



Ukraine Facility

Recovery - Reconstruction - Modernisation

Ukraine Investment Framework: Call for Proposals on Intermediated Lending to MSMEs via banks

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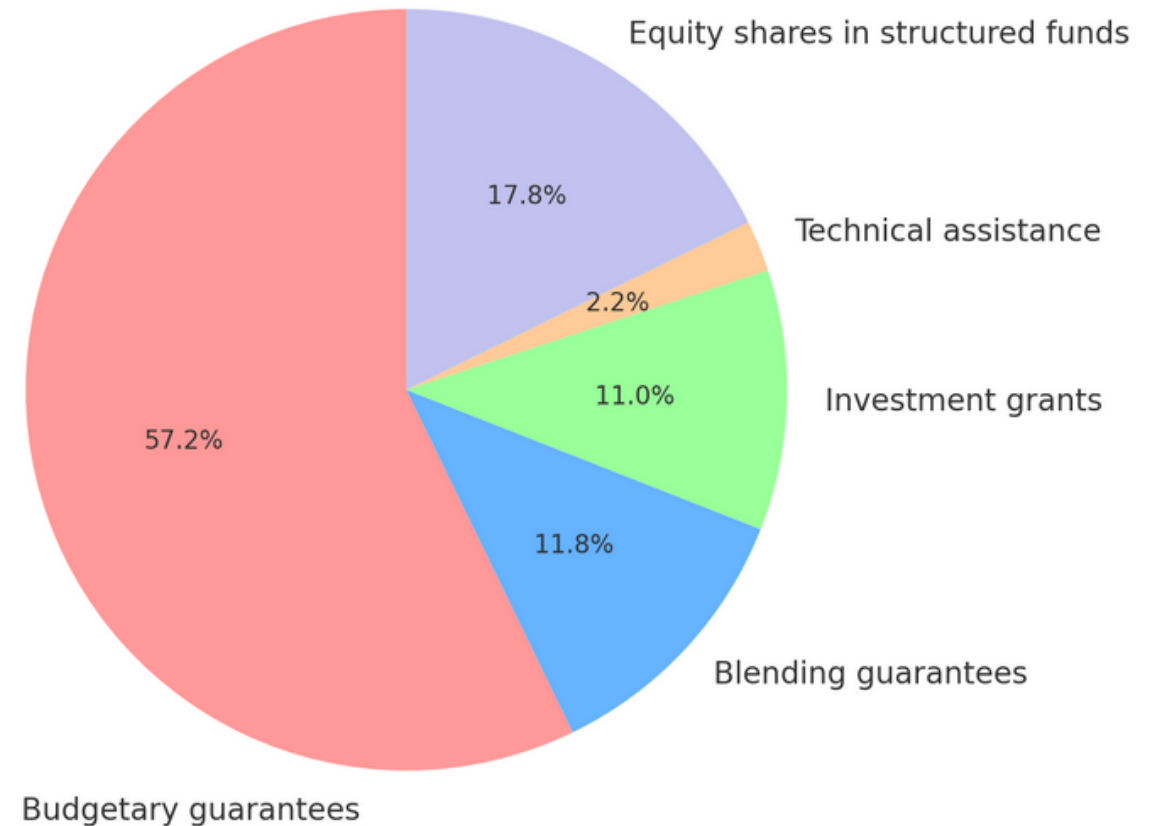
Relevance of SME Access to Finance

- **SMEs are the backbone** of Ukraine's economy, comprising **99% of all business entities**, providing **74% of all jobs**, and creating **two thirds (64%) of value added** in the economy.
- They play a crucial role for the **resilience** of Ukraine's economy amid the war – and will be **driving Ukraine's integration** into the EU and its Single Market.
- **SME support is at the core of the UIF** and at least **15% of the guarantee capacity** of the UIF should be allocated to SMEs, in addition to **blended finance** operations.
 - Equivalent to some **EUR 1.4 billion in EU financial instruments** of the total budget of the UIF (EUR 9.3 billion)
- **Budget payments** under the Ukraine Plan will help the Government of Ukraine **implement SME-related reforms** and carry-out investment in **financial support for SMEs** of at least **EUR 2.5 billion** until 2027.

