

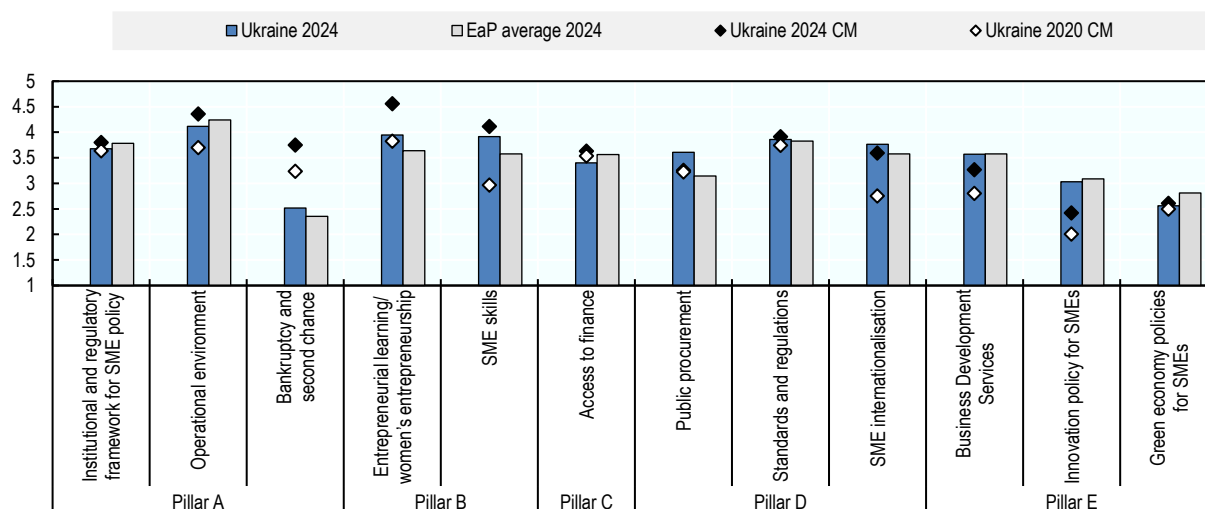
14 Ukraine: Small Business Act country profile

This chapter provides an assessment of the progress made by Ukraine in implementing the Small Business Act (SBA) for Europe over the period 2020-23. It starts with an overview of Ukraine's economic context and dives further into the characteristics of the country's SME sector. It then develops on the state of selected framework conditions for the digital transformation of SMEs. Finally, it analyses Ukraine's progress along twelve measurable dimensions grouped in five thematic pillars and sets out targeted policy recommendations.

Key findings

Figure 14.1. SME Policy Index scores for Ukraine

Country scores by dimension, 2024 and 2020 vs 2024 CM



Note: CM stands for comparable methodology. See the “Policy framework, structure of the report and assessment process” chapter and Annex A for information on the assessment methodology.

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Table 14.1. SME Policy Index scores for Ukraine

Country scores by dimension, 2024 and 2020 vs 2024 CM

Pillar	Dimension	Ukraine 2024	EaP average 2024	Ukraine 2024 (CM)	Ukraine 2020 (CM)
Pillar A	Institutional and regulatory framework for SME policy	3.68	3.78	3.80	3.64
	Operational environment	4.11	4.24	4.36	3.70
	Bankruptcy and second chance	2.52	2.35	3.75	3.24
Pillar B	Entrepreneurial learning/ women's entrepreneurship	3.95	3.64	4.56	3.83
	SME skills	3.91	3.57	4.12	2.97
Pillar C	Access to finance	3.40	3.56	3.63	3.54
Pillar D	Public procurement	3.61	3.15	3.25	3.22
	Standards and regulations	3.86	3.83	3.91	3.75
	SME internationalisation	3.77	3.58	3.60	2.75
Pillar E	Business development services	3.57	3.57	3.27	2.80
	Innovation policy for SMEs	3.03	3.09	2.42	2.01
	Green economy policies for SMEs	2.56	2.81	2.61	2.49

Note: CM stands for comparable methodology. See the “Policy framework, structure of the report and assessment process” chapter and Annex A for information on the assessment methodology.

Table 14.2. Implementation progress on SME Policy Index 2020 policy reforms – Ukraine

Priority reforms outlined in the SME Policy Index 2020	Key reforms implemented to date
<u>Pillar A – Responsive Government</u>	
<p>Develop a new SME strategy and ensure there are sufficient resources to implement it.</p> <p>Evaluate the effectiveness of the SME Development Office (SMEDO) and its position in the institutional framework.</p> <p>Ensure that the new regulatory impact assessment (RIA) methodology is applied at all levels of government.</p> <p>Expand the regulatory reform process, focusing on areas of low performance.</p> <p>Implement an early warning system for detecting insolvency.</p> <p>Adopt a second chance strategy for bankrupt entrepreneurs.</p>	<p>Transformation of the Export Promotion Office (EPO) into the Entrepreneurship and Export Promotion Office (EEPO) in 2021.</p> <p>Regular review by the State Regulatory Service of Ukraine of draft regulations and their RIAs.</p> <p>Launch of the Diia web portal, which offers e-services that simplify regulatory procedures for SMEs as well as information for entrepreneurs in financial distress.</p>
<u>Pillar B – Entrepreneurial Human Capital</u>	
<p>Consolidate the current monitoring and evaluation (M&E) actions and create an M&E framework for key competence development.</p> <p>Develop a systematic approach to gathering SME skills intelligence data on a regular basis.</p> <p>Implement a policy framework for women's entrepreneurship and develop a plan for activities in this sense.</p> <p>Ensure gender-sensitive data collection on business activities.</p>	<p>Goals set in National Economic Strategy (NES) 2030 to develop entrepreneurial skills.</p> <p>Additional steps taken to foster assessment of learning outcomes.</p> <p>A wide range of training for women entrepreneurs, promoted on the Diia online one-stop shop.</p> <p>Regular surveys on barriers to women's entrepreneurship.</p> <p>Enhanced public and private training opportunities for SMEs.</p> <p>The EEPO collects statistics and feedback on training.</p>
<u>Pillar C – Access to Finance</u>	
<p>Complete reforms to strengthen the legal framework for non-bank financing instruments.</p> <p>Review SME financing support tools and ensure appropriate mechanisms are included to evaluate programmes.</p>	<p>The National Bank of Ukraine (NBU) allowed banks to use cloud storage abroad.</p> <p>Support for SMEs through the government's 5-7-9 programme.</p> <p>Update to the regulation on microfinance in 2021.</p> <p>Launch of Diia.Business, which offers a range of knowledge and training on financial literacy, accounting, etc.</p> <p>Adoption of a new Strategy for the Development of the Financial Sector of Ukraine in 2023, superseding the Fintech Development Strategy until 2025 approved in 2020.</p>
<u>Pillar D – Access to Markets</u>	
<p>Ensure the funding and capacity of the EPO to expand its support services.</p> <p>Ensure the transparency and accountability of the trade financing programme provided through the Export Credit Agency (ECA).</p> <p>Introduce measures to support SMEs' use of EU standards and conformity assessment services.</p> <p>Improve the effectiveness of market surveillance.</p> <p>Strengthen the review of public procurement activities, with a focus on the proper application of reasonable award and selection criteria.</p> <p>Conduct capacity-building activities to raise the knowledge and skills of contracting authorities.</p>	<p>Development of a draft new Export Strategy, on the basis of information gathered through a business survey.</p> <p>54 new EU-focussed technical regulations.</p> <p>Order No. 285 of Ukraine's National Standardization Body "On the package adoption of the CEN-CENELEC European regulatory documents by Ukraine" to adopt 20 268 European CEN/CENELEC normative documents as national normative documents by 31 December, 2023.</p> <p>Support and training on standards and technical regulations for SMEs, with a focus on integration into the EU Digital Single Market.</p> <p>Development of a strategy for market surveillance.</p> <p>Advice and support received from EU for further developing public procurement; PPL successively amended; procedures simplified and competition enhanced; new medium-term development programme drafted.</p>
<u>Pillar E – Innovation and Business Support</u>	
<p>Monitor the impact of innovation grants for SMEs and phase-in additional tools.</p> <p>Introduce incentives to commercialise publicly funded research.</p> <p>Establish a single information portal on starting/developing a business.</p> <p>Improve M&E of support programmes to measure the impact on SME performance and assess the effectiveness of support infrastructure.</p> <p>Provide information and direct support to SMEs on the benefits of the planned green public procurement policies.</p>	<p>Establishment of the Ukrainian Startup Fund (USF) providing grants and support programmes to start-ups.</p> <p>Participation in Horizon Europe to fund research and innovation.</p> <p>Creation of Diia.Business portal, an online hub providing information and hosting trainings for Ukrainian entrepreneurs.</p> <p>The EEPO's development of a network of Diia.Business Support Centres.</p> <p>Provision by private and state-owned banks of finance for green investments.</p>

Context

Economic snapshot

Ukraine's economy is facing the toughest challenges of its recent history. COVID-19 caused a 3.8% decline in GDP in 2020 and, although the economy began to recover in 2021 (Box 14.1), Russia's war of aggression against Ukraine in February 2022 inflicted severe damage, with civilian casualties in the tens of thousands, millions of people displaced within the country or abroad, significant infrastructure damage, trade disruptions and deep economic shocks (Box 14.2). As a result, real GDP shrank by 29.1% in 2022 (Table 14.3). Nevertheless, the economy showed considerable resilience: the full-year outcome was better than the 40-50% contraction projected at the start of the invasion and the economy largely stabilised after the first few months of the war. In mid-2023, real GDP growth estimates for the year stood in the 2-3% range (IMF, 2023^[1]).

In 2022, exports of goods and services dropped by around 43%, while imports volume declined by 28%, owing to blocked transport routes (IMF, 2023^[1]). The "Black Sea Grain Initiative" revitalised foreign trade by unblocking key seaports in the Black Sea, thereby improving access to international markets for Ukrainian agrifood companies, but Russia withdrew from the agreement in mid-2023. The transport issues represented a major challenge to Ukraine's business sector, and in particular to SMEs, which have fewer resources and logistical opportunities. Since May 2022, the EU has mobilised EUR 1 billion for the "Solidarity Lanes" initiative to increase global food security and support for the Ukrainian economy (EU NeighboursEast, 2022^[2]).

Over 40% of Ukraine's SMEs had to stop or limit operations during the first weeks of the war (EBRD, 2023^[3]). However, most Ukrainian SMEs adapted to the difficult situation, and only 6% of them had suspended operation by the end of the year (EBRD, 2023^[3]). Their swift adaptation owed much to a successful transition of their business online and to a lowering of production capacities (EBRD, 2023^[3]). Ukraine's banking system has also demonstrated great resilience, supporting uninterrupted electronic payment operations. However, the enterprise sector continues to struggle, and in early 2023, the share of non-performing loans (NPLs) had grown by 8 percentage points on the previous year, to reach 38%, reversing the stable trend of gradual reduction observed since 2018 (National Bank of Ukraine, 2023^[4]).

Ukraine's international partners have provided military, humanitarian and direct financial aid to support the functioning of the government. Foreign budget support had reached USD 32.1 billion by the end of December 2022 and remains vital in 2023, as Ukraine's budget deficit is expected to be more than USD 38 billion. The IMF and the Ukrainian authorities estimate financial assistance needs between USD 36 and USD 48 billion in 2023 to ensure macroeconomic stability, maintain key public services and restore critical infrastructure (European Commission, 2022^[5]). The support package also envisages critical reforms in the areas of rule of law, good governance and anti-corruption (European Commission, 2022^[5]).

The Ukrainian government has prioritised digitalisation through the creation of the Ministry of Digital Transformation in August 2019. In 2020 alone, the share of online retail trade had almost doubled, jumping from 1.2% to 2.1% of total retail turnover. The IT sector has held strong even during the war; in fact, in 2021-2022, information and communication economic activities generated 4.7% of Ukraine's GDP, compared to around 3.8% in 2016. In 2021, export of IT services reached USD 7.1 billion, more than one-third of the total volume of exported services and one tenth of total exports, with 285 000 specialists employed in the sector. In 2022, the export of IT services increased by 5.8% year-on-year, reaching USD 7.5 billion. Electronic public services have also been developed, becoming widely accessible for all citizens and businesses. Digital government is one of the key recovery priorities.

Table 14.3. Ukraine: Main macroeconomic indicators (2018-2022)

Indicator	Unit of measurement	2018	2019	2020	2021	2022
GDP growth*	Percentage, year-on-year	3.5	3.2	-3.8	3.4	-29.1
Inflation*	Annual percentage increase, consumer prices	10.9	7.9	2.7	9.4	20.2
Government balance ^{1*}	Percentage of GDP	-2.1	-2.1	-5.9	-3.6	-16.7
Current account balance**	Percentage of GDP	-4.9	-2.7	3.4	-1.9	4.9
Exports of goods and services**	Percentage of GDP	45.3	41.0	39.0	40.6	35.8
Imports of goods and services**	Percentage of GDP	54.0	49.1	40.5	42.0	52.0
FDI net inflows**	Percentage of GDP	3.7	3.3	0.0	3.7	0.2
General government gross debt***	Percentage of GDP	60.4	50.5	60.5	48.8	81.7
Domestic credit to private sector***	Percentage of GDP	34.5	30	28.2	23.6	23.5
Unemployment ^{2***}	Percent of total active population	8.8	8.2	9.5	9.8	-
Nominal GDP*	USD billion	130.9	153.9	156.6	199.8	160.5

¹ General government net lending/borrowing. This balance considers grants received from IMF and other internal donors as part of revenues.

² Modelled International Labour Organisation estimates.

Source *(IMF, 2023^[1]); ** (National Bank of Ukraine, 2023^[6]); *** (World Bank, 2023^[7])

Box 14.1. Support for SMEs during the COVID-19 pandemic

In response to the COVID-19 pandemic, the Ukrainian government put in place various measures to help businesses stay afloat, such as loans, grants, subsidies and tax relief.

Financial support

In May 2020, the government revised the Economic Stimulation Programme to provide anti-crisis measures to facilitate access to finance for SMEs. Financial assistance has been provided via the Business Development Fund (BDF). Other initiatives included:

- The “5-7-9” State Programme was extensively used to help SMEs and entrepreneurs. The main instruments were credit guarantees and partial compensation of interest on the loan. In 2020, the programme granted Ukrainian hryvnias (UAH) 16.5 billion in credit and loans to 6 957 SMEs.
- To promote the vaccination campaign and support the most affected businesses, in December 2021 the Ukrainian government launched a special state support programme called *eAid* (*ePidtrymka*). Under this programme, individuals who completed the full vaccination cycle could open a virtual bank account through the Diia portal and receive 1 000 UAH (~25 EUR), which could be spent only to purchase selected goods and services (e.g. books, gyms, cinemas, concerts).

Regulatory flexibility

The government supported SMEs and women during the pandemic through:

- Credit holidays: a special grace period for servicing loans during the quarantine for the population and businesses.
- Tax reductions: businesses were exempted from paying certain taxes during the quarantine.

Workforce support

Partial unemployment assistance was provided for SME employers and employees of SMEs. Quarantine-related changes were introduced into the Labour Code to regulate the new reality of remote work, flexible schedules and salaries.

Market support and measures to improve access to digital infrastructure

The Diia.Business platform was introduced at the beginning of the pandemic to provide online services and training. The platform uses digital learning methods based on short videos and short learning modules. Diia.Business also prepared several publications on doing business during the pandemic (business cases, fundraising). Several online courses were developed in co-operation with international organisations and the private sector, including:

- “Ten steps to start your own business”, as well as courses on starting a business in a few sectors, such as textiles, ceramics, food manufacturing and technology.
- *Grow up: Agro* to support businesses in the agrarian sector.
- Financial literacy courses, including subjects such as accounting, taxation, reporting systems, marketing and other skills.
- An anti-corruption courses within the framework of the United Nations Global Compact in Ukraine’s Anti-Corruption Collective Action programme.

Source: (Diia, 2023^[8]).

Box 14.2. Economic consequences of Russia's full-scale invasion of Ukraine

Infrastructure

The direct damage on physical infrastructure in Ukraine was estimated at nearly USD 150 billion (EUR ~142 billion) by April 2023, which comprised damage inflicted upon:

- the residential sector (USD 54.4 billion/EUR ~51.4 billion), with nearly 158 000 destroyed buildings
- infrastructure (USD 36.2 billion/EUR ~34.2 billion)
- enterprises' assets (USD 11.4 billion/EUR ~10.8 billion)
- the education sector, surpassing USD 9.1 billion (EUR ~8.6 billion), with the number of damaged or destroyed educational facilities at 3 200
- energy infrastructure (USD 8.3 billion/EUR ~7.8 billion)
- the healthcare sector (USD 2.7 billion/EUR ~2.6 billion), with 806 healthcare facilities damaged or destroyed, including 367 hospitals and 341 clinics.

Migration

By May 2022, 8 million people had been internally displaced in Ukraine, another 8 million had been recorded across Europe, and more than 5 million Ukrainians had been registered for temporary protection or similar national schemes. By mid-2023, Ukraine's military successes had allowed substantial return flows, but the UN agencies estimated that there were still 5.1 million internally displaced and 5.9 million refugees abroad as of July. This represents a huge challenge for local consumer demand and the labour market.

