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Reconstruction of Ukraine

Finland's national plan, part one

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Reconstruction of Ukraine

Finland's national plan, part one

Department for Russia, Eastern Europe and Central Asia

Ministry for Foreign Affairs of Finland Helsinki 2023

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Reconstruction of Ukraine Finland's national plan, part one

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Abstract

As stated in Prime Minister Orpo's Government Programme, the Ministry for Foreign Affairs together with the Ministry of Economic Affairs and Employment, Ministry of Finance and business stakeholders have drawn up a plan for Finland's participation in the reconstruction of Ukraine. The plan focuses particularly on financing and advisory services relevant for Finnish companies needed to enable them to participate in this reconstruction project with an extremely large scale in terms of the required financing and time span. International companies can influence economic development in Ukraine, which will also be essential for employment and other societal development in a war-torn country.

The plan describes the needs and international organisation of reconstruction in Ukraine as well as proposes financing solutions for Finnish companies' market surveys, search for partners, export financing as well as investments. The plan additionally describes advisory services that companies can obtain from organisations in the Team Finland network and other business actors. Both the advisory services and financing services available for companies are also described in a table format in the plan.

The second part of the plan, which will be prepared in 2024, will have a broader focus on the participation of Finland's central government and various stakeholders in the reconstruction and the use of Finland's development cooperation funds in Ukraine.

Keywords Ukraine, rebuilding (construction), Russian invasion of Ukraine 2022, business counselling, export promotion, development cooperation

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Ukrainan jälleenrakentaminen Suomen kansallinen suunnitelma, 1. osa

Ulkoministeriön julkaisuja 2023:25

Julkaisija Ulkoministeriö

Yhteisötekijä Itäosasto

Kieli Suomi

Sivumäärä 33

Tiivistelmä

Pääministeri Orpon hallitusohjelmaan perustuen ulkoministeriö on laatinut yhdessä työ- ja elinkeinoministeriön, valtiovarainministeriön sekä elinkeinoelämän sidosryhmien kanssa suunnitelman Suomen osallistumisesta Ukrainan jälleenrakentamiseen. Suunnitelmassa keskitytään erityisesti suomalaisyrityksille tarkoitukseenmukaisiin rahoitus- ja neuvontapalveluihin, joita tarvitaan, jotta yritykset voisivat olla mukana rahoituksellisesti ja ajallisesti hyvin mittavassa jälleenrakentamisurakassa. Kansainväliset yritykset voivat vaikuttaa talouden kehitykseen Ukrainassa, mikä on olennaisen tärkeää myös työllisyydelle ja muulle yhteiskunnalliselle kehitykselle sodan runtelemassa maassa.

Suunnitelmassa kerrotaan Ukrainan jälleenrakennuksen tarpeista ja sen kansainvälisestä järjestämisestä sekä esitetään rahoitusratkaisuja, joita suomalaisyritykset voisivat hyödyntää markkinaselvityksiin, kumppanihakuihin, viennin rahoittamiseen sekä investointeihin. Lisäksi suunnitelmassa esitellään neuvontapalveluita, joita yritykset voivat saada Team Finland -verkoston organisaatioilta ja muilta elinkeinoelämän toimijoilta. Neuvontapalvelut ja yrityksille tarjolla olevat rahoituspalvelut kuvataan suunnitelmassa myös taulukkomuodossa.

Suunnitelman toinen osa laaditaan vuoden 2024 aikana. Siinä käsitellään laajemmin Suomen valtionhallinnon ja eri sidosryhmien osallistumista Ukrainan jälleenrakentamiseen sekä Suomen kehitysyhteistyövarojen käyttöä Ukrainassa.

Asiasanat Ukraina, jälleenrakentaminen, Venäjän hyökkäys Ukrainaan 2022, yritysneuvonta, viennin edistäminen, kehitysyhteistyö

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Återuppbyggnaden av Ukraina Finlands nationella plan, del 1

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Utifrån statsminister Orpos regeringsprogram har utrikesministeriet tillsammans med arbets- och näringsministeriet, finansministeriet och intressentgrupper inom näringslivet utarbetat en plan för Finlands deltagande i återuppbyggnaden av Ukraina. Planen fokuserar särskilt på sådana finansierings- och rådgivningstjänster som är relevanta för finländska företag och som behövs för att företagen ska kunna delta i det både finansiellt och tidsmässigt mycket omfattande återuppbyggnadsarbetet. Internationella företag kan påverka den ekonomiska utvecklingen i Ukraina, vilket är av högsta vikt även för sysselsättningen och annan samhälls utveckling i det krigshärjade landet.

I planen beskrivs behoven i anslutning till återuppbyggnaden av Ukraina och hur den ska ordnas internationellt samt presenteras finansieringslösningar som de finländska företagen kan använda sig av för bl.a. marknadsundersökningar, partnersökning, finansiering av export och investeringar. I planen presenteras även sådana rådgivningstjänster som företagen kan få från organisationerna inom nätverket Team Finland och från andra aktörer inom näringslivet. I planen beskrivs både rådgivningstjänsterna och de finansieringstjänster som erbjuds företagen också tydligt i tabellform.

Den andra delen av planen utformas under år 2024 och den fokuserar mera allmänt på den finländska statsförvaltningens och olika intressentgruppers deltagande i återuppbyggnaden samt på användningen av finländska utvecklingsamarbetsmedel i Ukraina.

Nyckelord Ukraina, återuppbyggnad, ryska invasionen av Ukraina 2022, företagsrådgivning, exportfrämjande, utvecklingsamarbete

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Відновлення та відбудова України Національний план Фінляндії, перший етап

Публікації Міністерства закордонних справ Фінляндії 2023:25

Видавець	Міністерство закордонних справ Фінляндії		
Авторський Мова	Східний відділ фінська	Кількість сторінок	33

Анотація

Як зазначено в Програмі Уряду Прем'єр-міністра Орпо, Міністерство закордонних справ спільно з Міністерством економіки та зайнятості, Міністерством фінансів та зацікавленими представниками фінського бізнесу розробило План участі Фінляндії у відбудові України. Особлива увага в Плані приділяється фінансуванню та консультативним послугам для фінських компаній, необхідним для їхньої участі в цьому масштабному з точки зору необхідного фінансування та тривалості проекту відбудови України. Міжнародні компанії можуть сприяти економічному розвитку України, що також матиме важливе значення для зростання зайнятості та інших аспектів соціального розвитку в країні, охопленій війною.

