

# Harnessing the potential of small and medium enterprises in Ukraine

Competitive and innovative companies boost Ukraine's economy and benefit from easier trading conditions to the EU



## The challenge: weak economic output and low export ratio

Ukraine's economy has been struggling for years. Exacerbated by the conflict on the Crimean Peninsula and in eastern Ukraine in 2014, the country has recorded only slight growth and a 3.2 per cent increase in economic output. The economic impact of the COVID-19 pandemic has further weakened Ukraine's economy, and has hit small and medium enterprises especially hard. In 2020, Ukraine's GDP per capita was the lowest in Europe, and investors rate the country as high risk.

To stimulate the economy, Ukraine has initiated a comprehensive reform programme based upon the Association Agreement between Ukraine and the European Union (EU), which came into force in 2017. As a result, a free trade area will be formed to enable the sale of Ukrainian products in the EU. However, this requires amendments to framework conditions and legislation in Ukraine, which is a major undertaking for political institutions, and for the companies themselves. Enterprises are not sufficiently prepared for the EU market and lack the innovation and know-how necessary to comply with EU standards,

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as well as the capacity to apply new directives and introduce a new standardisation system. As a consequence, they are hardly in a position to use their new economic opportunities.

## Our approach: strengthening competitiveness and trade, particularly in small and medium-sized enterprises

On behalf of the German government and the European Union, the project is creating better conditions for Ukrainian companies to promote innovations and sell products on the European market. The focus of support is primarily on small and medium-sized enterprises that increase their competitiveness and seize the economic opportunities of the free trade area with the EU. Systems that support the local economy and that facilitate sector-wide networking can help to strengthen businesses, while a redesigned policy framework for trade and exports will make EU markets more accessible. To this end, the Ukrainian Ministry of Economy will be supported in implementing the Association Agreement with the EU, as well as Ukraine's export strategy.



GIZ supports small and medium-sized enterprises by improving the business environment

In order to improve innovation, competitiveness and the export capacity of Ukrainian companies and their integration into global supply chains, GIZ aims to strengthen the business environment. This is done, for example, through dialog forums that bring together the various actors - officials from public institutions, experts from the private sector, and representatives from business associations, chambers of industry and commerce. Modern dialogue formats improve cooperation and exchange, e.g. the dynamic and developing IT sector and creative industries find avenues to cooperation with the traditional mechanical engineering sector. It is not only the companies themselves that benefit from improved competitiveness and trade: a stronger economy improves the living conditions of the entire Ukrainian population.



Promotion of trade relations



German-Ukrainian cooperation promotes competitiveness and export strategy development



## Olexandr Palasov: “Cooperation with GIZ is in line with our strategic goals”

As Director of the Regulatory Policy and Entrepreneurship Department at the Ukrainian Ministry of Economy, Olexandr Palasov sees the development of small and medium-sized enterprises as one of the main priorities of the Ukrainian government.

## Our results: new tools for improved competitiveness and trade

In training courses, entrepreneurs learn to develop innovative products, services or business models. Ukrainian cities, business associations and service providers are strengthened through targeted training and advice on strategy development.

As part of the EU’s COVID-19 response package, the project is supporting the establishment of seven so-called COVID-19 Business Clinics where businesses can access advice on how to manage the economic consequences of the pandemic. Ten Ukrainian cities and municipalities each receive up to one million hryvnia (roughly thirty thousand Euro) for local businesses.

Together with the Ukrainian Ministry of Economy, GIZ has developed a tool to analyse data on the national export strategy. A specially developed communication platform enables entrepreneurs to exchange information with staff from the Ministry of Economy and specialised authorities on issues concerning technical regulation. A newly designed export web portal provides Ukrainian and foreign exporters with reliable information on trade developments in Ukraine.

*“We have set a goal with the National Economic Strategy to make Ukraine a place where entrepreneurial potential can mature by 2030” he explains. “The close cooperation with GIZ, which will continue until 2024, is in line with these strategic goals. Entrepreneurial culture, innovativeness, and skills development are promoted while access to markets is improved. Ukrainian entrepreneurs from various cities and towns have been supported in managing their businesses during the COVID-19 pandemic. This has been made possible thanks to the cooperation with GIZ, support from the EU and the German government.”*

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