IFC’s Economic Resilience Action (ERA) Program for Ukraine

Financing for the Private Sector

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$1 billion on IFC’s own account; and
  • US$1 billion 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
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

<table>
<thead>
<tr>
<th>The war on Ukraine is causing a significant contraction in the private sector...</th>
<th>..and although private sector companies in Ukraine have proved resilient....</th>
<th>...financing the private sector in Ukraine is urgently needed</th>
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<tbody>
<tr>
<td>• In 2022, GDP contracted by an estimated 35%</td>
<td>• In September, only 11% of pre-war SMEs were shut down and private business continue to deliver critical services</td>
<td>• Ukraine’s private sector generated 70% of GDP before the war</td>
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<td>• Employment fell by 15.5% due to mobilization and migration especially of highly-skilled women</td>
<td>• Private sector continues to form the basis for employment, exports and fiscal revenues</td>
<td>• Most international support has gone to the public sector to maintain operations, and address humanitarian needs</td>
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<td>• Fivefold projected increase in poverty to 25%</td>
<td>• IT exports increased as share of GDP and some agribusinesses benefitted from high commodity prices</td>
<td>• Bank credit growth to private business contracted since July, making financing critical</td>
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<td>• During March-November 2022, merchandise exports fell y-o-y by 45% and services by 20%</td>
<td>• Corporate tax collection remained stable as a share of GDP</td>
<td>• Private sector need access to working capital and trade finance to continue operating</td>
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03. IFC’s Ukraine ERA Program will address immediate private sector financing needs during the war and prepare for the post war reconstruction

<table>
<thead>
<tr>
<th>PHASE I: Resilience During the War</th>
<th>PHASE II: Post-war Reconstruction &amp; Recovery</th>
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<tbody>
<tr>
<td>Priority Areas &amp; Instruments</td>
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<tr>
<td>1. Critical Sectors &amp; Supplies</td>
<td>1. Recovery of key sectors</td>
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<tr>
<td>- Preservation of businesses via access to risk &amp; working capital</td>
<td>- Recapitalization of Banks</td>
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<tr>
<td>- Trade finance for critical goods</td>
<td>- Agribusiness</td>
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<tr>
<td>- Food security &amp; Agribusiness</td>
<td>- Tech/IT</td>
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<td>2. IDPs &amp; Municipalities</td>
<td>- Energy transition &amp; security</td>
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<tr>
<td>- Access to finance for forcibly displaced</td>
<td>- Distressed Asset Resolution</td>
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<td>- Municipal Infrastructure &amp; Housing</td>
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<tr>
<td>3. Vital Infrastructure</td>
<td>2. Rebuild Infrastructure</td>
</tr>
<tr>
<td>- Transport &amp; Logistics at the EU border</td>
<td>- Cities &amp; Housing</td>
</tr>
<tr>
<td>- Emergency Energy security</td>
<td>- Transport &amp; Logistics</td>
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<tr>
<td>- Critical Telecom infrastructure</td>
<td>- Energy transition &amp; security</td>
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<td>- Digital Infrastructure</td>
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**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

| Agribusiness | ▪ More than 50 advisory engagements and invested US$1bn in financing over the last 28 years  
▪ Introduced crop receipts as pre-season working capital finance, resulting in US$2bn of finance facilitated to agricultural producers, including SMEs |
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<tr>
<td>Municipalities</td>
<td>▪ Partnered with Mariupol, Zaporizhia, Kryvyi Rih, helping municipal authorities switch to greener urban transport alternatives</td>
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</table>
| PPPs | ▪ WBG/IFC developed a Road PPP Program to help Ukraine attract up to US$2bn of investment to rehabilitate and maintain the nation’s road network  
▪ IFC, EBRD and GIF helped Ukraine structure its first-ever PPP based on best international practices, resulting in concessions of Kherson and Olivia ports (2020) |
| Advisor to Govt. of Ukraine | ▪ Since Dec 2022, IFC is a strategic advisor to the Government to help create conditions to boost private sector investment in reconstruction. |
| IFC’s Projects Post-War | ![US$60m Trade Finance under Global Trade Finance Program (GTFP)]  
▪ US$24m Equity in PE Fund (Tech)  
▪ US$60m Repurpose Ukraine Energy Efficiency Fund to support IDP’s housing needs  
▪ US$16m Working Capital in Agribusiness & Fuel Distribution |