

SUPPORT FOR BUSINESS IN THE REGIONS OF UKRAINE BORDERING THE EU



STRATEGIC IMPORTANCE OF BORDER REGIONS

The border territories of Ukraine adjacent to the European Union hold key strategic significance for the country's economy and European integration. After losing access to several traditional trade routes in 2022, Ukraine's exports and imports sharply reoriented toward the EU — particularly toward its closest neighbors, such as Poland, Romania, Hungary, and Slovakia. Currently, over 60% of Ukrainian exports are directed to the EU market, and this figure continues to grow.

As a result, the western border regions have become gateways for trade flows, ensuring faster access of Ukrainian products to European consumers and the delivery of imported resources into Ukraine. Geographical proximity to the EU provides a logistical advantage — enterprises located near the border can deliver their goods to EU markets very efficiently, reducing both time and transportation costs. This is particularly important given the growing global demand for rapid delivery and the application of just-in-time principles in international trade.

Border location also opens additional opportunities for small and medium-sized enterprises (SMEs). Entrepreneurs in these regions have a natural advantage due to their closeness to European markets and partners. Existing cross-border cooperation programs (such as Interreg NEXT and others) and initiatives from neighboring countries aim to support business development in the border areas.

For instance, Poland has already expressed its readiness to facilitate the development of Ukrainian SMEs — Polish institutions conduct training on certification and exports to the EU, support business incubators in Ukraine, and involve Ukrainian small enterprises in business missions to Poland to establish partnerships. Such initiatives simplify the entry of Ukrainian border-region companies into the European market, help them master European standards, and accelerate their integration into the common economic space. Therefore, the western border regions of Ukraine act as “outposts” of European integration, where European practices and opportunities can be implemented most efficiently.

According to the Fourth Rapid Damage and Needs Assessment (RDNA4) conducted by the World Bank Group, the Government of Ukraine, the European Commission, and the United Nations for the period from February 2022 to December 2024, the total amount of direct damage caused to buildings and infrastructure across various sectors is estimated at approximately USD 176 billion. The frontline regions suffered the most extensive destruction — USD 79.4 billion in damages.

The aggregate economic, social, and other monetary losses amount to about USD 589 billion. The largest losses are observed in trade and industry (around 36% of total damages), as well as in agriculture, energy, extractive industries, and logistics.

The total losses of frontline regions, according to RDNA4, amount to USD 225.1 billion. However, the real amount, including the full cost of reconstruction and compensations, exceeds trillions of dollars. The total losses of the regions bordering the EU are estimated at USD 28.8 billion, while their recovery needs are assessed at USD 11.2 billion.

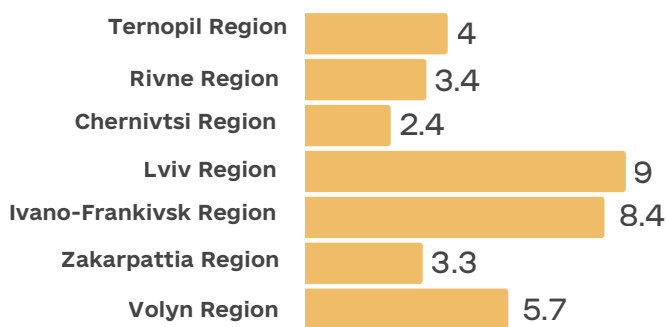
In this document, our focus is on supporting the following regions:

- Volyn Region
- Zakarpattia Region
- Ivano-Frankivsk Region
- Lviv Region
- Chernivtsi Region

Additionally, two more regions that maintain close logistical and industrial links with the EU are also considered:

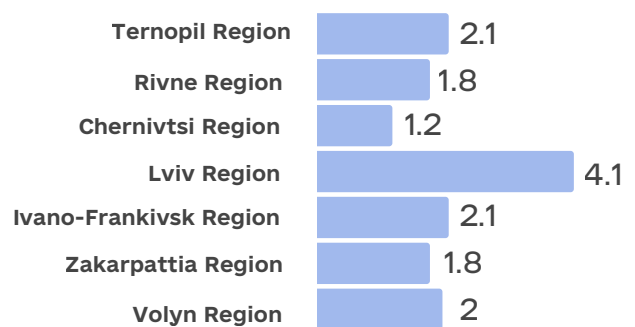
- Rivne Region
- Ternopil Region

Total Losses (US\$ billion)