У Плані окреслено потреби та організацію міжнародної допомоги у відновленні України, а також запропоновано фінансові рішення для фінських компаній для проведення ринкових досліджень, пошуку партнерів, експортного фінансування та інвестування. Крім того, у Плані представлені консультативні послуги, які компанії можуть отримати від мережі Team Finland та інших учасників бізнес-спільноти. Консультативні та фінансові послуги представлені в цьому документі у вигляді таблиці.

Друга частина Плану, яку планується розробити протягом 2024 року, буде зосереджена на участі державних органів влади Фінляндії та усіх зацікавлених сторін у відбудові України, а також на використанні в Україні коштів фінських фондів співпраці у сфері розвитку.

Ключові слова Україна, відновлення (відбудова), агресія Росії проти України 2022, консультативні послуги компаніям, просування експорту, співпраця з розвитку

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Contents

1	Introduction	8
2	Finland’s two-phase approach and Finnish companies’ possibilities for participation	10
3	Concrete proposals for measures	12
	3.1 Financing solutions.....	13
	3.2 Strengthening advisory services.....	17
	ANNEX 1. Advisory services for companies	21
	ANNEX 1. Support and financing services for companies	27

1 Introduction

Russia's military aggression against Ukraine started in 2014. On 24 February 2022, Russia launched a full-scale invasion of Ukraine in breach of international law.

Supporting Ukraine, a country targeted by this unlawful attack, is crucial. Finland has responded to Ukraine's needs rapidly, by providing defence materiel and other material aid as well as channelling development and humanitarian aid funds to Ukraine. In addition to immediate support, however, long-term aid for reconstruction is needed, as repairing the damage caused by the war is expected to take a number of years and cost hundreds of billions of euros. While there are major variations in the situation between different regions of Ukraine, large-scale reconstruction can only begin on full steam in all regions once the war is over.

Infrastructure repairs are being carried out constantly, and even in the conditions of war, long-term reconstruction can already be prepared for and partly even carried out. Ukraine is currently drawing up its extensive national reconstruction and modernisation plan, and the Ukrainian government has specified following priority needs: energy infrastructure, demining, housing, critical and social infrastructure (hospitals, day-care centres etc.) as well as maintaining functional private sector. In addition to concrete reconstruction, reforms that support the modernisation of Ukrainian society and the country's EU integration need to be carried out.

Without a well-functioning basic structure of society, employment opportunities and housing, it will be difficult for people who fled the war to return to their home regions when the situation calms down. A large volume of sustainable infrastructure (including energy, roads, water supply and sanitation, telecommunication networks) need to be repaired and rebuilt in Ukraine. Economic and industrial activity must be stimulated to create sustainable jobs. Public funding can achieve a great deal but not enough. Over the long term, Ukraine must attract more Ukrainian and foreign investments to achieve sustainable economic growth. The recovery of Ukrainian economy will also have impacts on the global economy; for instance, Ukraine has traditionally been a highly significant grain producer and exporter.

Finland will participate in Ukraine's reconstruction across a broad front: by taking part in concrete reconstruction projects in the following years, supporting Ukraine's EU integration and the reforms required by it, and creating preconditions for the Finnish private sector to operate in Ukraine.

It should also be noted that Ukraine is currently at war, and the travel advice issued by the Finnish Ministry for Foreign Affairs is to leave the country if possible. If you nevertheless decide to travel to Ukraine, remember to submit a travel notification and follow the instructions issued by the authorities. The travel advice will be updated as the situation changes.

2 Finland's two-phase approach and Finnish companies' possibilities for participation

There is a great practical, human and moral need to support Ukraine's reconstruction. The scale of the reconstruction project is enormous, and ensuring that all activities are always needs-based is of primary importance. According to the March 2023 estimate by Ukraine, the World Bank, the European Commission and the UN, the reconstruction needs over the next ten years will amount to almost EUR 400 billion. And these needs keep growing as the war continues. The estimate is to be updated in spring 2024.

In the international context, the support measures and reconstruction are being planned in a coordination group (Multi-agency Donor Coordination Platform), which brings together Ukraine, the G7 (the United States, Canada, the United Kingdom, Japan, Germany, France, Italy), the European Union as well as key international financial institutions. The aid measures are guided by a reconstruction plan drawn up by Ukraine in cooperation with international donors.

The European Union is currently preparing a large-scale Ukraine Facility and its allocation to different sectors in 2024–2027. This facility, mainly consisting of macroeconomic support in form of loans, will amount to approx. EUR 50 billion at maximum. The global development strategy of the European Union presented in 2021, the Global Gateway, will also offer opportunities for Ukraine, including in major projects in the energy and transport sectors.

As stated in Prime Minister Orpo's Government Programme, Finland will prepare a national reconstruction plan for Ukraine in two phases. The national coordination of both phases will be led by the Ministry for Foreign Affairs and be carried out in cooperation with the rest of the central government and business community. Team Finland, a business service network consisting of several organisations, will play a key role in this. A more detailed description of the expertise offered by the network and its division of roles is provided in the appendix.

The first part – this document – deals with the participation of Finnish private sector in Ukraine's reconstruction. Particular attention has been paid to strengthening financing solutions and business advisory services. Despite the immense needs, the reconstruction task is challenging, and Ukraine is not a market that Finnish companies have been particularly familiar with or one that they know very well. At the same time, Finland has a great deal to offer, for example in the transition to clean technologies and energy production, energy supply, digital transformation, information networks, construction and infrastructure, societal planning and good governance as well as the education sector.

