

# IFC's Economic Resilience Action (ERA) Program for Ukraine

Financing for the Private Sector



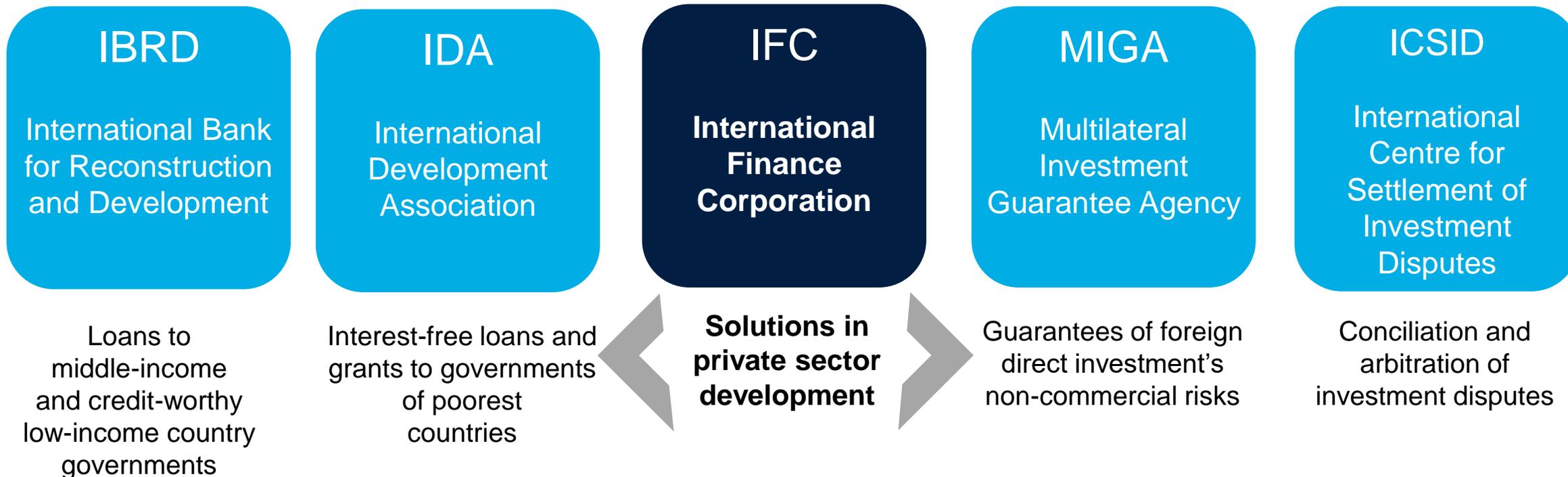
*Creating Markets, Creating Opportunities*

*As of FYE 2023*

# Executive Summary

- Russian Invasion of Ukraine has caused a significant contraction in private sector activity in the country
  - GDP contracted by 35% in 2022
  - Despite the war, the private sector is showing resilience and continues to pay taxes
- **Ukraine's private sector urgently needs financing** to continue playing its critical role: preserving jobs, generating revenues, and providing the population with essential goods and services
- In December 2022, **IFC launched a US\$2 billion response package (Economic Resilience for Action for Ukraine, or "ERA")** to support the Ukrainian private sector to be deployed over FY23-24:
  - US\$1billion on IFC's own account; and
  - US\$1billion of concessional finance from development partners
- IFC is well positioned to deliver financing support to the private sector in Ukraine
  - **30 years of investment track record in Ukraine**
  - **More than US\$3 billion in long-term commitments to the Ukrainian private sector**
  - **More than 20 years of global experience in deploying concessional finance**
- IFC is **one of the world's largest implementers of Blended Concessional Finance with a 20-year track record** and strong governance

# 01 -1 IFC is a member of the World Bank Group



## IFC's Mission

Build the private sector in developing countries to create jobs, increase incomes, and improve lives

- ✓ Take market risk with no sovereign guarantees
- ✓ Promote environmental, social, and corporate governance standards
- ✓ Focus on development impact

## 02. Supporting the private sector in Ukraine is critical now and for the post-war reconstruction

The war on Ukraine is causing a significant contraction in the private sector...

- In 2022, GDP contracted by an estimated 35%
- Employment fell by 15.5% due to mobilization and migration especially of highly-skilled women
- Fivefold projected increase in poverty to 25%
- During March-November 2022, merchandise exports fell y-o-y by 45% and services by 20%

..and although private sector companies in Ukraine have proved resilient....

