

## **Rebuild Ukraine**

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Proposals of the German business community  
for the reconstruction and modernization of the Ukrainian economy  
(Update: May 2024)

## Editor`s note

The German Eastern Business Association/Ost-Ausschuss der Deutschen Wirtschaft (founded in 1952) supports the work of German companies in 29 countries in Central and Eastern Europe and Central Asia. Supporting Ukraine has become one of the most important focal points of our work over the past two years. In 2022, this included collecting donations, setting up a job exchange and finding accommodation for refugees together with various partners from business and civil society.

This position paper with proposals for the reconstruction process in Ukraine was developed first in August and September 2022 in seven working groups on **a) general framework conditions, b) construction, c) logistics and infrastructure, d) digitalisation, e) agribusiness, f) energy and g) health**. At our invitation, representatives of around 50 German companies and important business and industry associations took part in the debate. The original document was revised in April 2024 with a view to the Ukrainian Recovery Conference (URC) in Berlin in June 2024.

An important result of the joint work was the establishment of a Service Desk Ukraine at the German Eastern Business Association in September 2022, which networks German and European companies and business associations with Ukrainian partners in order to provide concrete emergency economic aid and promote reconstruction in Ukraine. The Service Desk is a contact point for all German economic players who want to participate in the reconstruction in Ukraine. It is financed thanks to special contributions from member companies of the German Eastern Business Association.

The scale of Ukraine's reconstruction task is still difficult to assess at this stage and from a financial perspective. No one can currently predict how Russia's war against Ukraine will develop. Against this background, the paper necessarily focuses on the sectors mentioned above and on the issues that are important for international companies. In our assessment, these sectors play a central role in the topic of acute aid as well as in reconstruction.

Firstly, 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 (July 2022) and London (June 2023). 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.

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. We see the paper as part of a process of joint discussions and projects. Companies and associations that were involved in the creation of the paper are available for further dialogue, look forward to further discussions and can be contacted via our association.

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## Executive Summary

The German Eastern Business Association (Ost-Ausschuss der Deutschen Wirtschaft) has been supporting German companies in Central, Eastern and South-Eastern Europe and Central Asia since 1952. With the start of the Russian war of aggression in February 2022, the reconstruction of Ukraine has become a focus of our work. We are convinced that reconstruction must not wait until after a possible peace agreement, but that it is an important prerequisite for a just peace and a European and democratic Ukraine. The German Eastern Business Association has launched a variety of initiatives to support Ukraine, set up a Service Desk Ukraine to network German and Ukrainian economic players and brought together a group of around 50 German companies and associations that contributed to this position paper.

Despite the existing war risks, we see business opportunities for German and international companies and for cooperation with the Ukrainian economy. Not all parts of the country are equally affected by the war. The western parts of the country could be considered regarding suitable suppliers/sourcing or for localising production. This is also demonstrated by the approximately 30 projects that were secured by investment guarantees from the German government between February 2022 and April 2024. This paper describes a wide range of approaches for cooperation between the German and Ukrainian economies. There are market opportunities in agriculture, the energy and construction sectors, the IT industry, transport and logistics and the defense sector, for example. In order to convince even more companies to become involved despite the security risks in Ukraine and to organise reconstruction efficiently and sustainably, a number of fundamental issues still need to be clarified and obstacles overcome. The following topics should be at the center of the Ukrainian Recovery Conference (URC) in Berlin in June 2024 and subsequent discussions:

- **(G7+) Business Advisory Council:** With the establishment of the G7 Multi-agency Donor Coordination Platform (MDCP), a necessary body exists to coordinate the support of the international community for the reconstruction of Ukraine. However, efficient representation of the business community is still lacking. The German Eastern Business Association proposed the establishment of a (G7+) Business Advisory Council (BAC) consisting of international associations and important investors in Ukraine at an early stage. The nomination process for the individual business representatives is currently underway in the participating countries. The USA and Ukraine are to be represented by three people each, the other countries by one person. The constituent meeting of the BAC is planned for 10 June in Berlin. The BAC will then provide strategic support for the reconstruction process in constant dialogue with the G7 and submit proposals for the continuous improvement of the framework conditions for companies in Ukraine.
- **Investment protection:** German investment guarantees and export insurance are internationally exemplary. The Multilateral Investment Guarantee Agency (MIGA) of the World Bank and organisations of individual countries now also offer insurance. However, insurance cover is still limited and is only available to Ukrainian project partners to a limited extent. German investment guarantees, for example, do not apply to reinvested profits. Since the reconstruction conference in London in June 2023, there has been talk of a better, internationally coordinated insurance system. A breakthrough is urgently needed here.

