

UKRAINE IN THE NEW GLOBAL ECONOMY:

RESILIENCE AS A NEW STANDARD

Report on Key Economic Trends Affecting
Ukrainian Enterprises and the Overall Economic
Resilience of the Country

2026

TABLE OF CONTENTS

| | |
|--|----|
| <u>1. LIST OF ABBREVIATIONS</u> | 5 |
| <u>2. INTRODUCTION</u> | 7 |
| <u>3. KEY POINTS</u> | 8 |
| <u>4. MACROECONOMIC TRENDS</u> | 12 |
| <u>4.1. REAL SECTOR: INDUSTRY, AGRICULTURE, TRANSPORT, AND LOGISTICS</u> | 12 |
| <u>Chart No. 1. Industrial Growth, Percentage Points</u> | 13 |
| <u>Chart No. 2. Grain Harvest, million tons</u> | 13 |
| <u>4.2. FISCAL PARAMETERS: BUDGET DEFICIT, STRUCTURE OF REVENUES AND EXPENDITURES</u> | 13 |
| <u>Chart No. 3. Consolidated Budget Revenues, % of GDP</u> | 15 |
| <u>Chart No. 4. Consolidated Budget Expenditures, % of GDP</u> | 15 |
| <u>Chart No. 5. Consolidated Budget Deficit, % of GDP</u> | 16 |
| <u>Chart No. 6. Public and Publicly Guaranteed Debt, % of GDP</u> | 16 |
| <u>4.3. MONETARY POLICY: INFLATION, INTEREST RATES, AND LENDING</u> | 16 |
| <u>Chart No. 7. Inflation (change in %, y/y).</u> | 17 |
| <u>Chart No. 8. Key Policy Rate, %</u> | 18 |
| <u>Chart No. 9. Interest Rates on Loans and Deposits</u> | 18 |
| <u>4.4. EXCHANGE RATE POLICY: EXCHANGE RATE, FOREIGN EXCHANGE RESERVES, INTERVENTIONS, AND CURRENCY RESTRICTIONS</u> | 19 |
| <u>Chart No. 10. Exchange Rate, hryvnias per \$100</u> | 20 |
| <u>Chart No. 11. NBU Foreign Exchange Interventions (Net), million USD</u> | 21 |
| <u>Chart No. 12. Current Account Balance, cumulative over 12 months, million USD</u> | 22 |
| <u>Chart No. 13. Trade Deficit (Goods and Services), million USD</u> | 22 |
| <u>Chart No. 14. NBU International Reserves, billion USD</u> | 23 |
| <u>Chart No. 15. External Financing, billion USD</u> | 23 |
| <u>5. INVESTMENT-ATTRACTIVE SECTORS</u> | 24 |
| <u>5.1. DUAL-USE MANUFACTURING</u> | 24 |
| <u>5.2. ENERGY AND DISTRIBUTED GENERATION</u> | 25 |
| <u>5.3. LOGISTICS AND INFRASTRUCTURE TECHNOLOGIES</u> | 26 |
| <u>5.4. AGRO-PROCESSING AND THE FOOD INDUSTRY</u> | 26 |
| <u>5.5. DIGITAL ECONOMY AND IT</u> | 27 |
| <u>5.6. MINING AND CRITICAL RAW MATERIALS</u> | 28 |

TABLE OF CONTENTS

| | |
|--|----|
| <u>6. ECONOMIC SECURITY AND RESILIENCE</u> | 30 |
| <u>6.1. ENERGY SECTOR: IMPACT OF STRIKES, BUSINESS ADAPTATION AND GOVERNMENT POLICY IN THE ENERGY SECTOR</u> | 30 |
| <u>6.2. TRANSPORT AND LOGISTICS: LOGISTICAL CHALLENGES, BUSINESS ADAPTATION, AND GOVERNMENT POLICY IN THE LOGISTICS SECTOR</u> | 32 |
| <u>6.3. LABOR RESOURCES: MIGRATION, MOBILIZATION, LABOR SHORTAGES, BUSINESS ADAPTATION, AND GOVERNMENT POLICY</u> | 33 |
| <u>7. STATE POLICY AND BUSINESS SUPPORT PROGRAMS</u> | 36 |
| <u>7.1. BUSINESS SUPPORT PROGRAMS</u> | 36 |
| <u>7.2. TAX AND CUSTOMS POLICY</u> | 38 |
| <u>Chart No. 16. Dynamics of the blocking of tax invoices</u> | 39 |
| <u>7.3. NATIONAL REVENUE STRATEGY FOR 2024–2030</u> | 39 |
| <u>7.4. DEREGULATION</u> | 40 |
| <u>7.5. DIGITALIZATION</u> | 41 |
| <u>Chart No. 17. Key stages of digitalization in Ukraine</u> | 41 |
| <u>7.6. RECOVERY AND RECONSTRUCTION PROGRAMS</u> | 41 |
| <u>8. INVESTMENT POLICY</u> | 43 |
| <u>8.1. CURRENT TRENDS IN THE INVESTMENT CLIMATE</u> | 43 |
| <u>8.2. IMPACT OF WAR RISKS AND GLOBAL ECONOMIC INSTABILITY ON INVESTORS' DECISIONS</u> | 43 |
| <u>8.3. COMPETITIVE ADVANTAGES OF UKRAINE</u> | 44 |
| <u>8.4. STATE AND INTERNATIONAL MECHANISMS FOR INVESTMENT PROTECTION</u> | 45 |
| <u>8.5. WAR RISK INSURANCE AND COMPENSATION MECHANISMS: CHALLENGES FOR BUSINESS</u> | 45 |
| <u>9. REFORM PRIORITIES FOR ECONOMIC RESILIENCE AND INVESTMENT GROWTH</u> | 46 |
| <u>10. CONCLUSIONS</u> | 48 |

This report was prepared by the Union of Ukrainian Entrepreneurs (SUP) in partnership with CASE Ukraine with the support of the Center for International Private Enterprise (CIPE). The views presented in this report reflect the opinions and analysis of the authors and do not necessarily coincide with the position of CIPE or its staff. The report was prepared in November–December 2025 based on the data and other information available at the time of writing.

1. LIST OF ABBREVIATIONS:

NPP – Nuclear Power Plant
AIC – Agro-Industrial Complex
ACC – American Chamber of Commerce in Ukraine (AmCham Ukraine)
BES – Bureau of Economic Security of Ukraine
GDP – Gross Domestic Product
RES – Renewable Energy Sources
IDPs – Internally Displaced Persons
VRU – Verkhovna Rada of Ukraine
GW – Gigawatt
SCS – State Customs Service of Ukraine
STS – State Tax Service of Ukraine
SRS – State Regulatory Service of Ukraine
SES – State Emergency Service of Ukraine
ECA – Export Credit Agency
EBA – European Business Association
ST – Single Tax
URPI – Unified Register of Pre-Trial Investigations
AFU – Armed Forces of Ukraine
IER – Institute for Economic Research and Policy Consulting
CPI – Consumer Price Index
MFA – Ministry of Foreign Affairs of Ukraine
IWG – Interagency Working Group
SMEs – Small and Medium-Sized Enterprises
SMB – Small and Medium-Sized Business
IFIs – International Financial Institutions
NBU – National Bank of Ukraine
NISS – National Institute for Strategic Studies
NRS – National Revenue Strategy
DIC – Defense-Industrial Complex
VAT – Value-Added Tax
PIT – Personal Income Tax
DLU – Draft Law of Ukraine
TI/AC – Tax Invoice / Adjustment Calculation
AD – Air Defense
RRO – Cash Register (Registry of Settlement Operations)
SMKOR – System for Monitoring Risk Assessment Criteria
UDF – Ukrainian Defense Forces
STS (Simplified Tax System) – Simplified Taxation System
TRC – Territorial Recruitment Center
AA – EU-Ukraine Association Agreement
ESU – Energy Storage Units
UMC – Ukrainian Maritime Corridor
CHD – Center for Humanitarian Demining
BEPS (Base Erosion and Profit Shifting) – OECD Action Plan to Counter Base Erosion and Profit Shifting
CAGR (Compound Annual Growth Rate) – Average Annual Growth Rate (Compound)
DFC – U.S. International Development Finance Corporation
DREAM (Digital Restoration Ecosystem for Accountable Management) – Unified Digital Integrated Information and Analytical System for Managing the Reconstruction Process
Dual-use technologies – Technologies with both civilian and military applications

EDIH – European Digital Innovation Hubs
ENTSO-E – European Network of Transmission System Operators for Electricity
ERA (Extraordinary Revenue Acceleration) – Extraordinary Revenue Acceleration program/mechanism (a credit instrument backed by revenues/assets related to frozen Russian assets)
ESG (Environmental, Social, Governance) – Environmental, Social, and Governance standards
FATCA (Foreign Account Tax Compliance Act) – U.S. law on tax compliance regarding foreign accounts
GovTech (Government Technology) – Digital technologies for public administration
KPI – Key Performance Indicators
MIGA – Multilateral Investment Guarantee Agency (World Bank Group)
NCTS – New Computerized Transit System
OECD – Organisation for Economic Co-operation and Development
R&D – Research and Development
RDNA4 (Rapid Damage and Needs Assessment 4) – Fourth Rapid Damage and Needs Assessment (World Bank / European Commission / Government of Ukraine)
TEN-T – Trans-European Transport Network
UNCTAD – United Nations Conference on Trade and Development.

2. INTRODUCTION

Since the beginning of the 2020s, the world has entered a period of turbulence marked by "uncertainty." The pandemic and macroeconomic instability were logical but unforeseen consequences of irresponsible fiscal and monetary policies in previous years. The technological revolution in AI is advancing at a previously unheard-of pace, the world order that dominated the last 80 years has collapsed, and there is an unprecedented gap between generations and demographic problems. China's transition to the use of market power to blackmail trade partners, and other factors caused the escalation of a series of turbulent events, such as the largest war in Europe since World War II, and the longest war in the Middle East in history – which, in turn, gave additional impulses to further rapid changes, such as the revolution in military technologies initiated by the Ukrainian military and engineers, which completely changed strategy and tactics in the Russo-Ukrainian war.

All these challenges have radically changed the security environment for businesses worldwide. During this turbulent period—whose outcome and whether it will end at all remain uncertain—adaptability, flexibility, reaction speed (agility), and readiness for different scenarios are becoming just as important, if not more so, than traditional competitive advantages such as cost efficiency and a well-developed long-term plan.

However, these are exactly the qualities that have been formed in the best representatives of Ukrainian business, who had to survive and grow under harsh conditions of an unfavorable business climate, weak and often ill-intentioned state institutions, frequent destructive crises, and tough competition in foreign markets. They are also deeply rooted in Ukrainian culture: survival skills developed in conditions of constant danger and uncertainty, shaped by the nation's difficult history. Together with large-scale assistance from partners, this allowed Ukraine to survive the full-scale invasion and four years of war of attrition against a many times stronger enemy, not only without an economic catastrophe but also maintaining a relatively normal, for such an extreme situation, economic shape.

The purpose of this report is to systematically outline the key global and local economic trends shaping the environment in which Ukrainian enterprises operate, and to assess their impact on the country's overall economic resilience. The report is intended to help businesses, government institutions, and partners of Ukraine better understand the dynamics of risks and opportunities that will determine economic decisions in the coming years.

3. KEY POINTS

Russia's full-scale invasion caused a sharp contraction of the Ukrainian economy by 28.8%, followed by a partial recovery during 2023–2025. The structure of GDP changed significantly due to territorial occupation and extensive destruction caused by hostilities. The role of industry, agriculture, and transport declined, while the share of the public administration sector increased.

The situation in public finances predictably deteriorated after the invasion began. Ukraine's consolidated budget deficit rose sharply to 16.1% of GDP in 2022 and is expected to reach 22.5% of GDP in 2025. The deficit is financed primarily through external support. Most public expenditures are directed toward defense needs and the maintenance of public order. Public debt has increased rapidly and is expected to exceed 100% of GDP in 2025. The acute need for funds has resulted in increased tax pressure on businesses.

Under conditions of large-scale war, the National Bank of Ukraine (NBU) focused on maintaining banking system stability and preventing currency panic. Banks received substantial liquidity to support their operations. Several restrictions were introduced on the foreign exchange market, and the key policy rate was later raised to 25%. Such measures significantly complicated the business environment. The issue was partially addressed by expanding the preferential "Affordable Loans 5-7-9%" program, although its effectiveness has long been the subject of serious criticism.

The NBU fixed the official exchange rate of the hryvnia on the first day of the full-scale invasion. Maintaining currency stability required large monthly interventions, and in July 2022, the NBU adjusted the official exchange rate from UAH 29.26 per USD to UAH 36.57 per USD. Later, starting from October 2023, the regulator switched to a regime of managed flexibility. The currency shock and several currency restrictions created additional challenges for entrepreneurs during the war.

The Russian invasion led to a sharp expansion of the trade deficit, driven by declines in exports and increases in imports, particularly energy equipment and services. The trade deficit has been covered by large-scale external support. Moreover, during the years of the full-scale invasion, Ukraine managed to almost double its foreign exchange reserves: By the end of 2025, the NBU expected them to reach USD 53.6 billion. Integration processes have also had a direct impact on Ukrainian business; access to EU markets significantly mitigated the negative shock associated with the invasion.

The energy sector has suffered severely from Russian attacks. Available generation capacity fell from 38 GW in 2021 to 12 GW by mid-2024. Power outages disrupted the operations of 76% of companies. However, businesses have been adapting relatively successfully, turning challenges into investments in their own resilience. Most companies have backup power sources and are implementing energy-efficient technologies. As a result, two-thirds of companies are saving on electricity and 16.5% are even preparing to sell it. The government supports this process through import incentives for equipment, simplified procedures, and the development of effective banking credit mechanisms. In particular, the "Affordable Loans 5-7-9%" program is also used to finance distributed generation projects. Resilience developed during the crisis is becoming a competitive advantage, while the accelerated transition to alternative energy sources may reduce long-term production costs.

Transport and logistics have become a bottleneck for economic activity. As a result of military actions—particularly the blockade of the Odesa ports, which previously accounted for 60% of cargo turnover, the loss of Azov Sea ports, and the closure of borders with Russia and Belarus—total freight turnover across all modes of transport fell by 42.4% in 2022. The situation was partially mitigated by the EU project "Solidarity Lanes," launched in May 2022, the "transport visa-free regime," and the shift of cargo flows to Danube ports, whose turnover increased sixfold. However, bottlenecks emerged at western border crossing points. The government responded by introducing the eQueue system for trucks and later for buses. Businesses were forced, within months, to completely rebuild their

import and export logistics. This was achieved through investments in rolling stock, comprehensive process automation, and increased focus on the standardization and algorithmization of key business processes. From the second half of 2023, the Ukrainian Maritime Corridor, running through the territorial waters of NATO countries, became operational, largely resolving export challenges. However, imports—mostly entering through the western border—continue to face delays. Customs reform, digitalization, and alignment with EU procedures aim to improve the situation.

Ukraine is experiencing a severe labor shortage. According to NBU estimates, the labor force aged 15–70 declined by more than one-quarter in 2023 compared with 2021. Labor shortages—primarily due to large-scale migration caused by the war and mobilization into the Defense Forces of Ukraine—have become the biggest obstacle for businesses, identified by 59% of surveyed enterprises. In response, businesses have increased wages and compensation packages; the nominal average wage has risen 1.4 times compared to 2022. Companies are also engaging more youth, retirees, and women, introducing flexible work schedules, remote work, and part-time employment. Legislative changes that facilitate remote and flexible work hours and simplify hiring and dismissal procedures for certain categories of employees have supported these efforts. Government programs also assist vulnerable groups—particularly IDPs, veterans, people with disabilities, retirees, women, and youth—with employment and training in certain occupations. To reduce labor market transaction costs, the Obrii digital system is expected to be launched soon. However, due to wartime risks, investment climate issues, and sectoral specifics—particularly the severe labor shortage in construction—the potential for automation remains underutilized.

During the war, the Government introduced a wide range of business support programs. State policy has focused on accelerating economic recovery by expanding access to finance, supporting business relocation, stimulating entrepreneurial activity, and reducing transaction costs. The key instrument has been the “Affordable Loans 5-7-9%” program, under which 94.6 thousand loans totaling UAH 350.5 billion have been issued since the introduction of martial law. The program enabled the relocation of around 800 enterprises during the first year of the war. Grant programs have also played a significant role by enabling investment projects and reducing lending risks for SMEs. Under the “eRobota” initiative, by autumn 2025, more than 24,000 entrepreneurs had received over UAH 11 billion in grants. Transaction costs were further reduced and access to information improved through the Diia.Business ecosystem.

Tax and customs policy has undergone significant changes due to the Russian invasion. In recent years, several positive innovations have been introduced to improve transparency, simplify administration, and combat abuses. Key reforms include transparent VAT administration, the electronic taxpayer cabinet, software-based cash registers, de-offshorization mechanisms (BEPS, FATCA), and simplified use of fiscal devices. In customs, the NCTS European transit system, an electronic border queue, and a new automated customs clearance system have been introduced. Institutional reforms included the creation of the separate State Tax Service (STS) and State Customs Service (SCS), as well as the Bureau of Economic Security (BEB), which replaced older institutions. Efforts to combat VAT evasion and offshore schemes have produced positive results. However, high payroll tax burdens, labor market shadowization, and shortcomings in the SMKOR risk monitoring system remain major obstacles for businesses. Despite partial successes, incomplete reforms of the STS and SCS—still among the most corrupt institutions—continue to allow significant abuses, counterfeit trade, and low wages. The National Revenue Strategy to 2030 aims to further align Ukrainian policy with EU standards and advance digitalization. Positive elements include strengthened anti-corruption measures, IT consolidation, and VAT alignment with EU directives. However, the strategy also contains controversial proposals, such as restricting the simplified taxation system, reintroducing a progressive PIT scale, and granting the tax authority discretionary powers to freeze accounts and access information without court approval. Experts warn that such measures could increase pressure on business and expand the shadow economy without deep institutional reforms, including a comprehensive overhaul of the STS and SCS with the participation of international experts.

The Government is implementing systemic deregulation to abolish outdated and duplicative regulatory instruments and transition to a risk-based model of state control aligned with OECD and EU standards. Coordinated by the Interagency Working Group on Deregulation, the process has already eliminated more than 200 permits and approvals in healthcare, agriculture, construction, and other sectors, saving businesses approximately UAH 600 million annually. Under martial law, a declarative principle for the resumption of business activities has been introduced, while digitalization and procedural simplification are underway across urban development, agriculture, and energy. The deregulation of the used-car market and industrial hemp sector, as well as the liberalization of market supervision for small and micro-businesses, has reduced corruption risks, lowered costs, and contributed to the formalization of the economy. These measures are implemented within the Deregulation Plan and are essential for fulfilling Ukraine's EU integration commitments.