International trade

Ukraine's traditional export and import routes (air, shipping and land-based) have been significantly disrupted since the invasion. Black Sea cargos previously constituted approximately 80% of total export volume and 50% of total imports volume (January 2022). Following the blockade of major seaports, Ukraine relied on small ports on the Danube River and on road and rail transport, but those rapidly became a bottleneck for large cargos, severely disrupting of the export of grain and other foodstuffs. Nevertheless, in 2022 Ukraine managed to increase its services exports, in particular in the field of telecommunications, computer and information services (40.5% of total services exports), transport (32.3%) and business services (11.2%).

Business sector

In December 2022, power cuts hit the largest energy-consuming industries, such as metalworking, the chemical industry and machine building. As a result, 89% of manufacturing enterprises had to suspend operations temporarily. Enterprises lost 23% of total working time. While industries that supply basic human needs (food and light sectors) have been resilient, microenterprises were hit hard, with a 31% loss of working time. Most companies installed backup power sources, but they are probably less available for micro and small enterprises (e.g. only 44% of microenterprises vs. 90% of large ones).

Sources: (EU Council, 2023^[9]; Kyiv School of Economics, 2023^[10]; National Bank of Ukraine, 2023^[11]; UNHCR, 2023^[12]; Ukrstat, 2023^[13]).

SME sector

Ukraine's SME definition has not changed since 2012. The definition broadly aligns with EU criteria in terms of employment and turnover but does not include a balance sheet criterion (Table 14.4). The State Statistics Service of Ukraine (Urkstat) uses both the legal definition and a definition based on employment, to allow for comparability with EU countries.

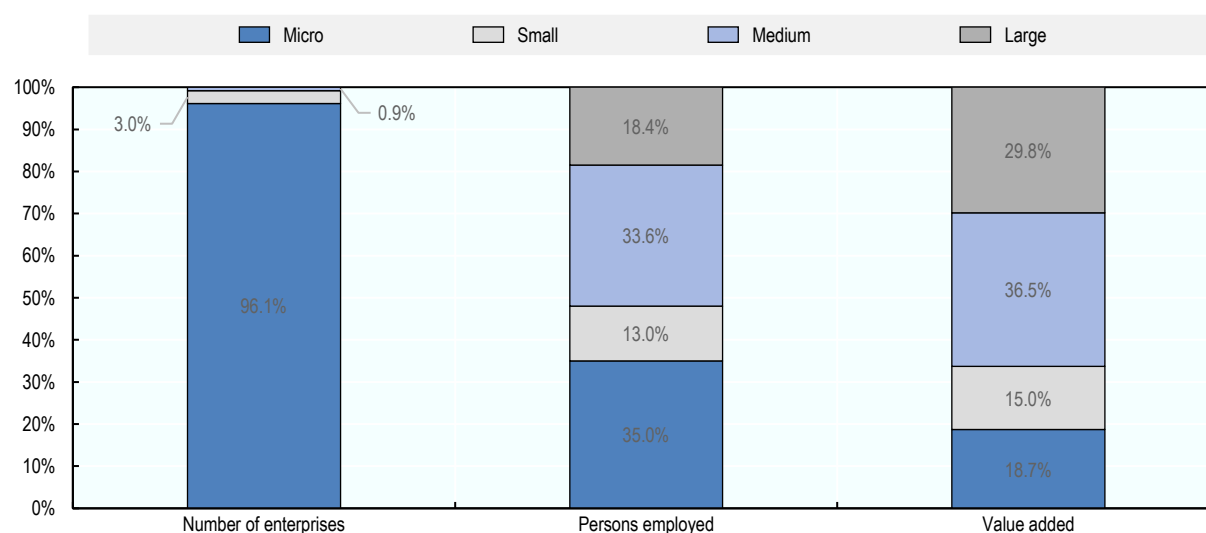
Table 14.4. Ukraine's definition of SMEs

	Micro	Small	Medium	Large
Employment	≤ 10 employees	≤ 50 employees	All enterprises that do not fall into the category of small or large enterprises	≥ 250 employees
Annual income	≤ EUR 2 million	≤ EUR 10 million		≥ EUR 50 million

Source: Commercial Code of Ukraine Art. 55, as of 22 March 2012.

In 2021, SMEs made up 99.9% of all enterprises in the business sector; 96.1% of them were microenterprises. SMEs accounted for 81.6% of total business employment in Ukraine and generated 70.2% of value added at factor cost in the business sector (Figure 14.2).

Figure 14.2. Business demography indicators in Ukraine by company size (2021)



Note: The value-added at factor cost distribution was computed with 2020 data.

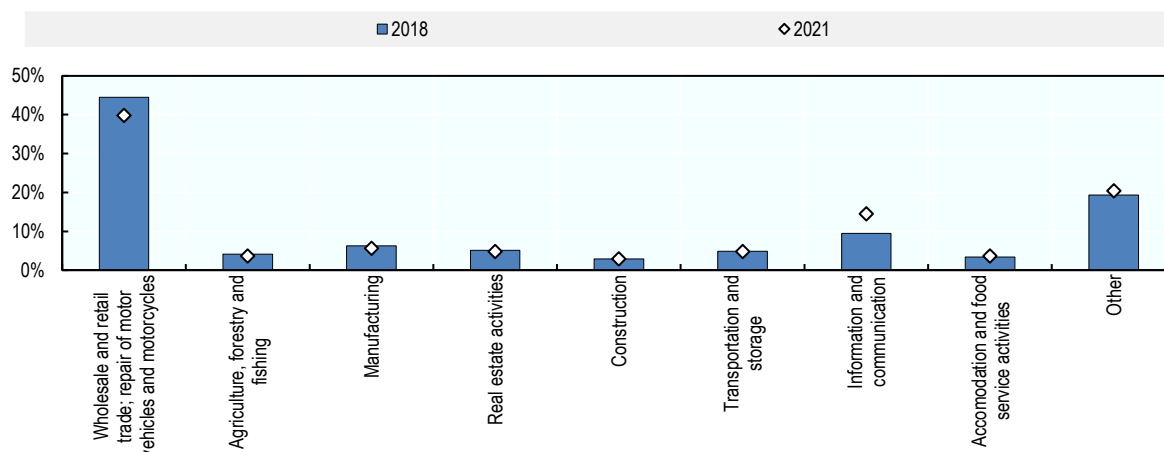
Source: (State Statistics Service of Ukraine, 2023_[14]).

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The majority of SMEs in Ukraine still operate in wholesale and retail trade (39.8%) and thus remain concentrated in low-value-added sectors. However, recent years have seen a growing number of SMEs in the ICT sector, at 14.5% in 2021 versus 9.5% in 2018 (Figure 14.3).

Figure 14.3. Sectoral distribution of SMEs in Ukraine (2021)

Share of SMEs by type of economic activity



Source: (State Statistics Service of Ukraine, 2023_[14]).

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SBA assessment by pillar

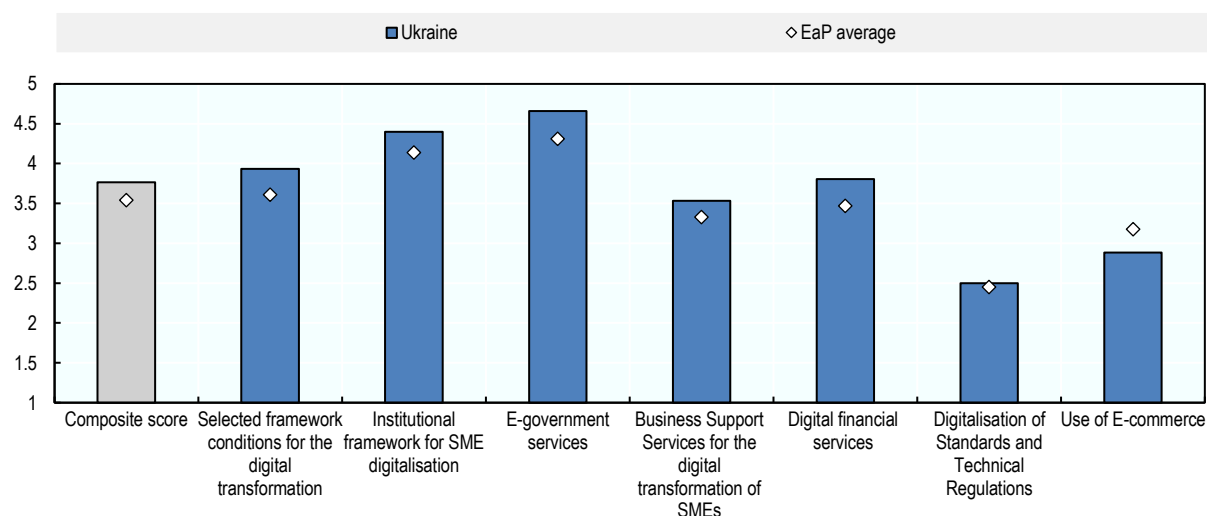
SME digitalisation policies

Creating an environment conducive to the digital transformation of SMEs requires a comprehensive policy approach based on sound framework conditions for the digital economy as well as targeted support to help SMEs reap the benefits of digital solutions. Framework conditions refer to pre-requisites for the digital transformation, such as affordable access to high-speed broadband, a satisfactory level of digital literacy among citizens, and a well-coordinated and coherent policy approach and governance system for digital policies. In the context of SME development, those fundamentals need to be complemented with specific business support services, digital financial services for SMEs, and tailored support to engage in e-commerce to reach new markets.

Reflecting the multi-faceted nature of the topic, this round of SBA assessment evaluates EaP countries' policy approaches to SME digitalisation through i) a dedicated pillar on selected framework conditions for the digital transformation, as well as ii) six new sub-dimensions, incorporated in the pre-existing dimensions of the SBA assessment, to delve deeper into specific thematic policies to foster the digital transformation of SMEs. The weighted average of the scores for the new pillar and digitalisation-oriented sub-dimensions results in a composite score for SME digitalisation policies presented below (Figure 14.4).¹

Ukraine performs slightly over the regional average, with a composite score of 3.77 for SME digitalisation policies. The assessment reveals strong achievements in building sound framework conditions for the digital transformation as well as institutional setting for SME digitalisation in particular. Ukraine also appears as regional top performer in terms of e-government services, thanks to the widely praised Diia initiative. More could be done to develop comprehensive support for the digital transformation of SMEs in non-IT sectors, and notably to help them reach new markets through e-commerce. Digitalisation of standards and technical regulations is addressed in an action plan, but implementation is still to follow.

Figure 14.4. Scores for SME digitalisation policies in Ukraine



Note: Further details on the assessment and calculation methodology can be found in the “Assessment framework” section in the Digital Economy for SMEs chapter, in the “Policy framework, structure of the report and assessment process” chapter and in Annex A. Additional information on institutional framework for SME digitalisation and e-government services can be found in Pillar A; on digital financial services in Pillar C; on use of e-commerce in Pillar D; and on Business support services for the digital transformation of SMEs in Pillar E.

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The following section details Ukraine’s performance in developing selected framework conditions for the digital transformation, while more information on digitalisation-oriented sub-dimensions can be found in the sections on the pillars they respectively belong to.

Selected framework conditions for the digital transformation

Individuals and firms, notably SMEs, cannot fully reap the benefits offered by the digital transformation without the existence of robust framework conditions, such as comprehensive digitalisation policies, access to high-speed Internet and well-rounded ICT skills among the population. Accessible, affordable and stable broadband connection is indeed the *sine qua non* to ensure widespread participation of citizens and businesses in the digital economy, and to stem the widening of the connectivity gaps between urban and rural territories, and between firms of different sizes. Furthermore, fostering digital skills development at all stages of life through formal education and lifelong learning initiatives for adults is essential to help the working-age population acquire the skills they need to embark on the digital transformation, produce tech-savvy consumers, and build a talent pool of IT specialists.

National digital strategy

Ukraine does not have a single document as a National Digital Strategy. It has, however, been working on developing a strategic vision for its digital transformation: a Digital Agenda for Ukraine 2020 was developed to align Ukraine’s digitalisation with EU standards. It was followed by the adoption of a *Concept for Development of the Digital Economy and Society 2018–2020*. Digitalisation currently features prominently in different key policy documents (Table 14.5): the National Economic Strategy 2030 (NES 2030), for instance, defines *digital economy* as a key priority for Ukraine’s economic policy (Direction 18. Digital economy). Additional aspects of the digital transformation are mentioned in the *Strategy for Implementation of Digital Development, Digital Transformations and Digitalisation of the State Finance Management System for the period until 2025* (Strategic Goals 1-32). Provisions concerning digitalisation are mentioned

in the *Strategy for Digital Transformation of the Social Sphere* and in *State Regional Development Strategy for 2021-2027*. This document focuses on infrastructure development and digital transformation of the regions. There is also a *Strategy on the Integration of Ukraine into the European Union Digital Single Market* (the “Roadmap”). Notwithstanding Russia’s ongoing war, Ukraine is pursuing and stepping up its digitalisation efforts, and developing plans for post-war recovery, with digital transformation constituting a thematic pillar of the draft Recovery Plan (National Council for the Recovery of Ukraine, 2022^[15]). Ukraine’s current approach also emphasises artificial intelligence (AI), with substantial efforts to align with the EU AI Act and to develop an adequate regulatory framework to this end.

Table 14.5. Policy framework for the digital transformation in Ukraine

Policy document and timeframe	Status	Main objectives	Selected measures
Concept for Development of the Digital Economy and Society 2018-2020	Different action plans approved	Endorse priority areas, initiatives and digitalisation projects developed under the Europe 2020 Strategy.	Adoption of the Action Plan for the Implementation of eServices Development Concept for the years 2019-2020. Adoption of the Action Plan on the Implementation of the International Open Data Charter Principle. Approval of the Action Plan on the Implementation of a Cybersecurity Strategy in Ukraine in 2018.
Strategy on Integration of Ukraine into the European Union Digital Single Market (“Roadmap”) 2018-2023	Ongoing	Break down barriers and create new uniform rule on online services freeware distribution, most notably in digital marketing, e-commerce and telecommunications, and to strengthen the cybersecurity of networks and information systems.	December 2020: The Law on Electronic Communications which implements the EU Electronic Communications Code synchronously with the EU member states. December 2021: Law on NCEK (National Telecom Regulator). September 2022: The Law on Official Statistics. December 2022: The Law on Amendments to Certain Legislative Acts of Ukraine on Ensuring the Conclusion of an Agreement between Ukraine and the European Union on Mutual Recognition of Qualified Electronic Trust Services and Implementation of European Union Legislation in the field of electronic identification. June 2023: The Law on Protection of Consumer Rights.
Strategy for Digital Transformation of the Social Sphere Since 2020	Ongoing	Ensure European standards for the functioning of social protection institutions, the provision of social services, the financial stability of the social sphere, increasing its transparency and optimising its administrative expenditures. Create a unified information environment of the social sphere. Help the government contribute to social cohesion through the use of digital technologies.	Creation of a unified information base of the social sphere. Unified register of providers and recipients of social services and benefits, as well as the introduction of a system verifying them. “eBaby” (implemented 2020-22) to simplify the procedure for receiving services related to childbirth. Web portal of electronic services of the Pension Fund of Ukraine providing remote services through the personal accounts of citizens and employers.
Strategy for Implementation of Digital Development, Digital Transformations and Digitalisation of the State	Ongoing	Solve the problem of the lack of integration between the information from the online public financial management system, the lack of a	Centralising the IT resources and IT functions of the Ministry of Finance and central executive bodies; priority is given to the centralisation of cloud technologies, the creation of a single data

Policy document and timeframe	Status	Main objectives	Selected measures
Finance Management System 2021-2025		single data warehouse with up-to-date information available to all public authorities, the obsolescence of individual platforms and the lack of automated information exchange with many other government agencies	<p>warehouse and the gradual transition to a new level of service-oriented systems by ensuring the availability of public services online.</p> <p>Creating a Committee of Information Technology Management in the Public Finance Management System.</p> <p>Developing co-ordination and co-operation processes with the Treasury, the State Tax Service, the State Custom Service, the State Audit Service, and the State Financial Monitoring Service.</p> <p>Regulating the functioning of the Unified Information and Telecommunications System of the public financial management system.</p>
State Regional Development Strategy for 2021-2027	Ongoing	<p>Ensure economic growth, facilitating regional development, and preventing corruption.</p> <p>Enhance unity and foster a decent life for citizens in a united, decentralised, competitive and democratic Ukraine.</p>	<p>Providing financial assistance to underdeveloped regions through financial support.</p> <p>Directing subsidies and state aid mainly for creating of capital construction objects (state investment exclusively in state or communal property).</p> <p>Strengthening the integrating role of agglomerations and large cities and thereby creating a legislative framework for the functioning and development of agglomerations, ensuring a balanced development of the territories that are part of them.</p>
National Economic Strategy 2030	Ongoing	<p>Offer a coherent vision regarding the strategic course of Ukraine's economic policy by defining the long-term economic vision.</p> <p>Develop Ukraine's digital economy as a main driver of economic growth.</p>	<p>Increasing IT education in public educational institutions.</p> <p>Raising the overall digital skills levels of citizens through private and communal initiatives regarding digital skills and non-formal education.</p> <p>Improving telecommunication infrastructure through targeted support to commercially disadvantaged regions and efforts to bridge the digital gap between urban and rural areas.</p> <p>Harmonising digital legislation by developing a draft law to make the necessary changes to the Law of Ukraine "About electronic commerce", ensuring the implementation of the Strategy of Integration to the European Digital Market of the EU, and supporting the development of local crowdfunding and the principle of "peer-to-peer" within the framework of the EU4Digital Programme.</p>
Draft Recovery Plan	Under preparation	<p>Overcome crises, including those caused by Russia's full-scale invasion.</p> <p>Reconstruction and further development of the country.</p> <p>The key development goals are to accelerate the economic growth of regions and territorial communities based on the effective use of</p>	<p>Developing public e-services.</p> <p>Institutional development of digitalisation, e.g. through strategic planning for the development of the digital sphere of Ukraine until 2025.</p> <p>Developing the Diia Centres network, e.g. by updating and filling the Diia Centres platform and improving monitoring and evaluation of the quality of administrative services.</p>

Policy document and timeframe	Status	Main objectives	Selected measures
		domestic potential, job creation, improved employment and the accessibility of public services.	Developing public electronic registers, optimising them and centralising support; introducing electronic interaction. Improving the government regulation of the use of electronic trust services, creating favourable conditions for the provision and receipt of electronic identification services.