- **Transport insurance:** Since the start of the war, insurance for business trips to Ukraine and for the transport of goods through Ukraine has only been available to a limited extent. Private insurance companies are staying away from the market due to their own risk regulations. Solutions from the international community are urgently needed here. A mechanism could be created to relieve insurance companies of or mitigate the risk of payment obligations due to consequential war damage. The territory of Ukraine could be divided into zones with increased or low war risk, within which insurability is given.
- **Secure supply chains:** Long clearance times and blockades at Ukraine's borders with its EU neighbors are a constant burden for exporting producers and represent a serious obstacle to investment. The conflicts over Ukrainian market access to the EU, which exist in some EU countries with local agricultural producers and logistics companies, must be urgently resolved. The protests have become an unbearable burden for the smooth movement of goods and are damaging not least Western investors who produce in Ukraine and who are increasingly losing orders from the EU. In addition, the infrastructure must be upgraded, and customs procedures and controls must be simplified. In addition to the expansion of the cross-border railway and road transport infrastructure and thus the infrastructural connection to the territory of the European Union, securing shipping traffic across the Danube and the Black Sea remains a central task.
- **Private capital:** The reconstruction of public infrastructure such as roads, bridges and public buildings (rebuild) will certainly only be possible with private funds in special cases. In order to utilise these opportunities, a good and secure framework for private-public partnerships is required. Financing for commercial projects as part of the economic recovery is currently not possible for private banks due to Ukraine's currently very poor country rating as a result of the war and other obstacles or is very difficult to realise from a business perspective. Exceptions and bridging instruments must be found for the reconstruction of the country in order to mobilise private capital.
- **Transparency and legal certainty:** Ukraine continues to have a negative image in parts of the European economy due to past experiences with corruption and the rule of law. Cases from the recent past also cast doubt on any positive development. However, the repeated uncovering of corruption cases in Ukraine also shows the increasing effectiveness of existing instruments. According to experts, the country has developed significantly in recent years thanks to an active civil society and is combating existing abuses. Nevertheless, more efforts are needed to dispel doubts about the sustainability of the anti-corruption course and to establish a permanently secure constitutional state. Reliable, stable and transparent framework conditions for public tenders and public-private partnership projects are also required.
- **EU rules:** Ukraine's EU accession prospects are a decisive argument for investors to become active in the country. In the accession process, Ukraine must fulfil all criteria like any other accession country. The process will therefore take many years, but the rapid adoption and acceptance of the most important EU norms, standards and certifications for economic operators is necessary and quickly possible, especially as the process is already at an advanced stage thanks to the Association Agreement with the EU. The Ukrainian government should prioritise this and link reconstruction closely with the EU accession process and the requirements of the European Green Deal.

## **German business involvement in Ukraine - Proposals for cooperation**

According to the German-Ukrainian Chamber of Industry and Commerce, around 2,000 companies from Germany were operating in Ukraine before the Russian attack began. Most of them are 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. German companies have also discovered Ukraine as a sourcing location in the digital sector.

Despite the ongoing Russian war of aggression, the Ukrainian economy grew by around five per cent in 2023, after gross domestic product collapsed by around 30 per cent in the first year of the war in 2022. In addition to the strong commitment of the German government and many international partners, the German economy has also contributed to stabilising the Ukrainian economy.

German exports to Ukraine rose by 45 per cent to 7 billion euros in 2023, partly but not solely due to German arms deliveries; this is a new record figure. Since September 2023, German trade in goods with Ukraine has continuously exceeded German trade with Russia month after month, which fell by 75 per cent in 2023. For comparison: in the pre-war year 2021, the volume of German-Russian trade was seven times bigger than the volume of German-Ukrainian trade.

In the first year of the war, German companies focused primarily on maintaining the location and providing emergency aid. In the meantime, the number of new projects is growing. The federal government's investment and export guarantees provide indispensable support. To hedge risks in trade transactions, the federal government continues to offer companies so-called Hermes Cover for Ukraine, which is a first for a country at war. In 2023, the volume of cover for exports to Ukraine amounted to around 140 million euros.

