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## **FEATURES OF VENTURE INVESTING IN UKRAINE**

*Annotation. Peculiarities of venture investing in Ukraine were analyzed. The influence of the coronavirus pandemic and martial law conditions on the development of venture activity in Ukraine has been studied.*

*Keywords: venture investment, IT, startup, innovation, mergers and acquisitions, GDP, technology.*

Despite the Coronavirus epidemic, quarantine restrictions and other shocks, Ukrainian startups continued to raise investments and attract new investors.

It is noteworthy that quite a lot of investments - large, as for Ukraine, transactions, mainly investments came from the Andreessen Horowitz and General Catalyst funds, whose headquarters are in the United States.

In general, in 2020, the companies made investments in Ukrainian startups in the amount of about \$800 million. USA. The main country of origin of investors was the USA, 91.2% of all investments were made by investment funds, which are also located in the USA. The United States is the main investor in the start-up industry of our state and a catalyst for the development of the Ukrainian business environment.

Next, we propose to explore the dynamics of the largest agreements for financing Ukrainian startups during the Coronavirus Pandemic and at the beginning of 2021. Such a study will help us analyze the impact of the Coronavirus on the conclusion of agreements in the field of innovation and technology in Ukraine (see Figure 1).

We can see that for the period of 2020, transactions were concluded in the amount of \$178 million, while in 2021 this amount was \$950 million. The war that began on February 24 in our state forever changed not only the lives of thousands of Ukrainians, but also significantly harmed our economy and, above all, its development, because the decline in GDP at the end of this year will be significant - according to experts, it will be 40%. The war also had an equally significant impact on innovative development, which was literally stopped.

The Russian invasion of Ukraine has already affected the energy and commodity markets, and will have a negative impact on technology development as well.

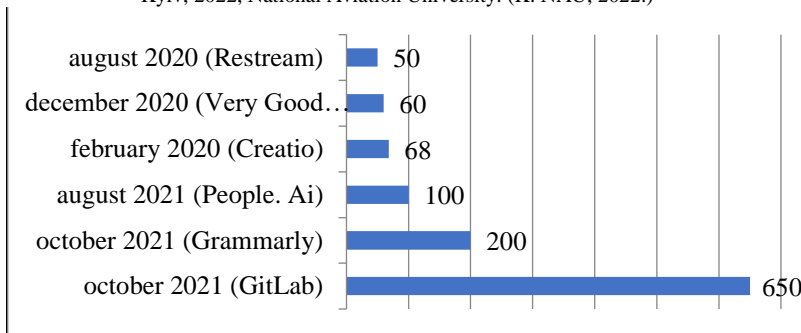


Figure 1. Dynamics of the value of transactions in Ukrainian startups for the period 2020-2021, million dollars USA  
Source: [1]

So far, the focus has been on Cybersecurity and semiconductor chips. Russia is the world leader in cyber warfare, spreading disinformation and weaponizing digital platforms. Semiconductor bottlenecks could worsen as the Ukrainian crisis deepens, with 90% of the US semiconductor supply of neon coming from Ukraine and 45% of the world's palladium coming from Russia [3].

The impact on the tech branch will not stop there. This is because Ukraine, before the invasion, was a valuable growing center of technical talent. Technology accounts for more than 4% of Ukraine's GDP, although this is much less than, say, in India, where the share of technology in GDP is closer to 8%, it has been growing rapidly. The Ukrainian IT development sector exported IT services worth \$6.8 billion in 2021 and increased by 36% between 2020 and 2021 [4]. One in five Fortune 500 companies use Ukrainian IT services, including Microsoft, Google, Samsung, Oracle, Snap and Ring, minimal bureaucratic barriers in the country, favorable tax policy and professionalization of the technology sector.

While Ukrainian IT started out as a low-cost offshore business, they have moved on to higher value-added work like systems architecture, business analysis and design. In the domestic market, there are English-speaking developers in time zones that are easier than Asian ones for companies in the US and EU. By one count, the country is home to more than 240,000 tech professionals and more than a hundred R&D centers for international companies, including businesses like Gitlab and Grammarly.

The Ukrainian IT industry can boast of a great achievement in the rankings: first place in Eastern Europe in terms of outsourced developers, first place in Europe in terms of the number of graduates of technical universities, fifth place in the ranking of the best software developers in the world, first place in the world in terms of the number of Unity3D game developers and C++ engineers and second in the number of JavaScript, Scala and Magento developers[5].

All dynamically developing technological clusters of the country are based in Kyiv, Lvov, Kharkov and Dnipro; three of them have already suffered significantly.

To limit losses, several companies are trying to move their employees and contractors out of Ukraine, but unfortunately this will have a limited effect. Israeli software company Wix has evacuated employees to Poland and Turkey, but most tech workers don't have that luxury. Many people's ability to move has already been affected by the ban on military-age men leaving the country.

San Francisco-based JustAnswer (a third of whose employees are based in Ukraine) has taken its data out of the country and is storing it in the US, where Grammarly (based in Ukraine) kept its data. Some companies are moving employees to remote areas of the country, away from the main invasion vectors.

Western tech firms will find that without Ukraine, the lack of tech talent around the world will get even worse. If high-tech production needs to be moved to other places, Istanbul and Tallinn can be alternative European cities - they are closest to Ukrainian techno towns in terms of socio-economic characteristics. The transition will be expensive and difficult, but companies will have to think about it if the crisis drags on.

Such innovative clusters as Kharkiv and Dnipro are among the most affected cities from the Russian military actions and the infrastructure of the first one is half destroyed, which is why we propose to start putting our plan into action, because it is necessary not only to restore buildings and structures, but also to “launch” business as the main artery of the inflow of funds to the city budget. In our opinion, it should be based on innovative technologies, behind which stands the future not only of Ukraine, but of the whole world.

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