

# National Development Institution (NDI)

June 2026

## From the German-Ukrainian Fund to the National Development Institution for Micro, Small, and Medium-Sized Enterprises in Ukraine

<b>Partner</b>	National Development Institution (NDI)
<b>Description</b>	The National Development Institution supports micro, small, and medium-sized enterprises (MSMEs) in Ukraine. The NDI does not maintain its own branch network but works with partner financial institutions in Ukraine to help MSMEs obtain loans, interest subsidies, and grants.
<b>Donor</b>	Federal Ministry for Economic Cooperation and Development (BMZ) Federal Ministry of Finance (BMF) European Union (EU)
<b>Volume of Financing</b>	Current portfolio: €108 Mio. EUR Total financing since 2022: €245 Mio. EUR

### Background

Since Russia’s war of aggression against Ukraine began in 2022, many Ukrainian micro, small, and medium-sized enterprises (MSMEs) have faced significant challenges. These include the physical destruction of production facilities, inflation, a sharp decline in sales, an exodus of workers, and a lack of access to affordable, long-term financing. Especially in areas close to the front lines, investments are crucial for stabilizing the local economy, restoring production capacity, and thereby advancing the country’s overall reconstruction. MSMEs are the most important pillar of the Ukrainian economy, as they account for 74% of all jobs and 64% of value added. Supporting them is therefore of central importance for strengthening resilience and reconstruction.

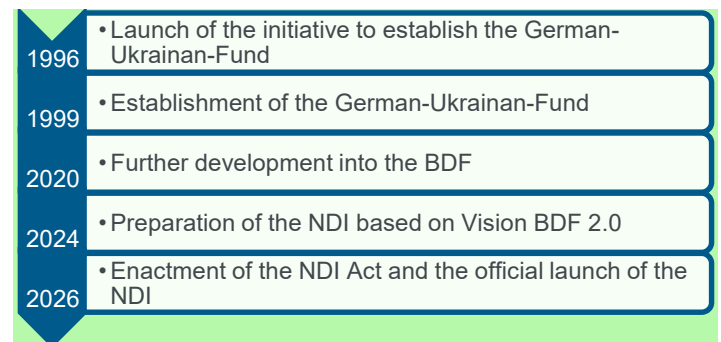
### Vom Deutsch-Ukrainischen Fond zur National Development Institution

KfW looks back on a long-standing and successful partnership with the NDI. In 1996, the German government, through KfW, initiated the establishment of the German-Ukrainian Fund, which was founded in 1999 by the Ukrainian Ministry of Finance, the National Bank of Ukraine, and KfW on behalf of the German government. The goal was to support the transition from a planned to a market economy and, in particular, to promote MSMEs, which at the time had difficulty accessing financing.

With the reorganization of the German-Ukrainian Fund into the Business Development Fund (BDF) in 2019, its mandate and scope were gradually expanded. During the COVID-19 crisis, the BDF served as a central financial lever for the rescue and stabilization of MSMEs.

Following the outbreak of the full-scale war in 2022, the BDF became an effective instrument for reconstruction and resilience financing for MSMEs. In 2024, the “BDF Vision 2.0” (now “NDI Vision 2.0”) finally initiated the transformation of the BDF into a

national development institution. With the NDI Act taking effect on January 1, 2026, the first milestone has been reached, and the NDI has officially begun its work as an independent, public-interest development institution.



Along a vertical timeline, the infographic shows the development of NDI: 1996 Launch of the initiative to establish the German-Ukrainian-Fund; 1999 Establishment of the German-Ukrainian Fund; 2019 Development into the BDF; 2024 Preparation of the NDI based on Vision BDF 2.0; 2026 Enactment of the NDI Act and the official launch of the NDI.

### The National Development Institution

The NDI is a self-governing organization under the supervision of the Ukrainian Ministry of Finance. Its primary target group is MSMEs; however, the law allows for the use of external funds to support other target groups as well, such as municipalities. The NDI’s institutional model is based on proven European standards, follows the example of the KfW in particular, and enables direct cooperation with the EU.

Thanks to its strong capacity and flexible structures, the NDI can respond effectively to specific needs, political priorities, and crises, and mitigate economic challenges. In addition to government programs, the institution implements a wide range of projects with international partners. These include the German Federal Government, the EU, USAID, the World Bank, the Japanese International Cooperation Agency (JICA), Luxembourg, and UNDP.

Today, the NDI collaborates with 52 financial institutions. This gives businesses access to a variety of financial products, such as loans, interest rate subsidies, grants, and loan guarantees. As a result, the NDI has become a new cornerstone of Ukraine's financial infrastructure for reconstruction and is opening up expanded financing opportunities for Ukrainian MSME.



The group picture shows the members of the five-person Supervisory Board (front row, shown here are 4 of the 5 members) and the NDI Board of Directors (back row). Source: NDI

### NDI Program

The NDI implements a broad portfolio that responds to immediate economic and political needs while also keeping medium- and long-term priorities in mind. Its programs generate a leverage effect averaging three to seven times the amount of funding provided. The NDI thus mobilizes significantly higher total investments in Ukrainian MSMEs than would be possible with public funds alone. On behalf of the German Federal Government and the EU, KfW is currently financing a portfolio totaling EUR 108 million with NDI. Examples of this successful cooperation include:

**SME Facility:** The project is financed through two BMZ-funded KfW loans and EU grant funds. The core of the approach is to improve access to financing in local currency for MSMEs that do not have sufficient foreign exchange earnings and are therefore unable to bear exchange rate risks. At the same time, the SME credit market and a market-oriented financial sector in Ukraine are being strengthened.

**EE Refinancing:** Here, KfW combines refinancing funds for the NDI with EU grants. The focus is on the sustainable introduction and establishment of the "EE Loan" product to enable investments by MSMEs and private entrepreneurs in energy efficiency and CO<sub>2</sub> reduction. The funds can be disbursed in local currency.

**Affordable Loans 5-7-9 %:** The program is a Ukrainian government interest subsidy program implemented by the NDI and supported by funding from KfW and donors. It provides MSMEs with access to heavily subsidized loans and has helped to sustainably establish energy efficiency credit lines and reconstruction investments in the market. This includes special components for businesses near the front lines as well as for enterprises run by internally displaced persons, veterans, and women. Since the start of the war, the 5-7-9 Program has helped more than 20,000 Ukrainian businesses maintain their operations, including more than 8,200 through financing provided by KfW on behalf of the German federal government.

### Future prospects

The role of NDI in reconstruction financing will be further strengthened. In the future, Ukrainian companies will also be able to purchase equipment from German and EU suppliers on preferential terms under the Industrial Ramstein Initiative. This will bolster industrial recovery and resilience. Also, in the planning stages is "NDI 4 Ukraine," a project aimed at strengthening the NDI's capital base and providing liquidity for government social spending and reforms. In addition, a project is being planned that will finance renewable energy solutions for Ukrainian municipalities and municipal enterprises while simultaneously strengthening their access to financing opportunities in a targeted manner

At the institutional level, KfW continues to support the NDI reform under the "NDI Vision 2.0" initiative on behalf of the BMZ and the BMF, with the aim of establishing a strong, autonomous public financial institution with access to EU funds and international capital markets.



The picture shows two men sitting on a wall in front of solar panels. Business owner Oleksandr and his technical director Vladislav are delighted with their own small power plant. Source: KfW Image Archive / Jonas Wresch

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