State investment guarantees, which are managed by PricewaterhouseCoopers, also remain available. Since the start of the war, around 30 investment guarantees have been issued for projects by German companies in Ukraine, including industrial relocations. As of April 2024, there are currently 46 investment guarantees for projects in Ukraine for 21 groups of companies with a total cover volume (maximum liability) of around EUR 340 million. The cover volume of the export credit guarantees amounted to around EUR 170 million in 2023. These include German companies that have been in the country for some time and know the market, but also a growing number of companies that are new to Ukraine.

The German Eastern Business Association set up a Service Desk Ukraine in August 2022, which mediates between companies in Germany and Ukraine, coordinates emergency aid and provides information on business opportunities. The Service Desk is financed by twelve member companies. It is the first point of contact for all companies wishing to do business in Ukraine. At the same time, the German government also utilises the network that has been created. As the German Eastern Business Association, we are also actively involved in the national platform Reconstruction Ukraine and in many other national and international formats - such as the two Recovery-Ukraine fairs 2023 in Warsaw and the German-Ukrainian Economic Forum, which we organised for the sixth time with our German colleagues from

DIHK and AHK Ukraine and Ukrainian partners in Berlin in October 2023. The 500 participants included Federal Chancellor Olaf Scholz, Federal Minister of Economics Robert Habeck and half of the Ukrainian cabinet, headed by Prime Minister Denis Shmyhal. Ukrainian President Wolodymyr Zelenskyy was connected live from Kyiv. In October 2023, the German Eastern Business Association was also able to take part in the first major business trip to Ukraine since the start of the war.

The German Eastern Business Association sees business opportunities for German investors and for cooperation with Ukrainian companies, despite war risks. There are particular market opportunities in agriculture, the energy and construction sectors, logistics and transport, the IT industry and the defence sector.

Apart from the ongoing war situation and continuous airstrikes in many parts of Ukraine, there are still several obstacles to investment in the rapid and successful reconstruction of Ukraine, which should be discussed and ideally overcome at the Ukrainian Recovery Conference (URC) in Berlin in June 2024 and thereafter.

This position paper, which we have prepared with the support of around 50 member companies and associations, contains a wealth of industry-specific observations and suggestions.

## **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, as well as the United States, Canada, Japan, Australia and other countries of the democratic world 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: While the Marshall Plan was introduced directly after the war to rebuild destroyed countries, Ukraine needs a plan that already works under the existing war conditions and also makes setbacks due to destruction calculable for investing companies.

One thing must be clear from the outset: The reconstruction 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 crucial that Ukraine receives broad support from abroad and that reconstruction contributes to modern economic structures according to the motto "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**

It is up to Ukraine to make the necessary internal decisions to strengthen the private sector and lead the country towards EU membership. It is clear that there will be no blanket fund for Ukraine. Private capital will only come to Ukraine if the war-related default risks are assumed or significantly reduced by state actors. In order to activate private banks for the country, conditions for the provision of capital must be adjusted to make involvement attractive and possible. Therefore, it is also important to decentralise Ukraine's war economy again and strengthen local administrative structures and make them resilient to corruption.



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 supply capability, there is also a risk that production capacities will be permanently withdrawn from (even quieter) 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**

Among the demands made by the German business community in 2022 was the creation of central contact points at national and international level to coordinate efforts to rebuild Ukraine and the activities of donor countries in order to avoid duplication. These suggestions from business and civil society have now been implemented:

