

Rebuild Ukraine

Proposals of the German business community
for the reconstruction and modernization
of the Ukrainian economy

Preliminary note

According to the German-Ukrainian Chamber of Industry and Commerce, around 2,000 companies from Germany alone are active in Ukraine. They are currently maintaining their activities as best the war situation allows. German companies are active in many sectors such as agriculture, construction, transport and logistics, electronic components and health care. Other companies have discovered Ukraine as a sourcing location in the digital sector.

This paper was developed in August and September 2022 in seven working groups on 1) general framework conditions, 2) construction, 3) logistics and infrastructure, 4) digitalisation, 5) energy, 6) health and 7) agribusiness. In total, representatives of around 50 German companies and important business and industry associations took part at the invitation of the German Eastern Business Association (Ost-Ausschuss der Deutschen Wirtschaft / OA).

The scale of Ukraine's reconstruction task is difficult to assess at this stage and from a financial perspective. Against this background, the paper necessarily focuses on the sectors mentioned above and on the issues that are important for companies. In our assessment, these sectors play a central role in the topic of acute aid as well as in reconstruction.

On the one hand, with this paper we would like to respond to the ideas and goals of the Ukrainian government on the topic of "Rebuild Ukraine" presented in Lugano, Switzerland (July 2022). On the other hand, this paper is intended to serve as a basis for discussion on the topic of framework conditions, but also for concrete project ideas that are relevant for jointly achieving progress in Ukraine's reconstruction process.

With this paper, the German private sector would like to contribute to the debate, make proposals and identify important issues. We see the paper as the beginning of a process of joint discussions and projects.

The German Eastern Business Association invites political actors and economic stakeholders from Ukraine, Germany, Europe and other countries as well as multinational / international institutions to engage in a dialogue. Companies and associations involved in the preparation of the paper are gladly available for further exchange, look forward to further discussion and can be contacted via the German Eastern Business Association.

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1. Donor coordination and general framework conditions

General Remarks:

Ukraine needs an economy that can outlast Russia's invasion, provide government revenue, sustain military defenses, and lay the ground for integration into the European Union. Germany and its European partners, the European Union (EU) (as well as the United States, Canada, Japan and Australia) must urgently work with Ukraine — not only on macro-finance and government assistance programs, which themselves are lagging — but to put in place programs designed to stimulate private investment and climate-friendly, sustainable economic growth.

No amount of government aid will ever be sufficient on its own to build and sustain the Ukrainian economy. No centralized control will ever lead to truly comfortable conditions for private investors. The goal should be to strategically use the funds and policy decisions provided by the government in a way that creates incentives for the private sector to invest, create wealth and jobs, and lead the Ukrainian economy to the EU. The private sector accounted for 78.8% of Ukraine's gross value added and for 76.0% of employment in 2020. Private enterprises generated around two-thirds of investments in the country. That underlines the meaning of the involvement of private business stakeholders.

Recovery starts now

Some refer to this as a “Marshall Plan” for Ukraine, and there are useful parallels. Perhaps the most defining trait of the Marshall Plan, as Secretary George C. Marshall himself conceived it, was just this: not merely distributing government aid, but reviving the private sector. One essential difference is: We cannot expect a specific date when reconstruction will start. Necessary repair and maintenance measures flow into medium- and long-term reconstruction and modernization efforts in Ukraine. The process started already.

One thing must be clear from the outset: this is a two-way street. Rebooting Ukraine's economy will require action by the Ukrainian government to build investor confidence in the rule of law, to pass legislation and implement reforms needed to align Ukraine's economy with the EU, and to eliminate regulatory and bureaucratic obstacles to investment. At the same time, it is a crucial moment for helping Ukraine to “build back better”: State strategies and programs like the European Green Deal will shape new global value chains. Donors should support Ukraine to develop a low-carbon economy that will be embedded into these value chains. Otherwise, the risk of stranded assets and further economic downturn is obvious. We highly welcome, that a green, innovative and EU-oriented reconstruction process is key in the strategic vision of the Ukrainian government.

Maintaining possibilities of business in Ukraine

Ukraine's martial law economy must become decentralized again. What is clear is that there will not be a carte blanche fund for Ukraine. Western financiers, who are not working under a development corporation scheme, will not take all the risk alone. Neither will the private sector. Rather, Western donors should pay the private sector for risk mitigation, transition and transaction costs, and the financing of major infrastructure projects. It is up

to Ukraine to make the necessary internal decisions to truly empower a private economy and thereby lead the country towards EU membership.

Currently, German companies remain active in Ukraine and support the country. Nevertheless, the first signs of the establishment of back-up structures for production in the automotive industry outside Ukraine can be seen. As understandable as this is in view of the ability to deliver, there is a danger that production capacities will also be permanently withdrawn from (even calmer) western Ukraine. We call on companies and customers to continue sourcing products from Ukraine. This secures local structures, strengthens the economy, the state and prevents further refugee movements to the West if jobs are lost in Ukraine.

Proposals:

1) Clear and understandable working scheme of recovery efforts

The German government, its European and international partners as well as the EU, must each appoint a senior-level coordinator who would be in charge of whole-of-government efforts to help rebuild Ukraine's economy. Together, these coordinators would form a coordinators council — not a decision-making body, but an advisory and monitoring group — to discuss needs and ideas of Ukraine, and individual actions by donors can be de-conflicted.

