of goods, % 8.1.4. Ukraine's position as rated by the Global Innovation Index
	8.2. Increase the efficiency of production based on sustainable development and the development of competitive high-tech industries	8.2.1. Return on assets 8.2.2. Labour productivity index, %
	8.3. Increase employment	8.3.1. Employment rate among those aged 20–64, %
	8.4. Reduce the share of youth not in employment, education or professional training	8.4.1. Share of youth not in employment, education or professional training in the total number of those aged 15–24, %
	8.5. Promote a safe and secure working environment for all workers, including through the application of innovative technologies in terms of health and safety	8.5.1. Number of victims of accidents at work that lead to disability of 1 day or more, % of 2015 level 8.5.2. Number of workers killed in accidents at work, % of 2015 level 8.5.3. Share of workers employed in jobs with hazardous working conditions in the total full-time payroll, %
	8.6. Create institutional and financial capacities for the self-realization of the potential of the economically active population and the development of the creative economy	8.6.1. Number of persons employed by SMEs, million persons 8.6.2. Share of value added against production costs of SMEs, % of total value added against production costs 8.6.3. Ukraine's position in the Doing Business ranking
		9.1. Develop quality, reliable, sustainable and accessible infrastructure based on the use of innovation technologies, including ecologically clean means of transport
9.2. Ensure increased use of electric transport and related network infrastructure		9.2.1. Share of electric transport in domestic traffic, %
9.3. Ensure access to road infrastructure based on the use of innovative technologies, in particular by expanding state participation in various infrastructure projects		9.3.1. Share of hard-surface principal public roads that meet the regulatory requirements, % 9.3.2. Share of facilities for public and civil use improved/equipped to meet the needs of persons with disabilities, %
9.4. Promote accelerated development of high- and medium-technology sectors and manufacturing industries which are formed based on the use of 'education-science-production' chains and a cluster approach by areas: development of an innovation ecosystem; development of ICT; use of ICT in agriculture, energy, transport and industry;		9.4.1. Share of value added against production costs of enterprises that belong to the high-tech sector of manufacturing industry (in particular, the manufacture of: pharmaceutical products and preparations; computers, electronic and optical products; aircraft and spacecraft, and related equipment, according to CEA) in the total value added against production cost, %x

SDGs	National targets	Monitoring indicators
	high-technology mechanical engineering; creation of new materials; development of the pharmaceutical and bioengineering industry	9.4.2. Share of value added against production costs of enterprises that belong to the medium high-tech sector of manufacturing industry (including production of chemical products; electrical equipment; machinery and equipment; motor vehicles, trailers and semi-trailers, and other vehicles, according to CEA) in the total value added against production cost, % 9.4.3. Share of workers employed by enterprises that belong to the high- and medium high-tech sectors of manufacturing industry (including the production of pharmaceutical products and preparations; chemicals; mechanical engineering; computers, electronic and optical products; aircraft and spacecraft, and related equipment, according to CEA) in the total number of workers employed in industry, %
	9.5. Create financial and institutional systems (innovative infrastructure) that will ensure the development of scientific research and scientific and technical (experimental) development	9.5.1. Share of expenditure on scientific research and development in GDP, % 9.5.2. Share of sales of innovative products in total sales of industrial products, %
	9.6. Ensure access to the Internet, especially in rural areas	9.6.1. Population coverage with Internet services, subscribers per 100 persons
	9.7. Ensure increased youth participation in research	9.7.1. Share of researchers under 40 in the total number of researchers
	10.1. Ensure accelerated growth of income of the least well-off 40 percent of the population	10.1.1. Ratio of the growth rate of the average per capita total income of the least well-off 40% to that of the whole population, % 10.1.2. Share of the total income of the least well-off 40% in the total income of the population, %
	10.2. Prevent manifestations of discrimination in society	10.2.1. Share of persons who report that they have personally experienced gender-based discrimination in the past 12 months in the total number of applications to expert councils on gender-based discrimination, %
	10.3. Ensure access to social services	10.3.1. Proportion of rural households who suffer from deprivation due to lack of access to ambulance services in the settlement, % 10.3.2. Proportion of rural households who suffer from deprivation due to the lack of a medical facility near their home, % 10.3.3. Proportion of rural households who suffered from deprivation due to the lack of regular daily transport to another settlement with developed infrastructure, %
	10.4. Pursue a remuneration policy based on equality and fairness	10.4.1. Comparison of the average wages (income) of workers in the 10th and first deciles (decile coefficient), multiple
	10.5. Reform pension insurance based on fairness and transparency	10.5.1. Ratio of average pension to average wage in the economy (given 35 years of contribution), %
	11.1. Ensure access to housing	11.1.1. Solvency ratio of the borrower (ratio of monthly payments of the borrower and his/her family) 11.1.2. Coverage of territorial units of Ukraine (regions) with affordable housing programmes for different categories of citizens, %
	11.2. Ensure development of settlements and territories exclusively based on integrated planning and participatory management	11.2.1. Share of regions that have approved and implemented regional development strategies and action plans for their implementation developed with public participation, %
	11.3. Ensure protection and safeguarding of the cultural and natural heritage, with involvement of the private sector	11.3.1. Number of cultural and natural heritage sites included in the UNESCO World Heritage List 11.3.2. Number of monuments of national importance included in the State Monument List of Ukraine 11.3.3. Area of the nature reserve fund of national importance, % of the country area