#### **G7 Multi-agency Donor Coordination Platform**

The G7 Multi-agency Donor Coordination Platform<sup>1</sup> was established at the end of 2022/beginning of 2023. The Platform's mandate is to coordinate the support for Ukraine's immediate financing needs and future economic recovery and reconstruction across different sources and established instruments for financing, complementing existing tracks (e.g. the G7 finance track, G7 coordination group on energy infrastructure, IFI coordination group). Its aim is also to direct resources in a coherent, transparent, and inclusive manner. The Platform's Steering Committee is comprised of senior officials from Ukraine, the G7 countries and the EU. It meets regularly. The Steering Committee governs the Platform on a consensus basis. The Platform works closely with Ukrainian authorities to define, prioritise, and sequence strategic needs, in line with Ukraine's reform ambitions, with the conditions for financing and structural support of the major donors, and in line with Ukraine's European path. The Steering Committee is co-chaired by Director-General for Neighborhood and Enlargement Negotiations of the European Commission, Gert Jan Koopman, Finance Minister of Ukraine Serhii Marchenko and Deputy National Security Advisor for International Economics Mike Pyle (USA). The main tasks at present are to organise emergency aid (financial and material), support for the recovery of the energy sector as well as support for relief measures to care for IDPs in Ukraine. A technical Secretariat was established with premises in Brussels and Kyiv. A mid-term and long-term task of the Platform and the Secretariat is to structure and coordinate recovery efforts of the participating partner countries. At the same time, the Ukrainian government established the Restoration Agency, linked to the Ministry of Infrastructure, focusing on the infrastructural reconstruction in Ukraine. The agency developed the "DREAM" digital platform as a tool to improve transparency and structure<sup>2</sup>.

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<sup>1</sup> [Donor Coordination Platform ramps up efforts to help Ukraine \(europa.eu\)](https://europa.eu)

<sup>2</sup> [RISE | UKRAINE; DREAM | Digital ecosystem for reconstruction management](#)

## **Business Advisory Council**

With the establishment of the G7 Multi-agency Donor Coordination Platform (MDCP), a necessary body exists to coordinate the international community's support for the country's reconstruction. However, efficient representation of the business community is still lacking. In addition, international business organisations and companies should consider setting up a "G7+ Business Advisory Council" (BAC), which would be led by associations and entrepreneurs already active in Ukraine. This "G7+ Business Advisory Council" should monitor the reconstruction process in constant dialogue with the G7 and submit proposals for the continuous improvement of economic conditions in Ukraine. Experiences gained during the recovery process after the wars in the Western Balkans and especially in Bosnia and Hercegovina, shall be used. The Business Advisory Council will be established on the occasion of the Ukraine Recovery Conference in Berlin.

In the meantime, a range of political and war risk related insurance instruments has been launched. Usually, they are applicable in a bilateral context. Having this good news, it would be more than helpful, to create an overview in the context of the MDCP of which instruments are available and under which conditions.

## **Plattform Wiederaufbau Ukraine / "Reconstruction Ukraine Platform"**

In March 2023 the German government has launched the national Plattform Wiederaufbau Ukraine ("Reconstruction Ukraine Platform") in order to better present the diverse support from Germany and open up opportunities for dovetailing. The platform is aimed at civil society, science, business and local authorities in Germany and aims to network the actors involved in reconstruction. It shall contribute to a higher degree of transparency of initiatives for the reconstruction of Ukraine. The following topics have been established as part of the platform: inclusion and social cohesion, transparency and good governance, urban and municipal reconstruction, sustainable reconstruction of the economy.

Germany Trade & Invest (GTAI) has assumed responsibility for coordinating the economic actors involved in Germany. German Eastern Business Association (Ost-Ausschuss) – among others - is closely involved in this work on behalf of the private sector. The members of the national platform have met on various occasions for networking meetings, are developing concepts for better coordination and integration of German initiatives in the reconstruction process and are preparing German participation in international reconstruction conferences in close dialogue with the German government.

### **2) Clear framework for transparency and against corruption**

Accelerating the inflow of foreign direct investment (FDI) into Ukraine is of paramount importance and must be a top priority. 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 recognised 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 of control and risk insurance / guarantee mechanisms**

In order to attract foreign companies and promote their 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 German Government (Export Credit Guarantees, Investment Guarantees, Guarantees for Untied Loans) and of organisations like the Multilateral Investment Guarantee Agency (World Bank Group), the U.S. International Development Finance Corporation (DFC), UK Export Finance (UKEF), the Polish Export Credit Insurance Corporation (KUKE), the Italian State Export Credit Agency (SACE), the Swedish Export and Credit Agency (EKN) and the French BPIFRANCE Assurance Export shall be further mobilized and wherever possible adapted (e.g. through grants or other incentives) to the higher risk environment prevalent in Ukraine. The insurance cover is still limited and is not available to Ukrainian project partners. German investment guarantees e.g. do not apply to reinvested profits. Since the reconstruction conference in London, there has been talk of a better international insurance systems. A breakthrough is urgently needed here.