A secretary general for the coordination council should be elected by the national coordinators. Each donor would act through national means to assure transparency and accountability; there will be no single centralized fund. The group could also define a verification scheme for funds so that they contribute as effectively as possible to a low-carbon economy. Alternatively, the group could commission an independent expert to develop such an approach.

This independent body would hold regular conferences with a strong role of the private sector on progress in creating an enabling environment for a dynamic and resilient private sector-led economy. The results would be reported to the coordination council and its secretary general.

Establishing this coordination council would be a task for public stakeholders. In addition, business organizations and companies should think about to set up a "Business Advisory Council" (BAC) which shall be a structure run and led by private business owners and associations. This "Business Advisory Council" shall monitor the whole process of recovery from a business perspective and work on specific and concrete ideas and proposals to improve the process. Experiences gained during the recovery process after the wars in the Western Balkans and especially in Bosnia and Hercegovina, shall be used.

A kick-off conference of private business stakeholders, similar to the Lugano-conference in July 2022, could be held in Berlin until summer 2023. The conference would bring together the private sector from all governments engaged in supporting Ukraine's economic recovery.

2) Clear framework for transparency and against corruption

It is for utmost important and must a top priority to speed up the inflow of Foreign Direct Investments (FDI) to Ukraine. In comparison to the size of the country and its economic potential, the number of FDI in previous years was underperforming. Some obstacles to the creation of an environment conducive to empower a Ukrainian private economy are corruption, bureaucracy, and a lack of transparency. These problems are also the main obstacles to the country's aspired EU membership. For governmental donors especially from the EU, the private sector, and its willingness to invest in Ukraine is the best sensor whether Ukraine has made progress on this key issue. Therefore, future structures, process and activities must contribute to (re)build trust of German and other western companies, which some of them lost during the past years. We are convinced that Ukraine, its people and its companies are able to attract much more in the future. Let's work on this issue together.

The Ukrainian government has acknowledged this and adopted a new and comprehensive anti-corruption strategy. It has substantiated this strategy in the wake of the Lugano conference and outlined concrete steps to eradicate the endemic corruption that has plagued the country prior to Russia's war of aggression.

To facilitate the creation of an environment conducive for a vibrant and resilient private economy as well as pave the way for Ukraine's EU membership, a specialized, private sector led function with specific expertise in anti-corruption and compliance practices in both private and public sector should be established at each national coordinators office as well as the multilateral coordination council's secretariat with the following tasks:

- Ensure the earmarked use of public funds.
- Monitor the implementation of Ukraine's national anti-corruption strategy with a particular view to Ukraine's path towards EU-membership (Copenhagen principles).
- Continuous reporting on implementation progress, developments and setbacks.
- Undertake audits.
- Develop and advise on escalatory measures.
- Serve as a confidential backchannel between private sector and donor community.

3) Implementation control and risk insurance / guarantee mechanisms

To attract foreign companies and its activity in the process of "Building-back-better Ukraine" a well- designed and reliable control and support mechanism for private companies is critical.

Firstly, to support reconstruction projects initiated by German companies financing support and risk insurance for investment and trade are of high relevance. The investment and foreign trade promotion instruments of the Federal Government (Export Credit Guarantees, Investment Guarantees, Guarantees for Untied Loans) shall be further mobilized and wherever necessary adapted (e.g. through grants or other incentives) to the higher risk environment prevalent in Ukraine. This is of strategic importance.

Secondly, an independent service desk shall support the control of contract performance and shall be engaged in follow-ups on projects when companies become active. Companies

must assure that tenders will be fair, invoices will be paid, and risks will be covered or shared on a fair basis.

Finally, it is of utmost importance, that companies will have an at least mid-term perspective to expect a return of investment and predictability of a well working business model. That is effective for companies being present on the Ukrainian market already and even more for expected newcomers.

4) Strengthening institutions

Meaning of rule of law: Main issue in Ukrainian legal system is the fast transformation during the past reform with an absolute focus on an independent juridical system. Although the general concept of an independent jurisprudence is essential for a functioning legal system, this resulted in the tendency that judges understand themselves as being “above” the legal system and not bound by the will of the lawmaking institution. Similar tendencies are visible in prosecution and enforcement bodies.

Working on reform of the judiciary system: ideally, a joint task force will be established with members from the President's Office, Parliament, Constitutional Court, Ukrainian lawyers (mixed experts in civil/criminal/administrative/tax law), (former) judges of the U.S./EU Constitutional Court and the highest civil, criminal and administrative courts. Task of the task force shall:

- Identify areas with the immediate need for improvement in the various legal bodies (courts/prosecution/enforcement)
- Identify mid-term improvement potential in juridical education (currently very limited focus on legal theory / legal history)
- Elaborate suggestions to lawmakers with respect to amendments / changes in the existing legal environment
- Elaborate changes / reorganization in the relevant ministries / court structure and other institutional structures

A respective budget needs to be designated to this important task.

Importance of EU accession process: Ukraine’s reconstruction should be fully aligned with the goal to become a member of the EU, recognised by the EU candidate status. In parallel to the reconstruction effort, Ukraine should bring its legislation, standards, and their implementation, in particular rule of law and judicial system, in line with EU acquis, which are necessary preconditions for a successful reconstruction and recovery process, with the EU providing continuous technical support. An immediate institutional involvement of the EU in Ukraine’s reconstruction body is thus essential.

