



Кабінет Міністрів  
України



МІНІСТЕРСТВО  
ЕКОНОМІКИ  
УКРАЇНИ



Міністерство  
фінансів  
України



KFW

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH

**German Sparkassenstiftung**  
UKRAINE

EU4Business



Funded by  
the European Union

LUXEMBOURG  
AID & DEVELOPMENT



**LUXDEV**  
Luxembourg  
Development Agency



THE WORLD BANK



 **Norway**

**Vision:  
BDF 2.0**

UNITING FOR VICTORY

**Report on the Activities  
of Business Development Fund  
in 2022–2024**










**Vision:  
BDF 2.0**

# **CONTENTS**

<b>1. Address by the BDF General Participants' Meeting representatives</b>		<b>6</b>
<b>2. Address by BDF management representatives</b>		<b>7</b>
<b>3. Main events in BDF activities in 2022–2024</b>		<b>8</b>
<b>4. Key achievements of the BDF in 2022–2024</b>		<b>16</b>
<b>5. Business Development Fund's financial instruments and programmes</b>		<b>19</b>
<b>5.1. State interest rate compensation programmes to support MSMEs</b>	 	<b>19</b>
5.1.1. “Affordable Loans at 5–7–9%” Programme	 	<b>19</b>
5.1.2. “Affordable Financial Leasing 5–7–9%” Programme	 	<b>25</b>
5.1.3. “Affordable Factoring” Programme	 	<b>27</b>
<b>5.2. State interest rate compensation programmes to support households</b>	 	<b>30</b>
5.2.1. “Energy Independence of Individuals—Household Owners” Programme	 	<b>30</b>
<b>5.3. International programmes to refinance Ukraine's state budget expenditures under the BDF state programmes</b>	  	<b>33</b>
<b>5.4. BDF Loan Guarantee Programme</b>		<b>35</b>
<b>5.5. Loan Programmes to Support MSME Funding</b>		<b>37</b>
5.5.1. Microlending Programme		<b>37</b>
5.5.2. MSME Lending Programme in Priority Sectoral Areas		<b>38</b>
5.5.3. Programme to Support SME Investment in Priority Sectoral Areas	 	<b>39</b>
5.5.4. Programme to support energy efficient investment of SME “Bring Energy to Your Business”	 	<b>40</b>
5.5.5. Programme for Foreign Exchange Risk Hedging on MSME Loans		<b>43</b>
<b>5.6. International MSME Grant Support Programmes</b>		<b>44</b>
5.6.1. Additional component of the FINANCEAST programme to support small farms in western Ukraine		<b>44</b>
5.6.2. Project “Access to Finance and MSME Resilience Support—Stage I”	  	<b>46</b>
5.6.3. Project “Access to Finance and MSME Resilience Support—Stage II”	  	<b>47</b>
5.6.4. Project “Access to Finance and MSME Resilience Support—Stage II”	  	<b>49</b>
5.6.5. EU4Business Grants for Microbusinesses—Stage I	  	<b>51</b>
5.6.6. EU4Business Grants for Microbusinesses—Stage II	  	<b>54</b>



5.6.7. Programme “Support for Energy Resilience of Micro and Small Enterprises in Ukraine”		56
5.6.8. Kryvyi Rih Raion MSME Support Programme		59
5.6.9. Project “Removing Barriers to Increase Investment in Energy Efficiency of Public Buildings in Ukraine through the ESCO Modality in Small and Medium-Sized Cities”		61
<b>6. Regional Programmes for MSME Financial Support</b>		<b>63</b>
<b>6.1. BDF’s joint programme with Lviv Oblast State Administration</b>		<b>63</b>
<b>6.2. BDF’s joint programme with Kyiv Oblast State Administration</b>		<b>64</b>
<b>7. Expanding the number of partner institutions of the Business Development Fund</b>		<b>65</b>
<b>8. BDF risk management policy</b>		<b>67</b>
<b>9. Implementation of the Environmental and Social Management System in the BDF and authorised banks</b>		<b>70</b>
<b>10. Financial statements of the Business Development Fund for 2022–2024</b>		<b>72</b>
<b>11. BDF Institutional Development as Part of the German Government and the German Development Bank KfW Project</b>		<b>74</b>

# 1. Address by the BDF General Participants' Meeting



**Sergii MARCHENKO**  
Minister of Finance of Ukraine

In the context of the full-scale war, when our country is courageously fighting for its freedom and independence, support for small and medium businesses assumes particular strategic importance. In 2022-2024, the Ministry of Finance of Ukraine provided funding for state programs implemented by the Business Development Fund. The government has supported small and medium businesses through several financial instruments that have been implemented, in particular:

- "Affordable Loans at 5-7-9%" Program introduced in 2020 at the initiative of the President of Ukraine Volodymyr Zelenskyy. The program has become a driver for lending to and supporting small and medium-sized businesses.
- Preferential lending conditions for micro and small businesses, supported by funds from international financial organisations.
- Guarantee mechanisms to facilitate access to financing for micro-, small- and medium-sized enterprises (MSMEs), especially in areas exposed to high military risk.

"Affordable Loans at 5-7-9%" State Program combined with the loan guarantee mechanism became a key factor for farmers to obtain the necessary financing and carrying out the planting campaign at the beginning of the full-scale invasion in 2022, and for further food supply in Ukraine and worldwide.

Today, the Program is a driving force behind the development of small businesses, and a significant support for the banking sector. All of this enables efforts to be directed toward supporting the Ukrainian economy and maintaining financial stability under martial law.

Since the beginning of the full-scale war, with the support of the Ministry of Finance, the Fund has mobilized and launched a large number of new business support programs. Special attention is given to financing projects focused on energy resilience, the agro-industrial sector, and defense-related purposes.

The Ministry of Finance is constantly working to attract international funding to support the development of Ukrainian businesses. In 2022, for the first time in Ukraine's history, international donors joined in financing the State "5-7-9%" Program, providing support to Ukrainian businesses. This unprecedented step by international partners is a sign of trust and recognition of the Fund's effective work, as well as a strong endorsement of the program implementation and reporting mechanisms.

The Fund's effective and transparent performance has also contributed to attracting additional resources from international partners. Between 2022 and 2024, the total volume of international assistance allocated for refinancing budget expenditures under the «Affordable Loans 5-7-9%» Program amounted to UAH 27.1 billion — over 60% of the program's total budget over three years (UAH 43.0 billion).

At the same time, grant funding was also attracted to support businesses, which proved crucial amid destruction, blackouts, and shortages of working capital. This comprehensive support enabled resilient Ukrainian businesses to continue developing, creating new jobs, and contributing to the country's recovery and economic resilience.

Over these years, the Business Development Fund has demonstrated high efficiency in supporting small businesses and readiness to expand its scope. Responding to the Ministry of Finance's proposal to support the Fund's transformation, the German government has stepped in, and the Fund is now undergoing institutional development. This will enable the further scaling of business finance support projects and attract new international partners.



**Yuriy DRAGANCHUK**  
Deputy Minister of Finance of Ukraine for European Integration

Over many years of activity, the Business Development Fund (BDF) has established itself as an effective institution for the financial support of businesses.

The Fund is a reliable partner in implementing government's policy to support and develop small businesses. Over the past three years, within the framework of the State Program "5-7-9%," entrepreneurs have received 104,456 concessional loans totaling UAH 366.03 billion. To date, 46 authorized banks have joined the Program, including state-owned banks, which have become a reliable pillar of the financial system and ensure the continuity of lending and concessional financing. It is no exaggeration to say that the stable operations and high adaptability of the banks are a key factor in maintaining trust in Ukraine's financial system.

The effective work of the Fund and the support of international partners make it possible for Ukrainian businesses to receive the required resources for adaptation and development in wartime. However, the time has come to modernise the Fund into a more effective mechanism of state support for small and medium enterprises. The Ministry of Finance of Ukraine fully supports this process.

In particular, a joint German-Ukrainian initiative "Vision: BDF 2.0" was presented at the international Ukraine Recovery Conference (URC2024) held in June 2024 in Berlin. Senior government officials from Ukraine and Germany announced the launch of the initiative and signed the relevant implementation documents. "Vision: BDF 2.0" is part of an assistance package aimed at developing a modern and sustainable support infrastructure for SMEs in Ukraine. The initiative focuses on transforming the Business Development Fund into a sustainable, reliable and independent institution for attracting and implementing international and state support projects in the area of ensuring SME access to finance in accordance with the best global standards and practices.

The German Federal Ministry for Economic Cooperation and Development (BMZ) has allocated, through the KfW Bank, a EUR 1 million grant to finance a comprehensive reform of the BDF with the involvement of the Deloitte consulting company.

The Fund is currently undergoing a comprehensive corporate governance reform. In 2024, to ensure that the BDF operates and is overseen effectively, the Ministry of Finance announced a competitive selection of independent members of the BDF Supervisory Board and ensured a transparent selection procedure in accordance with current legislation. As a result of the competitive selection, in 2025 the BDF Supervisory Board was composed of three independent members and two government representatives.

A Draft Law on the National Development Agency has already been developed, passed its first reading in Parliament, and is currently being revised in accordance with legislative procedures and in cooperation with our key international partners.

The next stage of the Fund's development will be undergoing an assessment for compliance with the EU requirements, which will enable it to directly attract financial resources from the EU. This will significantly accelerate the deployment of Ukraine's recovery programs and position the Fund as a leader in the country's EU integration process.

A strengthened Fund will gain access to capital markets and be able to mobilize private investor funds to finance programs for the recovery of Ukraine's economy.

## 2. Address by BDF management representatives



### Andrii HAPON

#### Chairperson of the Management Board of the Business Development Fund

At the beginning of the full-scale invasion of the Russian Federation into the territory of Ukraine, the Business Development Fund faced a situation that required maximum mobilisation and immediate and clear fateful decision making.

Analysing the present-day situation, it can be said without exaggeration that the Fund's operational adaptability to new challenges and facilitating access to financial resources have become a reliable support for thousands of enterprises all over the country.

Ensuring sustainable access to funding for enterprises, especially agricultural producers, contributed to the resuscitation of the economic situation in 2022 and further revival of the economy within the country.

After gaining international support, we have achieved sustainable funding for Ukrainian entrepreneurs under the "Available Loans at 5–7–9%" State Programme, a driver of economic lending in wartime. Over five years of its operation, the "5–7–9" Programme has become a serious support for the indomitable Ukrainian business and the banking system during the pandemic, the full-scale war and in the face of a vital need for strengthening energy resilience. In recent years, the "5–7–9" Programme has been scaled up and has started a number of other available financial tools: loan guarantees, leasing, and factoring. Today, the "5–7–9" Programme is successfully combined with other loan programmes and attracts international funding that makes business free of using various specialised programmes and enables further reduction of interest rates.

Since the "5–7–9" Programme is funded by international partners, the Business Development Fund has introduced Ukraine's first environmental and social management system (ESMS) in partner banks, which establishes economic and social standards for enterprises receiving funding through the BDF. This initiative is aimed at systematic identification, assessment, management and monitoring of environmental and social risks in the activity of enterprises. It is of crucial importance for the Fund that state support is directed to a responsible business that cares not only for financial performance, but also for its impact on the ecosystem and protection of high social standards of its employees. Implementing the ESMS contributes to transparency, responsibility and sustainable business development in Ukraine. The Fund's innovation in introducing international environmental and social standards swings the door open to even more investments from international partners.

All the achievements of the Fund would not be possible without our reliable partners. The Fund thanks our friends, the Ministry of Finance of Ukraine, for understanding and a prompt response. We also extend special thanks to the German government for its long-lasting cooperation and support, which dates back to 1996. In particular, for the support of the institutional development of the Fund. Owing to this support and with the help of Deloitte, a new mandate had been developed, which turned the Fund into an institution for developing and supporting business funding, working on the second level through partner banks and providing financial support for MSMEs.

Most heartfelt thanks to all Fund partners who support and strengthen us today. In particular, this is a group of international partners, including the German government, the EU, KfW, GIZ, Norad, UNDP, the World Bank, JICA and Luxembourg Development Agency, which have committed themselves to the transformation of the Fund into the national institution of development and to making it the driving force of Ukraine's economic restoration.



### Valeriy MAYBORODA

#### First Deputy Chairperson of the Management Board of the Business Development Fund

From the beginning of the full-scale invasion of the Russian Federation into the territory of Ukraine, the Business Development Fund has introduced 17 new programmes to support MSMEs. The emphasis was also on the needs of micro businesses, which are the most vulnerable, and such populations as internally displaced persons, veterans, and women. Implemented projects include grant and loan programmes designed to offer financial assistance and stimulate the growth of small and medium-sized businesses.

The undoubted flagship among support programmes now, as heretofore, is the "Available Loans at 5–7–9%" State Programme. To finance the programme, the Fund raised funds from international partners. Financial support provided by the German government under the project was initially aimed at overcoming the negative consequences of the COVID-19 crisis. However, with the beginning of full-scale hostilities, the funds were directed to support funding for MSMEs. Then the World Bank and other international partners joined the initiative to support government programmes.

Thus, the total amount of international assistance for refinancing budget expenditures under the "Affordable Loans at 5–7–9%" Programme during 2022–2024 was €27.1 billion. This is more than 60% of the Programme budget for three years.

The synergy of international donors set a successful precedent for MSME support funding state programmes with funds from international partners, and the range of these partners is growing constantly. The trustworthiness of the Fund, recognised by global partners, has justified a successful and transparent implementation of the business support programmes by the Fund.

The mechanism for compensating interest rates under the programmes was based on the best international practice and proven approaches to implementing the BDF's own programmes, such as using escrow accounts.

The effectiveness and accuracy of the Fund's operations were evidenced by the Accounting Chamber of Ukraine. The audit did not reveal violations of using budget funds, and the effectiveness and efficiency of state financial support for micro, small, and medium enterprises under state programmes implemented by the Fund were confirmed.

For fair and efficient provision of business grants, the Fund has developed a transparent mechanism, "Financial Support Navigator," an automated IT platform which automatically determines grant or loan winners without attracting human resources, and, therefore, without risk of corruption. The IT Navigator opens equal opportunities for all entrepreneurs and is a quick and affordable mechanism to receive financial support, provided the business complies with a particular programme. The Fund took honours from the European Commission for its innovations. In 2025, the Fund introduced a project to develop an IT platform and its extension to all programmes to ensure effective and transparent implementation of both state and international programmes.

Recognising the success and efficiency of the Fund has been a logical impetus for its transformation into a more powerful institution that will implement business support programmes for the development and restoration of Ukraine. This transformation was supported by a large group of international partners of the Fund within the joint initiative "Vision: BDF 2.0."

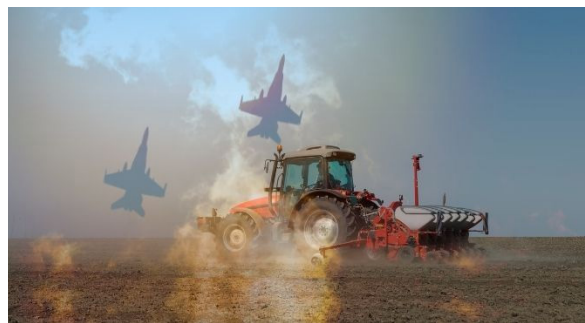




### 3. Main events in BDF activities in 2022–2024

February 24, Russia's full-scale invasion of Ukraine.

#### February 2022



BDF support for the spring sowing campaign 2022 From the first days of Russia's full-scale invasion of Ukraine, the Business Development Fund mobilised its efforts to help stabilise the economic situation in the country. Its first step was to support the spring sowing campaign of 2022 At that time, there was a real threat of disaster, since agricultural manufacturers lacked the necessary resources to work in the field.

The Fund, together with the Ministry of Finance of Ukraine, amended Resolutions of the Cabinet of Ministers of Ukraine No. 28 of 24 January 2020 and No. 723 of 14 July 2021 on 12 March 2022 under No. 274.

This made it possible to expand the components and limits of the "Affordable Loans at 5–7–9%" State Programme and prevent the worst-case scenario

Since then, the Programme has provided for the following possible compensation interest rates: 0%, 3%, 5%, 7% or 9%, and 13% or 15%, depending on the lending objectives and the segment of the enterprise operation.

In the context of the war, support became available not only for small and medium-sized businesses but also for large ones, including retail chains that replenished working capital and quickly resumed providing Ukrainians with the most necessary goods.

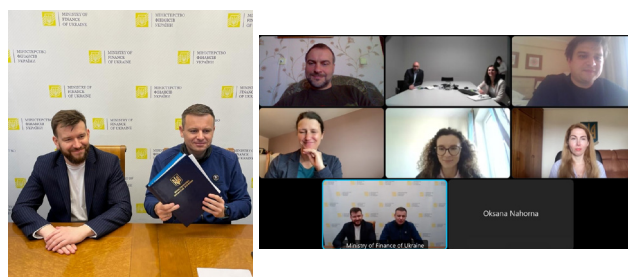
#### March 2022



The German Government, through the German Development Bank KfW, has immediately provided financial assistance to ensure continuous support in funding small and medium-sized enterprises under the "Affordable at Loans 5–7–9%" State Programme. On 7 April, Sergii Marchenko, Minister of Finance of Ukraine, and Olaf Zimelka, KfW's Director for Eastern Europe, Caucasus and Central Asia, signed a loan agreement worth €150,000,000.

The loan will be used to reimburse the Government of Ukraine for the funding of state programmes aimed at supporting small and medium-sized businesses.

#### April 2022



On 25 July 2022, the Ministry of Finance of Ukraine, BDF and the German Development Bank KfW signed a Loan and Grant Agreement for the implementation of the project "Refinancing of Energy Efficient Investments of Small and Medium Enterprises in Ukraine through the Financial Sector" (the Project), funded by the Government of the Federal Republic of Germany.

As part of the Project, a loan of €7,000,000 was raised through KfW to support the financing of energy efficient investments by SMEs through partner banks, as well as grants of €400,000 to develop the competencies of partner banks and SMEs in implementing energy efficient solutions and strengthening the energy resilience of enterprises in times of war.

In November 2022, the loan programme "Bring Energy to Your Business" was launched to support the funding of energy-efficient investments of SMEs.

**See art. 40 for more information**

#### July 2022



In order to provide prompt support to small farmers in western Ukraine, an additional component of the FinancEast Programme was launched on 15 August 2022, funded by the European Union through KfW Development Bank and administered by the Business Development Fund.

This component was aimed at supporting the funding of micro, small and medium enterprises—agricultural producers in western Ukraine—for targeted sowing works in 2022, in particular, the cultivation of grain crops: wheat and rye.

**See art. 44 for more information**

## December 2022



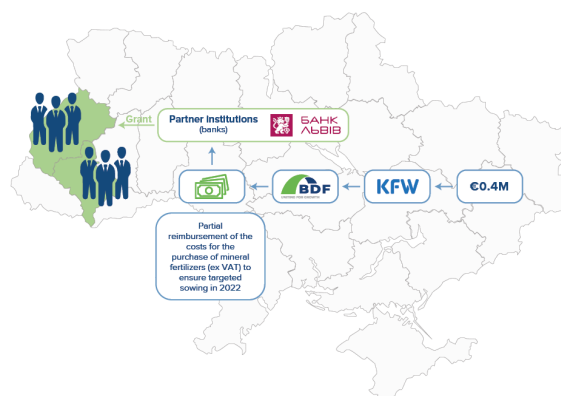
To promptly overcome the difficulties faced by businesses in ensuring uninterrupted operations in the context of the imbalanced work of Ukraine's energy infrastructure, the Business Development Fund signed a loan agreement with Ukrgasbank for ₪150,000,000 under the programme "Add Energy to Your Business."

The programme is being funded under the German Government's project "Refinancing of Energy Efficient Investments of Small and Medium Enterprises in Ukraine through the Financial Sector," which is implemented through the German Development Bank KfW.



## August 2022

Introduction and Implementation of an additional component of the FINANCEAST programme



The Business Development Fund continues to expand its ability to support SME funding in times of war by launching new programmes.

On 15 December 2022, Memoranda of Cooperation in the field of funding micro, small and medium businesses were signed in Lviv under the international technical assistance programme "Application and Implementation of the EU-Ukraine Association Agreement in the Field of Trade."

Entrepreneurs will be able to get bank loans in combination with grant funds, which will amount to up to 30% of the project cost. Funding will come from the German government.

The initiative is being implemented by the German government company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ Ukraine) GmbH in liaison with German Sparkassenstiftung Ukraine, the Business Development Fund, and, at the first stage, with two Ukrainian banks: Bank Lviv and Oschadbank.

The total budget of the initiative amounts to €2,400,000, of which €1,300,000 is the initial amount available for grants.



In 2022, the Business Development Fund began close cooperation with the German government-owned company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, which assisted in the implementation of a number of important projects during the war.

Notable examples of such cooperation were initiatives aimed at building infrastructure to support small and medium-sized businesses. One of the projects was aimed at supporting local governments in implementing measures to develop local SMEs, and another at strengthening the institutional capacity of SME clusters.

**See art. 46 for more information**



The next partner bank to join the support of energy resilience of small businesses in Ukraine under the “Bring Energy to Your Business” Programme was Bank Lviv. A loan agreement for about €120,000,000 was concluded with the Bank, which will be used to finance investments of small and medium enterprises (SMEs) in the field of energy efficiency and energy resilience.

This interaction is being implemented as part of the “Refinancing of Energy Efficient Investments of Small and Medium Enterprises in Ukraine through the Financial Sector” project.

The Project is funded with the support of the Government of Germany through the German Development Bank KfW and with the assistance of the Ministry of Finance of Ukraine.

**See art. 40 for more information**

## January 2023



## March 2023



Loan agreements were signed between the Business Development Fund and Ukreximbank under three loan programmes aimed at supporting the funding of MSMEs for a total amount of over €250,000,000.

Lending resources for Ukreximbank are provided both out of the Fund's own funds and by financing the SME Support Project implemented with the support of the Government of Germany through the German Development Bank KfW and the European Union, which compensates for currency risks to provide local currency loans to MSMEs under the EU4Business initiative.

**See art. 49 for more information**

## April 2023

A meeting with Mr. Jochen Flasbarth, State Secretary in the Federal Ministry for Economic Cooperation and Development, as well as the G7 Senior Government Representative for Ukraine's recovery, was held.

During the meeting with the State Secretary, participants discussed the Business Development Fund's institutional development, as well as the launch of the Vision: BDF 2.0 initiative, which was presented at the Ukraine Recovery Conference—URC2024 held on 11–12 June 2024 in Berlin.



## May 2023



The BDF continues to expand its programmes in cooperation with oblast state administrations.

The presentation of the Joint Programme between the Fund, Kyiv Oblast Military Administration and authorised banks took place.

The Joint Programme aims at the provision of additional reimbursement of up to 0% interest rate on loans under the “Affordable Loans 5–7–9%” Programme.

**See art. 64 for more information**

Another programme, EU4Business Grants for Microbusinesses, has been launched with financial support from the European Union and the German Government in the amount of €3,000,000.

The main goal of the programme is to support the recovery of businesses in the areas of Ukraine most affected by the hostilities and occupation, as well as to strengthen the resilience of microbusinesses in other regions of Ukraine during the war.

**See art. 51 for more information**

## October 2023



The BDF, together with the Ministry of Finance of Ukraine and the Ministry of Agrarian Policy and Food of Ukraine, launched the Ukraine Agriculture Recovery Inclusive Support Emergency (ARISE) Project, funded by the World Bank for a total of \$550,000,000 of which \$320,000,000 was provided as a grant. These funds will be used to finance the State Programme “Affordable Loans at 5–7–9%” in 2023–2024, with a focus on agricultural enterprises.

This project component will be implemented by the BDF. Thus, the Fund will ensure not only the implementation of the State Programme “Affordable Loans at 5–7–9%”, but also its funding jointly with the Ministry of Finance with the funds of international financial institutions.

This became possible due to transparent and efficient implementation procedures for the State Programme “Affordable Loans at 5–7–9%” developed by the Fund based on its long experience in implementing numerous initiatives to support small businesses in Ukraine.



## August 2023



The second stage of the grant project “Access to Finance and MSME Resilience Support—Stage II, funded by the German Government in the amount of €4,500,00 as part of the ReACT4UA international technical assistance programme, has been presented.

The main goal of the grant support is to boost the investments to micro, small and medium-sized enterprises in Ukraine involved in economically significant production activities and other business areas. The support is aimed at expanding and upgrading their activities by facilitating access to financing through compensation for up to 30% of the investment project's costs. Particular attention is dedicated to enterprises operating in the deoccupied areas and to relocated businesses.

As part of the project, entrepreneurs will be able to receive financial support of up to €30,000 in UAH equivalent to implement their investment plans.

**See art. 54 for more information**

## November 2023



The successful and long-term implementation of projects to support the financial resilience of Ukrainian businesses has become a prerequisite for BDF reforming into a full-fledged financial institution focused on achieving sustainable development goals.

KfW has signed an agreement with the BDF on the provision of a grant of up to €1,000,000 to finance the BDF's comprehensive reform.

International partners strongly believe that once reformed in line with the world's leading practices, the BDF will be not only a sustainable and transparent tool to support Ukrainian businesses, but will also make a significant contribution to the country's resilience in times of war, post-war recovery, and further integration into the European Union.

The decision to provide a grant for the Fund's institutional development is a key event defining its strategy and mandate in the long term.



At the instruction of the German Federal Ministry for Economic Development and Cooperation (BMZ), KfW and the Ministry of Finance of Ukraine signed a grant agreement for €50,000,000 to finance the “Affordable Loans at 5–7–9%” Programme being implemented by the Business Development Fund.

This grant will provide Ukrainian entrepreneurs with subsidies in the form of partial compensation for the interest rate on loans, which will provide them with access to funding.

**See art. 19 for more information**

## December 2023



The Business Development Fund does not stop implementing innovative solutions. The EU Delegation to Ukraine awarded the Fund for its innovative approach to ensuring the transparent distribution of grants under the EU4Business Programme.

The developed automated information platform allowed for a rapid and transparent selection of microentrepreneurs for awarding grants under the EU4Business Grants for Microbusinesses Programme through partner banks.

Owing to this solution, 776 grants totalling more than ₪121,000,000 have been awarded to Ukrainian microentrepreneurs within a short period of time. At the same time, 60% of the recipients operate in the frontline and deoccupied areas.

**See art. 53 for more information**

## April 2024



The United Nations Development Programme (UNDP), in cooperation with the BDF, has presented a new financial mechanism aimed at facilitating access to bank financing for ESCO companies.

The pilot project was implemented together with UNDP and has become a powerful impetus for the further development of energy efficiency measures: not only in public buildings, but also in the residential sector.

**See art. 61 for more information**



A new financial facility, i.e. the “Affordable Factoring” Programme, which is being implemented under the State Programme “Affordable Loans at 5–7–9%,” has been launched. The goal is to provide micro, small and medium-sized enterprises (MSME) with access to working capital.

The Programme will help businesses cover their daily expenses, reduce the risk of non-payment by their counterparties, and increase the resilience of the entire supply chain.

The BDF has been appointed as the Programme administrator. The Programme will be implemented through authorised partner banks.

**See art. 27 for more information**

## March 2024



A programme to support the funding of micro, small and medium-sized enterprises in Kryvyi Rih raion was presented. The programme is funded under the “Kryvyi Rih Raion Recovery Support” Project funded by the Government of the Grand Duchy of Luxembourg through the Luxembourg Development Agency (LuxDev) in cooperation with the Business Development Fund.

The Programme goal is to strengthen the economic resilience of small and medium-sized businesses operating in Kryvyi Rih by providing grant support to compensate for investment costs of micro-enterprises by up to 100%, and those of small and medium-sized enterprises by up to 50%.

**See art. 59 for more information**

## June 2024





## Vision: BDF 2.0 Presentation

At the Ukraine Recovery Conference 2024, the Ministry of Finance of Ukraine together with the German Development Bank KfW presented the “Vision: BDF 2.0” initiative aimed at the institutional development of the Business Development Fund and its transformation into a full-fledged National Development Institution focused on supporting the funding of small and medium-sized enterprises in Ukraine.

The initiative is being implemented as part of the German Government’s project, represented by the Federal Ministry for Economic Development and Cooperation (BMZ).

Deloitte, a consulting company, was involved in implementing the Fund’s institutional development measures, and a contract with it was signed just before the URC2024.

The main project objectives are reviewing and updating the Fund’s mandate, business model, corporate management, legal and regulatory status, and the procedure for cooperation with donors, as well as improving its infrastructure and integrating environmental and social aspects into its activities.

The results of the initiative will be enshrined in a new law to be adopted by the Verkhovna Rada of Ukraine in 2024.

**See art. 74 for more information**

## August 2024



779 entrepreneurs received grants from EU4Business. The outcomes of the EU4Business Grants for Microbusinesses programmes, implemented with the financial support of the European Union and the German Government, were presented. The Programme aims at supporting the recovery of business activities in the deoccupied and war-affected territories of Ukraine, as well as the strengthening of the resilience of microbusinesses in other areas in the hard context of war.

**See art. 54 for more information**

## October 2024



The implementation of the grant programme “Support for Energy Resilience of Micro and Small Enterprises in Ukraine,” funded by the Government of Norway through the Norwegian Agency for Development Cooperation (NORAD) and the Government of Germany, was launched.

The programme provides €2,000,000 for Ukrainian entrepreneurs to buy energy-efficient production equipment, autonomous energy sources and energy storage equipment, as well as partially (10%)—to install and maintain such equipment.

The programme is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ Ukraine) and the BDF.

**See art. 56 for more information**

Over €1.3 billion from the German Government to support Ukrainian business.

The outcomes of the second stage of the Project “Access to Finance and MSME Resilience Support—II,” implemented with the financial support of the German Government under the ReACT4UA international cooperation programme, were presented.

Following the Project, 345 enterprises successfully implemented their investment initiatives, totalling over €1 billion and received grants to compensate for their costs of over €173 million.

The programme helped save 10,757 jobs.

**See art. 46 for more information**

## November 2024







The Business Development Fund took part in the 7th German-Ukrainian Business Forum.

During the Forum, BDF representatives held a number of meetings with international partners, including the German Development Bank KfW, to agree on the main parameters of new SME financing support programmes scheduled for 2025.

The outcomes of the advisory component of the “Bring Energy to Your Business” programme were presented. Under the programme, the IPC consulting company introduced tools in partner banks for assessing and lending to SMEs for energy-efficient investments, assisted in the development of new loan products that have become widespread among SMEs, especially in the context of stabilising power outages.

Moreover, IPC provided advisory support to the BDF in developing and implementing an environmental and social management system, which was useful in the context of the World Bank’s ARISE project, which required environmental and social standards to be extended to the 5–7–9% Programme.

***See art. 40 for more information***

## December 2024





# **SUCCESS STORIES**

## **EU4Business supported a Ukrainian kids' clothing brand from Chernihiv Oblast**



For more than 12 years, an enterprise from Chernihiv Oblast, Timi Tex, has been offering not only beautiful but also comfortable and practical kids' clothing.

"Now our brand is widely known far beyond our oblast. That's because we use only high-quality natural raw materials for sewing that do not cause allergic reactions and comply with health and safety regulations," says Anatolii Kutovyi, the founder.

However, at the very beginning of the full-scale invasion, the production facility was partially destroyed and flooded: "We had to completely disassemble all the equipment, clean it of ash, sand, and glass. We restore some of the stuff, but the things that can't be restored are to be bought new."

Anatolii's wife, Olesia, found out about the EU4Business programme. She saw information on social media about the opportunity to receive a grant for business development, so she insisted on applying.

"We have been with PrivatBank for many years, so it was not difficult for us to prepare documents. All reports, including tax returns, can be found in the "Privat24 for Business" online banking app."

Anatolii applied for a grant for three items: Increasing electricity capacity at the production site, purchasing a powerful production steam generator, and acquiring raw materials. "Thanks to EU4Business grant funds, these needs got a chance to be satisfied. Such a programme is very necessary, especially now, when our enterprises are suffering losses from the war."

## **The art of coffee making in Khmelnytskyi region: From golden beans to a fragrant drink**

In the small town of Volochysk in Khmelnytskyi oblast, the Kruk family has been passing down the art of roasting coffee beans through the generations.

"My father worked at the Lollo Italy factory since the early 2000s, learning about the world of coffee. Over the years, he has gained knowledge and experience. In 2020, I joined the business since I wanted to introduce modern technologies and preserve family traditions," says Vladyslav Kruk, one of the founders of the Coffee Corvus brand.