Source: (European Commission, 2019^[16]; Yanovska, 2019^[17]; Cabinet of Ministers of Ukraine, 2021^[18]; Tarasiuk, 2022^[19]; Shulga, 2019^[20]; The National Council of Recovery of Ukraine from the Consequences of the War, 2022^[21]).

Ukraine has worked towards a multi-stakeholder approach for the design and implementation of digitalisation policies. It created a Ministry of Digital Transformation in 2019, responsible for digitalisation policies, and the minister was granted the status of vice prime minister in 2022. Further co-ordination efforts were provided through the development of special digitalisation units in most government bodies, with the establishment of a new position of chief digital transformation officer and deputy minister in each ministry. The aim was to ensure co-operation across ministries at national and regional levels.

The NES 2030 was developed with the involvement of experts, scientists, officials and people's deputies through the establishment of a dedicated working group headed by the prime minister. More than 500 participants from the public and private sectors contributed to its creation: representatives of more than 20 analytical centres, more than 30 business associations, 40 bodies of executive power, expert circles and civil society, and people's deputies. The Secretariat of the Cabinet of Ministers leads the design, implementation, monitoring and evaluation of the strategy. It ensures co-ordination among state institutions responsible for provisions on digitalisation, i.e. the Ministry of Economy, the Ministry of Digital Transformation, the Ministry of Development of Communities and Territories, and the Ministry of Social Policy (mainly within the Strategy for Digital Transformation of the Social Sphere).

The NES 2030 provides for monitoring the implementation of the strategy, according to the set targets. Initial plans foresaw the monitoring to be carried out on a single e-governance web portal, which would summarise information on the implementation progress and analyse the degree to which specific target indicators had been achieved in the reporting period. The Strategy for Digital Transformation of the Social Sphere also has target indicators for the implementation of the strategy. However, despite these provisions, Russia's war against Ukraine, the occupation of part of the territory and the need to restore the infrastructure in the de-occupied territories, are posing considerable challenges to monitoring and evaluating the results of the strategies.

Current strategies give limited consideration for the digitalisation of businesses. The NES 2030 mentions the need to develop digital skills among businesses and a shared technology centre to foster access to digital tools but it does not provide for a comprehensive approach for support to SMEs' digitalisation. Moreover, policy documents do not have any targets to evaluate progress on SMEs' digitalisation. The previous SME Strategy did not address this issue either.

Moreover, the implementation has been challenged by Russia's war: beyond the challenges encountered in monitoring and evaluation, the lack of and/or reallocation of funding and resources to implement the strategy might hinder its execution. For example, the budget allocated to the Ministry of Digital Transformation was lowered from UAH 1 351 million (EUR ~35 million) in 2022 to UAH 616 million (EUR ~16 million) in 2023; most of the funds were awarded to e-governance, but there has not been any funding for "priority digital projects". However, the Ministry of Digital Transformation works in close co-operation with international partners such as the United States Agency for International Development (USAID), the Swiss Agency for Development and Cooperation (SDC), the United Nations Development Programme

(UNDP), and various companies (e.g. Google, VISA, Microsoft), which provide financial resources for a considerable number of activities and initiatives.

Moving forward, Ukraine could build on its impressive progress to date by developing a comprehensive approach to SME digitalisation and including relevant provisions in policy documents, associated with measurable targets and funds – e.g. on support programmes tailored for businesses, e-commerce and digital security. Regarding policy implementation, the authorities could create co-ordination mechanisms that involve non-governmental stakeholders, who play a major role in shaping and supporting the implementation of digitalisation policies. This could take the form of a public-private working group meeting, for instance, as a follow-up to the one formed for the development of the NES. Additional co-ordination tools would also further lower the risk of overlap and duplication between the different policy documents covering digitalisation issues.

Broadband connectivity

The government fully acknowledges the importance of broadband connectivity for the country's development. This is reflected in the NES, which includes targets to increase mobile and fixed Internet coverage and seeks to stimulate the deployment of 5G networks in large cities. It is also reflected in the State Regional Development Strategy for 2021-2027, which aims to have all Ukrainian schools connected to the Internet by 2027 (up from the 2019 baseline of 37%). Ukraine does not have a national broadband plan: the *Concept of Digital Economy and Society Development in Ukraine 2018-2020* envisioned the development of a dedicated *National Strategy for the Development of Broadband Internet Access*. The Ministry of Digital Transformation held public discussions in 2020 on a draft, but it was never officially adopted. However, in 2021, the Ministry of Digital Transformation approved the *Plan of Measures for the Development of Broadband Access to the Internet for 2021-2022*, which paid considerable attention to improve the legal regulation of access to broadband Internet providers, access to energy and transport infrastructure, the connection of social infrastructure institutions to fixed broadband Internet access, and the creation of a state platform that shows the state of development of Internet access in different regions of Ukraine (Cabinet of Ministers of Ukraine, 2021^[22]). The results of the implementation are not publicly available, and a follow-up document has not yet been approved. However, the National Council for Recovery of Ukraine has included provisions for fostering access to high-speed Internet in the Draft Ukraine Recovery Plan, emphasising the topic's importance for the country's post-war recovery (National Council for the Recovery of Ukraine, 2022^[15]). Moreover, multi-stakeholder meetings are planned to discuss improvements in access to broadband (Ministry of Digital transformation of Ukraine, 2021^[23]).

The publicly available indicators on subscriptions, coverage and quality of service reveal that Ukraine has already achieved considerable improvements in broadband connectivity over recent years. It appears to be the EaP country with the sharpest increase in uptake, especially for mobile broadband subscriptions (+969% in 2015-20 vs. 81% on average across the region), and for fixed broadband (up 60% vs. 38% for the regional average).

Moreover, the authorities have worked in recent years to tackle digital divides between urban and rural areas – e.g. in the Strategy of Regional Development and the Plan for 2021-2022. The government notably provided subventions to local budgets for the implementation of measures to increase the availability of broadband Internet access in rural areas. Despite these efforts and sizeable progress, digital gaps persist across regions and firms – an urban/rural gap of 14.6 percentage points in 2021, somewhat above the EaP average and OECD/EU values. Ukraine also lags OECD and EU levels in terms of businesses connectivity, the size of the gap being negatively correlated with the size of the company.

Policy implementation has, of course, been hampered by the war; many of the initiatives of the government and the Ministry of Digital Transformation in the field of broadband connectivity have had to be postponed. Moreover, access to the Internet and the quality of data transmission have decreased due to Russian and Belarusian cyber and physical attacks. More than 4 000 base stations and 1.7 million fixed Internet lines

were fully damaged or destroyed, which represents about a quarter of all Internet networks in Ukraine and created significant losses for over 700 telecom companies. Since the fall of 2022, Ukraine has been experiencing planned and emergency power outages, which also hinders the stable provision of Internet access. However, Ukrainian providers have begun to modernise and switch to the use of fibre-optic cable. This technology allows access to the Internet even in the absence of electricity in the network if the provider uses generators at key nodes and subscribers connect the router to an uninterrupted power source (power bank or battery). The war has shown the resilience of Ukrainian Internet service providers, their flexibility and willingness to adapt to the war to provide Internet access in very difficult conditions. Satellites such as SpaceX's Starlink have also become part of the critical infrastructure, enabling quick restoration of communication in de-occupied territories and hospitals, schools, energy and social sectors. Progress was also made in terms of national and international roaming.

Moving forward, Ukraine should pursue its applaudable efforts in ensuring broadband connectivity for citizens and firms across the Ukrainian territory. The upcoming policy documents and measures should address the remaining digital divide in rural areas, and foster access to high-speed Internet in Ukrainian firms, especially small ones, as a very first step of their digitalisation journey. There will also be a need to restore Internet supply infrastructure in territories liberated from Russian occupation. When rebuilding (i.e. roads and other infrastructure), Ukraine should consider laying fibre at the same time.

Digital skills

Despite the absence of a dedicated National Digital Strategy in Ukraine, digital skills development is addressed in several policy documents, framing Ukraine's efforts in that regard. The *Concept of Development of Digital Competences* (hereafter "the Concept"), adopted in 2021, sets overall guidelines for policy makers to develop the Ukrainian population's digital skills, defining key principles, approaches and objectives and suggesting actions (Cabinet of Ministers of Ukraine, 2021^[24]). The NES 2030 also addresses this issue, with a strategic goal of *increasing the level of digital skills of citizens* within the Direction on Digital Economy, indicating that citizens' underdeveloped digital skills are holding back a full-fledged transition to the digital economy (Cabinet of Ministers of Ukraine, 2021^[25]). The document envisages the implementation of online and offline digital education courses, support for private initiatives regarding digital skills in non-formal education, and the introduction of digital consultants who would raise citizens' knowledge on how to use fully digitalised services. In terms of the institutional framework, there are efforts at co-ordination on digital skills policies: for example, consultations were held with representatives of education institutions and the National Academy of Sciences of Ukraine to prepare the Concept. A National Skills and Jobs Coalition was reportedly created, as well as an Inter-Industry Council on Digital Development, Digital Transformations and Digitalisation.

Some 53% of the Ukrainian population was assessed as having digital skills that were below basic in 2019. Since then, considerable progress has been made in Ukraine in implementing a number of initiatives to foster digital skills development at all stages of life. With regards to the education system, digital competence is included as a key competence in the Basic component of preschool education and in state standards of both primary and secondary education. COVID-19 and the war in Ukraine have been forcing teachers and students to use online learning to ensure the safety of learning and access to education for people who were forced to evacuate and are unable to attend classes at school or university. Courses have been developed to improve teachers' digital skills. Moreover, several universities co-operate with IT firms, e.g. organising joint training event, seminars, and master classes.

A wide range of tools have been put in place to accelerate digital skills development among the population, in line with EU practices – making Ukraine the EaP leader in the field. Citizens can assess their level of digital skills with the online self-assessment tool Digigram, which has been developed for different target groups and already benefitted almost 700 000 users over the past two years (incl. over 200 000 teachers). The government of Ukraine used DigComp 2.1: The Digital Competence Framework for Citizens to create

the Digital Competence Framework for Citizens of Ukraine, as foreseen in the Concept (which also included the development of methodological recommendations for the application of this Framework). DigComp derivatives are also being developed for different target groups, such as educators and civil servants. Based on the Digital Competence Framework, the Ministry of Digital Transformation has launched a national online platform for the development of digital literacy, Diia.Digital Education, where Ukrainians can take free digital literacy courses and test their knowledge. The courses are designed in the form of an educational series, where the topics of the courses are explained in short videos. Attendees can pass a test at the end and get their skills certified. Training is informal and corresponds to the concept of lifelong learning.

The regular collection of granular data enables monitoring, an element also emphasised in the Concept. Ukraine is one of the most advanced EaP countries in terms of digital skills assessment practices, as underlined in the EU4Digital comparative survey (EU4Digital, 2020^[26]). The Ministry of Digital Transformation conducts nationwide surveys to monitor the dynamics of the population's level of digital skills. Such data have been collected twice so far (in 2019 and 2021), and show improvements: according to the survey, the share of Internet users increased from 88% to 92%, while the number of Ukrainians whose digital skills are below the basic level decreased from 53% in 2019 to 47.8% in 2021. The survey also illustrated the significant impact of COVID-19 on the use of Internet services: 52% of respondents indicated that they tried digital tools for the first time during the pandemic (online shopping, paying utility bills online, etc.). Overall, the significant improvements in Ukraine's digitalisation path have been reflected in international rankings such as the Network Readiness Index 2022, where Ukraine leads its income group – with strong performance on digital literacy.

However, more remains to be done, as Ukrainians' digital skills remain below OECD/EU levels. Building on the inclusion of digital competence in national curricula, students' progress in acquiring the different skills should be systematically assessed to ensure quality of education. Like EU practices, digital competence frameworks will also need to be regularly updated based on scientific research and stakeholder feedback to ensure their continued relevance, taking into account rapidly changing skills needs. Moreover, more could be done to promote digital skills among entrepreneurs and employees in non-IT sectors. Ukraine should finalise its Digigram version for entrepreneurs as well as the specific digital competence framework and ensure recognition of acquired competences to foster the employability of beneficiaries. The country could also develop reskilling and upskilling opportunities to tackle the remaining skills mismatches and help citizens meet labour market demand. Indeed, despite the booming IT sector, the lack of digital skills is still a major obstacle to SME digitalisation, as most companies cite the lack of experienced employees and expertise as a barrier to their digital transformation (35% and 31% of survey respondents, respectively) (German Economic Team, 2021^[27]). Finally, additional data could be collected on the digital skills of SME managers and employees, and skills anticipation tools could be further developed: there are no regular digital skills forecasting exercises, and skills anticipation remains overall limited to some labour market forecasts, whose results are not publicly available.

Pillar A: Responsive Government

Institutional and regulatory framework

Ukraine has made progress in strengthening the institutional framework for SME policy since the last SBA assessment; however, this positive momentum has been disrupted by Russia's invasion of Ukraine. The government has reacted to the emergency by focusing on assistance to enterprises operating in strategic sectors and increasing the functions of the dedicated platform Diia.Business, which serves as a communication channel between the government and businesses and as a provider of essential administrative services to SMEs. Over the medium term, EU candidate status entails an agenda for institutional and regulatory reforms and an incentive to adopt good practices, while providing the basis for an enlarged programme of EU financial and technical assistance.

Institutional setting

The implementation of Ukraine's first SME Development Strategy (2018-2020) has come to an end but no new strategy has been introduced. As a result, the country lacks policy documents that comprehensively cover SME-related issues. A new SME strategy should be adopted at the end of the war, in line with the priorities of the reconstruction plans and the EU accession roadmap and after assessing the extent of the damage to the country's productive capacity.

As for the actions taken before the war, it is important to note that in March 2021, Ukraine approved the NES (see above), which contains Direction 17 on entrepreneurship (Development of entrepreneurship). The strategy sets five strategic goals for entrepreneurship development: 1) ensuring an effective state policy on the development of entrepreneurship; 2) stimulating the development of an entrepreneurial culture and competences; 3) establishing conditions to increase the level of access to finance; 4) creating conditions for increasing enterprises' access to markets; and 5) stimulating innovations development. The NES also identifies a number of priority sectors such as ICT, agriculture and food production, hospitality and creative industries, all characterised by a high SME presence.

Although the NES does not have an action plan with time-bound targets or allocated funding, it envisages "target indicators 2030" for each direction. Most of the target indicators for entrepreneurship are declarative. Specific targets related to Direction 17 on entrepreneurship include improving Ukraine's ranking in the Global Competitiveness Index (from 73rd to 40th place) and the Global Innovation Index (from 45th place to 30th), financial and economic literacy training for 10 million citizens, and the growth of venture funding for Ukrainian start-ups (from USD 510 million to USD 5 billion). Nevertheless, there are no specific interim targets that correspond to specific actions.

The Ministry of Economy remains the central body in charge of developing and implementing SME policy, including SME support programmes and infrastructure, entrepreneurship promotion, and other SME-related issues. As digital transformation became a key national priority, the government established the Ministry of Digital Transformation in 2019.

The government also reorganised the state bodies that implement SME support policy. In autumn 2018, the Ministry of Economy established the SME Development Office (SMEDO), a donor-funded advisory body employing external private consultants. In addition, in the same year, within the framework of a donor-funded project, the government established the Export Promotion Office (EPO), a state institution to support Ukrainian exporters. In 2021, the agency was transformed into the Entrepreneurship and Export Promotion Office (EEPO), which *de facto* is now in charge of SME policy implementation as well as export promotion. The EEPO is accountable before the supervisory board, which includes both the Ministry of Digital Transformation and the Ministry of Economy. The agency, together with the Ministry of Digital Transformation, implements the national project for the development of entrepreneurship and export Diia.Business. The EEPO is in charge of the Diia.Business portal, which provides online trainings, consultations and other business support services (see below). Diia.Business has established a network of Diia.Business Support Centres where entrepreneurs can receive offline consultations.

The EEPO is fully operational and well-staffed. According to the Law on the State Budget, it receives funding as an export promotion institution. The 2023 state budget provides UAH 36.8 million (EUR ~1 million) for EEPO's activities. At the same time, its activities remain heavily dependent on international aid. In 2021, the institution received EUR 754 000 from donors, complemented by UAH 14.5 million (EUR ~475 000) from the 2021 state budget.