5) Alignment with financing instruments of well-established multilateral banks in Ukraine

Western partners and donors could support local Ukrainian businesses e.g. with micro financing instruments. Companies of a small size could start a new business, maintaining its

current business, keep on paying taxes and employing people. This also supports the state structures and helps to keep the economic cycle going.

EBRD, European Bank for Reconstruction, and EIB, European Investment Bank, maintain for decades offices in Ukraine and run substantial programs for financial support for the country. Both institutions augmented their engagement tremendously for immediate help-purposes after February 24 in all segments relevant for the German industry. EBRD and EIB offer long-established cooperation with the respective Ministries, the National Bank of Ukraine and local Banks and Corporates as well as proven In-depth KYC- and AML-procedures in line with European standards. It is key to provide political support to align German Exporters to these long-term-integrated Financing Programs.

The functioning of the financial market (payment transactions, foreign exchange transfer, foreign exchange trade, local and cross-border lending, export) must be ensured. This is a prerequisite for the strengthening of trade and economic activities.

6) Low-carbon economy: Alignment with core economic strategies

Worldwide, leading industrialized nations, financial institutions, and – most importantly – investors have developed decarbonization strategies, principles and programs. The EU has not only set up the European Green Deal, covering core economic sectors, but is also preparing to introduce a carbon border tax. Thus, the economic success of post-war recovery of Ukraine is not only depending on the quantity of funds, governance and due diligence. It is also strongly dependent on the quality of the programs in terms of decarbonization goals. Taxpayer's money in donor programs should be spent foremost on infrastructure and projects that contribute to a new, resilient low-carbon economy. Recovery is a chance for Ukraine, if money will be spent based on already existing decarbonization strategies.¹ Chances for a successful integration in new global value chains, as well as EU integration, are high. Otherwise, funding the infrastructure based on fossil fuel technologies could send the wrong signals to private companies, lead to carbon lock-ins, stranded assets and massive opportunity costs.

2. Construction and Building

General remarks:

The war damage in Ukraine is massive and diverse. As fighting continues, damage reports will continue to change. In the current phase of the fighting, the focus is on the issue of acute emergency repairs, which are already being carried out on site every day. With a view to medium- and long-term restoration and development of the structural stock, we believe it is urgent to rely on and ensure local value creation in Ukraine whenever possible.

¹ The experience gained from the Corona crisis is particularly useful here. For example, the definition of targets (in the EU, 37% of all funds had to be used for climate measures), the use of technical verification criteria and the consideration of principles such as the do-no-significant-harm principle (based on the EU taxonomy) had a positive effect on the design of the EU recovery programs.

This task requires the involvement of various disciplines and actors in the field of construction, which must include the entire planning sector (not only in the construction of a building), the building materials industry, craftsmen / building contractors, technology providers and operators / users, and must be approached as inclusively as possible from the beginning. This goes hand in hand with the prioritisation of projects according to short-, medium- and long-term needs, as well as the development of a reliable and trustworthy system of control that takes Ukrainian and international needs equally into account.

In this process, the German construction industry would like to offer its full support in the planning and implementation of reconstruction with know-how and technology. Already engaged companies are ready to increase production in the country. With regard to products from wood, a higher level of transparency in the procurement would lead to higher and more efficient output of the industry already now and support the rebuilding activities.

Proposals:

1) (Re)design standards framework according to existing EU standards

Ukraine is already pursuing the path of EU rapprochement and is striving for accession as soon as possible. In our view, this momentum should be used to include the application of EU procurement principles in the construction sector as an integral part of the selection and commissioning of planning partners in price and performance competition and the award of construction services and construction products. This leads to more transparency, clear selection and award criteria as well as consideration of intellectual property rights and ultimately to more trust.

In this context, it also facilitates the integration of European partners if, for example, approvals for companies and services issued in the EU are also fully recognised in Ukraine and no separate certification or approval processes become necessary. The standard-oriented connection to the European Union would also support, for example, the certification of public procurement agencies (and companies with a certain order volume) according to ISO 37001 "Anti-corruption management systems". The fundamental application of the BIM approach (Building Information Modelling) could also ensure trust, transparency and greater understanding of planning processes. The method stands for the networked planning, construction and management of buildings and other structures with the help of software. This ties in with an approach of the Ukrainian reconstruction plan to work with innovative and modern tools.

2) Ensuring transparency in the project cycle in the construction industry

Construction projects are particularly characterised by their complexity. Therefore, many issues and questions are central to successful construction projects that need to be addressed by stakeholders such as IFIs, governments and other construction organisations: How to secure financing for projects, how does the tendering process take place, who is responsible for the planning and how do the tenders take place? Last but not least,

questions arise about possible operator models, but also practically about project monitoring and the financial management of projects. Here, models must be found that meet the Ukrainian needs for a high degree of creative freedom and the needs of international monitoring.

In view of the current tense supply chains and price developments, the question of how construction materials can be procured and brought to Ukraine and how construction machinery and other materials can be imported logistically and moved within the country is also of fundamental importance. In addition, questions arise about the applicable building law standards. This offers the opportunity to standardise along EU standards and thus take important steps on the path to EU convergence.