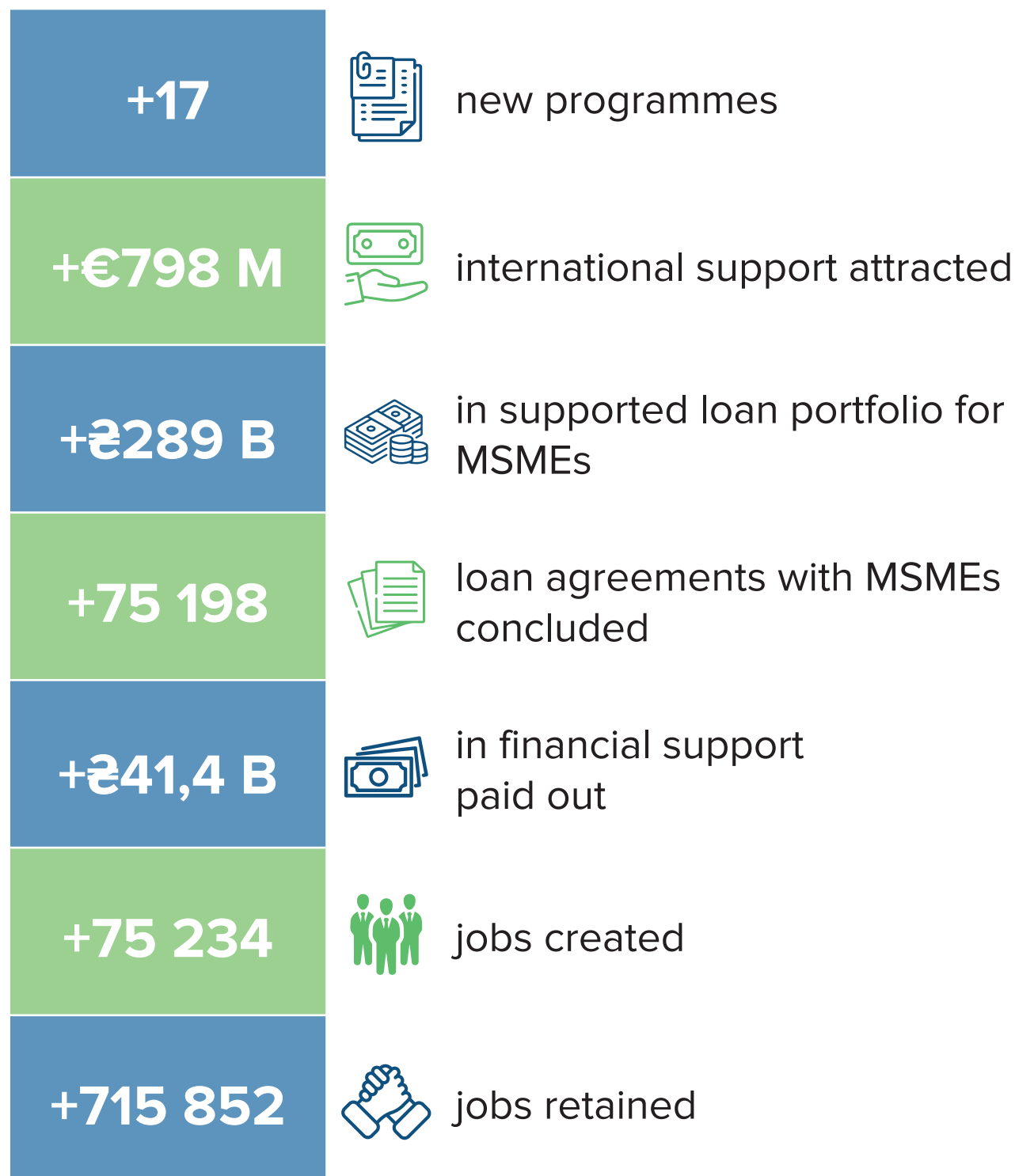
The main area of activity is roasting and selling coffee under the family's own brand. Looking for innovative approaches to business development, the entrepreneur learned about the EU4Business grant programme: Recovery, competitiveness and internationalisation of SMEs. He filled out an application on the Diia.Business portal, received an affirmative response and, with the help of Oshchadbank, completed all the paperwork to receive grant funds.

"Financial assistance was provided to introduce new technologies, in particular the production of coffee in drip bags, which contributes to improving product quality and competitiveness." Besides, we used the grant to finish the premises where production takes place. This includes reconstruction and modernisation of production spaces, creating a comfortable and efficient working environment."

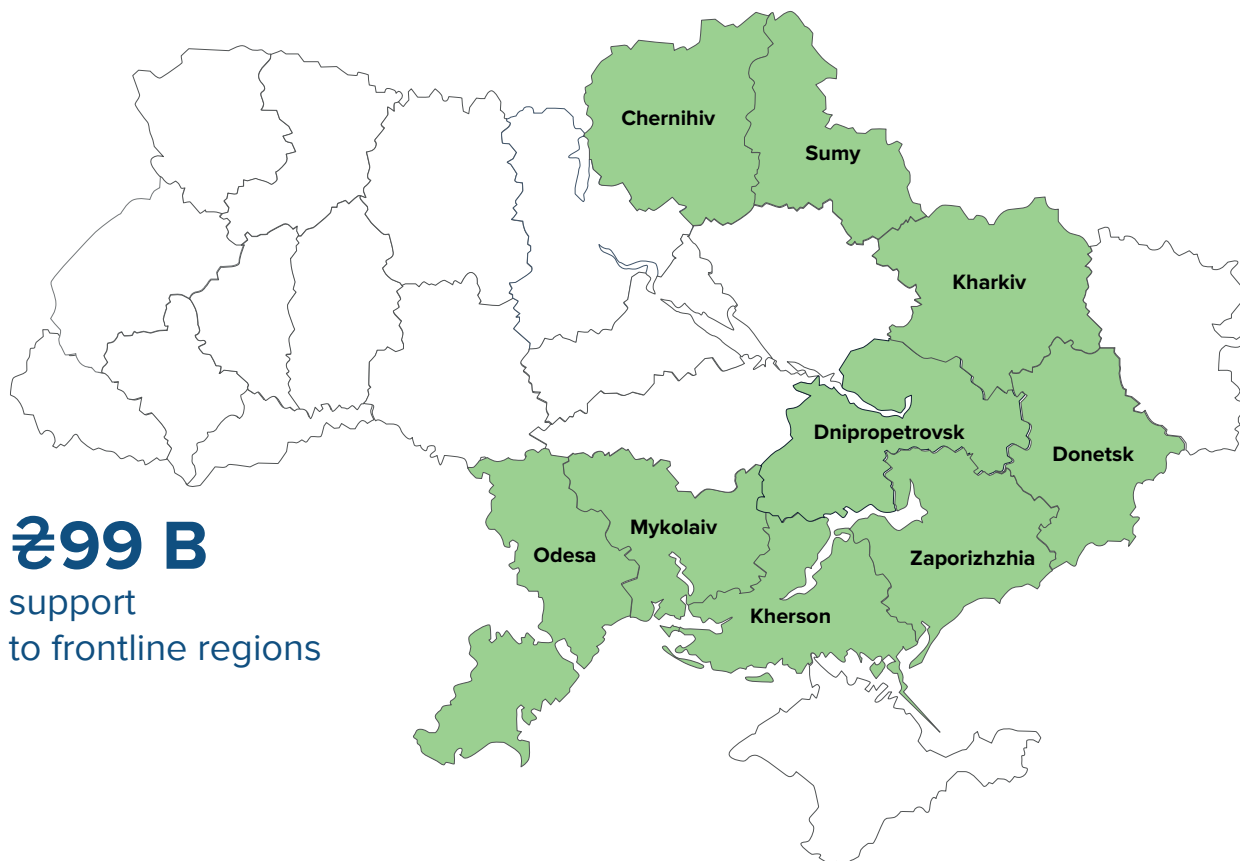




## 4. KEY OUTCOMES OF THE BUSINESS DEVELOPMENT FUND IN 2022–2024



Implementation of the programmes in oblasts most affected by the Russian military operations within the territory of Ukraine



#### EXPANDING THE RANGE OF INTERNATIONAL PARTNERS OF THE BUSINESS DEVELOPMENT FUND



# **SUCCESS STORIES**

## **“Lifetime project cherished by me and my son”**

Dr. Mykhailo Tkachenko, Board Certified in Cardiology, founded his own medical centre, “Tkachenko’s Cardiology,” in Kharkiv six years ago. Mykhailo had a large practice, so the centre did not have such a problem as a lack of patients. When the war came to the city, business development had to be stopped, but the work continued.

“We decided not to leave Kharkiv because we understood that we could provide aid. My son Tymofii, who also worked with us as a doctor, went to war, and I stayed to run the medical business,” says Mykhailo Tkachenko.

The centre provided the full range of cardiological services and diagnostics. They treated and stitched, since almost all medical centre employees, except for cardiologists, were specialised in anesthesiology. But at the beginning of summer, the building was damaged by shelling.

“Someone must have released information that we treated military personnel. Several missiles arrived. And after some time, we were flooded very badly and we lost a lot of medical equipment.”

Mykhailo began looking for medical business support programmes on the Diia portal. That’s how he learned about the EU4Business grant programme.

“Thanks to the grant, we purchased an ECG Holter, which is an essential medical equipment. This is a small device enabling the detection of heart abnormalities, even if they occur very rarely.”



EU4Business  Funded by the European Union     

The rest of the money was spent on renovating the medical office and hiring one more healthcare worker.

“Tkachenko’s Cardiology” is a lifetime project for my son and me. We have nothing but medicine, and we are not handy at doing anything else. We could have moved our business to another city, but the awareness that we could work and help people prevented us from doing so. We are Kharkiv residents, and we stayed in Kharkiv.”

## **Medical SPORT kids in Irpin: A children’s corner of peace**



The city of Irpin is one of the settlements of Kyiv Oblast which were most affected by the full-scale invasion of the Russian Federation. The Irpin Medical SPORT kids Centre for Correction of Mental and Physical Development was damaged, too. As a result of a missile strike, only smouldering ruins were left of the building. However, Anastasiia Nekhliudova, the founder, did not give up and zealously took up the restoration.

“After the liberation of Irpin, parents of children, who had suffered psychological trauma from their wartime experiences, began to contact me. They suffered from anxiety disorders, post-traumatic stress disorder, depression, and dissociative disorders. But I couldn’t help the children properly because I didn’t have relevant equipment and materials to work with.”

The woman understood that she needed to look for ways to restore the Centre and its activities as soon as possible. That’s how she came across a grant programme from EU4Business. She filled in an application on the Diia.Business portal, received an affirmative response, and, with the help of Oshchadbank, completed all the paperwork to receive grant funds.

“Receiving the grant allowed me to purchase training equipment and teaching materials to work with children in need of psychological help,” says Anastasia.

EU4Business  Funded by the European Union  

EU4Business  Funded by the European Union     





## 5. Business Development Fund's financial instruments and programmes

### 5.1. State interest rate compensation programmes to support MSMEs

#### 5.1.1. “Affordable Loans at 5–7–9%” Programme

The “Affordable Loans at 5–7–9%” State Programme (the Programme) was initiated by the President and the Government of Ukraine and officially launched on 3 February 2020.

Programme terms, criteria and implementation mechanism are set out in the Procedure for Providing Financial State Support to Small and Medium-Sized Enterprises, approved by Resolution No. 28 of the Cabinet of Ministers of Ukraine of 24 January 2020 (the Procedure). The mechanism for utilising funds provided for in the state budget under the programme “Ensuring the Functioning of the Business Development Fund” is regulated by the relevant procedure approved by Resolution No. 29 of the Cabinet of Ministers of Ukraine of 24 January 2020.

State support was granted through such tools as the Fund's partial compensation for loan interest rates to micro, small, medium and large enterprises (MSMLEs), as well as the provision of guarantees by the Fund on a portfolio basis for MSMLE loans up to ₴500,000,000.

In 2022–2024, the Procedure was repeatedly amended to adapt the Programme to current conditions. In particular, it concerned support for agricultural producers to ensure the sowing campaign, for processing companies, as well as intensification of business activities under martial law in Ukraine to counter Russian aggression and overcome its consequences.

In 2022–2024, the Programme provided for the following possible compensation interest rates: 0%, 3%, 5%, 7%, 9%, 13% or 15% per annum. The rate depended on the loan goals and the business segment. According to the annual reports, a total of 45,189 enterprises benefited from state support under the Programme during the period under review, having received loans totalling ₴268,043,000.

6,985 agricultural enterprises out of this number received support for their sowing campaigns in the form of loans worth ₴39,651,800. This represents 14% of the total number of Programme participants and about 6% of the total support amount for the year. The rest of the companies received funding under other Programme areas, including investment (15,776 companies), refinancing (3,415 companies), anti-war (12,022 companies), as well as under other loan types.

Due to its high popularity and wide coverage, at the end of 2024, the Programme included six additional priority areas within its two main goals (investment and working capital financing for businesses). This allowed entrepreneurs to receive funding at preferential compensation interest rates. The programme became an all-purpose and effective credit mechanism with state financial support available to businesses regardless of their sphere.

After the introduction of martial law in Ukraine, the Programme became the only effective tool in the bank lending market and played a key role in maintaining the stability of the banking system and all business segments through authorised banks. Over the past three years, such banks have provided loans with a corresponding increase in their loan portfolio, over 40% of which was formed due to the Programme. This became possible by making timely changes adapted to the current needs of businesses in the context of war.

In 2022–2024, the Programme provided support to the economy and entrepreneurship. In particular, funding was granted to agricultural producers and processing companies to operate under martial law. It also enabled relocated enterprises to resume operations and supported business development in the reoccupied areas of Ukraine.

Effective cooperation between businesses and the state resulted in an increased number of jobs and tax revenues to the Ukrainian budget. This, in turn, contributes to further formalisation of business, its increased transparency, and expanded opportunities for obtaining state support to develop private business and restore the country.



## Programme outcomes in terms of interest compensation as of 1 January 2025 (cumulatively)

46

number of  
authorised  
banks

104 456

number of loan  
agreements (units)

366 032

amount of loan  
agreements (UAH  
mln)

103 345

created  
jobs (men)

948 685

retained  
jobs (men)

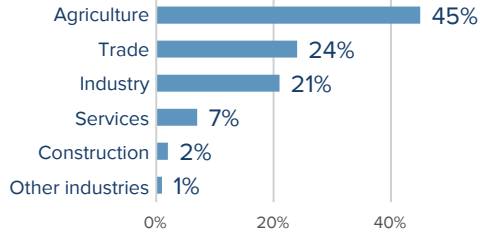
1,62%

troubled  
debts

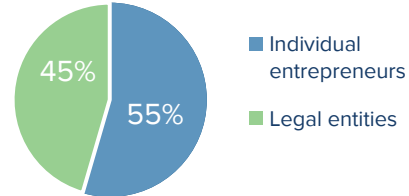
₴44 853 M

amount of  
compensation paid  
to MSMEs

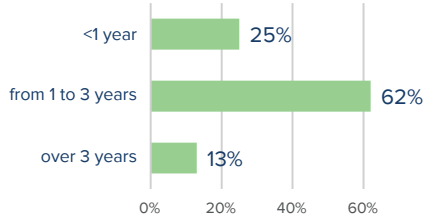
### Loan agreements by type of business activity, %



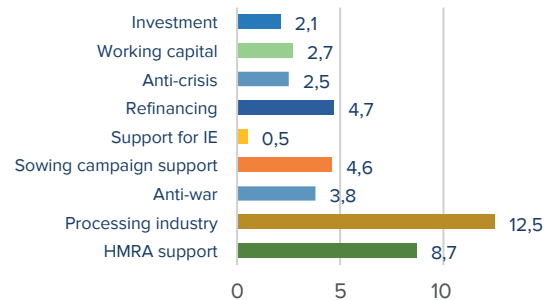
### Programme participants' makeup by number engaged in a certain type of MSMLEs, %



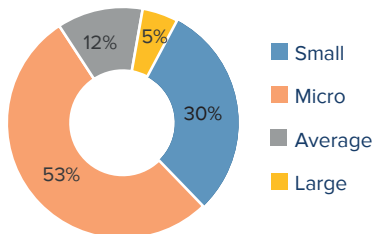
### Loan agreement structure by maturity, %



The average loan amount under the Investment Component of ₴2,100,000 indicates a wide presence of mainly microenterprises therein

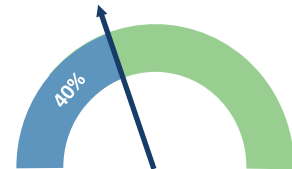


### Share of business segments in the total loan portfolio, %

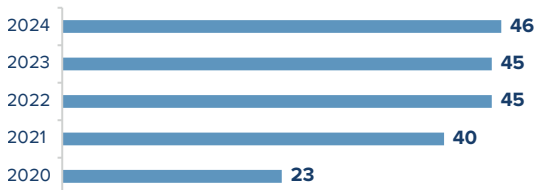


### Programme share in the total loan portfolio of authorised banks, %

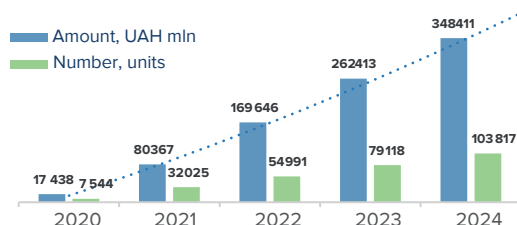
During 5 years of implementation, the Programme accounted for 40% of the MSMLE's total loan portfolio of authorised banks



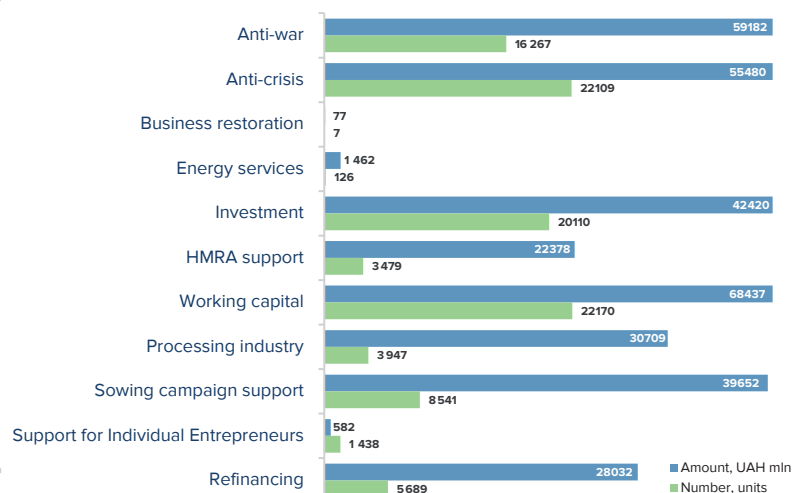
### Authorised banks (Programme participants), number



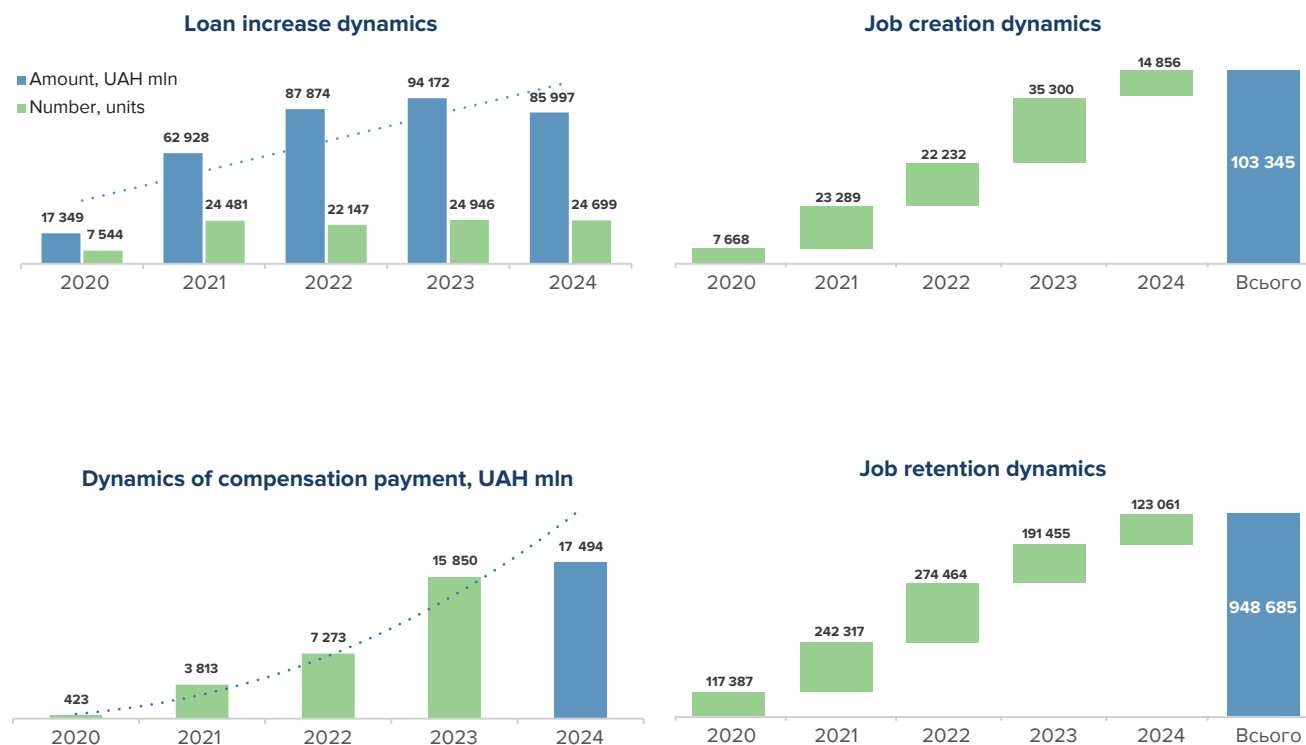
### Loan agreements



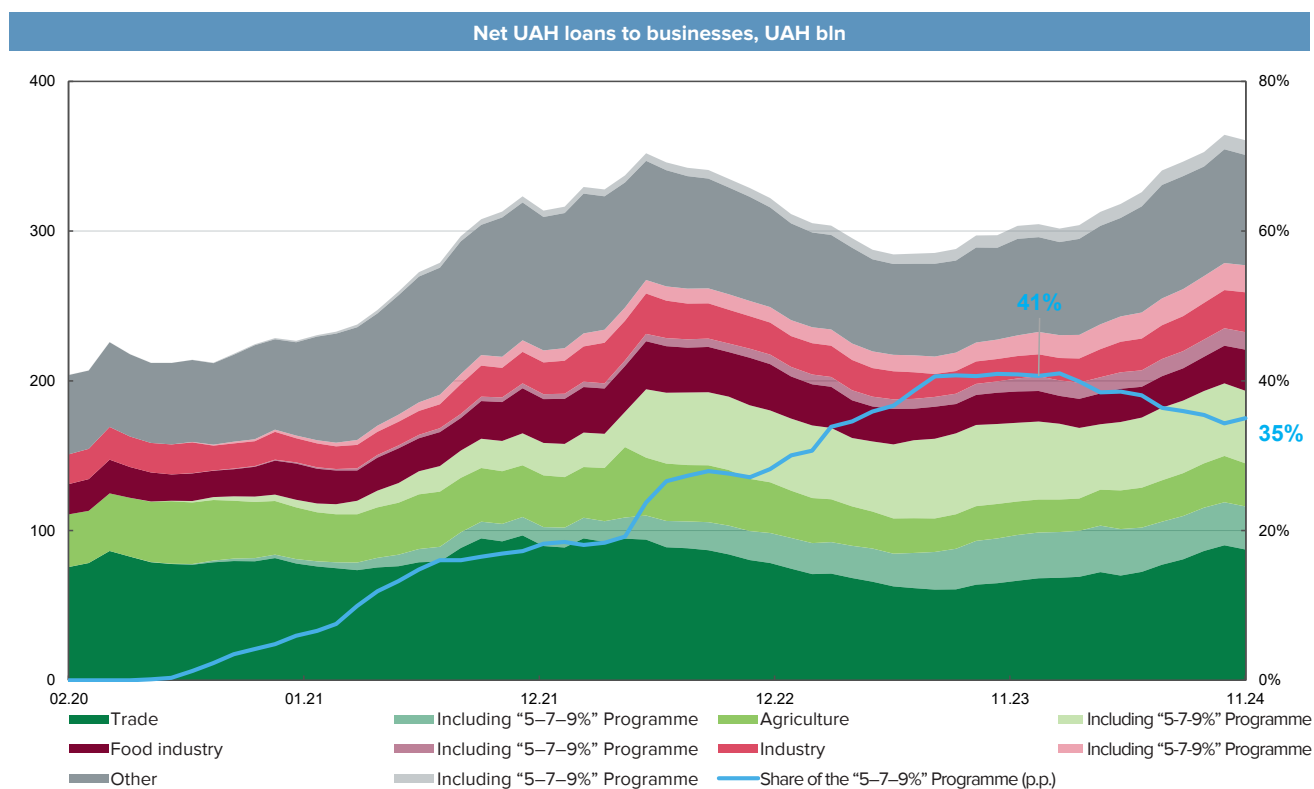
### Signed loan agreements by Programme components, starting from 24 February 2022 (UAH mln)



## Programme outcomes in terms of interest compensation as of 1 January 2025 (dynamics by years)



## Programme outcomes in terms of interest compensation as of 1 January 2025

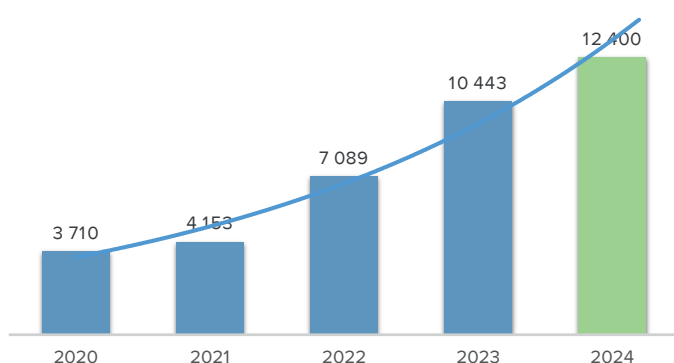


Banks have been maintaining high rates of UAH loans to businesses for over a year. Banks of all groups, which are actively competing for customers, are increasing their lending. Lending is driven by better terms, including lower interest rates. The share of loans under the "Affordable Loans at 5-7-9%" Programme decreased to 35%. In 2024, the Programme was amended to help optimise state budget expenditures and increase the fund utilisation efficiency, in particular:– The maximum loan amount for working capital was reduced. The maximum loan amount for working capital funding has been reduced from ₴60,000,000 to ₴5,000,000. The decision is aimed at concentrating resources on investment project support.– The base interest rate on loans was reduced from 30% to 23%. The decision helps reduce state budget expenditures on interest rate compensation and increases the efficiency of budget funds utilisation.

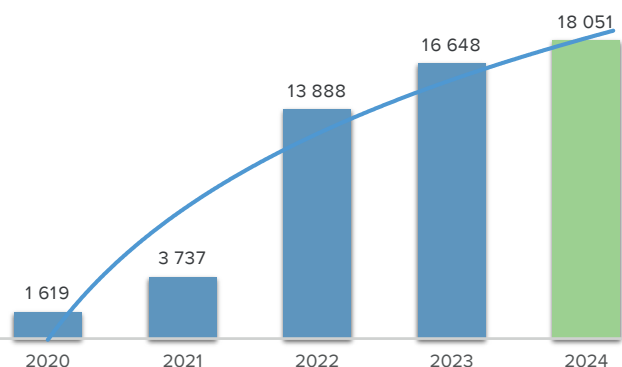
Source: NBU Financial Stability Report, December 2024

## State support impact under the Programme on the increase in key performance indicators of enterprises

Change in the total amount of corporate income tax paid, UAH mln



Change in the total amount of the unified social tax paid, UAH mln



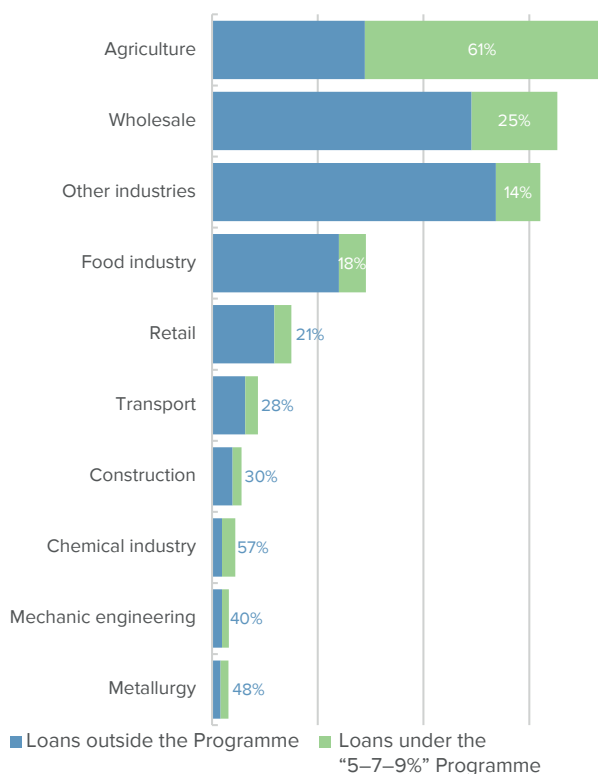
1. Despite the slowdown in the entities' business activity due to the Russian aggression in 2022–2024, the total amount of income tax and unified social tax paid by businesses maintains a positive growth trend.
2. Thus, the amount of state support paid in 2022–2024 to compensate for loan interest rates to business entities in the amount of ₪44.8 billion significantly influenced the increase in budget revenues, despite the negative dynamics of the economic situation in the country under martial law.

### Outcome 1.

The Programme influenced the growth of the loan portfolio of micro, small, medium and large enterprises

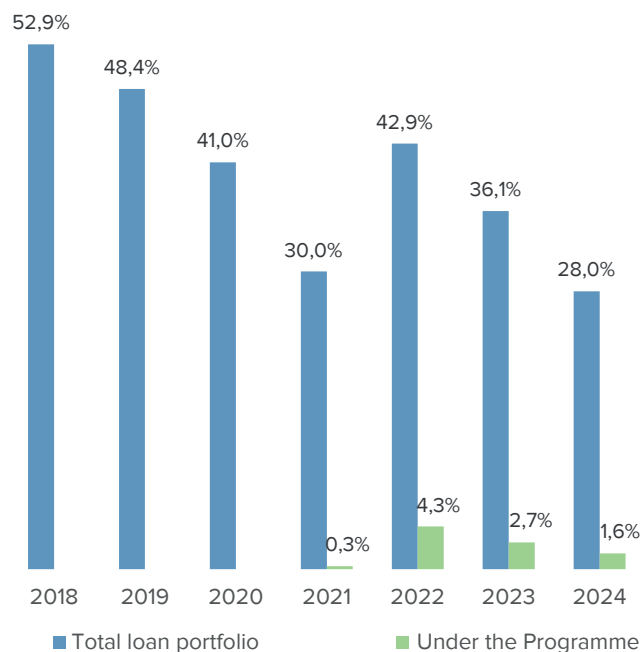
### Outcome 2.