- In September, only 11% of pre-war SMEs were shut down and private business continue to deliver critical services
- Private sector continues to form the basis for employment, exports and fiscal revenues
- IT exports increased as share of GDP and some agribusinesses benefitted from high commodity prices
- Corporate tax collection remained stable as a share of GDP

...financing the private sector in Ukraine is urgently needed

- Ukraine's private sector generated 70% of GDP before the war
- Most international support has gone to the public sector to maintain operations, and address humanitarian needs
- Bank credit growth to private business contracted since July, making financing critical
- Private sector need access to working capital and trade finance to continue operating

# 03. IFC's Ukraine ERA Program will address immediate private sector financing needs during the war and prepare for the post war reconstruction

PHASE I: Resilience During the War			PHASE II: Post-war Reconstruction & Recovery	
Priority Areas & Instruments			Priority Areas	
<b>1. Critical Sectors &amp; Supplies</b> <ul style="list-style-type: none"> <li>Preservation of businesses via access to risk &amp; working capital</li> <li>Trade finance for critical goods</li> <li>Food security &amp; Agribusiness</li> </ul>	<b>2. IDPs &amp; Municipalities</b> <ul style="list-style-type: none"> <li>Access to finance for forcibly displaced</li> <li>Municipal Infrastructure &amp; Housing</li> </ul>	<b>3. Vital Infrastructure</b> <ul style="list-style-type: none"> <li>Transport &amp; Logistics at the EU border</li> <li>Emergency Energy security</li> <li>Critical Telecom infrastructure</li> </ul>	<b>1. Recovery of key sectors</b> <ul style="list-style-type: none"> <li>Recapitalization of Banks</li> <li>Agribusiness</li> <li>Tech/IT</li> <li>Distressed Asset Resolution</li> </ul>	<b>2. Rebuild Infrastructure</b> <ul style="list-style-type: none"> <li>Cities &amp; Housing</li> <li>Transport &amp; Logistics</li> <li>Energy transition &amp; security</li> <li>Digital Infrastructure</li> </ul>

**Investments:** Focus on short-term instruments and selective long-term financing

- Predominantly **guarantees, working capital** across sectors, **risk-sharing** facilities with financial intermediaries
- Capex support for **business relocation** and **critical infrastructure repairs / expansion**

**Advisory & Upstream:** Emergency response and preparation for reconstruction

- Agribusiness:** Adjusting business models to the war, finding alternative routes for exports, farmer recovery & financing programs
- Financial sector:** Access to finance for refugees, NPL resolution & upstream work on banking and corporate sector restructuring
- Digital:** Implement farmer financing programs for MSME farmers (e.g., digitalization of crop receipts) with Financial Institutions

## 04. IFC's Proven Track Record in Ukraine

<b>Agribusiness</b>	<ul style="list-style-type: none"> <li>▪ <b>More than 50 advisory engagements and invested US\$1bn in financing</b> over the last 28 years</li> <li>▪ <b>Introduced crop receipts as pre-season working capital finance</b>, resulting in <b>US\$2bn of finance</b> facilitated to agricultural producers, including SMEs</li> </ul>	
<b>Municipalities</b>	<ul style="list-style-type: none"> <li>▪ Partnered <b>with Mariupol, Zaphorizhia, Kryvyi Rih</b>, helping <b>municipal authorities</b> switch to <b>greener urban transport alternatives</b></li> </ul>	
<b>PPPs</b>	<ul style="list-style-type: none"> <li>▪ <b>WBG/IFC developed a Road PPP Program</b> to help Ukraine attract up to US\$2bn of investment to rehabilitate and maintain the nation's road network</li> <li>▪ <b>IFC, EBRD and GIF</b> helped Ukraine <b>structure its first-ever PPP</b> based on best international practices, resulting in concessions of Kherson and Olivia ports (2020)</li> </ul>	
<b>Advisor to Govt. of Ukraine</b>	<ul style="list-style-type: none"> <li>▪ Since Dec 2022, <b>IFC is a strategic advisor to the Government</b> to help <b>create conditions to boost private sector investment in reconstruction.</b></li> </ul>	
<b>IFC's Projects Post-War</b>	<ul style="list-style-type: none"> <li>▪ <b>US\$60m Trade Finance</b> under Global Trade Finance Program (GTFP)</li> <li>▪ <b>US\$24m Equity in PE Fund (Tech)</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>US\$60m Repurpose Ukraine Energy Efficiency Fund</b> to support <b>IDP's housing needs</b></li> <li>▪ <b>US\$16m Working Capital in Agribusiness &amp; Fuel Distribution</b></li> </ul>

# IFC Regional Team covering Ukraine



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