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Focus on Ukrainian SMEs: Building for reconstruction and EU membership

Insight in Brief

- **Build companies, not only assets.** SMEs generate about 70% of Ukraine's GDP, but most cannot yet qualify, borrow, or comply well enough to become significant suppliers in the reconstruction process.
- **Capability, not capital, is now the constraint.** Labour shortages, war risk, and EU compliance hold SMEs back, and finance thins out for growth-stage manufacturers.
- **Shift from subsidy to risk-sharing** by using longer-maturity guarantees through Ukrainian banks, growth equity for manufacturers and SME-scale war-risk cover.
- **The next 18 months are decisive.** With the relevant EU accession clusters now open, the successor SME strategy will be judged in Brussels as an accession deliverable.
- **Leave a Ukrainian system behind.** Run SME support through one national hub and regional network, with donors aligned behind the SME and Export strategies.

Build companies, not only assets.

Ukraine's reconstruction will not be measured only by what is rebuilt, but by who rebuilds it. The Fifth Rapid Damage and Needs Assessment (RDNA5)[1], prepared by the World Bank and others, estimates needs at almost USD 588 billion over the decade to 2035. Reconstruction is therefore the largest investment cycle Ukraine will ever experience. Whether that demand builds Ukrainian companies, or simply passes through them, will shape the economy that emerges in the crucial period of the next few years.

The current reconstruction challenge, set out in Triple Line and UA Direct's Reconstruction at Scale: What happens *between need and money?*[2], argues that the binding constraint is no longer

[1]Government of Ukraine, World Bank Group, European Commission and United Nations. 2026. *Ukraine: Fifth Rapid Damage and Needs Assessment (RDNA5).* https://documents1.worldbank.org/curated/en/099022026094036395/pdf/P514499-22f93f3a-4278-42bc-b907-db9553d12069.pdf

[2]UA Direct and Triple Line. 2026. *Reconstruction at Scale: What happens between need and money?* I Reconstruction at Scale: What happens between need and money? | Triple Line Consulting

money. It is the machinery between need and money: the system that turns needs into priorities, programmes, prepared projects, appropriate capital, procurement, and delivery. Its principle that Ukraine should "build companies, not only assets" places the private sector inside that machinery, not beside it.

This Insight paper applies that lens to small and medium-sized enterprises (SMEs). Its proposition is simple: **there is a missing middle for firms that mirrors the missing middle for projects.** Between reconstruction demand and Ukrainian supply sit qualification, finance, risk cover, skills, and compliance with European Union (EU) rules. Until Ukrainian SMEs can cross that gap, reconstruction contracts will flow principally to large and medium-sized foreign firms, and Ukrainian SMEs will remain lower-tier subcontractors.

The timing matters. On 13 October 2026, Ukraine opened the EU accession clusters on the Internal Market and on Competitiveness and Inclusive Growth, which contain most of the rules that govern enterprise. The SME Strategy and the Ukraine Facility both end in 2027, and the successor national SME strategy will be the first written during active accession negotiations. The next 18 months will decide whether SME policy, reconstruction and accession operate as one system, and whether the necessary measures are developed and implemented to support Ukrainian SMEs to make the most of EU integration and reconstruction opportunities, thus boosting their growth, competitiveness, innovation and export potential.

01 Current situation in Ukraine

Ukraine's SMEs have proven remarkably resilient and have carried the wartime economy, but their support system was built for survival, not for reconstruction or convergence with the EU.

Capability, not capital, is now the constraint.

SMEs are now most of the economy. They account for 99.97% of registered businesses, about 82% of business-sector jobs and 70.5% of gross domestic product (GDP) in 2023, up from 66.1% before the full-scale invasion, according to the Organisation for Economic Co-operation and Development (OECD, 2026). Their share grew partly because large, asset-heavy firms in the east and south were destroyed, occupied, or cut off from ports. Smaller firms proved easier to relocate and restart. National recovery depends to a notable extent on firms with limited capital, thin management, and little exposure to EU rules.

The binding development constraint has moved from capital to capability. In 2022 the problems were destruction, lost markets, and broken logistics. Today they are people, security, input costs, and the cost of capital.