The Programme has reduced the financial burden on MSMLEs during the martial law, reducing the negative impact on the country's financial stability



Source: NBU Financial Stability Report

### NPL share



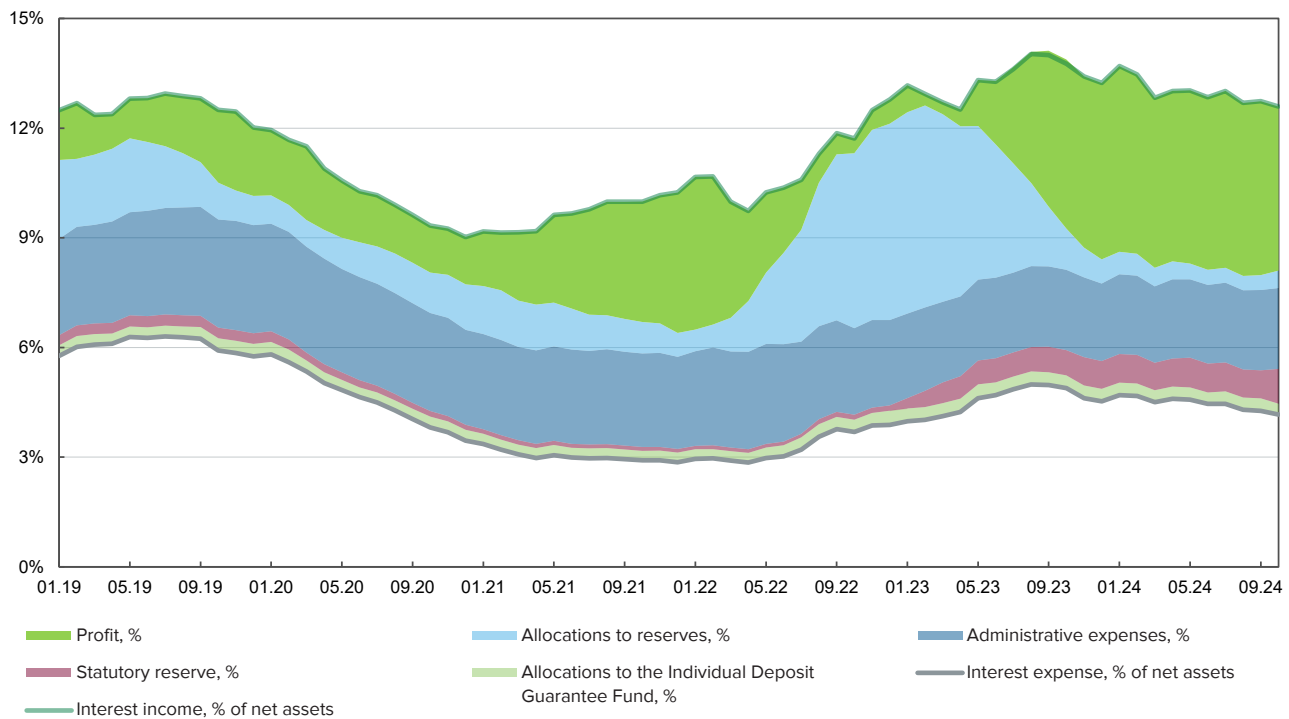
Source: NBU banking sector overview

Despite the impact of martial law in 2022–2024, which affected all segments of the enterprise, their lending under the Programme increased. According to the NBU, this positive trend was facilitated by the "Affordable Loans at 5–7–9%" Programme, which has become the only operating driver of business lending. Loans under the Programme already account for about 40% of the net corporate portfolio in UAH.

Troubled debts in 2022 and 2024 under the Programme amounted to 4.3% and 1.6%, respectively, as the programme helps strengthen the financial discipline of MSMLEs, without which they may lose the right to state support.

Thus, the Programme has become a certain buffer that has restrained the possible growth of NPLs and ensured a positive trend in their containment in the Ukrainian banking system to 28% by 2022–2024.

### Outcome 3. Programme impact on net interest income and profit of the banking sector

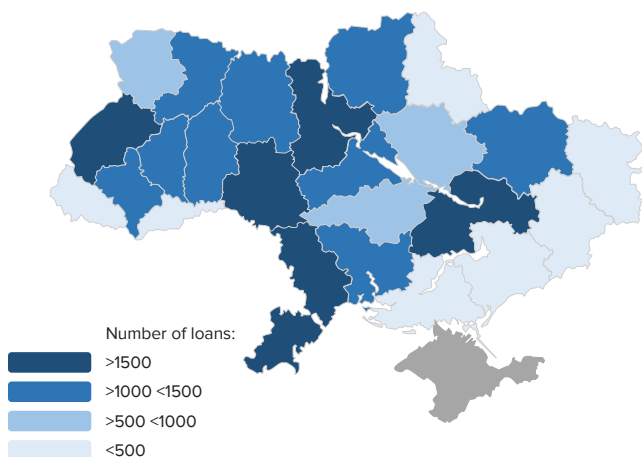


The key components of banks' income—interest income and fee-based income—are growing. Banks' funding costs remain significantly lower than interest income. Therefore, banks maintain high interest margins. Significant net interest income remains a key driver of banks' profitability.

Given the high level of NPLs in the banking sector in 2024 (of about 28%), compared to the Programme's NPLs at about 1.6%, it can be concluded that the Programme enabled banks to increase their interest income and profits during martial law.

Source: NBU Financial Stability Report, December 2024

### Outcome 4. Programme breakdown by regions of Ukraine



According to the 2022–2024 outcomes, despite the impact of Russian aggression, the Programme changed its geography but continued to be widely distributed in the safest regions of Ukraine.

### Outcome 5. The Programme is highly popular among Ukrainian banks compared to similar state programmes



As of 1 January 2025, 46 banking institutions, which cover about 90% of the bank lending market, became authorised banks within the Programme framework.

The main reasons for the banks' interest in the Programme included the Programme's relevance, especially in the context of martial law, and the possibility of providing affordable lending to businesses.

## Key outcome of the Programme

According to the 2022–2024 outcomes, the “Affordable Loans at 5–7–9%” Programme confirmed its national status and became essentially the only operating driver of affordable lending to micro, small, medium and large businesses, with a significant positive impact on supporting both the real economy and the banking sector of Ukraine.

Ukrainian entrepreneurs felt the Programme’s particular relevance and significance during the difficult times of the coronavirus crisis and then during martial law, when government support was crucial to continue funding their economic activities. Such an interaction between businesses and the state resulted in an increase in jobs and tax revenues, which in turn contributed to further formalisation of business operations and increased transparency of their activities to receive more state support for further business development.

The banking sector of Ukraine, which is the direct implementer of the Programme, also significantly benefited from the Programme, having created a reliable financial reserve to withstand external upheavals, including overcoming the negative consequences of Russia’s military aggression against Ukraine.

The rapid and qualitative growth of the loan portfolio of business entities in the banking system of Ukraine, with minimal amounts of non-performing loans under the Programme, allowed banks to earn a profit in 2022–2024, which they used to increase capital and strengthen their financial stability. Thanks to the Programme, Ukraine’s banking sector is in a much stronger and more stable position to withstand the consequences of Russia’s military aggression and to defend the real sector of Ukraine’s economy.

### “5–7–9%: SUCCESSFUL Despite the War” is an information campaign of the Ministry of Finance about people and businesses that have survived and keep developing in the context of war, directing their efforts towards the victory of Ukraine

Ihor Matveiev turned a bankrupt collective farm in Znamianka Village into a successful 1,000-hectare farm 20 years ago, and during the war, he continued to develop his enterprise, save jobs and invest in business.

Therefore, the businessman not only supports the country’s economy, but also donates a large share of his profits to the needs of the defence forces that protect our country from the aggressor.

Thanks to Privatbank, the farm took advantage of the “Affordable Loans at 5–7–9%” State Programme and received €2 M to replenish its working capital and €8 M to buy a new combine harvester.

According to Mr Matveiev, Privatbank expects a significant flow of applications and an increase in the loan portfolio this year. In particular, the new terms and conditions of the “5-7-9%” State Programme set out several priority areas for preferential loans, primarily funding for farmers.

The infographic features the logos of the Ministry of Finance of Ukraine and the State Programme '5-7-9%'. It prominently displays the number '579' and the text 'УСПІШНІ ПОПРИ ВІЙНУ' (Successful Despite the War). Below this, it identifies 'Підприємець' (Entrepreneur) as 'Ігор Матвеев' (Ihor Matveiev) from 'м. Знам'янка' (Znamianka). The 'ПриватБанк' (PrivatBank) logo is also present. A photograph shows Ihor Matveiev standing next to a large blue combine harvester in a field. Text on the infographic includes 'Неймовірна історія як український підприємець розвиває сільське господарство та підтримує ЗСУ' (Incredible story of how a Ukrainian entrepreneur develops agriculture and supports the Armed Forces of Ukraine) and 'Ігор Матвеев, директор підприємства' (Ihor Matveiev, director of the enterprise). The website 'mof.gov.ua' is mentioned in the top right corner.

This infographic also features the Ministry of Finance and '5-7-9%' logos. It identifies the company as 'ТОВ МНВП «АРІС» ЛТД' (MHNPP 'ARIS' LTD) from 'Харківська область' (Kharkiv Oblast). The 'ProCredit Bank' logo is shown. A photograph depicts a man, 'Євген Титаренко, директор компанії' (Yevhen Tytarenko, company director), standing in front of industrial machinery. Text on the infographic includes 'Нова фабрика та відновлення після деокупації' (New factory and restoration after deoccupation) and the website 'mof.gov.ua'.

Another story is about ARIS, a company from the unbreakable Kharkiv that produces packaging according to high European standards.

With the beginning of the full-scale invasion, the company’s assets were damaged: The production facility was severely damaged by enemy shelling, and the warehouse was destroyed by an enemy S-300 missile.

As a result of this hit, the company lost almost €20 M worth of products. Fortunately, no employees were injured, and the surviving equipment was partially relocated to Kremenchuk.

After Kharkiv Oblast was deoccupied, the brave ARIS employees are gradually resuming the operation of their new factory.

“Thanks to the affordable ‘5–7–9%’ loan, the company successfully developed before the full-scale war, and after the deoccupation, due to the loan extension under the programme, it was able to restore the finished goods warehouse and fulfil its obligations to customers.

We have nailed down at a level that allows us to maintain the profitability we had before the war. Therefore, our 2023 strategy is to maintain the current level of profitability.

As for our future plans, we are going to expand our cooperation with the European Union,” said Yevhen Tytarenko, the CEO.

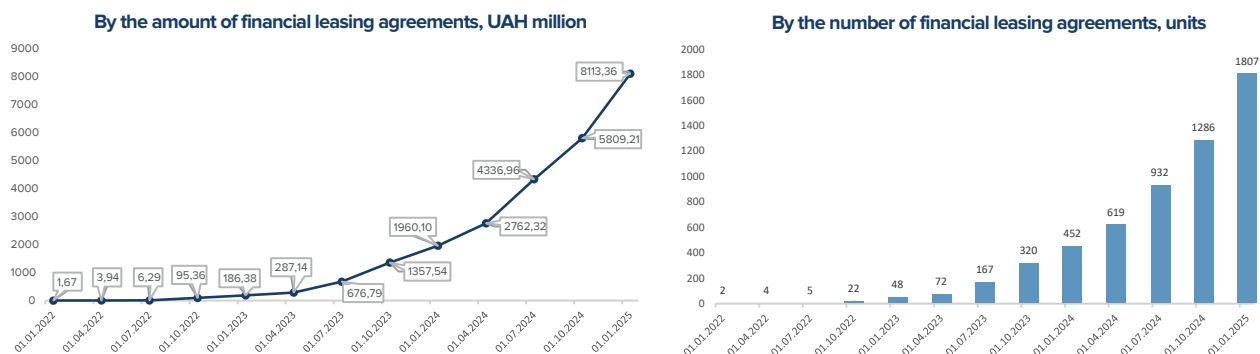


## 5.1.2. “Affordable Financial Leasing 5–7–9%” Programme

### Programme outcomes as of 1 January 2025

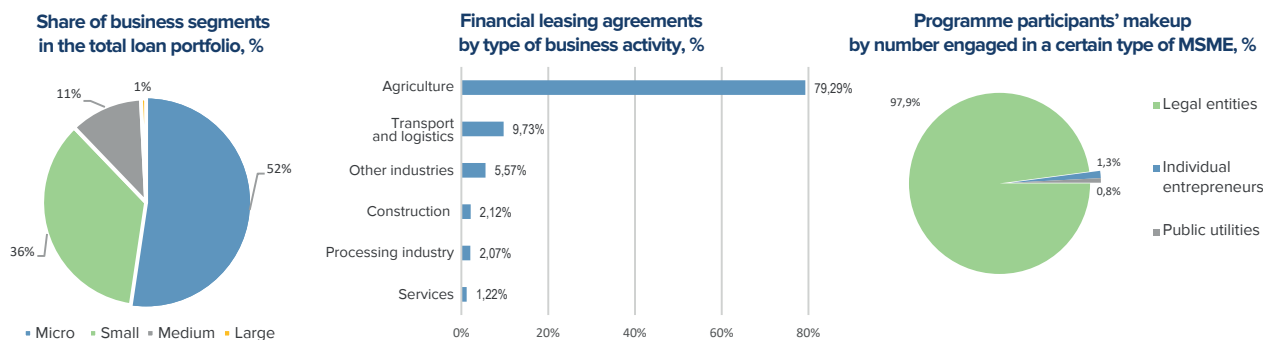
<b>19</b>	<b>1 211</b>	<b>1 807</b>	<b>₴8,113.36 M</b>	<b>₴4.49 M</b>	<b>₴348.76 M</b>
Number of authorised leasing companies	Number of MSME participants in the Programme	Number of financial leasing agreements concluded	Amount of financial leasing agreements concluded	Average financial leasing agreements amount	Amount of compensation provided to lessees

### Leasing portfolio dynamics under the Programme



During 2022–2024, the “Affordable Financial Leasing 5–7–9%” Programme showed positive dynamics and rapid growth, which is due to the recovery of businesses in the areas affected by the Russian aggression in Ukraine, and also evidences the growing demand or intensification of the financial market in this segment.

### Leasing portfolio structure under the Programme



Micro and small businesses together received over 88% of the total funding. This indicates that these categories are in the greatest need of affordable financial tools to develop and expand their operations.

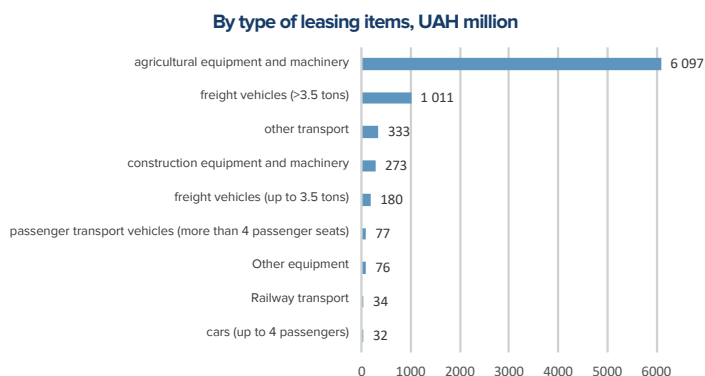
Medium-sized enterprises attracted only 11.4% of funding. This may be explained by the fact that they already have some financial capacity to attract traditional bank lending or other sources of funding.

Minimal share of large businesses. Large companies received less than 1% of the total amount. This indicates that they either do not need support under this Programme or have access to more favourable funding terms through commercial banks or other financial institutions.

Financial leasing is almost entirely focused on medium and large businesses (legal entities).

Individual entrepreneurs and the public utility sector hardly use leasing, which may be due to the complexity of the leasing process, financial constraints or other sources of funding.

Development opportunities: If leasing companies want to expand their customer base, they may consider special programmes for small businesses and public utility companies, such as simplified leasing terms for individual entrepreneurs or government support programmes for utility companies.



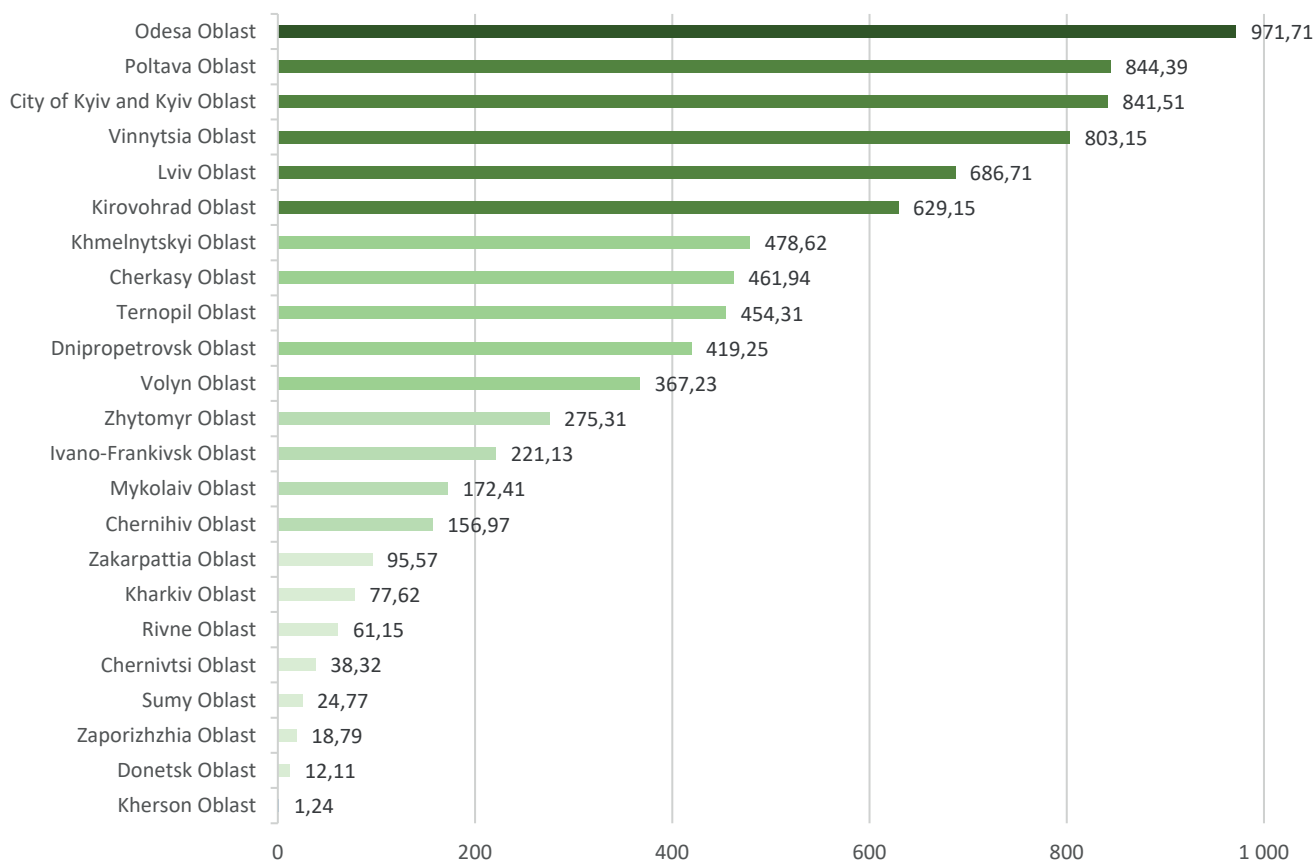
Financial leasing is mainly used in the agricultural sector, which is logical, since agriculture requires a large amount of equipment, and leasing is a convenient way of funding.

Transport and logistics also account for a significant share, as fleet renewal is important for this sector.

Construction and industry hardly use leasing at all. Perhaps companies here are more focused on bank loans or government support programmes.

The service sector has a minimal share, which indicates that this industry is not very dependent on leasing programmes.

### By oblasts of Ukraine, UAH million



Odesa Oblast is the leader in terms of funding with 971.71 M, which indicates a high demand for leasing services in this area. It is followed by Poltava and Kyiv Oblasts, where businesses received significant amounts of funding (over 840 M).

Oblasts with less funding may be potentially promising for further Programme development and implementation of leasing projects.

### 5.1.3. “Affordable Factoring” Programme

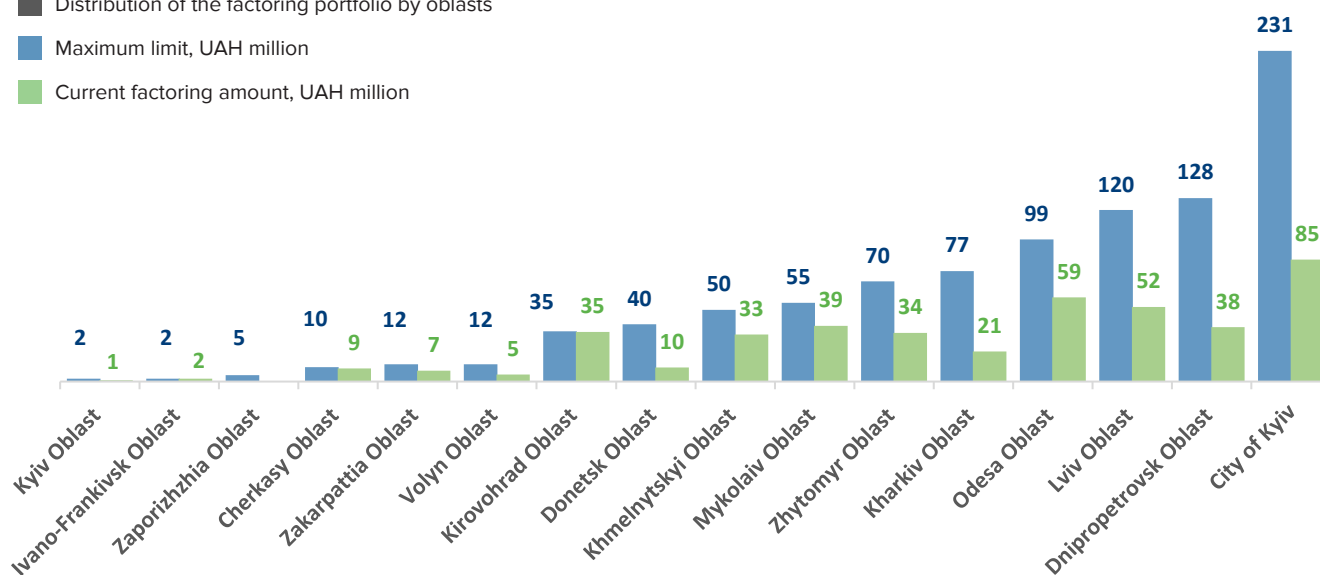
#### Programme description and status as of 1 January 2025

14 December 2023	Support for manufacturers	Funding mechanism	Micro, small and medium-sized businesses	Ukrainian manufacturers	₴150M	of the claimed amount	% reduction to 13%
Programme launch	Objective	Factoring	Who the Programme works with	Who is eligible for funding	Funding limit	Funding amount	Fee compensation
Ministry of Finance and Ministry of Economy	Conditions—CMU Resolution No. 28 of 24 January 2020	10 factor banks involved	45 agreements between MSMEs and factor banks	16 participating regions	₴948 M total funding limit	₴429 M current factoring	₴29.19 M fee compensation

■ Distribution of the factoring portfolio by oblasts

■ Maximum limit, UAH million

■ Current factoring amount, UAH million



The Fund compensates for a part of the interest rate on factoring transactions, which reduces the cost of the service for businesses.

Entrepreneurs can obtain funding without the need to provide collateral.

State support is provided through banks that meet the established criteria and have signed an agreement with the Fund.

#### “Affordable Factoring” is financial support that works for Ukrainian manufacturers.

The “Affordable Factoring” Programme is a government initiative launched on 14 December 2023 with the support of the Ministry of Finance and the Ministry of Economy of Ukraine. It has become a new tool under the “Affordable Loans at 5–7–9%” Programme, created specifically to support micro, small and medium-sized businesses, i.e., manufacturers, exporters, companies working with deferred payments or those participating in public procurement. But above all, it’s support intended for real entrepreneurs who take risks, create jobs, drive the economy forward and need an affordable tool for sustainable development. The Business Development Fund launched the Programme in Q4 of 2023.

The main goal of this Programme is to help businesses get money quickly, without waiting for payments from customers, and without the need for classic lending. It often happens that a business has already shipped goods or provided a service, but has received no money yet. But the expenses do not stop: there are salaries, purchases, and operating costs.

For many businesses, the lack of working capital is the bottleneck that prevents them from developing, scaling and even—in difficult times—simply staying afloat.

It is at these moments that factoring, i.e., when a company transfers the right of claim to its customer to a bank and receives up to 95% of the amount in return, becomes a lifesaving solution. Using this Programme, the state helps make this financial tool affordable and profitable by compensating entrepreneurs for part of their costs, in particular by reducing the annual fee for using the borrowed resource to 13% through the mechanism of interest rate compensation under a factoring agreement.

“Affordable Factoring” is about trust in Ukrainian businesses. It means that even in difficult conditions, the government is looking for ways to help. It is a chance for many companies not only to stay afloat but also to grow, scale up and enter new markets.

The Programme operates under the Government Procedure approved by CMU Resolution No. 28 of 24 January 2020 (as amended on 22 September 2023, No. 1016). It allows Ukrainian MSMEs producing Ukrainian goods, services or works to receive factoring funding from authorised banks, with partial compensation for costs by the state.

For a business, it means real money here and now, with no need to wait for weeks or months. It also means flexibility, predictability and reduced risks associated with payment delays. MSMEs receive money faster, and the government also helps reduce the cost of such funding.

10 factor banks, which concluded 45 agreements with companies from 17 regions of Ukraine, were involved in the Programme already in the first year of its work, in 2023–2024. Businesses from the frontline and deoccupied territories have been particularly active, as they need the most support.

The high interest of entrepreneurs and the practical benefits of the Programme yielded significant results: the total amount of funded transactions exceeded ₴429,000,000, and the total amount of compensation for the basic fee to the factor banks reached ₴29,190,000.

The maximum limit of funding for one enterprise or a group of related counterparties amounts to ₴150,000,000, with the possibility of funding up to 95% of the contractual debt. The mechanism is renewable within the established limit. Moreover, the State, through the Business Development Fund, shoulders a part of the financial burden—the basic factoring fee is reduced to 13% per annum, which significantly eases the burden on businesses.

2024 was a year of the Programme's active development and improvement. Significant work was done to expand the participation of banks: a key market player, FUIB JSC, which signed an agreement with the Business Development Fund only in late 2024, joined the partnership. Consequently, the number of financial institutions operating in the programme has increased from 6 to 10 banks, which will become authorised factors for MSME manufacturers in 2025 and will help expand access to funding for businesses. This opens up new opportunities for the Programme to extend in 2025

At the same time, the Fund has initiated an optimisation of the compensation terms and conditions. The initially determined compensation for banks in 2023 did not meet market conditions in 2024 and hindered their performance. CMU Resolution No. 1054 of 13 September 2024 changed the situation: The new conditions became more attractive and competitive for participating MSMEs, which had a positive impact on the factoring funding dynamics.

Special attention was also paid to information support. In 2024, webinars, training, and campaigns for entrepreneurs were held, and video success stories were created. The Fund's information strategy involved close cooperation with partners such as banks and regional business communities, which allowed attracting even more participants.

What is most important, the programme was able to change the attitude of entrepreneurs. Today, more and more companies are confidently using this tool. Businesses have seen that the support works steadily and really helps.

Further growth is expected according to the forecasts for 2025. The authorised factors—banks—taking into account the 2024 outcomes and dynamics, forecast the volume of financing of up to ₴2.7 billion. State-provided compensation may reach up to ₴238 million.

“Affordable Factoring” is a real help for those who are building Ukraine's economy today, despite all the challenges. This is a financial instrument that works for the benefit of businesses: in a rapid, flexible, and clear way. And with government support.

### Factors influencing the programme performance and financial results

The “Affordable Factoring” Programme is an important financial tool to support businesses. In 2024, due to close cooperation with banks and ministries, as well as operational changes in the Programme, the Fund successfully overcame a number of challenges affecting Programme implementation, ensuring its stable development, having focused on the following.

#### Growing entrepreneurial confidence and stable funding

In early 2024, some businesses were cautious about the Programme. The stable operation of other programmes and positive experience of businesses strengthened confidence in factoring, and the number of applications for participation in the Programme increased.

#### Increased bank participation and competition

The Fund also engaged additional partner banks and finalised the terms of participation with them. As a result, the number of financial institutions operating in the Programme has increased to 10 banks, which will become authorised factors in 2025.

#### 10 factor banks have been involved:

- TASCOMBANK JSC
- MTB BANK PJSC
- COMINBANK JSC
- GLOBUS CB OJSC
- OTP BANK JSC
- BANK VOSTOK PJSC
- BANK CREDIT DNIPRO JSC
- RADABANK JSB JSC
- SENSE BANK JSC
- FUIB JSC



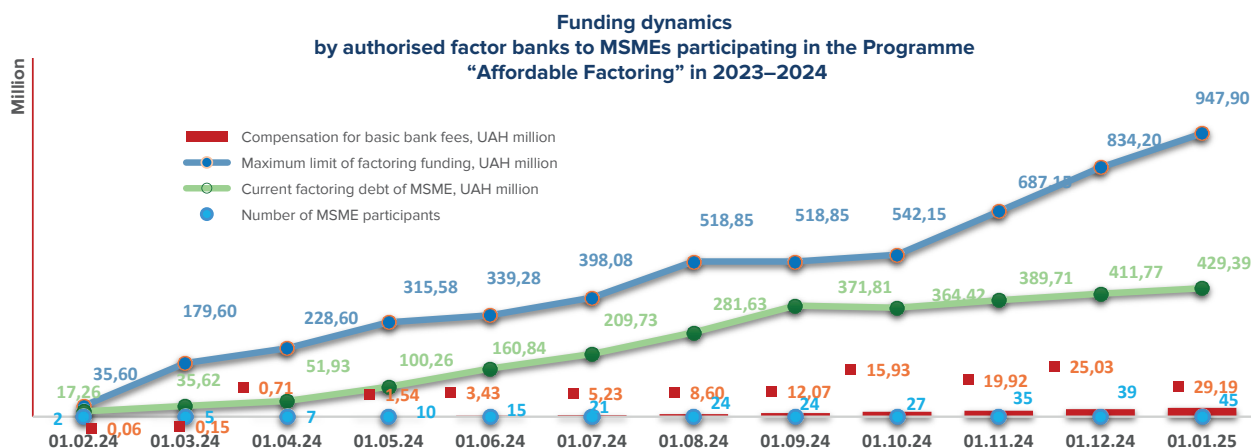
#### Strengthening information support

In 2024, webinars and information campaigns were held, where the Fund's experts explained in detail how to obtain working capital from banks.



## Optimisation of compensation terms for basic fees

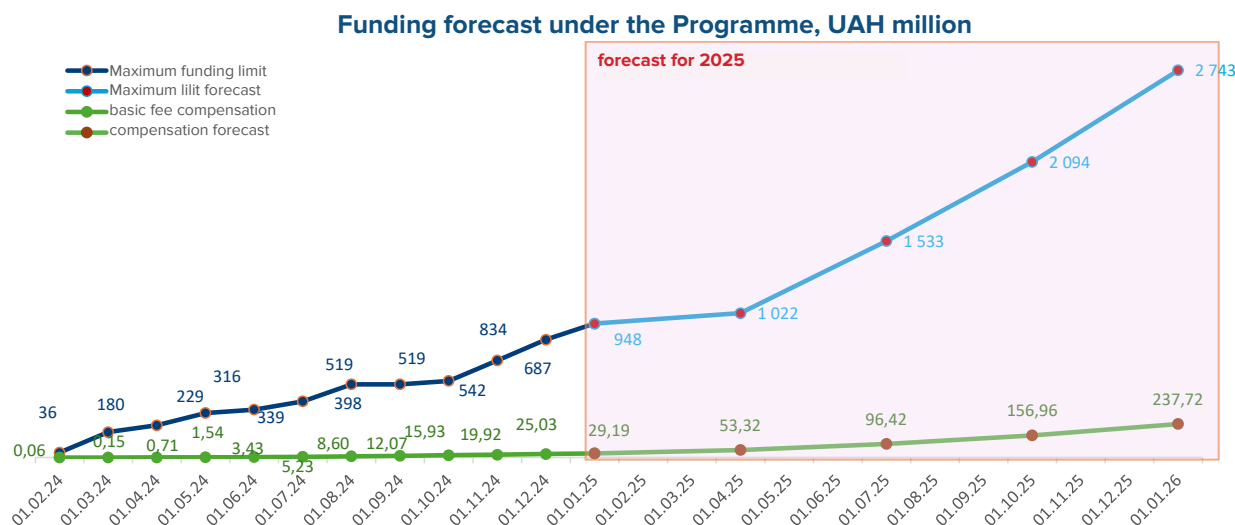
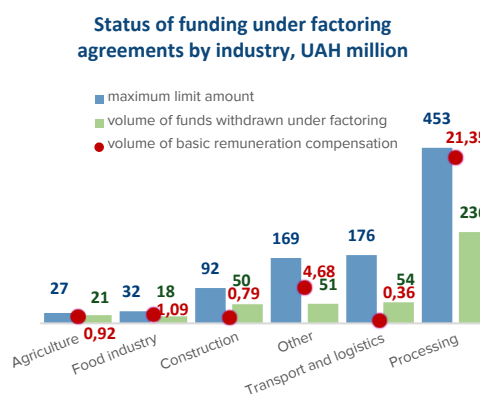
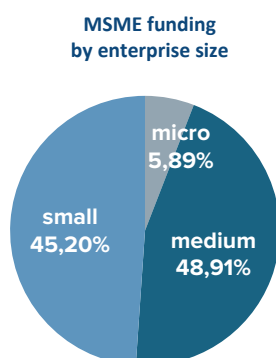
The compensation to banks, launched in 2023, did not correspond to market conditions in 2024, restraining the activity of participants. The BDF analysed the situation and initiated changes to the basic fee compensation amount, which made the compensation mechanism more attractive and competitive and helped attract new participants.