Source: Fourth Rapid Damage and Needs Assessment (RDNA4)

Total Recovery and Reconstruction Needs (US\$ billion)

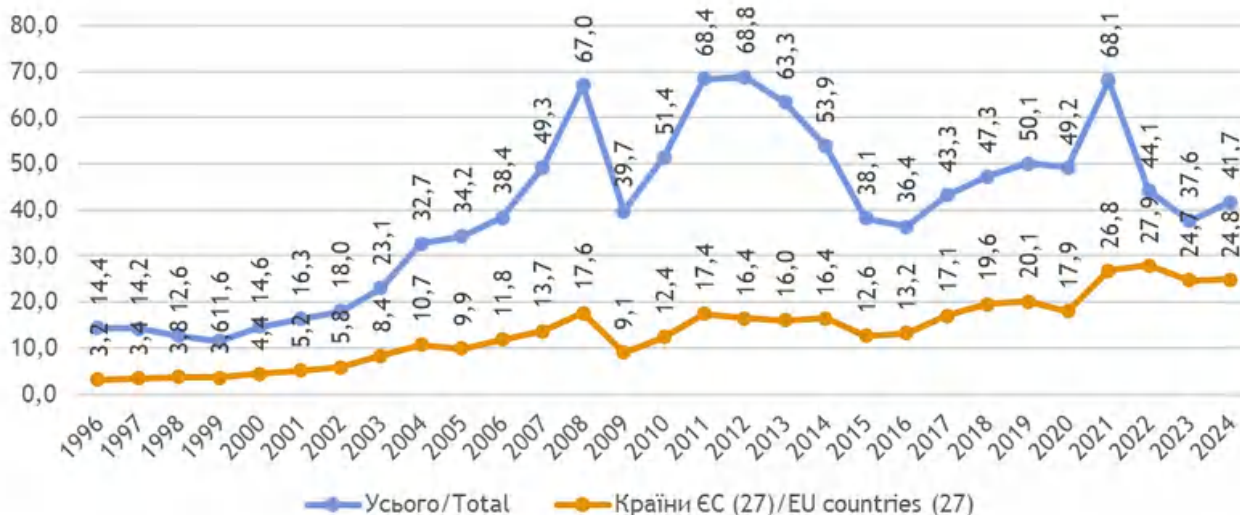


Fourth Rapid Damage and Needs Assessment (RDNA4)

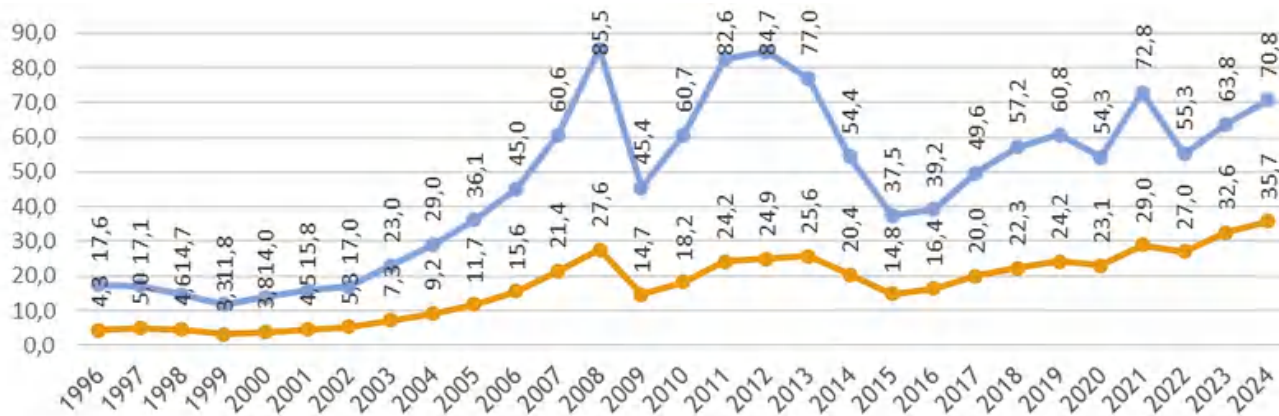
In the context of the ongoing war, the issue of economic recovery and ensuring stable trade flows has become critically important for Ukraine.

