

Lenna Koszarny

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Alexander McWhorter

00:00:11,490

- So it's critical minerals, it's infrastructure, it's traditional oil and gas, and it's defense.

Lenna Koszarny

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- You mind the air raid alerts, you go underground, and then you merge and continue on with your day.

Alexander McWhorter

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GDP has actually surpassed pre-war levels.

Alexander McWhorter

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You're just reading the newspapers and the headlines. You're not getting the full picture of what's happening here.

Alex Miller Host

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- It's not often that in a podcast prep call, my guests talk about their last week, including air raids and being in and out of bomb shelters. But today's guests are all too familiar with that scenario.

Today, we're diving into one of the most urgent economic and geopolitical challenges of our time: the reconstruction of Ukraine, and we're going to get a sneak glimpse at the same time into some of the findings of the forthcoming Citi Institute report on what it's going to take to help rebuild a nation after this period of unprecedented change.

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Estimates suggest that Ukraine faces a decade long recovery bill of almost \$600 billion. This isn't, however, just a government-led rebuild, it's going to involve multiple actors.

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Private capital, both domestic and international, will be an essential part of this rebuild. The good news is we're already seeing early commitments from international financial institutions, so-called IFIs, and multinational companies, particularly in sectors like energy, natural resources, and defense.

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But scaling that private investment into the infrastructure, social services, and broader economic fabric that underpin a durable recovery, well, that's a major challenge, but also a major opportunity.

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So to unpack all of this, we're joined by two guests who sit not just metaphorically, but physically at the very center of Ukraine's economic future. Lenna Koszarny, CEO of Horizon Capital, one of the largest private equity investors in Ukraine, and a Founding Partner with decades of experience backing entrepreneurs and building the country's innovation system, together with Alex McWhorter, Citi Country officer and Banking Head for Ukraine, who's been long, deeply engaged in supporting clients and policy makers through both crisis and reconstruction in the country. Please, can you tell us a bit about your role. You run, not just what was one of the very first PE funds to invest in Ukraine. I think the initial beginnings were back in the \$100 million range, but it's also one of the largest today in terms of dollars invested being on the ground, having backed many unicorns. Presumably, one of the things that must have been particularly exciting is that entrepreneurial approach of being invested on the ground.

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Can you talk about your experience there being on the ground for more than two, if not three decades?

Lenna Koszarny

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Thank you so much. It's such a pleasure to be here today and to share this unique Ukraine experience with you. I've been on the ground for 32 years, and have been here through truly historic times, through the initial post independence, through those go-go years in 2000s with a first influx of foreign capital in Ukraine, through revolutions, devaluations, war, full-fledged invasion.

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It's been truly historic. At a time when investors have, in many ways, overlooked Ukraine. But part of the silver lining to what's happened now is that folks are looking forward to a rebuild, a rebuild that is estimated in the half a trillion to \$1 trillion that will happen post-wars.

Alex Miller Host

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It's an incredible space that you occupy.

Alex, you've been Citi Country Officer and Banking Head for Citi in Ukraine, I think for more than six years, and I guess few will be as well connected as you are with, of course, the firm having been in the country for more than 25 years, I think I'm saying, indeed the only Global Bank with a longstanding local presence in Ukraine. I think last time we spoke you were actually in the bomb shelter in Kyiv, which brings home the normative, of course, of what we're discussing. Could you just talk a bit about your role, your time so far in Ukraine, and how you see the role of the firm?

Alexander McWhorter

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Yeah, absolutely.

And again, you know, thanks so much for having me, and it's great to be on the panel with Lenna. Good colleague and friend. So I've been in the role for almost eight years now, you know, which is a little crazy when you think about it, but the time is a bit distorted in the current circumstances. We've been here for 28 years now.

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We serve about 500 corporate clients now on the ground in Ukraine. About 2/3 of those are multinationals that have come to Ukraine, many before the war, but even during the war. And about 1/3 of those are Ukrainian companies. So we provide full service, banking, corporate investment banking, anything your clients need.

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But we work very closely with pretty much every sector across the board from the traditional sectors like agriculture and minerals and mining to the more new sectors in Ukraine, the tech sector and the very fast growing military technology sectors here.

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So it's been, you know, a fantastic experience to be here and we've got a great team, and it's an honor to be part of this, particularly during such a challenging time.

Alex Miller Host

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So, Lenna, tell us a bit about Horizon Capital.

Lenna Koszarny

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Thank you so much. So we're very proud of Horizon Capital.

