



# Ukraine on the Investment Map

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## Overview

This analytical paper provides an overview of the current state of foreign direct investment in Ukraine and explains why its low level is the result of both the full-scale war and the long-standing structural barriers that had constrained Ukraine's investment attractiveness even before 2022. The paper demonstrates how Ukraine is falling outside the focus of international investors due to the lack of sufficiently packaged projects, clear market entry routes, and institutional support mechanisms. Particular attention is given to international case studies demonstrating that even high-risk jurisdictions are capable of attracting capital when the appropriate investment infrastructure is in place. The paper also outlines the sectors in which Ukraine already has the greatest potential for attracting investment and proposes practical recommendations for the state and international partners.

# 1. Current Situation and Issues

Russia's full-scale invasion in February 2022 caused a sharp collapse in Foreign Direct Investment (FDI) in Ukraine. According to the World Bank, net FDI fell from USD 7.95 billion in 2021 to USD 0.22 billion in 2022 – a decline of 97%. In 2023, a partial recovery to USD 4.2 billion took place, according to UNCTAD; however, in 2024 the trend deteriorated again: FDI inflows declined to approximately 2.1% of GDP. According to the NBU, as confirmed by reviews from international financial institutions and analytical centres, FDI inflows during the incomplete annual reporting period of 2024 lagged behind the figure recorded during the corresponding period of the previous year. Overall, during 2022–2024, FDI amounted to only USD 8.3 billion, averaging approximately 1.6% of GDP per year – clearly insufficient for post-war economic recovery<sup>5</sup>.

The key issue here is not only the decline in volume, but also its quality. Even before 2022, Ukraine was not among the leading jurisdictions with a similar risk profile: in 2020, net investment fell to USD 0.3 billion due to the pandemic, while the surge in 2021 was largely a post-COVID rebound. If the cumulative FDI over the three war years (USD 8.3 billion) is compared with 2019 alone (USD 5.8 billion), it becomes evident that the war did not create the problem from scratch, but rather exposed a pre-existing structural deficit of external capital.

Moreover, even this USD 8.3 billion figure is to a large extent statistically misleading. 61% of FDI during 2022–2024 consisted of reinvested earnings by companies that were already present in Ukraine. This is partly explained by the NBU's foreign exchange restrictions on dividend repatriation: part of the profits remained in the country not because of a new investment decision, but due to the regulatory regime. Therefore, in assessing the actual investment dynamics, it is more important to focus not on the gross FDI indicator, but on the inflow of new capital (equity).

This is precisely where the core problem becomes apparent. New capital – that is, genuine new external investment – increased from USD 0.4 billion in 2022 to USD 0.9 billion in 2024. This is a positive signal, but not yet evidence of a qualitative shift in the trend. Against the backdrop of reconstruction needs estimated by RDNA4 at USD 524 billion as of the end of 2024, and exceeding

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<sup>1</sup> World Bank. Foreign direct investment, net inflows (BoP, current US\$) – Ukraine. <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=UA>

<sup>2</sup> UNCTAD. World Investment Report 2024; World Investment Report 2025. <https://unctad.org/topic/investment/world-investment-report>

<sup>3</sup> World Bank Data. Foreign direct investment, net inflows (% of GDP) – Ukraine. <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=UA>

<sup>4</sup> Lloyds Bank Trade Portal (2025). Foreign direct investment (FDI) in Ukraine. <https://www.lloydsbanktrade.com/en/market-potential/ukraine/investment>

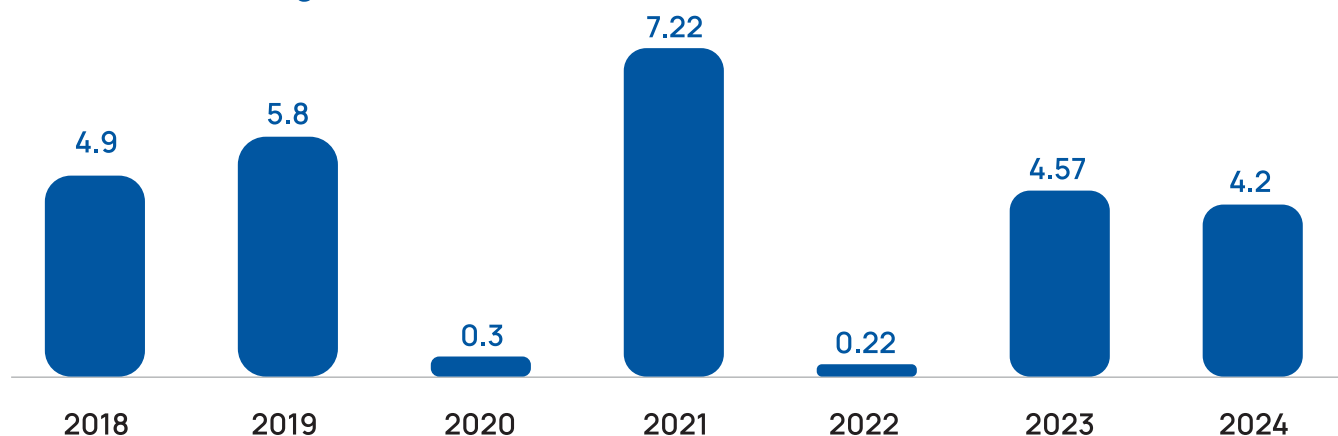
<sup>5</sup> VoxUkraine (2025). FDI development during the war: dynamics, structure, and drivers. <https://voxukraine.org/en/fdi-development-during-the-war-dynamics-structure-and-drivers>

<sup>6</sup> VoxUkraine (2025). FDI development during the war: dynamics, structure, and drivers. <https://voxukraine.org/en/fdi-development-during-the-war-dynamics-structure-and-drivers>

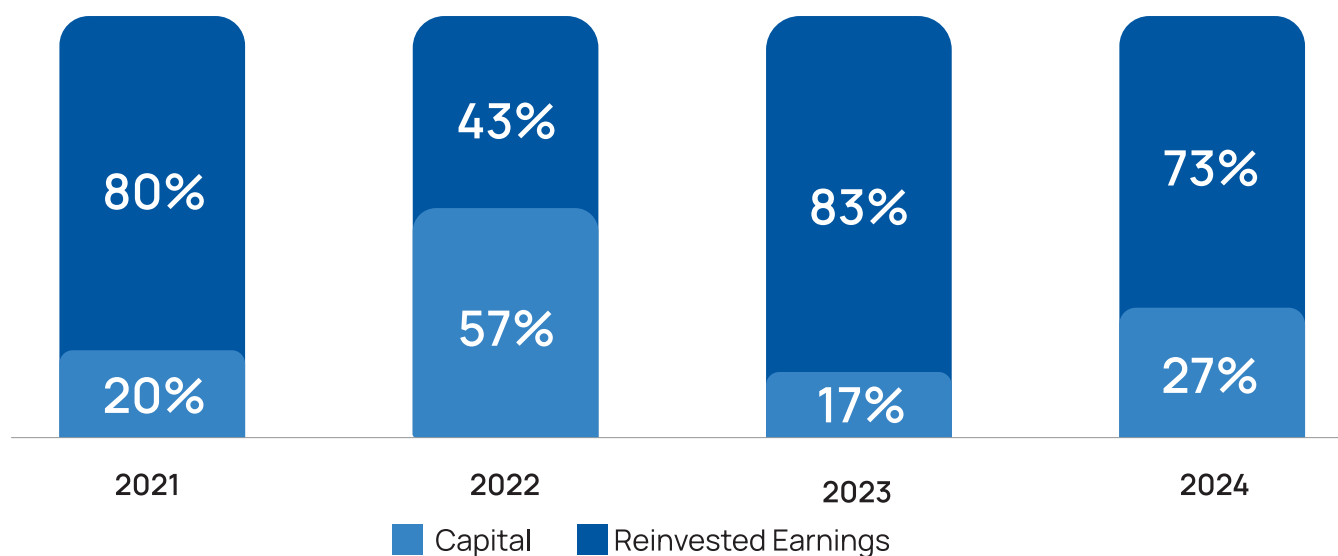
<sup>7</sup> National Bank of Ukraine. External Sector Statistics: Direct investment flows by instruments, regions, countries, and types of economic activity. <https://bank.gov.ua/en/statistic/sector-external>

USD 580 billion in 2026 according to RDNA5, the current volume of new capital remains insufficient.<sup>8,9</sup>

**Figure 1. Net FDI Inflows into Ukraine in 2018–2024**



**Figure 2. Ratio of New Capital to Reinvested Earnings within the FDI Structure**



The geography of investors has also changed. Before 2022, the five largest investor countries (Cyprus – 26.1%, the Netherlands – 22.6%, Switzerland – 6.2%, the USA – 5.1%, Germany – 3.7%) accounted for 62% of all FDI. After 2022, their share declined to 41%. Investment flows from Germany became negative (negative reinvested earnings), while investment from Austria, the USA, Poland, and France increased. Notably, Saudi companies invested more than USD 217 million in 2024. Sectorally, a shift from industry towards the services sector has been observed, driven both by higher profitability in the services sector and by the physical risks facing industrial assets.