Table 1. Constraints facing Ukrainian SMEs in 2026

Constraint	Latest evidence (2026)	What it means for reconstruction
Labour	66% of industrial firms name labour shortage as the main barrier (July); 74% of medium-sized firms report an acute shortage; 88% of European Business Association (EBA) members have staff serving in the armed forces	Firms cannot scale to take reconstruction or export orders; skills are the first bottleneck
Security	Over 80% of firms in Kyiv, Odesa, Dnipropetrovsk, and Zaporizhzhia regions cite war-related security risk	Investment is deferred; war-risk cover and relocation remain live needs
Input costs	Share citing raw-material costs rose from 45% to 56% (April)	Margins squeezed; weaker price competitiveness in tenders and exports
Finance	High cost of credit among the top barriers to investment (March)	Dependence on subsidised loans and donor guarantees; thin equity
Energy	82% of EBA members named attacks on energy a top concern (early 2026)	Seasonal shock; micro and small firms least able to self-generate

Sources: Institute for Economic Research and Policy Consulting (IER) business surveys and EBA

Finance is scaling but thins out in the middle. Bank lending has revived: net hryvnia loans grew by more than a third in 2025, non-performing loans fell to 13.9%, and about a quarter of performing hryvnia business loans are now covered by portfolio guarantees from the EU and international financial institutions (IFIs). The state's subsidised Affordable Loans 5-7-9% programme (5-7-9) has fallen to about 30% of the hryvnia corporate portfolio. Yet the system serves the two ends of the market. Micro firms are reached by grants and subsidised loans. Large, technology-led and infrastructure investments are reached by equity funds, by war-risk cover from the Multilateral Investment Guarantee Agency (MIGA) the US International Development Finance Corporation (DFC), and by industrial parks. The manufacturing SMEs that reconstruction and European value chains need most face short loan maturities (the period over which a loan must be repaid), scarce growth equity in the €0.5–10 million range and war-risk insurance designed for large investors.

Accession has reached the SME chapters. With Clusters 2 (internal markets) and 3 (competitiveness and inclusive growth) open, standards, conformity assessment, state aid, late payments and Chapter 20 (enterprise and industrial policy) are now under negotiation. Tariffs to the EU are largely gone; rules remain. The Export Strategy to 2030 aims to raise exports from USD 48 billion to USD 85 billion and cut the raw-material share from 87% to 59%. That target cannot be met without many more SMEs that are able to meet EU standards.

The outcome is uneven. Frontline and de-occupied areas need restart capital and simplified rules. The west and centre, which have absorbed relocated firms, need scaling and supply-chain integration. Medium-sized firms are the natural reconstruction suppliers and exporters, yet they face the sharpest labour shortages and the heaviest new compliance demands.

02 Policy insights

Capable Ukrainian firms are part of the infrastructure reconstruction needs.

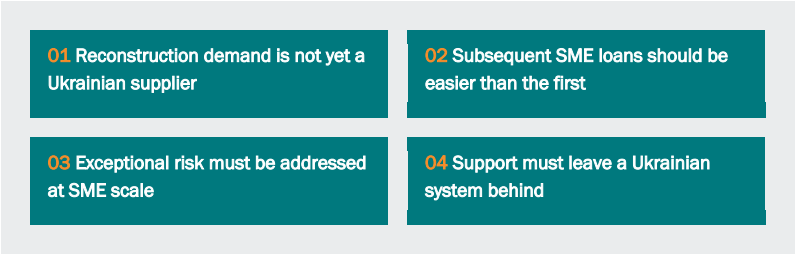
The reconstruction framework treats project preparation, programme management, and skills as infrastructure in their own right: without them, capital cannot become built assets. The same holds for firms. Reconstruction needs Ukrainian SMEs that can qualify for public tenders, borrow

Commented [JS1]: specify what this framework is / reference to specific documents

over five to seven years, insure their premises, equipment, and stock against war damage, and meet EU product and environmental standards. Building that capability should be planned and financed as part of reconstruction itself, not treated as a separate enterprise programme.

Four insights follow, each translating a principle of the reconstruction framework into SME policy.

Figure 1. Four policy insights



With Clusters 2 and 3 now open, SME policy is effectively accessioning policy.

01 Reconstruction demand is not yet an opportunity for Ukrainian suppliers

Reconstruction will create demand for construction materials, engineering, energy equipment, logistics and digital services. Turning that demand into opportunities for Ukrainian companies requires several things at once: a buyer, proof of compliance [standards, certification, environmental, social and governance (ESG)] reporting, and emissions data for the EU Carbon Border Adjustment Mechanism (CBAM)), capacity (capital equipment and skills) and finance. Today, these come from different actors on different timelines. Reconstruction programmes should bundle them. Procurement design matters as much as finance: sensible lotting, framework agreements and pre-qualification pools let SMEs compete, while capability-building clauses move Ukrainian firms up from lower-tier subcontracting. Industrial parks should become supplier ecosystems around anchor investors / occupiers, not just sites; only about 30 of 111 registered parks are operational.