Ukraine has embarked on large-scale digitalization of public services and the economy, reflected in the Action Plan until 2026, the Digital Transformation Plan for 2025–2026, and the Strategy for the Recovery and Digital Transformation of SMEs until 2027. The main objective is to digitize approximately 50 new public services across 30 sectors, ranging from social protection and property registration to healthcare, taxation, and customs. The reforms also aim to deepen integration with the European digital space and combat corruption through initiatives such as e-Court and e-Excise. The SME strategy focuses on innovation support, cybersecurity, intellectual property protection, the introduction of e-Invoicing, and incentives such as vouchers and grants for digital transformation and digital skills development. In addition, legalization of the cryptocurrency market is planned for 2026–2027, marking a significant step in the digital transformation of the financial sector.

The Government has launched recovery and reconstruction mechanisms, including a compensation program for businesses whose property was destroyed in high-risk areas (up to UAH 10 million), administered by the Export Credit Agency (ECA). At the end of 2025, a state program for war risk insurance was launched under the “Affordable Loans 5-7-9%” model, providing state compensation of part of insurance premiums to reduce rates for businesses to around 1%. This mechanism is critical for attracting investment and expanding lending, as the commercial war-risk insurance market remains extremely limited. However, both programs face a key challenge—insufficient funding. The 2026 state budget allocates only UAH 1 billion, which may lead to rapid exhaustion of available limits and suspension of applications. Additional support includes compensation for agricultural land demining, extended to individuals and farmers, as well as nationwide initiatives such as the Ukraine Facility and the “Made in Ukraine” program, which aim to stimulate manufacturing, investment, and non-commodity exports.

By the end of the fourth year of hostilities, the war remains the key factor shaping Ukraine's investment climate. Despite moderate improvements in the business environment—the EBA^[1] Investment Attractiveness Index increased slightly in 2025 to 2.7 out of 5—this mainly reflects business adaptation to wartime conditions. Overall, business sentiment remains cautious and focused on maintaining the status quo during the war.

Russia's ongoing aggression significantly increases risks for investors. Military actions create uncertainty and risk premiums, prompting many investors to postpone projects until stabilization. To strengthen investor confidence, Ukraine—with support from the EU, G7, and international financial institutions—is implementing a comprehensive set of political and financial instruments. The flagship initiative is the Ukraine Investment Framework (UIF) within the €50 billion Ukraine Facility, offering €9.3 billion in guarantees and concessional financing for investment projects. However, practical implementation of these and other instruments often faces challenges. Despite isolated initiatives, the war-risk insurance market in Ukraine still does not function at the scale businesses require.

[1] EBA Investment Attractiveness Index

Global economic turbulence also affects Ukraine, particularly trade wars and fluctuations in monetary policy among major global economies. The unpredictability of the political and economic environment remains the largest negative factor affecting Ukraine's investment attractiveness as a jurisdiction. Minimizing this uncertainty is therefore a key objective of economic policy at the current stage.

Despite the significant losses and risks of war, the trends formed during the full-scale invasion create substantial medium- and long-term opportunities for Ukraine. These include the country's growing political weight in Europe as a key element in deterring Russian aggression, reinforced by the combat experience of the Armed Forces of Ukraine and the development of the defense-industrial complex, which already covers nearly 60% of the army's needs. The war has stimulated breakthroughs in defense, digital, and dual-use technologies, particularly in unmanned systems, where Ukraine has become a global innovator and one of the largest producers, with strong potential for cooperation with the EU and the United States. Additional competitive advantages include significant reserves of critical raw materials, a strong agricultural and metallurgical base, integration with the EU, and a favorable geographic location, positioning Ukraine as a potential regional manufacturing and logistics hub amid the restructuring of global supply chains.

Moreover, as global uncertainty spreads to other countries—including advanced economies—cooperation with Ukrainian businesses can help foreign companies adapt more effectively to change through cross-cultural influence. Security challenges further erode Ukraine's already fragile competitive advantages in industrial manufacturing, sometimes forcing production to be relocated to neighboring countries with higher labor costs. At the same time, growing global competition for non-renewable resources increases the importance of Ukraine's traditional competitive advantages at two poles: on the one hand, as a potential supplier of critical minerals, complementing its natural advantages in agriculture; and on the other, as a source of innovation, including in the defense sector, building on its well-developed IT industry.

These dynamics are becoming even more relevant due to the rapid growth in demand for certain mineral resources driven by the AI boom, as well as for innovative military technologies required by the ongoing re-militarization linked to the transformation of the global security architecture, accompanied by a revolution in military affairs in which Ukraine currently plays a leading role. These sectors—along with other post-industrial industries such as creative production, medical research, and advanced technologies—have the potential to become highly attractive for investment. However, to realize this potential, Ukraine must significantly strengthen the rule of law, drastically reduce regulatory barriers, reform the tax system to ensure a simple and predictable administration, and remove other barriers and corruption-related factors that hindered investment even before the full-scale war.

Ukraine is beginning to implement a foreign investment screening system, a standard instrument of modern states' security policy. Although the presence of this instrument has a somewhat negative impact on the investment climate, the need for it objectively exists. The mechanism of such screening, proposed in the new government draft law, provides for checks and controls on significant foreign investments in strategic sectors of the economy.

4. MACROECONOMIC TRENDS

4.1. REAL SECTOR: INDUSTRY, AGRICULTURE, TRANSPORT, AND LOGISTICS

The full-scale invasion caused a rapid contraction of the economy. GDP declined by 28.8% year-on-year in 2022. In 2023, the economy partially recovered, growing by 5.5%, largely due to a low base effect. Economic growth remained moderate thereafter, reaching 2.9% in 2024, while GDP growth is expected to be 1.9% in 2025.

The structure of the economy also changed significantly under the impact of the aggression, both due to the destruction and occupation of territories where production facilities were located and because of ongoing damage caused by prolonged hostilities and drone and missile attacks. In particular, the share of extractive industries declined from 7.8% of gross value added in 2021 to 4.6% in 2024. The manufacturing sector also reduced its contribution to GDP, falling to 9.7% of gross value added in 2024, compared to 12.0% in 2021. The contribution of several other key sectors—such as agriculture, construction, transport, trade, and communications—also declined. At the same time, the share of “Public administration and compulsory social insurance” increased sharply from 7.3% of gross value added in 2021 to 23.5% in 2024.

Industry declined dramatically in 2022, contracting by 36.7%, primarily due to the drop in utilities output (–9.9 percentage points), caused by territorial occupation and the destruction of energy infrastructure; the destruction and seizure of metallurgical facilities (–6.5 p.p.); as well as declines in the food industry (–4.6 p.p.) and the extractive industry (–4.2 p.p.). Other industrial sectors also contracted, though their contribution to the overall decline was less significant. In 2023–2024, the industry demonstrated partial recovery, growing by 6.8% and 4.6%, respectively. Industrial growth was primarily driven by the food industry (+3.5 p.p. in 2023) and metallurgy (+2.7 p.p. in 2024). Meanwhile, the energy sector and utilities continued to decline due to regular attacks on energy infrastructure.

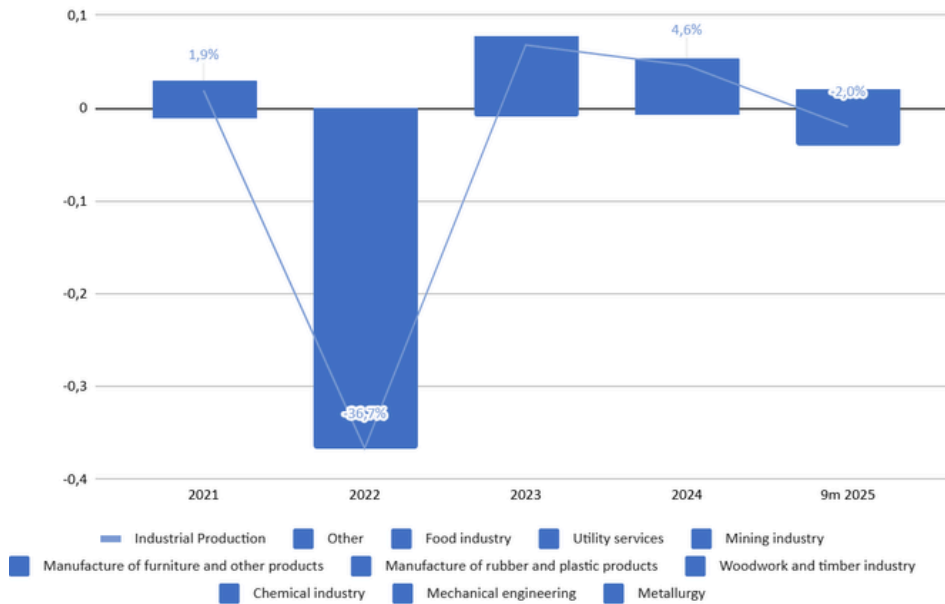
Although its contribution to GDP declined due to the occupation of southern territories, agriculture has simultaneously played a key role in merchandise exports, with agricultural products accounting for more than 60% of total exports. In 2021, Ukraine recorded a historic grain harvest of 86.6 million tons. After the onset of the aggression, grain harvest volumes declined significantly, remaining below 60 million tons over the past four years (with 62.3 million tons harvested in 2023). In fact, during the years of full-scale invasion, the agricultural sector demonstrated growth only in 2023 (+11.1% year-on-year) due to favorable harvest conditions. During 2024 and 2025, the sector has shown weaker results because of moderate harvests.

Transport and logistics have also been severely affected by Russian aggression. Freight turnover fell from 289.6 billion ton-kilometers in 2021 to 166.7 billion ton-kilometers in 2022. By 2024, the volume had partially recovered to 184.6 billion ton-kilometers, which is 10.7% higher than in 2022. For a more detailed analysis of this sector, see Section 6: “Economic Security and Resilience.”

Impact on Doing Business in Ukraine:

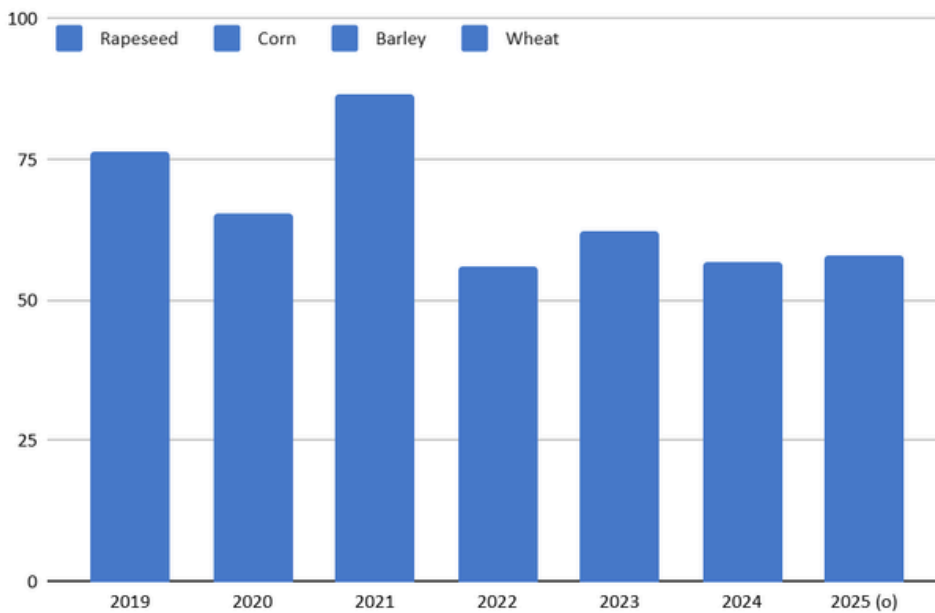
The occupation of territories, destruction of production facilities, the need to relocate enterprises, and logistical disruptions have clearly had a negative impact on the business environment in Ukraine. While many challenges—such as logistics issues and support for business relocation—have been addressed by the country’s leadership, overall conditions for entrepreneurial activity in Ukraine during the full-scale invasion remain extremely difficult.

Chart No. 1. Industrial Growth, Percentage Points



Source: State Statistics Service of Ukraine

Chart No. 2. Grain Harvest, million tons



Source: State Statistics Service of Ukraine, Ministry of Economy, Environment and Agriculture of Ukraine

4.2. FISCAL PARAMETERS: BUDGET DEFICIT, STRUCTURE OF REVENUES AND EXPENDITURES

Following the start of the full-scale invasion, the consolidated budget deficit increased sharply to 16.1% of GDP in 2022 (up from 3.4% of GDP in 2021) and has remained at a high level since then. In particular, according to 2025 results, the consolidated budget deficit is expected to reach UAH 2.0 trillion, or 22.5% of GDP. Financing of the deficit after 2022 has mainly been carried out through foreign borrowing. In 2022, domestic deficit financing, including through hryvnia monetary emission, covered about one-third of the deficit. However, in 2023 and 2024, more than 80% of the deficit was financed through external borrowing.

The main sources of revenue for the consolidated budget (state and local budgets) are value-added tax (VAT) and personal income taxes (including the military levy). These two taxes account for two-thirds of the consolidated budget's tax revenues (approximately 65% is expected in 2025). The revenue side also includes the so-called “own revenues of budgetary institutions,” which accounted for 22.6% of consolidated budget revenues in 2024 (expected 18% in 2025). However, this category reflects military supplies provided to Ukraine and, in the vast majority of cases, does not constitute revenue as such.

Tax revenues are increasing due to active fiscal consolidation measures. While tax revenues amounted to 25.6% of GDP in 2022 and declined slightly in 2023 due to a number of tax relief measures, they reached 27.3% of GDP in 2024 and are expected to rise to 28.8% of GDP in 2025, among other factors, due to an increase in the military levy.

Fluctuations in the volume of total consolidated budget revenues over the past three years have been driven by the number of transfers of “profits” from the NBU, dividends from state-owned assets, profits of state-owned companies, the volume of grants received, as well as the aforementioned “own revenues of budgetary institutions.”

Expenditures of the consolidated budget effectively doubled after the beginning of the full-scale invasion. While in 2021 total consolidated budget expenditures (excluding the Pension Fund) amounted to UAH 1.8 trillion (33.8% of GDP), in 2022 they reached UAH 3.0 trillion (58.1% of GDP). In subsequent years, expenditures exceeded 60% of GDP and have remained at that level. Naturally, the lion's share of expenditures – more than 60% – is allocated to defense and the maintenance of public order. Social expenditures also increased significantly during 2022–2023 against the background of generous foreign financing, although this practice was discontinued in 2024. Nevertheless, the Government continues to attempt to allocate additional resources to education and healthcare.

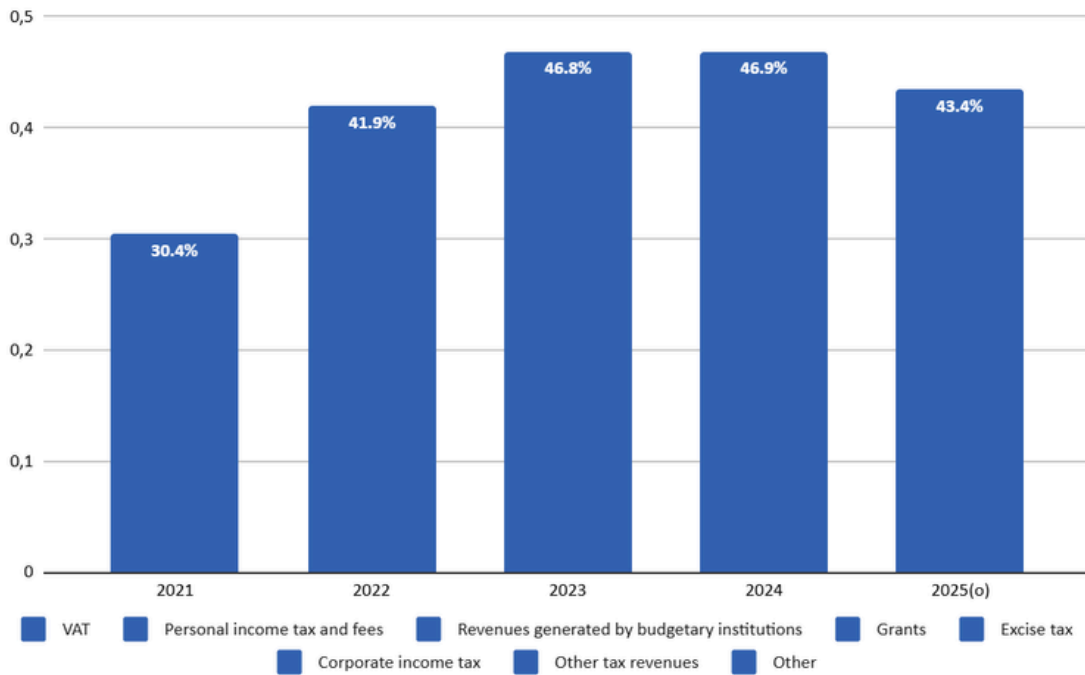
Ukraine's public and publicly guaranteed debt has increased rapidly during the years of the full-scale invasion, both due to increased borrowing and to the devaluation of the national currency and a reduction in GDP (for indicators expressed as a percentage of GDP). Importantly, during 2022–2024, public debt remained below 100% of GDP because a significant portion of external support was provided as grants. However, in 2025, the debt-to-GDP ratio is expected to exceed 100%, as most external financing currently comes in the form of loans (albeit on highly concessional terms).

At present, budgetary stability largely depends on the volume of external support, whether in the form of grants or borrowing. If grant revenues and the so-called “own revenues of budgetary institutions” (which represent external military supplies) are excluded, it becomes clear that domestic resources cover less than half of the annual budget expenditures. As of 2025, Ukraine receives most of its financing through the Ukraine Facility program (EU support) and the ERA program (Extraordinary Revenue Acceleration), which is a loan backed by frozen Russian foreign exchange reserves. These funds are sufficient to cover Ukraine's financial needs until mid-2026. Beyond that point, financial sustainability will depend on the allocation of the remaining €140 billions of frozen Russian foreign exchange reserves for Ukraine's needs, or on the creation of alternative mechanisms to support Ukraine's budgetary stability.