<sup>8</sup> World Bank, Government of Ukraine, European Commission, United Nations (2025). Updated Ukraine Recovery and Reconstruction Needs Assessment. <https://www.worldbank.org/uk/news/press-release/2025/02/25/updated-ukraine-recovery-and-reconstruction-needs-assessment-released>

<sup>9</sup> World Bank, Government of Ukraine, European Commission, United Nations (2026). Updated Ukraine Recovery and Reconstruction Needs Assessment. <https://www.worldbank.org/en/news/press-release/2026/02/23/updated-ukraine-recovery-and-reconstruction-needs-assessment-released>

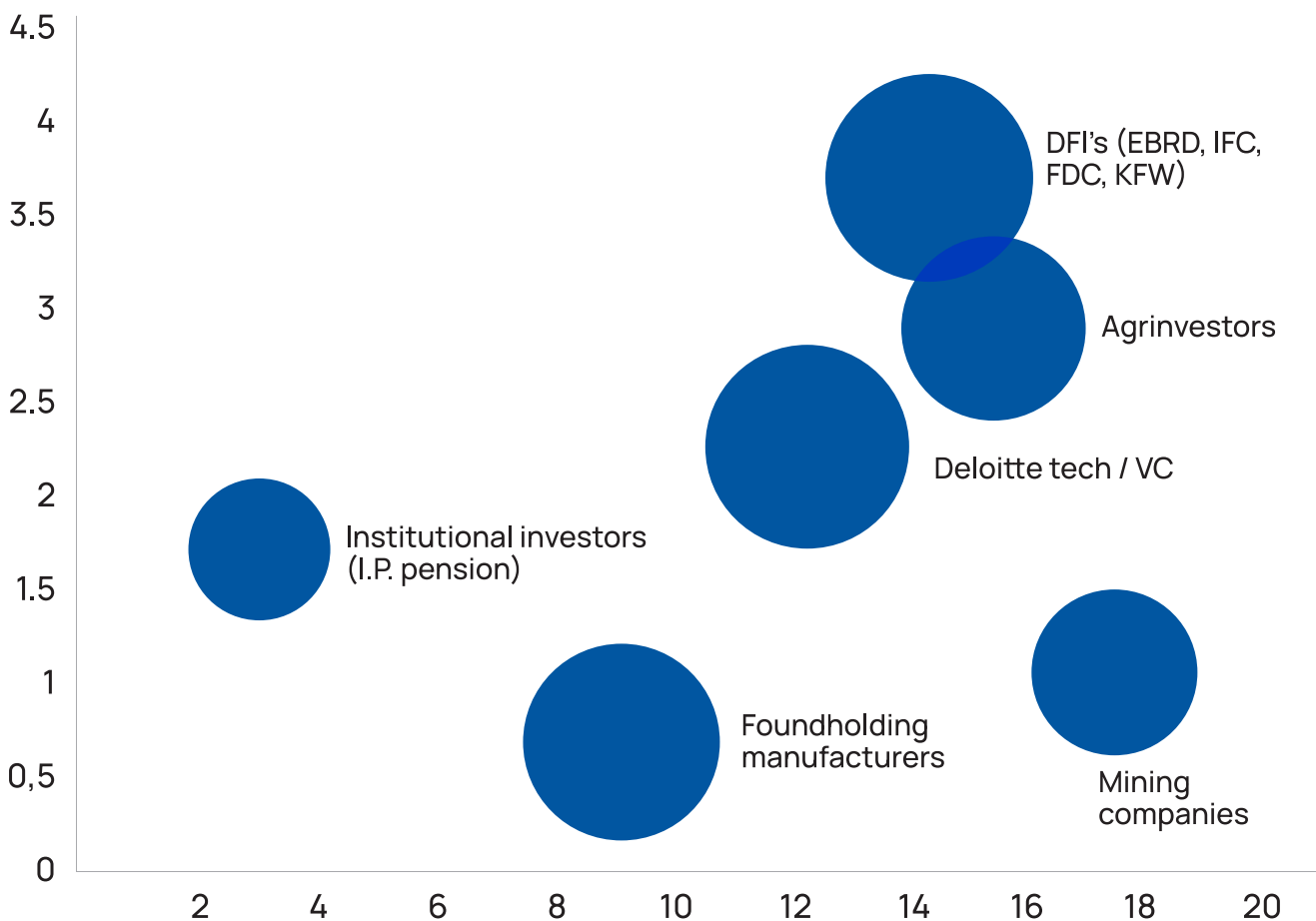
<sup>10</sup> VoxUkraine (2025). FDI development during the war: dynamics, structure, and drivers. <https://voxukraine.org/en/fdi-development-during-the-war-dynamics-structure-and-drivers>

<sup>11</sup> VoxUkraine (2025). FDI development during the war: dynamics, structure, and drivers. <https://voxukraine.org/en/fdi-development-during-the-war-dynamics-structure-and-drivers>

The problem of Ukraine's invisibility on investment radars becomes evident when analysing different categories of investors. Each category has its own decision-making logic – and for each of them Ukraine “falls out” of focus for different reasons. Institutional financing has the potential to become a critically important instrument for the large-scale modernisation of the private sector; however, according to research by DataDriven, this potential has not yet translated into broad business access to capital. The key problem is that the existing instruments operate within a complex and fragmented architecture: the UIF functions more as a coordination framework than as a direct financing channel; the requirements of different institutions are not standardised; and access to resources depends on company size, the quality of documentation, the availability of collateral, compliance with ESG requirements, corporate governance standards, and other investment-readiness criteria. As a result, without an appropriate technical, administrative, and regulatory framework approach, institutional financing will remain a marginal source of support rather than an instrument for the broad modernisation of the private sector.

This is important not only as a separate issue of access to the resources of international financial institutions, but also as a symptom of a broader gap between the formal availability of capital and the actual ability of the economy to absorb it. It is precisely here that one of the key dividing lines lies between countries that receive external support on paper and those capable of transforming it into a flow of financed projects and closed investment deals. In this sense, the Ukraine Investment Framework is not merely another instrument, but a test of Ukraine's ability to build a functional investment infrastructure.

**Figure 2. Positioning of Investor Classes by Proxy Risk Tolerance and Estimated Volume of Capital Invested in Ukraine since 2022.**



**Note:** X-axis: Proxy risk tolerance. Y-axis: Estimated volume of capital invested in Ukraine since 2022, USD million (log scale). A higher position along the X-axis corresponds to investors that typically operate in lower-rated and higher-risk jurisdictions. The Y-axis is presented on a logarithmic scale. Estimates of invested capital are indicative and used for comparative positioning purposes. Bubble size reflects the strategic relevance of the investor class for Ukraine on a scale from 1 to 5, where a larger bubble indicates higher potential for targeted investment.

Many international investors still view Ukraine primarily through the lens of sovereign risk and debt instruments. This may be appropriate for a macro investor, but it does not provide a sufficient basis for assessing private equity. An investor in a specific project evaluates not only the country as a whole, but also the sector, project location, availability of partners, risk insurance instruments, and the structure of the deal. When this distinction is not operationalised, the investor sees not “a standalone investment case”, but merely “a country at war”.

This is precisely why Ukraine is better explained not by the category of a “high-risk country”, but rather by the category of a “market lacking a sufficiently packaged investment offering”. Mining companies, agribusiness investors, producers, and defence-tech funds are accustomed to operating through a pipeline approach: they expect to see a list of assets, standardised due diligence materials, a clear licensing pathway, risk insurance arrangements, an anchor investor or DFI partner, as well as an authorised government-side counterparty. Where these elements are absent, the market falls off the radar regardless of the objective quality of the asset.

The extractive industry provides the clearest example of this. Global companies systematically operate in the Democratic Republic of the Congo, Mozambique, or Mali – not because these jurisdictions are safe, but because an investment entry route exists there: a licence, a partner, a geological package, political facilitation, and in some cases insurance cover. In Ukraine, by contrast, even strong assets are often not translated into a format suitable for institutional review. Thus, the problem lies not only in wartime risk, but also in Ukraine’s structural invisibility within investment processes. Investors accustomed to high-risk jurisdictions do not see a ready entry point in Ukraine.

A moderate improvement in the business environment is taking place, but it still does not signify a return to a normal investment cycle. The European Business Association (EBA) Investment Attractiveness Index increased to 2.7 out of 5 in 2025, up from 2.49 in 2024; however, this still remains within the low-comfort zone for investors. The composition of barriers has also remained largely unchanged: the war, corruption, weaknesses in the judicial system, labour shortages, energy-related risks, and foreign exchange restrictions. It is particularly notable that 78% of EBA respondents identified foreign exchange restrictions specifically as a factor worsening investment attractiveness.

A survey by ACC Ukraine sends a similar signal: businesses have learned to operate, but they do not feel they are functioning within a predictable environment. In mid-2025, 53% of companies expected conditions to remain unchanged until the end of the year, 29% expected deterioration, and only 16–18% anticipated improvement. In other words, business adaptation has not eliminated the institutional bottlenecks. Investors can see that operational resilience has increased, but the rules of the game remain insufficiently predictable, while the cost of error remains high.