02 Subsequent SME loans should be easier than the first

The framework's insistence on programmes over one-off projects applies directly to SME finance. Most SME investment needs are too small for IFIs to finance individually, so Ukrainian banks must become the main channel for reconstruction capital. EU guarantees have already revived lending. The next frontier is maturities and capital expenditure. Most SME lending today is short-term working capital, whereas new machinery, energy self-generation or certification pay back only over several years. Banks therefore need standard guarantee products for five-to-seven-year investment loans in modernisation, energy, and certification. Grants and technical assistance should make firms investable, by preparing business plans, financial statements, and compliance data, and be attached to these facilities rather than run as stand-alone advisory projects. State support should move from subsidy to risk-sharing, with 5-7-9 phased into targeted, EU-compatible guarantees through the National Development Institution (NDI).

03 Exceptional risk must be addressed at SME scale

The framework's distinction between exceptional and normal risk is clearest for SMEs. Institutions such as MIGA, DFC and Ukraine's Export Credit Agency (ECA) have shown that war-risk insurance works, but cover is still limited and has gone mainly to large investors. The 2026 premium-reimbursement scheme and a DFC-backed reinsurance facility for SME property are first steps; an EU- or IFI-backed reinsurance pool could take them to scale. Equity is the scarcest capital of all. Extending existing instruments of the European Investment Fund (EIF), the European Bank for Reconstruction and Development (EBRD) and the International Finance

Corporation (IFC) to mezzanine and growth funds for small and medium-sized manufacturers would fill the €0.5–10 million gap without crowding out private investors. Commercial risk should stay with the firm and its investors.

04 Support must leave a Ukrainian system behind

Firms currently meet the government and donors through several overlapping front doors, with thin regional capacity and no shared results framework. The Triple Line – UA Direct paper on Ukraine reconstruction proposes a test for every international technical assistance programme: it should show which Government-defined reconstruction, recovery, or EU-accession priority it serves, and what sustainable Ukrainian capacity it leaves behind when it ends. Applied to SME support, that test points to one national system: the Entrepreneurship and Export Promotion Office (EEPO) as the national hub, a funded regional delivery layer, and domestic finance institutions (the NDI, the ECA and Ukrainian banks) able to carry SME finance once donor programmes close.

A funded regional delivery layer means giving the organisations that already reach small businesses locally their own budget and staff to deliver national SME and export programmes. These are Regional Development Agencies (RDAs), oblast administrations, hromadas (municipalities), Diia.Business centres and Made in Ukraine offices. They would provide advice, referral to grants, loans and guarantees, and compliance services, under common service standards and a shared client registry linked to EEPO. Today they are consulted on SME policy but rarely resourced to deliver effective and sustainable services to SMEs.

The successor SME strategy is the pivot. The SME Strategy to 2027 is due to be evaluated and replaced, and its successor will be the first written during active accession negotiations. The European Commission's 2025 report credited Ukraine's progress on Chapter 20 mainly to implementation of the current strategy, so the successor will be read in Brussels as a Chapter 20 deliverable. It will also be evidence on the economic criterion on which Ukraine is rated weakest: the capacity to cope with competitive pressure and market forces within the EU. It should therefore upgrade Ukraine's M-Test into a full EU-style "SME test" (assessing new regulation for its impact on small firms) and embed EU late-payment rules, a second chance and insolvency framework, and support schemes compatible with EU state-aid rules.

SME and export policy must be run as one. The Export Strategy to 2030, now in its first phase (2026–2028), shares an owner, the Ministry of Economy and Environment (MinEcon), and a delivery agency (EEPO) with the SME Strategy, yet the two run on different timelines. EEPO should implement both through one service offer to firms, common indicators and one regional network. Donor support should be aligned through the SME Resilience Alliance (SME Alliance), the coordination platform that already deals with both strategies, by adopting a joint results framework covering both strategies and the Ukraine Plan. With Clusters 2 and 3 now open, SME policy is effectively accessioning policy.

03 Implications

The agenda must fit a country at war.

Defence expenditure takes about two-thirds of the draft 2027 budget, the civil service has lost 16,600 posts since 2022, and Ukraine Facility conditionality is already stretching ministries. Three principles therefore apply to future policy measures: as far as possible they should be fiscally neutral or externally financed, use existing institutions rather than rely on new ones, and give priority to steps that unlock EU funding or meet accession benchmarks.