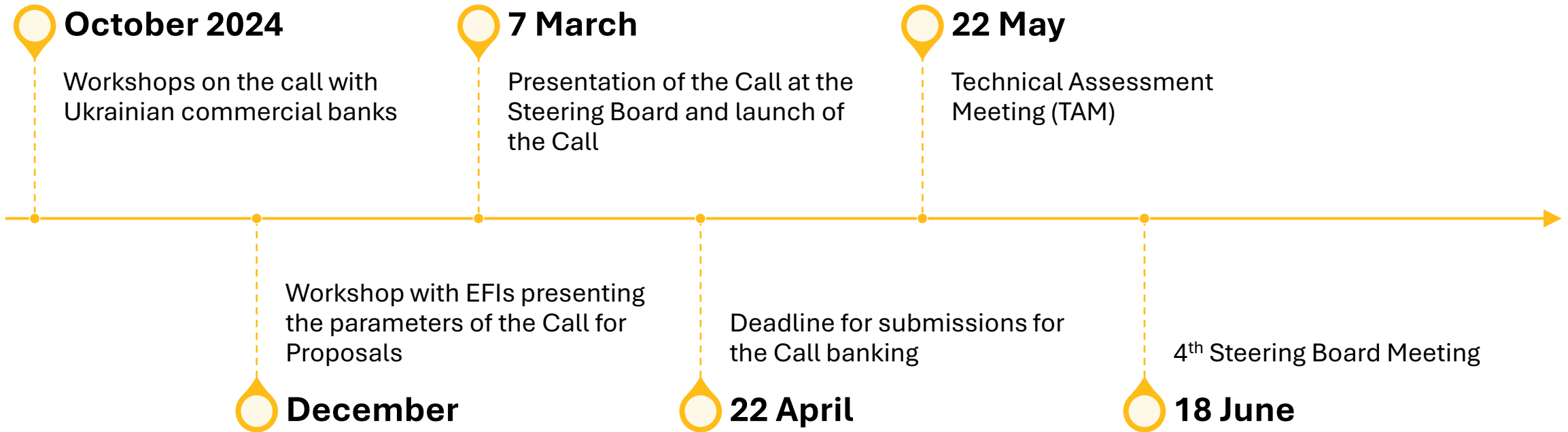
Relevance of SME Access to Finance

- UIF works to **boost access to affordable finance**, providing **de-risking instruments** as well as incentive grants and technical assistance, targeting two broad segments of the economy:
 - **SME economic activity**, investment into upscaling, modernising and greening
 - **vulnerable and war-affected groups**
- **‘Top-up phase’** of the roll-out of UIF: a total of **EUR 507 million in EU financing** to leverage additional EUR 2.6 billion in access to finance for SMEs, :
 - Budgetary EUR 290M (57.2%) and blending guarantees: EUR 60M (11.8%)
 - Investment grants: EUR 56M (11.0%)
 - Technical assistance: EUR 11M (2.2%)
 - Equity shares in structured funds: EUR 90M (17.8%)

Distribution of Allocations



Timeline



UIF Call for Proposals on intermediated private lending to MSMEs



Size of the call

EUR 1.4 billion for budgetary guarantees

EUR 200 million for incentive grants and technical assistance



Policy priorities

Supporting access to finance for **micro-enterprises, SMEs and SMEs+**

Support specifically access to finance for:

- **War-affected groups:** companies located in war affected-territories, IDPs, war-veterans' companies, returnees
- **Vulnerable groups:** women-led MSMEs, Youth-led, Persons with disability, start-up, micro-enterprises, small farms
- Supporting companies with **demining activities**

Scope of the Call

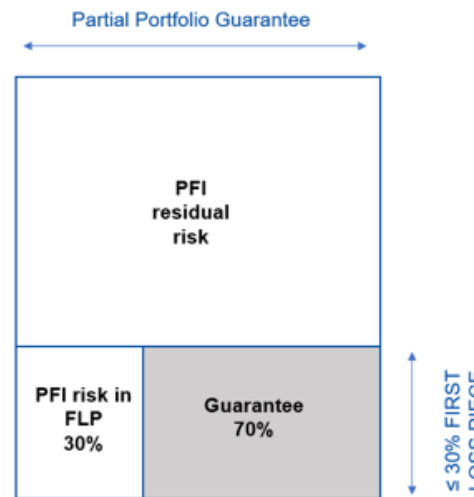
- **Policy priority:**
 - At least 75% of all operations dedicated to MSMEs and up to 25% of all operations dedicated to SME+.
 - At least 50% of the portfolio supporting war-affected and vulnerable groups.
- **CAPEX/OPEX:**
 - At least 50% of the portfolio supporting investments in CAPEX.
 - If more than 50% of the portfolio is allocated to war-affected and vulnerable groups, investments in OPEX are permitted to a larger extent but cannot not exceed 80%.
 - 80% level of OPEX can only be reached if 100% of the portfolio is supporting war-affected and vulnerable groups.
- **Skin-in-the game requirements:** Partner banks must share at least 30% of skin-in-the-game at the same level of risk as the UIF, as described in the Risk Management Framework.

