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The European Union supports Ukrainian small and medium-sized businesses

## Supporting SMEs as a key priority of EU assistance to Ukraine

EU Member States experience shows that micro-, small and medium enterprises (MSMEs) have been the backbone of resilience, competitiveness and sustainable development of each country's economy and the EU Single Market as a whole. According to [OECD](#) data, before 2022, SMEs accounted for 99.97% of the total number of enterprises in Ukraine (both legal enterprises and individual entrepreneurs). Russia's full-scale invasion of Ukraine has caused serious disruptions in business supply chains, fluctuations in the markets and much riskier legal and contractual conditions of doing business. It has most seriously affected MSMEs. For EU, restoring the economic potential of MSMEs in Ukraine and enhancing business and investment climate through priority reforms are the key priorities in supporting the country on its way to EU accession.



**"I will do my best to support reforms in Ukraine as an EU candidate country," assured Katarina Matheriová, when starting her role as the European Union Ambassador to Ukraine. "The future of Ukraine is in the EU," she affirmed.**

The EU support to private sector development in the Eastern Partnership region (including Ukraine) amounts to **EUR 245.2** million as of mid-2023. Most of these funds are packaged into

financial instruments developed by the EU partner international financial institutions jointly with local banks. The bilateral EU business projects portfolio in Ukraine includes **15 active projects with a total budget of EUR 92.3 million.**



The [EU4Business initiative](#) – being the umbrella brand for all MSME-related projects – is about jobs, growth and revenue generation to support the recovery of the Ukrainian economy. It includes actions enabling a positive business environment and competitive markets through easy business regulation and administration, better governed financial services, improved corporate governance and ownership policies of state-owned enterprises; effective competition and state aid control, strengthened national quality infrastructure. It also covers direct support to value-adding and job creating sectors of the economy – via access to finance and business development services – to MSMEs, particularly those with green and digital business models, innovation potential and prospects for integration into the EU Single Market and global value chains.

The current EU4Business support aims to help businesses survive and overcome the consequences of the war as soon as possible. For each of the below outlined focus areas, a comprehensive problem-solving approach is laid out, reinforced by the proper communication and financial tools to support individual programmes or projects.



Support to the national and local SME policy-makers and implementing institutions in light of EU accession aims to create a favourable regulatory and operational business environment, comparable to that of the EU Single Market. The EU support to Ukraine's Ministry of Economy, **Ministry of Digital Transformation and notably, the Entrepreneurship and Export Promotion Office (EEPO)**, responsible for SME policy implementation, helps to ensure the institutional and policy alignment with the EU SME frameworks, and also to develop a wide range of consulting services and practical support opportunities for businesses, such as participation in European and international exhibitions and trade events. For example, the new **"Business Bridge"** grants programme which will be launched by end of 2023 and will aim



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to support **1500 Ukrainian companies** with funding vouchers to let them prepare and participate in the EU's trade events. EEPO, in cooperation with six other Ukrainian and international partners, will be administering this programme on behalf of the EU. EEPO has also been selected as one of the implementing partners of the **Digital Europe** programme, to which Ukraine is now affiliated.



**In the policy domain, the EU prioritises support to deregulation and state supervision reform, as well as better Government policy and regulatory decisions for more transparent business environment.** The experts from the Better Regulation Delivery Office, supported by the EU, are engaged into the Interagency Working Group on [Deregulation](#), which is currently working on simplifying the Ukrainian business regulations, abolition of outdated requirements, digitalisation of procedures to make the SME life and business easier.



**The EU provides support to local governments** with a view to increase entrepreneurship development in the regions and strengthen business cluster initiatives. This helps the regional business clusters to simplify procedures, reduce costs for procurement of raw materials and hardware, manufacturing and sales of finished products on both domestic and foreign markets. This also helps to enhance the competitive advantages of SMEs and their sustainability, especially in the times of war. Successful clusters will become attractive for business partnerships with national and international companies, benefit from access to financing, and new growth opportunities. **The EU4Business programme, implemented by GIZ**, works with the Ukrainian Cluster Alliance and supports over 30 of its members in their development and growth.

Equitable and easy access to financing is a permanent challenge for the SMEs and it has aggravated since the start of the full-scale war. In the first months of the Russian invasion, the EU mobilised urgent financial assistance to the most affected MSMEs. In summer 2022 the first tranche of **EUR 1.2 million** was provided via **300 micro-grants** (each worth EUR 4 000) to support most affected micro-enterprises with relocation costs; maintenance, repair or replacement of equipment, procurement of materials, staff salaries and similar urgent costs and liquidity needs. Since then, over **EUR 7 million** in total was allocated under EU4Business programme for exceptional direct grants to businesses for different recovery and development objectives. In addition to the EU4Business programme grants, there are funding opportunities under the pan-European programmes such as **Horizon Europe, Creative Europe, Digital**

**Europe and the Single Market Programme** to which Ukraine has recently affiliated. The EU intellectual property agency EUIPO exceptionally extended its [SME Fund](#) to Ukrainian companies willing to protect their intellectual property rights. The EU4Business-EBRD SME Competitiveness initiative also continues to support SMEs in Ukraine with subsidised loans. It aims to modernise production, increase competitiveness, bring production processes up to EU standards, and embrace the European market opportunities. Various other de-risking instruments with International Financial Institutions support access to finance for MSMEs, including for companies affected by the war, located in liberated territories, or close to the frontline.



For market access, the SMEs can explore a number of instruments offered by the EU. **Notably, the Enterprise Europe Network (part of the EU Single Market Programme) is the world's largest support network for SMEs.** With an annual budget of EUR 63 million and activities in 66 countries, it opens up powerful opportunities to develop or expand business and reach out to new markets. The EU supports a number of business matchmaking platforms which in the wartime context are indispensable to facilitate Ukraine's export through the mechanism of [Solidarity Lanes](#), or keep the Ukrainian value chains operational via [Supply Chain Resilience Platform](#). These practical support tools are reinforced by the EU's strategic policy decisions in the trade domain helping the Ukrainian companies to increase trade and export to the EU.

In this context, the EU's decision to renew the autonomous trade measures liberalising on Ukrainian exports to the EU until June 2024 was extremely important for SMEs that are planning to enter EU markets.



In June 2023, the European Commission has proposed the creation of a [Ukraine Facility](#), a dedicated financing instrument that will provide coherent, predictable as well as flexible support for the period 2024-2027 to the country. The Facility is organised around three pillars: financial support to the State in the form of grants and loans, a specific **Ukraine Investment Framework**, technical assistance and other supporting measures. Once adopted, it will also support the transition towards a green, digital and inclusive economy that is progressively aligned with EU rules and standards.

Further information on EU support to SMEs: [eu4ukraine.eu](https://eu4ukraine.eu), [eu4business.org.ua](https://eu4business.org.ua)