## Analysis of the participating MSMEs structure and funding forecast for 2025

**High funding values for individual businesses** suggest the Programme's ability to effectively support businesses with larger funding needs.

**A wide range of compensation and funding** underlines the adaptability of the resource allocation mechanisms, allowing MSMEs to receive the required support according to their size and development capabilities, with **medium-sized** enterprises having the largest range of values, demonstrating the Programme's flexibility to meet the needs of businesses of different sizes.



**The Programme demonstrates** a steady increase in funding, which indicates its successful implementation and growing demand.

**The expected increase in compensation** in 2025 indicates an increase in the availability of business support.

**The drastic increase in funding in 2025** is due to the involvement of additional participating banks, including FUIB JSC, with the largest capabilities.

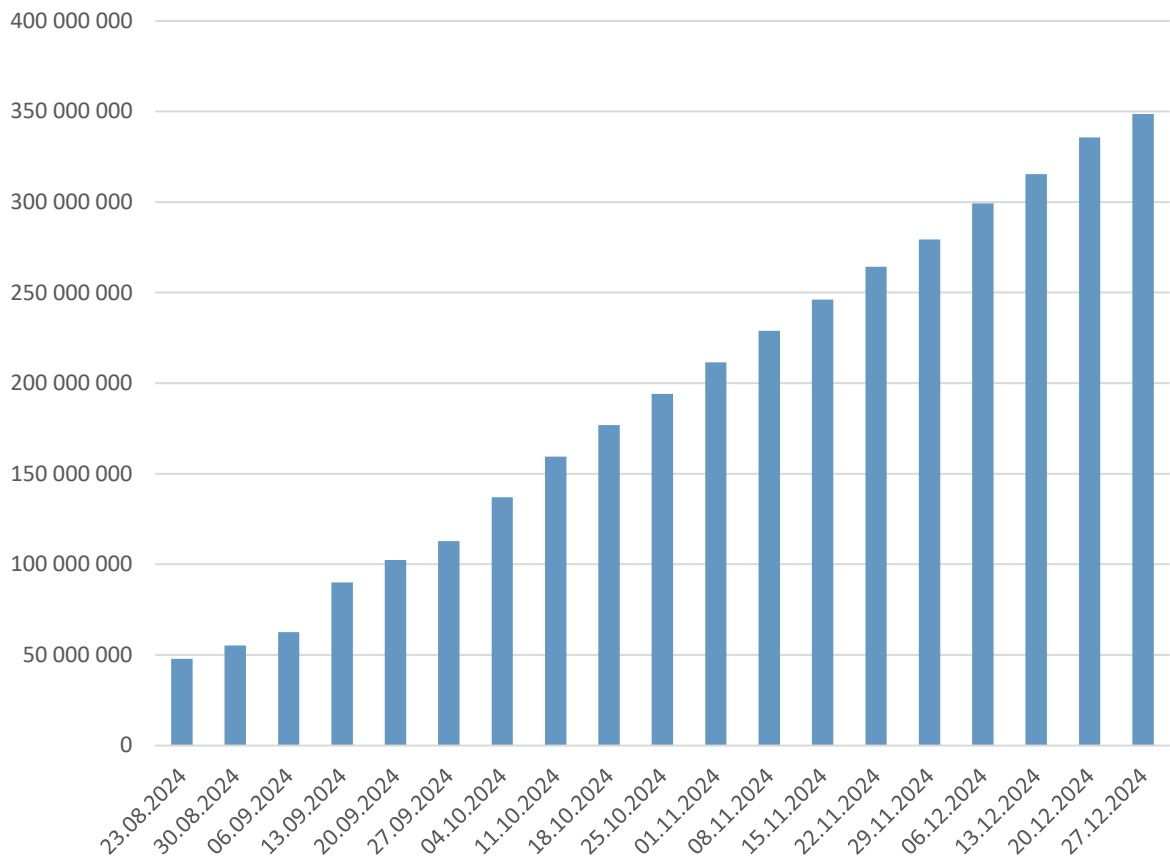
## 5.2. State interest rate compensation programmes to support households

### 5.2.1. “Energy Independence of Individuals—Household Owners” Programme

<b>1 013</b> Number of approved participation applications	<b>8 MW</b> Capacity of solar panels installed under the programme	<b>₴341.19 M</b> Programme participants' loan debt	<b>₴7,78 M</b> Amount of state support provided under the programme	<b>₴7,81 M</b> Amount of state support to be paid
---	---	---	--	--

The “Energy Independence of Individuals—Household Owners” Programme is aimed at supporting Ukrainian citizens in switching to alternative energy sources by compensating for interest rates on loans involved in purchasing and installing hybrid power supply systems (solar panels, inverters and energy storage systems). The programme was launched in accordance with the Resolution No. 673 of the Cabinet of Ministers of Ukraine of 7 June 2024 and provides access to 0% interest loans for up to 10 years for up to ₴480,000 through authorised banks, contributing to the reduction of household energy dependence and the development of green energy in Ukraine.

The Programme development in terms of the loans granted to households and installed solar panel capacity

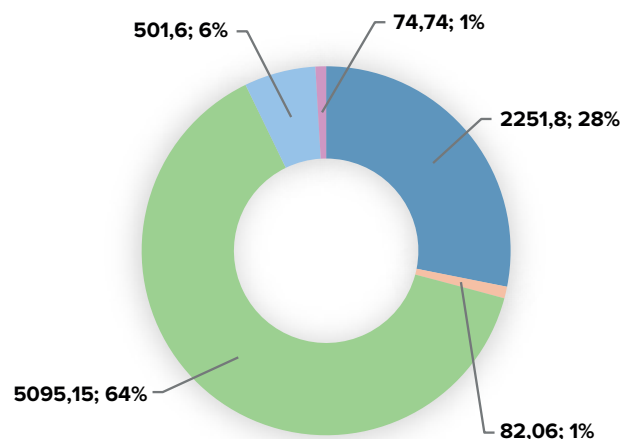


The “Energy Independence of Individuals—Household Owners” Programme is a presentation of the government’s initiative aimed at ensuring Ukraine’s energy independence.

Since the launch of the Programme in 2024, households have been interested in it: The amount of loans granted under the Programme has a steady upward trend and amounted to ₴341 M as of 31 December 2024.

Among partner banks, the most active are JSC Oschadbank and PJSC CB Privatbank in terms of the number of approved loan applications and installed solar panel capacity

### Solar panels capacity by bank



Ukraine's oblast	Power unit capacity, kW
Kyiv Oblast and Kyiv	1223,674
Lviv Oblast	810,715
Ivano-Frankivsk Oblast	577,325
Dnipropetrovsk Oblast	560,215
Zakarpattia Oblast	524,17
Poltava Oblast	430,55
Kirovohrad Oblast	425,305
Cherkasy Oblast	364,29
Rivne Oblast	351,86
Odesa Oblast	349,61
Chernivtsi Oblast	330,235
Vinnytsia Oblast	325,48
Chernihiv Oblast	303,175
Khmelnyskyi Oblast	298,835
Volyn Oblast	292,275
Zhytomyr Oblast	223,56
Sumy Oblast	203,56
Mykolaiv Oblast	150,4
Kharkiv Oblast	107,525
Ternopil Oblast	106,65
Zaporizhzhia Oblast	45,94

The largest volume of installed solar panel capacity by households in terms of administrative division was implemented in **Kyiv Oblast** and the **City of Kyiv**, as well as **Lviv** and **Ivano-Frankivsk Oblasts**, but the administrative division also indicates interest in the programme throughout Ukraine.

# **SUCCESS STORIES**

**It is very important for the Fund to see every entrepreneur successful, because that's what our main achievement is**

Roman Burdzhnadze started beekeeping in 2016. At first, he worked alone; later, a team of five workers and an apiary with up to 250 hives appeared. The honey produced by Roman was tasted even in Germany.

"I had lots of ambitious plans: for the spring of 2022, I was preparing to put into operation two more apiaries, 250 hives each. I first dreamed of expanding my business and becoming the largest honey producer in the region, and then independently entering European markets," says Roman.

The full-scale invasion totally changed all the plans. The family already had experience with the occupation of Sievierodonetsk in 2014, when the Ukrainian army liberated the city in a month. So everyone was sure that in a month, Ukraine would win, and they would return home to a peaceful life and work.

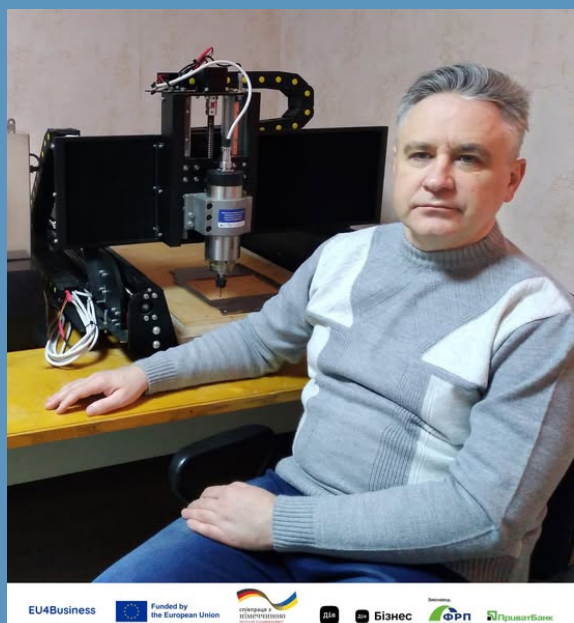
"Sadly, we were only able to relocate ourselves, our parents, and our kids. We left the apiary to the care of a watchman, and simply locked up the carpentry shop and production facilities. "We also took our ideas and love for beekeeping with us," the entrepreneur recalls.

After six months in Dnipropetrovsk Oblast, Roman realised that there was no point in waiting, and he needed to get to work. So, the issue of money became pressing. PrivatBank employees told the entrepreneur about the possibility of receiving a grant under the EU4Business programme and helped prepare the paperwork.

"The funds I received helped me, as an individual entrepreneur, not to close the business, stay afloat, and even become self-sufficient." Today, we supply goods to five stores. The most important thing I'm proud of is that we didn't leave our three employees without work and continue to pay salaries. I am confident that we will reach the pre-war level and implement all the planned activities," says Roman Burdzhnadze.



## How to turn an idea into a business: From concept to implementation



For many years, Pavlo Zaika was a production automation engineer at a confectionery factory in Romny, Sumy Oblast. He worked with dispensers that are used to determine the required amount of water of the given temperature when kneading dough in large industrial tanks.

All these devices were manufactured and maintained by the Sensor enterprise, Donetsk, which was occupied after 2014. So, later, the issue of servicing this equipment became topical.

"Once I figured out how to repair dispensers, the next step was to produce them. I placed an ad about repairing industrial water dispensers produced by the Donetsk brand Sensor. Since the devices of this brand were used by quite a few enterprises throughout Ukraine, I received a lot of calls and orders," recalls Pavlo Zaika.

The full-scale invasion froze business for half a year. There was no single order for either repair or production of devices. Over time, everything recovered, but not to the same extent as before. It was then that the entrepreneur learned about the EU4Business grant programme.

"I've never received any financial support, so I was happy to get an opportunity to make my dream come true. Everything was simple: I wrote down my business indicators, described what I planned to spend money on, and what business result I wanted to achieve. I applied in the Diia app and received money through PrivatBank in a month."

The entrepreneur purchased a machine to develop new versions of water dispensers so that even small bakery owners could purchase them. After all, a decrease in production at enterprises that placed orders

with Pavlo and the emergence of new companies dealing with dispensers became an impetus for searching for ways to reduce the cost of products. So, thanks to the grant from EU4Business, the entrepreneur managed not only to stay in the business but also to take its development into new dimensions.



## 5.3. International programmes to refinance Ukraine's state budget expenditures under the BDF state programmes

Considering the tough economic situation in Ukraine in the context of the corona crisis and then during the war, international organisations have launched additional programmes to support Ukraine's economic sustainability by allocating funds to refinance budget expenditures under the Business Development Fund state programmes.

With the beginning of Russia's full-scale invasion of Ukraine, the economic sector faced such challenges as budget constraints, the need for quick adaptation of business support programmes to new circumstances, and bureaucratic procedures for using donor funds.

International programmes for refinancing Ukraine's state budget expenditures under state programmes have become an important tool for supporting small and medium enterprises (SMEs), which is implemented in conjunction with international financial organisations and partners.

This support contributed to loan cheapening, provision of state guarantees, and coverage of bank risks.

International programmes for refinancing expenditures under the BDF state programmes still play a key role in stabilising Ukrainian businesses. Further cooperation with international partners is critical for the maintenance and development of SMEs during the war and post-war reconstruction.

The Business Development Fund is considering expansion of cooperation with the EU under the Ukraine Recovery Plan and attraction of new donors (Canada, Japan, China, South Korea) in future.

### **Programmes for refinancing budget expenditures under the "Affordable Loans at 5–7–9%" Programme:**

1. In the very first days of the full-scale invasion, the German Government, in liaison with the German Development Bank KfW, provided financial assistance to Ukraine to refinance budget expenditures under the "Affordable Loans at 5–7–9%" and "Affordable Financial Leasing 5–7–9%" programmes for a total amount of €150 million, or ₪4.79 billion. The respective financing agreement was concluded on 7 April 2022 between the Ministry of Finance of Ukraine, KfW, and the Business Development Fund.

Financial support was provided under the German Government Project "MSME Financing during Covid-19" (hereinafter referred to as the Project) and was initially aimed at overcoming the negative consequences of the corona crisis for MSME activity. However, with the beginning of Russia's full-scale invasion of Ukraine, financial assistance funds were directed to support the funding of MSMEs under state programmes in wartime.

Preparations for the Project implementation began in 2021. As part of the preparatory phase, KfW meticulously examined all the processes as part of "Affordable Loans at 5–7–9%" and "Affordable Financial Leasing 5–7–9%" state programmes implementation for transparency, efficiency, and absence of corruption. According to the results of this evaluation, the procedures for implementing the above-mentioned state programmes by the German Development Bank KfW were recognised as completely acceptable, which opened up opportunities to fund state programmes at the expense of international partners for the first time in the history of independent Ukraine.

Such estimation of state programmes by KfW could be possible due to the fact that the mechanism for compensating interest rates under the programmes was based on the best international practice, as well as proven approaches to implementing the BDF's own programmes, for example, using escrow accounts.

On completion of the Project, an international auditing company conducted an audit, which confirmed the targeted use of international financial assistance funds to refinance payments on MSME loan interest compensation in accordance with the terms of the state programmes.

The Project set a successful precedent for funding state programmes of MSME support with funds from international partners, and the range of these partners is constantly growing.

2. Since 2020, under the Loan Agreement ("Acceleration of Private Investments in Agriculture Programme" Project) between Ukraine and the International Bank for Reconstruction and Development dated 27 August 2019 No. 8973-UA (hereinafter referred to as the Loan Agreement), a joint project with the World Bank "Acceleration of Private Investments in Agriculture Programme" (hereinafter referred to as the Project) has been implemented.

Due to the military aggression of the Russian Federation on the territory of Ukraine in 2022 and in order to ensure the maximum effect from the Project implementation, the Ministry of Finance, by letter dated 21 October 2022 No. 19050-15-7/24437, requested the World Bank to consider restructuring it, in particular in terms of optimising existing indicators and introducing new indicators regarding the programme to support agricultural producers' access to loans and funding priority programmes to support agriculture in 2023.

To ensure functioning of the economy and support businesses, including funding agricultural producers for agricultural activities under martial law introduced by the Decree of the President of Ukraine dated 24 February

2022 No. 64 “On the Introduction of Martial Law in Ukraine”, under KPKVK (programme classification code for expenditures and lending) 3501540, ₪2,326,382,220,000 was allocated to the Ministry of Finance (including ₪1,785,482,800,000 from the general fund of the state budget, ₪540,899,400,000 from the special fund (with revenues determined by paragraph 1 of Resolution No. 438 as a source)) to provide state financial support under Procedure No. 28.

In 2023, the Accounting Chamber of Ukraine conducted a financial audit of the “Acceleration of Private Investments in Agriculture Programme” project. Its results are detailed in the report approved by the decision of the Accounting Chamber dated 23 May 2023, No. 11-1



3. Given the successful experience of implementing the previous budget expenditures refinancing project under the “Affordable Loans at 5–7–9%” Programme and the growth of MSME loan portfolio under the Programme during the war, the German Government decided to introduce a new project, “Anti-Crisis Support for the Sustainability of the Ukrainian Economy,” which was funded by a grant of €50 million, or ₪2.0 billion.

The respective grant and separate agreements between the Ministry of Finance of Ukraine, KfW, and the BDF were concluded on 30 November 2023.

Grant funds were used to reimburse budget expenditures for the payment of financial support to a specific group of MSMEs under the “Affordable Loans at 5–7–9%” Programme in 2022 and the first half of 2023.

Grant support ensured sustainable funding for Ukrainian entrepreneurs in the context of martial law under the “Affordable Loans at 5–7–9%” Programme, which had an effective impact on the financial and economic stability of the country.

4. In November 2023, the World Bank joined the initiative of refinancing budget expenditures under the “Affordable Loans at 5–7–9%” Programme as part of the Agriculture Recovery Inclusive Support Emergency (ARISE) project.

To fund the ARISE project, a grant (for \$320 million) and a loan (for \$230 million) agreements were concluded between Ukraine and the International Bank for Reconstruction and Development.

To refinance budget expenditures under the “Affordable Loans at 5–7–9%” Programme as part of the ARISE project, \$270 million in grant funds and \$230 million in loan funds were allocated, i.e. a total of \$500 million, or ₪18.02 billion.

The Ministry of Finance of Ukraine took the role of the borrower from Ukraine, and the agreement itself, in accordance with the decision of the President of Ukraine, was signed by the Minister of Agrarian Policy and Food of Ukraine, since the IBRD project was focused on supporting agricultural enterprises in Ukraine.

The main goal of the project was to maintain farmers’ access to funding to reduce the cost of borrowing despite the war, so that they could continue agricultural production in 2023 and 2024.

KfW	THE WORLD BANK	KfW	THE WORLD BANK
₪4,79 B	₪2,3 B	₪2,0 B	₪18,02 B
2022	2022	2023	2023

Thus, **the total amount of international assistance for refinancing budget expenditures under the “Affordable Loans at 5–7–9%” Programme during 2022–2024 was ₪27.1 billion.** This is more than 60% of the Programme budget for three years, which amounts to ₪43.0 billion.

In 2024, the Accounting Chamber of Ukraine conducted a comprehensive audit of how the Business Development Fund implements all state programmes to support the funding of MSMEs on the topic “State Financial Support for Businesses under Martial Law,” including the targeted use of international aid funds to refinance budget expenditures.

The audit did not reveal significant violations of the procedure for using budget funds when providing financial support to business entities, and the effectiveness and efficiency of state financial support for micro, small, and medium enterprises under state programmes implemented by the BDF were confirmed.

Results of the audit can be found in the Accounting Chamber report on the topic “State Financial Support for Businesses under Martial Law” at:



## 5.4. BDF Loan Guarantee Programme

### Programme deliverables with regard to loan guarantees as of 1 January 2025

<b>5</b> number of authorized banks	<b>₺1,884.2 M</b> MSME portfolio with fund guarantee	<b>₺1,350.82 M</b> guaranteed SME portfolio	<b>₺505.9 M</b> guarantee fund size	<b>₺11.92 M</b> guarantee fund gains (fee)	<b>₺6.3 M</b> Amount of guarantees paid	<b>1,12%</b> warranty events
--	--	---	---	--	---	------------------------------------

Since 2020, under the “Affordable Loans at 5–7–9%” State Programme, the Fund continues to provide portfolio state loan guarantees through authorised banks for loans to MSMEs. The mechanism for introducing loan guarantees assumes that the state covers part of the credit risk of MSMEs, thus encouraging the expansion and growth of bank lending.

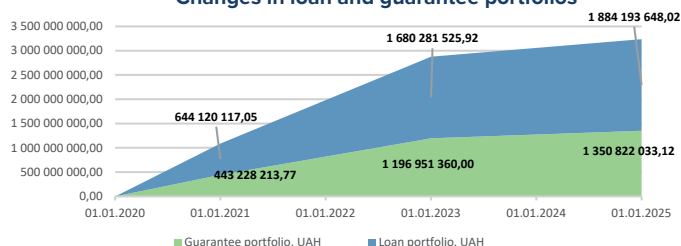
The main terms of loan guarantees are determined by the Procedure for Providing Financial State Support to Small and Medium-Sized Enterprises, approved by the Resolution of the Cabinet of Ministers of Ukraine No. 28 dated 24 January 2020.

To implement the loan guarantee mechanism, the authorised capital of the Fund was increased by ₺500M as per the Procedure for the Use of State Budget Funds Provided for the Operation of the Business Development Fund, approved by the Resolution of the Cabinet of Ministers of Ukraine No. 29 dated 24 January 2020.

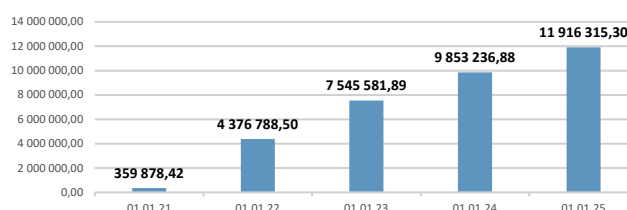
The amount of portfolio loan guarantees provided is from 50% to 80% of the MSME loan amount, but no more than 50% of the total size of the Authorised Bank’s guaranteed MSME loan portfolio.

Since the introduction of loan guarantees, the Fund has provided authorised banks with guarantees in the amount of ₺1.35 B within the MSME credit portfolio of ₺1.88B, and the guarantee fund gains over 5 years amounted to ₺11.9 M. This was achieved owing to the Fund’s guarantee fee accounting for 0.5% of the amount of the MSME guarantee portfolio. Payments on the claims of authorised banks amounted to ₺6.3 M, which is 1.24% of the amount of the guarantee fund.

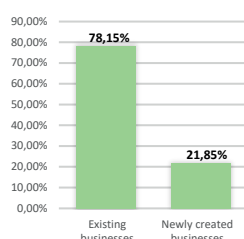
Changes in loan and guarantee portfolios



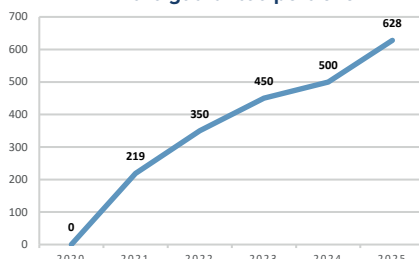
Guarantee fund gains owing to the guarantee fee, UAH



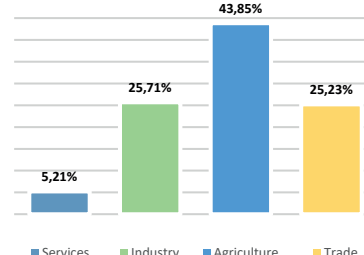
Guarantee portfolio spread by MSME categories, %



Quantitative changes in the guarantee portfolio



Guarantee portfolio sectoral makeup, %



Throughout the “Affordable Loans at 5–7–9%” Programme, authorised banks concluded 628 loan agreements secured by the Fund’s guarantee. The majority of the guaranteed portfolio consists of loans provided to representatives of existing businesses, which is due to the need to cover risks that arise when MSMEs conduct business activities under martial law. In terms of industry type, the largest share of the current portfolio is made up of loans secured by the Fund’s guarantee, which were received by agricultural producers. This is primarily due to high risk and low rate of return, which makes the industry particularly vulnerable to crisis phenomena and uncertainty of events. The share of trade and industrial producers is somewhat lower, and the service sector shows significantly lower rates.



# **SUCCESS STORIES**

**“We are here with unwavering faith in the Armed Forces of Ukraine and victory.”**



Serhii Ivanov has been involved in the production of vegetable oil for over twenty-three years. The man set up production in the courtyard of his own estate on the outskirts of Kharkiv.

“We lived in a peaceful and free country, worked honestly, developed business, raised children, planned and built our future until the war came,” says Serhii.

Kharkiv was the first city to come under the cosh of Russian attack, and Kharkiv Oblast and the city itself still suffer major destruction every day. Serhii’s family saw no point in evacuating and stayed in their hometown. But missile arrivals, unexploded ordnance under the fence, mines, and shrapnel forced them to shut down production.

“Stores were not working; logistics were completely destroyed. There was nowhere to buy bread. I gave away over two tons of soybean and sunflower oil to people,” Serhii recalls.

The situation forced him to resume production. Farmers brought 27 tons of soybeans, which they saved from the enemy: “I couldn’t let the results of human labour and money go to waste. I also couldn’t leave animals without forage. I worked under attacks with mines, under explosions, because once the process is launched, it cannot be stopped.”

According to the entrepreneur, a message from PrivatBank about the opportunity to receive a grant for production development from EU4Business came during the most difficult period for his business, when there were significant losses and almost 40-fold decline in production volumes.

“Such financial support solved several problems at once: Where to get funds for raw materials, and how to restore the business. The grant received was spent on the purchase of raw materials, which were processed and sold, and the released funds enabled the withdrawal of working capital to expand the business, to purchase additional modern equipment.”

## **The main thing is faith and love for your business**

Olena and Pavlo Prokopenko from Chernihiv started their family business in 2017, and within seven years became famous in their hometown. They specialise in car and bicycle maintenance and have their own turnery.

At the beginning of the full-scale invasion, the demand for turnery increased most notably. “We serviced critical infrastructure, e.g. ambulance, gas service, territorial defence forces, since we could produce many of the necessary parts ourselves.”

The service station is located at the northern gateway to Chernihiv from the side of Belarus. So, missile arrivals were more frequent. 60% of the infrastructure was destroyed: no windows, no doors, no gates, part of the building and the roof were destroyed, equipment was broken or stolen, and the warehouse was completely destroyed.

“We had to resolve the issue of building insulation and heating. When an estimate was given, we were upset. We realised that we wouldn’t be able to pull through it ourselves. Half a million hryvnias were needed for the windows only,” Olena says.

In search of financial assistance, the woman learned from a friend about the EU4Business grant programme. They filled out an application, and very soon, they received a message to contact Oshchadbank.

“We spent half of the amount on construction materials to insulate the building. With the rest, we bought a machine tool, because the two old ones were completely destroyed. It’s good that helpful programmes are emerging in Ukraine. This is very important now, and this is real. You should search, try, not sit and wait.”



## 5.5. Loan Programmes to Support MSME Funding

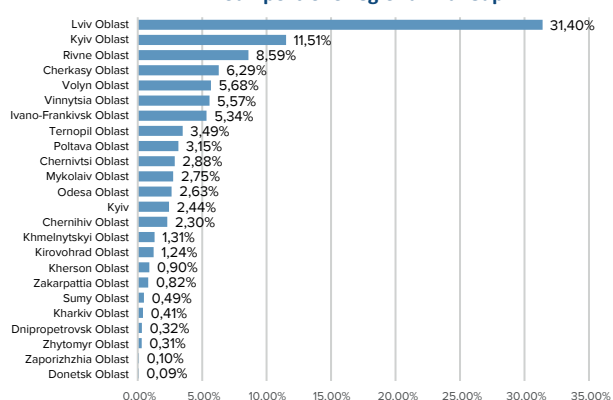
### 5.5.1. Microlending Programme

#### Key properties of the Programme

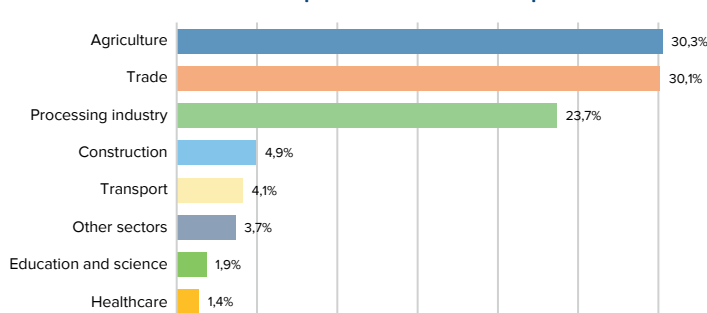
Programme objectives	Providing loans for micro, small and medium enterprises (MSMEs) and introducing a microlending system in partner banks
Launch	1997
Funding source	The Fund's equity
Amount of funding	€23.92 M
Partner banks under the Programme:	
Current liability of partner banks	€17.60M
Interest rate for MSMEs	Market rate, without limitations
Number of loans granted for MSMEs since the Programme launch	164,426
Size of MSME loan portfolio since the Programme launch	€861.08 M
Priority sectoral areas	All MSMEs without limitations related to business activity types <i>(except for classes excluded from financing according to the 2010 KVED [Classifier of Economic Activities])</i>

#### Key deliverables of the Microlending Programme as of 1 January 2025

##### Loan portfolio regional makeup

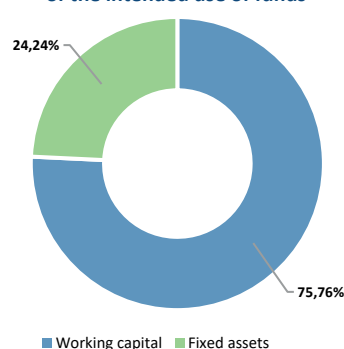


##### Loan portfolio sectoral makeup



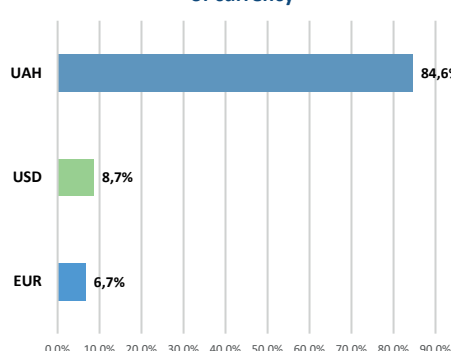
In terms of the sectoral makeup of the loan portfolio, loans to MSMEs obtained in the agriculture, trade, and processing industry sectors significantly dominate. Loans to enterprises in the western and central regions, which are safer and farther from the combat area, predominate.

#### Loan portfolio makeup in terms of the intended use of funds



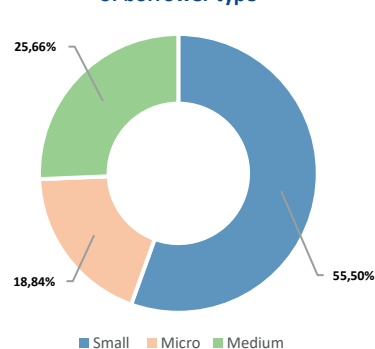
In terms of the intended use of loan funds received under the Programme, the majority, i.e. 2/3 of the portfolio, are short-term loans received to replenish working capital.

#### Loan portfolio makeup in terms of currency



To mitigate currency risks, the top requested loans are those in the national currency, which account for 84.6% of the loan portfolio. The share of foreign currency loans is much smaller: 8.7% in USD and 6.7% in EUR.


#### Loan portfolio makeup in terms of borrower type



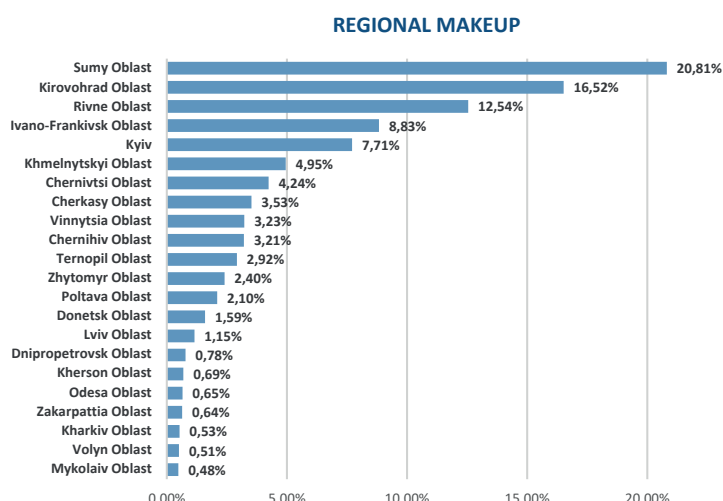
The largest target group of borrowers is small enterprises, which account for 55.50% of the loan portfolio; the share of micro enterprises and medium enterprises is 25.66% and 18.84%, respectively.