The second phase of the plan to be completed in 2024 will cover Finland's overall support for Ukraine's reconstruction and the government's and stakeholders' participation in it. The Finnish government already engages in a great deal of cooperation with Ukraine, and several Memoranda of Understanding (MoU) have been signed with Ukrainian counterparts. Among other things, MoUs have been signed in the fields of building, protecting and developing digital infrastructure (Ministry for Transport and Communications), assessing, documenting and repairing environmental damage caused by the war (Ministry of the Environment), radiation and nuclear safety (Radiation and Nuclear Safety Authority), and the education sector (Ministry of Education and Culture).

The second phase will address the use of appropriations for development cooperation and humanitarian aid. Ukraine is already the largest partner country for Finland's development aid. The possibilities of improving Finnish stakeholders' knowledge of Ukraine, including learning the language and providing additional country information, should also be considered.

3 Concrete proposals for measures

In order to enable Finland to participate optimally in the reconstruction of Ukraine, advisory services as well as competitive financing that accounts for the exceptional risks in Ukraine must be secured for Finnish businesses. Any needs for additional financing will be discussed in connection with the Budget proposal and the General Government Fiscal Plan.

The government's proposal for amending the budget proposal for 2024 includes some reconstruction plan measures. The amendment to the budget proposal includes a targeted EUR 25 million equity capital increase for the Finnish development financier Finnfund to enable larger-scale investing in Ukraine. A central government loss compensation pledge will also be given that covers 80% of the value of such investments, amounting to no more than EUR 20 million in total. It will also be proposed to Parliament that the Ministry of Economic Affairs and Employment could compensate the national export credit agency Finnvera for credit losses up to EUR 50 million in total, arising from export credit guarantees granted to promote exports to and investments in Ukraine.

To promote effective payment transactions between Ukraine and Finland, Know Your Customer (KYC) processes must be developed in cooperation between banks, businesses and the Confederation of Finnish Industries.

A large number of international actors plan to participate in future competitive tendering processes, and in some projects, companies may be expected to provide financing. This may be difficult, especially for small and medium enterprises. Financing solutions suitable for Ukraine will be needed, not only for various studies but also for trade and investments.

In general, as part of Finland's support for Ukraine, efforts should be made to account for the principles of responsible business, reinforce the rule of law, and fight corruption. The business environment in Ukraine has its challenges when it comes to for example corruption, environmental protection, occupational safety and employee rights. In particular, the state of war has increased the risks to women, girls and other vulnerable groups such as persons with disabilities. The preconditions for responsible business that accounts for the effects of the war

include managing the human rights, climate and environmental risks, as well as ensuring that businesses have sustainable societal impact. The Business & Human Rights online course developed by the government of Finland can be used when providing business advice relevant to Ukraine.

3.1 Financing solutions

Financing for technical studies, market research, partner search and background checks

The first stepping stone for companies wishing to map business opportunities in Ukraine can be provided by Finnpartnership. It is the Ministry for Foreign Affairs' business partnership programme administrated by Finnfund, a development financier that helps companies find customers and business partners, recognise business opportunities and establish trade relations. Business partnership support is also needed for market research, putting together consortia, and participation in reconstruction fairs and other similar events.

The grant support provided by Finnpartnership, financing tools of Business Finland (Market Explorer, Group Explorer and Exhibition Explorer instruments) and development grants of ELY Centre contribute to supporting Finnish businesses in their preparation for Ukraine's reconstruction. The terms and support forms of Finnpartnership are to be developed further to better meet the needs of our private sector in Ukraine.

Funding should also be set aside for performing technical feasibility studies of projects. During spring 2024, an effort will be made to ensure the compatibility of support intended for technical feasibility studies with EU State aid regulation. Investment project feasibility studies could be funded in projects involving a Finnish commercial interest and where the applicant is a Finnish company.

The terms and forms of Finnpartnership business partnership support will be developed to meet the needs of private sector in Ukraine better.

Additional funding of EUR 8 million in total will be allocated to the Finnpartnership programme in 2024–2027.

Responsible party: Ministry for Foreign Affairs/Finnfund

National export financing

The export financing instruments of Finnvera, national export credit agency, include credit insurance for a short term of payment, letter of credit guarantees that protect against risks arising from letters of credit, as well as buyer credit guarantees that protect against risks for export credits with payment terms of several years.

Export financing that covers the risks present in Ukraine is currently not available on a commercial basis in Finland, and Finnvera does not cover the credit risk arising from Ukrainian counterparts at the moment due to the high risk level. Finland's reference countries such as Sweden, Denmark and Germany have already made decisions to cover the risk present in Ukraine by special arrangements.

Ensuring Finnvera's ability to cover Ukraine-related risks is needed to facilitate Finnish companies' exports to Ukraine. Especially financing for transactions with a short term of payment (including letter of credit guarantees for banks handling foreign trade payment transactions as well as credit insurance to guarantee Finnish companies' export receivables) are expected to have an impact on promoting also SME sector exports even over the short term. The offer of export credit guarantees enabling medium and longer payment terms can also be increased gradually.

Finnvera's export financing for Ukraine will be enabled by means of compensation for potential credit losses.

**Responsible party: Ministry of Economic Affairs and Employment/
Finnvera**

Special risk capital should also be allocated to cover the needs of the Public Sector Investment Facility (PIF) administrated by the Ministry for Foreign Affairs. The purpose of this facility is to support target countries' public sector investments that are consistent with the UN's SDGs and take advantage of Finnish expertise and technology. Using PIF, the purchasing price for the public sector buyer as well as the interest of the export credit arranged to finance the project is supported from Finnish development aid funds, significantly reducing investment cost in the target country.

Companies have been making enquiries about PIF investment credits for public sector purchases in Ukraine. There is a need for this type of mixed credit financing aiming to support the public sector in Ukraine with solutions built by Finnish companies.

It is proposed that PIF framework agreement negotiations be initiated with Ukraine.