Dynamics of Ukraine’s Foreign Trade in Goods, 1996–2024 (US\$ billion)

Export



Import



Source: Based on data from the State Statistics Service of Ukraine

Trade relations with the European Union (EU) play a key role in this process. The EU is Ukraine's main trading partner, accounting for a significant share of Ukrainian exports — primarily agricultural products, industrial goods, and light industry products. According to the results of 2024, the share of EU member states in Ukraine's export structure amounted to 60% (USD 24.8 billion), while their share in imports was 51% (USD 35.7 billion).

This confirms the high level of economic integration between Ukraine and the EU and underscores the importance of trade relations for the Ukrainian economy. Such a trade structure reflects both Ukraine's substantial export potential in the European market and its dependence on the import of goods and technologies from the EU to support domestic production. As an economic bloc, the EU competes with other major global markets such as the United States, China, and the countries of the Global South. At the same time, Ukraine, as an EU candidate country, has the potential to strengthen the EU's competitive position by deepening economic integration and promoting the development of cross-border business.

In the context of war, this connection is of critical importance for Ukraine's economic recovery, ensuring the supply of essential resources and maintaining the overall stability of the economy at the global level. However, for full development and integration into the European economic space, it is necessary to develop a comprehensive strategy that takes into account the challenges of war, the needs of business and population relocation, and the modernization of key economic sectors.

It should also be noted that while the western border regions have unique advantages for trade with the EU, similar — though differently structured — development mechanisms should be applied to other regions of Ukraine, particularly those with access to the Danube River or a developed industrial base.

Below are the Association's recommendations to the Government of Ukraine and the European Union authorities, aimed at unlocking the potential of border regions to achieve a "breakthrough" in trade with the EU and to support the economy of the entire country.

At the same time, the proposed targeted grants, certain tax incentives, and subsidies listed below are recommended to be considered as a pilot project, which, after successful implementation, should be scaled nationwide.

RECOMMENDATIONS TO THE GOVERNMENT OF UKRAINE

Marketing of Regions Bordering the EU

1. Positioning of the regions bordering the EU as relatively safer and more attractive for business: 1. Launch a promotional campaign that positions Ukraine's regions bordering the EU as promising investment destinations, characterized by a skilled workforce and proximity to the European Union.

2. International presentations and meetings: Support the participation of Ukrainian entrepreneurs in international exhibitions and forums to promote investment opportunities and bilateral cooperation between EU countries and Ukraine's border regions.

Support for Small and Medium-Sized Enterprises (SMEs) in the Regions of Ukraine Bordering the EU

1. Reducing the cost of renting industrial property: Facilitate the reduction of rental costs for industrial premises in the regions bordering the EU to €3–6 per m² through state subsidies or other incentives. This will help reduce production costs and make regional businesses more attractive to investors.

2. Attracting foreign railway operators (including regional ones) to the Ukrainian market: Allow foreign railway companies to operate more actively in Ukraine's freight and passenger transportation market to diversify export-import and logistics routes available to Ukrainian businesses. Increased competition in the transportation market is expected to lower tariffs and improve the accessibility of transport services for all shippers, including SMEs.

3. Joint industrial parks and investment zones: The establishment of cross-border industrial parks, where enterprises on both sides of the border operate as a single production chain, represents a promising direction. This requires intergovernmental agreements, regulatory harmonization, and state support through special tax and customs regimes. Such initiatives will attract investments and technologies while creating new jobs. In the post-war period, border regions will become key platforms for Ukraine's integration into the European economic space.