3) Offers from German companies

➤ Cities, buildings and construction: Establishing a German-Ukrainian strategic development planning and design working group

Prior to design and construction activity, strategic assessment of immediate, interim and mid- and longer-term construction needs to be defined. We ask for a group or individual experienced in construction and procurement on the Ukrainian side to initiate effective communication on conducting competitions according to international standards in close cooperation between Ukraine and international consultants – following a strategy reflecting actual needs and expectations for specific projects. As urban planners, architects, landscape architects and engineers, German companies can help initiate critical processes for transparent, quick and sustainable development.

➤ Temporary accommodation / office and administrative space

German companies are able to construct rapid modular shelters. These can be used as accommodation and office space with their own catering in particularly damaged cities as base camps. The objects consist of transportable containers with metal/wood composite and can be put into operation within half a year. It would also be conceivable here to shorten the construction time if locations for material storage training can be set up in western Ukraine.

➤ Advice / support for the implementation of the standard EN 1317

German companies have in-depth experience in road construction and the upgrading of transport routes in compliance with European standards such as EN 1317 in the field of road safety and offer, together with strong Ukrainian partners, to contribute this knowledge to the reconstruction process.

➤ Building technology / technical solutions / materials

German companies offer close cooperation in the field of technology, digitalisation and materials. For example, there are opportunities for collaboration in the area of digital planning, the BIM approach (Building Information Modelling), building safety issues, green building technology such as heat pumps or in the field of energy efficiency.

3. Logistics and Infrastructure

General remarks:

The past months of war have shown that functioning infrastructure and logistics are a highly critical factor in the civilian economy, but also for military purposes. The performance of the Ukrainian Railways in maintaining operations even under wartime conditions is admirable. Functioning seaports as well as road and rail connections are essential for exports. Reference is made here to the much-discussed question of grain exports.

The infrastructure in Ukraine's main ports (Odessa, Chernomorsk, Pivdenny) is largely intact which would allow for a fast restart of import / export activities. The critical role of these ports in securing transports to / from Ukraine is visible in the current situation and the volume they handle cannot be replaced by inland transports. It is thus critical to ensure a fast restart of port activities once the situation allows (beyond grain exports). The agreement on the export of grain from Ukraine, which was negotiated in July 2022, functions as it stands today, but it is only valid for a limited period and should, in our view, be extended and expanded if possible.

Most Ukrainian marine terminals are currently idle resulting in high losses for the operators, a situation they cannot sustain in the longer term. Mechanisms should be put in place to ensure that port operators are able to maintain staff allowing for a fast restart of operations once this will be possible.

Against the backdrop of war, overland transport routes have gained strategic importance. The further development of infrastructure with all its associated components must be strategically pursued. Getting airports back into operation as quickly as possible is also a critical factor but depends on security guarantees that need to be secured politically and internationally on a larger scale.

Proposals:

1) Developing Ukraine's infrastructure for transshipments in a European context

It is important to develop the infrastructure for transshipments at the borders with Poland, Slovakia, Hungary, and Romania. Ideally, transshipments here are made in swap bodies, which are then reloaded onto 1435 mm wagons. The use of 1520 mm wagons on 1435 mm bogies is only possible to a limited extent due to the light-space profile. The expansion of the infrastructure for reloading containers and re-gauging wagons will require only a fraction of the investment needed to convert the Ukrainian Railways to 1435. A symbolic extension of the TEN corridors to Ukraine is possible, but only by suspending the TEN parameters or by developing a second set of parameters for 1520 mm lines. These standards could then be applied in the Baltic States as well (apart from Rail Baltica).

Here, too, the short-term focus should be on infrastructure development (increasing transshipment capacity, rebuilding and developing warehouse capacities) for a development of the cross-border corridors and on a simplification of safety regulations for the use of Ukrainian freight wagons and bogies on the European rail network.

Due to a lack of imports to Ukraine the risk that container stock will be depleted in Ukraine is growing. Currently shipping lines are still very cautious or refusing imports into Ukraine, ie. creating one-way transports and likely in a few months a lack of equipment in the

country for exports will occur, which will make also exports more expensive as not balanced. This issue must be addressed with a strategic foresight to maintain the export capabilities of Ukraine and its economy.

2) Perspective: urgent development of overland/rail traffic

There is a lack of equipment in the loading terminals to reload the incoming grain from Ukraine into containers for European standard gauge wagons for onward transport in a short time. For this purpose, the procurement of so-called loading containers is envisaged, which can "suck" the grain out of the arriving wagon and "pump" it into the destination wagon.

Accordingly, financial support is requested (from the EU) for the expansion of container and reloading terminals (e.g. additional tracks, loading containers or silos) in Ukraine and on the border with Poland, Romania and Slovakia.

3) Border traffic / customs

Customs procedures currently still take too long (despite facilitations for Ukrainian grain). For this reason, we welcome the fact that Ukraine will be able to actively participate in the common transit procedure as a contracting party to the "Convention on a Common Transit Procedure and the Convention on the Simplification of Formalities in Trade in Goods" as of October 1, 2022. We assume that this will facilitate customs procedures for transit traffic. However, we must continue to press for customs simplifications in Poland, Slovakia and Romania, among other countries and push for enhanced communication and harmonization of procedures at all borders of Ukraine to its Western and Southern neighbours.