## 5.5.2. MSME Lending Programme in Priority Sectoral Areas

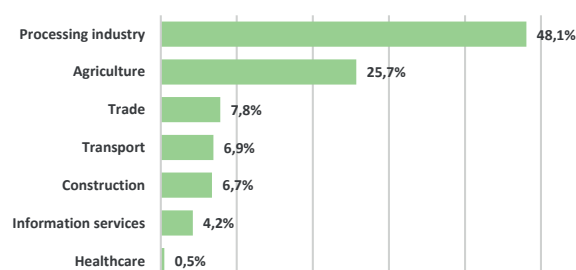
### Key properties of the Programme

Programme objectives	Providing loans for micro, small and medium enterprises (MSMEs) that work in Ukraine's priority industries
Launch	2010
Funding source	The Fund's equity
Amount of funding	€202.9 M
Partner banks under the Programme:	
Current liability of partner banks	€190.0M
Interest rate for MSMEs	UIRD (3 months) + 5 p.p.
Number of loans granted for MSMEs since the Programme launch	605
Size of MSME loan portfolio since the Programme launch	€786.21 M €17.99 M
Priority sectoral areas	agriculture, processing industry, hotels and restaurants, ecotourism, construction (including construction of utility networks), energy efficiency

### Deliverables of the MSME Lending Programme in Priority Sectoral Areas as of 1 January 2025

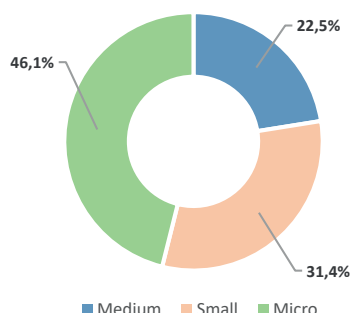


### LOAN PORTFOLIO SECTORAL MAKEUP

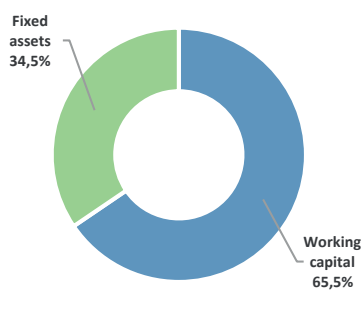


The results shown in the report highlight priority sectoral areas of the Programme, with the largest share of loans falling on the processing industry (48.1%) and agriculture (25.7% of the portfolio). The leading oblasts by enterprise location are Sumy Oblast (20.81%), Kirovohrad Oblast (16.52%), and Rivne Oblast (12.54%).

### LOAN PORTFOLIO MAKEUP IN TERMS OF BORROWER TYPE

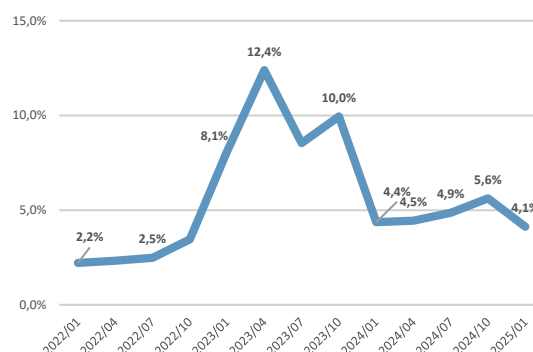


### LOAN PORTFOLIO MAKEUP IN TERMS OF THE INTENDED USE OF FUNDS



Loan portfolio spread by the intended use of funds demonstrates the demand for loans aimed at supporting short-term liquidity, foremost covering current expenses, purchasing raw materials for the processing industry, and covering costs for agricultural activities; the share of such loans accounts for 65.5% of the portfolio. Among the target groups of the Programme, the largest share falls on representatives of micro businesses (46.1%), and a slightly smaller share accounts for medium enterprises (22.5%) and small enterprises (31.4% of the portfolio).

### LEVEL OF TROUBLED DEBT



With the beginning of the full-scale invasion, which led to the destruction of production facilities and the suspension of enterprise operations in 2022–2023, the level of overdue loans within the Programme increased to 12.4%. However, from 2024 onwards, with the resumption of production and an increase in borrowers' solvency, loan arrears significantly decreased, and their share did not exceed the 5% level provided for by programme terms.

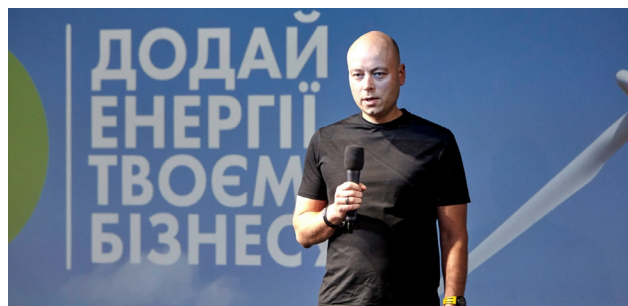




#### 5.5.4. Programme to support energy efficient investment of SME “Bring Energy to Your Business”

The Business Development Fund launched the “Bring Energy to Your Business” Programme in December 2022, which aims to support energy-efficient investments. The German government initiated this project through the German Development Bank. Accordingly, on 25 July 2022, the German Development Bank KfW, the Ministry of Finance of Ukraine, and the BDF concluded a loan and grant agreement. The programme’s main goal is to support the funding of energy-efficient business investments, which will reduce energy consumption and CO2 emissions. This will increase enterprises’ competitiveness and protect the environment.

It was the “Bring Energy to Your Business” Programme that gave entrepreneurs a powerful impetus to attract energy-efficient investments, namely a purchase of solar panels for their business activities, which makes them energy independent.



#### “Refinancing Energy Efficient Investments of SMEs of Ukraine through the Financial Sector” Programme



##### INVESTMENT COMPONENT

Loan provided by the BDF through KfW to finance energy-efficient investments of SMEs through partner banks:

Loan amount: **€7 M**

Loan period: **30 years (until 2052)**

Loan repayment grace period: **first 10 years**

Interest rate: **2.00% per annum**

Loan origination fee: **0.25% per annum**



##### ADVISORY COMPONENT

Technical support (grant) for the implementation of accompanying measures under the Program:

1. Amount of technical support: **€400,000**

2. Uses of technical support:

- Developing energy-efficient solutions for SMEs
- Advisory support to partner banks on developing a lending system for energy-efficient investments of SMEs
- Advisory support to the Business Development Fund on the implementation of international environmental and social standards in its activities

## programmes



### Results of Investment Component: growth pattern of the Programme loan portfolio as of 1 January 2025

### Changes in total loan portfolio under the Programme, UAH



### Changes in loan portfolio under the Programme by partner banks, UAH



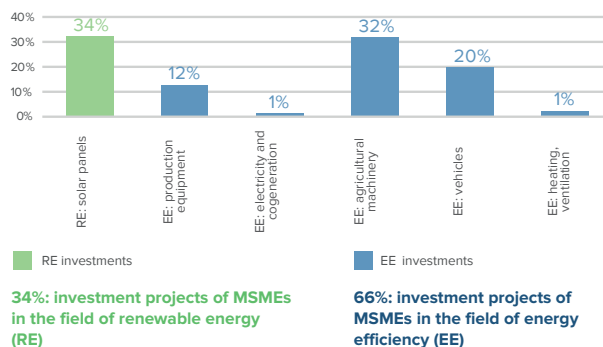
Analysing Programme deliverables, it is safe to say that the “Bring Energy to Your Business” Programme has enabled our entrepreneurs to implement energy-efficient investments in their businesses, making them energy-independent despite constant power outages all over Ukraine. The demand for lending resources is high both from banks and from entrepreneurs. Partner banks ensured almost full use of loan funds under the Investment Component of the Programme

## Results of Investment Component: transformation of loan funds of the Programme as of 1 January 2025

### Transformation in the loan portfolio of MSMEs, UAH

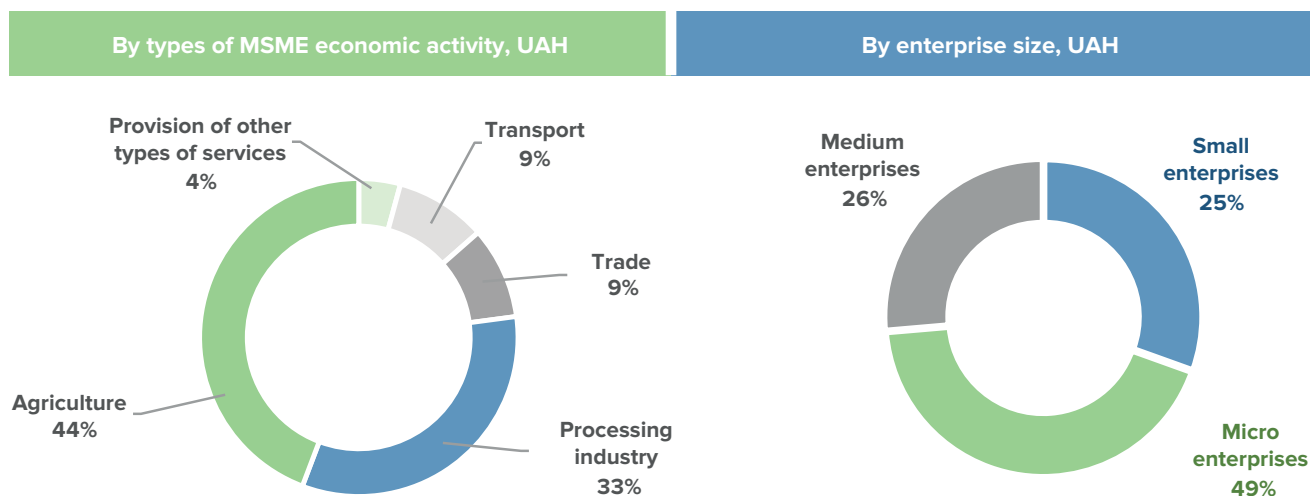


### Transformation in MSME investment project types, UAH



Partner banks support an 86% high level of transformation of the Investment Component loan funds. The most common uses for energy-efficient investments are the purchase of solar panels (34%), agricultural machinery, and uninterruptible power supplies (66%).

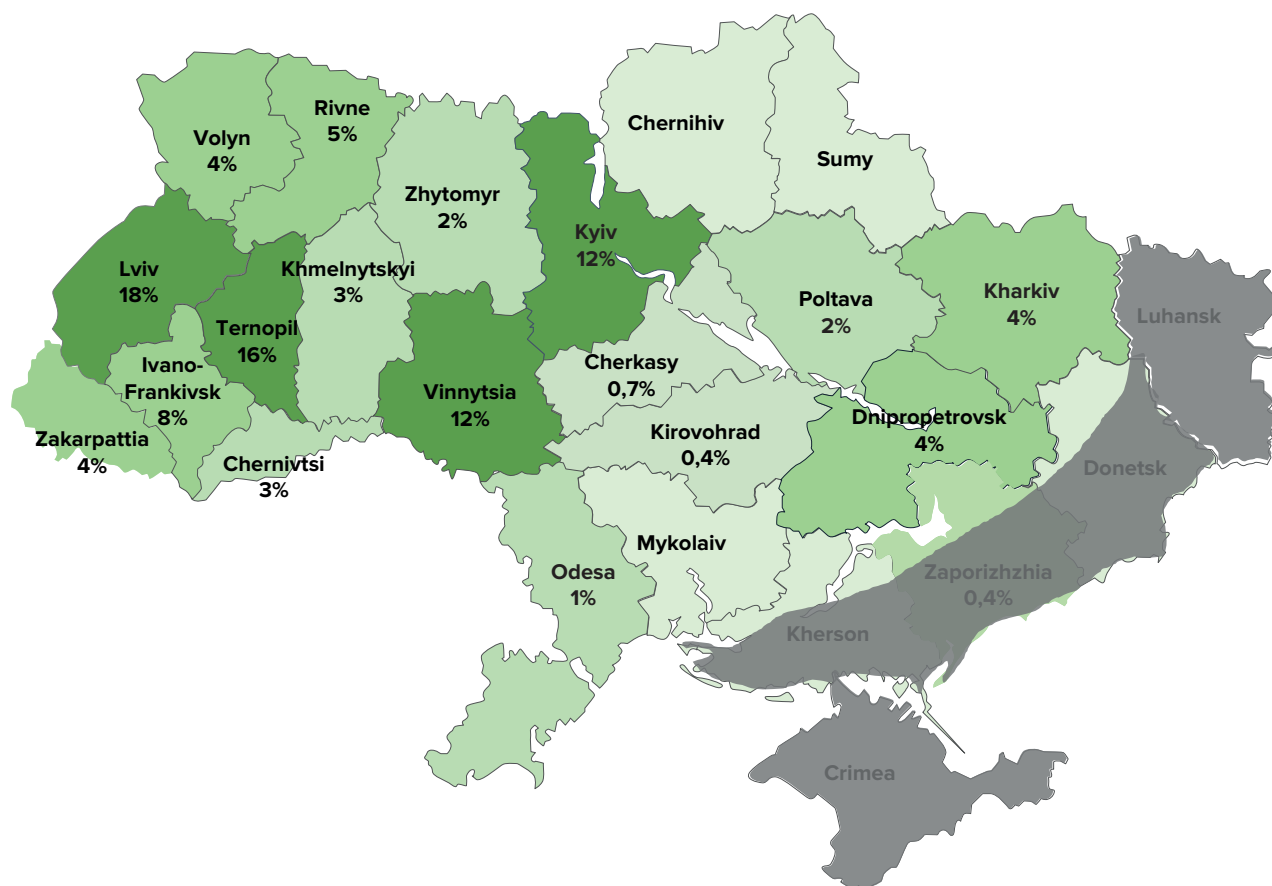
### Results of Investment Component: MSME loan portfolio makeup under the Programme as of 1 January 2025



The most prevalent loans were those aimed at financing the renewal of agricultural machinery for entrepreneurs engaged in agriculture (44%). The processing industry (33%) ranked second. This industry focused mainly on acquiring solar power plants and power generators to ensure uninterrupted operation in the face of massive attacks on energy infrastructure.

The Business Development Fund has achieved the programme's main goal of supporting the smallest entrepreneurs in Ukraine; currently, this share is 49%. This confirms that energy-efficient technologies and approaches have begun to penetrate micro and small enterprises, partly due to the Energy Efficiency Solutions Guide developed within the framework of the FRM-III Project.

### Results of Investment Component: MSME loan portfolio makeup by regions as of 1 January 2025



The programme functions in almost all regions of Ukraine, including oblasts most affected due to the war (Zaporizhzhia, Kharkiv, Dnipropetrovsk, and Odesa)

### 5.5.5. Programme for Foreign Exchange Risk Hedging on MSME Loans

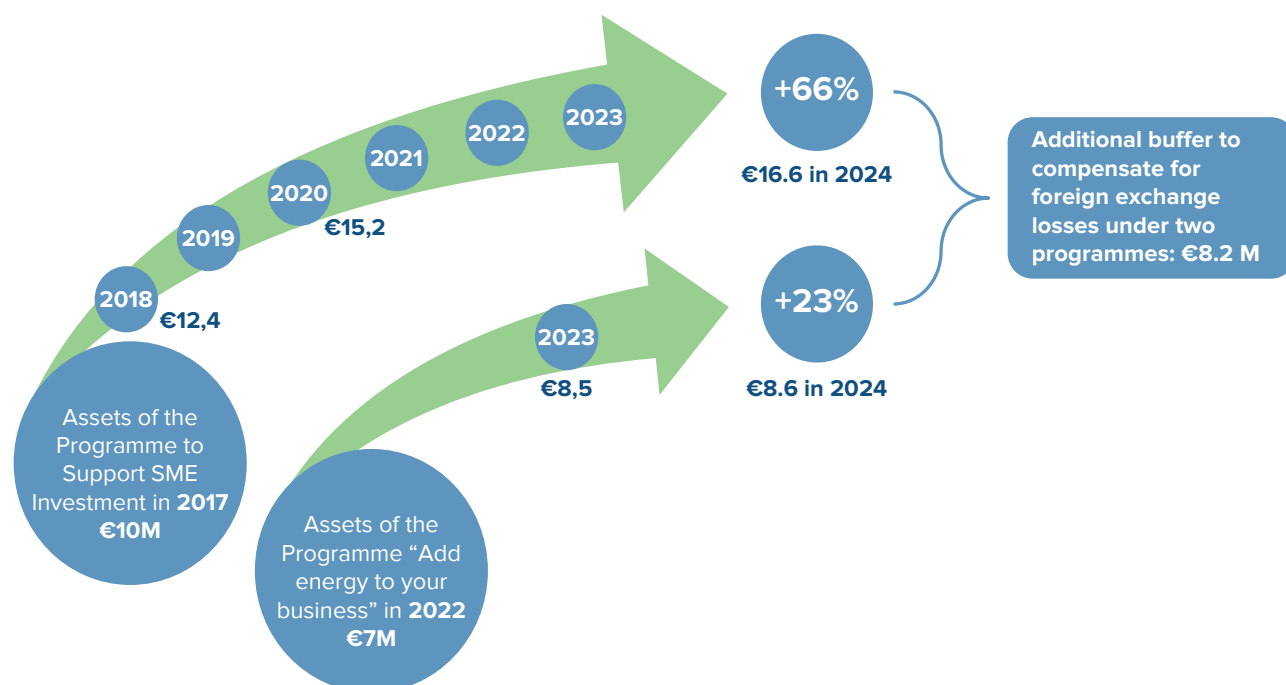
To introduce a model of lending to MSMEs in the national currency using foreign currency funds raised from the German Government through KfW in EUR, the German Development Bank KfW has reached an agreement with the European Union to attract a grant of €5 M under the EU4Business initiative to compensate for losses of the Business Development Fund (BDF, Fund) due to hryvnia devaluation. To implement this initiative, on 6 April 2017, the Fund and KfW signed an Agreement on Compensation for Losses from Foreign Exchange Risk, whereunder KfW provides financial compensation in an amount not exceeding €5 M within 160 months from the date of signing.

Under the agreement, the European Union, through KfW, covers the BDF's first losses in the amount of 30% of the national currency devaluation. The Fund bears the remaining losses when lending to MSMEs in the national currency.

The Fund will use the funds from the EU grant to partially compensate for actual losses due to devaluation of hryvnia against euro in terms of repayment of the principal amount of loans by the Fund's partner institutions under two loan programmes, "Support for Funding SME Investment Projects" in the amount of €10 M and the programme to support energy efficient investments of SME "Add energy to your business" in the amount of €7 M.

The Fund treats the Compensation Agreement as a derivative financial instrument and measures it at fair value using an option pricing model (Garman-Kohlhagen standard form using the Black-Scholes formula).

The model of MSME lending in the national currency has demonstrated its high efficiency: Since the model was introduced in 2017, the grant amount was used in full only in 2024. During the same period, assets under the two loan programmes increased by €8.23 M, actually becoming an additional buffer that would be used in the future to compensate for the BDF's foreign exchange losses in the context of MSME lending in the national currency.



Over the seven years of the model's operation and due to the revolving use of programme funds, their assets have increased by €8.2M.

Owing to the EU grant, the foreign exchange losses of the BDF were compensated

The model created an additional buffer to compensate for future losses through the income received



## 5.6. International MSME Grant Support Programmes

### 5.6.1. Additional component of the FINANCEAST programme to support small farms in western Ukraine

Taking into consideration the full-scale military invasion of Russian troops and the armed attack of the Russian Federation on the territory of Ukraine on 24 February 2022, the EU and KfW decided to carry out internal redistribution of funds previously released under the FinanceEast Programme, which were initially intended for additional provision of subsidies and reimbursements to MSMEs from eastern Ukraine, and additionally redistributed funds from the project budget to support MSMEs—agricultural producers (hereinafter referred to as agro-MSMEs) from the western regions of Ukraine, which are engaged in growing of cereals, namely wheat and rye. This decision was made by the EU and KfW to support the sowing campaign of Ukrainian farmers, taking into account the importance of Ukraine in the global cereals supply chain, as well as to ensure Ukraine's food security.

Due to the leap in prices for mineral fertilisers not only in Ukraine, but also throughout the world, the EU financial support aimed to partially reimburse the cost of mineral fertilisers necessary for proper sowing and ensure a high-quality harvest.

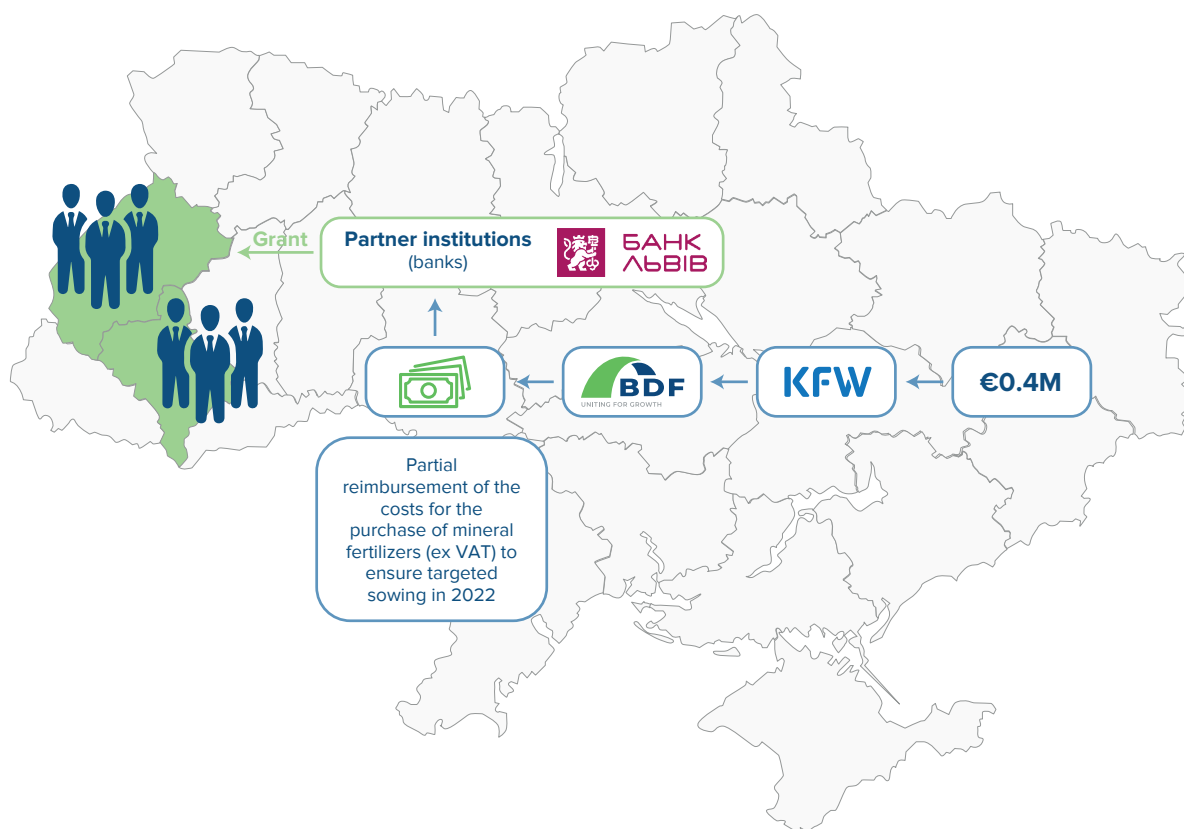
To implement the decision taken after the start of the war, KfW in liaison with the BDF determined the main parameters of the future Programme; selected BANK LVIV as a partner institution, since it is an active partner institution for both KfW and the BDF, and also operates only in the western Ukraine; developed eligibility criteria and selected agro-MSMEs from Lviv and Ivano-Frankivsk Oblasts (the regions most distant from direct hostilities); established conditions for the provision and targeted use of the EU financial support, as well as total limit of financial support for all agro-MSMEs. Such conditions were included in the Finance Agreement and in the separate agreement between KfW and the BDF in the form of additional agreements concluded between the parties.

Under the terms of additional agreements concluded between KfW and the BDF, the BDF developed an additional component of the FinanceEast Programme with a detailed description of all criteria and parameters for its implementation, and concluded a cooperation agreement with the partner institution BANK LVIV within the additional component of the Programme, which determined the following:

- a clear list and details of 10 agro-MSMEs from Lviv and Ivano-Frankivsk Oblasts, which may receive financial support;
- total limit of financial support equal to €384,160,00; the funds are paid to all the approved agro-MSMEs in the national currency only (in hryvnia equivalent);
- the procedure for calculating and the amount of financial support to be paid to each of the approved agro-MSMEs;
- targeted use of the funds received as financial support: partial co-funding of purchase and/or partial reimbursement of the costs incurred by agro-MSMEs for the purchase of mineral fertilisers to ensure their targeted sowing of wheat and rye in 2022;
- the procedure for providing/transferring financial support to agro-MSMEs: Funds are provided in the form of grants (non-refundable financial assistance) without the need/obligation for agro-MSMEs to conclude loan agreements with a partner institution.

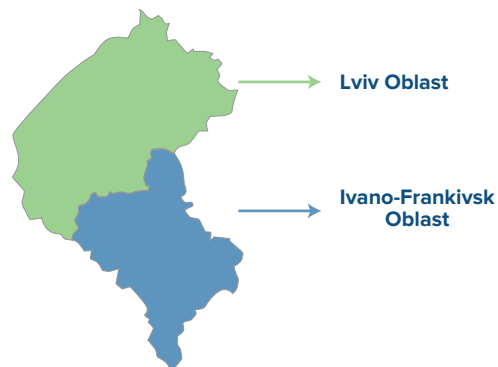
Under the cooperation agreement concluded with the partner institution BANK LVIV, in the period until 7 November 2022, the BDF transferred the entire volume of the EU financial support amounting to ₴13,687,829.01 (equivalent to €384,160.00) to all approved agro-MSMEs. Owing to the EU financial support, agro-MSMEs managed to harvest almost 14,000 tons of cereals. This is the best confirmation of the fact that the additional component of the FinanceEast Programme has been successfully implemented.

## Introduction and implementation of an additional component of the FINANCEAST programme



### Outcomes of additional component

Amount of the EU financial support to agro-MSMEs from Lviv and Ivano-Frankivsk Oblasts



SUCCESS STORY OF THE ADDITIONAL COMPONENT  
OF THE FinanceEast PROGRAM



## 5.6.2. Project “Access to Finance and MSME Resilience Support—Stage I”






To support and restore funding for investment projects of MSMEs registered in Ukraine (except for temporarily occupied territories as listed by the Resolution of the Cabinet of Ministers of Ukraine, dated 6 December 2022 No. 1364 “Some Issues of Forming a List of Territories where Hostilities Were Conducted or Temporarily Occupied by the Russian Federation”) which carry out their business activity in territories controlled by the Government of Ukraine, under the International Technical Assistance Program “Application and Implementation of the Association Agreement between the EU and Ukraine in the Field of Trade,” funding of investment projects of Ukrainian small and medium enterprises in the context of war is supported which involves compensation of up to 30% of their cost. The support was focused on relocated enterprises and non-relocated enterprises that planned to invest in their production activities. The total budget of the initiative will be €2,400,000.

Funding was provided by the German Government. The initiative was implemented by the German government company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in liaison with the German Sparkassenstiftung, the Business Development Fund, and, at the first stage, with two Ukrainian banks, Bank Lviv and Oschadbank.

### Terms of the Project “Access to Financing and Support of Sustainability of SMEs in Ukraine”

<b>OBJECTIVE</b>	Restoring SME investment funding in the context of war and supporting business relocation
<b>WAY TO ATTAIN</b>	Compensation of up to 30% of the amount of SME investments in fixed and working capital from grant funds

 <b>Micro enterprises</b> up to 20 employees	 <b>Up to €2 M</b> Annual income	 <b>Small enterprises</b> up to 50 employees	 <b>Up to €5 M</b> Annual income	 <b>Medium enterprises</b> up to 250 employees	 <b>Up to €10 M</b> Annual income
--	--	--	--	--	---

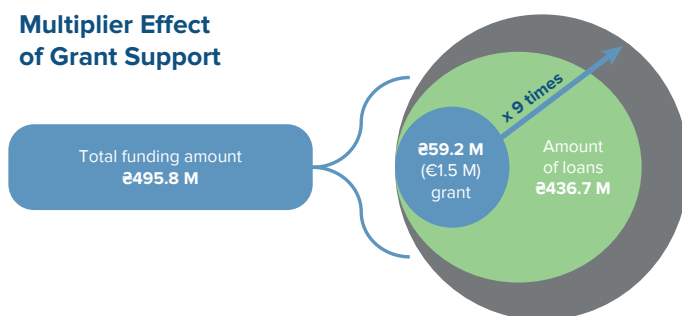
<b>Grant share of the investment project amount</b>  20% for standard SMEs 30% for relocated SMEs	<b>Maximum grant amount</b>  €20,000 for standard SMEs €30,000 for relocated SMEs	<b>Maximum investment project amount</b>  €240,000 (ex VAT)	<b>Minimum loan period</b>  2 years	<b>Interest rate</b>  Close to market average levels in Ukraine
---	---	--	--	--

<b>INTENDED USE</b>	<b>ALLOWED TYPES OF ACTIVITY</b>
---------------------	----------------------------------

Investment loans for the purchase, modernisation or reconstruction of SME's fixed assets  
 Working capital in the volume of up to 100% of the amount, and as part of the subsidised investment project

SMEs should implement investment projects without restrictions on types of business activity

### Multiplier Effect of Grant Support



The diagram shows a significant multiplier effect of providing grants under the support programme. Due to a relatively small amount of grant funds, it was possible to raise a significantly larger amount of loan funding.

This result confirms the high effectiveness of the grant mechanism as a tool to stimulate access to funding for enterprises or projects that need an impetus.

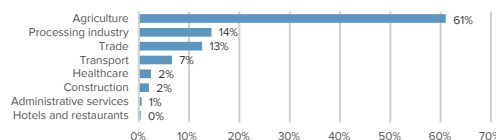
Total investment amount €532.8 M	
55%	45%

#### Investment loans

20%: female entrepreneurs

#### Working capital

2,654 jobs retained



#### Uses of grant funds

<b>50%</b>	<b>45%</b>	<b>13%</b>
Loan repayment	Working capital	Fixed assets



Bank Lviv has provided coverage mainly in the Western territories of Ukraine



Oschadbank has provided support to MSMEs in the Central, Northern and Southern territories, most of which refer to de-occupied regions

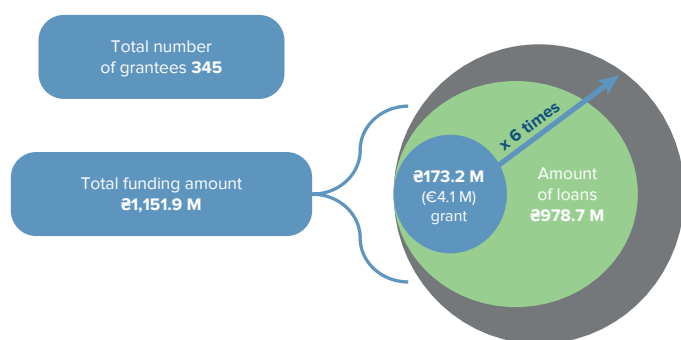
In general, soon after the Project launch, partner banks have covered the entire territory of Ukraine.

### 5.6.3. Project “Access to Finance and MSME Resilience Support—Stage II”

To support and restore funding for investment projects of MSMEs registered in Ukraine (except for temporarily occupied territories as listed by the Resolution of the Cabinet of Ministers of Ukraine, dated 6 December 2022 No. 1364 “Some Issues of Forming a List of Territories where Hostilities Are (Were) Conducted or Temporarily Occupied by the Russian Federation”) which carry out their business activity in territories controlled by the Government of Ukraine, under the International Technical Assistance Program “Application and Implementation of the Association Agreement between the EU and Ukraine in the Field of Trade,” funding of investment projects of Ukrainian small and medium enterprises in the context of war will be supported which involves compensation of up to 30% of their cost. The support will be focused on relocated enterprises and non-relocated enterprises that plan to invest in their production activities. The total budget of the initiative will constitute €4,200,000.

Funding was provided by the **German Government**. The initiative will be implemented by the German government company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in liaison with the German Sparkassenstiftung, the Business Development Fund, and, at the second stage, with two Ukrainian banks and one credit union: Bank Lviv, Oschadbank, Kredobank, Ukrgasbank, and Anisia Credit Union.