We're proud of what we've achieved. We're proud of the over two decades of investing, of backing entrepreneurs in Ukraine and Moldova. And I would say this: that the investor interest, investors who are here on the ground are Ukraine's best investment ambassadors.

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They are reinvesting, they're investing throughout all of these years, and we see that investors who have not been to Ukraine or have never invested in Ukraine, that they're looking at this as a post-war opportunity.

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And that's the landscape as we see it.

Alex Miller Host

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That's fascinating.

Maybe Alex, turning to you, you've publicly said, I

think I'm right in saying that you're seeing more than at almost any other time of Citi's businesses there. What driving that interest? And I guess, where does it come from, both geographically, but also, what point of starting point?

Alexander McWhorter

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Yeah, I mean, I think a lot of investors in the West just weren't really, Ukraine

wasn't on the radar, right? You know, it had sort of, didn't have the very public success stories, you had out of Poland, it was unclear which path it was headed in terms of Western versus Eastern orientation.

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And I think people hadn't really appreciated, you know, the level of entrepreneurship and dynamic, you know, workforce that exists in Ukraine today. So I think as people have seen, one, you know, the military ingenuity and the resilience and you know, the incredible things that the Ukrainian military has achieved.

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I think two, they've seen Ukraine firmly pivot and firmly decide on its future orientation, you know, towards the West, you know, as an EU candidate now. And three, I think, you know, people are seeing some of the companies and other things that are coming out of here.

I mean, I don't think people realize,

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but GDP for Ukraine last year was \$212 billion. Pre-war was \$200 billion.

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So, you know, GDP has actually surpassed pre-war levels. Now, a lot of that is defense spending. A lot of that is donor funding. So, you know, you know, after the 30% decline, that recovery is a bit artificial.

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But we did a survey with the American Chamber of Commerce in January back in really the, one of the most difficult times Ukraine has faced, given the blackouts and given the extremely difficult winter that we've just come through, and in that, you know, 90% of companies were expecting growth this year.

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90% of companies are continuing to be fully operate. But the most fascinating statistic in there is 68% of companies are at or above pre-war levels in terms of their financial performance. So the businesses continued to operate, you know, it's overcome incredible difficulties in terms of, you know, export routes, logistics, and really around the human capital challenges, which is one of the biggest challenges at the moment.

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But businesses continue to find a way and continue to thrive, and continue to invest in itself. And I think investors are starting to see that.

Alex Miller Host

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And I guess also it's such an enormous country geographically, which is not obvious to people who've not been there, that they don't always appreciate that when we say Ukraine, there's many different parts of the story that you're both thinking about.

Alexander McWhorter

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The country's the size of France and Germany put together, right? I mean, it's a massive country. But, you know, the impact of the war is felt differently in different parts of the country, and the country's been able to adapt and business has been able to take advantage of that, but many businesses continue to operate under extremely difficult conditions, even close to the front line as well.

Alex Miller Host

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Yeah, no, I can understand that. Lenna, so you clearly have seen lots of innovation in many different areas of Ukraine over the last decade-plus. I guess in terms of the underlying investors in your fund and conversations you have, I guess with partners where geographically do you see but also I guess beyond perhaps the US and Europe? Do you see interest from other countries or other parts of the world in terms of beginning exploring opportunities in Ukraine?

Lenna Koszarny

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Yeah, in terms of looking at our investors, about half of them are American investors, and remainder European, some Asian investors as well. So historically, we have investors with 700 billion in capital, about 40 institutions who have backed our funds.

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And I believe what they're looking for is they're looking for managers, investment managers who can go from tough situations through, it's easy when you don't have challenges, it's easy during years of growth and high deployment, easy fundraising, they're looking for those who can handle whatever comes their way in that 10-year fund cycle.

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So, you know, we see investor interest from all across the world.

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The silver lining to the situation Ukraine to the war is that Ukraine is a brand. Ukraine now is a brand of strength, of resilience. It is known worldwide, and the people of Ukraine are known worldwide and they're seen as people who, there's nothing that they can't do, there's nothing that they can't achieve.

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They're hungry, they're determined, they're resilient. They've gone through the worst situations and come out on the other end. So look, I think all of this bodes very well for Ukraine, not only now as we see with certain investors who are entering, but also post-war.

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Almost every single other day, every week, we see investors who are coming and building those contexts, building that network, because they understand that, after the war is over, there will be a lineup of those who want to start making connections in Ukraine.

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And that's why it's important to start now. One other point that I want to make is that, you know, this isn't CE in the '90s, this isn't Poland in the '90s or other, you know, Central European countries in the '90s.