4) Offers from German companies

- **Project proposal for the modernisation of the Ukrainian transport infrastructure and its connection to the EU infrastructure:** Construction of a rail route with European gauge between Lviv, Kyiv and Odesa with connection to the European rail network near Lviv. This would connect important industrial and logistics centres in Ukraine to the European rail network quickly and cost-effectively (without rerouting) and, in the future, also to the Rail Baltica. This would also be a relevant contribution to the closer connection of Ukraine to the EU. This project could be financed and implemented via TEN-T or Global Gateway.
- **Rehabilitation of „Dolinska – Mykolaiv“ Line:** Civil works, Catenary, Signalling and telecommunication. German companies would be able and offer their cooperation to discuss cooperation in the developing of this project. Planning capacities, BIM implementation and technological know-how and equipment could be brought in. The provision of Train Management Centers (TMC) and support in drafting a mid- and long-term development plan for the public railway infrastructure is offered as well.
- **Working on a common proposal of German and Ukrainian stakeholders on procurement of rolling stock, containers and loading equipment** which could be

presented to donors and brought into the recovery process. There is a lack of rolling stock for the transport of grain. This includes mainline locomotives that can be used across borders, container wagons and multi-purpose containers. There is also a shortage of shunting locomotives at the EU's external borders. Accordingly, financial support is requested (from the EU) for the procurement or rental of rolling stock, containers and loading equipment.

- **Deutsche Bahn Engineering & Consulting is currently conducting a study for UZ on a pro bono basis on the so-called "route compatibility" of Ukrainian wagons on the European rail network.** Due to their track width and other technical parameters, the vehicles can only run on certain route sections. For the routes in question from Ukraine to the Adriatic (Koper, Trieste), Baltic (esp. Gdansk) and German ports (Rostock, Brake), the relevant EIUs are to check the compatibility of the wagons.

Grain transports by rail so far mainly run via two routes or border crossings: via Poland and Romania/Constanta. Due to several reasons, a more efficient distribution is pending. Together with the Ukrainian railroad UZ, DB Cargo is currently making intensive efforts to enable the use of Ukrainian wagons on the European rail network. The German industry offer its support in this process.

4. Digitalization

General remarks:

The Ukrainian government has set four major thematic areas as priorities for the digitalisation sector. The expansion and further development of e-government services are at the centre. This includes mobile access to these services outside Ukraine as well as the establishment of digital registers. Secondly, information platforms are to be developed to record the state of the country's infrastructure. These will serve as an important basis for reconstruction activities. Thirdly, the country faces the challenge of adapting legislation in this area to European Union standards during the EU accession process. Fourthly, the critical and digital infrastructure is to be physically expanded, for example by laying fibre-optic networks. The topic of cybersecurity and resilience forms the bracket here and is of elementary importance.

Ukraine is a globally recognised digital location. Before the outbreak of war, 100,000 people worked in the digital sector for the German economy alone. In the reconstruction phase, this should be continued. This requires political and regulatory framework conditions in the areas of cybersecurity, digital infrastructure, data, platforms and digital technologies. From an industry perspective, this is the basis for the applications of industrial use cases.

Proposals:

1) Continuation of the German-Ukrainian Digital Partnership

In recent years, the German Eastern Business Association has drawn up a paper on joint activities with the State Service for Special Communications and Information Protection of Ukraine (Derzhspetszviazok). In March 2021 the "German Ukrainian Digital Partnership" was launched by Prime Minister Denys Shmyhal and other German and Ukrainian stakeholders. These cooperations and activities should be continued and deepened.

2) Prioritisation in terms of time and content

From the perspective of German companies, the goals should be prioritised according to temporal necessity and urgency. We are currently in the defence phase (autumn 2022). Thus, the topics of digital and physical security of critical infrastructure and communication should be the primary focus here. Some services of e-government platforms are also necessary in the current phase. We also see the general further development as a medium-term task. In view of the current war situation, the development of physical infrastructure is subject to major security constraints.

To secure future investments in physical infrastructure, cybersecurity measures should be considered as being part of the investment, based on EU legislation on the cybersecurity of critical infrastructure. Furthermore, in the context of Ukraine's European perspective and the need to design interoperable electronic communication structures in Ukraine, the experience with using cybersecurity related processes and technologies should be used. On this basis, both trust in the security and integrity of public administration as well as its capacities to interact with European peers on "classified" level would be strengthened.

3) Offers from German companies

- **Longer-term cooperation of German and Ukrainian stakeholders** from politics and business to jointly develop the topic of **cyberresilience** and a regular exchange on concrete needs (e.g. German-Ukrainian Cybersecurity Dialogue) and close communication and cooperation, e.g. on export licences of public authorities with companies, in order to be able to quickly provide necessary capabilities in the current defence phase.²
- **Strengthening and active use of the instruments of the German government's cybersecurity cooperation** (Cyber Foreign Policy Coordination Staff) in cooperation with the German Business.
- **Provision of capabilities in cloud solutions, secure communication and structure building** by German companies to Ukrainian partners.
- **Update of programme documents in the field of electronic communications** according to the circumstances caused by the war (change of methods and activities

² See: Paper by the German Eastern Business Association and other stakeholders from November 2020

required to cover the territory of Ukraine with high-speed broadband access).