For Government (MinEcon, EEPO, NDI, ECA)

- Treat the successor SME strategy as a priority EU accession deliverable, not a routine policy renewal: use the evaluation of the current strategy to write one that serves reconstruction and accession at once, mapped to Chapter 20 benchmarks and with a dedicated finance chapter.
- Align the successor SME strategy with the Export Strategy to 2030 through EEPO: one service offer to firms, common indicators and one regional delivery network.
- Phase 5-7-9 into targeted, state-aid-compatible guarantees through the NDI, and give the NDI and ECA SME-specific mandates and targets.
- Design reconstruction procurement so SMEs can compete: sensible lotting, framework agreements, pre-qualification pools, and capability-building clauses.
- Link industrial park incentives to local supplier development and shared testing and certification facilities.

For donors and IFIs

Fund the national system, not parallel projects.

- Fund the national system, not parallel projects: channel SME support through EEPO as hub, the regional delivery layer, and the NDI.
- Use the SME Alliance to align donor work plans with both the SME and Export strategies, under one shared results framework.
- Attach investment-readiness and compliance support (standards, CE (Conformité Européenne) marking, CBAM, ESG data) to every guarantee facility, fund, and credit line.
- Plan now for the transition from the Ukraine Facility (to 2027) to the Ukraine Reserve (2028–2034), which will support Ukraine's accession process and longer-term reconstruction, so SME support does not fall into a funding gap.

For Ukrainian banks and the National Development Institution

- Use EU and IFI guarantees for five-to-seven-year investment loans, not only working capital.
- Build supplier, factoring and export pre-financing products for firms entering reconstruction and European supply chains.
- Build the NDI as an EU-ready national promotional bank, able to receive EU guarantees directly.

For investors, European companies, and SMEs

- Co-invest with development finance institutions (DFIs) in the middle market, using DFI anchoring and war-risk cover to reach manufacturers, not only technology and infrastructure.
- European companies investing in Ukraine should build local suppliers, not only plants, using industrial parks, clusters, and defence co-production as entry routes.
- SMEs and their business associations should treat compliance and financial reporting as the price of entry to both reconstruction contracts and EU markets.

What success should look like

Mirroring the questions the reconstruction paper uses to define success ("What should success look like?"), progress should be measured by what changes for firms, not by the volume of programmes:

1. Can Ukrainian banks finance long-term SME investment, not only working capital?
2. Are more Ukrainian SMEs supplying reconstruction programmes as prime contractors or qualified suppliers, rather than lower-tier subcontractors?
3. Are more SMEs exporting to the EU with certified, compliant products?
4. Is war risk insurable at SME scale, so that ordinary commercial risk can stay with investors?
5. Is subsidy giving way to market finance, with growth equity reaching manufacturers?
6. Do donor programmes leave a stronger Ukrainian delivery system behind?

If the answer to these questions improves, reconstruction will have done more than rebuild assets. It will have built the Ukrainian companies that compete in the European economy Ukraine is joining.

Triple Line's Proposition

For more than 25 years, Triple Line has worked with governments, development partners, and investors to strengthen private sectors in economies undergoing transition and recovery from conflict.

We combine policy advice with practical support to firms. We have developed strategies for micro, small and medium-sized enterprise (MSME) development, innovation, and industry for clients including the OECD, the European Commission (EC) and UNDP. We have designed and delivered grant and technical assistance programmes for war-affected businesses for the EC, GIZ and UNDP, and strengthened business membership organisations and public–private dialogue (PPD), including through digital tools such as eConsultation and eRegulations.

Our approach rests on a few principles.

1. We start from the investment decision, asking what a bank, fund, insurer, or European buyer needs to see before committing, and work back to the support a firm requires.
2. We design to EU rules from the outset, so that support schemes, standards and reporting remain valid as accession advances.
3. We bundle compliance, capacity, market access and finance around real investors, clusters, and industrial parks.
4. We work through national institutions, including ministries, regional development agencies, business associations, and banks, so that capacity remains when programmes close.
5. We tailor support to context, distinguishing the restart needs of frontline and de-occupied areas from the scaling needs of the west and centre.
6. We build in evidence from the start, with shared results frameworks that show, for example, whether SMEs and start-ups are becoming more investable, more competitive, and more compliant.

To deliver our work in Europe we are pleased to have developed a strategic partnership with the team at UA Direct (Home page - ua-direct). Together we combine sectoral expertise with deep local knowledge of Ukraine. As part of the partnership, UA Direct Managing Partner Oleksiy Starodubov has joined Triple Line as Principal Advisor. Together, we look forward to developing practical programmes, partnerships and investment opportunities that contribute to Ukraine's recovery and long-term economic development.

For further analysis of the needs and challenges of Ukraine's recovery journey please see here.

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