Impact on Doing Business in Ukraine:

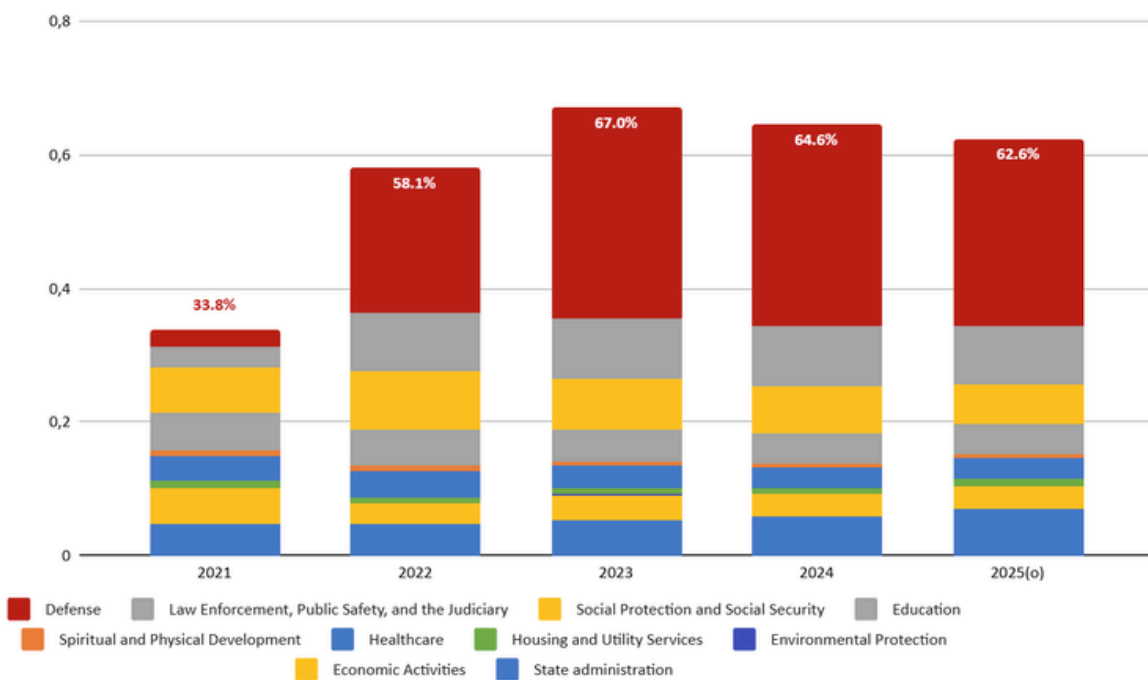
The difficult situation with budget revenues has had a negative impact on the business environment, as fiscal authorities have begun to apply more aggressively various burdensome tax administration instruments, such as the Risk Criteria Monitoring System (SMKOR), and have also begun to increase taxes (including the increase of the military levy starting from 2025). Interestingly, at the beginning of 2022, there were discussions about easing business conditions, including by simplifying tax administration, but these ideas were quickly abandoned, and, under the influence of international organizations, fiscal pressure on businesses was intensified.

Chart No. 3. Consolidated Budget Revenues, % of GDP



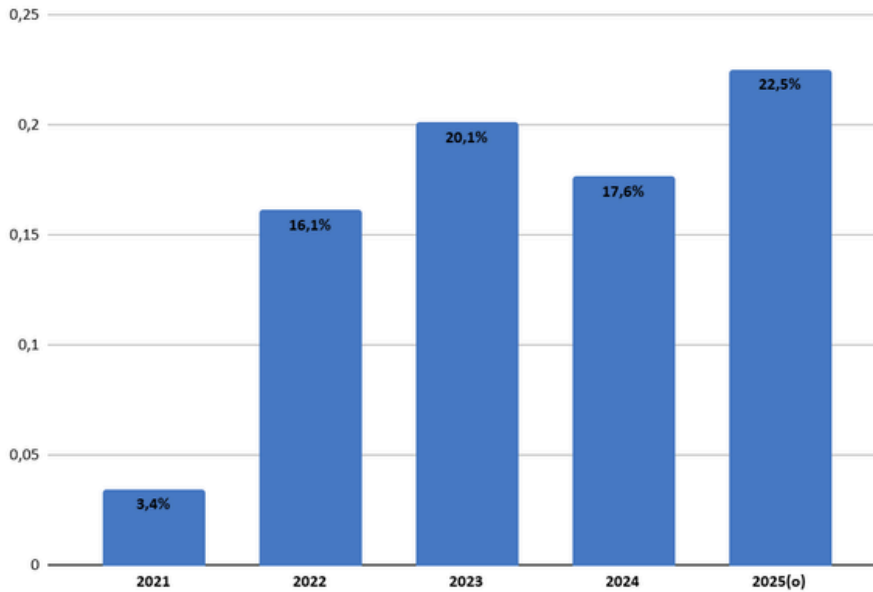
Source: Ministry of Finance of Ukraine, own estimates

Chart No. 4. Consolidated Budget Expenditures, % of GDP



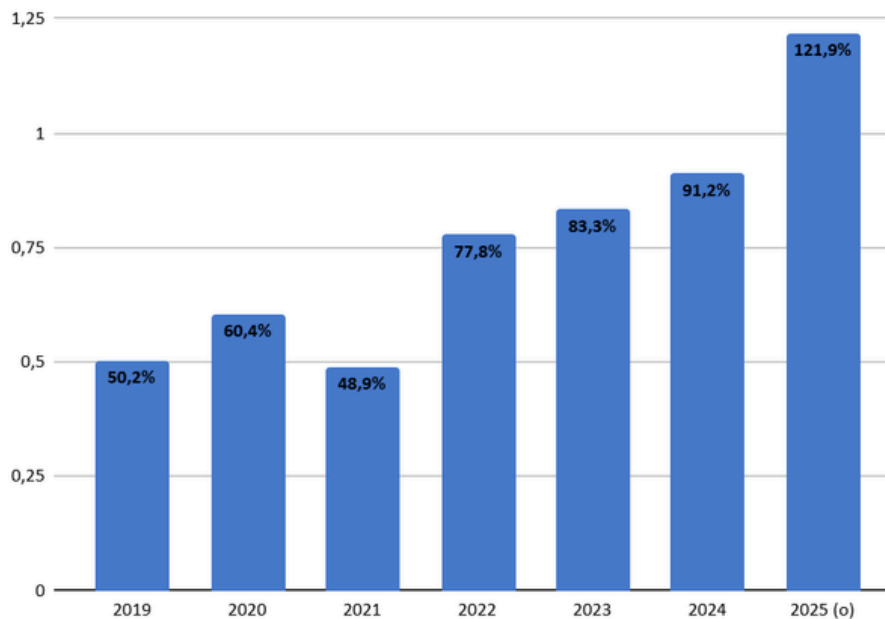
Source: Ministry of Finance of Ukraine, authors' estimates.

Chart No. 5. Consolidated Budget Deficit, % of GDP



Source: Ministry of Finance of Ukraine, authors' estimates

Chart No. 6. Public and Publicly Guaranteed Debt, % of GDP



Source: Ministry of Finance of Ukraine, IMF, authors' estimates.

4.3. MONETARY POLICY: INFLATION, INTEREST RATES, AND LENDING

From the first days of the full-scale invasion, the monetary policy of the NBU aimed to preserve the banking system's viability by providing it with substantial liquidity. During the first months of the invasion, before external financing for Ukraine's needs under full-scale war conditions had been allocated, the NBU also issued hryvnia totaling UAH 400 billion, further increasing market liquidity.

To neutralize the excess liquidity that entered through the channels of banking system support and through the budget financing channel, the NBU was forced to sharply raise the key policy rate by 15 percentage points to 25% (in June 2022), which led to an increase in the refinancing rate to 27% and the rate on deposit certificates to 23%. Large volumes of available liquidity, combined with attractive rates on deposit certificates, triggered a significant surge in banks' investments in these instruments. If, before the invasion, investments in deposit certificates exceeded UAH 200 billion only once (in December 2021), then from 2022 onward, such investments increased severalfold, and by the end of 2023, banks' investments in deposit certificates reached UAH 615.5 billion.

The uncertainty caused by the full-scale invasion, the substantial outflow of refugees, destruction resulting from hostilities, the increase in the key policy rate, as well as attractive conditions for risk-free placement of resources in government bonds and deposit certificates, created rather unfavorable conditions for business lending. To partially ease the situation, the Government actively promoted lending through the program “Affordable Loans 5-7-9%.”

Starting in 2022, loans issued under the “Affordable Loans 5-7-9%” program became the main channel for growth in banks’ corporate loan portfolios, while the corporate loan portfolio outside the program continued to decline until the beginning of 2024. The share of loans under the 5-7-9% program in banks’ corporate loan portfolios increased from 18.1% in February 2022 to 41% in January 2024, then gradually declined.

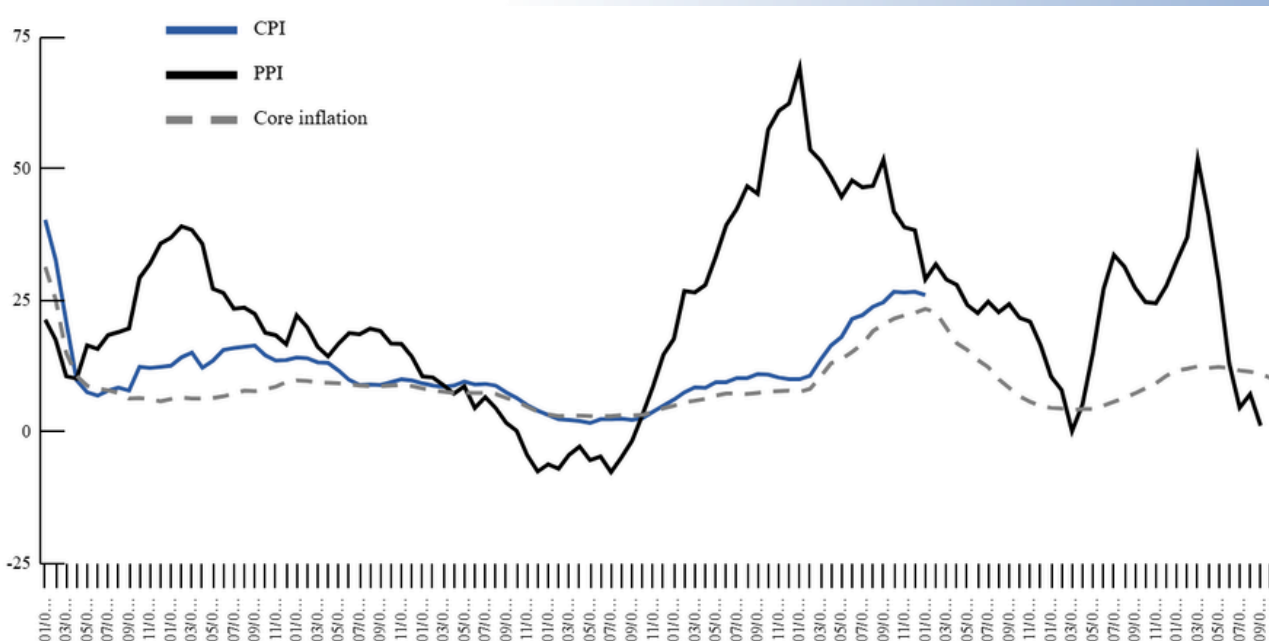
Inflation trends were, of course, in the focus of the NBU’s attention in accordance with the institution’s mandate. However, the sources of inflationary pressures largely remained outside the central bank’s direct influence. In 2022, the consumer price index (CPI) surged to 26.6% (December to December) amid the devaluation shock and the first wave of strikes on energy infrastructure. In 2023, consumer inflation slowed sharply to 5.1% (December to December) thanks to strong agricultural harvests. However, in 2024, the CPI returned to double-digit levels (12.0% December to December) against the backdrop of weaker agricultural results.

By the end of 2025, the inflationary trend is slowing, among other factors, due to better-than-expected harvests, declining global energy prices, currency exchange rate support measures, and fixed tariffs for utility services. Nevertheless, inflation will remain a sensitive issue, given the need to adjust the hryvnia exchange rate in the future and the eventual need to bring utility tariffs to market levels when appropriate conditions arise. The impact of regular Russian strikes on energy infrastructure also continues to affect inflation dynamics.

Impact on Doing Business in Ukraine:

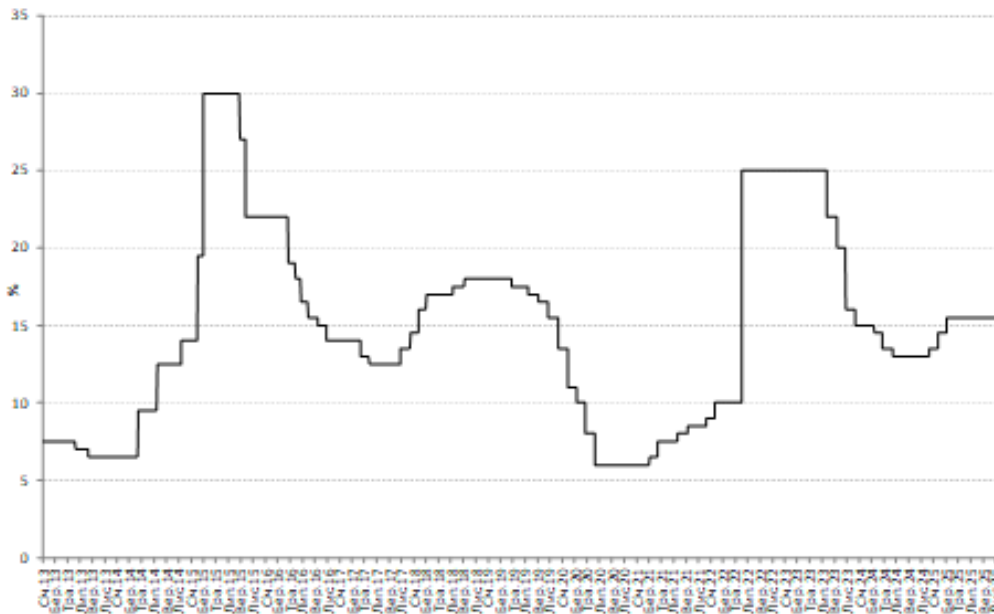
The NBU’s focus on rescuing the banking system and ensuring macroeconomic stabilization naturally limited its ability to address the needs of Ukrainian businesses. Financial resources became more expensive due to the increase in the key policy rate, while banks, given the wide range of risks, preferred investing in government bonds and deposit certificates. This gap was partially filled by the “Affordable Loans 5-7-9%” program, although its effectiveness has long been the subject of significant criticism. Inflationary pressures, partly stemming from the currency shock and regular attacks on energy infrastructure, further complicated the business environment in Ukraine.

Chart No. 7. Inflation (change in %, y/y)



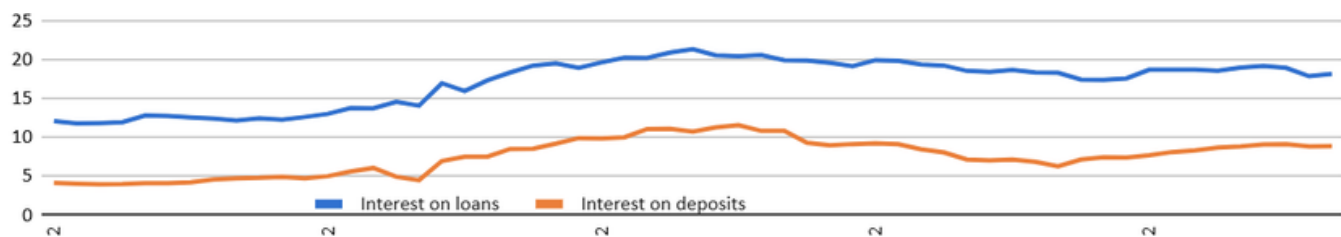
Source: State Statistics Service of Ukraine

Chart No. 8. Key Policy Rate, %



Source: NBU

Chart No. 9. Interest Rates on Loans and Deposits



Source: NBU

4.4. EXCHANGE RATE POLICY: EXCHANGE RATE, FOREIGN EXCHANGE RESERVES, INTERVENTIONS, AND CURRENCY RESTRICTIONS

On 24 February 2022, the National Bank of Ukraine immediately implemented several measures to prevent currency panic. The regulator fixed the official exchange rate of the hryvnia against the USD at UAH 29.26 per USD 1. The regulator also introduced restrictions on foreign currency cash withdrawals to prevent capital outflows amid potential panic.

These steps stabilized the market; however, due to the sharp increase in budget expenditures, the decline in exports, and the large-scale issuance of hryvnia, foreign exchange interventions increased rapidly, reaching an unprecedented USD 4.0 billion per month by June 2022. Moreover, a gap emerged between the official and retail exchange rates (with the difference reaching 10–15%), creating conditions for arbitrage.

Ultimately, in July 2022, the NBU effectively adjusted the official hryvnia exchange rate to the US dollar in a discretionary manner, shifting it from UAH 29.26 per USD 1 to UAH 36.57. This maneuver significantly reduced the cost of supporting the hryvnia, which was reflected in a sharp decline in the volume of foreign exchange interventions. However, the exchange rate adjustment did not eliminate the problem of active arbitrage, as the significant gap between the official and retail exchange rates persisted for a considerable period.

Tensions in the market were eased after the NBU allowed individuals to purchase foreign currency for savings purposes on the condition that the purchased currency be placed in a deposit account without the right of withdrawal until the maturity of the deposit.

Starting from October 2023, the NBU switched to a regime of managed flexibility in the foreign exchange market. The exchange rate began to change daily, depending on how the National Bank assessed market realities and considered the so-called structural foreign currency deficit. To bring the exchange rate closer to market conditions, the NBU reduced the problem of multiple exchange rates by gradually aligning the official exchange rate with the retail market rate.