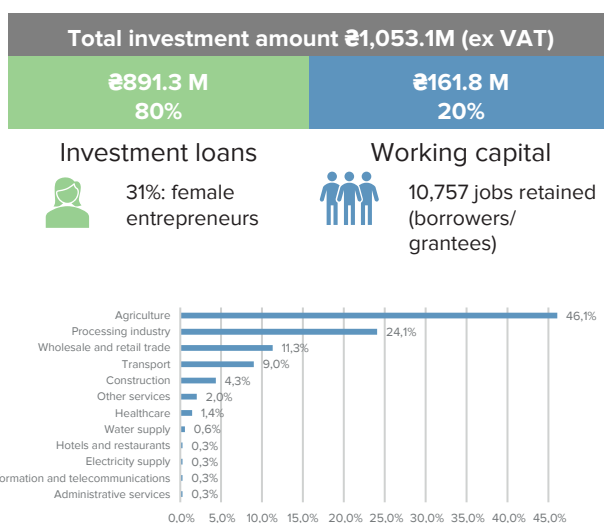
#### Multiplier Effect of Grant Support



The multiplier effect of providing grants under the support programme demonstrates a significant impact on the country's economy—80% of investment loans, which indicates the development and scaling of business activity.

Also, the use of grant funds has changed: 87.5% to fund business expenses, which suggests additional capital investments by enterprises.

Grant support by industry types shows the importance of agriculture and the processing industry for the country's economy.





# SUCCESS STORIES

## “AN INCENTIVE TO MOVE ON”

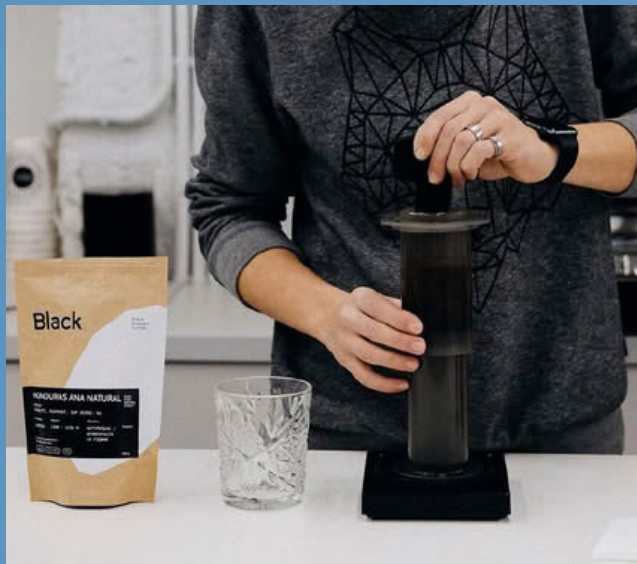
Fresh Black, a brand of top-quality coffee processing with its own import of green beans, is well-known in Ukraine and abroad.

All the company's production facilities are located in the capital city, so at the beginning of the full-scale invasion, the team had to move to Lviv. Then, the company faced many challenges: to stand firm in the market, to retain employees and customers, and to conduct profitable activity.

In November 2022, Fresh Black returned to the capital city and began to make up for lost time. Over the past few years, the company has managed to retain its team, optimise the business, expand its areas of activity, create an export department, and even make its first coffee export shipments.

At the same time, the issues put off by the team were piling up. Thus, a problem with choosing the correct cost allocation base arose.

“This has reached a critical point recently, when we needed to expand the range as well as the sales market. This problem resulted in an inability to calculate the net cost of products correctly and failure to understand in what quantity and at what price the product should be sold,” says Oleksandr Skok, the director.



Then the team learned about the possibility of receiving consultancy support from CMC-Ukraine as part of the “Access to Financing and Strengthening the Resilience of MSMEs in Ukraine—Stage II” Project.

As a result of the consultancy support provided, several important templates were developed: for the company analysis and distribution of operating expenses, for conducting financial analysis using ratios, and a calculator to calculate the SCU price for the channel/segment.

“The cooperation gave us the incentive to keep working and not to rest on oars. Together with the consultants, we were able to do things that had been put off for a long time. Now, we see the impact of pricing on the company's profits. The templates developed and tested have already been proposed for implementation in the company's daily activities,” Oleksandr says.

## “WE FELT SUPPORT AT EVERY STEP”



Before the full-scale invasion, TTX LLC from Zaporizhzhia was engaged in the production of hunting clothing and equipment. But the war forced a change in the business strategy.

First, it became more difficult for the company to ensure a stable supply of materials. Due to the damage to infrastructure and instability in the region, it was almost impossible to expand and control the finished product delivery network.

Decreased affordability, shortage of production personnel, and power outages—all these led to a decline in the company's revenues, and something had to be changed.

TTX LLC joined the “Access to Financing and Strengthening the Resilience of MSMEs in Ukraine” Project with a request for consultancy support from CMC-Ukraine, as they were just launching a new project to produce PatchEra interactive clothing.

Since the company did not have a marketing department, it was decided to focus on getting the most from the consultants: to develop a business model, determine client segments, conduct a competitor analysis, and create value propositions and a brand development strategy.

“Despite the fact that we had few meetings, we felt supported at every step of our journey. The joint effort helped the team rethink the existing strategies, and now we have everything we need for a successful launch. Thanks to you, we can confidently say: “Express your mood and emotions with PatchEra!”, said Yuriy Rusanov, the founder and director.

## 5.6.4. Project to Support Institutional Capacity of Communities and SME Clusters

The Cluster and Community Support Programme's objective is to improve the infrastructure of support for small and medium enterprises (SMEs) through:

- supporting business clusters in Ukraine;
- stimulating restoration and sustainable development of local SME support systems in cities and associations of territorial communities.

The Programme's implementation term was from 1 December 2022 to 31 March 2024. The German Government, through the Federal Ministry for Economic Cooperation and Development (BMZ), in liaison with the European Union, provided funding.

The implementing organisation was the German Federal Company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, under the international assistance programme "EU4Business: SME Competitiveness and Internationalisation."

As a result of the competition:

- 19 territorial communities have received funding of **up to €50,000** each for the implementation of SME development projects;
- 8 clusters have received funding of **up to €25,000** each to introduce systemic support for businesses in Ukraine.

The total budget of the Programme was **€1.2 M** (in fact, **€35.9 M** for implementation of the measures).



### PROGRAMME IMPLEMENTATION

Despite the difficult conditions of life and activity under martial law, Ukrainian society, communities, and businesses are actively working on the economic front. The high level of clusters' engagement with the SME development and their own capacity building speaks for itself. **32 applications from clusters and 45 applications from communities** operating in the territories controlled by Ukraine were submitted as part of the competition.

**8 Ukrainian clusters passed the competitive selection and received funding of up to €25,000 each.**



**20 Ukrainian communities passed the competitive selection and received funding of up to €50,000 each.**



## Yields of cluster support under the Project:



**< 15** Video lectures and training courses



**< 17** Educational events/workshops/training involving over 30 Ukrainian and international experts



**< 520** Participants of workshops/training

As part of the Project implementation, international exhibitions and conferences were visited and participated in: the Netherlands, Belgium, Austria, and Germany



## Yields of community support under the Project:



**< 400** Hours of individual counseling



**< 1100** Hours of expert consulting support/training

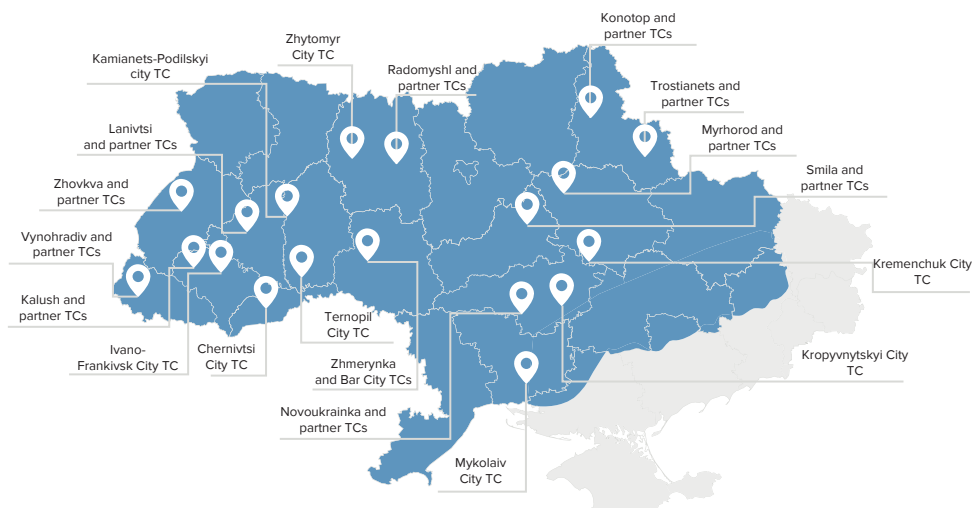


**< 1550** Participants of training



**< 100** webinars, training sessions, lectures

8 roadmaps and 6 web portals/sites were created to improve the business environment





## 5.6.5. EU4Business Grants for Microbusinesses—Stage I

To support and restore microbusinesses in the areas of Ukraine most affected by the hostilities or reoccupied territories, the European Union and the German Government have launched a joint initiative, EU4Business: SME Recovery, Competitiveness and Internationalisation in Ukraine, implemented by GIZ, the German government-owned company.

To implement this initiative, the Foundation, together with the Ministry of Digital Transformation of Ukraine, the Diia Portal, and the Entrepreneurship and Export Promotion Office, developed the EU4Business Microbusiness Grant Programme (the Programme), which was launched in early August 2023.

Programme participants were selected based on the results of three grant competitions:

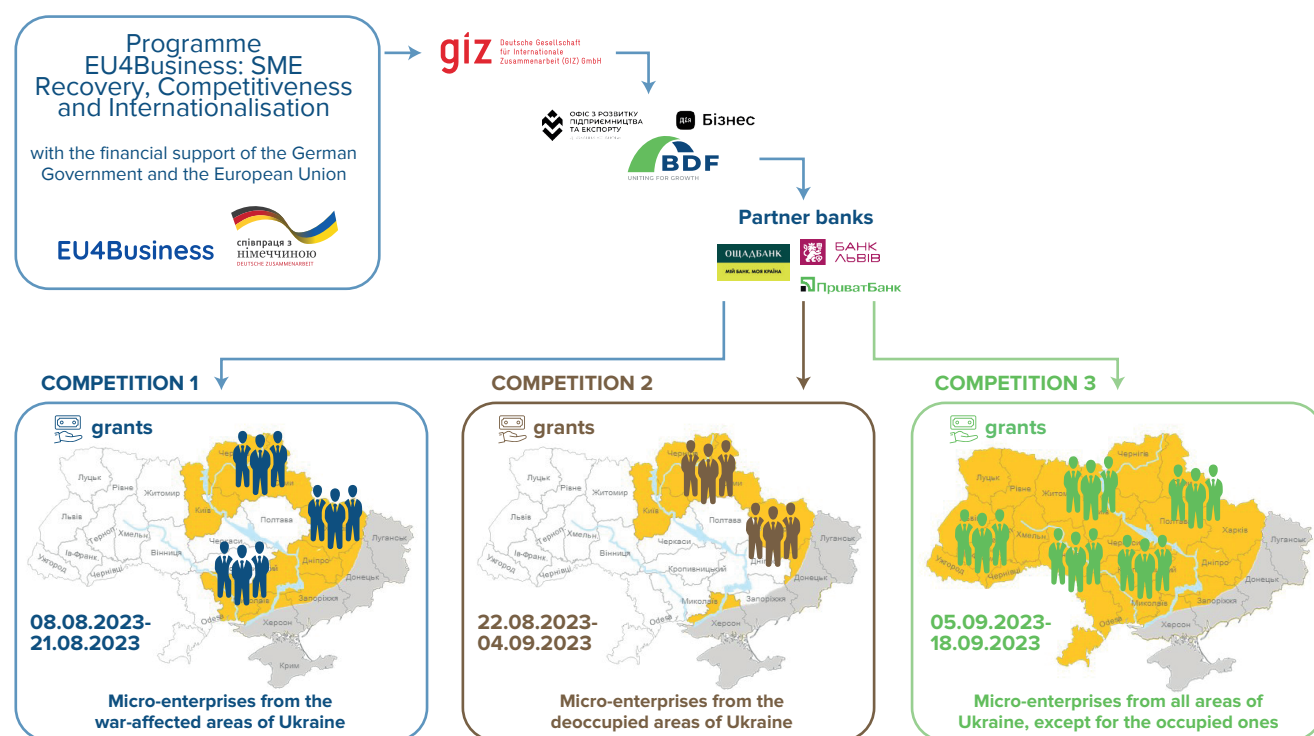
1. The first grant competition was for entrepreneurs in the regions most affected by the war: Dnipropetrovsk, Donetsk, Zaporizhzhia, Kyiv (except Kyiv City), Luhansk, Mykolaiv, Sumy, Chernihiv, Kharkiv, and Kherson Oblasts. Applications were accepted from **8 to 21 August 2023**.
2. The second competition for entrepreneurs from the deoccupied territories of Donetsk, Kyiv (except Kyiv City), Chernihiv, Sumy, Kharkiv and Kherson Oblasts was held from **22 August 2023 to 4 September 2023**.
3. The third competition for entrepreneurs from all other regions of Ukraine, other than the temporarily occupied ones, was held from **5 to 18 September 2023**.

The winners were selected in a fully automated mode to ensure full transparency and impartiality of the decision.

To this end, the Foundation has developed an innovative mechanism for entrepreneur selection and grant provision.

Under the Programme, microentrepreneurs were provided with grants of up to UAH 160,000 aimed at restoring their business activities through three authorised banks: Oschadbank, Privatbank, and Bank Lviv.

Entrepreneurs used the grants to buy equipment, relocate their businesses, purchase raw materials, pay salaries, rent, and cover other business expenses.





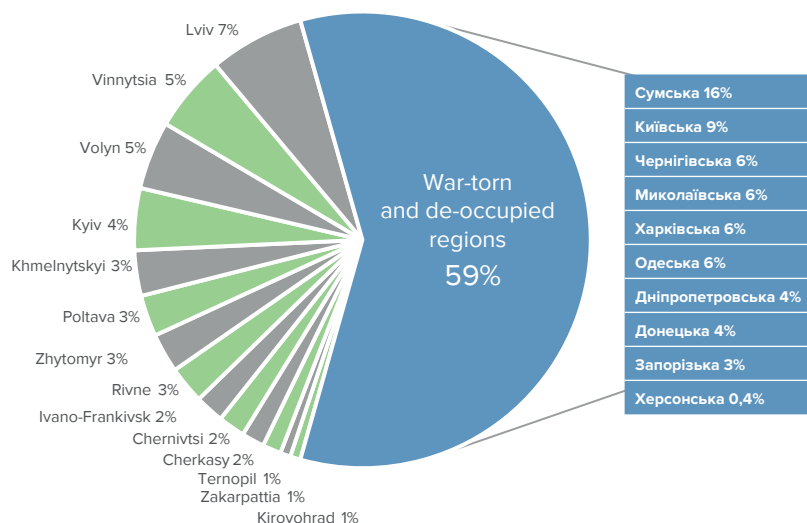
## Outcomes following the implementation of the EU4Business Grants for Microbusinesses Programme (Competition I–III)

### Amount of grants awarded by the oblasts of Ukraine

The top five oblasts in terms of the number of grants awarded to microentrepreneurs are those that were most affected by the war and deoccupied territories: Sumy, Chernihiv, Kyiv, Kharkiv, and Mykolaiv Oblasts.

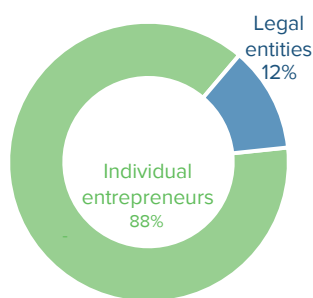
Overall, war-affected and deoccupied areas of Ukraine account for about 60% of the grants provided to microentrepreneurs under the Programme, which confirms the Programme's achievement of its main goal.

Share of grants provided in the war-affected and deoccupied areas, %.

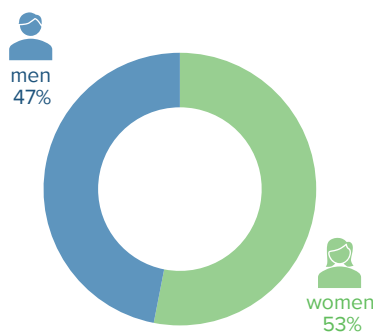


### Number of grants awarded by type and gender of entrepreneurs, as well as areas of grant use

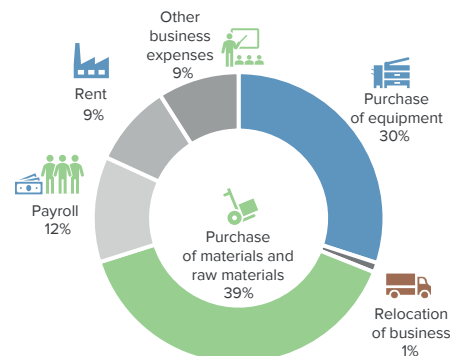
Grants awarded by type of entrepreneur, %.



Grants awarded by gender of entrepreneur, %.



Areas of grant utilisation, %.



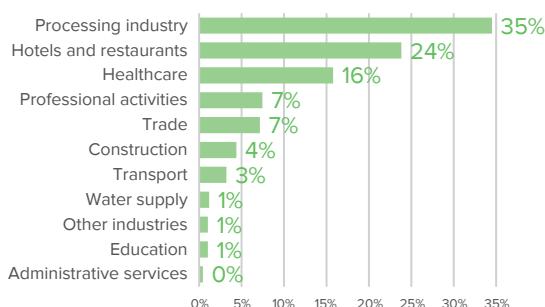
The vast majority of grants (88%) were awarded to micro-enterprises, which is fully consistent with the programme's target audience and goal.

According to Programme outcomes, the largest share of grants was provided to women (53%) who operate as individual entrepreneurs, which evidences the growing role of women in economic activity under war conditions.

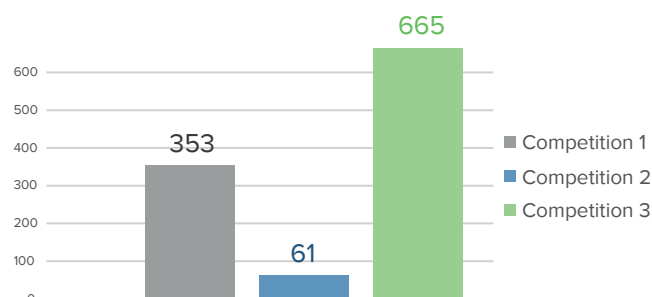
The largest share of grants (about 70%) was spent on buying equipment (30%) and supplies and raw materials (39%) for business activities. These areas of grant utilisation show that entrepreneurs used grants to support resilience and restore their business operations.

### Number of grants awarded by type of entrepreneurs' business activity and jobs created

Grants awarded by type of entrepreneurs' business activity, %.



Number of jobs created or restored by type of competition, pcs.



The grant portfolio is dominated by entrepreneurs operating in the processing industry, which is the main driver of economic recovery and increased budget revenues.

According to the entrepreneurs who were included in the Programme following three competitions, obtaining a grant to restore or maintain business resilience allowed them to create or restore 1,079 jobs, which is especially important in times of war.

**29 February 2024** The Entrepreneurship Development Fund received an award from the Delegation of the European Union to Ukraine for an innovative solution for the simple and transparent provision of EU4Business grants under the EU4Business Micro-Grant Programme.



## 5.6.6. EU4Business Grants for Microbusinesses—Stage II

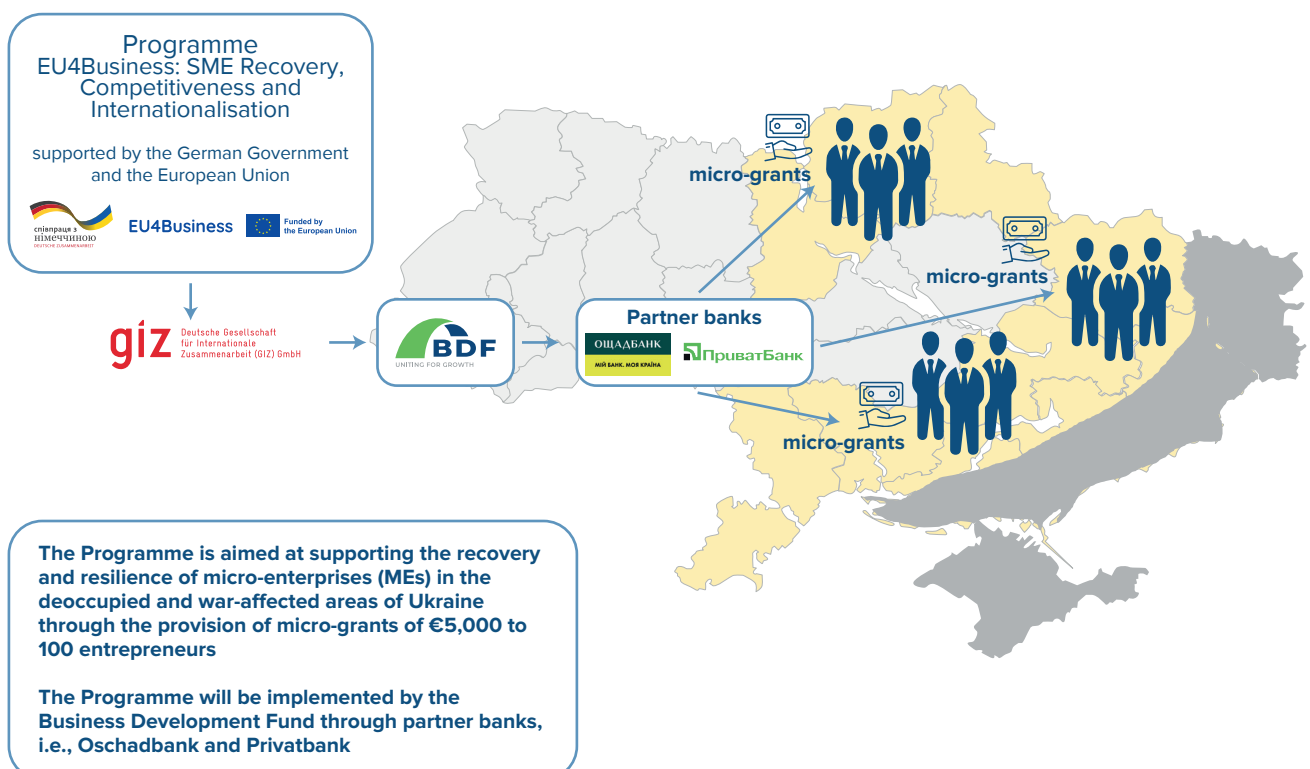
Following three competitions, the European Union and the German Government extended the Programme for the fourth time (Stage II).

Programme participants were selected following the fourth grant competition: the first grant competition was for entrepreneurs in the regions most affected by the war: Dnipropetrovsk, Donetsk, Zaporizhzhia, Kyiv (except Kyiv City), Luhansk, Mykolaiv, Sumy, Chernihiv, Kharkiv, and Kherson Oblasts. Applications were accepted from 2 to 30 September 2024.

The winners were determined automatically using a rating system based on the following key criteria: the level of damage caused by the war, the type of enterprise's economic activity, the quality of the grant funds' utilisation, the enterprise's location in the deoccupied territory, and corporate social responsibility in terms of employment of veterans and people with disabilities.

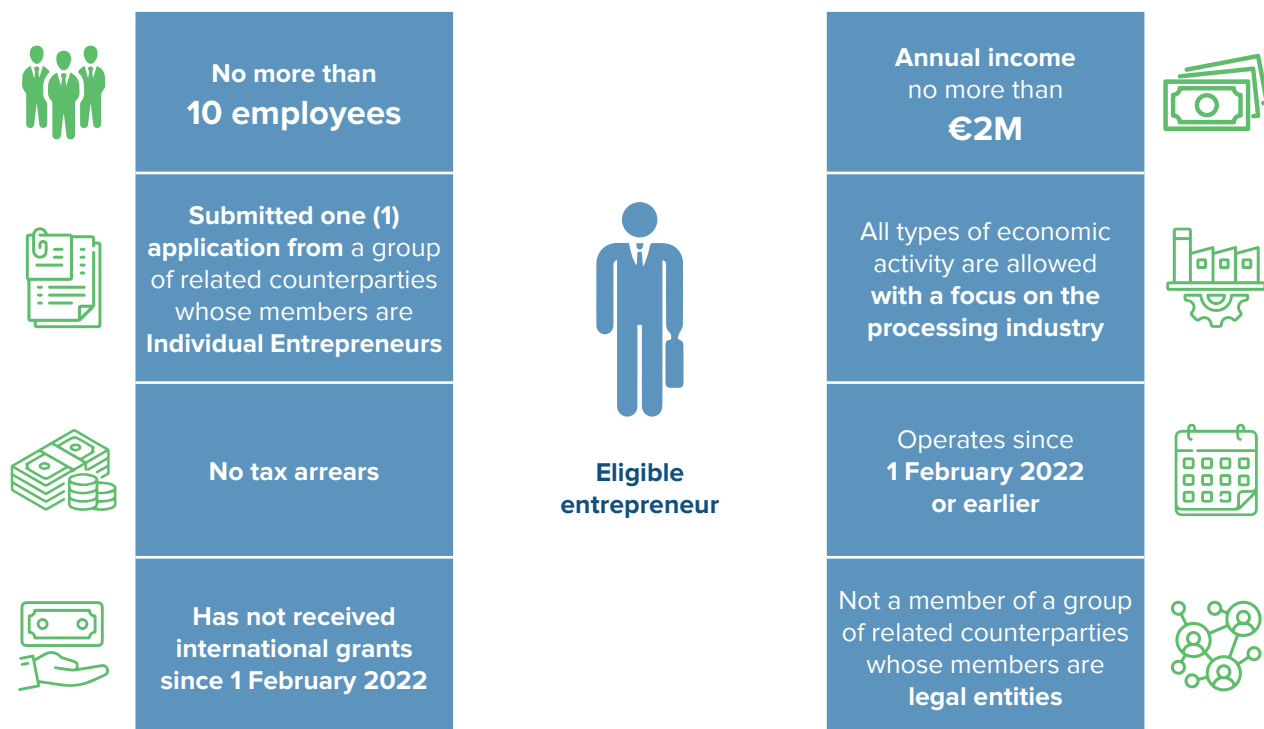
Under the Programme, microentrepreneurs were provided with grants of up to €219,000 to restore their business activities through authorised banks: Oschadbank and Privatbank.

Microgrants finance the purchase of goods, works, and services, excluding value-added tax (VAT), which must be paid out of the microentrepreneur's own funds.



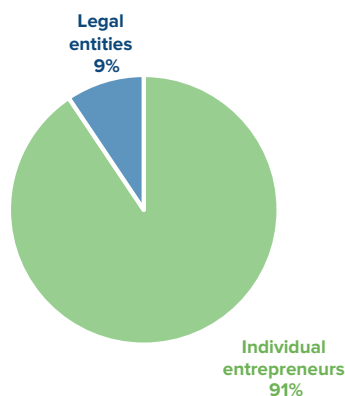


## Who is eligible for EU4Business grants for microbusinesses?

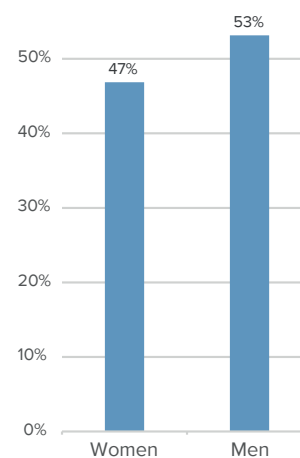


## Outcomes following the implementation of the EU4Business Grants for Microbusinesses Programme—Stage II

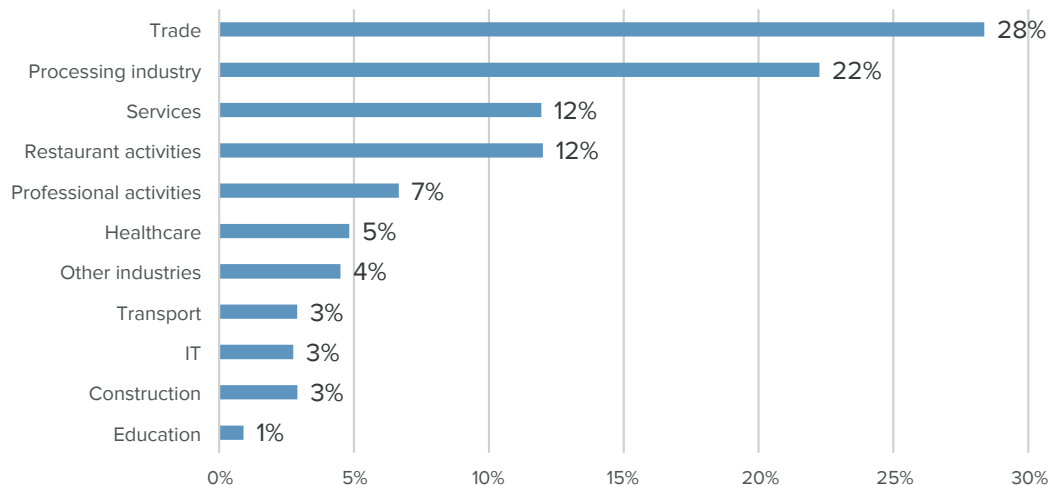
Concluded grant agreements by type of micro-enterprise, %



Concluded grant agreements by gender, %



Concluded grant agreements by type of business activity, %





### 5.6.7. Programme “Support for Energy Resilience of Micro and Small Enterprises in Ukraine”

On 26 November 2024, a project “Support for Energy Resilience of Micro and Small Enterprises in Ukraine” was presented. The project is funded by the Government of the Kingdom of Norway through the Norwegian Agency for Development Cooperation (NORAD) and the Government of Germany and implemented by the German federal company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

The project implementation partner is the Business Development Fund (hereinafter referred to as the Fund or BDF).

To implement the project, the BDF developed the programme “Support for Energy Resilience of Micro and Small Enterprises in Ukraine.” It was launched in December 2024 and involved the assistance of four banks: Oschadbank JSC, Bank Lviv, Sense Bank JSC, and Ukrgasbank JSB.

The programme is designed to strengthen energy resilience and independence of business entities by providing them with grant support to finance the purchase of alternative energy sources (renewable and non-renewable), energy-efficient equipment, as well as related works and services.

The Programme budget for the payment of financial support to MSMEs is €1.65 M.

The Programme implementation for enterprises, depending on their type (micro or small), is divided into two components:

- **Component I. 80 grants for micro enterprises** in the amount of up to €10,000 aimed at funding investments for the purchase of alternative energy sources (renewable and non-renewable), energy-efficient equipment, as well as related works and services.
- **Component II. 43 grants of up to €20,000**, provided in combination with bank loans **for small enterprises**. Upon condition of successful implementation of energy investments, a small enterprise receives reimbursement in the amount of up to 40% of the current debt under the loan obtained to finance it.

Programme participants will be selected based on the results of a competitive selection, with the winners being determined automatically using the ratings-based approach on the “Financial Aid Navigator” IT Portal of the Fund based on the following main criteria: The level of energy dependence of the business; type of business activity; quality of electricity generation sources; belonging to the regions of Ukraine with the most affected energy infrastructure; the level of debt burden of the enterprise and the number of jobs saved, primarily among veterans or internally displaced persons.

The Programme is available to all regions of Ukraine, but greater advantage will be given to entrepreneurs registered and operating in the regions of Ukraine that have suffered the most damage to the energy infrastructure and, accordingly, have longer stabilisation outages.