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This is a country that is a EU candidate for accession. In terms of almost every sector, there are local incumbents, there are strong incumbents, who are nimble, who are capitalized, who are reinvesting.

Alex Miller Host

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Well, that's a great segue, I guess to you, Alex, and maybe you could just talk about how your role in terms of, you know, financing and supporting, advising innovative Ukrainian businesses, but also thinking about what is the way that these companies are going to integrate into global supply chains, both today whilst the war continues, but also as Lenna mentions, post-war as well.

Alexander McWhorter

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Yeah, I mean, we're having conversations all around the world. I've probably been to 15 different countries in the past 12 months having, you know, different meetings there and then done, I don't know even know how many webinars or client meetings, you know, globally around this.

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And so we see, you know, like Lenna mentioned, you know, some huge interest in coming in here. You know, a lot of people are waiting until the end of the war, but I think there's a real risk that you're too late at that point.

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In terms of sort of financial instruments and in terms of, you know, how things work here on the ground, one, you know, unlike other conflicts that we've seen in recent decades: Afghanistan, Iraq or things like that, you have a fully functioning banking system here.

You know, the not a single bank, any of the large banks have had any operational issues, all of us have operated every single day, even including the first day of the war.

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And all of us have continued to operate and continue to lend and continue to work with our clients. So it is a very different situation than other conflicts we've seen, you know, around the world from that sense.

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That being said, it is challenging for the banking sector to take a lot of the war-related risks. We're not set up for that. We're set to take commercial risks, but war-related risks are difficult.

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Now, the IFI community, you know, the EBRD, the EIB, the IFC.

Alex Miller Host

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And just remind us what IFI is Alex.

Alexander McWhorter

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Sorry. Yes, International Financial Institutions. So these are the multilateral institutions that are operating in Ukraine and are trying to really provide support. They've been here for decades, but they have increased what they've been doing during the war as well. And so we work very closely with a number of them, and they are able to do things some of the commercial banks are not able to do in terms of, you know, lending and taking some of these war risks.

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There are, there's been a slow development around war risk insurance. There are still some gaps in that, but there are programs that are available now that are able to cover some of those risks now as well. So, and the other area I would say is sort of export credit agencies, you know, play an increasing role depending on the country, depending on what's happening there.

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And there was actually a very important milestone yesterday. The US-Ukraine Reconstruction Investment Fund had their final board meeting, final board meeting, but a board meeting actually approved their first investment.

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Now this is the, came out of the critical minerals deal that happened over a year ago. And in, this is a fund, this a 50/50 JV between US through DFC, and through the Ukrainian government where they will invest in a number of sectors in Ukraine.

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So it's critical minerals, it's infrastructure, it's traditional oil and gas, and it's defense. And they continue to look at potentially expanding that perimeter. And I think a couple things people don't realize is, one, they are doing equity, which really is a challenge right now from the IFIs.

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Most of the IFIs are only really doing debt financing. And two, you don't have to be an American company to be a candidate for this. So this fund is open to any investor or sponsor from a country that has been supportive of Ukraine during the conflict.

Alex Miller Host

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It's fascinating. Maybe, then I, you could sort, you know, help us think about investments from a scaling perspective, because presumably part of the art and the science is not just to identify great candidates who are on a growth journey, but then to help them scale.

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And presumably geopolitical and security risk is, you know, front and center to many. How do you manage those risks when you deploy your capital, and how do, I guess, your LPs, your limited partners, how do they think about this issue?

Lenna Koszarny

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Alex, we work on a partnership model, so we have always looked for very strong partners. We back vision entrepreneurs who are leading fast-growing businesses across a variety of sectors. For us, the number one decision that we have to make is selecting our partner.

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We're a minority investor, we provide growth.

And I think that is the main decision that really mitigates many other risks. I wanna pick up one of Alex's points too about equity. The importance of equity. And if we look at the size of the investment needs in Ukraine, the World Bank, United Nations, government of Ukraine came up with their rapid needs assessment, their latest report that estimated 588 billion was the need.

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And if we drill that down into sectors, everyone has heard about the blackouts, everyone has heard about the attacks on energy sector. It's a 91 billion need for the energy sector. 60% of the power generation has been impacted, has been hit. When you look at transport, over 90 billion, when you look at commerce and industry, over 60 billion. Agriculture, 55. And when you look at the deal makers, the financial intermediaries in the country, then all the funds being raised for Ukraine, it's about 2 to 3 billion.

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So you can see that when you have equity and you're able to invest that first equity, you really have a very broad, broad subset of opportunities, but you also have all these instruments.