In 2024, a new mixed credit instrument, Ukraine Investment Facility (UIF), will be set up and prepared, that will enable projects up to the value of EUR 50 million to go ahead in 2025–2026 following the principles of the Public Sector Investment Facility (PIF). Of this financing, 35% would be a grant to cover interest costs and related costs. An allocated Finnvera export credit guarantee for the concessional credit is a prerequisite for the facility to work.

Simplifying the national PIF credit process for Ukraine will be examined.

Finnvera's export credit guarantees for PIF projects in Ukraine will be enabled by means of compensation for potential credit losses.

Responsible party: Ministry for Foreign Affairs/Finnfund, Ministry of Economic Affairs and Employment/Finnvera

In addition to purely national export financing measures, it should be mentioned that in 2024, the European Commission will launch a EUR 300 million pilot project in connection with the European Investment Fund to promote SMEs' trade with Ukraine through national export credit guarantee institutions. Finnvera is interested in possibilities of using this pilot solution to promote Finnish SMEs' exports to Ukraine and to increase Finnvera's risk-taking capacity.

National and international investment financing

Most of the funds for Ukraine's reconstruction will be channelled through international financial institutions (including the European Bank for Reconstruction and Development EBRD; the European Investment Bank EIB; the International Finance Corporation IFC and the Multilateral Investment Guarantee Agency MIGA, both members of the World Bank Group; and the Nordic Environment Finance Corporation NEFCO). It should be noted that the level of minimum financing for individual projects is often high in international financing, which hampers Finnish SMEs' participation. Finnish companies need support in engaging with international financial institutions. The need for advice related to financial institutions is addressed in the section on advisory services (section 3.2.).

Finnish companies can participate in Ukraine's reconstruction either by taking part in competitive tendering processes of the parties listed above or by applying for funding directly for their own projects. Companies can apply to Finnfund for private sector investment financing and to Finnpartnership for funding for studies associated with their investments. In addition, Business Finland innovation loans are also available for companies for Ukrainian operations.

From Finnish companies' perspective and to promote exports to Ukraine, it is justified that Finnfund could finance private investment projects in Ukraine directly, either on a case-by-case basis or by tapping a Ukraine investment fund established for this purpose. Such cases could also include a Ukrainian investor who has a Finnish company's export products delivered for their project. The investor could also be Finnish, in which case development impacts are generated, for example, through deploying cleaner technologies or via job creation. Only investments in companies located in developing countries are possible under the Finnfund Act (291/1979). However, such companies may be subsidiaries of Finnish companies. The OECD Development Assistance Committee defines Ukraine as a developing country.

Finnvera may promote Finnish investments abroad by granting investment insurances for equity and debt financing of investments to cover political risks. Due to the ongoing war in Ukraine, Finnvera cannot currently cover investment risks.

Finnfund's capital will be increased by EUR 25 million. This increase will be targeted at enabling more extensive investments in Ukraine.

Finnfund's investment risk in Ukraine will be covered by special government risk financing, which would serve as a loss compensation pledge for the investments: the government would cover a maximum of 80% of the risk up to EUR 20 million in total.

The prerequisites for using Finnvera's investment insurances to cover political risks of financing investments in Ukraine will be investigated.

Responsible party: Ministry for Foreign Affairs/Finnfund, Ministry of Economic Affairs and Employment/Finnvera

3.2 Strengthening advisory services

Market insight and business advice

Among other things, Finnish companies need information and training related to Ukraine as a business environment and finding potential business partners. The advisory and training offer should cover the opportunities and risks of the Ukrainian business environment comprehensively, including the following areas:

- a. Assessing Finnish companies' capabilities for entering the Ukrainian market
- b. Providing up-to-date, realistic information about the business culture and environment in Ukraine
- c. Mapping needs and demand as well as market opportunities in Ukraine (including the electronic procurement platforms ProZorro and DREAM used in Ukraine)
- d. Matching Finnish supply with the demand in Ukraine and preparing joint offerings, for example for reconstruction fairs and together with leading Finnish companies
- e. Bringing Finnish and Ukrainian companies together (including in fairs, webinars, meetings)
- f. Helping businesses participate in local and international invitations to tender
- g. Opening doors to the public sector, businesses and NGOs in Ukraine

- h. Searching for local partners and customers, and checking their backgrounds (Know Your Customer)
- i. Assisting in trade obstacles and with other issues
- j. Assisting in legal questions, certification and licence issues
- k. Helping companies with direct investments in Ukraine
- l. Advising on anti-corruption measures

Team Finland network with its service path and Customer Relationship Management system (CRM) plays a remarkable role in offering business advice across Finland. The Ukraine business forum convened by the Confederation of Finnish Industries (EK) has brought actors together and served as a useful channel for sharing information. The Ministry for Foreign Affairs can use the platform to inform companies of the broader situation and context in geopolitics.

Even in normal circumstances, the business environment in Ukraine is not easy in all respects. Corruption has traditionally been recognised as a problem undermining the functioning of Ukrainian society, and posing a complex challenge in particular in the Ukrainian economy. A great deal of work is being done to eradicate the issue, which Ukraine's bid for EU membership reinforces further. Nevertheless, Finnish actors should also be prepared to encounter this issue at some stage of their business operations in Ukraine. However, corruption can be effectively avoided by following certain principles and best practices. Team Finland network can advise companies to navigate the issue.

Corporate social responsibility should be accounted for in a broad sense, for example when trading and finding local partners. Under the proposed EU Corporate Sustainability Due Diligence Directive, companies must identify any negative impacts their operations might have on human rights and the environment and, if necessary, prevent or mitigate them. Companies must assess and observe the human rights and environmental impacts throughout their value chains. Finnpartnership offers a free-of-charge consultancy service for companies that have been granted business partnership support and whose projects are challenging in terms of their environmental, social or human rights impacts. The aim of the service is to raise awareness of environmental and societal issues as well as potential human rights challenges in the country in question.