<sup>13</sup> European Commission, Ukraine Investment Framework.  
[https://enlargement.ec.europa.eu/countries/ukraine/ukraine-investment-framework\\_en](https://enlargement.ec.europa.eu/countries/ukraine/ukraine-investment-framework_en)

<sup>14</sup> EBA (2025). Індекс інвестиційної привабливості України.  
<https://eba.com.ua/vijna-koruptsiya-ta-slabka-sudova-systema-golovni-bar-yery-dlya-investytsij/>

<sup>15</sup> EBA (2025). Індекс інвестиційної привабливості України.  
<https://eba.com.ua/vijna-koruptsiya-ta-slabka-sudova-systema-golovni-bar-yery-dlya-investytsij/>

<sup>16</sup> AmCham/Citi Survey Results – Doing Business in Wartime Ukraine, July 2025  
<https://chamber.ua/news/amcham-citi-survey-results-doing-business-in-wartime-ukraine-july-2025/>

At the same time, structural problems persist: the low predictability of state policy (an issue exacerbated by wartime conditions), corruption risks, weak protection of property rights, and deficiencies in the judicial system, which are themselves consequences of the lack of the rule of law. Mobilisation measures and migration have intensified labour shortages – even enterprises designated as critical to the economy face operational difficulties. Systematic missile and drone attacks affect business operations both directly and through the deterioration of the energy system. Business investment in backup power supply and autonomous generation has partially reduced vulnerability, but has not eliminated it.

An investor may reasonably expect a relatively rapid improvement (within a horizon of several years, if not months) in the situation relating purely to military risks. However, problems associated with the lack of the rule of law are systemic, as it is incompatible with the currently dominant patronalism – a form of “limited access order” under which real rights and opportunities are primarily available to members of informal “pyramidal” patronage social networks. This form of “limited access”, characteristic of post-Soviet countries, is likely among the least friendly and least comfortable environments for FDI. Ukraine is moving towards overcoming this phenomenon, but this itself adds a degree of uncertainty, as different de facto “rules of the game” continue to operate simultaneously.

Another systemic problem is the presence nearby of an aggressive empire with an economy an order of magnitude larger, which – absent tectonic internal transformations within it – will continue to pose a military threat. The only economically sustainable way to counter this threat requires close military-economic cooperation with partner countries (and, in the future, allies).

At the same time, among the positive developments are deregulation, the digitalisation of public services through Diia, and prospects for European integration. In the absence of substantial changes to the status quo, the principal factor sustaining economic activity remains the adaptability of Ukrainian business. However, this is insufficient for the large-scale attraction of new foreign investors – a systematic “investment infrastructure”, as described in the DataDriven report, is required<sup>17</sup>.

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<sup>17</sup>DataDriven Research & Consulting (2025). Institutional Architecture of Business Financing: International and National Structure. <https://res2.weblium.site/res/65649c2d2ea0b1000f9d831b/688bc2db6ca80195f4942332>

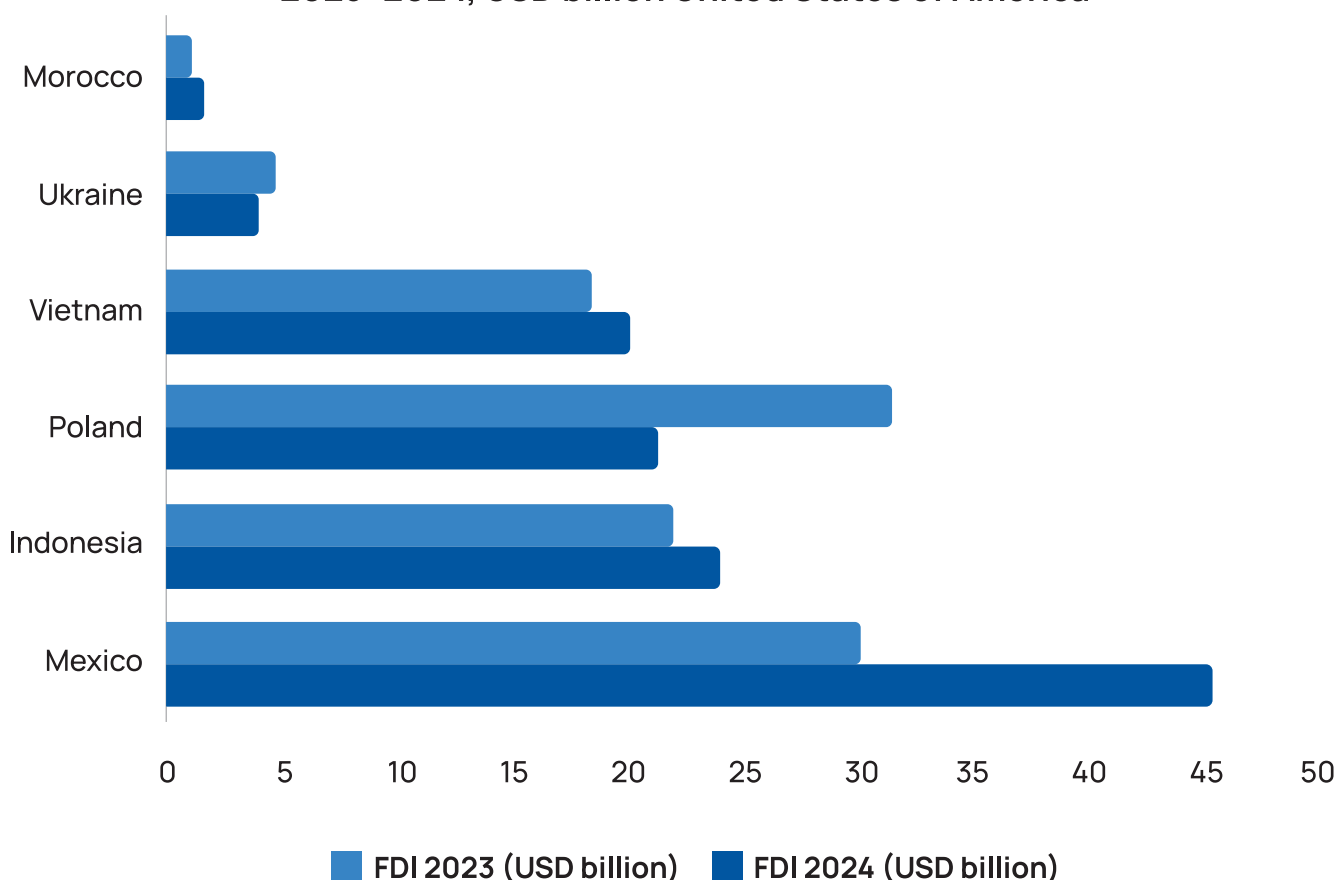
# 2. Overview of International Experience

The comparative case studies below are intended not for mechanical replication, but for identifying recurring institutional mechanisms. Countries facing high or even extreme risks still attract capital, provided that three elements are present: first, a clear entry point in the form of a sector, licence, or specific asset; second, an institution acting as a guide for the investor; and third, political or financial risk reduction through the state, DFIs, or international partners. This is precisely why Ukraine should learn not from “safe” countries, but from those that have learned how to convert a high-risk environment into a concrete investment deal.

## (a) Friendshoring: Morocco and Poland as Manufacturing Hubs

Bloomberg Economics identified five “connector economies” – Vietnam, Indonesia, Mexico, Poland, and Morocco – expected to benefit most from the reconfiguration of global supply chains. These countries combined a balanced foreign policy approach with sufficient economic potential to manoeuvre amid geopolitical rivalry. Ukraine is absent from this list – despite its objective advantages.

**Figure 4. Net FDI Inflows into Ukraine and Selected “Connector Economies” in 2023–2024, USD billion United States of America**



Morocco is a particularly illustrative case, as it did not gain this status naturally, but rather engineered it through political means. According to the World Bank, the share of manufacturing within the FDI structure increased markedly, while the leading sectors in recent years included automotive manufacturing, chemicals,

<sup>18</sup> Atlantic Council (2025). Connector economies and the fractured state of FDI. <https://www.atlanticcouncil.org/blogs/econographics/connector-economies-and-fractured-foreign-direct-investment/>

food processing, and pharmaceuticals. The Industrial Acceleration Plan and the subsequent development of industrial zones provided not only tax and regulatory incentives, but also an environment for the concentration of car manufacturers and their suppliers. Result: Morocco became Africa's largest automotive hub – producing more than 500,000 vehicles annually, generating approximately USD 14 billion in automotive exports, and creating hundreds of thousands of jobs. Announcements of greenfield projects also accelerated significantly.

It is crucial to note that Morocco was not selling the abstract advantage of “cheap labour”, but rather a specific combination of market access, infrastructure, clusters and state support. Duty-free access to the European Union and the United States, reinforced by the new Investment Charter 2022, made the country a convenient assembly point within global value chains. For Ukraine, the key conclusion is that friendshoring succeeds not merely because of geopolitical proximity, but because of the existence of a clearly structured industrial entry route for investors.

Poland provides another illustrative example: in 2024, net FDI inflows reached USD 20.6 billion, compared with USD 4.0 billion in Ukraine. Although this figure declined in Poland compared with 2023, the country continues to substantially outperform Ukraine thanks to its membership in the European Union, its developed industrial base, integration into German manufacturing supply chains, and a more predictable regulatory environment. This is precisely why, for friendshoring manufacturers, Poland currently appears to be a far clearer entry point than Ukraine. At the same time, candidate status for accession to the European Union, the DCFTA, and the prospect of post-war reconstruction provide Ukraine with an opportunity to narrow this gap, provided it can transform these advantages into a coherent industrial proposition for investors.

### **(b) Mineral Extraction: The Democratic Republic of the Congo and Mozambique Attract Capital Despite Extreme Risks**

The second case demonstrates an even sharper contrast. In the extractive sector, the mere existence of armed conflict is not automatically a stop signal for investors. Of greater importance is whether the deposit has been sufficiently mapped, whether the licensing pathway is clear, whether project risk can be structurally separated from sovereign risk, and whether there is political facilitation for the deal. Thus, the contrast between Ukraine and the Democratic Republic of the Congo / Mozambique does not deny the differences between these jurisdictions, but clearly demonstrates that risk alone does not explain the absence of deals.