Despite the obstacles created by the war, EEPO has reached a high level of functionality and the Diia.Business platform is seen as an innovative instrument. In 2023, EEPO, together with the partners of the Consortium of the European Network of Enterprises in Ukraine, won the UkraineReady4EU Project in the European grant competition Business Bridge and attracted vouchers in the amount of EUR 3.75 million for 1 500 Ukrainian enterprises affected by the full-scale war.

In addition to supporting Ukrainian enterprises operating in the domestic market, EEPO focuses on the promotion of the export of goods, works and services of Ukrainian manufacturers, playing the role of a Trade Promotion Office (see below).

Legislative simplification and RIA

The government is proceeding with the implementation of the deregulation reform that began with donors' support in 2015. In 2019, it approved a new deregulation plan, the "Plan of measures to deregulate economic activity and improve the business climate, an action plan to improve the conditions for doing business in Ukraine", that was set to expire at the end of 2022. In January 2023, the government extended the implementation time frame. The reform is ongoing, but the most important changes were introduced before the previous assessment (e.g. the last amendments to the RIA guidance introduced in 2016). The government also included deregulation in the NES 2030 under Direction 3 (Regulatory environment). However, the "target indicators 2030" only envisage an improvement in Ukraine's positions in international rankings. The deregulation plan targets both primary and subordinate legislation on regulatory requirements in different sectors. The ministries of Economy, Infrastructure, Regional Development, and Ecology and Natural Resources oversee the highest number of deregulation actions. According to the State Regulatory Service of Ukraine, 57 actions had been completed as of 21 January 2022 (e.g. the Ministry of Economy completed 19 out of the 32 planned actions).

In January 2023, the government established the Interagency Working Group on Issues of Accelerated Review of Instruments of State Regulation of Economic Activity. At that time, there were more than 1 000 regulatory instruments in place (including 528 permits, 224 licenses and 157 approvals). The first meeting of the working group recommended abolishing 47% of licenses and permits. Other licenses and permits must be mainly digitalised or amended. At the second meeting, in February 2023, the working group recommended abolishing or amending 90% of regulations managed by the Ministry of Environmental Protection and Natural Resources and government bodies under it. Such rapid decisions demonstrate that the government plans to foster deregulation efforts.

The State Regulatory Service of Ukraine (SRS) is the central body that executes state regulatory policy. According to the law, the SRS regularly reviews draft regulations and their RIAs. For example, in 2021, it reviewed 4 101 draft legal acts: 603 laws and regulations developed by central executive bodies, 64 draft regulatory acts developed by local executive bodies and 3 434 draft regulatory acts developed by local self-government authorities. In 2022, it reviewed 962 draft legal acts: 453 laws and regulations developed by central executive bodies, 24 draft regulatory acts developed by local executive bodies, and 485 draft regulatory acts developed by local self-government authorities. The RIA guidelines include the obligation to conduct RIA SME tests.

In 2020, the government officially launched the Diia portal, which offers multiple e-services that simplify regulatory procedures for SMEs. This is the most important change since the previous assessment. Entrepreneurs can start a business online (both legal persons and individual entrepreneurs), pay taxes, obtain permits and benefit from many other online services that reduce regulatory burdens. The government widely promotes the use of the portal and today Diia is one of the most widely used applications in Ukraine. At the same time, the government and local authorities support an extensive network of regional one-stop shops known as Centres of Administrative Services. According to the Diia portal, there are approximately 3 800 Centres and remote workplaces. Information on their location, contacts and infrastructures can be found on the Diia.Business portal.

Public-private consultations

The Law on Basic Principles of the State Regulatory Policy in the Economic Activities Sphere mandates public-private consultations for the development of business-related draft regulations. The legislation does not limit forms of consultations but sets strict requirements about the time frame (a minimum of one month

and a maximum of three months from the date of publication). Formal and informal meetings between public institutions and the private sector are frequently held on an ad hoc basis, and the Ukrainian Business Council has played an active role in the elaboration of the NES. Nevertheless, there are no aggregated data on all public-private consultations in Ukraine, although government bodies and local authorities report on such consultations.

Institutional framework for SME digitalisation

At the moment Ukraine has not elaborated a strategic document on SME digitalisation. Promoting SME digitalisation is one of the objectives listed in the National Economic Strategy 2030, under the broad objective of developing digital skills in the business sector. Strategic directions related to SME digitalisation include: 1) the implementation of eight roadmaps for digital transformation of key industries, including agriculture, machine building, tourism, light industry, food and processing, energy, mining, and defense; 2) the creation of new opportunities for the realisation of human capital, development of innovative, creative and digital industries and businesses; and 3) actions to make the development of creative, innovative and digital industries a main state policy priority.

Competence over SME digitalisation comes under the Ministry for Digital Transformation, operating in co-ordination with the Ministry of Economy, while EEPO is in charge of implementing SME digital transformation programmes. However, no funds have been allocated to those programmes given the current budget limitations.

The war has produced an acceleration of the digitalisation of the society and the use of e-government digital platforms (Diia, Diia.Business and Vzaemo.Diia), forcing SMEs to adopt digital tools. EEPO is supporting the digital transformation by providing online courses to SMEs. The Ministry of Digital Transformation of Ukraine is also working on promoting the application of AI technologies among businesses and in establishing AI governance rules, aligning them with those of the EU.

The way forward

Moving forward, the government should continue to elaborate short-term action plans for SME support to respond to the emergencies generated by the Russian invasion. At the same time, it should consider establishing a working group including SME representatives, local community representatives, and experts to elaborate a plan for the post-conflict recovery and reconstruction, looking at the role that SMEs could play in this phase, setting the basis for the elaboration of the country's post-conflict SME development strategy. To further strengthen the institutional and regulatory framework for SMEs, the government should continue to implement its deregulation plan under the National Economic Strategy 2030, focusing on the actions that could speed-up the reconstruction phase and the re-development of industrial sites damaged during the conflict.

Operational environment for SMEs

Between 2020 and 2022, Ukraine made incremental progress on implementing the Economic Deregulation Strategy and the Public Administration Reform Strategy, with 94 actions completed so far. The most significant progress achieved is represented by the online provision of a wide range of administrative services to SMEs, in line with the country's digital strategy.

E-government services

Ukraine has actively promoted the development of a digital government in recent years. The main document in this field is the Concept of E-governance Development in Ukraine, approved on 20 September 2017. In addition, as mentioned above, the NES 2030 also defines the "digital economy" as a key priority

and includes relevant elements pertaining to government digitalisation. The Ministry of Digital Transformation is responsible for the development and implementation of e-governance policy.

In 2020, the government introduced the Diia.Business platform as a subproject of the Diia e-services ecosystem. The Diia.Business portal offers numerous resources to raise awareness among entrepreneurs on the available e-services. The portal provides information to SMEs on the availability of digital government services and instructions for using them. Ukraine continues to expand the list of services available online for SMEs. Some noteworthy ones include filing taxes or social security returns, pensions, the cadastre, reporting enterprise statistics, and the unified state register of court decisions.

The government also promotes the use of other digital platforms developed in the framework of the Diia project. In 2021, the government introduced the Vzaemo.Diia sub-project, designed to become an e-democracy instrument. The website included services such as e-consultations, e-surveys, e-petitions, and other e-democracy instruments. At the same time, the Ministry of Digital Transformation is transforming the mobile app Diia into a state "super app", constantly expanding its range services, including participation in polls and the possibility of executing tax payments.

It should be noted that local communities have already also used other digital platforms for public-private consultations, including E-Dem. The platform was developed within the framework of the E-Governance for Accountability and Participation (EGAP) programme, implemented by the East Europe Foundation in co-operation the Ministry of Digital Transformation and funded by Switzerland.

The "Resolution of the Cabinet of Ministers of Ukraine Approving the Regulations on Data Sets to be Published in the Form of Open Data", introduced in 2015, contains a formal requirement whereby government data should be "open by default". These requirements, however, have been suspended during the martial law.

Overall, Ukraine has made significant progress in the development of e-government. According to the United Nations E-Government Development Index, in 2020 Ukraine ranked 69th among 193 countries with a score of 0.7 points (United Nation, 2022^[28]). In 2022, it had moved up to the 46th position with a score of 0.8 points. Despite all the challenges associated with the war, the Ministry of Digital Transformation of Ukraine continues to actively develop the open data sphere in Ukraine. According to the results of the Open Data Maturity 2022 EU report, Ukraine ranks second in Europe in terms of open data maturity (Carsaniga et al., 2022^[29]).

Company registration

Ukraine has made remarkable progress in simplifying and speeding up the company registration process. In 2016, according to the ABCA survey, the average registration time was 11 days. In 2021, business registration took on average 6.3 days (based on the Municipal Competitiveness Index, prepared by the Institute for Economic Research and Policy Consulting and USAID Competitive Economy programme). Nevertheless, the duration of the procedures depending on the size of the city, ranging from 3.6 days in Rivne to 14.4 days in Dnipro. Since 2023, enterprises have been able to register online through the Diia digital platform. The automatic registration consists of two steps: application submission and registration. The approximate time needed to complete the procedure is 11 minutes and it is free of charge. Online registration is available across the entire territory for natural persons (unincorporated enterprises), and since October 2020 for the registration of a limited liability company based on a model charter can be conducted through the Diia portal. Since 2021, all applications in electronic form for the registration of individual entrepreneurs are accepted through the Diia portal and only require a single step. As a further step towards the simplification of company registration procedures, since April 2021, the State Registrar is no longer required to check the documents attached to the online application to confirm the registration prior to the registration in the state register. Those functions are now performed automatically.

Business licensing

Business licensing is regulated by the 2015 Law on Licensing Economic Activities with Amendments. Information on licenses and permits' requirements is available on the Single Public Portal of Administrative Services as well as on the Diia portal, while a single interactive portal is under development. License applications can be completed online. According to Part 1 of Article 14 of the Law on Licensing, when a licensing fee is not established by law, it should amount to one living wage.

Tax compliance procedures for SMEs

SMEs view tax administration procedures as a burden on their activity. According to a survey conducted by the German Economic Team, in 2020, businesses spent on average 327.5 hours to submit and pay for the three main types of taxes (income tax, value added tax and employment tax, including contributions to social insurance). However, Ukraine has adopted a simplified tax system for SMEs since 1998 and efforts are under way to reduce the tax administrative burden. The current tax regime identifies four groups of taxpayers: 1) individual entrepreneurs whose annual income does not exceed UAH 1.1 million (EUR ~29 000) and who do not have employees; 2) individual entrepreneurs whose annual income does not exceed UAH 5.6 million (EUR ~145 000) and who employ less than 10 persons; 3) individual entrepreneurs or legal persons whose annual income does not exceed UAH 7.8 million (EUR ~203 000); and 4) individual entrepreneurs (farms) and legal persons whose agricultural production does not exceed 75% of total production. According to the simplified taxation system, each of the four groups is subject to a specific tax regime. Entrepreneurs falling under Group 1 pay a single tax up to 10% of the subsistence minimum. Those in Group 2 pay a single tax up to 20% of the minimum wage. Entrepreneurs and enterprises that are part of Group 3 are subject to a single tax set at 3% of total revenues for VAT payers and at 5% for VAT non-payers. Those under Group 4 pay a single tax calculated based on the type of agricultural land exploited.

The simplified tax system also envisages simplified accounting and filing rules. Tax declarations and tax payments can be filed and paid online. In 2022, the government introduced a number of changes regarding the single tax to support Ukrainian businesses of all sizes during the war. Almost all businesses (with a turnover less than UAH 10 billion or EUR ~260 million) became eligible to choose 2% single tax payments. Nevertheless, the government plans to abolish this instrument in 2023.

An enterprise must pay VAT when its sales amount to more than UAH 1 million (EUR ~26 000). The base VAT rate is 20%. According to a study conducted by the European Business Association, enterprises encounter problems with receiving VAT refunds, as 95% of the refund declarations are subject to checks.

The way forward

To further improve the operational environment for SMEs, Ukraine should 1) continue to implement the reform of company registration procedures, further reducing the time required to complete it and extending the application of the new procedures across the whole country; 2) calculate the effective tax rate applied to different types of individual entrepreneurs and SMEs, in order to identify potential distorting effects on enterprise growth of different tax regimes and incentives; and 3) introduce an automatic VAT refund system for all enterprises that present a low-risk profile for tax evasion.

Bankruptcy and second chance

Insolvency proceedings in Ukraine are governed by the Code of Ukraine on Bankruptcy Proceedings effective since October 2019. While the new code introduced important elements (personal bankruptcy for individuals, more transparent sales procedures through e-platforms, etc.) enhancing its compliance with international standards (OECD et al., 2020^[30]), it has also been the object of criticism. For instance, Engels, Biryukov and Chumak (2020^[31]), in their EU-funded study, argue that Chapter VIII on foreign bankruptcy

proceedings is not in line the EU *acquis*. Moreover, contrary to the old law, the new code does not envisage provisions on out-of-court agreements, which are instead regulated by the Commercial and Procedural Code (Chapter V). Although many law firms have conducted different assessments of the insolvency framework (e.g. ENGARDE (2021^[32]) and the EU-funded report by Engels, Biryukov and Chumak (2020^[31])), no official review has been carried out recently.

Since the entry into force of the new Code, a significant number of events and campaigns directed to entrepreneurs fearing failure have been taking place. In 2020-21, the Ukrainian Bar Association, within the framework of the USAID “Financial Sector Transformation Project” and with the participation of the Ministry of Justice, implemented the project “Providing Advice on Restoring the Solvency of Individuals”. The project entailed an extensive communication campaign involving leading Ukrainian media, as well as direct counselling (USAID, 2021^[33]). In addition, several institutions, such as the Ukrainian Bar Association and the National Association of Insolvency Administrators, held annual forums to discuss issues related to bankruptcy.

Entrepreneurs seeking a fresh start can find useful information on the Diia.Business portal, including a checklist on how to restart a business (Diia.Business, 2023^[34]). While these resources are mostly targeted to businesses that interrupted their activities as a consequence of the war, they also provide useful information for all entrepreneurs seeking a second chance. The Diia.Business portal also offers valuable resources for entrepreneurs to strengthen their entrepreneurship skills, including the ability to understand their needs and problems and identify and tackle financial distress. Relevant initiatives in this context are represented by the online course “10 steps to launch your own business” (Diia.Business, 2023^[35]) which covers lessons on financial matters, and a web page presenting “the path of an entrepreneur” (Diia.Business, 2023^[36]). In addition, it is important to mention that the government is currently working on a draft law to implement EU Directive 2019/1023 into Ukrainian regulation. This directive establishes minimum rules for EU Member States’ preventive restructuring frameworks, with the aim of removing barriers to the effective preventive restructuring of viable debtors facing financial difficulties across the EU.²

However, there are no structured early warning systems in place and existing measures to prevent insolvencies are not being monitored and evaluated. Moving forward, Ukraine should consider further expanding activities to promote the rehabilitation of honest entrepreneurs, reduce the cultural stigma surrounding business failure, and develop measures to prevent insolvency.

Pillar B: Entrepreneurial Human Capital

Entrepreneurial learning

Ukraine has been making continuous policy efforts to promote entrepreneurial learning. The topic is addressed in the NES 2030 and in the Strategy of Development of High Education in Ukraine for 2022-2032, which includes entrepreneurial skills in higher education as one of its strategic goals.

Over recent years, Ukraine has successfully implemented a number of initiatives to foster the development of an entrepreneurial spirit and competences among citizens. The reform of the education system in 2016 and the approval of the Concept of State Policy “New Ukrainian School” by the Cabinet of Ministers marked a milestone. It notably embedded EntreComp and resulted in entrepreneurship being included as a key competence in the national education curricula at all levels of education – as highlighted in the 2020 SME Policy Index. The related Action Plan, approved in 2017 and running until 2029, defines targets for the development of entrepreneurial learning and paved the way for further progress. Additional documents have been adopted since the last assessment to foster the assessment of learning outcomes. For secondary schools, for instance, the State Standard of Basic Secondary Education, adopted in 2020, mentions entrepreneurship and financial literacy as a key competence that students should have acquired upon completion of the educational level. A Youth Entrepreneurial Competence Framework was also developed to help assess entrepreneurial competence. Moreover, Ukrainian schools continue to apply

innovative teaching and learning methods. For example, the project “Social school entrepreneurship”, implemented by Future Development Agency in Vinnytsia region since 2021, combines learning methods such as active learning and flipped classroom and is organised for lower secondary and upper secondary school students. In addition, the pandemic fostered the development of new online tools to enable distance learning. For example, in 2020 the All-Ukrainian Online School was created for students in grades 5-11 as a platform for distance and hybrid learning as well as a source of support for teachers, with video lessons, tests, and materials for independent work in 18 main subjects.

In higher education, entrepreneurial learning is further supported through several cases of co-operation between higher education institutions (HEIs) and businesses. Some companies organise courses for students and/or invite them to participate in business forums; for example, Deloitte provides special courses for students “Business through the eyes of the owner: From start-up to IPO”. In addition, ten universities benefit from a network of business incubators called “YEP”, a Ukrainian-Estonian entrepreneurship programme to develop start-ups among students. Diia.Business also launched the *Diia.Business Centre for Youth Entrepreneurship Development on the basis of Taras Shevchenko National University of Kyiv* to help students start their own business, notably through workshops, master classes, business conferences and educational events. However, these examples remain ad hoc – such events do not take place in all universities, and, while Ukraine has an increasing number of examples of co-operation between SMEs and general secondary schools, these practices are not yet widespread. Ukraine also supports lifelong learning and promotes entrepreneurship beyond education. A wide range of measures are being implemented to this end, by both public and private stakeholders.