Financial advice: support for business participation in international financial institutions' invitations to tender

Financing solutions are crucial in enabling companies' involvement in reconstruction. Questions of national financing were dealt with in the previous section (section 3.1.), which discusses the central roles of Finnfund and Finnvera.

A considerable share of financing for Ukraine's reconstruction will be channelled through international financial institutions (IFI). This is why both actively monitoring IFIs and influencing their plans is vital. While Finnish companies have traditionally had an interest in participating in IFI invitations to tender, their success in the competitions of the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) has been modest. Their preconditions for success should be improved by providing more advice, training and information on how the IFIs operate. Business Finland, in particular, has the preconditions for developing business advisory services on IFI procurements.

Success in international bidding competitions could also be improved by facilitating intercompany networking among Finnish companies as well as with businesses in Ukraine, to build consortia. Facilitating companies to participate in subcontracting related to reconstruction projects should also be considered, taking price competitiveness into account. Leading Finnish companies will be encouraged to share their experiences to SMEs and involve the SME sector in larger companies' projects and/or consortia related to Ukraine.

In total, a comprehensive range of advisory services associated with both market insight and financing are available through Team Finland (TF) network. The actors offering advice include the Ministry for Foreign Affairs, Business Finland, Finnfund, Finnpartnership, Finnvera as well as EastCham Finland and regional Centres for Economic Development, Transport and the Environment (ELY Centres).

It may be anticipated, however, that the current resources of the Team Finland network cannot cover all information needs that Finnish companies will have in the context of participating in Ukraine's reconstruction. The key roles and sufficient resources of parties providing advisory and training services should consequently be secured both in Finland and, should the security situation permit, also in Ukraine, in order to keep in touch with Ukrainian stakeholders more effectively than today, and to maintain awareness of the demand and financing opportunities on the ground.

Tables listing the key organisations providing advisory services and their contact persons as well as support and financing services are attached to this plan.

Advisory and training services will be improved and efforts will be made to strengthen the resources of the parties providing these services, both in Finland and Ukraine.

Responsible party: Ministry for Foreign Affairs and Ministry of Economic Affairs and Employment

ANNEX 1. Advisory services for companies

In keeping with the 'one-stop shop' principle, companies can contact the Ministry for Foreign Affairs' Team Finland Ukraine advisory service about all enquiries concerning Ukraine by emailing ukraine.recovery@gov.fi or by calling +358 295 35 0015. Alternatively, companies can contact the most relevant Team Finland organisation using TF contact form (<https://www.team-finland.fi/en/contact-us>), in which case the contact will be directed to the relevant TF organisation based on the information provided on the form.

Should the company wish, they can also contact the party providing the service directly about questions relating to a certain theme, based on the descriptions below:

Organization	Current services and resources	Planned services and resources	Contact person
Ministry for Foreign Affairs	<ul style="list-style-type: none"> - General advice concerning Ukraine for companies provided from Helsinki (business environment, market insight) - Geopolitical country information on Ukraine - Advice for situations involving trade barriers and customs problems (in cooperation with authorities covering the relevant sector) - Guidance related to development financing actors (Finnfund, Finnpartnership) - Financing for public sector projects in target countries (PIF) - Country Director and coordination of Team Finland activities in Ukraine - Support the Embassy of Finland in Kyiv: contacts with businesses, authorities and the media as well as related door-opening (incl. networking events and visits) - Reception of work permits together with the Finnish Immigration Service 	<ul style="list-style-type: none"> - Reinforcing the resources of the Embassy in Kyiv 	<p>Antti Vänskä, Ambassador (reconstruction) Tel. +358 295 350 319</p> <p>Oskari Laukkanen, Counsellor, Trade and Investment Tel. +358 50 594 6010</p> <p>Henri Riihimäki, Counsellor, Trade and Investment Tel. +358 50 432 4747</p> <p>Iris Hiltunen, Desk Officer, incl. trade barrier advice Tel. +358 295 350 426</p> <p>Oskar Kass, Team Leader, private sector instruments, incl. PIF, tel. +358 50 471 2099</p>

Organization	Current services and resources	Planned services and resources	Contact person
Business Finland (Steered by the Ministry of Economic Affairs and Employment)	<ul style="list-style-type: none"> - National coordination of TF work together with the Ministry for Foreign Affairs - Business advice and guidance for market access - Support business growth in international markets, business contacts and networks - Business practices in Ukraine - Advice on different financing possibilities and services - Advice on international financing - EU financing - network advice - Describing and passing on to companies market opportunities in Ukraine, guidance for individual companies and networks - Programmes and ecosystems as well as their services - Drawing up general market studies and operational analyses, and communicating them to customers - Communication about Ukraine to customers, stakeholders and the TF network - Organizing visits of company groups to key events related to Ukraine - Promotion of networking with key Ukrainian actors - EEN partner search for companies seeking international growth - Expert Search service in which companies can look for consultants familiar with the Ukrainian market - Recognising international EPC projects and assisting Finnish companies in participating in them 	<ul style="list-style-type: none"> - Setting up a joint Finland House shared by different actors in Kyiv: providing market access services for companies under one roof. Scanning different practical services provided by local companies (incl. accounting, HR, recruitment, taxes, virtual addresses). A peace process would probably have to progress before this step. 	<p>Customer service team, direction to TF actors' services tel. +358 29 469 5800, between 9:00 and 12:00</p> <p>Reijo Kangas, Executive Director, coordination and guidance Tel. +358 557 7892</p> <p>Jyrki Härkki, contact person for sectoral international advisory team Tel. +358 40 343 3455</p> <p>Grace Wang, financing and projects of international financiers Tel. +358 342 4740</p> <p>Marjukka Holopainen-Rainio, UN procurements, tel. +358 571 0038</p> <p>Hanna Rinta-Erkkilä, EU advice, tel. + 358 40 751 4278</p> <p>Teija Pakanen, EEN advice, tel. +358 40 835 9264</p> <p>Piotr Hajdecki, Warsaw, internationalisation advice Tel. +48 508 983 253</p> <p>Maria Westerholm, company group visits, tel. +358 40 343 3431</p> <p>Maija Hakkarainen, communication about Ukraine, tel. +358 557 7739</p>