Secondly, companies need functioning instruments to cover their employees travelling to Ukraine and transport of goods through the country. The widespread cancellation of transport insurance and cargo insurance services for the territory of Ukraine in 2022 has serious consequences for companies in the transport industry: It is understandable that insurance companies want to protect themselves against political risks that are generally considered "uninsurable". The complete exclusion of Ukrainian territory means that even risks that are generally insurable are no longer insured. From the point of view of the transport and export industry, ways must be found to insure war risks that are incalculable for insurers on the one hand and, on the other, to delimit war-related and non-war-related causes of damage. Just as in Germany investment guarantees from the federal government relieve companies of the war risk for an investment in Ukraine, a similar mechanism could also be created for insurance companies to relieve them of the risk of payment obligations due to consequential war damage. The territory of Ukraine could be divided into zones and

corridors within which insurability is given: for example, humanitarian and relief goods may also be insured in the frontline area, whereas purely commercial goods in the frontline area could be excluded from insurance. The German Eastern Business Association has drawn up a detailed position paper on this topic.

Thirdly, an independent contact point should support the monitoring of contract fulfilment and take care of the follow-up of 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 came out in previous months, that European banking regulation have a prohibitive impact on financing projects. The fulfilment of the independent monitored regulation demands in Ukraine is almost impossible. In addition, banks and funds are risking own downgrades of their ratings, if the finance Ukraine related projects. Since Ukraine is in OECD country category 7, premiums to pay would be very high.

We are very pleased that the German government has been very accommodating to German companies in their desire to minimise risk. The German instruments for hedging deliveries of goods („Euler Hermes“<sup>3</sup>) as well as Investment Guarantees of the Federal Republic of Germany<sup>4</sup> were kept accessible even under wartime conditions. Germany is playing a pioneering role internationally here and other countries are taking their lead from this example. The investment insurance cover was even extended and thus the German shares of investments are now also covered against war-related damage, political risks or expropriation, among other things. Within the framework of international cooperation, it is also necessary to develop internationally effective instruments for consortia including Ukrainian companies.

In order to become active on a commercial basis, there is a need for more insurance products in the commercial sector. At present, international financial institutions (IFIs) can only provide short-term cover in the commercial sector, but no long-term cover for loan financing. In addition to political cover, more economic cover is also needed here. This is primarily about achieving a good balance between privately borne and publicly assumed risk.

The banking sector is a fully regulated sector for good reasons. The aim here is to prevent systemic risks. This regulation means that loans for Ukrainian projects must be examined as if they were being granted in a country without a state of war, a war of aggression or security problems. This is countered by the often-repeated demand that private money should be mobilized for investments.

In order to make this possible, consideration would have to be given to giving full regulatory support to banks' commitments in Ukraine for a certain period of time (e.g. by taking better account of collateral, cover, etc. in equity backing). Only in this way would it be possible to enter financing under the circumstances described. This could be solved by means of a reinsurance mechanism that only takes effect if a project should fail. In view of the risk assessment described above, such a mechanism would have to be backed by state funds and guarantees.

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<sup>3</sup> [Allianz Trade – Kreditversicherung, Vertrauensschaden, Avale \(allianz-trade.de\)](https://www.allianz-trade.de)

<sup>4</sup> [pwc.de: Investment guarantees of the Federal Republic of Germany](https://www.pwc.de)

Under the current regulatory conditions, financing in Ukraine is considerably restricted. In some cases, banks are forced to immediately form value adjustments for the exposure, which directly reduce profits. Due to the existing framework conditions, Ukrainian projects are considered to be at high risk of default and must be treated as such for regulatory purposes, even if, for example, they are covered by an ECA. Irrespective of the regulation, high risk premiums cause additional costs.

#### 4) Strengthening institutions

**Importance of the 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. The 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) Financing instruments in Ukraine

European Bank for Reconstruction (EBRD), European Investment Bank (EIB) and the International Finance Corporation of the World Bank (IFC) run substantial programs for financial support for Ukraine. These institutions augmented their engagement tremendously for immediate help-purposes after February 24, 2022, in all segments also 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.