- **Development of technical specifications for newly rebuilt broadband networks** (including the establishment of a concept framework for the management of such works based on IT tools for proper planning and execution of rebuilding activities and communication between the state, local authorities and providers).
- **Establishment of educational programs** for technical professions required for the recovery of broadband networks.

5. Energy

General remarks:

The supply of electricity, heat and other energy is a critical factor under the conditions of war. It will also remain a major and central task in the medium term. Ukraine is currently working at full speed to repair acute war damage in the energy system and needs financial and material support from Western partners (emergency aid). The repair of power plants and other energy generation infrastructure also plays a central role in this. The repair of distribution grids and infrastructure must also be considered. With a view to the medium- and long-term perspective of the Ukrainian energy system, Ukraine is focusing on decentralization, more grid flexibility, modern, innovative and digital technologies, and a connection to the European Union's electricity market. German businesses support this approach. Already existing structures of support, like the Ukraine Support Fund under the Energy Community, are good approaches. We urge governments and donors to support such structures to make such existing instruments more efficient. Supporting the fund with donation makes it possible to procure urgently needed equipment and to support Ukraine more quickly.

In our view, it is important that future issues such as the hydrogen partnership with Ukraine remain a strategic goal in energy relations. Furthermore, the decentralisation of energy generation offers a combined approach which includes the big agricultural sector on the production of biogas to reduce dependence on natural gas. A recently passed law that allows biogas to be fed into the Ukrainian gas grid is an important element in this regard to promote the development of the sector.

Proposals:

1) Electricity export to the EU / connection to the EU grid

Repairing or recovering transmission and distribution equipment damaged or destroyed in the war will be a priority for Ukraine. This, however, will not be easy, as delivery times are currently extremely long (e.g. power transformers need up to 24 months). Quick-fix solutions could include mobile substations and mobile transformers with multiple ratings and voltages for different locations. Such mobile equipment would allow substation recovery / repair as long as the permanent equipment for the different substations is being produced.

We are convinced that there is great potential in the electricity partnership. The first steps have already been taken with the integration of the Ukrainian (and Moldovan) electricity grid into the EU electricity grid. To turn the possibilities of electricity export into a mutually successful model in the future, all partners should work on developing a future-proof electricity transmission grid and a sustainable electrical infrastructure, including increasing interconnector capacities. Assets should be (digitally) connected - grid and grid edge, clean air switchgears should be used, advanced grid controls should be implemented, and the integration of renewable energy must be ensured. In the end, the use of Total Cost of Ownership would be a better indicator for investment decisions than just investment cost.

The issue of energy production and export will become an attractive business model when a clear and transparent procedure of net fees is implemented, a transparent system of access charges is introduced, and it becomes possible for foreign companies to access the grids. In addition, there are no economic reasons to build new conventional power generation with current price caps on electricity market and without capacity market elements currently. A reform of the electricity market design will be required to attract foreign and domestic investment and capital.

With a view to the use of CO₂-free energies - but also for the topic of biogas - the introduction of a system of certificates of origin for electricity and energy produced in Ukraine is also beneficial and necessary to develop the possibility of energy exports.

2) Tariff system / renewable energies

To enable reliable business models in the future, the role of the guaranteed buyer in the renewable energy sector must be clarified, as well as the role, which feed-in tariffs will play in Ukraine in the future and how they can be structured, for example through auctions. The decisive factor for investments will be that tariffs for energy and heat are designed to be economical/cost-covering in the future, so that producers can cover their costs and work profitably, and consumers are not overcharged. In the end, having a business model is key for all sides - international, German and Ukrainian stakeholders. In this sense, we welcome the law passed in summer 2022 that makes corporate PPAs possible.

3) Power generation/ district heating

Ukraine should take a pragmatic, technology-neutral approach to build and modernize a modern and low-emission energy system, containing the following elements and technological solutions through the expansion of renewable energies (wind, solar) for domestic use, electricity export and, perspective, production of green hydrogen. Expanding of biomass power generation shall make use of agricultural waste, biogas, biomethane and district heating CHPs. The main task for all biomass related projects is to improve natural gas balance of the country.

A “coal-to-gas shift” should be fostered with the target to modernize/transform the existing conventional power generation through: (a) Modernization/Retrofit of existing power plants; (b) replacement of existing less-effective gas and steam turbines by new units; (c)

repowering/coal-to-gas shift (i.e. replacing coal-fired power plants by gas power plants, which would lead to significant CO₂-reductions); (d) converting generators from shut-down coal plants into rotating grid stabilizers.

Modernization of the **district heating system** remains as a separate, important topic. The use of new technology (e.g. heat pumps) would lead to efficiency gains and the reduction of natural gas consumption.

4) Offers from German companies

- We look forward to **continuing our close dialogue with the Ukrainian Ministry of Energy** and other stakeholders on concrete **support for emergency aid deliveries** with modern equipment and know-how. The German Eastern Business Association has installed a Ukraine Service Desk for this purpose. The Service Desk supports German and Ukrainian companies, especially in the energy sector, in matching demand and need and in supporting the delivery of products in the context of emergency aid and repair with contacts and its own network.
- We also invite Ukrainian experts and stakeholders to discuss and develop the above-mentioned ideas and proposal with the **OA-Energy Working Group** as a regular format.
- **Development of a German-Ukrainian technology partnership**, for example to promote the expansion of biogas production. In this context, the previous work of, for example, the German Energy Agency and the German-Ukrainian Energy Partnership should also be used and deepened, and the dialogue between German business and Ukrainian entrepreneurs and decision-makers should be continued and intensified.
- In summer 2021 the OA already established the **„Hydrogen Network Ukraine“** . From our point of view, the production of green hydrogen shall not be taken away from the mid- and long-term agenda. Still, it belongs to a set of future export goods of Ukraine and we offer the ongoing support of the network regarding this energy sector.