4. Information support and consulting: Create consultation and support platforms for small businesses, where entrepreneurs can obtain all necessary information on available incentives, investment opportunities, and production development on both sides of the border.

5. Establishment of border clusters (logistics and production):

The state should actively promote the clusterization of the economy in territories sharing a border with the EU. A border cluster is a group of interrelated enterprises that cooperate with each other and with educational and research institutions. Such clusters increase regional competitiveness and create jobs. Logistics clusters may bring together carriers, warehouse operators, customs brokers, and IT companies, while manufacturing clusters may unite small producers for joint entry into EU markets. Government programs should provide grants, incentives, and support for certification centers and training hubs. After the introduction of tax incentives for industrial parks, these territories have already begun to receive relocated industries from eastern Ukraine — confirming their high potential.

6. Joint customs zones and simplification of procedures: It is necessary to expand the practice of joint customs control with EU countries, which shortens cargo clearance time and forms the foundation for a “customs visa-free regime.” It is advisable to establish simplified customs facilitation zones within industrial parks, where operations are processed under accelerated procedures by authorized economic operators using electronic declarations. The next stage should be the full integration of customs systems and the expansion of logistics corridors.

7. Support for Relocated Enterprises: Introduce targeted grants and preferential loans for enterprises that have relocated their operations from affected regions to areas bordering the EU. In addition, implement programs to integrate these companies into the local economy and establish import channels.

8. Ensuring Seamless Integration of European and Ukrainian Payment Systems for P2B Transactions: Provide European customers with the ability to purchase goods from Ukrainian suppliers (primarily SMEs) through simple algorithms with direct payments and postal delivery, similar to existing practices in Ukraine.

This is particularly relevant for the regions bordering the EU, which have a short logistical distance for the rapid delivery of Ukrainian export goods.

9. Service Businesses with Dual Presence (Outsourcing and Shared Services Centers):

1.Border cities of Ukraine — such as Lviv, Uzhhorod, Chernivtsi, and others — are already regional hubs for IT outsourcing, consulting, and other service companies that serve clients from the EU. Their proximity to European partners, combined with comparatively lower operational costs in Ukraine, creates unique opportunities for such businesses. It is recommended to encourage the establishment of joint service centers, i.e., offices or branches of international companies that operate simultaneously in Ukraine and a neighboring EU country, sharing functions between the two.

For example, a software development or accounting center could be located in a Ukrainian border city, while the sales or client relations department could operate from Poland or Slovakia. Such dual presence enables efficient service delivery while operating within the EU legal framework and leveraging Ukraine's human capital. It is advisable to introduce special support programs for these initiatives — including tax incentives for newly established service centers, grants for job creation in IT and service sectors, and facilitation of cross-border personnel movement (business visas and simplified border crossing for employees). This will help consolidate the role of border regions as offshore and nearshore hubs for European business, where high-quality services are delivered promptly and bilingually.

10. Retail Networks and Cross-Border E-Commerce Initiatives: Retail trade in border regions can serve both Ukrainian and European consumers. It is recommended to stimulate the development of retail chains in border areas designed to serve both sides of the border — for example, shopping centers in Ukrainian border towns oriented toward EU customers, offering Tax Free services, multilingual staff, and a product mix combining European and Ukrainian goods. Ukrainian retail chains should also consider expanding into neighboring EU markets through the opening of pilot stores or franchise outlets in border cities of Poland, Hungary, and Romania. This will help test demand and gradually establish a presence in the EU market. A separate focus should be placed on cross-border e-commerce. It is necessary to eliminate unnecessary barriers for small e-commerce businesses — simplify customs procedures for small parcels, and harmonize taxation and return policies.

Establishing efficient cross-border delivery systems is also crucial: cooperation with postal operators of EU countries and private logistics companies will significantly speed up the delivery of Ukrainian goods to European buyers.

11. Increasing Border Crossing Capacity: Expanding the number of customs officers and building additional traffic lanes at border checkpoints will accelerate freight transportation. Fast and reliable logistics is the main advantage of border-region businesses; therefore, investments in this area will yield returns through increased trade volumes.