The Democratic Republic of the Congo attracted USD 130.7 million in exploration investment in 2024 – the highest figure in Africa – despite the fact that the conflict in the DRC has claimed more than 10 million lives since the 1990s, while the rebel group M23 controls key territories. In 2024, M23 captured Goma – a city of one million inhabitants – despite the presence of United Nations peacekeepers and foreign military forces. Despite this, the mining industry grew by 12.8%, while the country's GDP increased by 7.9%. Chinese companies control more than 70% of copper and cobalt assets, while their infrastructure commitments in 2024 were estimated at USD 7 billion.

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<sup>19</sup> World Bank (2025). Morocco economic update / country economic analysis. <https://documents1.worldbank.org/curated/en/099609411162322656/pdf/IDU04c1aa0b30327f04efe08e7d0f244230f3215.pdf>

<sup>20</sup> Lazard Asset Management (2025). Morocco: A Dynamic Frontier Market. [https://www.lazardassetmanagement.com/us/en\\_us/research-insights/investment-insights/emerging-markets-monitor/november-2025](https://www.lazardassetmanagement.com/us/en_us/research-insights/investment-insights/emerging-markets-monitor/november-2025)

<sup>21</sup> BNP Paribas Economic Research (2024). Morocco – Potential confirmed. [https://economic-research.bnpparibas.com/pdf/en-US/Morocco-Potential-confirmed-11/26/2024\\_51063](https://economic-research.bnpparibas.com/pdf/en-US/Morocco-Potential-confirmed-11/26/2024_51063)

<sup>22</sup> Lazard Asset Management (2025). Morocco: A Dynamic Frontier Market. [https://www.lazardassetmanagement.com/us/en\\_us/research-insights/investment-insights/emerging-markets-monitor/november-2025](https://www.lazardassetmanagement.com/us/en_us/research-insights/investment-insights/emerging-markets-monitor/november-2025)

<sup>23</sup> CSIS (2025). Building Critical Minerals Cooperation Between the US and the DRC. <https://www.csis.org/analysis/building-critical-minerals-cooperation-between-united-states-and-democratic-republic-congo>

<sup>24</sup> U.S. Department of State (2025). Investment Climate Statement: Democratic Republic of the Congo. <https://www.state.gov/reports/2025-investment-climate-statements/democratic-republic-of-the-congo>

The United States is also actively seeking access to the DRC's minerals: in 2025, a peace agreement between Rwanda and the Democratic Republic of the Congo was signed under the mediation of the Donald Trump administration, in parallel with negotiations on mineral agreements. The Congolese government provided Washington with a list of 44 potential mining projects – despite the fact that some of them are located in areas of active hostilities.

Why do mining companies operate in the Democratic Republic of the Congo but not in Ukraine? The level of risk is comparable – or even lower in Ukraine (most mineral deposits are located in central and western Ukraine, far from the front line). The difference lies in the investment infrastructure: the DRC has ANAPI (the investment promotion agency), which offers specific licences for specific deposits; the Mining Code, while imperfect, provides understandable rules of the game; and the country maintains a systematic presence at Mining Indaba, PDAC, and other industry platforms. Ukraine is only beginning auctions for extraction licences and is virtually absent from these platforms.

## © Post-Conflict Economies: Colombia and Georgia after 2008

**Colombia.** The 2016 peace agreement with FARC ended a 53-year conflict. Contrary to expectations, peace did not lead to a sharp increase in FDI – the main cities had already been safe for investment long before the agreement, and FDI had already grown by 500% between 2001 and 2016. However, peace created localised economic effects: rising land prices in post-conflict regions, new enterprises in PDET zones (170 municipalities designated for territorial development), and, most importantly, innovative blended finance instruments. Through the Multi-partner Trust Fund, the Peacebuilding Fund invested USD 2.2 million, mobilising USD 13 million in private capital for 2,300 farmers and 5,500 microloans. The government established ZOMACs (Zones Most Affected by the Conflict) with tax credits for investors.

**Georgia after 2008.** FDI fell from USD 1.88 billion (2007) to USD 0.65 billion (2009) following the five-day war with Russia and the global financial crisis. The recovery was rapid: GDP grew by 6.3% in 2010 and by 7–12% in 2011. The key factors were: (1) expansionary fiscal policy – the fiscal stimulus amounted to ~5.5% of GDP in 2008 and a further ~3.5% in 2009; (2) large-scale IFI support – the IMF provided a USD 750 million Stand-By Arrangement loan, later increased by USD 420 million; (3) the EBRD and the IFC injected liquidity into the banking sector; (4) liberal investment policy and the creation of Enterprise Georgia with grants (15% reimbursement of capital investment costs for foreign investors). By 2022, FDI into Georgia had reached USD 2.1 billion, while GDP grew by 10.2%. The key difference between successful and unsuccessful post-conflict recoveries lies not in the volume of external assistance, but in a country's ability to create an institutional infrastructure capable of absorbing capital.

**The lesson for Ukraine:** in none of these cases did investment arrive “on its own”. In every instance there was a clear entry point (a specific sector, licence, or package of incentives), an active investment agency, and personal diplomacy at the level of the head of state. Georgia demonstrated that even after a war with Russia, rapid recovery is possible – but institutional readiness and coordination with IFIs are essential.

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<sup>25</sup> CSIS (2025). Building Critical Minerals Cooperation Between the US and the DRC. <https://www.csis.org/analysis/building-critical-minerals-cooperation-between-united-states-and-democratic-republic-congo>

<sup>26</sup> Foreign Affairs (2017). What Are the Economics of the Colombia-FARC Peace Deal? <https://www.foreignaffairs.com/articles/americas/2017-08-30/economics-colombia-farc-peace-accord>

<sup>27</sup> UN Peacebuilding (2018). Incentivizing Private Sector Investments in Conflict-Affected Communities in Colombia. <https://www.un.org/peacebuilding/stories/Colombia-stories>

<sup>28</sup> Library of Congress, Congressional Research Service (2025). Georgia: Background and U.S. Policy. <https://www.congress.gov/crs-product/R45307>

<sup>29</sup> FPRI (2018). Georgia and the Global Economic Crisis. <https://www.fpri.org/research/eurasia/recent-findings/georgia-global-econ-crisis/>

<sup>30</sup> DataDriven Research & Consulting (2025). Ukraine's Path to Recovery and Development. <https://res2.weblium.site/res/65649c2d2ea0b1000f9d831b/67ebf85d5f52b09140cba5c5>

# 3. Opportunities for Investors

Despite the challenges outlined above, Ukraine already offers specific investment opportunities – even under wartime conditions. This concerns not merely sectors with high potential, but areas in which a clear entry point for investors can be formed relatively quickly: a comprehensible asset, predictable demand dynamics, a standardised project preparation package, and risk mitigation instruments. It is precisely the combination of these elements, rather than the mere existence of a resource or market, that determines whether a sector becomes a genuine investment case. In this context, it is appropriate to identify several priority investment areas and separately examine investment protection mechanisms that reduce the risks of entering the Ukrainian market.

## 3.1 Critical Minerals

Ukraine possesses substantial deposits of critical minerals, and for this reason the sector could potentially become one of the few areas in which wartime risk may be offset by the strategic value of the asset. Demand for critical raw materials is increasing against the backdrop of the green transition, rearmament, and efforts by the European Union and the United States to reduce dependence on excessively concentrated supply chains. As early as 2021, the European Union and Ukraine signed a memorandum on a strategic partnership in raw materials and batteries, meaning that the basic geopolitical framework for such engagement already exists.

According to the State Geological Service of Ukraine and the NATO ENSEC COE, Ukraine possesses: the largest titanium reserves in Europe (7% of global reserves, 28 deposits, ~900,000 tonnes of concentrate annually); the largest lithium reserves in Europe (~500,000 tonnes); the largest graphite reserves in Europe and the fifth largest globally (18.6 million tonnes across six deposits in central Ukraine); the largest uranium reserves in Europe (~2% of global reserves); as well as substantial manganese deposits (2.4 billion tonnes of ore, among the world's top ten), zirconium (top-10 producer), and potentially significant unexplored reserves of rare earth elements.

Ukraine possesses deposits of 25 out of the 34 critical minerals identified by the European Commission. The mineral partnership agreement with the United States, signed in 2025, creates an additional framework for attracting capital, although implementation details remain uncertain. The European Union signed a strategic partnership with Ukraine on critical minerals as early as 2021.

**An important caveat.** The minerals segment suffers most acutely from excessively optimistic rhetoric, which is why maximum analytical restraint is required here. As the Carnegie Endowment rightly notes, a strict distinction must be drawn between “resources” and “reserves”. Resources describe the presence of minerals underground, whereas reserves constitute an economically confirmed basis for extraction. Much Ukrainian data still relies on outdated geological materials, while the path from exploration to commercial extraction usually takes years. For this reason, minerals are not a rapid solution for attracting capital inflows. They represent a medium-term strategic direction that will become investable only once assets are repackaged into bankable projects.

The key barriers are: the absence of fast-track licensing, outdated geological documentation, the lack of standardised investment packages, and weak representation at Mining Indaba / PDAC / CERA Week.

