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STRATEGIC INTEGRATION OF UKRAINIAN STARTUPS INTO THE GLOBAL VENTURE CAPITAL ECOSYSTEM

The global venture capital landscape in 2025-2026 is increasingly shaped by intensified competition for capital, uneven resource distribution, and growing investor selectivity. Venture funding flows are embedded in global network structures, where leading ecosystems retain disproportionate access to capital and connectivity [1]. As a result, emerging ecosystems face structural barriers to integration despite strong innovation capacity.

Ukraine represents a paradoxical case, combining a highly skilled technical workforce with limited participation in global venture capital flows. According to the StartupBlink Innovators Business Environment Index (IBEI) 2026 [2], Ukraine ranks 67th globally with a score of 48.704, reflecting a significant gap with leading ecosystems. This gap is driven not only by macroeconomic conditions but also by institutional constraints shaping the investment environment. Despite a strong human capital base and increasing innovation output, Ukraine remains constrained by institutional inefficiencies that limit access to international investment.

The main limitation lies not in technological capability but in the presence of an institutional friction gap, which increases transaction costs and reduces investment attractiveness. Venture capital allocation is highly sensitive to institutional conditions, and in emerging markets regulatory inefficiencies often distort investment patterns and restrict access to funding [3]. These distortions contribute to segmented venture capital markets, where only a limited number of ecosystems achieve global integration. At the same time, ecosystem performance depends on the interaction of financial, human, and institutional resources, as well as multi-level institutional dynamics involving intermediaries such as accelerators and venture funds [4].

Ukraine’s position in the global innovation ecosystem is therefore constrained primarily by institutional inefficiencies rather than entrepreneurial capacity. Regulatory barriers, including currency restrictions and administrative complexity, significantly increase transaction costs and limit access to international investment, confirming the decisive role of institutional environments in shaping venture capital flows [5]. Limited financial infrastructure further restricts access to capital, particularly at later stages of development, preventing startups from scaling and reducing their global competitiveness. Operational inefficiencies, such as bureaucratic delays, additionally weaken ecosystem agility.

A direct consequence of these constraints is the emergence of a valuation discount applied to Ukrainian startups, reflecting higher perceived risk, reduced liquidity, and uncertainty regarding exit opportunities. Investors rely heavily on signals of institutional reliability, and weak institutional environments tend to suppress these signals [6]. In response, startups adopt adaptive strategies such as corporate restructuring through foreign jurisdictions, which enables alignment with international legal and financial standards and reflects institutional arbitrage. At the same time, significant sectoral opportunities remain in artificial intelligence, defense technology, and deep-tech industries.

Institutional factors thus play a central role in shaping integration into global venture capital markets. High transaction costs distort investment incentives and limit capital inflows, while the widespread use of foreign incorporation strategies leads to partial externalization of value creation. The concept of the institutional friction gap explains why ecosystems with strong human capital may fail to attract investment and highlights the importance of aligning domestic institutions with global standards.

Although startups demonstrate adaptive capacity, these strategies do not fully compensate for structural constraints. Reducing institutional friction requires comprehensive reforms aimed at improving regulatory efficiency, deepening financial markets, and enhancing operational performance. Without addressing these barriers, emerging ecosystems risk remaining peripheral in the global innovation landscape.

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