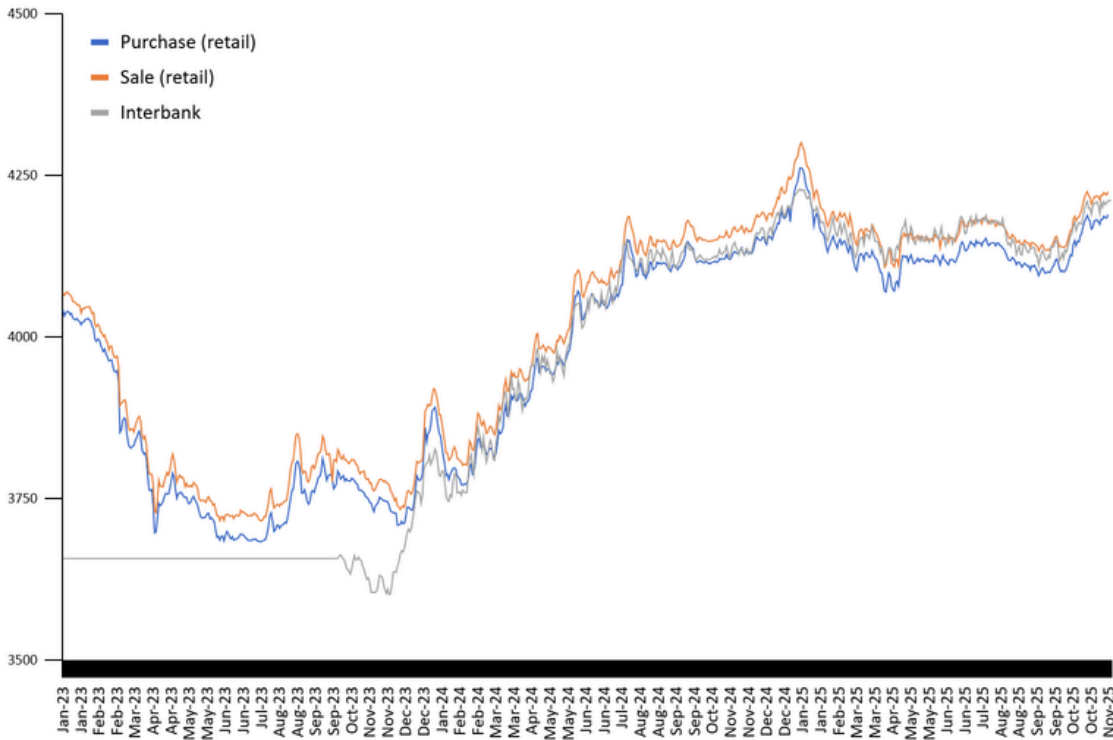
The NBU has also gradually eased restrictions on foreign exchange transactions for businesses, particularly regarding the purchase of foreign currency for imports, the repatriation of dividends, and the servicing of external loans. At the same time, the foreign exchange market remains under close NBU supervision, and exchange rate formation is only partially determined by market factors. Moreover, during 2025, the NBU maintained the exchange rate at a nearly fixed level within the range of UAH 41–42 per USD, despite the rapid expansion of the trade deficit.

Impact on Doing Business in Ukraine:

The currency shock, along with a range of restrictions on foreign exchange operations, clearly created additional challenges for entrepreneurs during the full-scale invasion. As of 2025, most currency restrictions have been gradually eased in accordance with the “Strategy for Easing Foreign Exchange Restrictions, Transition to Greater Exchange Rate Flexibility, and Return to Inflation Targeting,” approved in 2023. Nevertheless, the role of administrative intervention in the foreign exchange market remains significant.

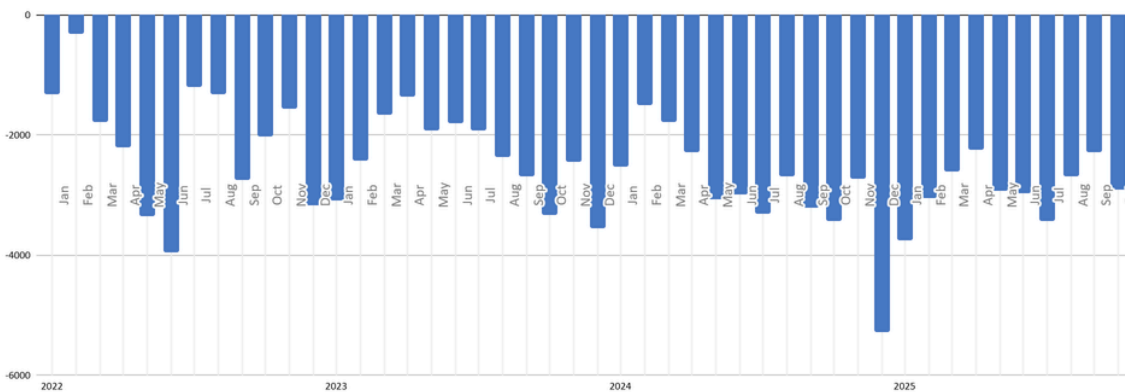
Entrepreneurs can purchase foreign currency for imports, pay interest on loans, repatriate dividends, and engage in other foreign exchange transactions. At the same time, the NBU continues to closely monitor the market and retains the ability to intervene promptly to prevent what it defines as non-productive capital outflows.

Chart No. 10. Exchange Rate, hryvnias per \$100



Source: NBU

Chart No. 11. NBU Foreign Exchange Interventions (Net), million USD



In 2022, the trade deficit widened sharply amid a decline in exports and a rapid rise in service imports, largely reflecting refugee spending abroad. In 2021, the trade deficit in goods and services amounted to USD 2.7 billion. After the full-scale invasion began in 2022, the trade deficit reached USD 25.7 billion and continued to grow in each subsequent year. In 2025, in just the first nine months, the trade balance deficit (goods and services) reached USD 39.9 billion, exceeding the deficit recorded for all of 2024 (USD 38.6 billion).

The main reasons for the expansion of the deficit are the rapid growth of imports of energy equipment and dual-use goods against the backdrop of stagnant exports. More than 60 percent of Ukraine's goods exports are determined by agricultural exports. In 2024, thanks to a better harvest in 2023, export volumes increased, helping to slow the widening deficit. However, in 2025, exports again declined due to weaker harvests.

Imports also slowed their growth in 2024 due to a reduction in refugees' expenditures abroad (imports of services), but in 2025, imports of goods accelerated, primarily due to energy equipment, a consequence of systematic Russian strikes on Ukraine's energy infrastructure.

For a long time, the large trade deficit was covered by inflows of grants and remittances from Ukrainians working abroad, resulting in a positive current account balance of USD 8.0 billion in 2022. However, the widening trade deficit, declining remittances, and the shift of external assistance from grants to loans led to a record expansion of the current account deficit. By the end of 2025, the NBU forecasts a USD 36.6 billion current account deficit, which is more than twice the USD 15.1 billion deficit recorded in 2024.

Thanks to large-scale external support during 2022–2025, Ukraine managed not only to fully cover the trade deficit but also to systematically accumulate foreign exchange reserves. In February 2022, foreign exchange reserves amounted to USD 27.6 billion; by the end of 2025, the NBU expects them to increase to USD 53.6 billion. As of 2025, the main sources of financing are the EU support program, the Ukraine Facility, and the ERA (Extraordinary Revenue Acceleration) program, a loan secured by frozen Russian foreign exchange reserves.

Ukraine signed the Association Agreement with the European Union and the Deep and Comprehensive Free Trade Area (DCFTA) agreement in 2014. The level of implementation of the Association Agreement Action Plan was considered an indicator of Ukraine's readiness for further integration steps. The start of the full-scale invasion created political opportunities to accelerate the accession process.

As of November 2022, implementation of the 2014–2024 Association Agreement Action Plan was officially assessed at 72%^[2]. Although the Action Plan was still in progress, in June 2022, Ukraine received EU candidate status, conditional on the implementation of several reforms, including reform of the Constitutional Court, judicial reform, anti-corruption measures, anti-money laundering mechanisms, anti-oligarch legislation, harmonization of media legislation, and amendments to legislation concerning national minorities. In practice, candidate status was granted to Ukraine largely in advance, considering Russian aggression and geopolitical circumstances.

Following the start of the full-scale invasion, Ukraine received a temporary unilateral suspension of customs duties and quotas for Ukrainian exports to the EU. In March 2022, Ukraine's energy system was also physically synchronized with the European electricity grid (ENTSO-E).

However, in 2024, duty-free access for Ukrainian goods to the EU market was not extended. Instead, the EU introduced a new temporary regime with safeguard mechanisms and restrictions for sensitive goods, primarily agricultural products. As of the second half of 2025, the opening of the first negotiation clusters for Ukraine's EU integration was planned.

In November 2025, a monitoring report on Ukraine's progress in EU integration was presented. The report was generally positive; however, the next step in the integration process (opening negotiation clusters) has not yet occurred. One possible reason is the adoption of a law that expanded the Prosecutor General of Ukraine's influence over anti-corruption institutions, effectively undermining their independence^[3]. Under the pressure of public protests, these legislative changes were subsequently repealed by a new law^[4].

[2] <https://www.eurointegration.com.ua/eng/news/2023/03/24/7158599/>

[3] [Law of Ukraine No. 4555-IX of 22 July 2025 "On Amendments to the Criminal Procedure Code of Ukraine Concerning the Specifics of Pre-trial Investigation of Criminal Offences Related to the Disappearance of Persons Under Special Circumstances During Martial Law."](#)

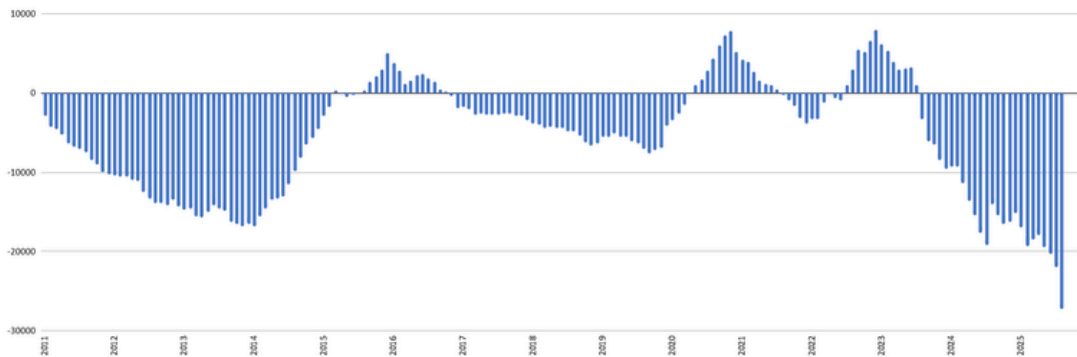
[4] [Law of Ukraine No. 4560-IX of 31 July 2025 "On Amendments to Certain Legislative Acts of Ukraine Regarding the Strengthening of the Powers of the National Anti-Corruption Bureau of Ukraine and the Specialised Anti-Corruption Prosecutor's Office"](#)

Impact on Doing Business in Ukraine:

Integration processes have had a direct impact on Ukrainian businesses. Access to EU markets significantly mitigated the negative shock from the invasion, allowing exporters to increase their sales to the EU (particularly of agricultural products). Improved transport logistics through EU countries helped sustain Ukraine’s economic activity under extremely difficult conditions.

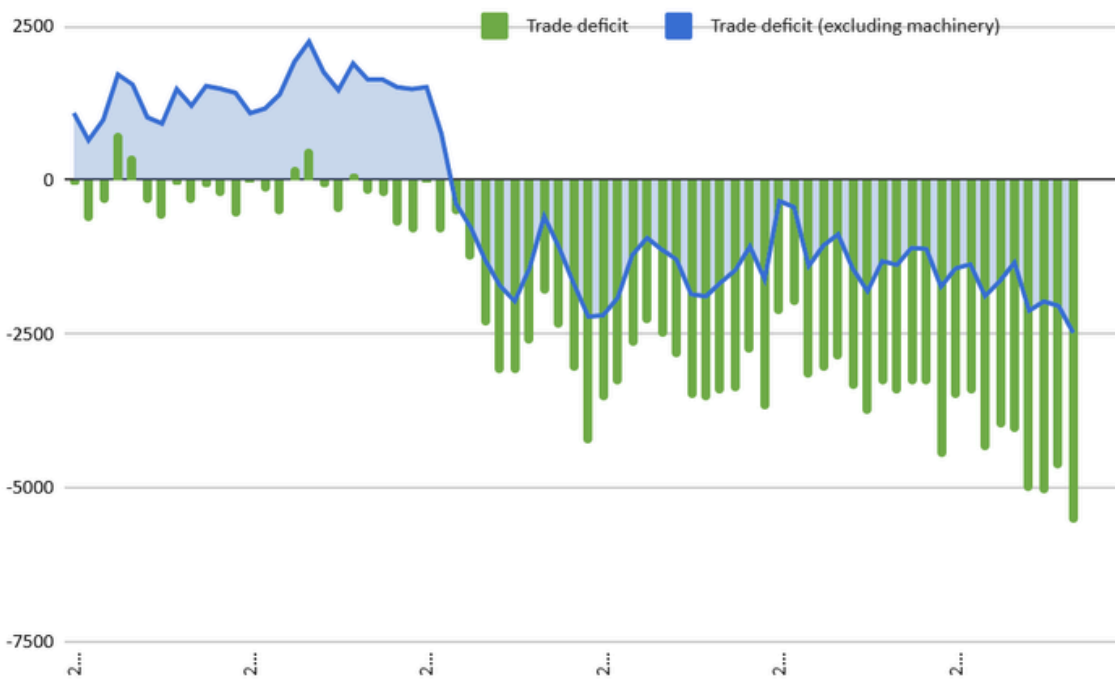
The physical synchronization of Ukraine’s energy system with the European grid enabled electricity to be supplied across the country at a time when the energy infrastructure was under constant, large-scale attack. Financial support, primarily from the European Union, enabled Ukraine to maintain fiscal balances – a key pillar of the country’s economic resilience throughout the full-scale invasion – and preserve currency stability, an important element of macroeconomic stability and the overall business environment.

Chart No. 12. Current Account Balance, cumulative over 12 months, million USD



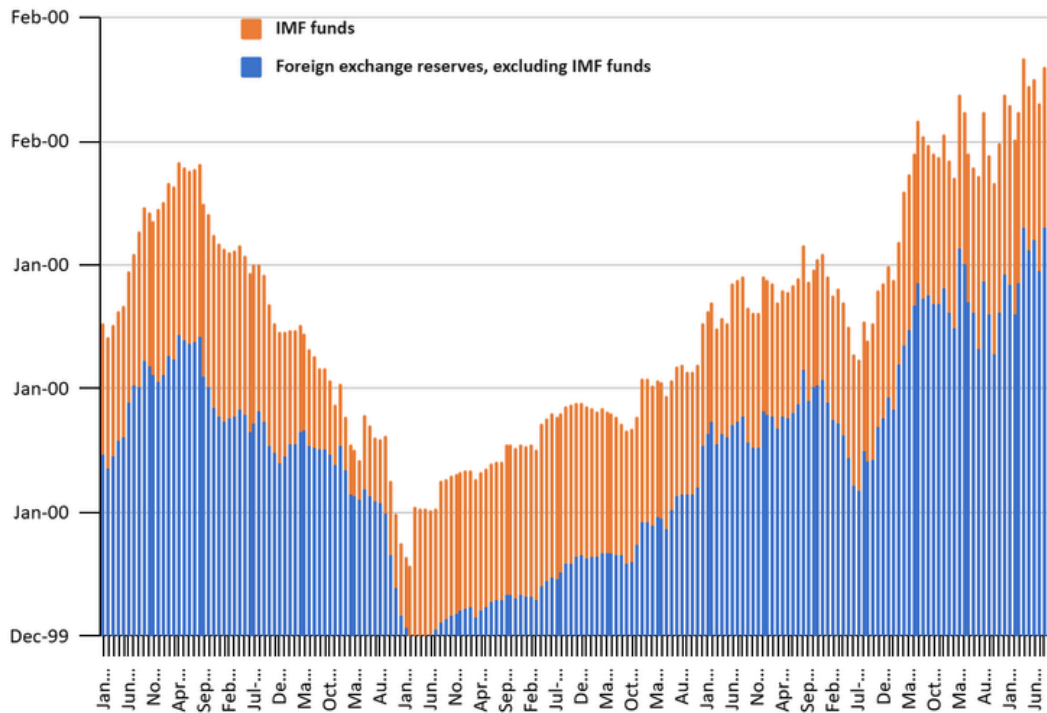
Source: NBU

Chart No. 13. Trade Deficit (Goods and Services), million USD



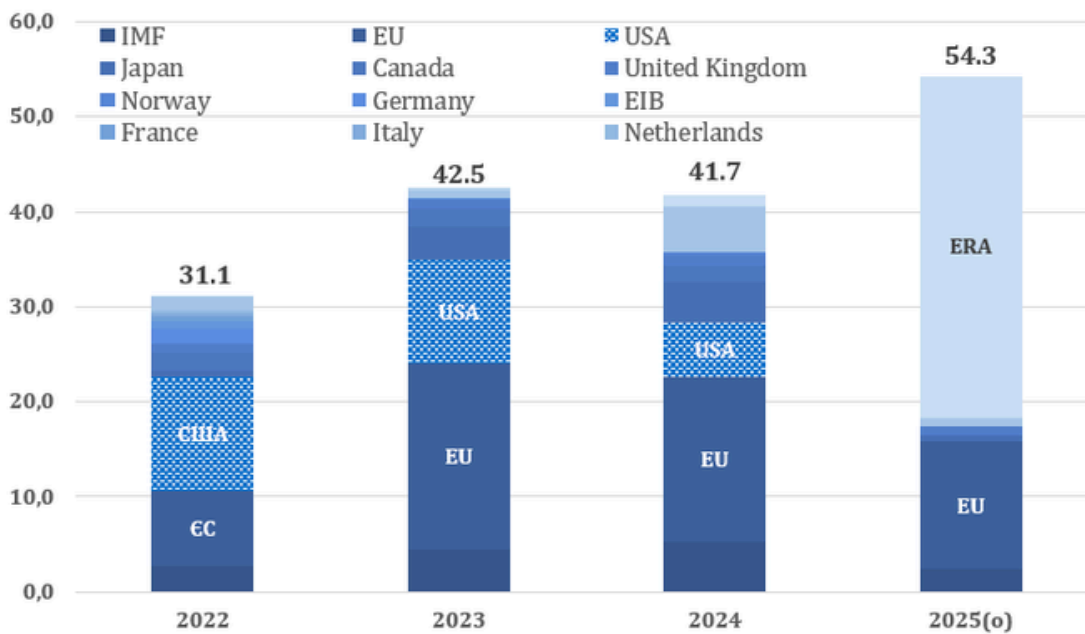
Source: NBU

Chart No. 14. NBU International Reserves, billion USD



Source: NBU

Chart No. 15. External Financing, billion USD



Source: International Monetary Fund (IMF)

5. INVESTMENT-ATTRACTIVE SECTORS

The full-scale war has not only destroyed parts of the economy but has also created structural incentives for the accelerated development of several sectors that are shaping the country's new economic architecture. Certain industries have received an unprecedented impetus for growth, innovation, and integration into global value chains. The most dynamic segments include defense technologies and dual-use manufacturing, high-value-added agro-processing, IT services and digital infrastructure, logistics hubs, and distributed energy generation. These sectors benefit from both government support and access to international financing programs, making them attractive for long-term investment. This creates a unique “window of opportunity” for investors willing to enter the market during a period of transformation.