Organization	Current services and resources	Planned services and resources	Contact person
Finnvera (Steered by the Ministry of Economic Affairs and Employment)	<ul style="list-style-type: none"> - Export financing for companies of all sizes, based in Finland - Business financing with Finnvera products - Cooperation with TF network - Cooperation with banks 		<p>Outi Homanen, Regional Advisor, tel. +358 40 821 9833 outi.homanen@finnvera.fi</p> <p>Timo Pietiläinen, Finance Manager, tel. +358 40 508 8956, timo.pietilainen@finnvera.fi</p>
Finnfund (Steered by the Ministry for Foreign Affairs)	<ul style="list-style-type: none"> - Financing for (joint) ventures of Finnish companies in Ukraine - Financing for Ukrainian companies partnering with Finnish companies - Financing for sectors that serve Finnish companies in Ukraine - Investment amounts 0.5 to 25 million, always in the role of minority investor - For more information visit Finnfund website, pages for Finnish companies 		<p>Patrik Bredbacka, Team Finland Advisor Tel. +358 40 545 8447</p>
Finnpartnership (Steered by the Ministry for Foreign Affairs)	<ul style="list-style-type: none"> - Business partnership support: financial support for launching long-term business. Support rate for Ukraine is 85% of the project's eligible costs - Matchmaking services: Doing Business with Finland seminars, SDG Booster workshops, business-to-business Matchmaking search service - Information and guidance: monthly workshops on applying for business partnership support, contact map service for finding partners, monthly newsletter - Cooperation with Team Finland and other development organisations and guidance to other Team Finland financing sources and services 	<ul style="list-style-type: none"> - Monthly workshops on applying for business partnership support - Ukraine-themed events planned for 2024 - The full 11-strong Finnpartnership team available when needed 	<p>Birgit Nevala, Programme Director, tel. +358 44 357 0811</p> <p>Ville Jokinen, Programme Officer, contact person for Ukraine Tel. +358 40 538 0540</p>

Organization	Current services and resources	Planned services and resources	Contact person
ELY Centres (Steered by the Ministry of Economic Affairs and Employment)	<ul style="list-style-type: none"> - ELY Centres/Team Finland coordinators direct regional TF activities and stakeholder cooperation in Finland - Communication about reconstruction in Ukraine together with TF network (Team Finland Talks and stakeholder communication) - Advice following Team Finland service path for companies taking first steps towards internationalisation, also in Ukraine - Guidance to different services as needed by the customer - Passing on market opportunities to potential customers - Training: developing a company's competence as required by the customer's needs and current circumstances 	<ul style="list-style-type: none"> - Available resources: - a Team Finland coordinator in each region, 18 persons in total - national SME financing helpline, 5 persons - development service processors, 20 persons - Structural Funds business experts, 80 persons 	<p>Jukka Kohonen, Team Finland coordinator Tel. +358 44 5616 535</p> <p>Tuomo Kauha, Team Finland coordinator tel. +358 50 3961 907</p> <p>Matti Nykänen (substitutes for Tuomo between 16 October 2023 and 31 January 2024), tel. +358 40 8422 217</p>
Regional development companies	<ul style="list-style-type: none"> - Business development covering the entire life cycle of the company, operating environment development, regional marketing - Guidance to regional business networks and development clusters - Assessment and development of companies' internationalisation capabilities as well as guidance to Team Finland financing sources and services 	<ul style="list-style-type: none"> - Available resources: - 700 business advisors in 60 development companies around the country - cooperation with Team Finland and other development organisations 	<p>Jaakko Helenius, Business Development Executive, Tel. +358 500 498 020 www.sekes.fi/jasenet/</p>
Ministry of Economic Affairs and Employment	<ul style="list-style-type: none"> - Door-opening authoritative services and participation in TF activities (incl. TF visits of ministers and senior management of ministries) - Performance guidance and ownership steering, financing and legal issues (BF, Finnvera, ELY Centres) 		<p>Ulla Palander, Senior Advisor, tel. +358 50 396 0312</p>

Organization	Current services and resources	Planned services and resources	Contact person
Confederation of Finnish Industries (EK)	<ul style="list-style-type: none"> - Ukraine forum for Finnish businesses around once a month, all Finnish companies are welcome to participate - Advisory service for members - Services of EK's affiliated unions, including Technology Industries of Finland and Confederation of Finnish Construction Industries - EK-led cooperation with Nordic countries once a month - EK-led cooperation with Nordic and Baltic countries every second month - BusinessEurope's Ukraine Task Force 	<ul style="list-style-type: none"> - EK's resources: 4 persons and an external Senior Advisor, incl. trips to Ukraine 	<p>Petri Vuorio, Director Tel. +358 50 323 2979</p> <p>Heli Siikaluoma, Senior Advisor Tel. +358 50 339 2020</p> <p>Tuomas Ylitalo, Senior Advisor Tel. +358 50 526 8219</p>
Finland Chamber of Commerce	<ul style="list-style-type: none"> - Affiliated companies - Regional Chamber of Commerce network - KIE trade association and affiliated companies: Knowledge of Ukraine and its neighbouring countries, networks - International members of the International Chamber of Commerce (ICC), networks and contribution to Ukraine's reconstruction 		<p>Päivi Pohjanheimo, Director of International Affairs Country Director for ICC Finland Tel. +358 50 573 8494</p> <p>Anne Hatanpää, Liaison Manager Tel. +358 50 320 9539</p>
EastCham Finland	<ul style="list-style-type: none"> - Information about the business environment and reconstruction in Ukraine: online training, webinars (incl. about Ukraine's digital procurement platforms, such as ProZorro) and events, news service, market reviews - Advisory service 	<ul style="list-style-type: none"> - Presence in Kyiv: networking platform for Finnish and Ukrainian companies, practical assistance and business advice in Ukraine - Mapping of local partners - Service network to support companies 	<p>Jaana Rekolainen, CEO Tel. + 358 400 457 743</p> <p>Tarja Teittinen, Director of Services Tel. +358 44 0299 997 firstname.lastname@eastcham.fi</p>