However, progress regarding teacher training on entrepreneurial learning seems to have been rather limited since the last assessment, although some welcome steps have been taken. These include the ongoing development of additional learning materials, in co-operation with international donors such as Renaissance Foundation, and free online professional development courses, created in accordance with the requirements of the Procedure for Improving the Qualifications of Teaching and Research-pedagogical Workers. Teacher and manager training programmes were also approved in 2022 to implement the state standard of basic secondary education. However, the entrepreneurship key competence is still not compulsory in pre-service teacher training, and in-service teacher training programmes including entrepreneurship, approved by the Ministry of Education and Science in 2018, are only available in some levels of education (primary and lower, and upper secondary). The above-mentioned Action Plan does not foresee any actions to include entrepreneurship as a key competence in teacher training.

More generally, the existing policy documents in the field, e.g. the Action Plan, lack measurable targets. More could be done to ensure policy impact, building on previous efforts. Today, all learners do not engage in at least one practical entrepreneurial experience, despite some ad hoc initiatives, such as the annual business tournament “Company Strategy”. In terms of learning outcomes, even though entrepreneurial skills should be assessed, the State Standard of Primary and Lower Secondary Education in practice only lists the skills that school children should receive upon completion; it does not specify how exactly the teacher should assess them.

Moving forward, Ukraine could therefore complement its policy approach to entrepreneurial learning by strengthening pre- and in-service teacher training at all levels of education and promoting entrepreneurship in career guidance in high schools and university programmes. It could also improve monitoring and evaluation practices, ensuring learning outcomes are assessed and tackling the persisting lack of data, despite statistics being collected on VET and the employment of higher education students. Finally, co-operation could be further fostered between upper secondary schools and SMEs.

Women’s entrepreneurship

Several strategies mention the development of women’s entrepreneurship, including the *NES 2030* and the *State Strategy for Ensuring Equal Rights and Opportunities for Women and Men for the Period up to*

2030, which notably aim at tackling women's overrepresentation in lower-level jobs, bridging the persisting gender pay gap and helping alleviate barriers to women's entrepreneurship. There is, however, no policy partnership to support women's entrepreneurship in Ukraine, which has traditionally been fostered by some initiatives within the framework of SME development projects. As of June 2023, Ukraine had not adopted any new SME support policy document, although the government plans on including a dedicated section on women's entrepreneurship in its next SME Strategy.

Despite the absence of a dedicated policy partnership, an extensive range of support services – including women-specific ones – have been developed for women entrepreneurs, often with support from international donors and private businesses, e.g. the recently launched an acceleration programme called “Vidvazhna” (“Brave”), which offers a three-month programme to women online and offline in ten Ukrainian cities. Moreover, Ukraine has made considerable progress in raising awareness about available support, as recommended in 2020: Diia.Business now serves as a one-stop shop, with a specific section on women's entrepreneurship. It lists ideas to inspire women to start their own business and various educational programmes – from generic courses for entrepreneurs (online school, “10 steps to launch your business”) to women-specific ones such as the Visa-sponsored *She's Next* programme, which offers information on finance and accounting, implementing digital technologies, marketing, etc. It also mentions free online courses on digital entrepreneurship with support from the Netherlands.

Since February 2022, additional war-related support has been implemented, such as the *Women for the Future Programme*, which helps women who lost their jobs and/or income find new professional opportunities. USAID's Competitive Economy Program is also very active on the topic, and launched the West Business Hub, to help female entrepreneurs in war-torn regions relocate; a Business Resilience Platform offering online seminars with business advisory and psychological support; and mentorship sessions (Box 14.3). These various programmes are complemented by local private sector initiatives organised to promote women entrepreneurs and leaders – including, for example, the NGO International Embassy of Women Entrepreneurs in Ukraine – to unite women entrepreneurs across the country. It was established in 2016 in co-operation with a similar Polish NGO based on EU experience, and by the association Business Ukrainian Women.

Box 14.3. Supporting women entrepreneurs through USAID Competitive Economy Programme (CEP)

USAID's Competitive Economy Program (CEP) in Ukraine is dedicated to fostering a robust, diverse, and inclusive economy, promoting growth among start-ups, SMEs, and competitive industries both domestically and globally. It strives to improve the business environment and facilitates international trade for Ukrainian companies, with IT, furniture, tourism, film and creative industries, and food processing receiving special focus from the programme. CEP achieves its objectives by providing grants to business support organisations, industry associations, and SMEs, empowering them with enhanced business knowledge, export skills, and access to finance.

USAID CEP in Ukraine carries out initiatives such as Women Biz Days and grant support, enhancing management, sales, and investment in women-owned businesses. From October 2018 to September 2022, 937 women-led enterprises benefited from the programme, generating USD 21.6 million in sales and USD 5.4 million in investment. Over 40 grants were allocated, creating approximately 1 600 new jobs. Women Biz Days' online seminars witnessed significant engagement, with 3 300 applications and 342 women owners graduating, reporting 95% improved self-efficacy. Post-participation, businesses saw a notable USD 1.4 sales increase with CEP support.

Since the outbreak of Russia's war, USAID CEP has stepped up its support through specific measures to help female entrepreneurs in war-affected regions, such as:

- The *West Business Hub*, which facilitates the relocation of female entrepreneurs from war-affected regions to safer areas, ensuring continuity in their business operations.
- The *Business Resilience Platform*, which offers online seminars to support women-owned and managed businesses in navigating the challenges of war, providing psychological and entrepreneurial adaptation and equipping them with knowledge for business scaling.
- The *Group Mentorship Sessions*, which offers legal guidance to up to 50 businesswomen and fosters a supportive environment for their professional growth.
- The *WIN Board Game*, which has developed a cognitive board game titled "Women in Leadership and Business" to promote leadership skills among female entrepreneurs.
- The *Updated Survey*, which builds on the "Portrait of Ukrainian Female Entrepreneur" survey with relocation and finance opportunities for women's entrepreneurship.
- The *Lviv-Kharkiv Creative Hub*, which encourages innovation and collaboration among creative brands led by female entrepreneurs.

Source: (Chemonics, 2023^[37]).

Beyond specific support measures for women's entrepreneurship, steps have been taken to address the gender gap. The Ministry of Finance implemented a project on gender-responsive budgeting between 2013 and 2021, for example. The overall purpose of the project was to increase the economic efficiency and effectiveness of budget expenditures, considering the needs of men and women and their various groups. During the implementation of the project, changes were made to 25 normative legal acts to consider gender aspects in administrative and statistical reporting, as well as documents that regulate reporting in one or another field. Despite promising results, the project was suspended following Russia's invasion.

Despite these applaudable achievements, women entrepreneurs in Ukraine continue to face significant barriers to business development. Several studies offer valuable insights on women-specific challenges.

A survey from the Ukrainian Women's Congress, for instance, highlighted the considerable impact of COVID-19 on women: 38% of women-led enterprises saw a decrease in profitability, and 52% had to cease their activity. About 92% of female entrepreneurs believe that COVID-19 has had a negative impact on their business, with 40% of enterprises being forced to suspend their activities. Women entrepreneurs are also disproportionately affected by Russia's large-scale aggression, given the high share of women-led businesses in Donetsk and Luhansk oblasts. Almost two-thirds of internally displaced people are women and 83% of refugees are women (UNDP, 2022^[38]). Beyond COVID-19, the Investment & Trade Facilitation Centre, in partnership with USAID, conducts annual surveys entitled "Portrait of a Ukrainian businesswomen", which provides data on the profile of women entrepreneurs in the country and information on the issues they encounter. The EEPO plans to collect additional data in the near future.

Overall, women entrepreneurs are still over-represented in low value-added sectors, tend to operate on a smaller scale, and do not engage in international trade, with only 7% exporting goods and/or services (Diia.Business, 2023^[39]). They also struggle to access financing, with 63% of them having financed their business by themselves (WoMo, 2020^[40]). Regarding gender equality in general, Ukraine ranked only 74th out of 156 countries in the World Economic Forum's Global Gender Gap Index 2021.

Moving forward, Ukraine could strengthen its strategic approach to women's empowerment and entrepreneurship by adopting a formal, national policy partnership, for example in its new SME Strategy. This could help co-ordinate efforts across the many public and private stakeholders involved. An impact evaluation of the different policies and programmes should also be carried out.

SME skills

Despite the lack of a new SME Strategy and other policy documents comprehensively covering SME-related issues, Ukraine has made considerable progress in developing support for SME skills development since the last SBA assessment. The NES 2030 does touch upon entrepreneurship in a dedicated Direction (17), setting five strategic goals – including one on stimulating the development of entrepreneurial culture and competences", which contains several objectives related to developing entrepreneurial skills (including establishing an online consulting platform, disseminating best practices, implementing mentorship programmes). The target indicators include the establishment of an online one-stop shop that can provide information, training and consulting services for SMEs. However, most targets and objectives appear to be declarative, as the NES does define specific actions in these directions.

The implementation of these objectives started before the strategy was adopted: in 2020, the government launched Diia.Business, a subproject of the Diia e-services ecosystem, which became an online one-stop shop for entrepreneurial knowledge and consulting and appears as a good practice example. This led to Ukraine to widen its training provision to cover additional topics, as recommended in the 2020 assessment. The Diia.Business platform offers a wide range of e-training courses that cover different fields of business-related knowledge, more than 70 types of online consultations, and other business support services (see Box 14.4). Managed by the EEPO, the platform has successfully implemented innovative and user-friendly learning methods, such as short videos and learning modules (not more than 10 minutes), which are also available on smartphones. The Diia.Business platform also hosts the National Online School for Entrepreneurs, which contained, as of June 2023, 14 free, publicly available online courses. The courses cover a broad range of topics, including anti-corruption policy for SMEs, sustainable development, and digital transition. Specialised sections offer additional educational materials, notably on internationalisation (see also below),³ social entrepreneurship,⁴ and women's entrepreneurship (as mentioned above), as well as a self-test on personal data protection. Launched at the beginning of the COVID-19 pandemic, the implementation of Diia.Business and its classes benefitted from citizens' increasing interest in online services and training, fostered by pandemic-related containment measures. The platform now contains an increasing amount of information and support services to help businesses weather the consequences of Russia's ongoing war.

SME training provision strongly benefits from the considerable involvement of external stakeholders. Indeed, many online courses on Diia.Business have been developed in co-operation with international organisations and representatives from the private sector. USAID's Competitive Economy Programme, for instance, has been very active in developing programmes for early entrepreneurs,⁵ as well as for women – including war-related support and sector-specific workstreams. Business associations provide additional support, either to help develop courses (e.g. the Ukrainian Business and Trade Association contributed to USAID's *Grow Up: Agro* programme), or by providing direct services. The Ukrainian Chamber of Commerce and Industry (UCCI), for instance, has a proven track record of providing training and advisory services, notably on internationalisation, legal issues and public relations (PR). This close co-operation with international donors and the private sector helps tackle the issue of the EEPO's limited resources (UAH 36.8 million, EUR ~1 million, allocated in the 2023 state budget), provides expertise, and fosters peer learning and the exchange of best practices.

Ukraine reportedly collects statistics on the uptake of such services, which, despite being only partly publicly available, enable monitoring participation: in 2021, 12 500 entrepreneurs attended the online school (EEPO, 2022^[41]). As for Diia.Business, recent surveys demonstrate that businesses widely use it – according to the Institute for Economic Research and Policy Consulting, about 38% of exporters and importers used the Diia.Business platform in 2022 (up from 24% in 2021), and only 2% of surveyed businesses did not know about the platform. However, 57% of surveyed businesses declared knowing about it but not using it. Moreover, the EEPO collects feedback from participants on services and courses through automated surveys enquiring about user satisfaction and potential interest in other topics. This feedback then feeds into the development of new training programmes, which can help meet SMEs' needs and improve the overall quality of the support provided. For example, the EEPO designed the Export Academy 2021, a six-module training programme for SMEs based on inputs from participants of the previous *Train the Trainers* programmes (Pilot 2019 and 2020/21 editions). The pilot is supported by Estonia and the United States.

Despite these achievements, Ukraine still lacks an overall national framework for regularly collecting and analysing data on SMEs' skills. Ukraine does collect some data on in-house ICT training events, for instance, but there is no systemic approach to skills assessment and anticipation. There is no regular labour market analysis, nor survey on barriers to participation in trainings, even though these could complement recent efforts to assess SMEs' needs and significantly contribute to tailoring support services for SMEs and labour market requirements as closely as possible and to enhancing training uptake. Furthermore, the monitoring and evaluation of government-financed training for SMEs could be improved. The feedback collected so far is limited to participants' satisfaction, it does not capture the extent to which the services provided fostered skills development. The EEPO reported its intention to improve data collection and develop a new system to identify SME issues and gather insights on impact.

With regard to smart specialisation, Ukraine has planned additional steps to advance on its smart specialisation approach since the last assessment. The topic is addressed in the NES 2030 and in the *State Regional Development Strategy 2021-2027*. The latter document foresees several measures at the national, regional and business levels, notably emphasising the need to implement regional development projects designed based on the smart specialisation approach, and to develop SME support instruments in smart specialisation projects. However, these have yet to materialise; for example, SME-related support (e.g. training) is not yet widely available (the EEPO is not engaged on the topic). Ukraine has requested all regions to conduct a mid-term review and adjustment of their regional development strategies, including the smart specialisation chapters, until 2027.

Moving forward, Ukraine could further develop its support for SME skills development by i) developing a systemic approach to skills assessment and anticipation, improving data collection and labour market analyses, conducting surveys on barriers to participation in training, and using additional tools to identify, monitor and forecast SME skills needs; ii) complementing its approach to collecting feedback by capturing

the impact of training on skills development and SME performance; and iii) further developing smart specialisation, e.g. by implementing targeted training for SMEs in the different priority areas.

Pillar C: Access to Finance

Lending to the corporate sector has decreased since the last assessment, but the decrease has been significantly less pronounced than what might have been expected given the COVID pandemic and the war in Ukraine. Overall, the financial system has proven to be exceptionally resilient under the strain of the war. Both regulator and banks were quick in adjusting their operations to a wartime footing, and although there was a temporary shift toward short-term loans after the outbreak of the war, banks have managed to continue lending to the business sector. For SMEs, government support has been crucial to maintaining access to bank finance.

Legal and regulatory framework

The Ukrainian legal framework for secured transactions is based on a range of laws, including the Law on Collateral, the Law on financial restructuring, and the Commercial and Procedural Code of Ukraine. Since the last assessment, the framework has not changed, but its application has been heavily affected by the COVID pandemic and the war.

Following Russia's invasion, the NBU acted quickly to ensure the continued operation of banks in the country. It allowed banks to use cloud storage abroad (in the EU, UK, US and Canada) in order to strengthen the resilience of the banking system against attacks. It also put certain restrictions in place (in particular in relation to foreign currency transactions) and relaxed a number of regulatory requirements, including those on capital adequacy, liquidity, credit risk, reserve requirements and reporting. This has consequently led to a delay in the implementation of Basel III requirements. At the moment, the plan is to unwind emergency prudential measures by the end of March 2024, if the situation allows. Although NPLs seem to have stabilised over recent months, the full extent of losses for banks is not yet clear, but NPLs have risen to 39.1% as of June 2023 (National Bank of Ukraine, 2023^[42]). According to the IMF, the NBU should now direct its efforts toward a review of banking assets to ensure appropriate action is taken so that financial sector stability is not compromised by high rates of default within a low-visibility environment (IMF, 2023^[43]).

A cadastre and registers for immovable and movable assets exist. Previously, the cadastre was fully public and available online, but since the start of the war access must be specifically requested. Records of security rights over movable assets are managed through the State Register of Encumbrances on Movable Property, administered by the Ministry of Justice. Historically, enforcement has always been an issue and continues to be cumbersome and inefficient. According to a recent bank survey by EBRD, only one bank out of 25 surveyed deemed the enforcement of collateral (both movable and immovable) to be efficient. This is the lowest approval among all EaP countries (EBRD, 2021^[44]). This issue will need addressing in the medium term to ensure that collateralisation works from beginning to end.

In addition to the Credit Register of the NBU, private credit information bureaus exist in the country. According to Doing Business data from 2020, the Credit Register covered less than 3% of adults, while the private credit bureaus covered around 56.9% of the population, suggesting significant room for improvement. From 1 January, the NBU will also collect information from non-bank financial institutions in its Credit Register, which should help boost coverage.

At the moment, financial institutions do not face any non-financial disclosure requirements. More generally, disclosure requirements have been rolled back even for more basic metrics and, understandably, the focus of the NBU has been elsewhere since the war began. This means, however, that there is no foundation yet for future reporting on ESG performance, green taxonomy or climate-related stress testing. The latter would be particularly valuable in an economy characterised by large-scale farming operations.