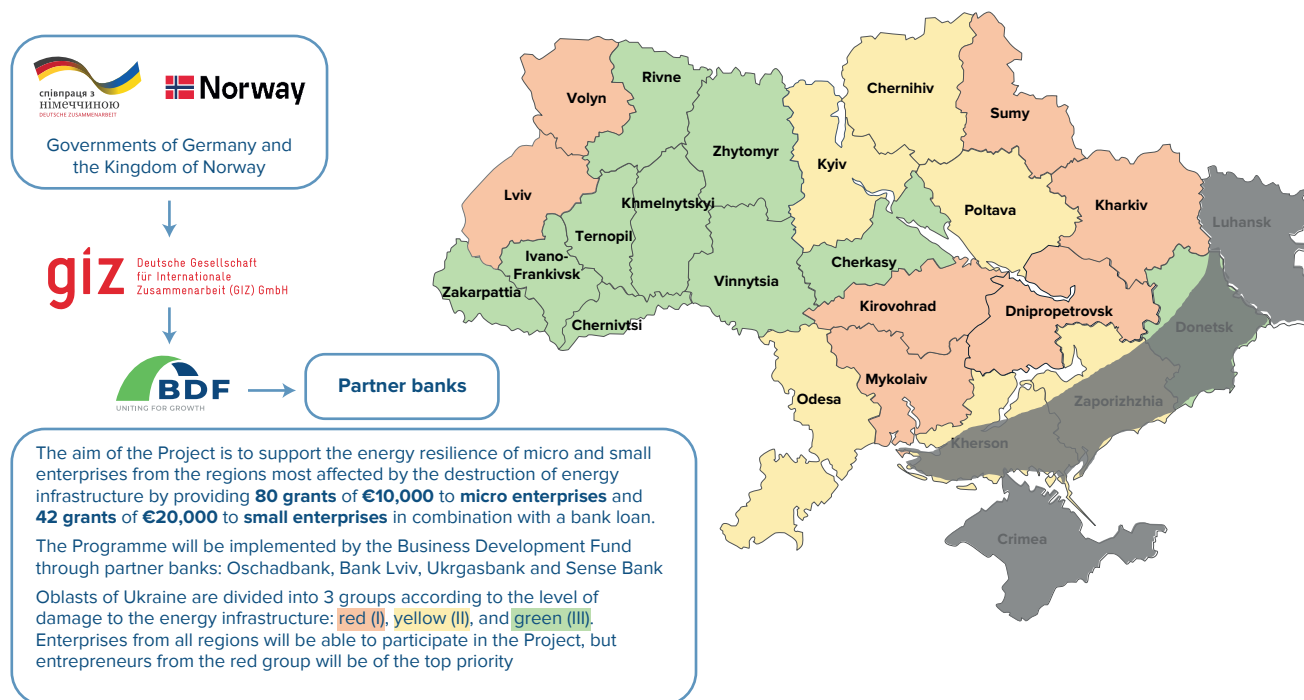
The Fund, the Programme, and the project implementing partners expect that, owing to its implementation, micro and small enterprises will be able to ensure continuity of their business activities, a sufficient level of profitability and tax payments, as well as job retention.

#### Launch of the Programme “Support for Energy Resilience of Micro and Small Enterprises in Ukraine”





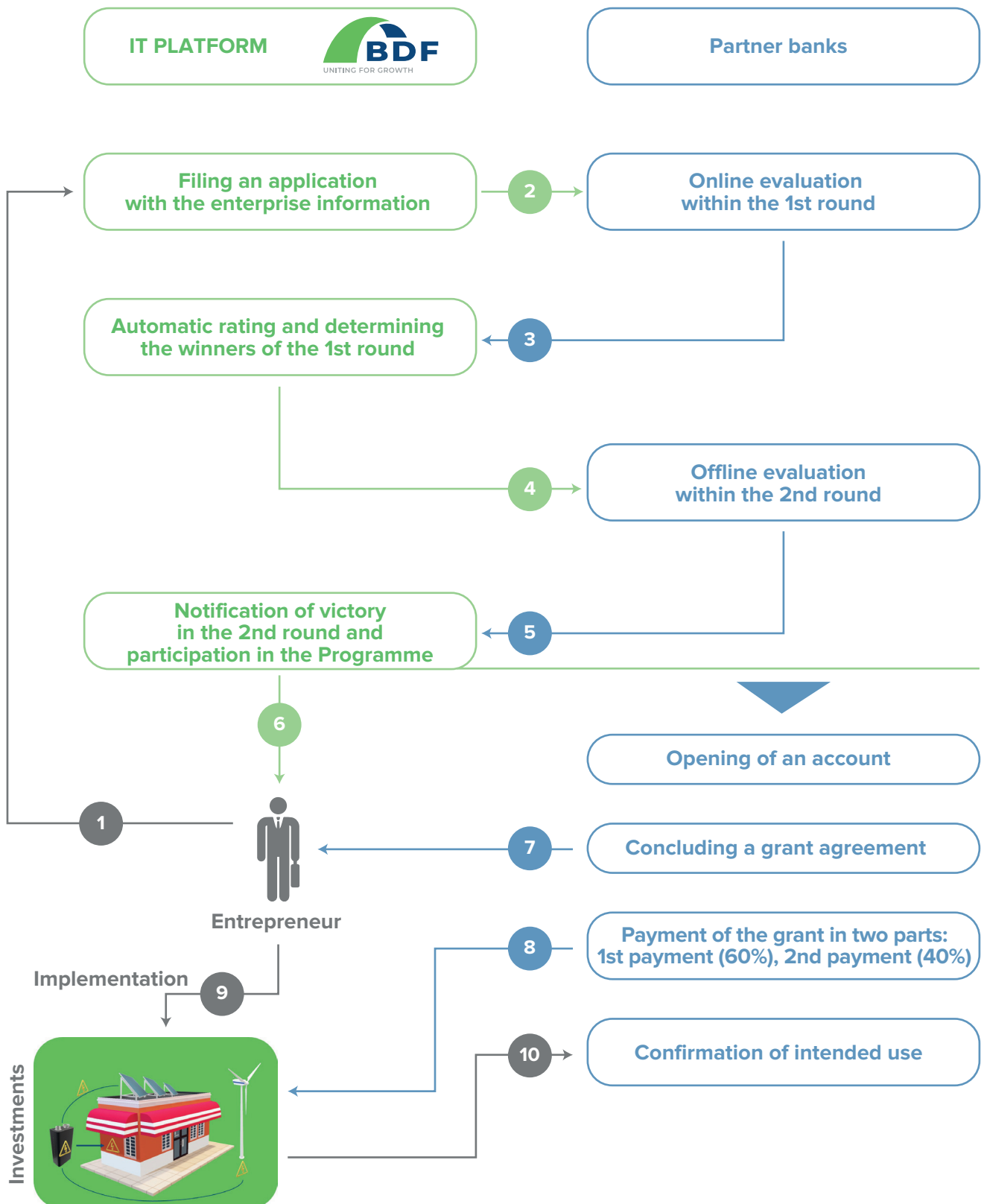
## Project “Support for Energy Resilience of Micro and Small Enterprises in Ukraine”



Micro enterprises (MEs)			Small enterprises (SEs)		
Micro enterprises	Number of employees up to 10	Annual income €2 M	Small enterprises	Number of employees up to 50	Annual income €5 M
Type of support	Grant without mandatory combination with a bank loan, but with such a possibility		Type of support	Grant with mandatory combination with a bank loan	
Intended use of grant funds	Funding investments in the energy resilience of the enterprise		Intended use of grant funds	Partial reimbursement of the loan for investments in energy independence	
Maximum grant	€10,000 (ex VAT)		Maximum grant	€20,000 (ex VAT)	
Number of grants	80		Number of grants	42	
Total amount	€800,000		Total amount	€850,000	

**Total amount of the Programme: €1,650,000**

## Mechanism for providing grants for micro enterprises under Component I



## 5.6.8. Kryvyi Rih Raion MSME Support Programme

### PROGRAMME IMPLEMENTATION

On 22 December 2023, a Cooperation Agreement was concluded between the Luxembourg Development Cooperation Agency (LuxDev) and the Business Development Fund.

The objective of the cooperation is to facilitate access for micro, small and medium enterprises (MSMEs) located in Kryvyi Rih and its suburbs to bank funding, which will contribute to the development of new opportunities for the conduct of business and investment activities, as well to strengthen the country's economic resilience in wartime.

The MSME Support Programme in Kryvyi Rih Raion is funded by the Government of the Grand Duchy of Luxembourg through the Luxembourg Development Cooperation Agency (LuxDev) with an implementation term until December 2026

To attain its goal, the Programme facilitates the strengthening of resilience of business entities that create jobs, provide income for the population and support the country's capability to produce goods and services.

The Programme implementation is provided by the BDF through two banks: Oschadbank JSC and PrivatBank JSC CB.

Amount of funding: €5,000,000

The Programme for businesses was implemented depending on their type (micro, small, or medium enterprises), within two components:

<b>Component I.</b> <b>Grants for micro enterprises aimed at funding fixed and working capital investments of up to €10,000.</b>	<b>Component II.</b> <b>Grants provided in combination with bank loans for SMEs aimed at reimbursing up to 50% of the amount of fixed capital investments.</b>
---	---

### Terms for providing grant support

Component I: Micro enterprises (MEs)			Component II: Small and medium enterprises (SMEs)		
Micro enterprises	Number of employees up to 10	Annual income €2 M	Small enterprises	Number of employees up to 50	Annual income €5 M
Type of support	Grant not combined with bank loan		Medium enterprises	up to 250	€10 M
Maximum grant	€10,000 (ex VAT)		Type of support	Grant combined with a bank loan	
Uses of grant funds	<ul style="list-style-type: none"><li>• equipment purchase</li><li>• repair, reconstruction of commercial premises</li><li>• raw materials and supplies purchase</li><li>• payment of wages</li><li>• rental of premises/offices</li><li>• other business expenses</li></ul>		Intended use	Investment loans for the purchase, modernisation or reconstruction of SME fixed assets	
			Maximum investment amount	€100,000 (ex VAT)	€200,000 (ex VAT)
			Grant share of the investment project amount	50%	50%
			Maximum grant	€50,000 (ex VAT)	€100,000 (ex VAT)
Number of grants	50		Number of grants	50	20
Total amount	€500,000		Total amount	€2,500,000	€2,000,000
In February 2025, due to a large number of applicants, the Donor increased the number of grants to <b>210</b> , and the total amount per component to <b>€2,100,000</b>					



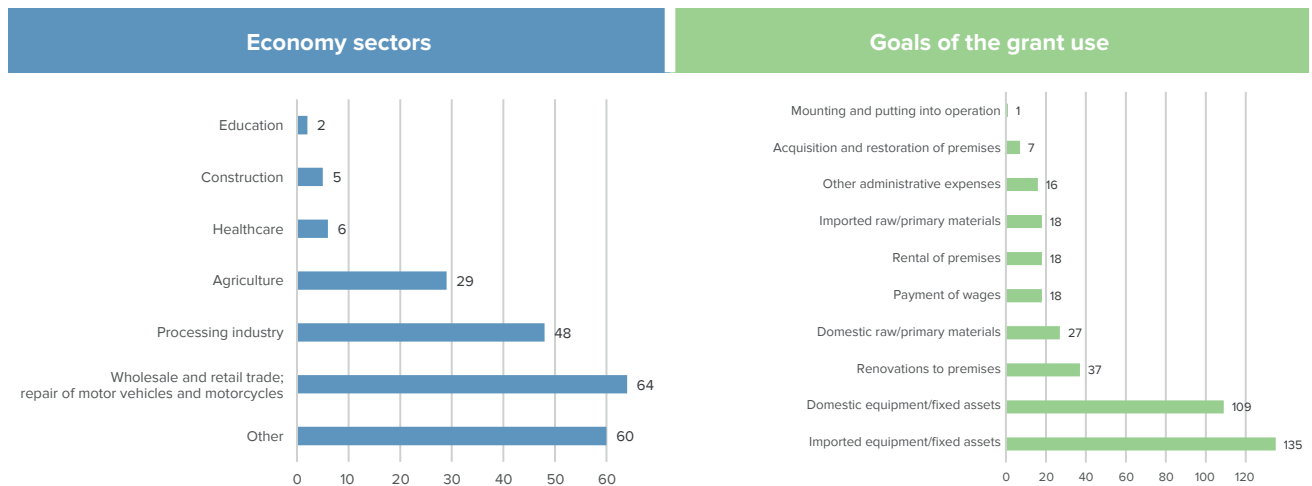
## Layout of the Programme implementation



### Prerequisites for Programme implementation

1. Kryvyi Rih Raion is located in an area of high military risk (red zone), so banks refuse to lend to micro, small, and medium entrepreneurs in the district due to high credit risks.
2. Credit risks cannot be mitigated due to the possible loss of floating charge due to the start of active hostilities.
3. Lack of MSME access to funding in the Kryvyi Rih Raion leads to economic decline and unemployment.
4. More than 80 thousand relocates have moved to Kryvyi Rih Raion from temporarily occupied territories; they cannot start business activities due to a lack of access to funding.

## Key deliverables of the Programme as of 1 April 2025



The Programme's priority areas are the processing industry, construction, healthcare, education, trade, and agriculture.

The main goal of using grants was the acquisition of fixed assets (imported and domestic) to ensure effective business activities and expand the scale of production.

In addition, Programme support contributed to the modernisation of technical facilities, the creation of new jobs, in particular for veterans and IDPS, as well as the stimulation of the sustainable development of the local business environment.

The vast majority of grants were spent for:

- purchase of fixed assets to support and develop the business;
- repair work to restore production and commercial premises that were damaged as a result of military aggression;
- purchase of alternative power sources to continue operations during power outages;
- purchase of agricultural machinery, etc.

In 2024, representatives of LuxDev and the Fund held a number of events to familiarise MSMES of the Kryvyi Rih Raion with the terms of the Programme and encourage their participation.



### Size of enterprises and gender ratio for participants



The vast majority of Programme participants are individual entrepreneurs who received up to €10,000 within Component I for business development.

The number of participants within Component II (SMEs) is significantly lower for the following key reasons:

- entrepreneurs are watchful of undertaking long-term financial obligations due to the unstable economic situation and martial law;
- risks caused by military aggression. Kryvyi Rih Raion is a near-front territory, and this poses risks for doing business.

47% of Programme participants are women, which bears witness to ensuring gender balance and equal access to support opportunities for both sexes.

### 5.6.9. Project “Removing Barriers to Increase Investment in Energy Efficiency of Public Buildings in Ukraine through the ESCO Modality in Small and Medium-Sized Cities”



Міністерство  
фінансів  
України

The Agreement between the BDF and the United Nations Development Programme (UNDP) was signed on 27 May 2024 to implement the Project “Removing Barriers to Increase Investment in Energy Efficiency of Public Buildings in Ukraine through the ESCO Modality in Small and Medium-Sized Cities.”

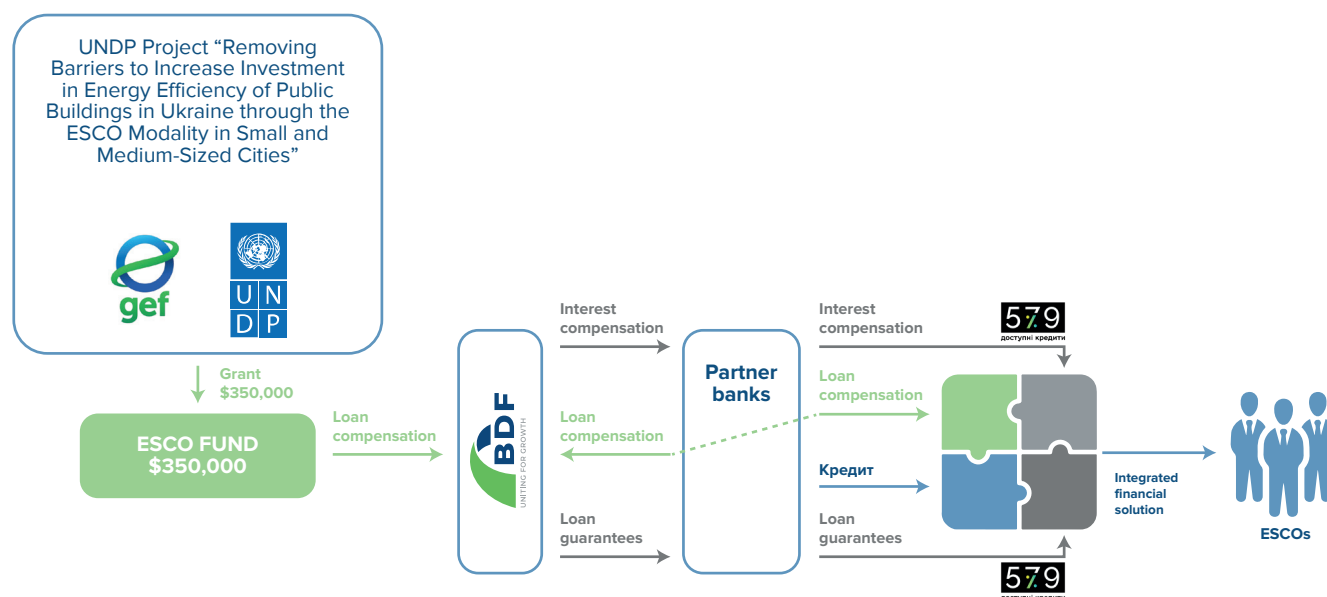
The Project objective is to create the ESCO Fund under the auspices of the BDF. This fund will combine various financial support instruments to ensure affordable financing for Energy Service Companies (ESCOs).

Three lending instruments are suggested for lending to ESCOs: the “Affordable Loans at 5–7–9%” Programme, partial loan guarantee programmes, and a grant component to repay the principal amount of the loan.

Under the Programme, in accordance with the Project terms, ESCOs received financial support amounting to 20% of the cost of energy modernisation works carried out to partially repay the loan. The maximum loan for the performance of one energy service agreement was ₴16M.

This Project is a powerful stimulus for the introduction of ESCO modernisation of all public buildings in Ukraine. This is a key to a significant decrease in state electricity expenses and energy independence, which is a particularly important factor.

#### MECHANISM OF AFFORDABLE FINANCING OF ESCOs through the ESCO FUND



#### Financing under ESCO Contracts: Details and Structure

##### As of 1 January 2025:

8 signed loan agreements  
for a total amount of  
**₴16,039,318.10**

8 ESCO agreements for a total amount of  
**₴61,632,936.70**

Amount of financial support:  
**₴7,656,171.71**

##### Type of ESCO modernisation target



3 preschools



2 hospitals



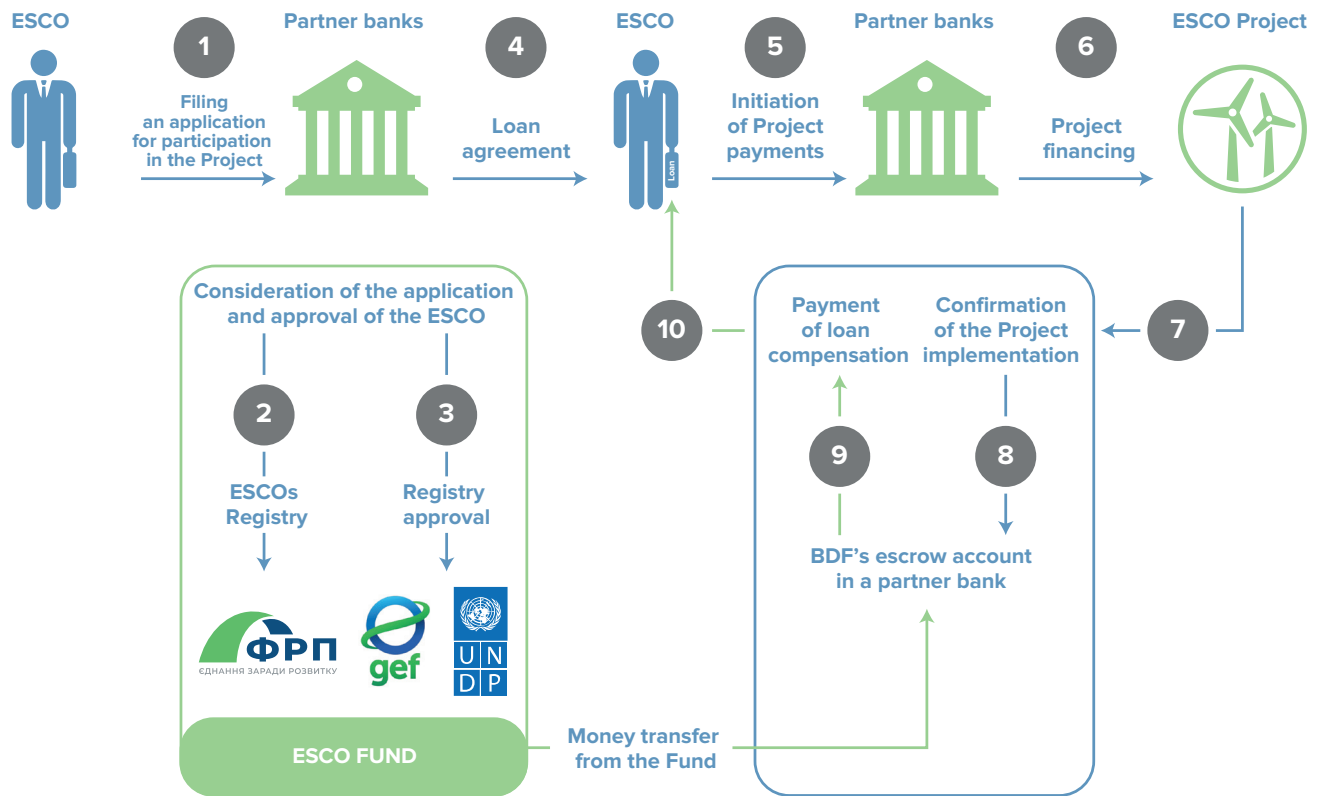
2 schools



1 water service company



## Layout of ESCO Project Financing by Means of ESCO FUND





## 6. Regional Programmes for MSME Financial Support

### 6.1. BDF's joint programme with Lviv Oblast State Administration

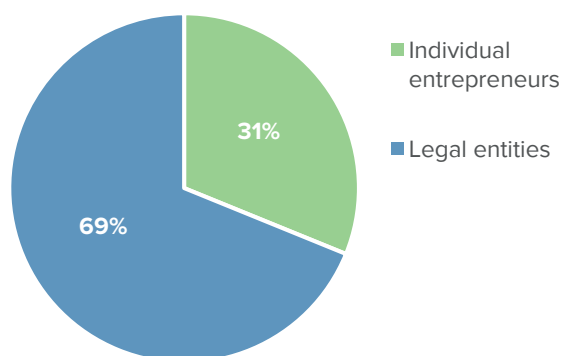
8	408	581	€709.14 M	€1.22 M	€9.74 M
Number of authorised banks	Number of MSME participants in the Programme	Number of loan agreements	Amount of concluded loan agreements	Average amount of loan agreement	amount of compensation paid to MSMEs

The BDF and the Lviv Oblast State Administration Joint Programme were implemented in mid-2023 to provide additional reimbursement (compensation) of part of the interest by reducing the compensatory interest rate to 3% per annum on loans provided by authorised banks to micro, small, and medium enterprises under the “Affordable Loans at 5–7–9%” State Programme (hereinafter referred to as the 5–7–9 Programme) following the Programme for Improving the Competitiveness of Lviv Oblast for 2021–2025. The main objective of the Joint Programme is to restore, preserve, and create jobs during martial law at enterprises participating in the 5–7–9 Programme that have received a loan from an authorised bank to implement an investment project or finance working capital.

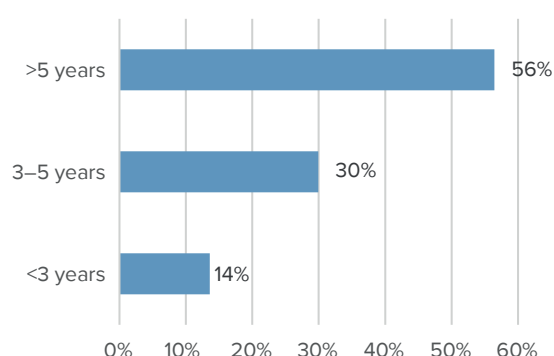
The Joint Programme covers four areas of additional compensation:

1. Additional reimbursement (compensation) of part of the interest by reducing the compensatory interest rate on loans provided by authorised banks to micro enterprises without collateral.
2. Additional reimbursement (compensation) of part of the interest by reducing the compensatory interest rate on loans provided by authorised banks for the implementation of an investment project to micro, small and medium enterprises that create, restore and maintain new jobs.
3. Additional reimbursement (compensation) of part of the interest by reducing the compensatory interest rate on loans provided by authorised banks to micro, small and medium enterprises engaged in foreign economic activity (exporters).
4. Additional reimbursement (compensation) of part of the interest by reducing the compensatory interest rate on loans provided by authorised banks to micro, small and medium enterprises that have re-registered in (relocated to) the territory of Lviv Oblast.

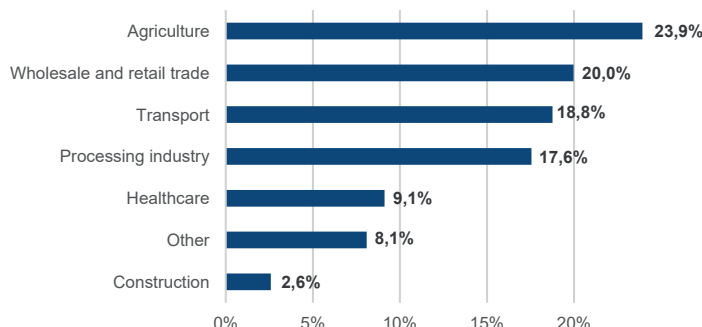
**Programme participants' makeup  
by number engaged in a certain type of MSME, %**



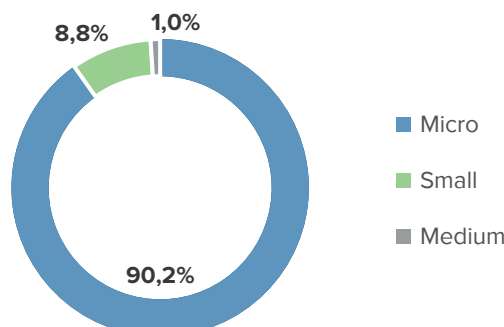
**Loan portfolio makeup by period, %**



**Loan portfolio by type  
of business activity, %**



**The share of business segments  
in the total loan portfolio, %**





## 6.2. BDF's joint programme with Kyiv Oblast State Administration

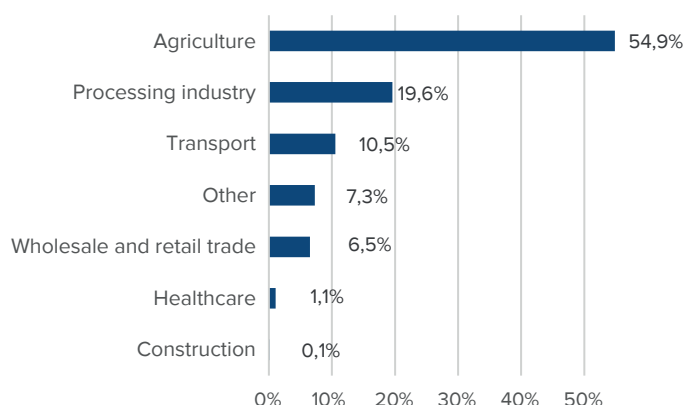
<b>12</b>	<b>250</b>	<b>333</b>	<b>₴733.45 M</b>	<b>₴2,20 M</b>	<b>₴31 M</b>
Number of authorised banks	Number of MSME participants in the Programme	Number of loan agreements	Amount of concluded loan agreements	Average amount of loan agreement	amount of compensation paid to MSMEs

The BDF and the Kyiv Oblast State Administration Joint Programme were implemented in mid-2023 to provide additional reimbursement (compensation) of part of the interest by reducing the compensatory interest rate to 0% per annum on loans provided by authorised banks to micro, small, and medium enterprises under the “Affordable Loans at 5–7–9%” State Programme (hereinafter referred to as the 5–7–9 Programme) following the “Competitive Kyiv Oblast” Comprehensive Program for 2021–2025.

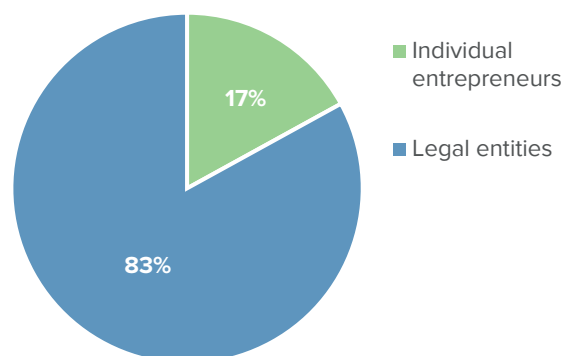
The main objective of the Programme is to restore, preserve, and create jobs during martial law at enterprises participating in the 5–7–9 Programme that have received a loan from an authorised bank to implement an investment project.

For each MSME in the Kyiv Oblast, the BDF calculates the rating based on identified criteria: the number of jobs actually created or restored by MSMEs and the amount of the actually restored or increased payroll as of the end of each reporting calendar quarter compared to the pre-war period as of 1 February 2022. The ratings for each MSME are calculated based on the information on the amount of salary paid to MSME employees provided to the Fund by the authorised bank in the form established by the Fund, or based on the MSME's official financial and/or tax reporting, if it submits such reports during the martial law, as of the last month of the calendar quarter preceding the reporting one.

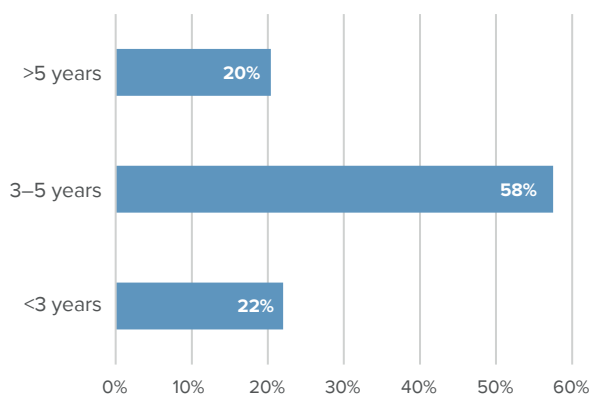
Support structure by industry, %



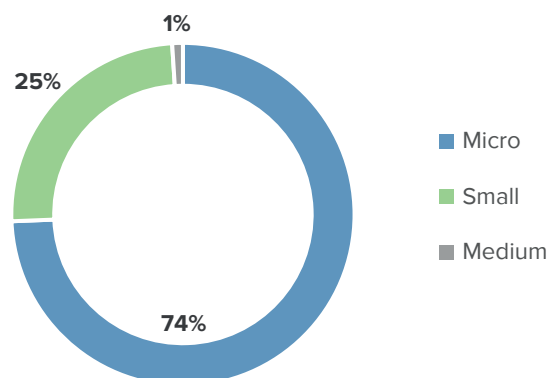
Programme participants' makeup by type of MSME, %



Loan agreement structure by maturity, %



Share of business segments in the total loan portfolio, %





## 7. Expanding the number of partner institutions of the Business Development Fund

The BDF actively cooperates with 7 partner banks:



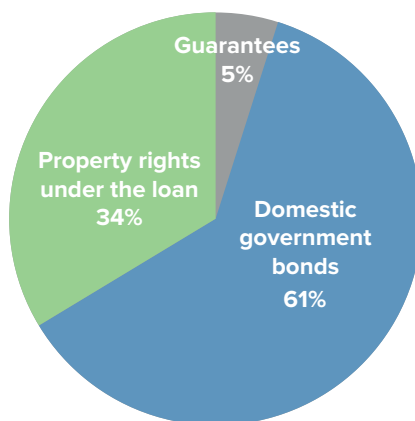
### Work with partner banks

In 2024, an analysis of SENSE BANK JSC was conducted with respect to partnership

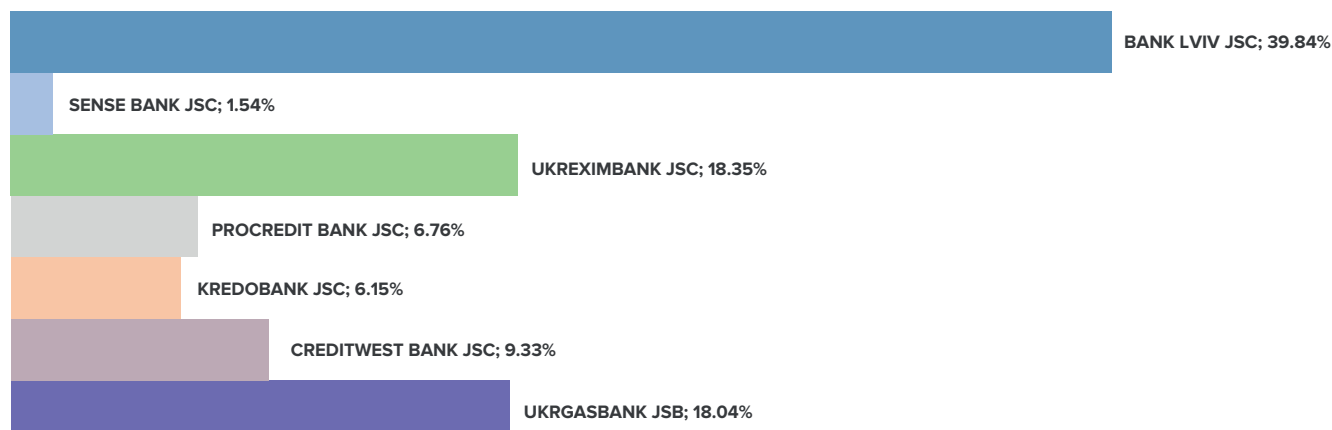
- Corporate governance, institutional development
- Strategy and competitiveness
- Financial sustainability
- Risk culture
- SME lending technologies

**SENSE BANK JSC was accepted as a strategic partner of the BDF**

The Fund's collateral makeup, share of the bank loan portfolio as of 1 January 2025



Portfolio concentration by amount as of 1 January 2025, %



# SUCCESS STORIES

## “WE ARE ABOUT QUALITY AND VALUES”



Shans Vik, a company from Lutsk, has been engaged in the cultivation and wholesale of fruit crops, as well as processing for the production of teas from berries and herbs for over 10 years. Over the years, they have successfully exported products to European countries, received the Organic certificate, established relationships with partners, and gained a good reputation among customers.