<sup>31</sup> NATO ENSEC COE (2024). Ukraine's resources. Critical raw materials. <https://www.enseccoe.org/publications/ukraines-resources/>

<sup>32</sup> European Commission (2021). EU and Ukraine kick-start strategic partnership on raw materials.

[https://single-market-economy.ec.europa.eu/news/eu-and-ukraine-kick-start-strategic-partnership-raw-materials-2021-07-13\\_en](https://single-market-economy.ec.europa.eu/news/eu-and-ukraine-kick-start-strategic-partnership-raw-materials-2021-07-13_en)

<sup>33</sup> NATO ENSEC COE (2024). Ukraine's resources. Critical raw materials. <https://www.enseccoe.org/publications/ukraines-resources/>

<sup>34</sup> European Parliament Research Service (2025). The future of rare earths mining in Ukraine.

<https://epthinktank.eu/2025/03/27/the-future-of-rare-earth-mining-in-ukraine/>

<sup>35</sup> Al Jazeera (2025). Mapping Ukraine's rare earth and critical minerals.

<https://www.aljazeera.com/news/2025/2/28/mapping-ukraines-rare-earth-and-critical-minerals>

<sup>36</sup> Carnegie Endowment (2025). Ukraine's Not So Critical Mineral Deposits.

<https://carnegieendowment.org/europe/strategic-europe/2025/04/ukraines-not-so-critical-mineral-deposits>

<sup>37</sup> Carnegie Endowment (2025). Ukraine's Not So Critical Mineral Deposits.

<https://carnegieendowment.org/europe/strategic-europe/2025/04/ukraines-not-so-critical-mineral-deposits>

## 3.2 Friendshoring and Manufacturing

The global trend towards nearshoring and friendshoring creates a window of opportunity for Ukraine. EU candidate status, the DCFTA, geographical proximity to European markets, a skilled and relatively inexpensive labour force, and a large domestic market (approximately 37 million people) are all objective advantages. Post-war reconstruction will create additional demand for construction materials, equipment, and logistics worth hundreds of billions of US dollars.

However, without systematic communication, these advantages do not translate into concrete investment decisions: manufacturers continue to choose Morocco, Poland, Romania, or Vietnam. For Ukraine, friendshoring opportunities are concentrated in several niches: the production of components for the European automotive and machinery industries (leveraging the industrial base of the western regions), agricultural processing, and the production of construction materials.

The principal obstacle lies in logistical constraints: the broad-gauge railway system (1520 mm versus the EU standard of 1435 mm), limited access to Black Sea ports due to military activity, and high transportation costs compared with competitors. These barriers are not insurmountable – but they require targeted efforts and international support (infrastructure investment through the Ukraine Facility and the development of alternative logistics routes).

## 3.3 Defence Technologies

**Scale of production.** In 2024, more than 2.2 million UAVs of all types were produced. In 2025, approximately 4 million drones were produced (more than any NATO country and likely more than the Alliance as a whole combined). As of 2026, production capacity exceeds 8 million FPV drones annually, while more than 160 companies are involved in manufacturing. 96% of all drones used by the Armed Forces of Ukraine are domestically produced. The development cycle for new models has been reduced to a matter of weeks – significantly faster than that of any Western defence company. The cost of FPV drones is USD 300–500, while long-range drones are substantially cheaper than Western equivalents<sup>40</sup>.

60% of Russian military losses are inflicted specifically through FPV drones. Ukraine became the first country in the world to use exclusively unmanned ground vehicles for mine clearance and attacks on enemy positions (December 2024). By the end of 2025, at least 90% of Ukrainian drones incorporated artificial intelligence functions, making them resistant to electronic warfare systems.

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<sup>38</sup> Bloomberg (Nov 2025); Army Recognition (2025). Ukraine Emerges as World Leader in Drone Technology. <https://www.armyrecognition.com/news/aerospace-news/2025/ukraine-emerges-as-world-leader-in-drone-technology-driven-by-battle-proven-innovation>

<sup>39</sup> National Security and Defense Council of Ukraine (2026). Results of Ukraine's Defense Industry in 2025: FPV Drones. <https://www.rnbo.gov.ua/en/Diialnist/7370.html>

<sup>40</sup> Bloomberg (Nov 2025); Army Recognition (2025). Ukraine Emerges as World Leader in Drone Technology. <https://www.armyrecognition.com/news/aerospace-news/2025/ukraine-emerges-as-world-leader-in-drone-technology-driven-by-battle-proven-innovation>

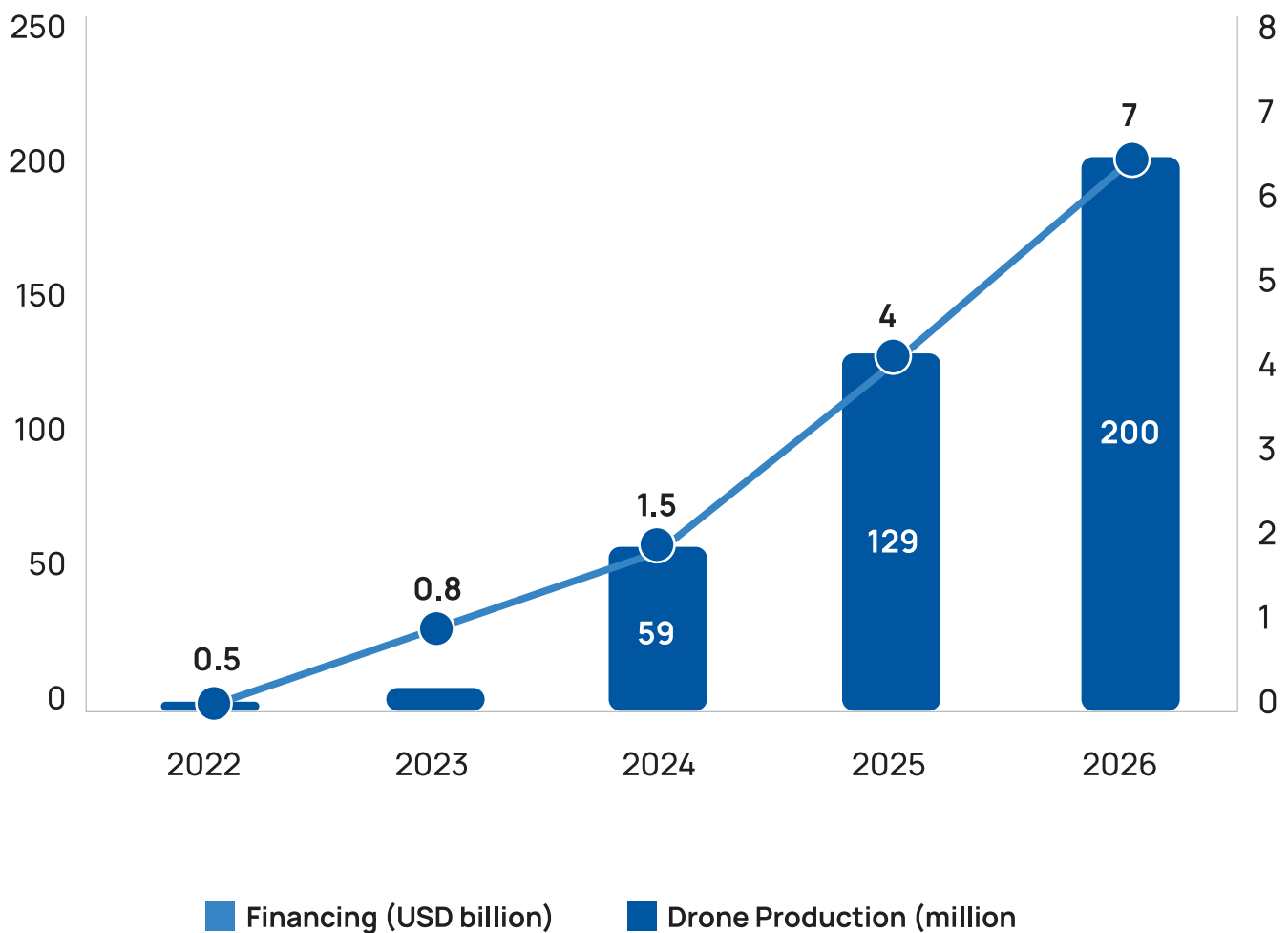
<sup>41</sup> National Security and Defense Council of Ukraine (2026). Results of Ukraine's Defense Industry in 2025: FPV Drones. <https://www.rnbo.gov.ua/en/Diialnist/7370.html>

<sup>42</sup> Jamestown Foundation (Dec 2025). Russia's War Transforms Ukraine into a World-Leading Military Producer. <https://jamestown.org/russias-war-transforms-ukraine-into-a-world-leading-military-producer/>

<sup>43</sup> Jamestown Foundation (Dec 2025). Russia's War Transforms Ukraine into a World-Leading Military Producer. <https://jamestown.org/russias-war-transforms-ukraine-into-a-world-leading-military-producer/>

**Investment dynamics.** According to Brave1 and UNITED24 Media, publicly announced investments in Ukrainian defence tech companies amounted to: USD 7 million (2023) → USD 59 million (2024) → USD 129 million (2025) – a hundredfold increase over two years. This is approaching the volumes raised by all European early-stage defence start-ups combined (USD 200 million in 2025, according to Dealroom). Among the key transactions: Swarmer (AI for drone swarms) – USD 15 million; EDGE Group (UAE) – negotiations regarding a 30% stake in Fire Point; Quantum Systems (Germany) – acquisition of a stake in Frontline; Boeing – expansion of its presence in Ukraine.