RECOMMENDATIONS TO THE EUROPEAN UNION

1. Development of Transport Infrastructure: Support the extension of Trans-European railway transport corridors into the territory of Ukraine, in particular by expanding the access of JSC “Ukrzaliznytsia” (Ukrainian Railways) to operate on European railway tracks, including through the establishment of joint ventures with European railway operators. Implement infrastructure projects aimed at extending European-standard railway tracks beyond the border regional centers in order to expand the network of routes available to European carriers across Ukraine and to increase competition in both the Ukrainian and European transport markets.

2. Support for the Economic Development of Ukraine’s Border Regions: Stimulate the economic growth of Ukrainian regions bordering EU countries by creating trade corridors, investment platforms, and cooperation programs that will promote sustainable economic development in these regions.

3. Expansion of Educational and Cultural Cooperation: Broaden educational and cultural cooperation between EU member states bordering Ukraine and Ukrainian regions bordering the EU. Introduce cultural cooperation programs in the fields of publishing, library science, and creative industries with countries of Central Europe (including the Visegrad Group, the Balkans, and the Baltic region). Expand youth exchange programs and short-term initiatives involving students from EU countries in projects implemented in Ukraine. Establish new regional (cross-border) scientific and educational consortia — inter-university projects involving institutions from Central Europe and Ukrainian stakeholders — to strengthen scientific, cultural, and civic ties across the macro-region.

GLOSSARY OF KEY TERMS

- **Fourth Rapid Damage and Needs Assessment (RDNA4)** – a joint study conducted by the Government of Ukraine, the World Bank, the European Commission, and the United Nations for the period February 2022 – December 2024, assessing the scale of destruction and the recovery needs of Ukraine. The document cites key figures from RDNA4, including direct damages, total losses, and recovery needs (for example, total losses in the regions bordering the EU – USD 28.8 billion).
- **Trade Corridor** – a coordinated route with appropriate infrastructure and simplified procedures designed to facilitate the transportation of goods between regions or countries. In essence, it is a logistical network of roads and checkpoints that allows goods to reach foreign markets quickly. The document proposes creating such corridors to stimulate trade in border regions.
- **Small and Medium-Sized Enterprises (SMEs)** – a category of small and medium enterprises. According to EU criteria, SMEs are firms with fewer than 250 employees and an annual turnover of up to €50 million. SMEs form the backbone of the economy, creating jobs and generating a significant share of GDP, but require support (as discussed in the text: lowering rental costs, simplifying regulations, and improving access to facilities).
- **Preferential Loan** – a loan granted on terms more favorable than market conditions, such as lower interest rates or a longer grace period. Such loans are often supported by the state. In the text, preferential loans are mentioned for investors (to make production capital cheaper) and for relocated enterprises.
- **Industrial Park** – a specially designated and equipped industrial area with ready infrastructure for hosting manufacturing facilities. Residents of such parks benefit from established utilities, logistics, and often tax incentives. The recommendations propose the creation of new industrial parks in Ukraine's regions bordering the EU.
- **EU Candidate Status** – an official intermediate status granted to a country that has applied for membership and received the EU's approval to begin accession preparations. A candidate country is not yet a member but is recognized as one that seeks to join the Union and will fulfill the necessary criteria. Ukraine obtained EU candidate status in June 2022, which is mentioned in the document as a key factor in its integration.
- **Global South** – a general term referring to a group of countries in Asia, Africa, Latin America, and the Caribbean with low or middle income levels, as classified by the World Bank. Although many of these countries are geographically located in the Northern Hemisphere, they share similar economic challenges. The text notes that the EU competes globally with the USA, China, and the countries of the Global South.
- **Business-Friendly Region** – a term describing a region with a favorable business climate, characterized by minimal bureaucracy, access to resources, and advantageous conditions for entrepreneurs and investors. In this document, the term is used as “attractive for business” to describe the positioning of Ukraine's regions bordering the EU for investors.

THANK YOU FOR YOUR CONTRIBUTION TO THE CREATION OF THIS DOCUMENT

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