5.1. DUAL-USE MANUFACTURING

The full-scale war has become a catalyst for an unprecedented transformation of Ukraine's defense industry, turning the country into one of the most active experimental ecosystems for military innovation in the world. Within a short period, a large-scale sector of unmanned systems, electronic warfare technologies, autonomous platforms, tactical intelligence, and cyber defense solutions has emerged, bringing together thousands of engineers, startups, and manufacturing teams.

The state systematically invests in the development of defense technologies: In 2024, defense expenditures exceeded \$40 billion (approximately 20% of GDP), a significant portion of which is directed toward the localization of production and technological development. Ukraine has effectively become a platform for the rapid iteration of military technologies, where the development and deployment cycle of innovations is measured in months rather than years.

This technological breakthrough is forming a powerful sector of dual-use products — solutions with both military and civilian applications. Unmanned systems, sensor platforms, autonomous navigation technologies, cyber defense solutions, and data management systems are already being integrated into civilian sectors such as logistics, agri-tech, energy, infrastructure monitoring, and security.

Ukraine's defense technology sector is rapidly commercializing and increasingly export-oriented. The number of private manufacturers that operate in accordance with NATO standards and integrate into European and American supply chains continues to grow. For investors, this represents access to a technology market characterized by high entry barriers, high margins, and strong scalability.

Ukraine is already emerging as a future center for the production and testing of defense and dual-use technologies in Central and Eastern Europe. Prospects for cooperation with the EU and the United States, joint R&D programs, and technology transfer create favorable conditions for integrating Ukrainian companies into the global defense innovation market, which exceeds \$2 trillion globally. For American investors, this represents a sector with high export potential, accelerated innovation cycles, and direct exposure to global demand for security and autonomous systems.

In 2025, Ukraine adopted a separate law supporting enterprises of the defense-industrial complex (Defense City residents)[5]. The legislation introduced a range of tax incentives, including exemptions from corporate income tax, land tax, property tax, environmental tax, and VAT on imported equipment, as well as confidentiality protections in public registers for such enterprises. It also simplified procedures for obtaining export permits for military technology, removed customs duties, and provided safeguards against certain forms of criminal prosecution related to defense production.

[5] [Law of Ukraine No. 4577-IX of 21 August 2025 “On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Concerning Support for Enterprises in the Defence-Industrial Complex.”](#)

5.2. ENERGY AND DISTRIBUTED GENERATION

Russian attacks on Ukraine's energy system have accelerated the country's transition to a decentralized energy model, creating a rapidly growing market for distributed generation, energy storage systems, and energy efficiency solutions.

Ukraine is effectively moving toward a decentralized energy architecture, opening significant investment opportunities in:

- Distributed power generation.
- Energy storage technologies.
- Energy efficiency solutions.
- Decentralized and autonomous energy generation for households and businesses.

Before the full-scale war, Ukraine's installed electricity generation capacity exceeded 55 GW, of which renewable energy accounted for more than 12 GW (solar \approx 8 GW, wind \approx 1.7 GW, bioenergy \approx 0.2–0.3 GW). Even accounting for wartime losses, the distributed generation sector is demonstrating double-digit growth, driven by strong demand for energy autonomy among households and businesses.

The market for microgeneration, gas microturbines, and energy storage systems is emerging as a distinct investment segment with relatively short payback periods.

Ukraine is integrated into the ENTSO-E European electricity grid and has the potential to become a stable exporter of electricity to the EU. The current technical capacity of cross-border interconnections is approximately 1.7–2 GW, equivalent to a potential export of 10–15 TWh per year, while modernization of transmission infrastructure could increase export potential to more than 20 TWh annually.

Ukraine also possesses a significant resource base for expanding renewable energy generation:

- Solar energy potential: 40–50 GW.
- Wind energy potential: 20–30 GW.

This provides strong long-term prospects for expanding exports of green electricity.

Another strategic direction is bioenergy and biomethane production. Ukraine's agricultural base provides one of the largest biomethane production potentials in Europe – 7–10 billion cubic meters per year, comparable to a significant share of Ukraine's pre-war gas consumption. An export-oriented biomethane market targeting the EU – which is actively seeking alternatives to fossil gas – is already emerging.

Following the end of active hostilities, Ukraine's energy sector will combine reconstruction, strong demand for autonomous energy solutions, integration with the European electricity market, and significant renewable generation potential, creating one of the most promising energy markets in Eastern Europe.

The Verkhovna Rada and the Government of Ukraine have already adopted several regulatory acts that:

- Exempt imports of electricity generation and storage equipment from customs duties.
- Simplify permitting procedures for expanding electricity generation capacity for businesses.
- Facilitate grid connection and electricity sales to the unified energy system.
- Reduce gas prices used for electricity generation by installing gas-piston units.

The scale of destruction of energy infrastructure simultaneously creates one of the largest reconstruction markets in Europe. According to the joint World Bank–European Commission–Government of Ukraine RDNA4 assessment, total reconstruction needs are estimated at approximately \$524 billion, with the energy sector accounting for \$65–70 billion in the medium term.

This includes the restoration of generating capacity, transmission networks, and distribution infrastructure, as well as the modernization of the energy system in line with EU standards. In practice, this means not merely repairs but a complete structural transformation of the energy system, focusing on decentralized generation, energy storage technologies, and integration with the European electricity market. For investors, this represents the formation of a long-term infrastructure investment cycle with strong demand for capital, technologies, and public-private partnerships in the energy sector.

5.3. LOGISTICS AND INFRASTRUCTURE TECHNOLOGIES

The full-scale war forced Ukraine to radically restructure its logistics model for exports and imports, accelerating the development of digital logistics platforms, intermodal transport solutions, and customs automation.

Before 2022, more than 70% of export cargo passed through Black Sea ports. Following their blockade, a new transport architecture emerged, oriented toward western corridors and the Danube port cluster.

Cargo turnover at Danube ports increased severalfold, exceeding 30 million tons annually and making the region a key alternative export hub. At the same time, the role of dry ports, railway hubs, and multimodal terminals along the EU border has increased, creating a market for investments in logistics technologies, warehouse infrastructure, and digital cargo management systems.

Ukraine is gradually transforming into a transit hub between the European Union and the Black Sea region. Western transport corridors are being integrated into the TEN-T network, while Danube ports are becoming part of the European logistics system.

Even under wartime conditions, Ukrainian railways transport over 150 million tons of cargo annually, maintaining their status as one of Europe's largest freight rail operators.

The large-scale transition toward digital customs procedures and automation reduces border crossing times and lowers transaction costs for businesses, creating an environment conducive to the development of private logistics platforms and infrastructure startups.

Despite significant destruction, Ukraine's transport sector has one of the largest recovery potentials in Europe. International financial institutions estimate that reconstruction needs for transport infrastructure exceed €60 billion, creating a long-term market for investments in railways, ports, roads, digital traffic management systems, and smart infrastructure.

For American investors, this represents an opportunity to enter projects related to transport corridor modernization, port concession models, and next-generation infrastructure technologies in a jurisdiction characterized by high demand for capital and rapid recovery cycles.

5.4. AGRO-PROCESSING AND THE FOOD INDUSTRY

Ukraine remains one of the world's largest agricultural economies and a systemic supplier of grain and oilseed crops to global markets. Before the full-scale war, the country had approximately 32.7 million hectares of arable land. As of 2024, around 26–27 million hectares (approximately 80% of pre-war levels) remain under effective control.

This still exceeds Poland's arable land base by more than two times (Poland \approx 11 million hectares) and represents nearly half of Brazil's arable land (\approx 55 million hectares). Even under wartime conditions, the agricultural sector generates approximately 10–12% of GDP and more than 40% of Ukraine's export foreign currency revenues.

In the 2023/24 season, Ukraine exported approximately:

- 21–22 million tons of corn.
- 15–16 million tons of wheat.
- 3–4 million tons of soybeans.
- more than 3 million tons of rapeseed.

This maintains Ukraine's status as one of the largest food suppliers to global markets.

The key investment shift is occurring toward the deep processing of agricultural products. Ukraine is already a global leader in sunflower oil exports and possesses a well-developed oil and fat processing industry.

Industry forecasts suggest long-term growth in processed oilseed products:

- Sunflower oil production: \approx 4% CAGR.
- Rapeseed oil production: \approx 15–16% CAGR.

This indicates a transition from a raw-material export model toward an export-oriented food and ingredients industry with higher margins. Another major driver is bioenergy. The biomethane production potential of 7–10 billion cubic meters per year creates opportunities for investments in green energy, ESG projects, and exports to the EU.

High value-added food production – including ready-made food products, ingredients for global supply chains, and functional nutrition – represents the next stage in the development of Ukraine's agricultural sector.

Ukraine combines:

- A large agricultural raw material base;
- relatively low production costs;
- logistical integration with the EU and Middle Eastern markets.

For American investors, this creates opportunities to develop export-oriented processing clusters with high-value-added production, diversified currency risk, and long-term global demand for food and bioenergy products.

5.5. Digital Economy and IT

The war has accelerated Ukraine's digital transformation, turning the country into one of the most dynamic GovTech markets in Europe. The national digital ecosystem includes:

- 21–22 million active users of government online services.
- 150+ digital services.
- 30+ electronic documents.

This has enabled the mass digitalization of administrative procedures and significantly reduced transaction costs for businesses. The usage rate of digital public services exceeds 55–60% of the population, one of the highest levels in the region. High digital penetration creates stable domestic demand for GovTech, fintech, cloud services, and cybersecurity solutions.

Ukraine's IT sector is one of the country's key export industries. The sector includes:

- 300–310 thousand IT specialists.
- 2,000–2,200 technology companies.

Exports of computer and IT services reached approximately \$6.4–6.5 billion in 2024, making IT the largest exporter of high-value-added services in Ukraine. The sector contributes approximately 4–5% of GDP, even under wartime conditions.

Each year, Ukrainian universities and private educational programs produce 35–40 thousand new technical specialists, supporting the long-term sustainability of the sector's workforce. Development costs remain 40–60% lower than in the United States and Western Europe, while maintaining comparable quality. This makes Ukraine an attractive location for R&D centers, product startups, and outsourcing platforms.

Another major growth driver is the cybersecurity market, shaped by constant hybrid and digital threats. Ukraine's cybersecurity sector is currently estimated at \$130–150 million, with forecasts of growth to over \$200 million in the medium term.

Ukraine has become one of the most battle-tested digital ecosystems in the world, spurring the development of practical solutions to protect critical infrastructure, financial systems, and government networks. For American investors, Ukraine's digital sector combines market scale, highly skilled human capital, and low operational costs, creating an attractive environment for investments in GovTech, AI solutions, defense technologies, and cybersecurity.

5.6. MINING AND CRITICAL RAW MATERIALS

Ukraine ranks 25th in the world in mineral extraction volumes (out of 165 countries). Thanks to its unique resource base of iron and manganese ores, Ukraine is among the countries with the most developed ferrous metallurgy industries in the world.

The country's resource potential includes 117 mineral types (out of the 120 most common worldwide) and 8,800 deposits of industrial significance. The value of Ukraine's extractive industry is estimated at USD 14.8 trillion. The country is among the world's leading producers of strategic materials, including titanium, manganese, pig iron, graphite, and uranium, and holds competitive positions in the extraction of kaolin and zircon.

In the category of metallic minerals, Ukraine is among the leading global producers. The country ranks 6th in the world in pig iron production (49.3 million tons, or 7.24% of global output), 7th in manganese extraction (699 thousand tons, or 3.62% of global output), and 5th in titanium extraction (537 thousand tons, or 63.8% of global output).

In the category of non-metallic minerals, Ukraine also holds competitive positions: 7th in the world in kaolin extraction (1.68 million tons, 3.96%), 11th in zircon extraction (16 thousand tons, 1.29%), and 10th in graphite extraction (10 thousand tons, 1.06%).

In the category of mineral fuels, Ukraine maintains positions among the leading producers of certain resources: 12th place in thermal coal extraction (21.6 million tons, 0.31%), 10th place in coking coal extraction (6.43 million tons, 0.62%), and 9th place in uranium production (0.9 thousand tons, 1.56% of global output).

Below are the regions of Ukraine by types of resources[6]:

- **Metallic Ores:**

- Iron and manganese: Dnipropetrovsk (a global leader in manganese reserves), Zaporizhzhia, Poltava, and Kirovohrad regions.
- Titanium: Zhytomyr, Mykolaiv, and Dnipropetrovsk regions.
- Uranium: Kirovohrad, Dnipropetrovsk, and Mykolaiv regions.

- **Critical Raw Materials for high-tech industries:**

- Lithium: Kirovohrad, Donetsk, and Zaporizhzhia regions.
- Graphite: Kirovohrad and Zhytomyr regions.
- Rare metals: Zhytomyr region (platinum group metals) and Cherkasy region (tantalum, niobium).

Ukraine possesses significant strategic mineral resources and is among the European countries with the largest reserves of lithium, titanium, graphite, and rare earth elements. According to available geological assessments, the confirmed and prospective lithium resources in Ukraine total approximately 500 thousand tons and are concentrated in several promising deposits that are of considerable importance to the development of the battery and electrical equipment industries. Ukraine is also among the key European holders of titanium resources and, according to various estimates, accumulates up to 7% of global titanium reserves. Substantial graphite deposits are also present, representing a significant share of global resources and holding strategic importance for the production of batteries and composite materials.

A special role is played by deposits of rare earth elements, which are used in high-tech industries, including the defense industry, electronics, and renewable energy. According to expert assessments, the total resources of rare earth oxides in Ukraine may exceed several million tons, although a significant share of these deposits requires additional modern geological exploration and investment in extraction. Overall, Ukraine's resource base includes more than 20 types of critical minerals, forming the country's potential as an important supplier of strategic raw materials for European and global markets.

The realization of this potential depends on the stability of the investment environment, the modernization of geological exploration, and access to deposits, some of which are in areas with elevated security risks. In the long term, the development of critical mineral extraction could become a key driver of Ukraine's economic growth, strengthening its position in global supply chains and enhancing Europe's energy and technological security. Integration into the EU and U.S. supply chains creates opportunities to establish processing clusters in Ukraine rather than exporting raw materials.

[6] Guide: Rebuilding Ukraine With the Private Sector (September 2025).

6. ECONOMIC SECURITY AND RESILIENCE

6.1. ENERGY SECTOR: IMPACT OF STRIKES, BUSINESS ADAPTATION AND GOVERNMENT POLICY IN THE ENERGY SECTOR

Since the beginning of the full-scale invasion, Ukraine's energy infrastructure has suffered significant destruction. Available generation capacity, which amounted to approximately 38 GW in 2021, decreased to 12 GW by mid-2024 due to Russian strikes and occupation. Subsequently, capacity partially recovered to 17.6 GW; however, new attacks during the autumn–winter period of 2025–2026 effectively negated this recovery[7]. Substations also sustain regular damage, including those that ensure the operation of nuclear power plants.

The economic consequences remain significant. In October 2025 (prior to the escalation of the winter campaign of attacks on the energy system), 19% of enterprises reported electricity supply disruptions as a major obstacle to business operations[8]; by January, this share had increased to 48%[9]. According to the “Energy Transition” survey, 76% of companies reported that power outages disrupted their operations. A survey conducted by the American Chamber of Commerce in Ukraine and Deloitte reports similar assessments, identifying sales (35%), production (32%), and IT operations (27%) as the most affected.

Businesses have largely adapted to the risks posed by an unstable electricity supply through investments in backup and autonomous solutions. According to a survey by the American Chamber of Commerce in Ukraine and Deloitte, 88% of companies reported being generally prepared for power outages, while 94% have a contingency plan for prolonged outages or are in the process of developing one. At the same time, 22% of companies were forced to introduce changes to their operational and/or production processes, including abandoning certain operations, outsourcing some functions, or relocating them abroad[10].

According to the “Energy Transition” survey, 94.8% of enterprises have implemented energy-efficiency and energy-independence measures, while 56.1% report transforming their business processes to reduce dependence on the electricity grid. Some companies report reduced energy costs (67.5%), while 16.5% have installed generation facilities not only for their own needs but also to sell electricity (although in practice, 97% of companies use the generated electricity solely for their own consumption).

As a result, 79.2% of companies plan to continue investing in energy-efficiency and energy-independence solutions[11]. The main direction of adaptation has been investments in backup power supply. According to a survey conducted by Deloitte and the American Chamber of Commerce in Ukraine, one-third of companies can independently ensure electricity supply for 24 hours or longer.

86% of companies have installed backup sources (generators, batteries), while 40% have complemented generators with alternative sources (solar panels, gas installations). The “Energy Transition” survey shows that the most common measure is installing generators (73.6%); 60.4% of companies have introduced their own electricity generation facilities (primarily solar panels) and 41.0% use energy storage systems.

Additionally, the use of more energy-efficient equipment (42.0%) and the modernization of production processes (41.0%) are also widespread[12]. Some surveys provide a more restrained assessment of business readiness. According to the results of the “Business Barometer” of the Chamber of Commerce and Industry, 80% of

[7] Record-breaking ballistic missile strikes on Ukraine: how this will affect the energy sector - Ekonomichna Pravda.

[8] In October, nearly 20% of businesses reported disruptions to electricity, water and heating supplies – IER business survey - Institute News - Institute - Institute for Economic Research and Policy Consulting.

[9] In January, nearly 50% of businesses cited problems with the electricity supply – IER survey - Institute News - Institute - Institute for Economic Research and Policy Consulting

[10] *ibid*

[11] [Energy Transition 2025](#)

[12] [Energy Transition 2025](#)

entrepreneurs have responded in some way to electricity supply problems, yet only 56% have generators, 19% have alternative power sources, and 5% have ensured autonomous power supply. At the time of the survey, 14% were purchasing equipment, while 7% planned to reduce consumption[13].

Financing of energy resilience measures was carried out predominantly through companies' own resources: 93.7% of companies used their own funds to implement energy efficiency and energy independence solutions[14]. At the same time, businesses identify key constraints. According to a survey by the American Chamber of Commerce in Ukraine and Deloitte, 73% of companies cited the high cost of backup equipment, while 58% cited insufficient availability of backup energy sources[15].

Overall, business adaptation to power outages is encouraging a transition from a centralized to a more decentralized model of energy consumption. Companies are investing in energy generation and storage, which simultaneously increases demand for distributed generation equipment and energy storage solutions.