**Figure 5. Dynamics of Defence Tech Sector Financing and Drone Production**



The defence sector has grown by 350% since 2022, while only 26% of defence companies existed prior to 2022 – the remainder were established during the war. Several European countries are already developing co-production models, under which Ukrainian companies design and manufacture weapons at facilities located in Europe.

**The key barriers are:** lack of access to European and NATO procurement systems, difficulties in obtaining certification under NATO standards, dependence on imported microelectronic components, and the risk of Russian strikes on production facilities.

<sup>44</sup> UNITED24 Media (Feb 2026). Ukraine's Defence Tech Boom: \$129M Raised in 2025. <https://united24media.com/war-in-ukraine/ukraines-defense-tech-boom-129m-raised-in-2025-2x-growth-over-2024-15656>

<sup>45</sup> Jamestown Foundation (Dec 2025). Russia's War Transforms Ukraine into a World-Leading Military Producer. <https://jamestown.org/russias-war-transforms-ukraine-into-a-world-leading-military-producer/>

## 3.4 Agriculture

Агро є і залишатиметься однією з ключових структурних конкурентних переваг України – значно масштабнішою за більшість інших секторів з точки зору глобального попиту та експортного потенціалу. У 2024 році Україна експортувала агропродукції на \$24.5 млрд – другий найвищий показник після рекордних \$27.7 млрд у 2021 році, попри продовження війни<sup>46</sup>. Було експортовано 78.3 млн тонн продукції, включно з 29.6 млн тонн кукурудзи (\$5 млрд), 20.6 млн тонн пшениці (\$3.7 млрд) та близько 6 млн тонн соняшникової олії (\$5.1 млрд)<sup>47</sup>.

Успішне функціонування Українського морського коридору (створеного після виходу РФ із Зернової угоди) забезпечило рекордні обсяги перевезень: у лютому 2024 року – 5.2 млн тонн продукції через одеські порти. За 2024 рік через морський коридор було експортовано 90 млн тонн зерна до 55 країн.

Ключова перешкода – логістичні обмеження та мінне забруднення сільськогосподарських земель. За оцінками CSIS, від 1 800 до 9 600 квадратних миль сільськогосподарських угідь уражені мінами. Руйнування Каховської ГЕС у червні 2023 року скоротило можливості зрошення. Посівні площі зменшилися на ~20% порівняно з довоєнним рівнем.

## 3.5 Енергетика та відновлення

Agriculture is and will remain one of Ukraine's key structural competitive advantages – significantly larger than most other sectors in terms of global demand and export potential. In 2024, Ukraine exported agricultural products worth USD 24.5 billion – the second-highest figure after the record USD 27.7 billion achieved in 2021, despite the continuation of the war. A total of 78.3 million tonnes of products were exported, including 29.6 million tonnes of maize (USD 5 billion), 20.6 million tonnes of wheat (USD 3.7 billion), and approximately 6 million tonnes of sunflower oil (USD 5.1 billion).

The successful operation of the Ukrainian maritime corridor (established after Russia withdrew from the Grain Deal) enabled record transportation volumes: in February 2024, 5.2 million tonnes of products passed through the ports of Odesa. During 2024, 90 million tonnes of grain were exported through the maritime corridor to 55 countries.

The principal obstacles are logistical constraints and mine contamination of agricultural land. According to estimates by the CSIS, between 1,800 and 9,600 square miles of agricultural land have been contaminated by mines. The destruction of the Kakhovka Hydroelectric Power Plant in June 2023 reduced irrigation capacity. Sown areas decreased by approximately 20% compared with the pre-war level.

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<sup>46</sup> Kyiv Independent (Jan 2025). Ukraine hits \$24.5 billion in agro-exports. <https://kyivindependent.com/ukraine-hits-24-5-billion-in-agro-exports-nearing-pre-war-levels-agriculture-ministry-reported/>

<sup>47</sup> Kyiv Independent (Jan 2025). Ukraine hits \$24.5 billion in agro-exports. <https://kyivindependent.com/ukraine-hits-24-5-billion-in-agro-exports-nearing-pre-war-levels-agriculture-ministry-reported/>

<sup>48</sup> International Finance Corporation (2026). Powering Ukraine's Future: Building Resilience Amid Crisis. <https://www.ifc.org/en/stories/2026/powering-ukraine-s-future-building-resilience-amid-crisis>

<sup>49</sup> European Commission, Directorate-General for Enlargement and Eastern Neighbourhood (2025). Ukraine Investment Framework. [https://enlargement.ec.europa.eu/countries/ukraine-investment-framework\\_en](https://enlargement.ec.europa.eu/countries/ukraine-investment-framework_en)

<sup>50</sup> European Bank for Reconstruction and Development (2025). EBRD supports decentralisation of Ukraine power generation. <https://www.ebrd.com/home/news-and-events/news/2025/ebrd-supports-decentralisation-of-ukraine-power-supply.html>

## 3.6 Investment Protection Mechanisms

Within the framework of the EUR 50 billion European Union package (Ukraine Facility), the Ukraine Investment Framework (UIF) was established, providing for EUR 9.3 billion in guarantees and concessional financing. At the Ukraine Recovery Conference 2025 in Rome, the creation of the European Flagship Fund for the Reconstruction of Ukraine was announced – a new equity instrument with initial capital of EUR 220 million and the objective of mobilising up to EUR 500 million by 2026.

As described in detail in the DataDriven report “Institutional Architecture of Business Financing”, the following mechanisms operate in parallel: programmes of the EBRD (a record USD 2.4 billion in Ukraine in 2024), the IFC, and the EIB; DFI instruments – DFC (the USA), KfW and DEG (Germany), FMO (the Netherlands), Proparco (France); war-risk insurance mechanisms provided by MIGA and the DFC; as well as the Ukrainian ECA, launched in October 2025.

However, practical implementation remains limited. As demonstrated by the DataDriven analysis, the main barriers are: IFI bureaucratic procedures (the average period from application to financing approval at the World Bank is 27 months), conservative approaches to risk assessment, the absence of a unified application platform, and the “missing middle” – the medium-sized business segment (projects worth USD 5–50 million), for which microfinance is too limited while institutional financing is procedurally too complex.

However, the problem lies not only in procedural complexity or the shortage of prepared projects. A significant part of the barrier arises because the approaches of donors and international financial institutions remain excessively conservative, poorly coordinated with one another, and often insufficiently adapted to the way Ukrainian business actually functions under wartime conditions. As a result, even viable companies may lose access to financing not because of signs of fraud or fundamental weakness, but due to formal or procedural non-compliance. This means that transforming the UIF into an effective financing mechanism requires more than merely expanding the list of instruments – it also requires harmonisation of access rules and active political advocacy of this issue by the Ukrainian state.

## 3.7 Eliminating Systemic Sources of

Ukraine’s political development should be viewed as an unfinished process of institutional transformation, within which different models of governance continue to compete. Unlike a number of post-Soviet states, where the dominant trajectory became the consolidation of patronal autocracies, the Ukrainian case is characterised by a higher degree of political competition and stronger public demand for the accountability of state institutions. Developments after 2014, and especially society’s response to full-scale Russian aggression, reinforced this trend. In practical terms, this is important for investors because the strengthening of the legal and institutional foundations of the state is associated with greater predictability of the rules of the game, stronger protection of property rights, and a lower level of informal political risks.

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<sup>51</sup>European Commission, Ukraine Investment Framework (UIF).

[https://enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine/ukraine-investment-framework\\_en](https://enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine/ukraine-investment-framework_en)

<sup>52</sup>DataDriven Research & Consulting (2025). Institutional Architecture of Business Financing: International and National Structure. <https://res2.weblium.site/res/656649c2d2ea0b1000f9d831b/688bc2db6ca80195f4942332>

<sup>31</sup>DataDriven Research & Consulting (2025). Institutional Architecture of Business Financing: International and National Structure. <https://res2.weblium.site/res/656649c2d2ea0b1000f9d831b/688bc2db6ca80195f4942332>

<sup>54</sup>Bálint Magyar and Bálint Madlovics, The Anatomy of Post-Communist Regimes: A Conceptual Framework (Budapest–New York: Central European University Press, 2020). <https://www.postcommunistregimes.com/>

<sup>55</sup>Dubrovskiy, Vladimir, The Main Driving Forces of De-Patronalization in Ukraine The Role of Ukrainian Business (December 1, 2023). Madlovics, Bálint and Magyar, Bálint, eds. 2023. Ukraine’s Patronal Democracy and the Russian Invasion: The RussiaUkraine War, Volume One. Budapest– Vienna–New York: CEU Press., Available at SSRN: <https://ssrn.com/abstract=4650835>

<sup>56</sup>Vladimir Dubrovskiy, Kateryna Ivashchenko, and Kalman Mizsei, Eight Years After the Revolution of Dignity: What Has Changed in Ukraine During 2013–2021? (Stuttgart: ibidem Press, 2024). <https://cup.columbia.edu/book/eight-years-after-the-revolution-of-dignity/9783838215600/>

The problem is that, at present, only Georgia, during the Saakashvili–Bendukidze reform period, has largely succeeded in overcoming the heavy institutional legacy of the Russian Empire and the Soviet Union, particularly with regard to the rule of law – and even there these advances did not prevent subsequent political backsliding. International experience demonstrates that rapid improvement of the institutional environment is possible only through comprehensive reforms of public administration, law enforcement, and the judicial system, accompanied by reduced discretion, standardisation, and digitalisation of procedures.