Organization	Current services and resources	Planned services and resources	Contact person
East Office of Finnish Industries	<ul style="list-style-type: none"> - Serves its member companies - Regular information provision on and analyses of the reconstruction and business environment in Ukraine, including economic and political development - Exclusive events, webinars, meetings and discussions - Active contacts with authorities, business leaders and specialists in the target market: East Office opens doors for its companies, offers strong networks, and helps to establish the right contacts - Individual, company-specific services: personal support and advice, mapping of market segments and stakeholders, concrete business opportunities, tailored trips to Ukraine - In addition to Helsinki, presence also in Kyiv: a local manager is available for member companies on the spot - Community: information exchanges between member companies, sharing of experiences and close cooperation improve everyone's opportunities and influence in Ukraine 		<p>Janne Harjunpää, CEO Tel. +358 50 496 7130</p>

In addition to these organisations, many commercial actors (incl. Milton) offer their services to companies interested in operating in Ukraine.

ANNEX 1. Support and financing services for companies

Finnpartnership

The business financing instruments funded by Finnish development cooperation support Ukrainian society by offering Finnpartnership's business partnership and investment preparation support for Finnish companies in Ukraine. Business partnership support is financial aid for the planning, training and piloting stages of projects in Ukraine as well as for developing existing businesses. Finnish companies or other actors aiming for long-term commercial cooperation and profitable business, including the study and training stages of importing from target country, are eligible for the support. The projects must aim for long-term business operations and partnerships in Ukraine.

1. Finnpartnership: Business partnership support

Finnish companies may receive State aid covering 85% of eligible project costs when the aim of the project in Ukraine is one of the following:

1. Long-term business partnership:
 - establishment of a joint venture with a developing country partner
 - establishment of a subsidiary
 - importing from target country to Finland and possibly also to other countries
 - subcontracting, maintenance, franchise or licensing agreement
 - developing existing business in the target country

2. A commercial pilot project with an ODA-eligible international organisation. Requires a signed letter of intent (LOI)

Project costs must be associated with:

- identifying project (business) partners
- producing a feasibility study
- drawing up a business plan
- conducting an environmental and social impact assessment
- piloting and demonstrating technologies and solutions
- training local staff
- developing existing business in the target country

The minimum amount of the business partnership support is EUR 15,000 while the maximum amount is EUR 400,000. The support is as a basic premise within the scope of EU de minimis regulation. This means that no more than EUR 200,000 may be granted in the current year and the preceding two years. The support may also be granted outside de minimis, in which case the applicant must prove that the support has no impact on trade within the EEA.

2. Finnpartnership: Investment preparation support

A Finnish company may receive support to cover eligible project costs in projects on preparing ODA-eligible investments in the Ukrainian public sector. The investment may be funded by Finland, Ukraine, or a third country and/or an international development financing institution.

Business Finland

With Business Finland's Explorer grants, a company can explore a new international market, get a consortium together to find out about potential for joint ventures, or participate in an industry exhibition abroad together with a group of companies. The group may include both SMEs and larger companies. The financing is de minimis based, and the support rate is no more than 50% for SMEs and 40% for large companies.

3. Business Finland: Market Explorer

- The financing is intended for SMEs and midcaps that have been operating for more than five years. The company must, at minimum, have a solution in the idea or piloting stage that creates a credible competitive advantage in the international market.
- The maximum size of a project to be financed is EUR 80,000
- The project must include outsourced expert services, in addition to which the financing can be used for in-house payroll costs
- Market Explorer financing can be used to obtain information about a new international market for the company. For example, the grant can be used on producing a survey of business opportunities or a market survey, for mapping partners, analysing sales channels, or producing an internationalisation plan
- After the project, the company is familiar with the market situation and can launch operational measures to take its solution to the international market

4. Business Finland: Group Explorer

- The financing is intended for a group of 4 to 10 companies that has identified a significant joint business opportunity in an international market. The group may include both large companies and SMEs without size limitations
- Typically, the project is led by a coordinator or an export director
- The maximum amount of financing is EUR 20,000 per company; a project of five companies, for example, may amount to EUR 100,000 in total
- For instance, the financing may be used for planning a joint business model, mapping distribution channels and market entry, having model agreements produced (the model agreement can be shown to potential partners who can then be asked to suggest changes), organising buyer visits to Finland as well as events in the target country, and for network building and mapping partners

5. Business Finland: Exhibition Explorer

- The financing supports companies' participation in international B2B trade exhibitions abroad
- The financing is intended for SMEs and midcaps wishing to increase the exports of their products or services
- A company can have a presence at the trade fair at a joint stand or have its own, separate stand.
- The basic requirement for receiving the support is that at least four Finnish SMEs or midcap companies apply for Exhibition Explorer financing for the same fair. At least one half of these companies must be SMEs
- The maximum amount of financing that can be granted to an individual company is EUR 35,000 per trade fair, and the smallest possible amount is EUR 1,000 per company. The service is intended for SMEs and midcaps (turnover less than EUR 300 million)

ELY Centre

Following the Team Finland service path, ELY Centre financing is suitable for a company planning exports and/or studying the market. The financing is a grant, and it is mainly paid in arrears. The grant is also considered as de minimis aid, and may amount to no more than 50% of eligible costs.

6. ELY Centres: Business development grant

- Business development grant supports Finnish SMEs' development and investment projects.
- The grant is for significant projects a company carries out, for example, to develop new or improved products, services or production methods, improve its capabilities for internationalisation, or to map new markets and business opportunities.
- The average project size is approx. EUR 50,000 to 100,000
- In the process of financing decision, it is ensured that the applicant has adequate resources for implementing the project (financing, staff etc.)

