



**KYIV  
RYSING**

PAST | PRESENT | FUTURE

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# NEW AGE UKRAINE

## CHAPTER 3.0



Культурна столиця України

# FUTURE: INTRODUCTION



*'I'm not emotional about investments. Investing is something where you have to be purely rational and not let emotions affect your decision making — just the facts', — William A. Ackman*

Until recently Ukraine's investment appeal was associated with high risks (vs high expected margins, though), forcing many reputable companies to refrain from doing business in Ukraine. Things changed.

Although Russia's unprovoked aggression against Ukraine has resulted in the grievous suffering of many thousands of Ukrainian citizens and continues causing massive destruction of the country's infrastructure and production facilities, it spurred Ukraine's **tremendous transformation towards a more democratic state**. The state where it is the **civil society that determines the country's internal and external course of development**.

The transformation seems to be irreversible, as Ukraine has firmly stepped on the track towards a **fully-fledged membership in the EU**.

Immediately after the war, **Ukraine will demonstrate rapid economic growth, driven by the low comparison base**. But if the dynamics of positive changes is retained, and the necessary institutional reforms will get implemented, including:

- **Enhancement of quality of institutions and making them more compliant to the EU standards**
- **Fight against corruption**
- **Improvement of tax administration through establishment of unified and transparent rules for all market players**
- **Raising accountability of Ukraine's government towards its people**
- **Creation of favourable conditions for business of all forms and sizes**

the subsequent growth rates will get more sustainable, and Ukraine's economy will become more resilient to external shocks. This way, the country will finally be able to shed the burdens of the past and a new chapter in Ukraine's history will start.

In the third chapter of KYIV RYSING we aimed to support this process, pitch Ukraine's investment potential and opportunities, as well as to explain why global community should stay engaged in Ukraine's fight against aggressor and its post-war recovery.

**KYIV RYSING** major focus in this chapter centres around the need of strategic transformation and proper expectations management to ensure Ukraine's prosperous future.

Stay engaged – **do not miss out your chance to become a part of a great success story of Ukraine's RYSING**.

# THE DEVELOPMENT OF NEW AGE UKRAINE IMPLIES THOROUGH PLANNING AND RISK ASSESSMENT

In July 2022, the National Recovery Plan of Ukraine was presented at the international conference in Lugano. According to this plan, **Ukraine aims to attract 750 Bn USD of funding within 10 years for 15 target programmes** of the post-war recovery. The plan reflects the total investment potential that Ukraine can realise in case of highly favourable conditions. However, since the implementation of the plan **depends on uncontrollable circumstances to a large extent**, there are possible risks that the realisation of all programmes may be complicated.

In this regard, it is important to analyse the prospect of creating a New Age Ukraine in view of the impact of these circumstances in order to **provide key stakeholders with balanced expectations** regarding the possibilities of implementing the recovery plan. Such an approach will allow decision-makers to focus on key reforms necessary to create a **favourable investment climate**, as well as allow investors to choose the **most priority sectors and projects** in terms of the available **opportunities**, potential **risks**, and expected **ROI**.



## New Age Ukraine

The section discloses investment opportunities in post-war Ukraine, presented as a part of the National Recovery Plan, as well as the analysis of risks and limitations that may slow down or hinder the implementation of some initiatives:

- Investment potential
- Balanced expectations



## Investment potential

The section implies an overview of sectors and industries as a part of each sphere in terms of the total funding needs, initiatives, targets, visions, and the largest investment projects. These will define the strategic priorities of the post-war recovery of Ukraine for all the stakeholders.

- Prerequisites and the concept of the National Recovery Plan of Ukraine
- The post-war recovery of the social sphere
- The post-war recovery of the environment
- The post-war recovery of the economy



## Balanced expectations

The section describes the risks that might put under threat the realisation of the investment potential of Ukraine, assessing the possible scenarios in terms of the combination of various risks and priority initiatives that Ukraine should focus on in order to enable the post-war recovery of Ukraine.