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You take that first equity, you catalyze additional equity, you mobilize debt, and there's a lot of transactions that are being done now, but also a lot of positioning for the future.

Alex Miller Host

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It's fascinating to hear that. And presuming Alex, you know, in your conversations policy makers both locally and internationally, being part of that conversation is essential to understanding kinda how to bring both public and private capital together.

Alexander McWhorter

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No, absolutely. I mean, it's really important that these institutions, you know, with their role, that they're crowding in private capital, right? And I think, you know, that it is, requires that partnership, it requires that dialogue, it requires that coordination to make sure that what they're doing is, you know, attractive to investors and is what is going to get the private capital over the line.

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And I think, you know, that line will shift depending on where we are in the war and things like that. But it's a very close dialogue. We spend a lot of time with the international financial institutions, not just them, but also we engage very heavily with the Ukrainian government and policy makers too, who are, you know, very keen and very engaged on trying to make sure this is a success.

Alex Miller Host

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It's fascinating. There's so many sort of strands we could un-pick, but may maybe I could just ask you to dial out a little bit here and you know, in your experience of, I think you said, is it seven or eight years now?

Alexander McWhorter

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Eight years, yeah.

Alex Miller Host

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Eight years, you know, running Citi's business in this incredible country. But what's the kind of key misconception that you think our listeners, both enterprise leaders, but also investors, you know, what's that key misconception they have around doing business in Ukraine that you'd like to kind of take this opportunity to, perhaps, alter?

Alexander McWhorter

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Yeah, I mean, I think you're right. I think there are a lot of misconception that if you're just reading the newspapers and the headlines, you know, you're not getting the full picture of sort of what's happening here.

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And there's two I'd hone in on, I know you said one, but sorry. You know, the first is, is life goes on, and you know, the people who are resilient, you know. I'm in the center of Kyiv now, there's no tanks on the streets, you know, it's a beautiful sunny day. I was at a, you know, a restaurant last night.

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You know, yes, the situation is very difficult, there are power outages. People are, the emotional health of many people given the stress and many loved ones, you know, fighting or have lost, you know, is tremendous.

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But you know, this is not a war-torn country by any means, right? There's a lot of, one, you know, people are still working, they're still getting things done. They're not giving up or fighting even though they're tired.

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But, you know, it is not, you know, a crated wasteland for most of the country. I think the second is, is there's a lot of talk about corruption in Ukraine.

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And look, there are absolute room for improvement and some real challenges in this space. And there have been some

recent headlines that have, you know, really sort of maybe reinforced some of that. But I think what is not always recognized is one of the progress that Ukraine has made on this frontier.

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If you go back to 2014, and you look at Transparency International's Corruption Rankings, which is the only sort of objective thing that I'm aware of. But you know, Ukraine used to be ranked about 148 out of, I think it was 180 countries in terms of corruption. You know, it has, for 2025, it's down to about 104 out of that same thing.

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So significant progress on this front, a lot more to do. But, you know, it is pretty significant progress. But I also think it's, when you look at where they are relative to some of the other larger, larger emerging markets, it is a different thing, you know, so it is now ranked better than Mexico, better than Brazil, better than Turkey, and other places where, you know, a lot of emerging markets investors have gotten very comfortable with operating.

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So it's a place where, you know, it can be complicated. You need to, you know, be careful about who you're engaging with, form good partnerships. But you are able to navigate it. So, it is a challenge. There's definite room for improvement.

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But, you know, I do think sometimes the challenges are a bit overstated here.

Alex Miller Host

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That's a really striking point you make. And of course, that's the brilliance of being able to put things into context, which of course is what we try to do on this podcast as well. Maybe I could ask you kind of pick up that thread as well, particularly with a kind of, you know, a private capital and international investors and underlying potential LPs that you have conversations with.

Lenna Koszarny

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Thank you, to add to what Alex said, it's really important, the on-the-ground partnership, and those of us who've been here for decades, Alex has been here for almost 10 years, me for over 30, but also the members that we're part of with American Chamber of Commerce, and what we've seen in terms of our, over the past two decades and looking forward is, that's crucial.

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You know, we've always partnered with our local entrepreneurs, and now with this reconstruction opportunity, we're looking to partner with international strategics and global funds coming in.

Alex Miller Host

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It sounds like you really want to encourage, you know, people who are sitting on capital allocation committees around the world to encourage them, to send people to come to Kyiv, to begin to have some conversations.