The reconstruction of public infrastructure such as roads, bridges and public buildings (rebuild) will certainly be possible by using public funds mainly. Only in special cases private money will be used. In order to utilise these opportunities, a good and secure framework for private-public partnerships is required. Financing for commercial projects as part of the economic recovery is currently not possible for private banks due to Ukraine's currently very poor country rating as a result of the war and other obstacles or is very difficult to realise from a business perspective. Exceptions and bridging instruments must be found for the reconstruction of the country in order to mobilise private capital. At the Ukraine Recovery Conference in Berlin and on other occasions, there should be discussions on the extent to which private banks could be relieved of regulatory obligations.

Western partners and donors could also 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.

## **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. Taxpayers' 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.<sup>5</sup> 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.

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<sup>5</sup> 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.

## 2. Construction and Building

### General remarks:

The cities in Ukraine are endeavouring to repair war damage as quickly as possible and are achieving admirable results. However, the closer the front line is, the more massive the destruction. In addition, there are massive problems caused by Russian mines that have been laid and nature that has been destroyed by the war. 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 on a daily basis. 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.

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. Some investment projects in this area (building materials plants near Lviv and Kyiv) have already begun. Regarding 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 December 2023, the EU leaders already decided to start accession negotiations. In our view, this momentum should be used to swiftly 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 greater 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 work and who is responsible for the planning? Last but not least, there are questions 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 two years 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. For several months we observe severe disruptions at the Polish-Ukrainian border and also on Ukraine's borders with Hungary, Slovakia and Romania, which cause long lasting waiting periods for the logistics industry. Waiting times of up to two weeks threaten the businesses of European and Ukrainian companies in Ukraine. For several German companies this topic is of utmost importance. In the worst case, companies will shut down their business and leave Ukraine. This must be avoided.

In coordination with the Federal Ministry for Economic Affairs and Climate Protection, the German Eastern Business Association surveyed member companies on the situation at Ukraine's borders with the EU and, together with the German-Ukrainian Chamber of Commerce Abroad, prepared a position paper on the sharp increase in clearance times<sup>6</sup>.

The problems at the land borders also show how important a revival of the sea transport is for Ukraine. 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 rapid expansion of port activities once the situation allows (beyond grain exports). The agreement on the export of grain from Ukraine, which was first negotiated in July 2022, had provided some relief. It is noteworthy that Ukraine managed to maintain some shipping traffic after Russia cancelled the agreement in July 2023. Ukraine has achieved this because it has largely prevented the Russian Black Sea Fleet from operating in the west of the Black Sea, where it is at risk from Ukrainian missiles and naval drones.

According to independent experts, Ukraine managed to export more agricultural goods abroad in December 2023 than at any time since the start of the war. However, this was also due to the sharp rise in overland exports to the EU, which in turn led to fierce protests among farmers in Poland, Slovakia, and Romania, who fear for their competitiveness. Border blockades were the result. A lasting solution to this problem can only lie in restoring shipping traffic on the Black Sea via ports such as Odessa as far as possible using the current developments as a lead example. And to create new port capacities on the Ukrainian Black Sea coast and the Danube as an alternative to the Russian-occupied Ukrainian ports on the Sea of Azov. Western partners should ensure that this neuralgic infrastructure is better protected by supplying air defence weapons. In addition, the NATO members among the Black Sea littoral states - Romania, Bulgaria, and Turkey - should do more to promote freedom of navigation on the Black Sea.

Most Ukrainian marine terminals are currently idle resulting in losses for the operators, a situation they cannot sustain in the longer term. Mechanisms should be put in place to

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<sup>6</sup> Open letter concerning disruptions of border traffic at the Polish-Ukrainian border:  
[2023 12 06 Position concerning blockade on EU-UA border final.pdf \(ost-ausschuss.de\)](https://ost-ausschuss.de/2023-12-06-Position-concerning-blockade-on-EU-UA-border-final.pdf)

ensure that port operators are able to maintain staff allowing for a rapid expansion 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) Better border management / Corresponding clearing center**

Regarding the involvement of international companies in Ukraine, fluent border traffic is a fundamentally important element in the decision to continue producing in the country or to consider Ukraine as an investment location. Reliable processing at the EU's external border is therefore essential, if German and other international companies are to be actively involved in the reconstruction and recovery process in Ukraine.

To ensure this, we call on all political stakeholders to find solutions in a timely manner to enable the smooth movement of people and goods on the Polish-Ukrainian border. In the medium and long term, a conflict resolution mechanism must also be established so that dramatic developments such as those in autumn 2023 can be avoided or at least better managed. A corresponding clearing Centre at the European Commission could be an instrument for this. This process must be conceived and implemented at a European level, or at least with the involvement of representatives from Ukraine, Poland, Germany, and the European Commission.