6. Healthcare

General remarks:

After the Russian attack against Ukraine, people in Ukraine are struggling to survive, millions are fleeing. According to UNHCR the armed conflict affects directly 17,7 million of Ukraine's population, around 12 million refugees have been forced to leave the country since 24 February 2022.³ The number of the civilian casualties has risen to a disastrous toll of 14,228 recorded by the UN High Commissioner for Human Rights (OHCHR).⁴

The war is causing tremendous damage to the country's economy, including essential infrastructure such as the health sector. As per the latest WHO Ukraine Office Situation Report there have been 512 verified reports of attack on health infrastructure in 13 oblasts, with 434 attacks impacting facilities, 144 attacks impacting supplies, 73 attacks impacting transport, 60 attacks impacting personnel and 24 attacks impacting patients directly. According to pre-war eHealth data 347.000 patients were treated per month in these health facilities.⁵

Since the beginning of the war, the German Eastern Business Association and the GHA – German Health Alliance have focused on providing an exchange platform for the health industry as well as representatives of the German government and international aid organisations to share up-to-date information and coordinate relief efforts. Following the Ukraine Recovery Conference in Lugano, it is our goal to focus on tangible support measures and solution approaches from our network.

Proposals:

1) **Emergency aid and supplies for Ukraine.**

The recovery of the health sector is of utmost importance for both government and private sector. The Federal Government supports through donations, among other things for medical treatment of vulnerable groups, as well as relocation of patients to Germany and neighbouring countries. The private sector is deeply committed through direct donations, donations according to the procedures of the **European Union Civil Protection Mechanism (UCPM)** as well as donations via international aid organisations and NGOs. The UCPM have been instrumental in ensuring effective and targeted assistance in coordination with other EU member states.

Medical technology companies actively support Ukraine, by providing inter alia systems for (radio)surgery/radiotherapy, mobile X-ray and ultrasound equipment for specialist centres and hospitals as well as ventilators. Due to the war action, specialised centres have been relocated to the west of the country. A neurocentre is currently being built in Lviv.

³ Operational Data Portal [Situation Ukraine Refugee Situation \(unhcr.org\)](#), WHO Situation Report [War in Ukraine: situation report from WHO Ukraine country office. Issue No.22, 7 September 2022](#)

⁴ As of 12 September 2022. [Ukraine: civilian casualty update 12 September 2022 | OHCHR](#)

⁵ As of 7 September 2022. War in Ukraine: situation report from WHO Ukraine country office. Issue No.22, 7 September 2022

The companies and organisations gathered here also strongly support the German Federal Ministry of Health which focuses on measures in the field of prosthetic care, the establishment of trauma centres, the transfer of know-how in the rehabilitation sector as well as telemedical projects and the deployment of German medical teams.

2) Support for the recovery and strengthening of public health institutions.

Long awaited transformations in the health care sector in Ukraine have started in 2014-2015 with the creation of its legislative base. Active implementation phase began in 2018, a truly important step has been the establishment of the single national purchaser of healthcare services, the National Health Service of Ukraine (the NHSU). A national roll-out was to be reached in 2020, the pandemic got into the cross and brought to light several weaknesses of the health system, as it did in most of the other European countries.

The companies and organisations gathered here endorse the WHO stating that the recovery of the health system, and health more broadly, is essential for recovery, peace, and security in Ukraine. We strongly support the set of five tenets which have been formulated to ensure that domestic and international recovery investments are aligned with the Ukrainian Government's draft Health Strategy 2030:

- a) People-centred and holistic health care;**
- b) Equity and financial protection focusing on the most vulnerable groups;**
- c) Resilient structures and processes;**
- d) Efficiency and sustainability, in terms of adaptable capacities and location of services, but also the Sustainable Development Goals (SDGs)**
- e) Accountability and transparency across all levels of government and government agencies** (the Ministry of Health, National Health Service of Ukraine (NHSU), Centre for Public Health of the Ministry of Health of Ukraine (UPHC) and Central Procurement Agency).⁶

In their commitment to transparency and compliance, all members of the platform are familiar with EU procurement guidelines and are ready to mobilise their efforts either through direct negotiations or competitive bidding. Consulting companies within our organisations have previous experience in accompanying emergency procurement worldwide. As it has been already stated in the paper at hand, we strongly commend the active and strategic involvement of the private sector in these major recovery and transformation efforts. An instrument such as **Public-private Partnerships** combining the government purchasing and planning power and the industrial innovation has had a sustainable positive impact on healthcare systems all around the world⁷ as well as in Ukraine. There are a few best practices involving cost recovery through the National Health Service, e.g., for specialist treatment centres, which can be studied and extended.