SDGs	National targets	Monitoring indicators
	11.4. Ensure timely public alert about emergencies through innovative technologies	11.4.1. Status of implementation (development, modernization, improvement) of local automated centralized public alert systems, %
	11.5. Reduce the adverse impact of pollutants, including on the urban environment in particular, through innovative technologies	11.5.1. Emissions of air pollutants from stationary sources, % to 2015 level 11.5.2. Number of cities in which the average annual concentrations of major pollutants in the atmospheric air exceed the average daily maximum permissible concentrations
	11.6. Ensure the development and implementation of local development strategies aimed at economic growth, job creation, tourism, recreation and development of the local culture, and production of local products	11.6.1. Number of workers employed in tourism business entities (CEA code-2010 – 55.1, 55.2, 55.3, 79.11, 79.12)
	12.1. Reduce the resource consumption of the economy	12.1.1. Resource intensity of GDP (ratio of consumed volumes of natural resources, waste generated and pollutant emissions to GDP), % of 2015 level
	12.2. Reduce the loss of food along the production and marketing chains	12.2.1. Share of post-harvest losses in the total production of cereals, % 12.2.2. Share of post-harvest losses in overall production of vegetables and melons, %
	12.3. Ensure sustainable use of chemicals through innovative technologies and production	12.3.1. Share of enterprises that implement chemical management systems in accordance with international standards in the total number of enterprises using hazardous chemicals, %
	12.4. Reduce the amount of waste generation, and increase recycling and reuse through innovative technologies and production	12.4.1. Volume of waste generated by all economic activities per unit of GDP, kg per USD1,000 PPP 2011 12.4.2. Share of burned and recycled waste in the total waste generated, %
	13.1. Limit greenhouse gas emissions in the economy	13.1.1. Ratio of GHG emissions to 1990 level, %
	14.1. Reduce marine pollution	14.1.1. Share of discharges of polluted wastewater in total discharges into the marine environment, %
	14.2. Ensure the sustainable management and protection of marine and coastal ecosystems, and improve their resilience and recovery through innovative technologies	14.2.1. Area of territories and objects of the natural reserve fund of coastal regions, % of the territory of coastal areas 14.2.2. Area of territories and objects of the natural reserve fund in the Black and Azov Seas, thousands of hectares
	14.3. Implement effective regulation of extraction of marine resources	14.3.1. Volumes of extraction of aquatic bioresources in the exclusive (maritime) economic zone of Ukraine, '000 tonnes
	15.1. Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems	15.1.1. Area of territories and objects of the natural reserve fund, '000 hectares 15.1.2. Share of area of territories and objects of the natural reserve fund in the total area of the country, % 15.1.3. Share of the area of the national environmental network in the total area of the country, %
	15.2. Promote sustainable forest management	15.2.1. Forested territory of the country, % 15.2.2. Wood stock in forests, millions of cubic meters