Ukraine's legal framework for capital markets is mainly based on the Law on Securities and Stock Market. The country has several stock exchanges, and the capital market infrastructure is fragmented. Bond issuances are dominated by government bonds, but larger-scale corporate issuances also exist. Upon the beginning of the war, corporate bond issuances plummeted from a monthly average of UAH 815 million (EUR ~21 million) (totalling UAH 9.8 billion or EUR ~253 million in 2021) to virtually zero from March 2022 until the end of the year 2022 (a few issuances happened in July, September and November). In 2023, issuances rebound strongly, however, with issuances for a total of UAH 11.9 billion (EUR ~307 mln) registered between January and August (National Securities and Stock Market Commission, 2023^[45]).

Sources of external finance for SMEs (bank financing, non-banking financing, and venture capital)

Commercial banks in Ukraine acted quickly to secure their operations and adapt their lending approach to the outbreak of the war. Thanks to previously implemented banking sector reform, swift action by the NBU, and good buffers built up before the war, the banking sector was able to weather the challenges it faced.

Overall demand by corporates decreased in 2022 after a brief peak in summer, initially shifting toward shorter-term loans and working capital financing. This trend has reversed since, with an increasing share of lending trending toward longer terms again (National Securities and Stock Market Commission, 2023^[46]). However, interest rates remain elevated across all size categories of firms, which poses a serious problem for the affordability of credit.

At the same time, state-owned banks (SOB) have expanded their lending, and the share of loans to SOEs in total corporate lending has also ticked up in the course of the war from 7% in January 2022 to 8.6% in June 2023. This, combined with significant state support, has resulted in a marked increase in the state's role within the banking system in the wartime economy.

Government support has been mainly channelled through the 5-7-9 programme. Already during COVID, the programme was used to provide large-scale support to businesses under more lenient conditions than usual (e.g. full compensation of interest rates during lockdowns). Once the war started, the programme was again expanded to provide guarantees and interest rate subsidies to SMEs as well as companies in certain strategic sectors, such as agriculture, and for strategic purposes, such as the purchase of individual power generation capacity (wind and solar generators). As a result, corporate lending was highly dependent on the availability of the 5-7-9 programme, whose share in the overall corporate lending portfolio reached 26% (National Bank of Ukraine, 2023^[47]).

The availability of non-bank financing products has largely dried up during the war. Microfinance is mainly provided through credit unions, which have been regulated by the NBU since June 2020. Since the beginning of the war, availability of funding through credit unions has plummeted to around 60% of pre-war levels, with the decline stopping for the first time in Q2 2023 (National Bank of Ukraine, 2023^[48]). A new law on credit unions, passed in July 2023, has been a major step to improve the legal framework for microfinance. The law allows credit unions to provide a wider range of services to a broader pool of clients and allows for more diversified funding options for credit unions, which supports their financial sustainability. Changes to the Law on Deposit Guarantee Fund are being considered to allow credit unions to join, which would help the sector grow further. In addition, regulation in 2021 changed to provide more transparency and consumer protection. Since the change, microfinance must be provided on a fixed-rate basis, and providers are obliged to communicate the annual percentage rate (APR)⁶ to clients.

Leasing activities are carried out on the basis of the Law on Financial Leasing. The law sets out clear definitions of lessor and lessee, as well as the rights and duties of both parties. Leasing is generally offered by major banks, and agricultural equipment is a common asset subject to leasing. The use of leasing has dropped significantly during the war, however, given that it relies on assets which are at risk of destruction. The legal framework for factoring is set out in the Civil Code (Chapter 73), as for many other countries in

the region, as well as the Commercial Code and Law on Financial Services. However, the law does not provide a clear definition of different types of factoring and does not allow for simple and clear assignments of present and future accounts receivable. In addition, factoring by electronic means is not possible, which inhibits the development of more scalable and efficient factoring solutions based on digital technologies that could make this type of financing more accessible for SMEs.

There is no specific legal framework for venture capital (VC). Instead, it is governed by the more general Law on Collective Investment Institutions (adopted in 2013), which does not provide a definition of venture capital. For earlier stage investments, a number of business angel associations exist that provide funding. A number of funds are also active in the country, but the majority of funding is still concentrated around the pre-seed and seed stages. A ban on investments by institutional investors means that the potential investor base is narrow. In addition, no government programmes exist to catalyse investments, for example, by topping up private investment, investing in VC funds directly, or establishing a fund of funds. Although the National Economic Strategy until 2030 mentions venture capital as an area to support, no specific measures or actions seem to be planned. VC investments had been steadily growing since the last assessment, to reach more than USD 800 million in 2021, with an expanding IT sector being an attractive target. Understandably, though, investments plummeted after the beginning of the war, and the future of the sector is highly uncertain at this point given the risks involved.

Financial literacy

The NBU conducts assessments of financial literacy every three years, with the latest assessment prepared in 2021 in the context of the USAID Financial Sector Transformation Project. The results from the survey suggest an improvement vis-à-vis 2018. However, the gap in financial literacy between the urban and rural population has increased. General awareness for different financial products seems to be high, but usage is relatively low, and around a fifth of respondents turned to relatives and friends for money, indicating room for improvement when it comes to financial inclusion (National Bank of Ukraine, 2021^[49]). The assessment looks at the general population, and does not have a module specific to entrepreneurs. While some information can be extrapolated from general assessments, it can be helpful to also test business specific skills in order to gauge gaps among small business owners and managers that could be addressed through targeted policy measures.

Financial literacy is taught in secondary school, which is important in terms of achieving broad outreach into the population. In addition, the aforementioned Diia portal provides a range of knowledge and training on financial literacy, accounting, and other potentially relevant topics to improve entrepreneurs' skills when it comes to finance, accounting and business planning. Having an accessible platform that brings together different resources is a very positive development as it can act as a one-stop-shop for businesses owners and managers to find the right public support for their individual needs.

Digital financial services

The NBU's Fintech Development Strategy until 2025 was approved in July 2020. The strategy aims to support the development of a fintech ecosystem in the country and touches on important pillars, including awareness raising and financial literacy efforts, as well as the development of an open banking framework and a regulatory sandbox. However, it was superseded by a new Strategy for the Development of the Financial Sector of Ukraine in 2023, which contains objectives related to financial literacy and the open banking framework.

The NBU does not appear to have a dedicated department for dealing with issues related to digital financial services. The development of the Fintech and Financial Sector strategies was subject to broad consultations, which is very positive, especially when it comes to digital financial service provision. However, it appears that no institutionalised co-ordination or consultation mechanism exists in order to gather views from different public and private stakeholders when it comes to new regulation for the sector.

Such co-ordination is particularly important in the context of digital financial services as issues can touch on a range of topics which are not necessarily solely within the purview of the financial regulator.

The way forward

The NBU should continue its efforts to maintain financial stability and ensure the continued functioning of the banking sector, using necessary tools to evaluate the health of the sector and prepare for potentially required mitigating actions. In light of the expansion of state presence in the sector, plans need to be devised in order to ensure that this increased presence does not have adverse effects on the development of the sector. This applies both to the management of state-owned banks, and to the utilisation of public support programmes.

When it comes to the use of SME support programmes, notably the 5-7-9 programme, careful consideration should be given to defining a post-war role for them. Plans should be drawn up specifying how to adjust programmes in order to support the reconstruction effort and reduce the dependence on the state within the sector. In addition, it will be crucial to put in place adequate monitoring and evaluation mechanisms to ensure that funds are allocated efficiently and effectively.

Expanding the scope of sources for the collection of credit information could help improve coverage of the credit register or private credit bureau and allow a larger number of potential borrowers with a limited loan track record build up credit history. This would help individuals and firms access funding that have so far been excluded from bank financing.

The framework conditions for the secured transactions regime should be improved, with a particular focus on insolvency (creditor rights in reorganisation) and enforcement in the case of default. Enforcement mechanisms, both in and out of court, need to become more efficient to reduce the costs associated with bank lending.

When it comes to non-bank financing sources, efforts should be made to support the development of factoring and VC operations. Updating the legal framework for factoring could help address certain legal uncertainties related to this instrument, and allow for factoring by electronic means. This in turn would open the possibility of developing cheaper and more efficient factoring-based funding products that could help SMEs access affordable financing. For VC operations, once the situation allows, consideration should be given to developing public support mechanisms that can catalyse the sector, such as co-financing mechanisms or instruments like a fund of funds.

The development of regulation for digital finance is still at an early stage. It would be useful to have a dedicated focal point within the NBU, as well as a more institutionalised co-ordination mechanism to gather views from public and private stakeholders with relevant insights for the sector. In addition, linking up to international peers could help knowledge creation and learning from other regulators' experiences.

Pillar D: Access to Markets

Public procurement

Since the latest assessment, as a result of pressures from the COVID-19 pandemic and the war against Ukraine, public procurement procedures have been simplified and their implementation better aligned with the principles of the EU Directives, with positive implications for SME participation.

Public procurement remains regulated by the Public Procurement Law (PPL) of 25 December 2015. It was reissued in a partly revised wording in 2019, followed by additional amendments and subsequent regulatory changes to align it more fully with the EU Directives on public procurement and address the challenges of the COVID-19 pandemic.

Some regulatory features commonly used to favour SME participation are in place, but rarely used (division into lots) or incomplete (use of a self-declaration of conformity with qualification requirements). As a temporary measure under martial law, public procurement is being carried out in one of three basic modes: 1) direct agreement (in a wider range of cases than under the PPL); 2) open tender (with shortened time limits and without e-auctions); or 3) purchasing of standard specification items of any total value using price quotations from the e-catalogues managed by several centralised purchasing bodies for medical supplies and by several centralised purchasing bodies for other items.

Recent changes relevant to SMEs include more extensive provisions on sustainable procurement (but still no firm obligation to apply them); the abolition of the tender committee system and the introduction of compulsory examination of persons authorised to carry out public procurement; and revised rules for fees charged by the review body, the Anti-Monopoly Committee of Ukraine (AMCU), to deter frivolous complaints against contracting authorities' decisions. In addition, there are more possibilities for the competitive participation of SMEs during the period of martial law due to the temporary changed thresholds for the obligatory use of open bidding procedure or e-catalogues:

- A lowered threshold for simplified procurement (direct agreement) from UAH 200 000 to UAH 100 000 (EUR ~5 000 to EUR ~2 500) for procurement of goods and services other than current repairs, meaning that more contracts now have to be procured by competitive procedures;
- UAH 200 000 for current repairs as a newly introduced threshold to address needs of the Ukrainian contracting authorities because of Russia's constant attacks on civil infrastructure and buildings (a "current repair" is a type of repair that is carried out with the aim of restoring the operational characteristics of building structures, systems and equipment to extend their service life); and
- UAH 1 500 000 (EUR ~39 000) for procurement of works (this threshold has remained unchanged).

The Ukrainian authorities continue to receive advice and support from the EU for further development of public procurement. In this context, a new medium-term public procurement reform strategy has been drafted and published for discussion. It includes new features intended to facilitate SME participation but does not set out any explicit objectives of support to SMEs in the public procurement system. Until its eventual entry into force, the roadmap for alignment with the EU Directives, adopted in February 2016, still applies. Also, Ukraine's SME Development Strategy 2017-2020 has not yet been followed by any similar document with due reference to public procurement, along with other related fields, although the NES 2030 mentions an objective to simplify SME access to public procurement (Ukrainian Cabinet of Ministers, 2021^[50]; Ukrainian Cabinet of Ministers, 2021^[51]).

Most public procurement is carried out through the ProZorro e-procurement system which has been in place since 2016, although its operation was suspended from late February to June 2022. It is complemented by the DoZorro system for monitoring public procurement. A lot of public procurement information is readily accessible through these systems. Available information indicates that SMEs make up 95 % of participants by number and account for more than 80% of total public procurement value.

Several of the shortcomings of the public procurement system identified earlier have now been mitigated by the procedural amendments mentioned above, favouring the participation of well-qualified SMEs offering quality goods and services and providing good value for money. Anecdotal evidence also indicates a general shift in attitudes towards greater attention to the importance of careful management of scarce public funds, with similar effect.

The still large number of contracting authorities, many of them small, means that there is a shortage of skilled procurement officials able to apply policies and practices that would favour SMEs, especially since many such officials are currently in exile. This problem is partly alleviated by the use of e-procurement, allowing officials to continue serving their contracting authorities even from abroad.

In these respects, the issues and the potential for improvement identified in the 2020 assessment report have been partly addressed. Nevertheless, further improving SMEs' participation will require continued

efforts, including 1) setting public procurement policy in a medium- and long-term development perspective and harmonising it with other policy measures, including those for SME development; 2) consolidating the improvements in attitudes, procedures and practices brought about by the pressures of the ongoing war; 3) continuing to enhance the functionalities of the e-procurement system for greater alignment with the principles of the EU Directives; and 4) improving procurement officials' skills in planning, preparing, awarding, and managing public contracts.

Standards and technical regulations

There have been numerous achievements in the development of Ukraine's quality infrastructure and regulations. Regarding overall co-ordination and general measures, the country has progressed in its negotiations with the EU on the ACAA.⁷ Several pre-assessments have taken place, and Ukraine is working diligently on further preparations to sign this agreement as soon as possible (European Commission, 2022^[52]). The EU also acknowledged Ukraine's continuous pursuit of state policy reforms promoting a favourable business environment and regulatory framework, especially for SMEs. The Better Regulation Delivery Office continued with deregulation reform and improving the regulatory environment for businesses (European Commission, 2022^[52]). Another achievement was the approval of the action plan for the development of Ukraine's system of technical regulation until 2025 by Ukraine's Cabinet of Ministers (executive order no. 1145-r).⁸ Showing significant progress in the country's standards landscape, around 10 000 national standards developed before 1992 were replaced in 2019 (European Integration Portal, 2020^[53]).

To support exports, particularly those of SMEs, the transformation of two Ukrainian offices was initiated to create the Entrepreneurship and Export Promotion Agency as a single SME support institution, and "Made with Bravery", an official electronic marketplace of Ukrainian products, was launched.⁹ Several market surveillance measures are in place, and a strategy for market surveillance is also under development. An important aspect in this context is the EU's observation that "(t)he framework law (...) implementing EU Regulation 1020/2017 is not yet in place (and) funding of market surveillance authorities is also an issue" (European Commission, 2023^[54]).

Regarding harmonisation with the *acquis*, Ukraine has adopted 54 new technical regulations, resulting in 1) adopted legislation aligning with the EU *acquis* whose EU review is pending; 2) partly aligned legislation with the EU *acquis*; 3) adopted legislation designed to fully align with the EU *acquis* with pending EU verification not yet in force; and 4) legislation, for which further alignment is needed. Examples for group 1 are electromagnetic compatibility, low voltage, radio equipment, toys, cosmetics, machinery and pressure equipment. Examples for group 2 are lifts, cableways, gas appliances, explosive atmospheres equipment and simple pressure vessels. Further alignment under 4) is, for example, necessary in the fields of eco-design, energy labelling, and medical devices, while adopted legislation under 3) refers to construction products, see European Commission, 2023¹⁰ for further details. Another accomplishment was that Ukraine's standards body, SE "UkrNDNC", became a CEN and CENELEC affiliate, a status that was approved in 2022 and entered into force in January 2023. This progress is also closely linked with UkrNDNC's Order No. 285 "On the package adoption of the CEN-CENELEC European regulatory documents by Ukraine" of December 2022. According to the document, Ukraine will adopt 20 268 European CEN/CENELEC normative documents as national normative documents by December 31, 2023.¹¹

Although EU reviews of Ukraine's updated technical regulation to align itself with the EU *acquis* for various products are still pending, the country's overall SMEPI score on harmonisation with the EU *acquis* is almost identical to that of Georgia, which scored highest in the region on this sub-dimension.

Progress has also been made concerning Ukraine's approximation to the EU Digital Single Market Law¹² (European Commission, 2022^[52]). Ukraine's legislation on metrology is in line with the *acquis*. However, further alignment of the metrology centres with the *acquis* is needed (European Commission, 2022^[52]).

Concerning SMEs' access to standardisation, SE "UkrNDNC", aims to familiarise SMEs with the national standards via its website and standards catalogue. In addition, Ukraine has launched some basic support and training on standards and technical regulations for SMEs, specifically focusing on their integration into the EU Digital Single Market. No regular training events have taken place. Creating an action plan for education about standardisation is another action item for the future.

Regarding the digitalisation of standards and technical regulations, Ukraine has an action plan to digitalise public services. However, the digitalisation of metrology and market surveillance will require targeted measures in the future.

Internationalisation of SMEs

Despite the extremely difficult circumstances, Ukraine continues to provide significant support to SMEs' internationalisation.

Until 2021, measures in support of SME internationalisation were implemented according to the Export Strategy of Ukraine 2017-2021, which included the creation of a favourable environment for SME export as one of its objectives. Although a draft proposal for a new strategy has already been developed (based on information gathered through a business survey) it has not yet been approved. In 2022, the government started working on an update of the Export Strategy. The development of the new strategy was informed by a survey conducted among Ukrainian exporters and industry and business associations. However, Russia's full-scale invasion of the country evidently brought a major shift in priorities and the approval of the draft strategy was put on hold. Nevertheless, discussions on this subject are expected to resume soon with the support of the International Trade Council.¹³

The main government bodies responsible for SME export promotion are the Ministry of Economy and the EEPO (formerly the EPO). In addition, the Ministry of Digital Transformation and the EEPO have launched the Diia.Business portal for the development of entrepreneurship, where entrepreneurs can access a wide range of support instruments. The portal includes a specific section devoted to export support through which businesses can access marketing, financial and legal assistance to export their products and services.^{3,14} Standard forms of support provided include advisory services, an export-readiness online test, training and educational programmes, as well as sponsored participation at trade fairs and exhibitions. The government's financial support measures to foster SME export before Russia's invasion of Ukraine had yielded limited results. However, in 2022, the government started providing alternative financial support mechanisms through the Export Credit Agency (ECA) – e.g. by reducing insurance tariffs during the period of military operations. Yet, the list of requirements for the borrower are restrictive and a relevant number of enterprises is excluded (e.g. newly created enterprises).