In order to make the institutional environment in Ukraine attractive, comprehensible, and safe for FDI, investors should join forces with the Ukrainian non-patronal business community under the principle of: “first – European principles (such as the rule of law, the presumption of innocence, a “state for the people”, etc.) and European-quality bureaucracy; afterwards – “European” regulations (in those areas where they are burdensome, discretionary, or increase barriers to market entry)”. Otherwise, there is a substantial risk that formal harmonisation with EU regulations (which are not always optimal, as evidenced by the weak state of the bloc’s economy) will in practice lead to a further strengthening of patronalism, as has repeatedly occurred in Ukraine. Foreign investors have the advantage of being able to put pressure on their governments, on whose assistance Ukraine is now critically dependent, but which lack a deep understanding of the processes taking place in the country.

**The reforms required for Ukraine to make a decisive step towards overcoming patronalism and establishing the rule of law include, above all:**

- judicial reform, which is already underway but progressing too slowly;
- the restructuring of law-enforcement agencies and the removal of economic powers from the Security Service of Ukraine (currently blocked);
- tax reform, including improved VAT administration, a transition to a corporate tax on distributed profits (“the Estonian model” with Ukrainian specificities), and a radical reduction in the tax burden on wages (which also implies pension reform);
- restructuring of the tax and customs services and the financial police (the Bureau of Economic Security of Ukraine), which is ongoing, though not yet with respect to the tax service;
- deep deregulation of the labour market for all businesses on a permanent basis (at present, SMEs are only partially deregulated for the duration of martial law);
- deregulation in other sectors (see the analytical study);

and a number of sector-specific reforms in natural monopolies, energy, and related fields.

However, even under an optimal domestic policy scenario, the external source of risk represented by Russia can disappear only in the event of tectonic changes within its political regime. The causes of the full-scale war extend far beyond a territorial dispute or a personalised conflict between political leaders. In broader terms, the issue concerns a fundamental incompatibility between the existence of a sovereign Ukraine oriented towards democratic development and integration with the West, and the Russian vision of a regional order based on dominance over the post-Soviet space. It is precisely this structural contradiction that largely determines the long-term nature of Russian aggression against Ukraine. Therefore, absent major upheavals – which most Western countries prefer to avoid – Russia will continue to pose an existential threat to Ukraine.

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<sup>57</sup> Dubrovskiy, Vladimir, and Dmytro Boyarchuk. Sustainable Economic Growth in the Midst of Suboptimal Institutions in Ukraine. Position Paper. Kyiv: CASE Ukraine and CIPE, 2024.  
<https://case-ukraine.com.ua/en/publications/sustainable-economic-growth-in-the-midst-of-suboptimal-institutions-in-ukraine/>

With a GDP ten times smaller and a population at least four times lower, Ukraine is incapable of countering this threat alone over the long term. A scenario in which Ukraine develops in the long term as an excessively militarised state with high defence spending, universal military service, and a substantial fiscal burden carries significant economic and demographic risks. Such a model may intensify outward migration, narrow the basis for labour-market recovery, and worsen conditions for private investment and business activity, and is therefore questionable from the standpoint of long-term sustainability. The only approach capable of ensuring survival – and potentially even delivering an “economic miracle”, should some partners remain opposed to Ukrainian membership in NATO – would be the formation of a defence alliance with wealthier countries, which would assume the greater part of financing a joint professional army (composed predominantly of Ukrainians), so that Ukraine’s own defence expenditure would not exceed 5% of GDP. This would make it possible to implement the reforms outlined above, including reductions in the tax burden, particularly on wages. However, this would once again require goodwill, strategic foresight, and a realistic understanding of the situation on the part of partner governments.

## 4. Analysis of Alternatives for Ukraine

Table 6. Comparison of Scenarios

	<u>Scenario I: Status Quo</u>	<u>Scenario II: Targeted Activation</u>	<u>Scenario III: Systemic Reconfiguration</u>
<b>Essence</b>	Passive expectation of peace	Open 2–3 sectors to investors	Reform of UkraineInvest and full institutional restructuring
<b>Resource intensity</b>	Minimal	Moderate	High
<b>Time horizon</b>	Uncertain	6–12 months	2–3 years
<b>Risk</b>	Competitors shape market habits	Limited scale of impact	High cost and need for reforms
<b>Expected effect</b>	Low	Medium (rapid signalling effect)	High (long-term effect)

### Scenario I: Status Quo – Passive Expectation of Peace

This scenario is the most risky. Competitors are already shaping the market’s investment habits: Morocco is signing EV battery contracts with Gotion (USD 6.4 billion); the Democratic Republic of the Congo has provided Washington with a list of 44 mineral deposits; and Vietnam continues to deepen nearshoring from China. Manufacturers choosing these jurisdictions today are unlikely to relocate to Ukraine later – even after peace is restored. Mining licences in the Democratic Republic of the Congo and Mozambique are secured for decades. Each year of inaction narrows the window of opportunity, while emerging from the war into the above-described scenario of excessive militarisation of the state would create a risk of deteriorating long-term economic prospects.

## Scenario II: Targeted Activation – Recommended in the Short Term

Open 2–3 sectors to specific categories of investors through clearly defined entry points. Specific actions:

- **Minerals:** appoint a sector manager within UkraineInvest; prepare standardised investment packages (due diligence, geological data, legal frameworks) for a limited number of the most prepared and promising assets; ensure participation in Mining Indaba 2026 and PDAC 2026.
- **Defence tech:** expand the Brave1 model; create a clear framework for foreign investors in defence; work on certification under NATO standards for a limited number of the most prepared products.
- **Agriculture:** offer DFIs structured investment projects in agricultural processing with a blended-finance component; use UIF instruments for risk mitigation.
- **Energy and reconstruction:** prepare a separate package of projects in distributed generation, flexible generation capacity, energy storage, and the reconstruction of critical infrastructure.

**Key enabler:** systematic government efforts aimed at unlocking investment funds from the second pillar of the Ukraine Facility. As demonstrated in the DataDriven report, the principal barrier is not a shortage of resources within IFIs, but rather the lack of institutional capacity to absorb them – the pipeline of structured projects remains limited. An important component is the adaptation of IFI requirements to the realities of the Ukrainian market and linking access to resources with the mandatory participation of investors from Western countries.

It is also important that unlocking the second pillar of the Ukraine Facility will not occur automatically through technical dialogue with donors and international financial institutions. Since donors themselves lack sufficient incentives to simplify their own procedures, while European partners do not always advance this issue independently, the initiative must come directly from the Government of Ukraine. This issue should be treated not merely as a technical matter, but as an element of the state's economic policy aimed at expanding business access to capital.

A further risk within this scenario is the potential emergence of “new oligarchs”, similar to those seen in the countries of Central Europe, especially Hungary, where such groups emerged through the non-transparent allocation of contracts financed by EU funds, as well as through various forms of preferential treatment. The sectors listed above are particularly prone to the emergence of oligarchic business structures operating in close connection with state officials and politicians. Patronal networks create an exceptionally favourable environment for this type of activity.

Oligarchic structures, in turn, hinder the entry of FDI except through partnerships with them, often under the slogans of “protecting the national producer” or defending other “national interests”. However, as demonstrated by the experience of FDI in Russia, local oligarchs are often unreliable partners because, within a patronal system, they “play on their own field” and can relatively easily behave dishonestly towards actors outside the patronal system (such as foreign investors), provided they enjoy patronal backing.

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<sup>58</sup> European Commission. Ukraine Investment Framework (UIF). [https://enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine/ukraine-investment-framework\\_en](https://enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine/ukraine-investment-framework_en)

<sup>59</sup> DataDriven Research & Consulting (2025). Institutional Architecture of Business Financing: International and National Structure. <https://res2.weblium.site/res/65649c2d2ea0b1000f9d831b/688bc2db6ca80195f4942332>

## Scenario III: Systemic Reconfiguration – Necessary for Long-Term Results

Reform UkraineInvest from an informational agency into an equity-oriented investment promoter (following the models of Enterprise Georgia, Moroccan AMDIE, or InvestSA). Create standardised investment packages for every priority sector and mineral deposit. Ensure systematic participation at Mining Indaba, CERAWEEK, FT Global Boardroom, PDAC, Davos. Establish a national investment brokerage – an authorised institution responsible for managing access to DFI/IFI instruments, integrating insurance and guarantee mechanisms, and developing model financial structures. Critically, such a structure is needed not as another bureaucratic superstructure, but as an instrument for overcoming fragmented access to already existing resources. Its function should not be limited to promoting the country, but should also include the practical “stitching together” of businesses, the state, the Ukraine Facility, IFI/DFI programmes, and insurance mechanisms, in order to reduce project losses arising at the intersection of differing institutional requirements. At the same time, systemic reforms undermine the patronal system and prevent the emergence of new oligarchs.

# 5. Висновки та рекомендації

## Key Conclusions

**1. The gap is real, measurable, and qualitative, not merely quantitative.** Average annual FDI during 2022–2024 amounted to approximately 1.6% of GDP, but even more importantly, 61% of this flow consisted of reinvested earnings rather than new capital. Therefore, Ukraine’s key deficit is a deficit of new equity and new investors, not simply a low gross FDI figure.