Government policy and resilience support: The government has identified the recovery of the energy sector as one of its priorities and is orienting its policy toward decentralization, the development of "green" generation, and integration with EU energy markets. To this end, in July 2024 (at the peak of the electricity deficit), the government adopted the "Strategy for the Development of Distributed Generation until 2035"[4]. The strategy provides for the creation of conditions for private and foreign investment, the development of bank lending mechanisms, and the administrative simplification of procedures for the construction/installation and connection of generating facilities (gas-based, renewable energy sources, and energy storage systems) to gas, electricity, and heat networks. Separate coordination is carried out to attract international technical assistance for financing and equipment supply.

Among the existing instruments of state support are:[16]

- Lending: the "Affordable Loans 5–7–9%" program (including loans of up to UAH 150 million at 5–9% annual interest for gas-fired power plants)[17].
- Simplification of procedures: Timelines for technical grid connection have been reduced several times[18].

Impact on Doing Business in Ukraine:

An unstable electricity supply increases production costs and diverts investment from other needs (including automation). At the same time, incentives for energy modernization, driven by energy-related risks and government policy, enhance companies' competitiveness. First, energy resilience is a factor in ensuring production continuity and preserving market positions. Second, government incentives (such as preferential loans and streamlined regulatory procedures) facilitate investments in energy efficiency and renewable energy sources, thereby aligning with ESG standards and potentially reducing long-term production costs.

[13] The 'Business Barometer' report for October 2025

[14] [Energy Transition 2025](#)

[15] [Prolonged power outages are affecting 76% of companies, according to a new survey by Deloitte Ukraine and the American Chamber of Commerce | Deloitte Ukraine](#)

[16] [On the Approval of the Development Strategy... I dated July 18, 2024, No. 713-r](#)

[17] [Bill Information Page - Legislation](#)

[18] [Expansion of the "Affordable Loans 5-7-9%" program: gas-powered generators can now be purchased through the program | Ministry of Economy, Environment, and Agriculture of Ukraine](#)

[19] [On the Specifics of Temporary... I dated March 26, 2022, No. 352](#)

6.2. TRANSPORT AND LOGISTICS: LOGISTICAL CHALLENGES, BUSINESS ADAPTATION, AND GOVERNMENT POLICY IN THE LOGISTICS SECTOR

The full-scale invasion significantly worsened logistics conditions for Ukrainian businesses. Connections with aggressor states (Russia and Belarus) have completely ceased, including transit flows. Ukraine has lost access to the ports of the Sea of Azov. The ports of Greater Odesa, through which about 60% of trade turnover passed before 2022, were blocked; access to the sea was restored only in the second half of 2023. Transport infrastructure has suffered significant destruction: As of November 2024, the total direct damage to infrastructure from the full-scale invasion was estimated at nearly USD 170 billion, accounting for approximately one-third of all direct damage caused by the aggression. Warehouse infrastructure has also suffered significant damage.

The key mechanism supporting trade became the EU initiative “Solidarity Lanes,” launched in May 2022 to provide alternative routes (rail, road, and inland waterways). Until August 2022, when the Black Sea Grain Initiative was launched, the Solidarity Lanes effectively remained the only channel for exports.

As of March 2025, the initiative had facilitated €61 billion in Ukrainian exports and €150 billion in imports; at that time, approximately 85% of Ukraine’s imports and about 50% of its non-agricultural exports passed through this mechanism[20].

In 2022–2023, part of the logistical burden was taken on by the Danube ports, whose cargo turnover increased sixfold[21], but remained at approximately 32 million tons[22]. Additionally, the Black Sea Grain Initiative, mediated by Turkey and the United Nations, enabled the export of 33 million tons of agricultural products between August 2022 and July 2023[23]. A decisive factor in the restoration of maritime logistics was the resumption of shipping in the deep-water ports of the Odesa region through the Ukrainian Maritime Corridor (UMC), established through the territorial waters of NATO countries. After the launch of the UMC in 2024, cargo turnover increased to nearly 100 million tons[24], which significantly reduced logistical constraints for exports. Border crossing points on the western border remain the most problematic link in international logistics[25].

Business adaptation required the rapid reconfiguration of supply chains. A notable example was the diversification of fuel supplies: Within several months in 2022, the private sector established regular road deliveries from EU countries, replacing the pre-war rail supplies from Russia and Belarus. Despite rising logistics costs, price increases remained relatively moderate against the backdrop of intensifying competition[26]. The shift in the supply model required the rapid procurement of tanker trucks, but it also lowered entry barriers for new market participants. In addition, businesses were forced to abandon the storage of large fuel reserves due to the risks of strikes on storage facilities.

Among logistics companies, the role of digitalization and process standardization (digital solutions, corporate platforms) has increased, partly due to labor shortages and supply chain disruptions. Intermodal (“piggyback”) transport, which combines rail and road, is being used more widely. “Dry ports” near the western borders are also being developed, primarily due to the resumption of shipping in the ports of Greater Odesa, thereby accelerating cargo handling and reducing costs[27].

[20] [CLECAT | SOLIDARITY LANES REMAIN VITAL FOR UKRAINE’S TRADE FLOWS](#)

[21] [Cargo throughput at Danube ports exceeded 29 million tons in 2023 – Center for Transport Strategies](#)

[22] [Cargo throughput at Ukrainian ports reached a record 97.2 million tons in 2024 | USPA](#)

[23] [World Bank Document](#)

[24] [Cargo throughput at Ukrainian ports reached a record 97.2 million tons in 2024 | USPA](#)

[25] [World Bank Document](#)

[26] [Document.pdf](#)

[27] [Highlights of the Ukrainian Logistics Forum 2024 |](#)

In 2025, the trend deteriorated: From January to September, freight turnover amounted to 87.2% of the level recorded during the same period in 2024. The main factors behind the decline were reduced agricultural cargo transportation (due to depleted stocks and the weak harvest of the previous year[28]) and labor shortages resulting from mobilization.

The main policy document is the National Transport Strategy of Ukraine until 2030, adopted by the Cabinet of Ministers on 27 December 2024. Among its priorities are recovery of the transport system to a higher technological level, integration with the EU transport network, resilience enhancement, and digitalization[29]. The strategy envisages development of the DREAM ecosystem, reform of the railway sector in line with EU principles, development of Danube ports and restoration of navigation on the Dnipro River, expansion of maritime infrastructure and introduction of public-private partnership instruments, as well as the launch of an electronic queue system at border crossing points[30].

At the time of preparing this report, a [31] “transport visa-free regime” between Ukraine and the EU had been introduced and extended until 2027.[32] The customs reform and the harmonization of procedures with the EU were ongoing; reconstruction of roads and infrastructure facilities was also underway. The state and its partners have ensured the functioning of the Ukrainian Maritime Corridor (UMC) and the Solidarity Lanes, which, in addition to their short-term role, support long-term integration of Ukraine into the EU Single Market.

Impact on Doing Business in Ukraine:

The loss of certain maritime routes, the blockade of ports, and the destruction of infrastructure have increased logistics costs and risks for businesses, particularly for the agricultural sector and import-dependent industries. Reconfiguration of logistics chains and support from the government and international partners have made it possible to preserve export flows and have created incentives for investment in route diversification, digitalization and infrastructure solutions.

6.3. LABOR RESOURCES: MIGRATION, MOBILIZATION, LABOR SHORTAGES, BUSINESS ADAPTATION, AND GOVERNMENT POLICY

The full-scale invasion has caused significant demographic changes, including internal displacement of the population and an increase in the number of refugees abroad. The number of registered internally displaced persons (IDPs) was 4.9 million people[33] as of December 2022. As of 2024, the estimated number of internally displaced persons is 3.7 million people[34]. The number of refugees abroad was estimated at 5.9 million people [35] at the end of 2022, it reached its maximum at the end of 2024 (6.9 million people). As of the end of 2025, the number of Ukrainian refugees abroad is estimated at 5.9 million [36].

[28] In the 2024/25 marketing year, Ukraine exported grains and oilseeds worth over \$11 billion, according to the Ukrainian Grain Association (UGA) – ProAgro

[29] Ukraine's National Transport Strategy for the Period up to 2030

[30] Ibid pp. 1-42 of the Operational Plan

[31] [eQueue.Load](#)

[32] [Ukraine and the European Union Have Extended the “Transport Visa-Free Regime” | Cabinet of Ministers of Ukraine](#)

[33] World Bank; Government of Ukraine; European Union; United Nations. Ukraine: Third Rapid Damage and Needs Assessment (RDNA3), February 2022–December 2023. February 2024.

[34] https://www.msp.gov.ua/press-center/news/sotsialnyy-zakhyst-2022-u-tsyfrakh-i-faktakh%3A-pidtrymka-ypa?utm_source=chatgpt.com

[35] UNHCR. The Situation of Ukrainian Refugees: Internal Displacement. Fact Sheet No. 2 (The Situation of Refugees from Ukraine: Fact Sheet No. 2 on Internal Displacement).

[36] <https://data.unhcr.org/en/situations/ukraine>

Mobilization has covered a significant part of the population. Exact data on the size of the Armed Forces of Ukraine are unavailable; however, various estimates range from 800,000 to 1.2 million people. Starting in the middle of 2024, after the new mobilization law entered into force, officials publicly cited estimates of up to 30,000 people mobilized per month. Additionally, a sharp decline in the birth rate is observed: From 133.5 thousand newborns in 2021 to 87.7 thousand in 2024[37]. At the beginning of 2022, the population of Ukraine was estimated at 41 million; as of 2025, the population in government-controlled territory is estimated at 30.5 million[38].

These factors created significant distortions in the labor market. On the one hand, estimates show a jump in unemployment to 25% in 2022, followed by a decrease to 11.5% at the beginning of 2025[39]. This is partly related to the difficulties in employing internally displaced persons: At the end of 2023, the share employed among IDPs of working age was estimated at 38%[40]. On the other hand, due to migration and mobilization, as well as several structural factors (physical losses, professional asymmetries, low mobility, security risks, and limitations of wage incentives[41], a labor shortage has formed. According to estimates from the National Bank of Ukraine in 2023, the labor force aged 15–70 decreased by more than a quarter compared with 2021[42].

The shortage of personnel is a key obstacle for business. According to a survey by the Institute for Economic Research in October 2025, 59% of enterprises cited a lack of labor as an obstacle to their operations, the highest share among business barriers. According to the results of a survey by the European Business Association, 74% of respondents reported a shortage of qualified personnel[43]. The problem is most acute in construction, followed by industry[44].

Martial law and mobilization create additional risks for personnel management. According to surveys of business associations, 66% of companies cited the retention of critical employees as a key challenge, and 83% cited security risks for employees. A practical problem remains the complexity of reservation procedures and the limited coverage of businesses. The existing rules also create short-term “windows”, which increase the risk of losing key employees and of production disruptions.

Business adaptation is taking place through a combination of compensatory and organizational solutions. First, companies are increasing wages: According to EBA data, 96% report wage increases[45]. The nominal average salary increased by 1.4 times compared to 2022[46] and, for the first time, exceeded \$500 per month. This growth outpaces productivity gains and poses risks to competitiveness, although, according to the National Bank of Ukraine, real wages returned to the pre-war level only in 2024[47]. Additionally, 39% of companies (according to EBA/OLX data) are expanding “packages” of non-material motivation (medical insurance, training, meals, transportation and the possibility of remote work).

Second, businesses are expanding their target hiring groups to include youth (21%), pensioners (17%), and women (15%)[48]. According to data from Work.ua, 29% of employers already employ women in technical and physically

[37] <https://opendatabot.ua/analytics/birth-death-2025>

[38] <https://forbes.ua/news/naselennya-ukraini-skorotilosya-do-305-mln-lyudey-forbes-ukraine-24112025-34344>

[39] Kyiv School of Economics. Ukraine Human Capital Chartbook 2025

[40] Studenikova, I. “The Labor Market in Wartime: Demographic Challenges for Ukraine.” VoxUkraine, September 12, 2024.

[41] Labor Shortages in Ukraine and Domestic Measures to Address Them | National Institute for Strategic Studies

[42] National Bank of Ukraine. Inflation Report. April 2024

[43] [Labor Shortages and Rising Wages: Labor Market Trends in 2026 - European Business Association](#)

[44] [NBU Inflation Report, October 2025 p. 20](#)

[45] [Labor Shortages and Rising Wages: Labor Market Trends in 2026 - European Business Association](#)

[46] [Trends in average monthly wages by economic sector](#)

[47] [NBU Inflation Report, October 2024](#)

[48] [OLX_HRWS_02.07.pdf](#)

demanding positions, and another 15% plan to do so[49]. The potential to attract foreign workers remains limited: According to EBA/OLX data, only 13% of companies are ready to hire foreigners; according to a survey by the State Employment Service and 14.9% of employers consider this possibility.

Third, flexible work arrangements are being applied: Flexible schedules (14.4%), remote work (14%), and part-time employment (42.9%)[50]. At the same time, automation has not become the dominant response to the labor shortage crisis, partly because of the sector-specific nature of the shortage (most acute in construction, where automation is limited) and the need for significant investment.

State policy regarding the labor market has several directions. First, the liberalization of labor legislation to reduce administrative barriers and expand instruments of flexible employment (home-based work, remote work, flexible working hours)[51], as well as the simplification of hiring and dismissal of certain categories of employees during the period of martial law[52]. Second, programs to support the employment of vulnerable groups (internally displaced persons, veterans, people with disabilities, pensioners, women, and youth).[53] 6.3 billion UAH was allocated for these programs in 2025[54], including training programs supported by the EU and other donors.[55] Third, the digitalization of labor market services (the introduction of the “Obrii” system)[56]. Fourth, a policy of returning migrants (cooperation with host countries, information campaigns[57], and institutional mechanisms[58]). Fifth, the National Employment Strategy until 2030 is being developed, which provides for additional instruments of geographical mobility[59], the preparation of a regulatory framework for attracting foreign workers in accordance with the EU acquis[60], the development of vocational education[60] and care infrastructure[62], as well as the regulation of flexible employment formats[63].

Impact on doing business in Ukraine:

The shortage of personnel is one of the key barriers for enterprises in the conditions of a full-scale invasion. It increases labor costs, complicates production planning, and intensifies competition for staff. Businesses are forced to expand the hiring base (women, youth, and older age groups) and apply flexible work arrangements. At the same time, due to war risks, limitations in the investment climate, and sectoral characteristics, the potential of automation is still used only to a limited extent.

[49] [Why Ukrainian Businesses Are Facing a Critical Shortage of Staff and What to Do About It: A Study – Work.ua](#)

[50] [State Employment Service](#)

[51] [On Amendments to Certain ... I dated 4 February 2021 No. 1213-IX](#)

[52] [On the organisation of labour relations... I dated 15 March 2022 No. 2136-IX](#)

[53] [Employment Service compensation schemes: support for businesses and employment of citizens I Cabinet of Ministers of Ukraine](#)

[54] [“In 2025, we are expanding our employment and business support programmes.” said Yulia Svyrydenko at a meeting with staff of the State Employment Service I Ministry of Economy, Environment and Agriculture of Ukraine](#)

[55] [The programme ‘From Training to Employment: Vocational Training for Women and Other Target Groups’](#)

[56] [The government is launching a large-scale digitalisation of the labour market: from paper to a single digital pathway I Cabinet of Ministers of Ukraine](#)

[57] [Ukraine is Home](#)

[58] [The strategy and incentives for the return of Ukrainians from abroad are the main task of the Ministry of National Unity, says the Prime Minister I Cabinet of Ministers of Ukraine](#)

[59] [Employment Strategy, p.30](#)

[60] Ibid p. 31

[61] Ibid pp. 32-34

[62] Ibid p. 35

[63] Ibid p. 35

7. STATE POLICY AND BUSINESS SUPPORT PROGRAMS

7.1. BUSINESS SUPPORT PROGRAMS

The “Affordable Loans 5–7–9%” program (preferential lending for SMEs^[64]). The “Affordable Loans 5–7–9%” program was introduced by Resolution of the Cabinet of Ministers of Ukraine No. 28 of January 24, 2020. The program is implemented by the Entrepreneurship Development Fund through authorized banks. The purpose of the program is to reduce the cost of credit resources for small and medium-sized enterprises (SMEs). Support is provided for investment loans (acquisition/modernization of fixed assets; acquisition of non-residential real estate or land plots for economic activity; construction, reconstruction, and repair of premises owned or used by SMEs), and working capital financing. Among the priority areas are the production of agricultural products, the processing industry, and animal husbandry, the restoration of destroyed assets, support for enterprises that, as of February 24, 2022, were located in territories of hostilities, energy service projects, and generating installations.

Relocation grants and compensations (the state relocation program, EBRD, and other donors). Donor instruments provide grants of up to €30,000 for manufacturing SMEs that have carried out or plan relocation within Ukraine. The aim is to support the relocation of enterprises from territories near the combat zone to safer regions (mainly Western Ukraine), as well as the restoration of production at new locations. The support package usually includes selecting a location, assistance with transporting equipment, assistance with accommodating employees, assistance with restoring logistics, assistance with procuring raw materials, and assistance with searching for markets.

The “National Cashback” program (aimed at stimulating demand for goods produced in Ukraine). The “National Cashback” program is implemented by the Ministry of Economy in cooperation with the Ministry of Digital Transformation, the NBU, the Cabinet of Ministers of Ukraine, the State Tax Service, Oschadbank, other authorized banks, and the Government Contact Center. To participate, the buyer^[65] registers in the “Diia” application, selects a participating bank^[66], and opens a “National Cashback” card. Sellers and manufacturers^[67] apply^[68] to join through the “Diia” portal. The accrued cashback can be used for specified categories of goods and services^[69] (including utility and postal services, food products, medicines and medical devices, books and printed products, and charity). More than 7.5 million citizens participate in the program, and the total amount of payments has exceeded UAH 4 billion. More than 1,870 Ukrainian manufacturers have joined the program. A 10% cashback is accrued on purchases of about 400,000 Ukrainian-made goods at partner retail outlets.

EU/IFI grant and guarantee instruments (EIB, EBRD, EU4Business). Mechanisms of support include grants, guarantees for commercial lending, technical assistance, and financing aimed at recovery, export support, investment projects, and supply chains. In 2024–2025, the EU/EIB/EBRD deployed new^[70] support instruments for small businesses as part of Ukraine’s recovery, including through investment framework mechanisms. Certain grant components supported social and affordable rental housing, the restoration of the water supply, and the strengthening of energy resilience.