Key requirements – Risk-sharing structure/ level of guarantee offered to the PFI

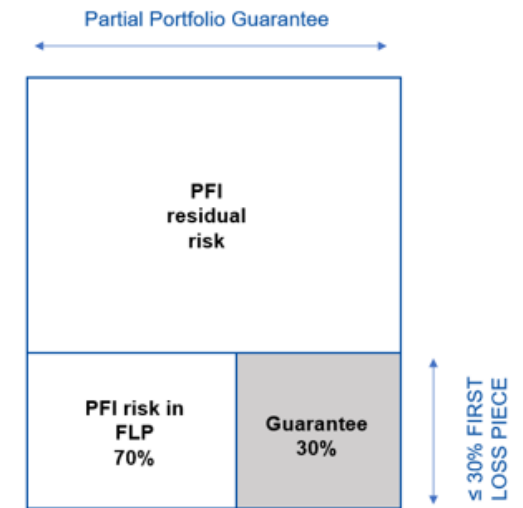
- **Portfolio level:** First Loss Piece of max. 30%
- **Transaction level:** Single loan basis coverage of max. 70% for targeted groups and max. 30% for regular SMEs.
- **Notional approach** allows flexibility in allocation of guarantee coverage to single transactions.

Outlines of risk sharing structure/ level of guarantee offered to the PFI depending on the supported group:

*War-affected and vulnerable businesses
(100%)*



Regular businesses (max 50%)



$$\text{Av. coverage on portfolio} = \text{"Targeted group \%"} * 70\% + (1 - \text{"TG\%"}) * 30\%$$

Grant Intensity

1. Type of investment: Support to investment into eligible priority technologies and energy generation (up to 10%)

- **Processing industry projects** including replacement of outdated machinery, expansion of production lines, support of the export-oriented industries or integration of energy-efficient equipment, access to digital solutions
- **Energy security, efficiency and generation:** Installation of energy storage systems, renewable energy sources, and grid-independent power solutions.
- **ESG-focused investments:** Technologies that improve sustainability, reduce carbon emissions, and promote circular economy models

2. Type of recipient: Support to investments by war-affected and vulnerable groups (up to 20%)

- War-affected and vulnerable group
- Companies' targeted investments in mine action