**2. War-related risk explains only part of the gap.** The risk is indeed significant, but international experience demonstrates that capital still enters far more challenging jurisdictions if investors see a structured entry pathway. In Ukraine’s case, the core problem lies in the insufficient transformation of assets into a structured portfolio of investment opportunities: a lack of packaged projects, sector-specific contact points, insurance and DFI support structures, as well as weak presence on the platforms where primary deal sourcing takes place. The dominance of patronal networks, particularly in certain attractive sectors, is also a problem.

**3. Ukraine’s best opportunities are already visible, but they differ in terms of time horizon.** Defence tech is a short-cycle sector with already proven demand. Agriculture is the most mature and comprehensible sector for faster deal-making. Minerals represent a strategic but slower-moving direction, requiring the conversion of resources into reserves and additional project exploration. Friendshoring is more of a window for creating manufacturing niches than an automatic consequence of European integration.

**4. Even where financial resources are already formally available, access to them remains limited.** The problem lies not only in the lack of capital, but also in the fact that existing financing mechanisms, including the Ukraine Facility, are still reaching businesses too slowly and selectively. Without harmonisation of requirements, adaptation of access rules, and institutional support, these instruments will not generate a sufficient flow of real investment deals.

## Recommendations for the Government

For the government, the priority should be measures that can be implemented within the next six months in order to create the first investment cases and reduce investor hesitation. The next horizon is 12–24 months, focused on scaling through UIF, defence procurement, and blended finance mechanisms. At the same time, some of these decisions are structural in nature, as they lay the foundation for the long-term transformation of the investment attraction model and, more broadly, the overall framework of state-business relations.

At the systemic level, the government should continue advancing judicial reform, restructuring the Bureau of Economic Security and the State Customs Service, as well as preparing and adopting decisions regarding the other reforms outlined above. Even if some of these reforms are difficult or excessively risky to implement during a full-scale war, the legislative groundwork for their implementation after the end of active hostilities must already be prepared.

## Next 6 Months:

### 1. Structured investment portfolio formation instead of abstract discourse about potential.

**Problem:** Mining companies currently do not view Ukraine as an attractive investment destination due to the absence of a clearly formulated, structured, and commercially comprehensible offering. For comparison, the Democratic Republic of the Congo presented international partners with a list of 44 specific investment projects, significantly increasing its investment attractiveness.

**Solution:** Develop standardised investment packages for a limited number of the most promising assets (titanium, graphite, lithium, etc.), including up-to-date geological data, the legal structure of the asset, risk assessment, and key financial parameters (including projected IRR). In parallel, introduce a fast-track licensing procedure reducing timelines from 12+ months to approximately 3 months.

**Result:** Ukraine is positioned as a source of specific, structured investment opportunities rather than an abstract resource-rich jurisdiction.

### 2. UkraineInvest: transition from an informational function to a transaction facilitation function.

**Problem:** UkraineInvest currently performs primarily an informational role; investors seeking equity opportunities do not have a single point of contact.

**Solution:** Introduce sectoral managers (minerals, defence industry, agriculture, machinery manufacturing) with clearly defined powers to support investors throughout all stages – from initial contact to deal signing. Establish a structured deal pipeline for each sector. Ensure systematic participation in key international events, including Mining Indaba, CERAWEEK, FT Global Boardroom, and the PDAC Convention (at least 3–4 events annually).

**Result:** Investors receive a clear offering and a designated contact person instead of having to navigate bureaucracy independently.

## Next 12–24 Months:

### 3. Ukraine Facility: transform it into a real deal-making mechanism rather than merely a financing framework.

**Problem:** The Ukraine Investment Framework (€9.3 billion) currently functions only to a limited extent as a real financing instrument, not only because of a weak pipeline of prepared projects or the bureaucracy of international financial institutions. One of the key barriers is that donor and international financial organisation standards remain overly conservative, insufficiently harmonised with one another, and often poorly aligned with the realities of Ukrainian businesses operating during wartime. As shown by the DataDriven analysis, this prolongs procedures, complicates access to financing, and can extend the period from application to disbursement to as much as 27 months.

**Solution:** Unlocking the second tier of the Ukraine Facility should become the subject of a separate initiative by the Government of Ukraine rather than merely a technical dialogue with donors. The government itself should advocate for revising approaches to financing access: harmonising donor requirements, adapting due diligence and eligibility criteria to wartime economic conditions, and easing those requirements that are not directly related to fraud risk or loss of funds. Imperfect documentation, tax disputes, or certain procedural gaps should not automatically deprive businesses of access to financing if the company is viable, shows no signs of fraud, and the transaction includes a Western private investor.

**Result:** This would allow UIF to evolve from a formal financial framework into an effective mechanism that accelerates project processing and genuinely attracts private capital to Ukraine.

#### 4. Defence tech: integrate into NATO/EU procurement systems.

**Problem:** Ukrainian defence tech companies produce some of the most battle-tested solutions in the world, yet they lack access to European and NATO procurement systems due to the absence of certification

**Solution:** Ensure NATO-standard certification for a limited number of the most prepared products (including FPV drones and EW systems); establish a clear legal framework for attracting foreign investment into the defence sector; expand co-production models with EU countries; introduce clear and predictable export rules for defence technologies.

**Result:** Ukrainian defence tech becomes not only a domestic industry, but also part of the European defence industrial base – with the corresponding market scale and investment potential.

#### 5. Agriculture: structured investment products through blended finance.

**Problem:** Agribusiness investors remain interested, but market entry is constrained by logistics, landmine contamination, and the absence of structured investment offerings.

**Solution:** Prepare a limited pool of investment projects in agricultural processing with a blended finance component (grant + loan + guarantee) through UIF/DFI instruments. Use the Colombian Multi-partner Trust Fund experience as a model.

**Result:** Lowering the entry barrier for “first movers,” who can create a positive precedent for other investors.

<sup>60</sup> DataDriven Research & Consulting (2025). Institutional Architecture of Business Financing: International and National Structure. <https://res2.weblium.site/res/65649c2d2ea0b1000f9d831b/688bc2db6ca80195f4942332>

# Recommendations for international partners

For international partners, the short-term priority should be risk-mitigation instruments capable of quickly launching the first investment deals. In the medium term, the focus should shift toward the institutional preconditions for scaling investment – modernisation of the geological database and integration of Ukrainian defence tech solutions into Western markets. Some of these measures will also have a structural effect, as they will shape the long-term architecture for attracting private capital to Ukraine.

At the systemic level, international partners should partially revise the approaches to reform in Ukraine reflected in the conditions for providing money. Rather than prioritising accelerated harmonisation with existing EU legislation, priority should be given to the reforms described above that introduce “European principles,” undermine patronalism, and support the development of independent business. Instead of fiscal consolidation (which is both unattainable and of questionable appropriateness during a full-scale war), the priority should be reducing non-military expenditures, which after the end of active hostilities would create fiscal space for tax cuts and tax reform, even if such reforms involve certain short-term risks of reduced budget revenues.

## Next 6 Months:

### 1. Blended finance for first movers.

**Problem:** The first investors entering high-risk countries bear a disproportionate burden, while subsequent players benefit from already established market precedents (the “free rider” effect).

**Solution:** Deploy first-loss capital instruments through development finance institutions (DFIs) aimed at supporting first movers in Ukraine, particularly in the minerals and agro sectors. Use successful practices such as the Colombia Peacebuilding Fund model, which generated a significant multiplier effect for private capital.

**Result:** Lowering the entry barrier for first investors, creating market precedents, and triggering a scaling effect for private investment.

### 2. Co-investment through DFIs.

**Problem:** Private capital is unwilling to enter Ukraine without an institutional “anchor,” while DFIs possess the mandate but face a limited pipeline of prepared investment projects.

**Solution:** Create structured co-investment platforms where DFIs (DFC, FMO, DEG, Proparco) act as anchor investors (first tranche), followed by private investors participating under reduced-risk conditions.

**Result:** Every \$1 of DFI funding mobilises \$3–5 of private capital (target leverage ratio).

## Next 12–24 Months:

### 3. Modernisation of geological data as an investment instrument.

**Problem:** Ukraine's geological database is still largely based on outdated studies (40–60 years old), complicating assessments of commercial feasibility for investors.

**Solution:** Finance modern geological exploration through technical assistance programs (USGS, BGS, EU Geological Surveys). As CSIS recommends in the case of the DRC, expanding geological mapping is a critical precondition for greenfield investment.

**Result:** A transition from “resources” to “reserves” – that is, from potential to specific investment opportunities with confirmed commercial viability.

### 4. Integration of Ukrainian defence tech into NATO/EU procurement.

**Problem:** Ukrainian companies develop some of the most battle-tested solutions (especially drones), but they lack access to NATO and EU markets due to the absence of certification.

**Solution:** Expand the mandate of international initiatives (including the Drone Coalition with €2.75 billion in commitments) to include certification support for Ukrainian products. Introduce simplified certification procedures for battlefield-proven solutions and scale up co-production models with EU countries.

**Result:** Ukraine becomes part of the European defence industrial base – the “drone capital of the planet,” with the corresponding market scale and investment flows.

<sup>61</sup> CSIS (2025). Building Critical Minerals Cooperation Between the US and the DRC. <https://www.csis.org/analysis/building-critical-minerals-cooperation-between-united-states-and-democratic-republic-congo>