Lenna Koszarny

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Alex, that's a good point, because first thing I tell people, just come. Come to Warsaw, come to Chisinau. You can drive same day to Kyiv from Chisinau. You can take the overnight train from Warsaw, and you'll be astounded, you'll be amazed, exactly what Alex was talking about.

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Cafes are open, and coffee shops, restaurants, the vibe on the street, now that the winter's behind us, there's a new spring in everyone's step. It's sunny, it's beautiful. And of course, you mind the air raid alerts, you go underground, and then you merge and continue on with your day.

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And that's the resilience that we've seen here, which really fundamentally gets people ready for an uncertain world. Who will be better prepared than Ukraine for any challenges that come our way as a global community in the decades to come?

Alex Miller Host

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It's a powerful message that you're sharing. Maybe I could just round out by first asking you then maybe Alex as well, if I understand correctly, about nine or 10 billion, sorry billion dollars was invested in Ukraine across I think sort of 1400 VC and private equity deals over the last decade or so.

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How high do you think that can go? And obviously we've heard some numbers from the World Bank around the needs, but how high do you think that can go?

Lenna Koszarny

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Alex, you're asking me to look into crystal ball. I mentioned a few figures in terms of 588 billion, which is the most recent assessment, but let's just drill down into the energy sector. Energy sector alone is 91 billion of need. 2/3 is expected to come from the private sector.

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Over \$60 billion just in energy, and looking at energy, I mean, it's heartbreaking to see that 60% of the power generation has been destroyed. At the same time, Ukraine is very well positioned for a diversified energy mix that every country can only dream of. You look at, the country has the second largest gas reserves in Europe after Norway. It's got the largest underground gas storage in Europe.

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It's very well-positioned to be a supplier, to develop its own gas and to supply to Europe post-war. So that's just one aspect, but you see that over and over in terms of the renewables, and renewables are continuing to be built, are about 20% of Ukraine's energy mix, and expected to grow. So there's enormous opportunities, gas to power, battery storage, you know, we've seen this whole model of gas powering data centers that we've seen throughout the world, and especially in the US.

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Ukraine can play in that sector in the future. With the gas reserves it has developing those reserves, and empowering data centers and powering AI, Ukraine can be a leader in Europe in that field. So really I would say the sky's the limit. Obviously, Ukraine is looking at to grow its GDP in the way that it wants to, wants to attract 10 billion a year after the war is over.

Alex Miller Host

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It's fascinating. And you set the scene so well, and I don't think I'd fully appreciated even just that sort of that pool of energy and every country's obviously thinking about its energy mix in the AI era, and the connected kind of supply chain era as well. Alex, what's your, what's your take there?

Alexander McWhorter

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Yeah, look, I think, you know, from an investment thing, I think we haven't seen a lot of the global investors here ever. And you know, I would expect that once they come, once they do a deal and they get comfortable with it, they get comfortable with the country and the partnerships, and stuff like this, I think they will, you know, come in in significant amounts over time. It'll take some time.

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You know, they'll test it out. There'll be some pilots here. Again, a lot of people are potentially waiting till the end of the conflict or when that's in sight.

Alex Miller Host

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Well, look, there's so much more we could and hopefully will talk about, and obviously our Citi Institute Report on this topic is going to be coming out shortly. So I'd encourage people to look for that. But really what I'd like to say more than anything, has been, it's a privilege to have you both Alex and Lenna, you know, from Kyiv live for this episode. And I'm sure many of those listening to this will welcome my sentiments when I say how much we deeply admire what you and your teams are all doing on the ground there in Ukraine. So thank you both very much for joining, and thank you everybody for listening.

Alexander McWhorter

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Thank you so much for the opportunity. It's great to be with you.

Lenna Koszarny

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Thank you so much.

Alex Miller Host

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There's so much to highlight in the conversation we've just heard, but things that really stood out to me, one, Ukraine is a brand of strength and resilience, Lenna told us, known worldwide, as are the people of Ukraine. That was a powerful message, I think. Secondly, we heard from both Alex and Lenna about the importance of partnership, partnership with investors, partnership with entrepreneurs, partnership with public and private capital, and the benefit and importance of that being on the ground.

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And then finally what stood out for me was the line that Lenna said, which is, this is going to be the biggest reconstruction since the second World War, and there's going to be huge opportunities and understanding that as a new potentially EU-joining country that is Ukraine emerges.

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Well, that's going to be tremendous. So for more on this topic, do look out for the Citi Institute Report on this exact topic, and we look forward to engaging with you going forward.

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(inspirational music)

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(inspirational music)