The “Diia.Business” project (support for entrepreneurship and exports). “Diia.Business” is a national project for the development of entrepreneurship and exports, initiated in February 2020. Since May 2021, the project has been

[64] <https://www.kmu.gov.ua/news/minfin-za-chas-povnomasshtabnoi-viiny-pidprijemtsi-otrymaly-dostupni-kredyty-na-3505-mlrd-hrn-za-derzhprohramoiu-5-7-9>

[65] <https://madeinukraine.gov.ua/national-cashback/for-consumers>

[66] <https://madeinukraine.gov.ua/>

[67] <https://madeinukraine.gov.ua/national-cashback/for-business>

[68] <https://diia.gov.ua/services/perelik-virobnikiv-ta-tovariv-ukrayinskogo-virobnictva>

[69] <https://madeinukraine.gov.ua/national-cashback/expenses>

[70] <https://www.eib.org/en/press/all/2025-453-eu-expands-support-for-ukraine-with-more-than-eur200-million-in-new-grant-financing>

implemented by the Ministry of Digital Transformation jointly with the Entrepreneurship and Export Promotion Office. The project has an online component (a one-stop shop[71] portal) and a network of entrepreneur support centers. The portal provides guides for entrepreneurs and exporters, business ideas, cases, news, free consultations, educational courses and programs, an events calendar, self-diagnostic tools, export services, and a marketplace of financial opportunities.

The government project “eRobota” (grants for starting and developing a business). The “eRobota” project provides grants for starting a business, developing entrepreneurship, and training (including IT fields). The project includes several grant programs: Microgrants for the creation/development of businesses; grants for processing enterprises; financing for planting orchards; development of greenhouse farming; grants for startups, including in IT; and grants for training in IT specialties. Applications are submitted through the “Diia” portal[72]. Among the key programs: “Own Business” (microgrants up to UAH 250,000/500,000 with the obligation to create 1–2 jobs); “New Level” (grants up to UAH 8 million for processing enterprises with the obligation to create up to 25 jobs); “Own Garden” (up to UAH 400,000 per hectare); and “Own Greenhouse” (up to UAH 7 million).

Impact on doing business in Ukraine

Impact of the “Affordable Loans 5–7–9%” program. In 2025 (as of November), more than 25 thousand loans were issued for a total amount of UAH 74 billion; since the beginning of martial law, 94.6 thousand loans for UAH 350.5 billion have been issued. A significant share of the loans was issued by state-owned banks. By financing areas, the following amounts are noted in particular: UAH 78.87 billion – working capital; UAH 52.58 billion – investment purposes; UAH 50.96 billion – processing of agricultural products; UAH 48.02 billion – loans to agricultural producers; UAH 3.50 billion – energy service; UAH 56.84 billion – anti-war purposes; UAH 47.85 billion – lending in areas of high military risk. The program provided liquidity access to MSMEs and partially supported employment. At the same time, a significant share of the loans was directed to operational needs, which have a lower long-term impact than investment financing.

Impact of relocation programs. During the first year of the full-scale invasion, about 800 enterprises were relocated through the state program. By the end of 2023, the number of relocated enterprises under the state program increased to 840. The main wave of relocation occurred in 2022; afterwards, the role of the program shifted from organizing relocation logistics to financial and advisory support, through donor grants (including EBRD grants of up to €30,000), which finance the arrangement and restoration of production at a new location.

Impact of the “National Cashback” program. The total cashback payments[73] since the start of the program until September 2024 amounted to about UAH 3.4 billion. As of that period, more than 1,800 manufacturers had registered in the program. In June 2025, the government paid about UAH 490 million in cashback; more than 3.5 million participants received payments (as of July–August 2025). The program aims to stimulate demand for domestically produced goods (cashback up to 10%). The impact on the economy is assessed as mixed[74]: On the one hand, domestic demand for Ukrainian products is stimulated; on the other hand, the program creates distortions of competition and does not cover part of small businesses (in particular entities operating under the simplified taxation system), and also requires budget expenditures estimated at UAH 4–6 billion per year.

[71] <https://business.diia.gov.ua/>

[72] <https://diia.gov.ua/services/categories/biznesu/yerobota>

[73] <https://madeinukraine.gov.ua/national-cashback>

[74] <https://me.gov.ua/view/8a97dfac-44ec-4931-9372-004b1f516491>

Impact of EU/IFI grant and guarantee instruments (EIB, EBRD, EU4Business). In 2024–2025, the EU/EIB/EBRD deployed significant financial packages^[75] to support recovery, including guarantees and grants worth hundreds of millions of euros/dollars through separate instruments (in particular, the Ukraine Investment Framework). Such mechanisms increase banks' lending capacity, expand access to long-term financing, and reduce risks in lending to MSMEs, thereby facilitating the implementation of investment projects (reconstruction, modernization).

Impact of the “eRobota” project. The project provides direct state financing for the development of MSMEs through non-repayable grants, which is particularly important given limited access to bank lending, especially for startups and small businesses. As of autumn 2025, the total amount of grants issued exceeded UAH 11 billion; the number of recipients exceeded 24 thousand; more than 60 thousand new jobs were created; tax returns are estimated at about UAH 7 billion (approximately 60% of the invested amount). The largest program is “Own Business” (more than 21.5 thousand microgrants totaling UAH 5.1 billion); the second-largest is grants for processing enterprises – 878 grants totaling UAH 4.4 billion.

Impact of the “Diia.Business” project. The project has mainly long-term effects: Reducing entrepreneurs' transaction costs; simplifying access to information, consultations, training, and export services; improving the quality of managerial decisions; and building entrepreneurial human capital. The impact on GDP is indirect and appears in the medium term through increased productivity and resilience of SMEs.

7.2. TAX AND CUSTOMS POLICY

In recent years, Ukraine has implemented a number of instruments to modernize its tax and customs administration. In the tax sphere, the electronic taxpayer's cabinet has been introduced, the protection of VAT administration mechanisms has been strengthened, the procedure for providing tax clarifications has been streamlined, the BEPS action plan has been implemented, the use of cash registers has been simplified and software-based cash registers have been deployed, a mechanism for paying taxes through a single account has been created, mechanisms for the automatic exchange of tax information (FATCA) have been introduced, and other instruments have been implemented. In the customs sphere, the European transit system NCTS has been introduced, risk-oriented approaches have been strengthened (including scanners), the e-TTN system has been launched, online payment of customs duties has been ensured, an electronic queue at the border has been introduced, and a new automated customs clearance system at road border crossing points has been implemented with integration into the risk management system.

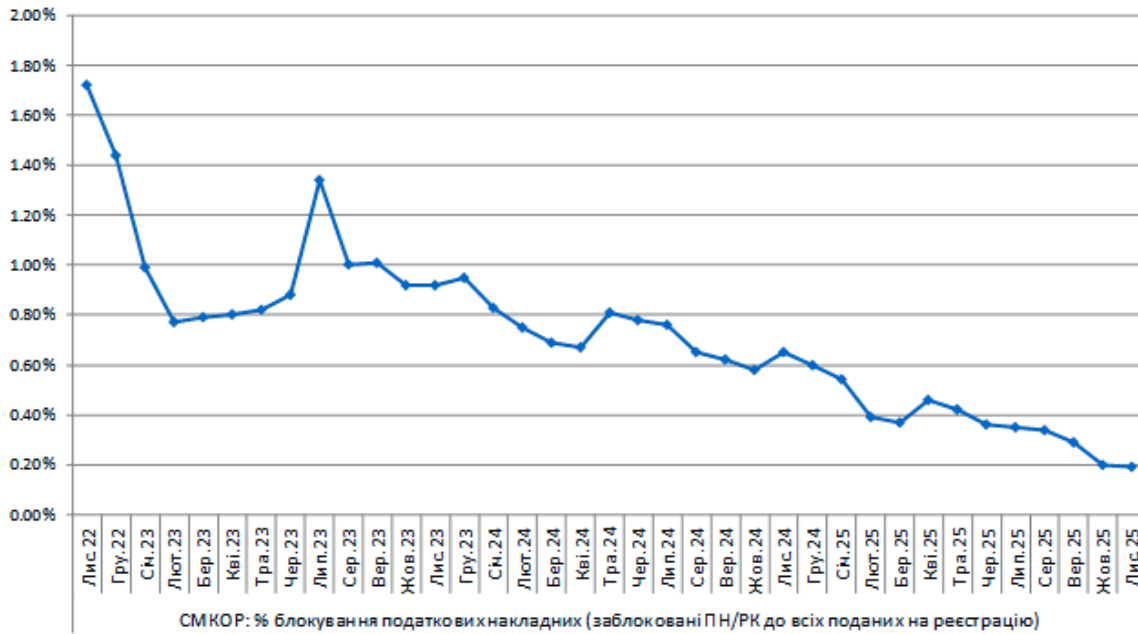
At the same time, problems in interactions between businesses and regulatory and law enforcement bodies remain among the most significant barriers to doing business. Incomplete reforms of the State Tax Service and the State Customs Service limit the state's capacity to reduce the level of abuses and the shadow economy^[76]. A separate problem remains the functioning of the SMKOR system: Over the past two years, the system's operation has created significant risks and costs for “white” businesses and requires modifications to improve usability and restore the presumption of taxpayer good faith. At the same time, in 2023–2025, a gradual decrease in the volume of budget losses from VAT “carousel schemes” is recorded to UAH 13–15 billion per year; in October–November 2025, the share of blockings (automatic suspension of tax invoices registration in the Unified Register of Tax Invoices (URTI) by the State Tax Service system due to risk indicators related to the transaction or the taxpayer) decreased to 0.2% of submitted tax invoices/adjustment calculations, however every month 9–10 thousand business entities face blockings.

A structural weakness of the tax system remains the high taxation of labor, which stimulates shadow economic activity. The effective tax burden on the payroll fund (according to the OECD methodology) is estimated at 37%, which is high by OECD standards. According to estimates, schemes with “envelope salaries” cause losses to the state budget and the Pension Fund of UAH 200–265 billion per year. Additionally, land and real estate taxes require further improvement as a potential source of strengthening the revenue base of local budgets.

^[75] <https://www.eib.org/en/press/all/2025-453-eu-expands-support-for-ukraine-with-more-than-eur200-million-in-new-grant-financing>

^[76] <https://iset-ua.org/ua/doslidzhennya/item/227-porivnialnyi-analiz-shem-2025>

Chart No. 16. Dynamics of the blocking of tax invoices



Source: State Tax Service.

7.3. NATIONAL REVENUE STRATEGY FOR 2024–2030

The key “roadmap” for reforming tax and customs policy is the National Revenue Strategy (NRS) until 2030, approved by the Government in December 2023. The NRS aims to adapt Ukraine’s revenue system to EU requirements and ensure financial stability in the medium term. Among the priorities are ensuring macrofinancial stability, adapting legislation to the EU acquis, fulfilling international obligations, increasing transparency and trust in regulatory authorities, strengthening anti-corruption measures, and digitalization.

The NRS includes both positive and risk-related proposals. Positive aspects involve reducing corruption risks in the State Tax Service and the State Customs Service through anti-corruption programs; consolidating IT information resources in the public finance management system; integrating with European VAT and excise administration systems; aligning VAT with EU directives; developing approaches to real estate valuation for tax purposes; exchanging advance customs information with other countries; enhancing international tax information exchange; increasing pay for customs officials; and introducing KPIs.

Risk-related proposals include: reform of the simplified taxation system (narrowing the scope of application, complicating accounting requirements, full fiscalization, early VAT registration); restoration of a progressive personal income tax scale; granting the State Tax Service additional powers to block assets without a court decision; and expansion of the State Tax Service’s access to banking information without adequate safeguards.

Impact on doing business in Ukraine:

Alongside positive proposals, the NRS contains elements that may increase the discretionary powers of regulatory authorities and complicate administration, creating risks of increased fiscal pressure on businesses under conditions of institutions that are not fully reformed. Potential consequences of the risk-related provisions may include increased administrative burden on SMEs (accounting, fiscalization, VAT administration), higher regulatory uncertainty and compliance costs, stronger incentives for shadow economic activity, and reduced investment activity.

Among the key institutional tasks for medium-term tax and customs reform are: Revitalizing the State Tax Service and the State Customs Service through transparent competitions and staff re-certification, implementing KPIs for the State Tax Service / State Customs Service / Bureau of Economic Security, and establishing independent monitoring of their execution, expanding automatic customs information exchange, and updating the SMKOR system to include limits on the duration of blocking tax invoices and adjustment calculations as well as restoring the presumption of taxpayer good faith.

7.4. DEREGULATION

The Government is focused on reviewing outdated regulatory instruments, eliminating duplication, and transitioning to a risk-oriented regulatory model. Coordination is carried out by the Interagency Working Group on Deregulation. In 2024, the Strategy for Recovery, Sustainable Development, and Digital Transformation of SMEs until 2027 was adopted, including measures for deregulation and digitalization.

In April 2025, the Cabinet of Ministers adopted a decision^[77] to cancel more than 200 state regulatory instruments (permits, approvals, conclusions, etc.) that had become irrelevant or duplicated other mechanisms. The largest blocks of cancellations concerned healthcare and sanitary control, agriculture, construction, trade, and labor. According to estimates of the Ministry of Economy and the State Regulatory Service, this may provide businesses with savings of about UAH 600 million per year in direct and indirect costs.

Law No. 3869-IX introduced a declarative principle for the initiation of certain types of economic activity during the period of martial law (based on the submission of a declaration without obtaining permits). At the same time, sectoral simplifications are being implemented (urban planning – digitalization of procedures; agriculture and ecology – updating of services; energy – simplification of access, for investors). Additionally, Law No. 4149-IX on the de-shadowing and deregulation of the used car market, Law No. 3528-IX on updating the regulation of the technical hemp market, as well as Draft Law No. 5473d on simplifying market supervision for small and micro businesses, have been adopted.

Deregulation measures are also implemented through the Action Plan for the Deregulation of Economic Activity and Improvement of the Business Climate (Cabinet of Ministers Order No. 1413 with amendments No. 838-r), which provides for the reduction of permitting procedures, digitalization, the reduction of corruption risks, and the transition from paper permits to electronic procedures, as well as the restructuring of the supervision system based on risk indicators.

Impact on doing business in Ukraine:

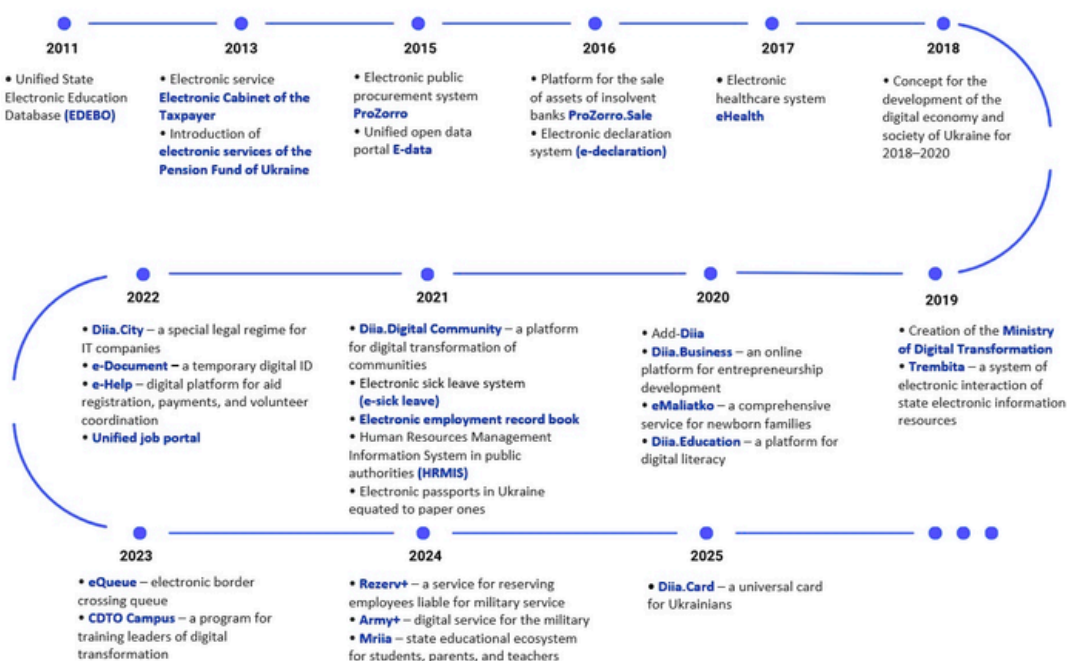
Deregulation has a direct positive effect by reducing compliance costs, shortening procedure durations, and reducing the number of contacts with officials. The cancellation of regulatory instruments and the introduction of the declaratory principle simplify the launch of activities under martial law. Sectoral simplifications and digital tools contribute to reducing shadow economic activity and bring the regulatory model closer to OECD and EU standards.

^[77]<https://me.gov.ua/News/Detail?lang=uk-UA&id=c7fdf6a0-8e62-4524-b48e-26bde493efbb&title=DeregulatsiiaBiznesu>

7.5. DIGITALIZATION

In March 2025, the Government approved^[78] the Action Plan for the transition of public services to electronic form until 2026 (Cabinet of Ministers Order of March 21, 2025, No. 263-r), which covers a wide range of areas – from social policy and registration procedures to customs, tax services, licensing, construction, and recovery. In September 2025, the Digital Transformation Plan of Ukraine for 2025–2026 was approved, which provides for further integration with the EU digital market, the development of digital identification, and the expansion of digital services. One of the key documents regarding the digitalization of SMEs is the Strategy for Recovery, Sustainable Development, and Digital Transformation of SMEs until 2027 (Cabinet of Ministers Order No. 821-r of August 30, 2024), which defines goals for digital transformation, innovative development, and the “green transition,” as well as the development of human capital and export capacity.

Chart No. 17. Key stages of digitalization in Ukraine.



Source: [VoxUkraine](#)

Impact on doing business in Ukraine:

Digitalization reduces administrative and transaction costs, shortens the duration of registration, permitting, customs, and tax procedures, and reduces corruption risks by lowering the need for direct interaction. The main effect is medium- and long-term, through increased productivity, improved management quality, and greater digital intensity in business.

7.6. RECOVERY AND RECONSTRUCTION PROGRAMS

Compensation to businesses for destroyed/damaged property (after the event). In October 2025, the Government approved^[79] a resolution to establish a mechanism for partial compensation for businesses whose property was destroyed or damaged as a result of armed aggression. The mechanism will start operating on January 1, 2026, for enterprises operating in territories of increased risk (the list of regions is defined by the resolution). The maximum compensation is UAH 10 million, but not more than the actual damage; compensation previously received from budgets reduces the amount of payment. Applications will be reviewed by the Export Credit Agency (ECA), which

[78] <https://zakon.rada.gov.ua/laws/main/263-2025-%D1%80#Text>

[79] <https://business.dia.gov.ua/news/uriad-zapuskaie-mekhanizm-kompensatsii-biznesu-za-zruinovane-maino>

will administer payments at the expense of the state budget; upon payment, the state obtains the right to claim against the Russian Federation for the corresponding amount.