⁶ [Principles to guide health system recovery and transformation in Ukraine \(who.int\)](https://www.who.int/publications/m/item/principles-to-guide-health-system-recovery-and-transformation-in-ukraine)

⁷ [Public-Private Partnerships in Healthcare - HealthManagement.org 10979 - ES Public-Private Partnerships \(PPPs\) Whitepaper \(siemens-healthineers.com\)](https://www.healthmanagement.org/10979-es-public-private-partnerships-ppps-whitepaper-siemens-healthineers.com)

3) Offers from German companies

- **Consortium platform for the development/rebuilding of the regional health infrastructure:** German companies and organisations offer to establish a consortium project platform to develop scalable solutions for the rehabilitation of the health infrastructure in any given oblast/region to enable provision of modern financially sustainable health services (Regional Centres of Excellence) This includes planning of the demand-based health services, infrastructure rehabilitation/ development, medical technology, digital solutions for patient management, HR development. The platform shall be the first point of contact for the Ukrainian side for development of the specific regional proposals and navigating through available know-how. Of outmost significance thereby is “one stop” shop, unifying unique know how in German medical technology and skills set for future health infrastructure recovery projects. In doing so, we support the Ukrainian side's idea of building university hospitals based on the German model.
- **Assistance to build better the health system and meet the health services demand of the population in Ukraine:** This platform can be to establish partnerships, e.g., in strengthening the efforts to rebuild the emergency health care system in Ukraine, providing expert knowledge on strengthening national health systems, innovative solutions to improve the quality and accessibility of health services and systems, health services financing and reimbursement. It can also include training of the medical personnel in Germany or offering on-line stimulation learning platforms (including 3D learning technologies) in Ukrainian language.
- **Digital solutions:** We offer modern solutions for the digitalization of the healthcare sector (both IT service provider and software house) including design of the electronic patient records, development of software for the healthcare sector, creation of cloud solutions, the development of API interfaces and the migration of software systems, support in update existing IT systems, data protection and data safety.
- **Telemedicine:** In accordance with the efforts of state institutions to develop a network of psychological assistance in Ukraine⁸, we offer a dialogue and exchange on industry solutions which can be applied in Ukraine to be used for telemedical consultation, including scientific collaboration with leading think-tanks and joint medical consultation for the patients from Ukraine in German hospitals/University clinics.
- **Private Public Partnerships:** either hospital or just high-tech medical equipment we offer expert knowledge on wide variety of the solutions available through the manufactures or consulting industry to bring feasible PPP project to life: though the cycle of project preparation, contract financing, facility start-up and contract implementation.

⁸ [State institutions and the public sector combine their efforts and experience to develop a network of psychological assistance in Ukraine \(moz.gov.ua\)](https://moz.gov.ua/en/press-releases/2020/06/04/state-institutions-and-the-public-sector-combine-their-efforts-and-experience-to-develop-a-network-of-psychological-assistance-in-ukraine)

7. Agriculture

General remarks:

Ukraine has become a global player in agribusiness in its thirty years of independence - securing this top position for the future is a key priority. With Russia's attack on Ukraine food security for millions of people now is at stake. Agribusiness and agripolicy makers must therefore prepare for massive changes.

It will be key to store and export agricultural products to guarantee cash-flow towards Ukrainian producers – only with this, the next harvesting season will be secured. Furthermore, fields need to be cleared of weapons and mines, roads in the countryside are in need of restoration. Securing the influx of modern agritechnologies, especially agri-inputs, helps to produce as much agricultural goods as possible. Continued engagement within rural areas of Ukraine by international companies helps generating additional income in those regions.

Ukraine's agricultural sector has always been a stabilizing factor for the country's economy – despite all political uncertainties, it kept providing for steady 10% of the national GDP. The amazing natural resources, including the world's most fertile soils, are an asset Ukraine can build on even further than before. Especially the ongoing reform of the land market is a very promising and successful process forward and deserves all support.

On the downside, uncertain framework conditions do hamper these positive prospects: The undecided fight against corrupted judges puts landowners and producers in the countryside into continued uncertainty of their business. Bureaucracy keeps limiting the influx of modern agritechnologies and their use for the sake of better harvests and a blossoming agricultural sector. Ongoing shortages of state-owned rolling stock capacities are hampering fruitful agritrade.

Proposals:

1) Offers from German companies:

- **Safety first:** support for demining operations on fields and roads (in cooperation with The HELO Trust and Fondation suisse de déminage, among others in process)
- Support for the **restoration or expansion of export routes** for agricultural products. Direct purchase of Ukrainian agricultural goods, support for purchases for the global south
- **Local investments:** modernization and expansion of seed production and respective facilities, equipping farms with licenses for precision farming, ensuring processing of an increased seed harvest 2023. Equipping Ukraine with modern agricultural technologies to strengthen agricultural performance, offering flexible financing
- Continued **localized production** of, for example, site-adapted seeds, plants and food, including field trials with precision farming on several hundred hectares.

- **Knowledge transfer** including certification extension, soil health, carbon footprint monitoring, biodiversity conservation; enabling (re)entry into agricultural production, trade and resumption of agricultural production, to strengthen and expand rural areas and promote their self-reliance, to empower women's entry into agricultural production and participation in the market as agri-entrepreneurs. Promoting modern land management that helps increase production while promoting the attractiveness of working and living in rural areas

About the editors:

The German Eastern Business Association represents the interests of German business in 29 countries in Eastern Europe and Central Asia. It accompanies important economic policy developments in bilateral relations with these countries and promotes trade, investment and service transfers by German companies in the region's markets.