The full-scale invasion made its own adjustments to the business plan of the company. Exports have significantly decreased due to an apparent sales drop. Accordingly, profits from export orders no longer covered the costs incurred by the company. Changes were needed. So, the team decided to launch a new product on the market: organic tea made from berries and herbs.

“At that time, we lacked confidence in the new solution; we needed professional expertise and an audit of the existing strategy, assistance in creating a business model, and assistance in developing a marketing strategy to enter the planned segment,” says Volodymyr Olkhovyk, the manager.

Then, Shans Vik learned about the opportunity of getting consultancy support from CMC-Ukraine as part of the “Access to Financing and Strengthening the Resilience of MSMEs in Ukraine!” Project. For consultations, the development and adaptation of the new product business model was chosen.

The first significant outcome for the company was the successful presentation of the new TRAVKA brand tea at the organic producers’ fair in Lviv. There, the team first demonstrated the product to a wide range of consumers and organised a tasting session.

“We have clearly defined our self-identification, value propositions and competitive advantages. “Through our joint efforts, we concluded that we are about quality and values; this allowed us to communicate correctly with our target audience and clearly declare ourselves,” Volodymyr Olkhovyk noted.

Today, the brand is actively developing, attracting connoisseurs of organic tea and hundreds of new followers on social media. The team has established cooperation with a new cafe in Lutsk, Misto.cafe, and is also conducting a lot of communications regarding collaborations, in social as well as business spheres.

## “THE PROJECT HELPS TO GROW”

Myo UA brand is a family-owned outerwear business in the city of Tatarbunary, Odessa Oblast. For over 14 years, they have been producing jackets and vests with various insulation materials, on average up to 1,000 units per month. And recently, thanks to participation in the “Access to Financing and Strengthening the Resilience of MSMEs in Ukraine” Project, they received consultancy support on expanding the market for their products.

“The business was started by my parents, who sewed workwear.

In our student days, my husband and I helped them sell their products, and later, we began to develop the business together,” says Yuliia Miahchenko, owner and director of MYO.

Since the beginning of the full-scale invasion, Yuliia and her family have been working in Ukraine, helping the army: They sew plate carriers, balaclavas, and sleeping bags for free.

“The war brought us two problems: Logistical (since a missile destroyed the Bilhorod-Dniester bridge) and outflow of staff. However, we are trying to train new employees, cooperate with the Employment Centre, and develop sales channels.”

Having learned about the opportunity to participate in the “Access to Financing and Strengthening the Resilience of MSMEs in Ukraine” Project, Yuliia filled in an application and, after passing the selection, began to work with CMC-Ukraine consultants. The main request of the company was to expand its sales market and prepare for entering foreign markets.

After analysing the readiness of the business for export, management consultants recommended focusing on expanding sales volumes in the domestic market, where the brand has good potential for growth. They helped adjust the Ukrainian market promotion strategy.

“Partnership with CMC-Ukraine helped us successfully adjust our plans: We created a website <https://myo.in.ua/>, decided to open our own store and register a trademark; we also plan to expand online sales,” Yulia Myahchenko shares the results.





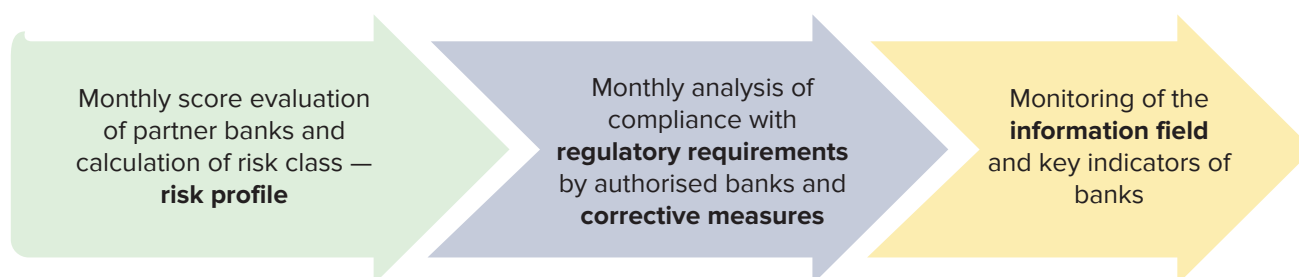
## 8. BDF risk management policy

### Implementing the principles. Risk assessment tools. Three lines of defence.

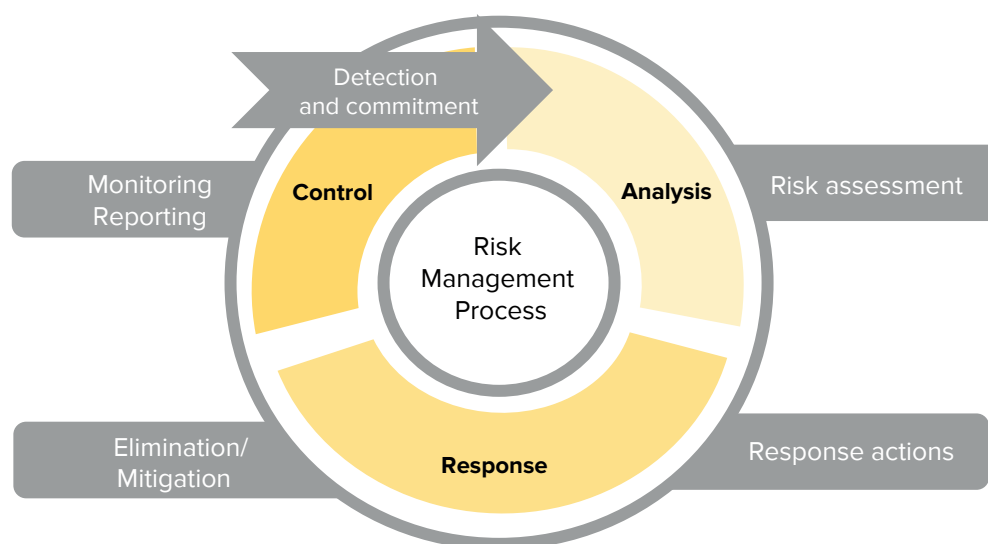
The Fund Board	Three lines of defence	Risk management
		
<ul style="list-style-type: none"><li>Defining the Fund's development strategy</li><li>Approving new programmes, partners, agreements</li><li>Expanding the network of partners</li></ul>	Independence and expertise of departments in risk management	<ul style="list-style-type: none"><li>Detection</li><li>Monitoring</li><li>Control</li><li>Risk mitigation</li></ul>

THE FUND BOARD			Three lines of defence
First line of defence:	Second line of defence:	Third line of defence:	
senior executive management and department managers	risk management	internal audit and compliance	
Project implementation, fund management, support, accounting, managerial control, risk taking	Analysis and control, prevention, mitigation, risk reporting	Independent analysis of the internal control system effectiveness and operational risk control	

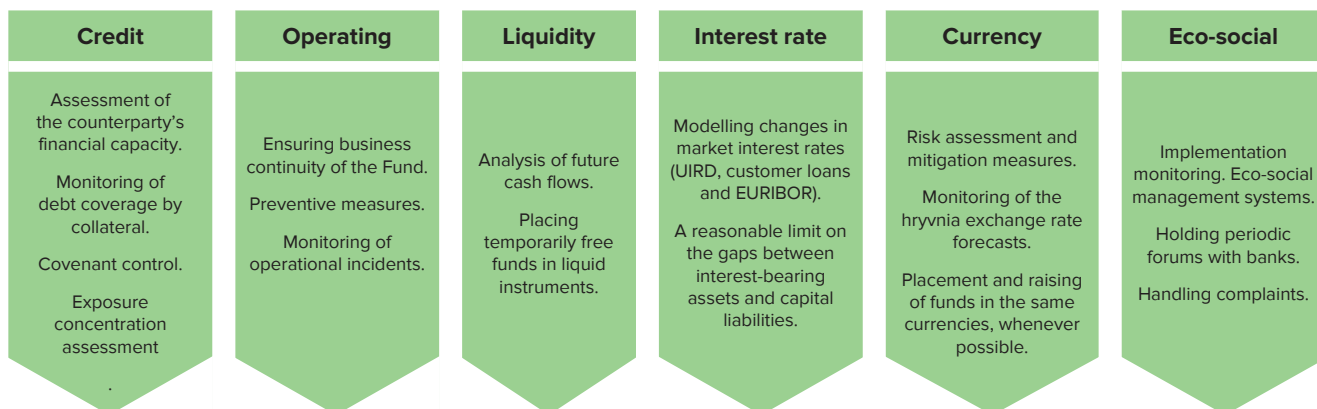
### Risk assessment tools



### Risk Management Process







## Analysis of authorised banks participating in state programmes by risk groups\*

### Group 1

- Steady state, high operating efficiency.
- Loan portfolio with a small share of NPLs.

### Group 2

- Steady state, effective business model.
- Satisfactory loan portfolio quality.
- Minor risk in some areas of activity.

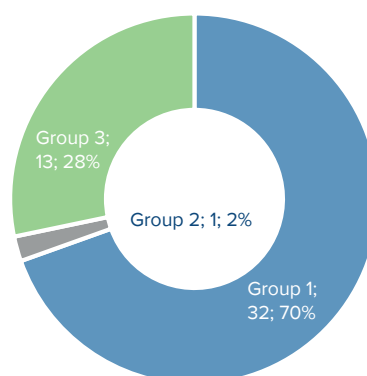
### Group 3

- Steady financial state.
- Viable business model.
- Large proportion of NPLs.

### Group 4

- Banks have ineffective business model.
- Large proportion of NPLs.
- High operational risk due to economic instability and/or applicable sanctions.

The distribution of authorised banks by risk groups (number and share in total)



\*When analysing authorised banks participating in state programmes by risk groups, the internal Procedure for working with authorised entities to implement financial state support programmes is followed.

Diagram 2. The NBU discount rate, mean, %

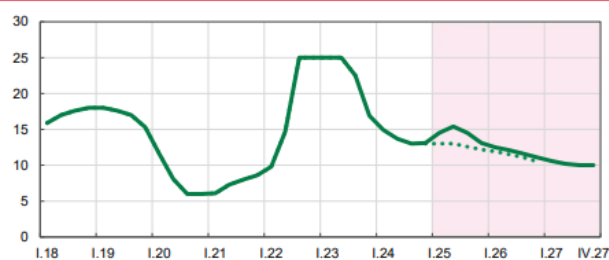
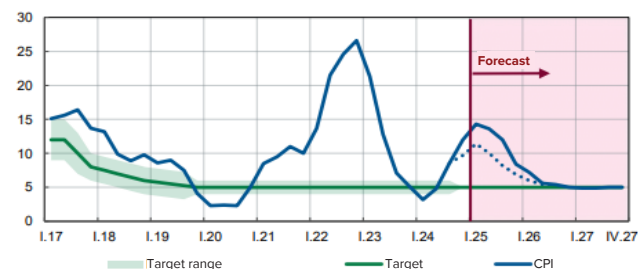


Diagram 1\*. Consumer price index (CPI) change (as of the end of period, %, p/p) and inflation target



- In December 2024, inflation accelerated to 12% on a year-over-year basis, and continued to rise in January.
- Changes in the discount rate correlate with changes in the pace of inflation. The discount rate is used by the NBU as a tool for controlling inflation.
- The updated NBU's macroeconomic forecast suggests that the discount rate will be 14.4% in 2025 and 11.8% in 2026.



- The NBU switched to a managed exchange-rate flexibility system in October 2023 (due to the multiplicity of exchange rates arising in the market, when the foreign currency exchange rate on the cash market was 15–20% higher than that on the interbank market).
- According to the consensus expert forecasts, the worst-case scenario suggests a 47 UAH to USD exchange rate by the end of the year. Business devaluation expectations exceed 44.4 UAH/USD in February 2025.



## 9. Implementation of the Environmental and Social Management System in the BDF and authorised banks

### Key Elements

During 2024, the World Bank implemented the ARISE project. The project aims to support inclusive agricultural production and ensure an immediate and effective response to crises or emergencies. Under the project, the BDF should verify how Ukrainian banks implement environmental and social assessment of their borrowers when lending under the state programme “Affordable Loans at 5–7–9%.”

An important issue is the implementation of the project at the state level to create equal conditions for businesses and provide a systematic approach for all Ukrainian banks to their borrowers.



#### As a result of the BDF work:

- The BDF has fully verified 16 banks out of 24 active participants in the “Affordable Loans at 5–7–9%” Programme.
- The verification time averaged 2 days. The highest activity was seen in December 2024, and loans were approved in January and February 2025.
- There were 11 outsider banks which were least represented in lending to businesses in the agricultural sector.
- The predominant risk class was moderate risk, followed by low risk, and substantial risk was discovered only in 4 cases. High-risk loans are not accepted for funding under the State Programme.
- The Programme’s implementation is particularly pronounced in sectors mainly dealing with cereal growing (processing is secondary).
- The next stage of implementation, BDF’s random inspection of banks to assess the quality of the Environmental and Social Management System (ESMS) implementation, is planned to start in the second half of 2025.
- The implementation of the ESMS is being prepared for all loans participating in the “Affordable Loans at 5–7–9%” programme (the World Bank RISE project).

## Environmental and Social Risk Management

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)	<b>Environmental and social policy</b>	<a href="#">The BDF environmental and social policy</a> is approved by the BDF shareholder and the Board and includes the List of excluded activities
	<b>Organisational capacity and competency</b>	Control over the ESMS implementation is entrusted to the Chief Risk Manager of the BDF  Environmental and social experts have been involved under the ARISE programme since April 2024.
	<b>E&amp;S risks management procedures</b>	Banks have introduced ESMS for lending to industrial agriculture projects under the “Affordable Loans at 5–7–9%” Programme. The BDF verified the first 10 loan projects financed by banks after 1 December 2024.
	<b>External communications and complaints mechanism</b>	Participation in forums for communication with the banking community, entrepreneurs, and scientists.  Monthly conference call with Ukrainian banks.  A procedure for handling complaints has been developed by the BDF.
	<b>Monitoring and reporting</b>	The BDF reports on two projects: ARISE (the World Bank) and Energy Efficiency (KfW).  Banks report to the BDF twice a year on the ESMS implementation.





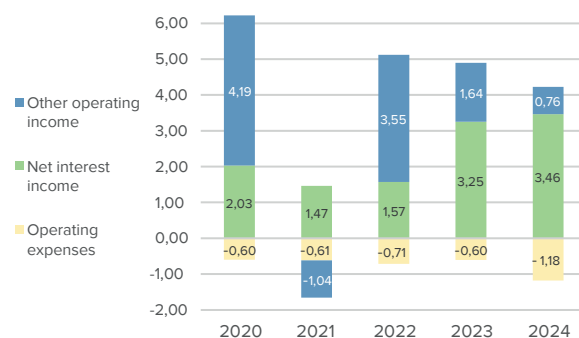
## 10. Financial statements of the Business Development Fund for 2022–2024

UIRD changes (3 months), 2020–2024



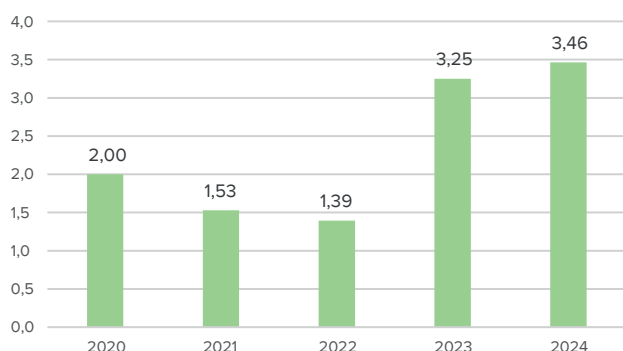
During 2024, a downward trend was noted for the UIRD index (3 months), which reached a minimum value of 12.7% per annum. This negatively affected the interest income of the BDF.

Structure of net profit/loss from lending transactions, EUR million



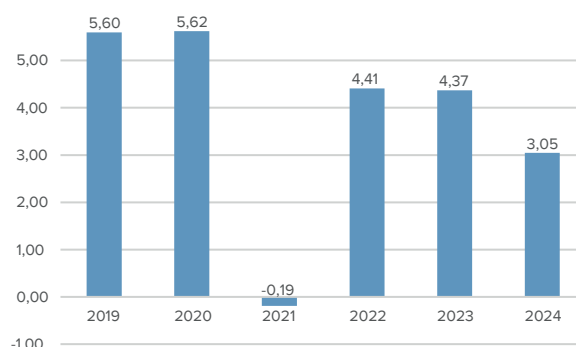
A decrease in the fair value of the BDF foreign exchange hedging instrument in 2024 was the main factor in the decrease in net profit compared to 2023 and 2022. However, the Fund's operations remained profitable, with net profit from lending transactions of €3.05 M.

Net interest income, EUR million



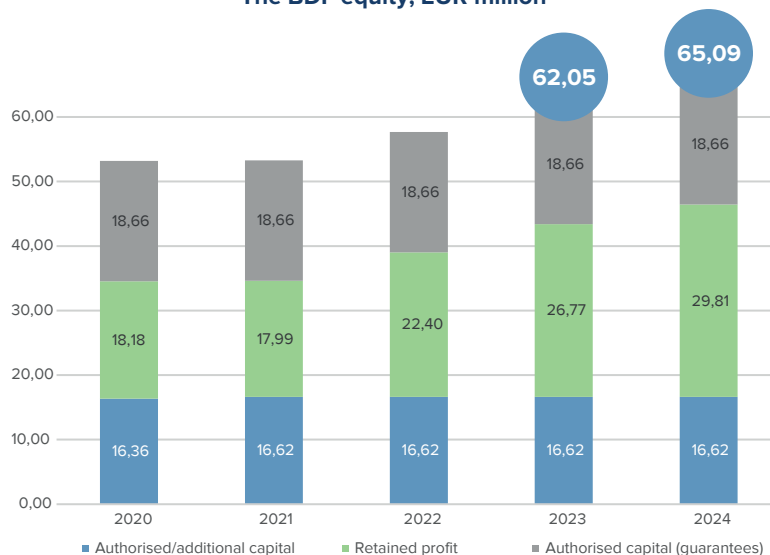
At the beginning of the period, there was a decrease in the interest income: Its minimum value was reported in the year of the start of active hostilities, but owing to the exceptionally successful activities of the Fund, even despite the significant increase in the EUR/UAH exchange rate, net interest income in 2024 was maximum.

Net profit/loss from lending transactions, EUR million



In 2024, net profit from lending transactions was fully formed from the results of the Fund's main activities, namely from net interest income.

The BDF equity, EUR million



In 2024, the Fund's year-end equity did not undergo significant changes and amounted to €65.09 M. Retained profit remains the only factor in the growth of equity, and, despite the gradual increase in the exchange rate, it increases from year to year due to the successful conduct of the Fund's main operating activities.

# **SUCCESS STORIES**



We continue to share successful cases of entrepreneurs who, owing to the programme, have the opportunity to invest in their own energy efficiency, care for the environment, and contribute to the stability of our country's economy in wartime.

Over 7 years, the Furniture Park company has created 200 jobs, 4 powerful furniture production facilities with an area of over 13.5 thousand square meters, two showrooms for pick-up of finished products, and furniture centres in Lviv, Lutsk, Ivano-Frankivsk, Khmelnytskyi, Kovel, and Ternopil.

"We strive to combine an innovative approach with high production quality. Therefore, using the funds raised from a soft loan, we installed innovative equipment for high-precision drilling of furniture parts. The new machine is much more productive than the old one, as it can produce almost 2.5 times more holes per hour and has energy-efficient technology, which is important for us. We are thankful to UkrGasbank for its expert support and the opportunity to take advantage of the 'Add Energy to Your Business' Programme, which helps make your business more efficient," said Taras Prystupa, director of the Furniture Park enterprise.

It is reported that the machine engine is equipped with a frequency converter, which significantly reduces electricity consumption during its operation.

In addition, the new equipment uses 30% less time to process complex parts, which also contributes to the energy efficiency of production.

It is also important that the project implementation will result in the reduction of CO<sub>2</sub> emissions by about 6 tons per year.

#Додай\_енергії\_твоєму\_бізнесу ⚡ — We continue to share success stories of entrepreneurs who received a soft loan to develop their business and took advantage of the programme's ready-made offer for energy-efficient equipment.

Here is the story about Mariia Agricultural Enterprise from Odesa Oblast, which is engaged in the cultivation of cereals: Rapeseed, sunflower, winter wheat, barley, and flax.

Due to an almost two-fold increase in the crop processing area (to 650 hectares), the company decided to expand its fleet of agricultural machinery. For this purpose, a loan was taken from Ukgasbank.

"Owing to participation in the programme, we purchased an Austrian Case IN Puma 210 tractor. We expect an increase in wheat and sunflower yields, which are key crops in food production. Our enterprise also provides food to socially vulnerable populations," Mariia Yakobiuk, the founder, notes the importance of the enterprise's activities, especially during the war.

It is worth noting that Mariia received the loan at a preferential rate owing to the combination with the "Affordable Loans at 5–7–9%" Programme, which made the loan even more attractive for business development.





## 11. BDF Institutional Development as Part of the German Government and the German Development Bank KfW Project

Over three most difficult years of Ukraine's independence — the years of the full-scale invasion — the Business Development Fund has demonstrated resilience, adaptability, and high performance.

In the extremely difficult conditions of martial law, the Fund has:

- ensured stable functioning of state programmes to support micro, small and medium businesses;
- attracted additional funding from international partners to support entrepreneurs;
- helped preserve and create tens of thousands of jobs in the regions;
- facilitated relocation and adaptation of businesses in wartime conditions;
- increased access to preferential funding for enterprises operating in critical sectors.



The Fund continues to work to ensure that Ukrainian businesses remain alive, flexible, and capable of recovering the country after the war.

The Fund's high achievements became a prerequisite for starting the process of its transformation into a stable, reliable and independent institution.

The Ministry of Finance of Ukraine and the German Development Bank KfW presented the “Vision: BDF 2.0” joint initiative at the Ukraine Recovery Conference 2024, which took place on 11–12 June 2024 in Berlin.

### The “Vision: BDF 2.0” initiative envisages three main stages of BDF development:

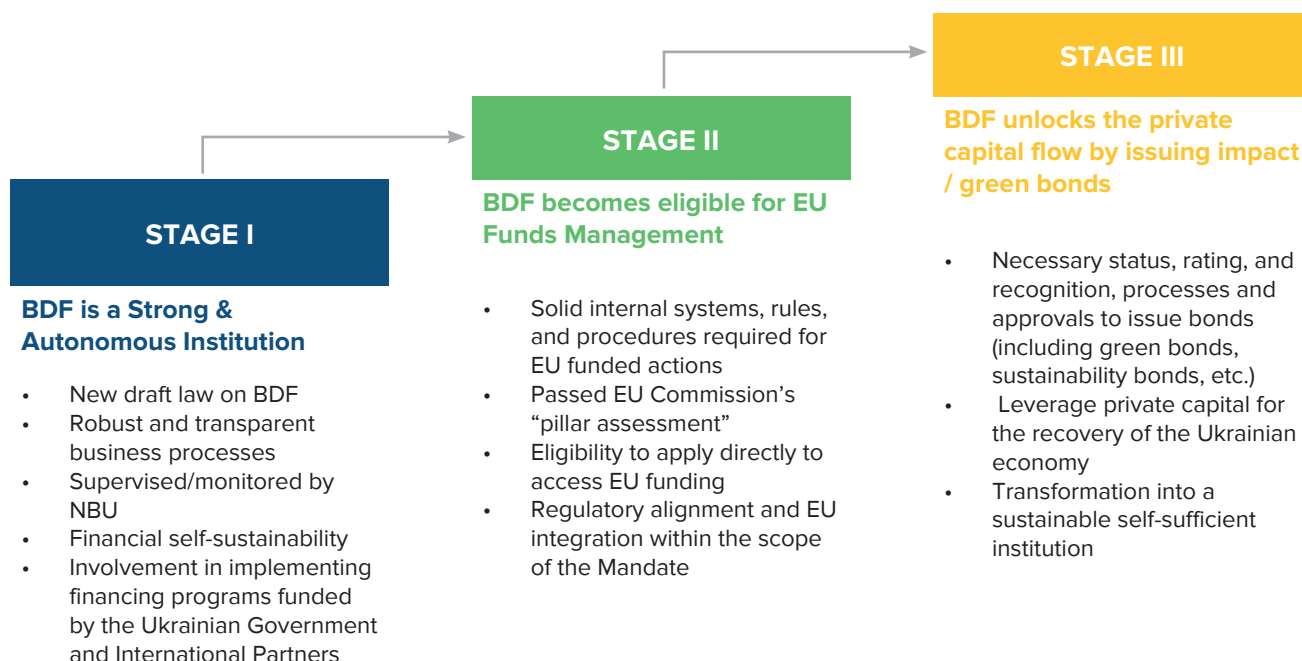
1. Transforming the Fund into a sustainable, reliable and independent institution for designing and implementing international and state support projects to increase access to finance for SMEs. At this stage, a supervisory board with a majority of members being independent will be established.
2. The BDF will apply to undergo the EU pillar assessment. This will allow for the direct attraction of funds from the EU, will dramatically speed up the launch of new programmes for the recovery of Ukraine and will turn the BDF into one of the Ukrainian front-runners of EU integration.
3. The successful implementation of the first two stages will strengthen BDF's institutional capacity and reputation, allowing it to enter capital markets and mobilise funds from private investors to fund programmes for the recovery of the Ukrainian economy.

In addition to the German Government and KfW, other Fund development supporters include the World Bank, the International Monetary Fund, GIZ, the Japan International Cooperation Agency (JICA), the Luxembourg Development Cooperation Agency (LuxDev) and other international institutions. The Fund also cooperates closely with the European Union and the EU Delegation to Ukraine.

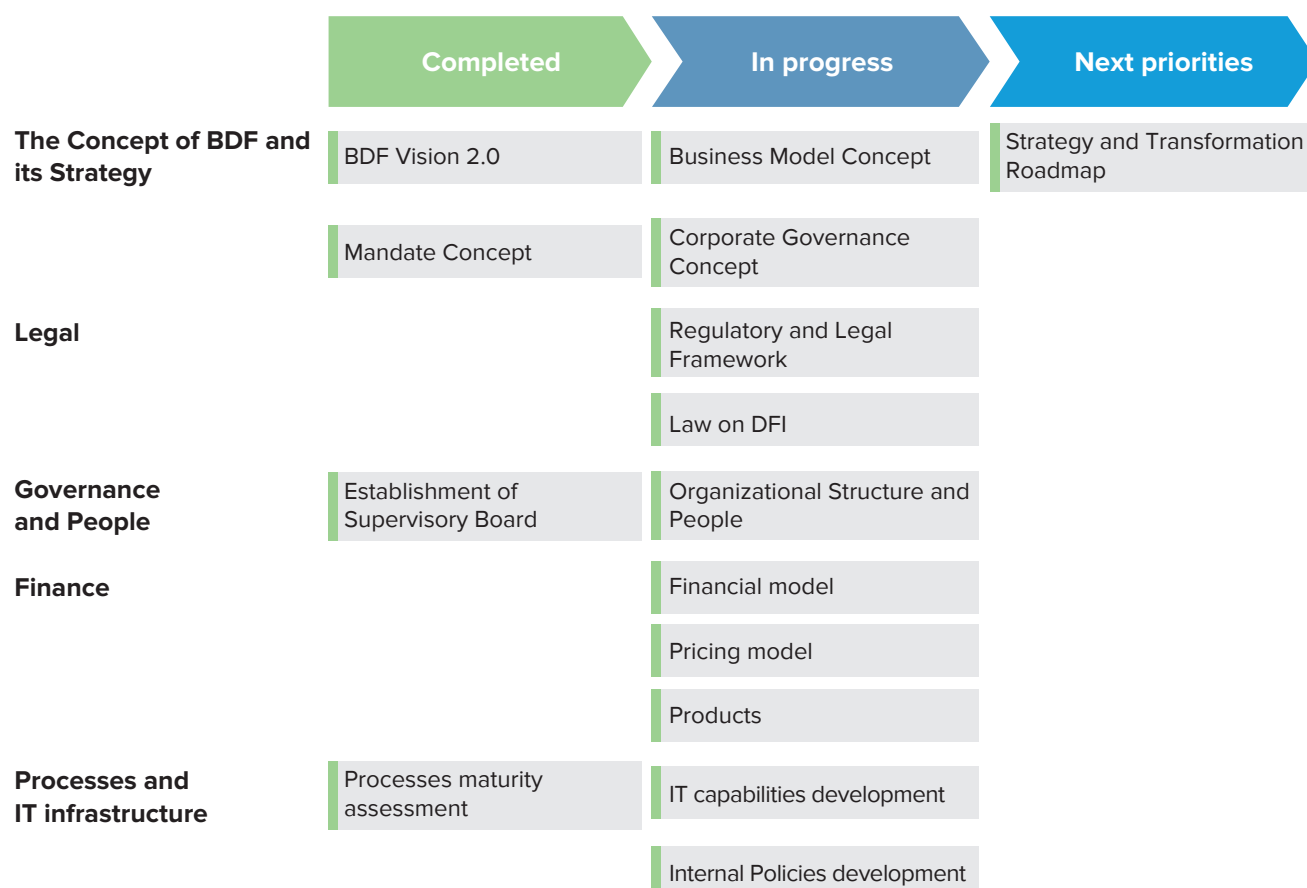


The “Vision: BDF 2.0” initiative became possible due to the efficient and transparent activities of the Fund in implementing SME financial support programmes, especially in the context of a full-scale war. This experience laid significant groundwork for trust from international partners and created the prerequisites for expanding cooperation and the BDF's development.

## Vision BDF 2.0 Development Pathway



## BDF institutional development





**BDF's stakeholders firmly believe that continued institutional development is essential to transforming BDF into a modern development institution able to effectively address existing market gaps**

“ BDF should transition from an agency that redirects payments to a comprehensive fund. This evolution requires enhanced risk management, impact assessment, and reporting systems.

— KfW Representative

“ A clear, non-competitive mandate is crucial. BDF should complement rather than compete with commercial banks, focusing on areas where market gaps exist.

— A Ministry of Finance Representative

“ The next phase of development should focus on product innovation and diversification, particularly in guarantees and risk-sharing mechanisms. BDF needs to move beyond traditional lending.

— A World Bank Representative

“ BDF's role should extend beyond financial products to include capacity building and ecosystem development, particularly in preparing for EU integration.

— EU4Business Representative

“ We need BDF to develop more sophisticated risk-sharing mechanisms. The guarantee programs have been crucial for expanding MSME lending, especially in frontline regions.

— Partner Banks

“ Having a strong, independent supervisory board and professional management team was crucial for our transformation into a modern development institution.

— HBOR (Croatia) Representative









**BIG FUTURE FOR  
SMALL BUSINESS**  
**VISION: BDF 2.0**