##### **2) 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.

### **3) 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.

### **4) 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". 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.

### **5) Transport insurance**

The blanket exclusion of the territory of Ukraine from transport and cargo insurance cover has had serious consequences for businesses in the transport industry: it is understandable that insurance companies want to protect themselves against political risks that are generally considered 'uninsurable'. The complete exclusion of Ukrainian territory means that even risks that are generally insurable are no longer insured. From the point of view of the transport and export industries, ways must be found to insure war risks that are incalculable for insurers and to distinguish between war-related and non-war-related causes of loss.

The German Eastern Business Association, together with some member companies, has developed a working paper with concrete proposals for solutions and discussed them with some decision-makers in 2023. Unfortunately, there have been no positive developments on these issues to date.

### **6) 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 Centres (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 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. 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.

The members of the German Agribusiness Alliance (GAA) will continue to support Ukraine in resuming and expanding its agricultural production and, wherever possible, supply modern agricultural technologies for crop production and livestock farming.

### Proposals:

GAA's work with Ukraine will focus on:

- **Building on trust:** Keeping and growing close trade relations between Germany and Ukraine.
- **Looking ahead:** Equipping Ukraine with modern agricultural technologies to strengthen agricultural performance, offering flexible financing.
- **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.
- **Direct purchasing:** purchase of Ukrainian agricultural goods, support for purchases for the global south.
- **Developed for Ukraine:** Continued localized production of, for example, site-adapted seeds, plants and food, including field trials with precision farming on several hundred hectares.
- **Good to know:** 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.
- **Know your place:** promoting modern land management that helps increase production while promoting the attractiveness of working and living in rural areas.

Numerous GAA member companies are active in this context. In addition, away from their actual business areas, GAA member companies are committed to Ukraine with

- supporting employees in Ukraine and their families with accommodation and humanitarian aid;
- support for demining operations on fields and roads (in cooperation with The HELO Trust and Foundation Suisse de déminage, among others);
- support for reconstruction of Ukrainian hospitals and public health infrastructure;
- seed donations to, among others, 1250 small farmers, to 240,000 rural families (in cooperation with the BORSH aid project), and specifically sunflower seed for small

farmers in the Sumy and Chernihiv regions for over 10,000 hectares for four million litres of sunflower oil;

- support for the restoration or expansion of export routes for agricultural products.

The German Agribusiness Alliance GAA has published a position paper<sup>7</sup> in December 2023 on the agricultural policy aspects of Ukraine's possible accession to the EU. Ukraine's accession would expand Europe's internal market by around 40 million people and by an area of 600,000 square kilometres to an east-west extension of over 4000 km. Never before has a country the size of Ukraine joined the EU. Ukraine's accession to the EU therefore harbours opportunities and challenges for all sides. Attention should be paid to the following aspects:

- Ukraine should continue to ensure that agricultural products exported to the EU meet EU requirements and that agricultural production is gradually harmonised with EU regulations.
- The use of modern agricultural technologies - especially digital innovations - should be promoted.
- The EU and Ukraine must work together to ensure improved and crisis-resilient agricultural logistics so that the export of Ukrainian agricultural production and the import of modern agricultural technologies runs smoothly in future and offers planning security.
- The EU will not be able to seamlessly apply its existing Common Agricultural Policy (CAP) to an agricultural country like Ukraine, so modifications and transitional arrangements are of key importance.
- It is now necessary to seek joint solutions within the circle of EU member states for the swiftest and smoothest possible integration of Ukraine into a functioning EU agricultural market. This also includes regulations for agricultural imports from Ukraine to neighbouring EU member states as well as the necessary transitional periods, both of which should be converted into viable solutions. Against this background, the GAA will encourage Ukraine to continue to develop and supply agricultural markets outside the European Union.

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<sup>7</sup> [PositionspapierGAAUkraine30Nov2023.pdf \(ost-ausschuss.de\)](#)



## 5. Digitalization

### General remarks:

The Ukrainian government has set four major topics 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 **cyber resilience** 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.
- **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 (namely the change of methods and activities 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 programmes** for technical professions required for the recovery of broadband networks.