Insurance of war risks (before the event) and compensation of insurance premiums. According to surveys, more than 70% of companies indicate the difficulty or impossibility of insuring property located within 50–150 km of the frontline; more than 60% of manufacturing companies state that the absence of insurance limits access to credit financing. According to [80] a survey by the American Chamber of Commerce, 56% of companies do not have sufficient access to war risk insurance. In Ukraine, insurance coverage of war risks for businesses remains limited due to the complexity of reinsurance in international markets and the high probability of insured events. In 2023, the Export Credit Agency (ECA) began developing instruments to insure investments and investment loans. In 2025, the ECA concluded 99 insurance contracts, and the financing volume attracted by exporters amounted to UAH 1.31 billion. At the end of 2025[81], a state compensation mechanism for part of insurance premiums under war risk insurance contracts was launched, following logic like the “5–7–9%” program, with the aim of reducing the effective tariff for businesses to 1% (within defined limits). The Export Credit Agency (ECA) has been designated as the administrator of the payments.

The key limitation is budget capacity: UAH 1 billion is allocated in the budget for the two components of the program (compensation for damages and compensation for part of the insurance premium) [82], which is a limited resource given the scale of needs. Acceptance of applications may be suspended once the limit is reached. Additional barriers include the complexity of assessing and documenting damages (limited access to facilities in frontline areas, the need for supporting documents, the loss of primary documents, etc.).

Compensation of costs for humanitarian demining of agricultural land. The Cabinet of Ministers adopted amendments to Resolution No. 284 regarding compensation of costs for humanitarian demining of agricultural land. The program was expanded in 2025: it can now be used by individuals and self-employed persons in the agricultural sector (previously, it was mainly for large agricultural enterprises). The compensation reduces the barrier to restoring farming on contaminated territories and supports food security.

Ukraine Facility, Made in Ukraine, and support for processing. Within the framework of the Ukraine Facility (with EU support), financing for investment, recovery, and reform projects for 2024–2027 is envisaged (including an investment fund, technical assistance, business support, and infrastructure reconstruction). Within the “Made in Ukraine” initiative, the objective is to shift the economy from raw-material-based to processing and high-tech, with the goal of increasing the processing industry’s share of GDP to 20% in the medium term. Instruments include stimulating demand for Ukrainian goods, supporting industrial parks, implementing compensation programs, developing non-raw-material exports, and supporting micro and small businesses through financial and advisory mechanisms.

Impact on doing business in Ukraine:

The launch of mechanisms for compensating for damaged/destroyed property and for part of insurance premiums may reduce barriers to restoring production, especially in regions of increased risk. However, the effectiveness of these instruments largely depends on the scale of financing, the speed of procedures, and the ability to document damages. The demining compensation program reduces barriers for farmers and landowners and supports the restoration of agricultural production. The instruments of the Ukraine Facility and “Made in Ukraine” create a framework for investment in processing, innovation, and infrastructure, which may support the economy’s structural modernization in the medium term.

[80] https://chamber.ua/wp-content/uploads/2024/06/AmCham_Citi_Survey_Results_11_06_EN.pdf

[81] <https://me.gov.ua/News/Detail/bd4ff938-de71-4b01-bbdb-63c95bf8e0d4?lang=uk-UA&title=MekhanizmKompensatsii>

[82] [Compensation for Destroyed Business Property: Government Adopts Resolution | Business](#)

8. INVESTMENT POLICY

8.1. CURRENT TRENDS IN THE INVESTMENT CLIMATE

At the end of the fourth year of the full-scale invasion, war risks remain the key factor determining the investment climate in Ukraine. Despite local businesses adapting to wartime conditions, mobilization measures and migration have intensified the labor shortage, resulting in even enterprises designated as critical to the economy facing operational difficulties and, in some cases, being forced to suspend production. An additional negative factor is systematic missile and drone attacks, which affect the operation of enterprises both directly and through the deterioration of the energy system. At the same time, business investments in backup power supply, autonomous distributed generation, and energy storage installations have partially reduced vulnerability to electricity supply disruptions.

Structural problems in the business climate remain relevant: Low predictability of state policy (an issue that has intensified under wartime conditions), corruption risks, weak protection of property rights, and imperfections in the judicial system. In the absence of significant changes to the status quo, the main factor supporting economic activity remains Ukrainian businesses' adaptability. Reducing war risks and establishing more predictable rules of the game are decisive in attracting large-scale new foreign investors.

A separate block of problems systematically highlighted by businesses is the shortage of personnel and the issues related to employee reservation connected with mobilization (see Section 6 "Economic Security and Resilience").

Moderate improvement of the business environment. The integral indicator of the Investment Attractiveness Index^[1] of Ukraine in 2025 increased to 2.7 points out of 5 possible (2.49 points in 2024) and almost returned to the level of the second half of 2021. Among the key negative factors, respondents name war risks, corruption, a weak judicial system, a shortage of personnel, and strikes on energy infrastructure. Separately, 78% of respondents indicate that restrictions on foreign exchange operations worsen investment attractiveness.

A survey by the American Chamber of Commerce in Ukraine in mid-2025 showed that 53% of companies expect business conditions to remain unchanged through the end of the year, while 29% forecast a deterioration relative to 2024^[2], and only 16–18% expect an improvement. The key risks remain unchanged: war-related uncertainty, security threats, corruption, imperfections of the judicial system, and regulatory unpredictability. In particular, 44% of companies cited the need for a predictable tax policy as an important condition for business environment stability.

Overall, in 2025, the assessments of the comfort of doing business improved only slightly, mainly due to adaptation to wartime conditions. Most enterprises continue to assess the environment as high-risk despite certain positive developments (deregulation, digitalization of services, European integration prospects, etc.).

8.2. IMPACT OF WAR RISKS AND GLOBAL ECONOMIC INSTABILITY ON INVESTORS' DECISIONS

War risk and uncertainty. The ongoing aggression by the Russian Federation creates a high risk premium for investors, leading investors to postpone investment decisions until the security situation stabilizes. In response, Ukraine, together with its partners, is developing instruments of insurance and de-risking^[85] (including mechanisms of MIGA, DFC, national export credit agencies, as well as the Ukrainian ECA) to reduce war and political-risk exposures (including risks of expropriation and violations of property rights).

[83] [EBA Investment Attractiveness Index](#)

[84] [AmCham Survey, July 2025](#)

[85] [Ukraine has created a multi-level system of investment insurance against war risk, ukraineinvest.gov.ua](#)

The availability of de-risking instruments partially reduces entry barriers; however, their practical use remains limited due to bureaucratic constraints, conservative risk-assessment approaches, and limited capacity in the insurance market. The main concerns of investors include the physical destruction of assets, disruptions to infrastructure operations, and general uncertainty about the economy's future.

The most significant limitation for the inflow of foreign capital remains the high level of uncertainty regarding Ukraine's future as a jurisdiction. Under these conditions, investment activity is mainly supported by local investors, whose capital largely remains within the country, particularly due to the NBU's restrictions on capital movements. Uncertainty negatively affects domestic investors by hindering long-term planning.

Instability in global trade. Turbulence in the global economy (in particular, trade conflicts and fluctuations in the monetary policy of leading economies) reduces investors' risk appetite and intensifies the reassessment of supply chains. The UNCTAD Global Trade Uncertainty Index has reached high levels, slowing capital inflows into developing markets[86]. Under such conditions, the importance of local reforms aimed at increasing policy predictability and the effectiveness of investment protection mechanisms is growing.

Changes in global supply chains and security balances. Among the key trends are the reconfiguration of the energy market in the EU aimed at reducing dependence on the Russian Federation; the shift from the model of global offshoring of production to nearshoring/friendshoring (placing production closer to sales markets and in "friendly" jurisdictions) in order to reduce logistical risks; the growth of protectionist policies; and the relocation of production of strategic goods (in particular microchips) to jurisdictions with lower security risks. Additionally, global security balances are shifting, increasing the EU's demand for the development of defense-industrial capacities and the reassessment of defense-planning approaches.

8.3. COMPETITIVE ADVANTAGES OF UKRAINE

Despite the high risks, the trends outlined above create opportunities for Ukraine in the medium term after the reduction in the intensity of hostilities. The strengthening of Ukraine's security role in the region, conditioned by combat experience and the institutional transformation of the security and defense sector, may increase the country's political weight. An important component of this capacity is the development of the defense-industrial complex, which, according to available estimates, provides about 60% [87] of the needs of the Ukrainian Defense Forces.

Defense and digital technologies. The full-scale invasion has stimulated the development of Ukrainian defense technologies, IT solutions, and dual-use technologies. The sector has accelerated the cycle of developing and testing new solutions, increasing the potential for commercialization and export cooperation. According to a study by the New Europe Center, Ukrainian companies in the field of defense technologies have already become global champions in adaptive solutions tailored to battlefield needs.[88] According to estimates of the Kyiv School of Economics, 80–85% of strikes on the frontline are carried out by drones; the cycle of creating and testing new models has been reduced to several weeks, and the cost of striking a target with drones is significantly lower than with missile or artillery means[89].

Expansion of unmanned systems production. Ukraine has formed one of the most dynamic segments of UAV production: In 2024, about 2 million units were manufactured, and in 2025, production is planned at 3–4 million

[86] [Trade tensions and rising uncertainty drag global economy towards recession](https://unctad.org/en/publications-and-statistics/publication-trade-tensions-and-rising-uncertainty-drag-global-economy-towards-recession.aspx), unctad.org

[87] [State Foreign Information Service](https://www.gov.ua/en/state-foreign-information-service)

[88] [Defence co-production of Ukraine: from wartime necessity to strategic industry](https://www.neweuropecenter.com/en/defence-co-production-of-ukraine-from-wartime-necessity-to-strategic-industry/), New Europe Center Report

[89] [From the Battlefield to the Future of Warfare: Harnessing Ukraine's Drone Innovations to Advance U.S. Military Capabilities](https://www.ksei.org.ua/en/from-the-battlefield-to-the-future-of-warfare-harnessing-ukraine-s-drone-innovations-to-advance-u.s.-military-capabilities/), KSE Institute Report

(according to available estimates, the maximum capacity may reach 8 million per year). This creates potential for production cooperation with partners in the EU and the United States, combining Ukrainian engineering competencies with the industrial scale of Western economies.

Resource potential and critical materials. Ukraine possesses significant deposits of critical minerals (in particular, graphite, titanium, beryllium, lithium, uranium, and rare earth materials), which take on additional importance against the backdrop of the “green transition” and the growing demand for strategic raw materials. Additional structural advantages include agricultural potential and a resource base for ferrous metallurgy, with large reserves of iron ore[90].

European integration and geographical location. Candidate status for EU membership and the deepening of integration with the Single Market increase Ukraine's attractiveness for nearshoring models in the post-war period. The geographical location at the intersection of trade routes between Europe and Asia, access to the Black Sea, and a relatively large domestic market strengthen logistical potential[91].

8.4. STATE AND INTERNATIONAL MECHANISMS FOR INVESTMENT PROTECTION

Guarantees, financing, and risk insurance. With the support of the EU, the G7, and international financial organizations, Ukraine is developing instruments of political and financial de-risking. In particular, within the €50 billion EU assistance package (Ukraine Facility), the Ukraine Investment Framework (UIF) has been established, providing €9.3 billion in guarantees and concessional financing for investment projects. Financing programs from partner countries and international financial institutions are operating, as are export credit agency instruments and war risk insurance mechanisms, with the participation of MIGA, DFC, and global reinsurers.

Commercial insurance solutions are also evolving, including private war-risk insurance products for certain types of assets. Taken together, these mechanisms aim to reduce the risk premium and increase the bankability of projects; however, their capacity to compensate for jurisdictional risks remains limited.

Tax incentives and special legal regimes. In Ukraine, instruments for supporting investment operate through industrial parks, public-private partnership mechanisms, and the special legal regime Diia.City for IT companies, as well as legislation on state support for projects with significant investments. The purpose of these mechanisms is to reduce investment costs, simplify procedures, and increase the attractiveness of projects for strategic investors. The main constraints on investment activity fall into three categories: War and political risks tied to ongoing hostilities and the uncertain timeline for their resolution; low predictability of government policy; and weak protection of property rights in a broad sense, including the quality of the judicial system and law enforcement.

8.5. WAR RISK INSURANCE AND COMPENSATION MECHANISMS: CHALLENGES FOR BUSINESS

The state mechanism for partial compensation for the value of destroyed/damaged property and for compensation of insurance premiums under war risk insurance contracts[92] (through the Export Credit Agency) was launched in October 2025 and is described in more detail in Section 7, “State Policy and Business Support Programs.” [Індекс інвестиційної привабливості ЄБА](#).

[90] [State Foreign Information Service](#)

[91] [Ukraine Country Commercial Guide](#)

[92] This is governed by the “Procedure for Providing Partial Compensation for the Value of Property of Business Entities destroyed or damaged as a result of armed aggression by the Russian Federation, as well as partial compensation for insurance premiums under insurance contracts covering war risks,” approved by Resolution of the Cabinet of Ministers of Ukraine [No. 1541](#) of November 28, 2025. The mechanism will take effect on January 1, 2026.

9. REFORM PRIORITIES FOR ECONOMIC RESILIENCE AND INVESTMENT GROWTH

To transform wartime adaptation into a long-term competitive advantage, Ukraine requires a concentrated set of reforms in strategic directions:

- Relaunch of tax and customs institutions: Anti-corruption reform of the State Tax Service of Ukraine and the State Customs Service of Ukraine is a key condition for investor confidence. Without institutional transparency, a stable investment environment is impossible.
- War risk insurance market: The creation of a large-scale war risk insurance market is critical for launching private investment.
- Development of the capital market: Enterprises require long-term financing for modernization and reconstruction.
- Industrial policy: Stimulation of the processing industry and non-raw material exports.
- Infrastructure modernization: Transport infrastructure is the foundation of economic security. Without modernizing logistics, export potential will remain limited.
- Human resources policy: The shortage of personnel reduces the investment attractiveness of high-value-added sectors and limits the potential to scale production. A new employment strategy and reform of vocational education are needed.
- Cybersecurity: The growth of cyberattacks makes cyber protection an essential element of economic security and investment attractiveness.
- Investment screening: Introduction of a system for reviewing foreign investments. In September 2025, the Government submitted to the Verkhovna Rada Draft Law No. 14062 "On the screening of foreign direct investments"[93], which introduces the first comprehensive mechanism in Ukraine for reviewing (screening) foreign direct investments in critical sectors.[94] The aim is to bring investment security standards closer to European ones and to protect the economy from unfriendly acquisitions, especially under wartime conditions.

Screening of foreign direct investment is a state control mechanism that allows investments to be assessed in light of national security and the state's strategic interests. In 2019, EU Regulation 2019/452 was adopted, introducing common rules, and each European Union country is implementing a national screening system. International practice shows that such mechanisms are a standard for investment-attractive states and are aimed not at restricting investment but at preventing the concentration of foreign capital in strategic sectors of the economy.

Investment screening usually includes analysis of the country of origin of capital, the investment sector, the nature of the transaction, the assets being acquired, and threshold levels of control. In different countries, decisions are made either by the government or by special interagency bodies, such as the Committee on Foreign Investment in the United States (CFIUS). Ukraine currently lacks a systematic mechanism for assessing the risks of foreign investment, although practice shows that uncontrolled access to strategic enterprises may create economic and security threats, especially under martial law.

The introduction of a legislative screening mechanism aims to establish transparent rules for investors, protect critical infrastructure and sensitive information, and maintain the economy's openness to bona fide capital. Such an approach aligns with European practice, strengthens the state's economic security, and creates conditions to

[93] [Draft law on the Verkhovna Rada website](#)

[94] [UKRAINE PLANS TO TIGHTEN RULES ON FOREIGN INVESTMENT IN KEY SECTORS](#), Golaw.ua

increase investment confidence, which is particularly important during the post-war reconstruction of Ukraine.

- **Scope – strategic sectors:** Screening will apply to investments in companies operating in sectors that are important to national security and society. These include critical infrastructure facilities (energy, transport, communications, banking, defense, healthcare, etc.), strategically important mineral resources (metal ores, rare earth elements), and enterprises that develop or produce weapons or dual-use goods. Thus, the acquisition by a foreign investor of a significant share in a business (25% or more) or certain assets (more than 10% of their value) in these sectors will require screening.
- **Procedure and control:** It is planned to establish a special authorized body (likely within the Ministry of Economy) that will receive investor applications and conduct screening within 90 days. In complex cases, a collegial Impact Assessment Committee (representatives of security and intelligence bodies, the Ministry of Foreign Affairs, and other agencies) will be involved to assess risks and prepare recommendations. Following the review, the investment may be approved, approved with conditions, or denied. After approval, the authority will monitor compliance with conditions and publish an annual report on the results of screening.

Investments from persons linked to the aggressor state will not be approved, including investors who hold Russian citizenship, have business ties to the Russian Federation, or are under sanctions.

10. CONCLUSIONS

Ukraine's economy is entering a phase of long-term structural transformation in which war risks are no longer a temporary crisis factor but are becoming a permanent element of economic planning. This is forming a new development model in which investment attractiveness is determined not only by environmental stability but primarily by the economy's ability to adapt to systemic shocks.

The full-scale war has accelerated structural changes that under peaceful conditions would have taken decades. Key drivers of economic growth are shifting toward infrastructure reconstruction, energy resilience, logistics, the defense-industrial complex, and dual-use technologies. These sectors are shaping the country's new export architecture and laying the foundation for attracting long-term international capital.

At the same time, scaling these opportunities is impossible without accelerating institutional reforms. Predictability of regulatory policy, protection of property rights, war risk insurance, development of capital markets, and human resources policy are becoming not auxiliary but decisive conditions for economic resilience and security.

Labor shortages, worn-out infrastructure, institutional constraints, and security challenges create long-term risks that, without a systemic response, may restrain economic recovery. These same factors open space for large-scale modernization, technological advancement, and the reconsideration of the economic development model.

Ukraine's competitive advantage in the next decade will depend not only on reconstruction resources but also on the ability to combine security priorities with economic modernization. Countries and companies that join this process early will secure a strategic position in the new framework of the European economic space.

Ukraine is gradually shifting from a recovery economy to a modernization economy. In this process, risk stops being just a limiting factor and becomes a new class of investment opportunities. The country's reconstruction is one of the largest infrastructure projects in Europe in the 21st century, creating long-term demand for capital, technology, and management solutions.