SDGs	National targets	Monitoring indicators
	15.3. Restore degraded lands and soils through innovative technologies	15.3.1. Setting and implementation of a voluntary national objective to achieve a neutral level of land degradation in the activity area: 'Maintaining organic matter (humus) content in soils' (organic carbon (humus) content in agricultural soils (content of organic carbon (humus) in the soils of agricultural lands (%)) (Additional data from international sources and organizations may be used), by zones 15.3.2. Amount of arable land, thousands of hectares 15.3.3. Share of arable land in total area of the country, % 15.3.4. Area of land used for organic production, thousands of hectares 15.3.5. Area of agricultural land of extensive use (hayfields, pastures), thousands of hectares 15.3.6. Share of area of agricultural land of extensive use (hayfields, pastures) in total area of the country, %
	15.4. Ensure the conservation of mountain ecosystems	15.4.1. Area of the nature reserve fund in mountainous regions, '000 hectares 15.4.2. Share of the area of the nature reserve fund in mountainous regions in the total area of the country, %
	16.1. Reduce the prevalence of violence	16.1.1. Number of criminal offences under Articles 115–118, 121 of the Criminal Code of Ukraine (evident intentional homicide, intentional grievous bodily harm) reported in the past 12 months per 100,000 persons 16.1.2. Number of victims of crimes related to physical violence (intentional homicide (and relevant attempts), rape (and relevant attempts), grievous bodily harm), reported over the past 12 months, per 100,000 persons 16.1.3. Number of victims of rape in the past 12 months, persons
	16.2. Increase detection of victims of human trafficking and all forms of exploitation	16.2.1. Number of victims of human trafficking or other illicit transactions involving the transfer of human beings reported in the past 12 months, persons 16.2.2. Number of specialists trained in combating human trafficking 16.2.3. Number of social services provided to meet the needs of victims of human trafficking 16.2.4. Number of counter-trafficking information campaigns conducted 16.2.5. Number of persons covered by counter-trafficking information campaigns 16.2.6. Percentage of funding of regional counter-trafficking programmes from relevant local budgets 16.2.7. Number of persons who obtain victim-of-trafficking status, persons
	16.3. Increase confidence in courts and ensure equal access to justice	16.3.1. Level of public confidence in the courts, % 16.3.2. Number of persons seeking free legal aid, persons
	16.4. Strengthen the system for preventing and counteracting the legalization of illegal incomes, the financing of terrorism and the proliferation of weapons of mass destruction	16.4.1. Share of high-level risks in the overall national aggregate of risks in the system for preventing and counteracting the legalization of illegal incomes, the financing of terrorism and the proliferation of weapons of mass destruction, %
	16.5. Reduce illicit trafficking of weapons, ammunition and explosive materials	16.5.1. Number of weapons seized (criminal proceedings with completed pre-trial investigation for the past 12 months) 16.5.2. Amount of ammunition seized (criminal proceedings with completed pre-trial investigation for the past 12 months) 16.5.3. Number of criminal offenses related to illicit arms trafficking reported in the past 12 months
	16.6. Reduce the scale of corruption	16.6.1. Index of perception of corruption in the public sector by the business community and experts

SDGs	National targets	Monitoring indicators
	16.7. Increase the efficiency of government bodies and local self-government	16.7.1. Ukraine's ranking in the Global Competitiveness Report by sub-index 'Institutions (government and public institutions)'
	16.8. Restore territory affected by the conflict (Donbas)	16.8.1. Share of the population satisfied with their experience of the use of infrastructure and the level of social services in key areas in Donetsk and Luhansk oblasts, % 16.8.2. Share of the population satisfied with the level of administrative governance services in Donetsk and Luhansk oblasts, % 16.8.3. Number of communities in the Donetsk and Luhansk oblasts that have implemented mine action 16.8.4. Demined area in Donetsk and Luhansk oblasts, hectares 16.8.5. Number of cases of detection of explosive objects (operative components)
	16.9. Strengthen social stability, and promote peacebuilding and civil security (conflict and post-conflict settlement)	16.9.1. Index of social cohesion and reconciliation
	17.1. Mobilize additional financial resources by promoting foreign and domestic investment	17.1.1. Ratio of private remittances from abroad to GDP, % 17.1.2. Net foreign direct investment (according to the balance of payments), US\$ billion
	17.2. Consistently reduce the debt burden on the economy	17.2.1. Ratio of gross external debt to exports of goods and services in annual terms, %
	17.3. Develop a partnership between government and business to achieve the SDGs	17.3.1. Number of public-private partnership projects

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