## 6. Energy and water

### General remarks:

The supply of electricity, heat and water 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 very successfully and at full speed to repair acute war damage in the energy and water systems, but still requires continuous 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 and water systems, 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 within the framework of 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 production offers a combined approach that involves the large agricultural sector on the production of biogas to reduce dependence on natural gas. A law that has already been passed, which allows biogas to be fed into the Ukrainian gas grid, is an important element in promoting the development of the sector in this context.

Since a reliable water supply is also the basis for health and economy, the renewal of the water sector is also crucial for the future development of population and economy.

The German Eastern Business Association supports the Mykolaiv Water Hub. The aim of this initiative is to promote the modernisation of Ukraine's rural and urban water, energy and agricultural infrastructure, particularly in the south of Ukraine. To this end, the Mykolaiv Water Hub, together with German partners, brings together decision-makers from water utilities, representatives of technology companies, start-ups and universities to discuss the best available technologies and funding opportunities to support the resilience and recovery of critical infrastructure. One of the main topics is the establishment of a regional water innovation lab in Mykolaiv with the aim of creating space and an ecosystem for Ukraine's innovative reconstruction and recovery.

### Proposals:

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

Following the Russian attacks at the end of March 2024, which were probably the most serious since the start of the war and damaged energy infrastructure throughout Ukraine, Ukraine's demand for energy equipment has increased enormously. 80 per cent of the capacity of Ukrainian company DTEK's thermal power plants was destroyed and only two of the seven plants are currently operational. Repairing or recovering transmission and distribution equipment damaged or destroyed in the war is and 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. The current situation is very critical and European assistance is urgently needed to restore the destroyed energy system.

We are convinced that there is great potential in the **electricity partnership**. First steps have 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.

Regarding the use of CO<sub>2</sub>-free energy - but also for the topic of biogas - the introduction of a system of guarantees of origin for electricity and energy generated in Ukraine is also sensible and necessary in order 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 CO<sub>2</sub>-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) and digitalization of distribution, measuring and energy forecasting 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 and water sectors, 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 together with the German Eastern Business Association and its member companies 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 pre-war times, Ost-Ausschuss established the **„Hydrogen Network Ukraine“** in summer 2021. 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.

## 7. Healthcare

### General remarks:

Since the Russian attack against Ukraine started, people in Ukraine are struggling to survive, millions had to flee. According to UNHCR the armed conflict affects directly 17,7 million of Ukraine's population. Since 24 February 2022, around twelve million refugees have been forced to leave the country, at least temporarily.<sup>8</sup> The civilian death toll has risen to a catastrophic figure of more than 10.000 recorded by the UN High Commissioner for Human Rights (OHCHR).<sup>9</sup>

The war is causing tremendous damage to the country's economy, including essential infrastructure such as the health sector. In the first six months of the war alone, the WHO Ukraine office's situation report counted 512 verified reports of attacks on healthcare 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.<sup>10</sup>

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.

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<sup>8</sup> 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](#)

<sup>9</sup> [Anzahl der zivilen Opfer durch Ukraine-Krieg 2023 | Statista](#)

<sup>10</sup> 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 nationwide introduction was to be achieved in 2020, but the coronavirus pandemic thwarted these efforts and at the same time exposed the weaknesses of the healthcare 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)).<sup>11</sup>

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 world<sup>12</sup> 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.

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<sup>11</sup> [Principles to guide health system recovery and transformation in Ukraine \(who.int\)](#)

<sup>12</sup> [Public-Private Partnerships in Healthcare - 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 utmost 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.
- **support in building back better the health system and meeting the needs of the Ukrainian population for healthcare services:** This platform can 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 Ukraine, 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:** Whether hospital or high-tech medical technology, 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.



## About the editors:

The German Eastern Business Association (Ost-Ausschuss/OA) 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.

Since August 2022, the Service Desk Ukraine of the German Eastern Business Association has been networking German and European companies and business associations with Ukrainian partners in order to provide concrete emergency economic aid and promote reconstruction in Ukraine. Since October 2022, the Service Desk Ukraine has been publishing the monthly "Update Recovery Ukraine", which provides information on current dates and developments relating to reconstruction and contains tips on financing opportunities and tenders in Ukraine. The update can be subscribed to free of charge. Feel free to contact us with your questions about Ukraine!