It is also worth mentioning that in 2023, the European Commission has launched two calls for proposals under the joint title "ReadyForEU", which aim at helping Ukrainian entrepreneurs and businesses to benefit from the EU Single Market. The first component will provide financial support to Ukrainian SMEs affected by the war in the form of vouchers to access services and participate in trade fairs in the EU. The second component will allow new Ukrainian entrepreneurs to gain business experience in other European countries through the "Erasmus for Young Entrepreneurs - Ukraine" project (European Commission, 2023^[55]). It is important to also highlight that Ukraine is the only country of the Eastern Partnership to be part of the European Trade Promotion Organisations Working Group of Information Professionals (ETPO-WGIP) and the Trade Promotion Europe (TPE). The former is a platform with a mandate for promoting exchange among European trade-promotion organisations in the area of information processing and dissemination. The latter is the European association representing the Trade Promotion Organisations and Agrifood Promotion Organisations of Member States to the EU institutions and Stakeholders. Finally, the project "EU4Business: SME Competitiveness and Internationalisation", commissioned by the EU and the German Federal Ministry for Economic Cooperation and Development and implemented by GIZ, has the

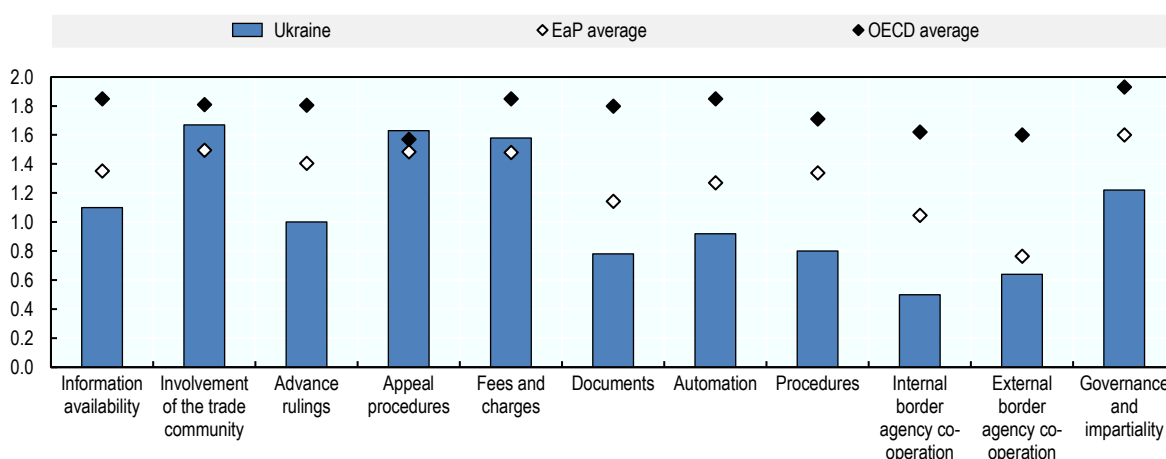
objective of creating better conditions for Ukrainian companies –in particular SMEs – to promote innovations and sell products on the European market.

Although support for the integration of SMEs into global value chains (GVCs) remains limited and there are no specific active programmes in this regard, in 2020 the Cabinet of Ministers of Ukraine adopted the Resolution “on the Approval of the State Programme to Stimulate the Economy to Overcome the Negative Consequences Caused by Restrictive Measures to Prevent the Emergence and Spread of the Acute Respiratory Disease COVID-19, Caused by the SARS-CoV-2 Coronavirus, for 2020-2022”, which includes finding opportunities for exporters to integrate into GVCs as one of its objectives. The programme also targets the development of innovative systems, including the transfer of technology transfer, and the simplification of hiring procedures for foreign highly qualified workers. Unfortunately, the programme is not operational and support to SME integration into GVCs is only at the initial stages. However, the Diia.Business project, as well as the several export promotion activities carried out by EEPO are helping SMEs become part of the global networks of production and trade. During 2020-23, about 2 500 Ukrainian businesses participated in 34 trade missions, 24 international exhibitions and more than 50 international B2B events. As a result, several businesses stipulated partnerships with foreign companies from all countries of the EU, United States, Canada, Great Britain, Turkey, Denmark, Sweden, Latvia, Lithuania, Estonia, Israel, UAE, and Qatar. In addition, the EEPO also carries out regular assessments of the changing global value chains in different sectors to help businesses identify priority export opportunities.¹⁵

E-commerce in Ukraine is regulated according to a number of laws and regulations, including the Law of Ukraine on Electronic Commerce, the Law on Payment Services, and the Law on Electronic Trust Services. This legal framework defines the organisational and legal principles of activity in the field of electronic commerce in Ukraine, establishes the procedure for conducting electronic transactions using information and communication systems, and defines the rights and obligations of participants in relations in the field of electronic commerce. Although the government of Ukraine has not developed a dedicated programme to promote e-commerce among SMEs, the Diia.Business portal offers multiple resources for businesses willing to sell their products online, mostly in the form of guidelines to access international e-commerce platforms such as Amazon, Etsy and Shopify.¹⁶ Moreover, the Ministry of Digital Transformation of Ukraine, as well as the EEPO and Diia.Business are currently supporting “Made with Bravery” (shop.brave.ua), an e-commerce platform for goods made in Ukraine by Ukrainian producers. This new online marketplace, established in 2020, offers global delivery options and aims to facilitate international market access for Ukrainian businesses, particularly SMEs.

According to the last update of the OECD Trade Facilitation indicators, a large gap with both EaP and OECD countries remains. Improvements since the previous assessment have been marginal and a greater disparity with regional peers emerges in aspects such as automating and streamlining procedures, including harmonisation and simplification of documents, electronic exchange of data, simplifying border procedures, and internal border agency co-operation (Figure 14.5).

Figure 14.5. OECD Trade Facilitation indicators for Ukraine, 2022



Note: Trade Facilitation indicators take values from 0 to 2, where 2 designates the best performance that can be achieved.

Source: OECD Trade facilitation indicators, <https://oe.cd/tfi>.

StatLink  <https://stat.link/ya5i2t>

To conclude, despite an undoubtedly challenging context, the EEPO continues to provide outstanding support to SMEs and achieve its main targets. Moving forward, Ukraine could continue improving SME internationalisation support by ensuring the adoption of the new Export Strategy, increasing transparency (e.g. carrying out an independent review of the agency and publishing the list of beneficiaries of export promotion programmes), and expanding support programmes for the integration of SMEs into GVCs and the promotion of e-commerce.

Pillar E: Innovation and business support

Support services for SMEs and start-ups

Since the completion of the SME Strategy 2020, Ukraine has not developed a new medium-term strategic policy document for the design and delivery of support services to SMEs. At the time of writing, work was underway to develop the next strategy. Understandably, Russia's invasion has forced the government to reprioritise its resources and policymaking efforts towards securing short-term emergency support for the business sector, rather than carrying out extensive analysis and policy consultations to plan for the medium term. Nevertheless, in March 2021, Ukraine approved the NES 2030, which contains a chapter on the development of entrepreneurship, with specific measures for enhancing the business support infrastructure and the provision of services to SMEs.

Notwithstanding the challenging war environment in which the government and its agencies have been operating since February 2022, however, implementation of SME support has continued and made important progress. The EEPO, under the joint supervision of the Secretariat of the Cabinet of Ministers, the Ministry of Economy, and the Ministry of Digital Transformation, is the main agency promoting the development and internationalisation of Ukrainian SMEs. The most important advancement since the previous SBA assessment is the creation of the Diia.Business portal as part of the broader *Diia* initiative, the government's ecosystem of e-services (see Box 14.4. *Diia.Business*).

Diia.Business has quickly developed into an information-rich and effective online one-stop shop for Ukrainian entrepreneurs. Rather than being simply an additional channel of communication of government-sponsored programmes, Diia.Business represents a genuine hub for SME support, through which the EEPO provides direct assistance to SMEs. It also integrates information on available support tools

managed by third parties, such as international donors, regional governments, business associations, and NGOs.

Diiia.Business features a very advanced user experience, where the content is clearly structured around the needs of entrepreneurs. The main services available through the platform include online trainings on a wide range of topics, one-to-one consulting sessions, and information on financing opportunities (over 400 national, regional, and donor-funded support programmes published since 2021). Interestingly, the platform also contains a list of over 150 business ideas with basic information on how to start a business requiring minimal initial investment.

An analysis of the government's activities to stimulate a private market for business development services reveals a mixed picture. On the one hand, traditional governmental financial support for SMEs to cover (part of) the costs of professional advisory services remains unavailable,¹⁷ although information on a similar scheme sponsored by EBRD is provided under the “grants” section of the Diiia.Business website. On the other hand, however, the government seeks to leverage private sector actors to strengthen the infrastructure for entrepreneurship support in Ukraine in two ways. First, the EEPO is developing a network of physical Diiia.Business Support Centres throughout the country (14 as of March 2023), which can be opened in partnership with consulting companies and business associations meeting certain logistical, technical, and financial requirements. Second, through the Diiia.Business platform, the EEPO provides contacts, geolocalisation and a short description of services offered for a list of over 500 business support organisations (private and public) in the country.

Despite the important advancements to digitalise government services and improve the online ecosystem for business support, full-fledged government programmes to support SME digitalisation are not (yet) available in Ukraine. However, the Diiia.Business platform hosts a series of trainings developed with private companies on various topics related to the digital transformation, such as how to transfer business processes online in wartime conditions (with the online education company IAMP) and on social media marketing strategies and techniques (with Facebook). In addition, SMEs can get initial advice on digitalisation-related matters through the free online consultation opportunities described above, although this kind of support does not entail an in-depth analysis of the company operations and is unlikely to deliver a tailored roadmap for their digital transformation.

Moving forward, a strong SME strategic framework would provide more certainty and medium-term planning in implementing support programmes. Diiia.Business Support Centres should also be monitored to ensure they deliver on their mandate to reach to rural SMEs, as regional disparities in business development services were highlighted in the EEPO's recent annual reports. Finally, compatible with available funding, the government could consider introducing grants to increase the focus on developing private business development services (BDS) providers (build on free consultations and introduce schemes to facilitate continuous access to it).

Box 14.4. Diia.Business – Ukraine’s one-stop-shop for SMEs and entrepreneurs

Ukraine’s large-scale national project for entrepreneurship and export promotion Diia.Business was introduced in early 2020 by Ukraine’s Ministry of Digital Transformation. As part of the Diia ecosystem of e-government services, Diia.Business provides services and information to support Ukrainian SMEs, both online and through offline activities. The project has been implemented by the EEPO since May 2021.

Diia.Business’ online component consists of the Diia.Business website: a one-stop shop for entrepreneurs offering all essential information for each stage of business development, from ideas to promotion and accessing markets abroad. The web portal provides multiple e-services, including a list of over 150 business ideas, an online handbook as well as a national online school for entrepreneurs, templates of all necessary legal documents, free online consultations, a marketplace of financing opportunities and analytics of Ukrainian’s business conditions.

The Diia.Business portal grants further access to information on the network of 13 offline support centers for entrepreneurs spread across Ukraine. In May 2022, Diia.Business’s first centre abroad opened in Warsaw. In these locally operated and supported centres, Ukrainians can, inter alia, enjoy free consultations, educational commercial events, or test their products at special pop-up locations.

How does Diia.Business contribute to SMEs’ development?

Ukraine’s size is a challenge to providing local and comprehensive support to SMEs. Thus, in combining offline and online access to its services, Diia.Business gained national reach (and beyond since May 2022) and acts as Ukraine’s main hub for entrepreneurship, concentrating all necessary information to maximise business development.

Furthermore, Diia.Business support centres are noncommercial public organisations that do not seek profit: 70% of the services are free while the income from the remaining 30% of services finances Diia.Business locations and employees. Launching and developing one’s business has thus become significantly more affordable for Ukrainians.

Finally, the multiplicity of e-services available with Diia.Business has allowed for the simplification of regulatory procedures for SMEs and thus decreased the regulatory burden. Added to clear efforts to create user-friendly portal design (making the online platform easy to navigate and very intuitive), Diia.Business thereby makes entrepreneurship accessible to all, including on a practical and administrative level.

What have been the results of the Diia.Business project?

Diia.Business is today one of the most widely used applications in Ukraine. During the 2020-23 period over 6 million visits were made to the web portal (with more than 60 000 personal accounts set up) to browse sections on agrarian, women’s, social and veterans’ business. The popularity of Diia.Business most notably increased during the pandemic, and by the end of 2021 it had provided over 5,650 free consultations to entrepreneurs – used mostly for legal support, taxation, business planning and digitalisation.

In parallel, since the launch of Diia.Business, its support centres have had more than 89 000 visitors; its experts have held over 5 000 consultations in an offline format; and about 1,500 educational events for entrepreneurs have been held in these centres and attended by 72 000 entrepreneurs. Several online courses have also been developed in co-operation with international organisations and the private sector.

Source: Diia.Business Website; EEPO Annual Report, 2024 SBA assessment questionnaire.

Innovation policy for SMEs

In late 2019, the government of Ukraine adopted the Innovation Development Strategy 2030 as its guiding document for innovation policy. Two years later it adopted its first Action Plan 2021-2023. While these documents do not contain explicit targets or a dedicated section for promoting SME innovation appear in these documents, the action plan contains several measures to support innovation activities in the SME sector, with a greater emphasis on export-oriented SMEs. As of early 2023, public information of the implementation status of the Innovation Development Strategy was not available, although the Ministry of Education and Science collects information from implementing bodies every six months and is planning an analysis of the strategy's effectiveness and implementation of the Action Plan later in later 2023. There is no dedicated innovation agency in Ukraine, and responsibilities for the design and co-ordination of innovation support policies are shared between the Ministry of Education and Science, the Ministry of Economy, and the Ministry of Digital Transformation, each with a leading role in the science, business, and digital sectors, respectively.

Governmental institutional support for innovation has seen some progress since the previous SBA assessment, although Russia's war has slowed down the implementation of the planned reform process. First, as a welcome step to build the evidence base for designing innovation support instruments, in 2020, the government conducted a survey among Ukrainian businesses (75% of which were SMEs) on current practices, needs and obstacles to perform innovative activities and invest in R&D.¹⁸ Second, in 2021-22, the parliament adopted several laws to stimulate the development of industrial parks and manufacturing in the country, and even though 60 industrial parks were registered as of early January 2023, most of them are reportedly not active and the government did not allocate a budget to this area in 2022. Third, Ukraine has expanded its network of Technology and Innovation Support Centres (17 active in 2023), which help innovators with IP protection, IP agreements with partners and clients, and technology search. Fourth, in 2021, the Ministry of Education and Science launched a "Science2Business" platform, which encourages co-operation between the scientific and business communities by simplifying the search for partners, allowing businesses to request specific research and scientists to commercialise the results of their work.

Financial support for business innovation remains concentrated on the technology and start-up sectors, although there have been some developments in the last four years. The recently established Ukrainian Startup Fund (USF) promotes the creation and growth of early-stage technology start-ups through grants up to USD 10 000 (USD 35 000 in the case of dual-purpose technologies increasing Ukraine's defence capabilities) awarded via a competitive process. Specifically, to incentivise innovation in the defence sector, the government has also recently launched the BRAVE1 platform (brave1.gov.ua), collecting ideas and offering grants for the developments of military technologies. USF complements its financial support with access to accredited acceleration programmes where start-ups can benefit from training, mentoring and networking opportunities. In addition, the government has recently established Diia.City (city.diia.gov.ua), a dedicated legal and tax environment incentivising investment and employment for companies operating in the IT sector. Furthermore, although some indirect incentives (e.g. exemptions from corporate income tax and VAT payments) for investment covering R&D and business expansion exist in Ukraine, they appear to be designed exclusively for large companies (investment projects above EUR 20 million). Finally, Ukraine participates as an associated country in Horizon Europe, the EU's key funding programme for research and innovation (see Box 9.2).

On current practices for monitoring and evaluation, Ukraine's performance is rather mixed. Ukrstat, the national statistical office, regularly produces nationwide statistics on the innovative activities of enterprises following the methodology adopted by Eurostat in its Community Innovation Survey. This provides the government, and the broader community of innovation stakeholders, with a good set of outcome-oriented indicators to monitor the innovation performance of Ukraine's business sector, broken down by enterprise size. On the policy side, however, while some good examples can be mentioned (e.g. the Ministry of Education and Science's analytical reports in the area of technology transfer), important shortcomings

remain, in particular on the implementation of the Innovation Development Strategy, as well as on the impact of financial support mechanisms on SMEs' innovation performance.