Finnvera

Finnvera's financing solutions are export credit or investment guarantees used to protect against the risks of exports or investments granted under the Act on the State's Export Credit Guarantees. If Parliament passes the amendment to the budget proposal for 2024, the State of Finland will allocate EUR 50 million to compensate Finnvera Plc for credit losses from export credit guarantees granted to promote exports to and investments in Ukraine. Finnvera will monitor the trends in demand for export credit financing for Ukraine from the beginning of 2024 and strive to find flexible solutions for promoting eligible projects with its export credit guarantee instruments. Export credit guarantees protect against commercial and political risks of granting payment terms for exports to Ukraine. The exporter won't need to request an advance payment covering the entire amount, as the buyer can pay for the product after delivery during the payment period agreed in the guarantee terms.

The beneficiary of the guarantee can apply to Finnvera for compensation if they do not receive the payment for a reason within the control of a Ukrainian buyer/bank or the target country. Finnvera guarantees transactions starting from EUR 10,000 up to several million euros. Commercial risks arise from the exporter's inability or unwillingness to pay. Political risks are associated with transfers and exchanges of currency, authorities' actions/nationalisation or the risks of war/insurrection. The precondition for being granted a guarantee is the availability of sufficient

information and positive identification of the customer. When granting guarantees, Finnvera performs a credit risk analysis of the buyer and ESG issues. The receivable arising from the export transaction must be undisputed.

7. Finnvera: Short-term credit insurance

- The applicant for credit insurance (guarantee holder) is a Finnish exporter company that has granted a payment term to a Ukrainian buyer
- The credit insurance is used to secure the exporter's receivables: payments are made as account transfers through banks
- The risk which Finnvera insures arises from a Ukrainian buyer company
- Finnvera's guarantee secures 90% of a payment risk due to commercial and political risks defined in the guarantee terms
- Export products include raw materials, intermediate products, and consumer goods; the credit periods are typically from 30 to 180 days
- The guarantee is granted either for an individual transaction or continuous export trade

8. Finnvera: Letters of Credit for export payment transactions

- The applicant for, or the holder, of a Letter of Credit (LC) guarantee is a Finnish or EU bank confirming the LC
- The bank confirming the LC can apply for Finnvera cover to guarantee the risks involved
- When using the LC, the exporter can ascertain that they receive the payment, while the buyer can trust that they will receive the product they ordered
- The payment risks are transferred to the exporter's and the buyer's banks
- The risk of the guarantee arises from the Ukrainian bank that opens the LC
- Finnvera's guarantee covers 100% of the commercial and political risks to the confirming bank
- The seller is a Finnish export company, while the buyer is a Ukrainian company
- The export products covered by the LC can be goods, services or capital goods
- Mainly a short risk period (cash secured LC or at most less than one year)

9. Finnvera: Buyer credit guarantee in a financing arrangement

- The applicant for a buyer credit guarantee (guarantee holder) is the bank that grants the credit to a Ukrainian buyer
- Credit is arranged for the Ukrainian buyer, which uses it to pay the exporter for the delivery
- The guarantee covers risks arising from the Ukrainian buyer or state
- The Ukrainian buyer is granted a payment term of several years thanks to the credit granted for the export delivery
- The export products covered are capital goods
- Finnvera guarantee covers 95% to 100% of a payment risk due to commercial and political risks defined in the guarantee terms
- Requires commitment to longer-term risk-taking for several years and larger amounts
- A bank issuing the credit may be difficult to find, the credit documentation is expensive and its negotiations take time
- Finnvera investigates the possibilities of finding solutions for financing buyer credits.
- Finnvera looks into the possibility of offering investment guarantees on certain conditions and with specific restrictions to cover political risks in investments in Ukraine (incl. war/insurrection, transfer of currency, authorities' actions). The guarantee can usually be used to cover the political risks of equity or debt capital investments.

Finnfund

The business financing instruments of Finnish development cooperation support the Ukrainian society by offering investment financing to the country's private sector. Finnfund's investments in developing countries amount to approx. EUR 200 to 250 million annually, with energy, digital solutions and infrastructure, forestry, agriculture and financing as the main sectors.

10. Finnfund: Investment financing (for the private sector)

- Finances private companies registered in Ukraine with equity investments, loans or mezzanine financing
- In particular, Finnfund looks for investment objects in Ukraine in which Finnish companies can create added value, for example through involving a Finnish co-investor or technology supplier
- The financing is provided on commercial terms, and the preconditions include a viable business concept with sufficient profits

- Finnfund never acts as a majority investor, which is why the investment case must also include other sources of financing
- Finnfund's co-financing share is typically from EUR 2 to 20 million
- The Ukrainian company must have a sufficient capacity and be financially sound, for example to meet the collateral requirements for loans
- The company invested in is required to participate in the costs incurred from preparing the investment
- The investment must create verifiable positive development impact in the partner country, here Ukraine

Ministry for Foreign Affairs

Mixed credit financing is based on the Act on Interest Subsidy Credits Granted to Developing Countries (1114/2000); the financing is used to pay for the delivery of a turn-key solution of a company registered in Finland to the Ukrainian government where at least of 1/3 of its value has been produced in Finland. The precondition for a mixed credit financing is a cooperation agreement with the Ukrainian government.

11. Ministry for Foreign Affairs: Mixed credit financing (for the public sector in Ukraine)

- The company implementing the project is selected in a process organised by Ukrainian authorities
- The Finnish solution is financed with a loan guaranteed by Finnvera, and given by a commercial bank to the Ukrainian Ministry of Finance as well as a grant from the Finnish Ministry for Foreign Affairs, which covers part of the transaction amount as well as the loan interest granted to the Ukrainian Ministry of Finance in full. The total grant rate is 35%.
- The transaction amounts of projects to be financed must be between EUR 10 to 20 million. Projects below the lower threshold are too small for the banks to finance. The maximum project size is based on the amount of the total appropriation granted for aid.



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