3. Type of investment and recipient: Support to investments in category 1 and 2 (up to 30%)

Definitions: Small and Medium Sized Enterprises

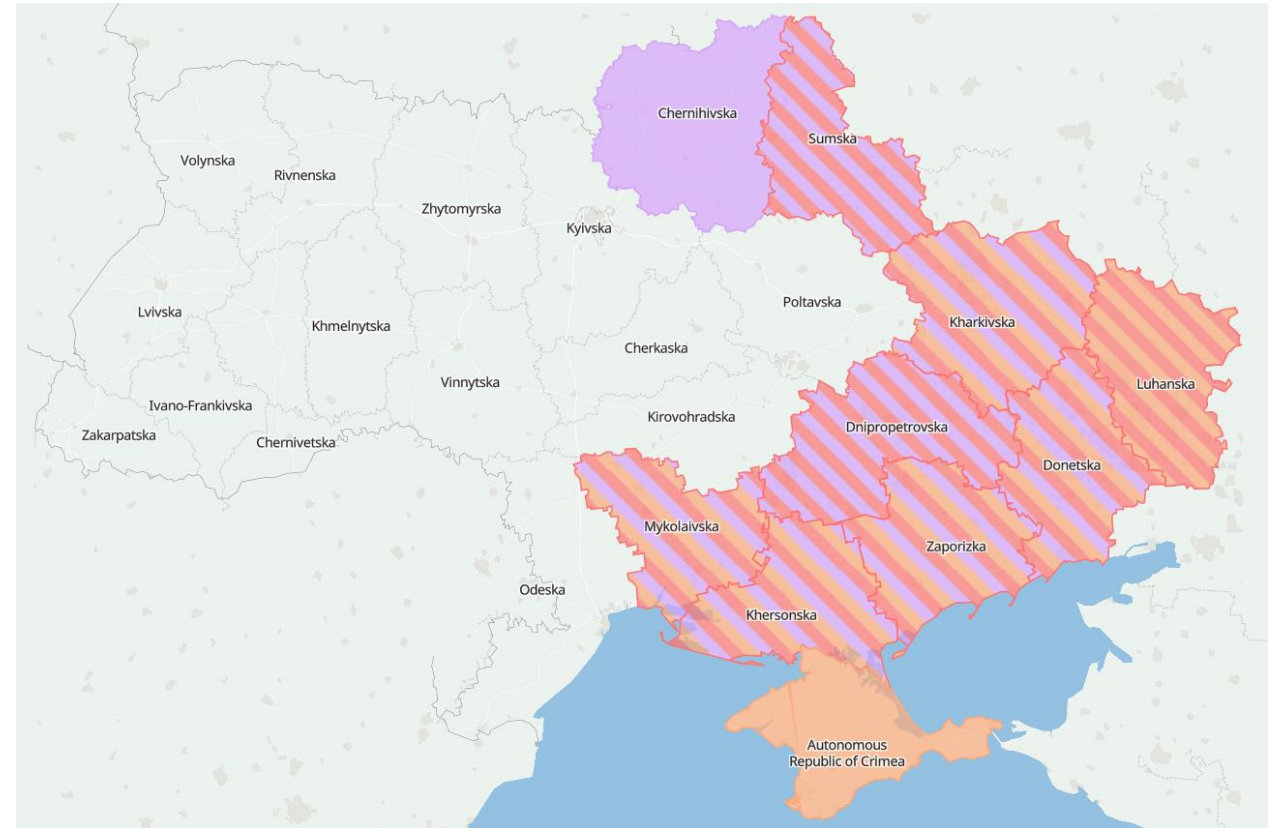
MSME, SME+ and start-up

According to the EU Recommendation 2003/361, the main factors determining whether an enterprise is an SME are the staff headcount and either turnover or balance sheet total:

- A **Micro-enterprise** is defined as a company with fewer than 10 employees and an annual turnover below EUR 2 million or a total balance sheet of below EUR 2 million.
- An **SME** is defined as a company with fewer than 250 employees and an annual turnover below EUR 50 million, or a total balance sheet below 43 million.
- An **SME+** is defined as a company with fewer than 500 employees and an annual turnover below EUR 75 million.
- **Start-up:** an MSME following the definition of MSMEs above – across all sectors, at the initial stage of its life cycle (no older than 3 years), which is characterised by an innovative stance, a potential for rapid growth, external funding, and vulnerability.

Definitions: War-affected groups (1)

- **War affected territory:** first-level administrative divisions (“oblast”) in which **military operations are or were conducted**, as identified by Ukraine’s law. Presently, these regions include the following: Chernihiv, Dnipropetrovsk, Donetsk, Sumy, Kharkiv, Kherson, Mykolaiv, Zaporizhia, Luhansk oblasts.
- **War-affected company:** company that suffered **destruction and/or losses of assets as a direct consequence of the Russia’s war of aggression**, provided that the value of war-related losses or damages equals or exceeds **15% of the annual turnover** of such company. Pre-requisite to record losses in line with Ukraine’s law in the “Register of Damage”.



Definitions: War-affected groups (2)

- **War-veterans and family members:** possess “War-veteran” status under Ukraine’s law based on **actions defending Ukraine or disabilities as a result of the war occurred from 2014** onwards as well as be a “Family Member” of a War-veteran, including spouse, son/daughter, and/or parent.
- **Internally Displaced Person:** a person who was forced to **leave or abandon their place of residence** to avoid the negative consequences of the armed conflict, temporary occupation, widespread violence, human rights violations, natural or man-made emergencies as defined by the Ukraine’s law.
- **Returnees:** an individual who was previously an **Internally Displaced Person** or a **refugee displaced in one of the EU Member State** and has voluntarily returned to their place of habitual residence after the situation that caused their displacement has improved or resolved as defined by Ukraine’s law.

Definitions: Vulnerable Groups

- **Person with disability:** a person with a **long-term disorder** of physical, mental, intellectual, or sensory functions, which, when interacting with environmental barriers, limits their **ability to participate fully and effectively in society** on an equal basis with others as defined by Ukraine's law.
- **Small Farm:** farm or company registered in the State Agricultural Register, **cultivating less than 2 000 hectares**. Specific attention will be given to small farms in a war-affected area.
- **Women-led MSMEs:** a female sole entrepreneur; or legal entity majority owned (more than 50%) and/or led by a Woman/Women, meaning that the highest executive role is held by a Woman
- **Youth-led MSMEs:** a person under the age of 35 sole entrepreneur; or legal entity majority owned (more than 50%) and/or led by a Youth, meaning that the highest executive role is held by a Youth

Definitions: mine action and de-mining

- Finance for mine action, assisting **MSMEs, agri-business and small farmers**, as well as **demining industry's** access to finance to engage in de-mining activities.
- Examples of investments into mine action:
 - Financing for **agri-businesses** as well as **farmers** in **conducting** and/or **sub-contracting de-mining activities**.
 - Financing schemes for **small farmers** offering to **off-set loss of income** where large parts of land are confirmed hazardous.
 - Financing schemes to enhance **capacities to produce demining equipment** in Ukraine, stimulating **industry** to **manufacture** needed equipment as well as innovation.



Thank you!