Moving forward, the government could consider introducing new measures in favour of business innovation and industry-academia co-creation to move beyond the linear technology transfer model towards partnerships between academia and industry to jointly fund, manage and implement research activities (OECD, 2022^[56]). Existing indirect incentives for innovation could also be adjusted so that SMEs can also benefit from them when investing in projects of a smaller scale than those of larger firms. Lastly, monitoring and evaluation could evolve to include impact evaluation of innovation-support initiatives, although an analysis of the impact of the innovation strategy on various sectors of the economy is promisingly included in the Ministry of Education and Science's planned activities for 2023.

SMEs in a green economy

Russia's war has substantially challenged substantially Ukraine's progress in this dimension since the previous SBA assessment. The war damaged vast territories, contaminated land and water, and diverted policy makers' attention from the implementation of environmental policies, in particular for SMEs.

Ukraine currently lacks a strategic approach to supporting SME greening. The main documents with provisions on environmental policy in Ukraine are the "Law on Key Principles of the State Environmental Policy of Ukraine 2030" (and its National Action Plan 2025) and the NES 2030. While the former includes environmental issues as part of the broader economic policy and the NES 2030 considers green objectives at the sectoral level (e.g. energy, manufacturing, mining), neither of them contain specific provisions targeting SMEs, which may hinder policy effectiveness with smaller enterprises and with those that do not fall into the targeted sectors. The Ministry of Environmental Protection and Natural Resources is the main government body in charge of environmental policy.

Implementation challenges persist and are reflected in the updated scores for this dimension. They relate to the lack of dedicated funding allocations for the current National Action Plan, which raises uncertainty regarding the effectiveness of green/environmental policies in the medium term, and of an organisation with a strong mandate for SME greening. Furthermore, the government does not have dedicated financial support programmes or incentives to promote greening practices among SMEs. The scarcity of SME-focused environmental policies and support instruments translate into the low performance of corresponding monitoring and evaluation practices.

Ukraine has made some steps forward in promoting green practices through the advancements in green public procurement, the increased availability of green loans, the introduction of support instruments to improve ESG performance, and the activity of international donors. First, in 2020 the parliament introduced the notion of "life cycle cost" into the Law on Public Procurement, which allows contracting entities to consider the environmental impact of the procured goods or services among the tender assessment criteria. Second, both private and state-owned banks provide finance for green investments, particularly for the green energy transition (e.g. buying and installing solar or wind power stations and heat pumps), although the lack of SME-specific instruments raises questions on the extent to which such financing options are accessible to smaller entrepreneurs. Third, Diia.Business publishes a wealth of informational materials to increase SMEs' awareness about ESG risk factors, and a self-test that allows companies to assess their ESG readiness (including their environmental performance) and better understand where they should focus their attention moving forward. Lastly, donor-led initiatives, such as EU4Environment, EU4Energy, and EU4Climate continue to support the Ukrainian government in developing green economy policies and bridging the financing gap for SMEs, for instance by promoting better environmental governance, implementing resource-efficient and cleaner production practices, and providing vouchers for SMEs to develop green technologies and climate innovations. An example in this regard is the Climate Innovation Voucher initiative, implemented by the NGO Greencubator in 2022, through which 13 Ukrainian

companies received EUR 500 000 to adopt technologies that reduce greenhouse gas emissions, increase energy efficiency, and prevent climate change (Diia.Business, 2022^[57]).

Way forward

Ukraine continues to make impressive efforts to support SMEs despite unprecedented circumstances. To complement its current approach and further strengthen its SME policies, the government should consider the following measures:

- Ukraine could build on its impressive progress in the provision of digital government services to develop a comprehensive approach to SME digitalisation, supported by dedicated provisions in policy documents, measurable targets and funding, including support tailored for businesses, e-commerce, and digital security. The involvement of non-governmental stakeholders via co-ordination mechanisms can enhance policy implementation and prevent overlaps with other policy documents. Further efforts should address remaining digital divides, ensuring high-speed broadband connectivity for citizens and firms, particularly in rural areas. The restoration of Internet supply infrastructure in de-occupied territories should be accompanied by laying fibre. Finally, Ukraine could build on its achievements on digital literacy by systematically assessing student progress in acquiring digital competences, further enhancing digital skills among firms in non-IT sectors, finalising Digigram for entrepreneurs, developing re-skilling and up-skilling opportunities, and improving data collection and digital skills anticipation exercises.
- In Ukraine's drive to strengthen SME policy, the disruption from Russia's 2022 invasion led to a focus on aiding strategic sectors and enhancing the Diia.Business platform's functionalities to facilitate vital communication. Leveraging the EU accession status presents an avenue for both institutional and regulatory reforms, reinforced by financial and technical support. Notably absent, however, is a post-war SME strategy aligned with reconstruction plans and the EU roadmap, resulting in incomplete policy coverage. Addressing this, the implementation of actions from the National Economic Strategy 2030, bolstered by intermediate targets, becomes a pivotal step for entrepreneurship promotion. Ensuring the continued roles of the Ministry of Economy and Ministry of Digital Transformation is crucial, alongside sustained operations of the SME Development Office and EEPO, supported by allocated resources. To enhance the business environment, Ukraine should prioritise deregulation via the Interagency Working Group and streamline State Regulatory Service reviews. Simplified procedures can be achieved via active promotion of the Diia web portal and Centres of Administrative Services. Lastly, transparency and accountability in public-private consultations, aligned with regulatory principles, remain paramount. In terms of fostering a favourable operational environment for SMEs, Ukraine should advance its digital government initiatives, expanding online services via the Diia.Business platforms, while standardising and streamlining business licensing and registration processes across cities. Tailored tax compliance procedures, along with online tax declaration options, should be adopted to accommodate diverse business sizes and activities. Addressing challenges related to VAT refunds is essential, necessitating a comprehensive review of refund processes for transparency and efficiency enhancement. Ukraine's government should also sustain support measures for businesses during conflicts, including adaptable adjustments to single tax payments. Ukraine should further strengthen its insolvency framework and bankruptcy prevention measures by re-introducing out-of-courts agreements in the new Code, adopting structured early warning systems, and ensuring regular evaluation of insolvency-related measures. Finally, Ukraine should expand activities to promote rehabilitation of honest entrepreneurs following bankruptcy.
- Ukraine can enhance its approach to entrepreneurial learning by reinforcing teacher training for both pre- and in-service educators across all academic levels, and by promoting entrepreneurship in high school and university career counselling programmes. There is a need to refine monitoring

and evaluation methodologies, ensuring the comprehensive assessment of learning outcomes while addressing the persisting scarcity of data, despite the collection of statistics related to vocational and higher education students' employment. Collaborative initiatives between secondary schools and SMEs can also be further cultivated and broadened across the territory. To bolster its commitment to women's empowerment and entrepreneurship, Ukraine should consider the adoption of an official national policy partnership, which could be included in its new SME Strategy. This collaborative approach would harmonise actions among various public and private stakeholders. To evaluate the impact of policies and initiatives, comprehensive impact assessment should be undertaken. Ukraine's support for SME skills development could be further amplified by establishing a systematic approach to skills assessment and anticipation; improving data collection and labour market analyses; using additional tools to identify, monitor and forecast SME skills needs as well as evaluate training's impact on skills and SME performance; and fostering smart specialisation with targeted training for SMEs.

- To boost SMEs' access to finance in the longer term, Ukraine should clarify the role to be played by SME support programmes like the 5-7-9 programme in a post-war context. To allocate funds efficiently and appropriately, the government should draft detailed plans for adjustment and strengthen its monitoring and evaluation mechanisms. In parallel, the current lack of non-financial disclosure requirements calls for the development of a foundation for future ESG reporting, especially as Ukraine's economy is dominated by a large farming sector. Moreover, in the light of the recent disruptions in its economy, the Ukrainian state has increased its presence in the banking sector. Preventing the potential adverse effects of this intervention on finances necessitates that the government develops strategies in this direction and minimises exemptions to prudential measures. Additionally, the accessibility of the funding sources that are still not part of bank financing would be enhanced by broadening the scope of sources for the collection of credit information, which would thus improve the coverage of the credit register. Ukraine could also improve the functioning of enforcement mechanisms within the secured transactions framework. Non-bank financing in Ukraine should also be reinforced: the ongoing war has led to a significant decrease in both non-bank finance and investments, which has left the future of the sector in a highly uncertain state. It is therefore essential for Ukraine to update the legal framework for factoring and to develop support mechanisms that accelerate VC operations. Finally, while progress has been made towards enhanced financial literacy with the new Diia platform, Ukraine should also establish a department dedicated to digital finance services-related issues within the NBU to make advances in the elaboration of a regulatory framework for digital finance. Such an initiative should go hand-in-hand with more institutionalised co-ordination mechanisms and other measures to connect international stakeholders.
- Ukraine's public procurement faces SME-favouring challenges despite regulatory alignment with EU Directives. Despite the ongoing conflict, procedural simplifications under martial law led to more effective procurement, with modified thresholds enhancing competition and raising transparency. Further improvements are needed in long-term policy development, consolidating positive changes, enhancing e-procurement, and improving procurement officials' skills. Ukraine's progress in quality infrastructure and regulations includes negotiations for the ACAA and EEPO. However, challenges persist, such as incomplete framework laws for market surveillance and the need for more alignment with the EU *acquis*, especially in metrology. Adopting EU-based technical regulations, aligning metrology centres, and familiarising SMEs with standards, providing basic training, and digitising public services should be prioritised by the Ukrainian government. For SME internationalisation, Ukraine should prioritise the adoption of the new Export Strategy, loosen the requirements to access the financial support offered by the ECA, further improve the transparency of EEPO's operations, and expand SME support for GVC integration and use of e-commerce.
- Although EEPO's Diia.Business platform provides extensive support to Ukrainian entrepreneurs (thereby acting as a true hub at the centre of the ecosystem for financial and non-financial support

providers), it could further improve its offering by introducing a dedicated programme for SME digitalisation, considering dedicated grants to help SMEs access private advisors, and enhancing monitoring and evaluation mechanisms with an increased focus on impact evaluation. In terms of innovation policy, the government could consider introducing new measures in favour of business innovation and industry-academia co-creation, to move beyond the linear technology transfer model towards partnerships between academia and industry. Existing indirect incentives for innovation could also be adjusted, for SMEs to also benefit from them when investing in smaller-scale projects than larger firms. To advance on the green economy agenda, Ukraine should adopt a more strategic approach that features clear responsibilities and funding for assisting SMEs, considers dedicated incentives for helping SMEs adopt green technologies, and reinforces SME-oriented environmental policies.

Table 14.6. Roadmap for policy reforms – Ukraine

Strengthening framework conditions for the digital transformation
<ul style="list-style-type: none"> • Develop a comprehensive policy approach for SME digitalisation with clear targets and funding, including dedicated support programmes, e-commerce, and digital security. • Establish co-ordination mechanisms involving non-governmental stakeholders to enhance policy implementation and prevent overlaps with other documents. • Prioritise broadband connectivity for citizens and firms in Ukraine, addressing the digital divide in rural areas and further supporting high-speed Internet access for small businesses. • Restore Internet supply infrastructure in previously occupied territories and lay fibre while rebuilding roads and infrastructure. • Ensure systematic assessment of students' digital skills and regular updates to digital competence frameworks. • Promote digital skills in non-IT sectors, e.g. by finalising Digigram for entrepreneurs and by creating re-skilling and up-skilling opportunities to address skills mismatches and meet labour market demands, particularly in SMEs. • Collect additional data on digital skills of SME managers and employees to inform evidence-based policymaking and labour market forecasts. Consider developing digital skills anticipation tools.
Bolstering the institutional and regulatory framework and operational environment for SMEs
<ul style="list-style-type: none"> • Develop short-term SME action plans for post-invasion emergencies; form a working group with SME, local, and expert input for recovery planning. • Implement deregulation from the National Economic Strategy 2030 for swift post-conflict reconstruction, and industrial site revival. • Systematically apply SME test in regulatory reform, considering RIA for enhanced SME impact assessment. • Streamline company registration, reducing time and expanding nationwide. • Assess effective tax rates for various businesses to uncover growth-affecting tax disparities. • Implement automatic VAT refunds for low-risk tax evasion cases across enterprises. • Reintroduce out-of-court settlements in the Code on Bankruptcy Proceedings. • Establish insolvency prevention measures. • Promote honest entrepreneur rehabilitation and tackle the stigma of business failure.
Promoting entrepreneurial skills and women's entrepreneurship development
<ul style="list-style-type: none"> • Complement efforts to improve entrepreneurial learning by strengthening teacher training across education levels, further promoting entrepreneurship in career guidance, and improving monitoring and evaluation practices. • Strengthen women's empowerment and entrepreneurship via a formal policy partnership, co-ordination of stakeholders, and rigorous impact evaluation. • Develop a systematic approach to skill assessment and anticipation, improving data collection and labour market analyses, as well as conducting surveys on barriers to participation in training and using additional tools to identify, monitor and forecast SME skills needs. • Better capture the impact of training on skills development and SME performance by collecting feedback. • Develop smart specialisation by implementing targeted training for SMEs in priority areas.
Facilitating SME access to finance
<ul style="list-style-type: none"> • Promote financial stability by minimising exemptions to prudential measures and developing plans to ensure that increased state presence in the banking sector does not have adverse effects. • Define a post-war role for SME support programmes via detailed plans for adjustment and strengthened monitoring and evaluation mechanisms. • Enhance the coverage of the credit register by broadening the scope of credit information sources.

- Improve the functioning of enforcement mechanisms within the secured transactions framework.
- Strengthen non-bank financing by updating the legal framework for factoring and developing public support mechanisms to catalyse VC operations.
- Develop regulation for digital finance via a dedicated focal point within the NBU, more institutionalised coordination mechanisms, and measures to connect international peers.

Supporting SME access to markets

- Strengthen public procurement for SMEs by greater use of beneficial features like division into lots, and focus on long-term policy development, consolidating recent, positive changes, enhancing e-procurement, and improving procurement officials' skills.
- Prioritise SME familiarity with standards, basic training, and digitising public services, while addressing market surveillance gaps.
- Boost SME internationalisation by enhancing GVC integration, promoting e-commerce, and tackling trade facilitation gaps with regional peers.

Fostering innovation and business support

- Develop a new medium-term strategic framework for SME support services as soon as conditions allow.
- Monitor and enhance Diia.Business Support Centres to ensure outreach to rural SMEs.
- Consider introducing a dedicated programme for SME digitalisation
- Introduce grants for accessing private BDS providers and refine evaluation of support schemes.
- Implement measures to stimulate business innovation, adjust existing incentives for SMEs, and improve monitoring and evaluation of innovation policies.
- Adjust indirect incentives for innovation to match smaller-scale projects typical of the SME sector.
- Develop a strategic approach to support SMEs in the green economy, allocate funding for the National Action Plan, and establish dedicated financial support programmes for SME greening.
- Enhance access to green loans for SMEs and leverage donor-led initiatives for promoting green economy policies and bridging financing gaps.

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Notes

¹ For more information on the analytical framework, please refer to the thematic chapter Digital Economy for SMEs.

² For more information on EU Directive 2019/1023, see <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019L1023>.

³ Diia.Business has a separate export education webpage containing 11 export-oriented courses – including Branding and Customer Experience, Marketing, Helping SMEs Generate Export Business, Public Procurement, Smart Exporter: Electronic Platforms, Regulations, and Export Requirement to the EU, among others.

⁴ See: <https://business.diia.gov.ua/social-entrepreneurship>.

⁵ “Ten steps to start your own business”. See: <https://business.diia.gov.ua/courses/10-krokv-dla-pocatku-vlasnoi-spravi>.

⁶ The annual percentage rate (APR) provides the interest rate equivalent for a whole year, which helps borrowers with loan product comparisons.

⁷ Agreement on Conformity Assessment and Acceptance of Industrial Products.

⁸ See: https://eu-ua.kmu.gov.ua/sites/default/files/inline/files/vol_1_ch_i-viii.pdf.

⁹ With the assistance of the Ministries of Digital Transformation and Foreign Affairs, see: <https://odessa-journal.com/ukraines-businesses-launch-an-official-marketplace-to-promote-ukrainian-goods-abroad-and-support-the-countrys-recovering/>

¹⁰ See: https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-02/SWD_2023_30_Ukraine.pdf, p. 16.

¹¹ See: <https://zakon.rada.gov.ua/rada/show/v0285774-22#Text>.

¹² Ukrainian Government (2021), СТРАТЕГІЯ інтеграції України до Єдиного цифрового ринку Європейського Союзу («Дорожня карта»), <https://docs.google.com/document/d/1XqGb7AWSs7Ktl6PI5xuYDpLFV0mtOTSN/edit#>

¹³ For information on the International Trade Council, see: <https://tradecouncil.org/>.

¹⁴ <https://export.gov.ua/>

¹⁵ The results of the assessments of different markets can be found at the following link: <https://export.gov.ua/142-industrii>.

¹⁶ <https://export.gov.ua/415-e-commerce>

¹⁷ The one-to-one consultations available through *Diia.Business* described above are one-off sessions with industry experts, offering their support on a voluntary basis.

¹⁸ The survey highlighted that 1) Ukrainian businesses lack information about local R&D opportunities and do not fully understand the costs of R&D options, and 2) that the domestic scientific community is disproportionally focused on the needs of large businesses. Respondents to the survey also provided an indication of specific technologies needed to innovate in different sectors.



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