- Military, internal, and external risks
- Possible scenarios of the post-war development of Ukraine in view of potential risks
- Key priorities of the post-war recovery of Ukraine



# INVESTMENT POTENTIAL

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## CHAPTER 3.1



# UKRAINE AIMS TO REALISE ITS POTENTIAL AND TO BUILD THE COUNTRY OF THE NEW AGE

New Age Ukraine is a **strong and independent** country with a **developed processing industry**, a **wide industrial park network**, **reputable IT companies**, **effective infrastructure**, and a **clean environment**. Ukraine ensures **high living standards**, as well as access to **high-quality education and healthcare**. In 2032, Ukraine will demonstrate **sustainable economic growth**, driven by further **integration with the EU**, which makes the country a **'magnet' for international investments**.



## NEW AGE UKRAINE

Equal and inclusive **society**

Clean and safe **environment**

Sustainable and resilient **economy**

### Priority targets by 2032



**>7%**

annual GDP growth rate



**TOP-25**

in Economic Complexity Index ranking



**TOP-25**

in World Bank Human Capital Index ranking

### Sectoral targets by 2032



**15 million**

displaced Ukrainians returned back<sup>1</sup>



**20**

universities in the TOP-1,000 QS World Rankings<sup>2</sup>



**5%**

share of public health expenditure in GDP



**1,000**

Cultural Service Centres to be established



**>150,000**

new apartments will be built<sup>3</sup>



**>18%**

share of agriculture in GDP of Ukraine



**75%**

share of processed goods in manufacturing export



**60**

industrial parks to be developed



**93%**

carbon-free energy sources in the energy mix



**52,000**

public motor roads will be reconstructed / constructed



**4,000**

registered start-ups in Ukraine



**142**

waste management facilities operating

Future Investment potential

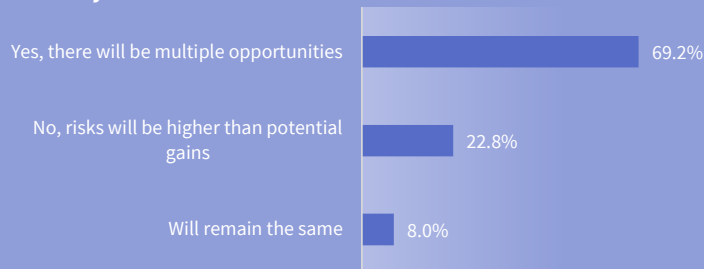
Source: Ukraine Recovery Conference materials

Notes: (1) Includes internally displaced people, external refugees, people deported to Russia, and people who returned after migration to other countries; (2) Ranking of the world's strongest universities; (3) Under Social Housing Fund programme

# AFTER THE END OF THE WAR UKRAINE WILL BECOME AN ATTRACTIVE INVESTMENT DESTINATION

The majority of Ukrainians believe that **Ukraine will become an attractive investment destination in the first 3 years after the victory**. However, more than 20% of respondents suggest that **potential risks will remain high, restraining investment flows** to the country.

**Will Ukraine be an attractive destination for investors in the first 3 years after the war ends?<sup>1</sup>**



**48.8%**

share of Ukrainians who believe that construction will be the most attractive sphere for foreign investments after the end of the war<sup>1</sup>

Almost half of Ukrainians consider that **construction will become the most attractive sector for investors**, given the need to rebuild the destroyed living and other civil infrastructure after the war. Around **31%** of respondents **believe that the agriculture sector has the highest potential** to attract funding from investors, taking into account the high export potential of Ukraine in this sector. Ukraine has already become a leading destination for the European Investment Bank, which invested nearly 620 Mn USD in vital infrastructure across the country in 2021.

Ukraine needs help to rebuild some of the critical social infrastructure facilities that were destroyed as a result of the Russian invasion. The cost of inflicted damages is constantly growing as the war continues. In September 2022, the total amount of direct damage to infrastructure increased to 114.5 Bn USD<sup>2</sup>.

## Damaged and destroyed infrastructure objects of Ukraine<sup>2</sup>



**131,300**

residential buildings



**422**

enterprises



**188,100**

cars



**2,472**

educational institutions



**934**

healthcare institutions



**924**

cultural and sports facilities

The estimations of Ukrainians regarding the expected period the country will need to fully recover from the war are split almost equally. 30% of Ukrainians believe that it will take our country more than 10 years to return to ordinary pre-war life, while 28% of them expect that Ukraine has the potential to fully recover within 5-7 years after the end of the war.

?

**How much time will Ukraine need to fully recover and return to ordinary pre-war life?<sup>1</sup>**

**69.7%**

<10 years

**30.3%**

>10 years

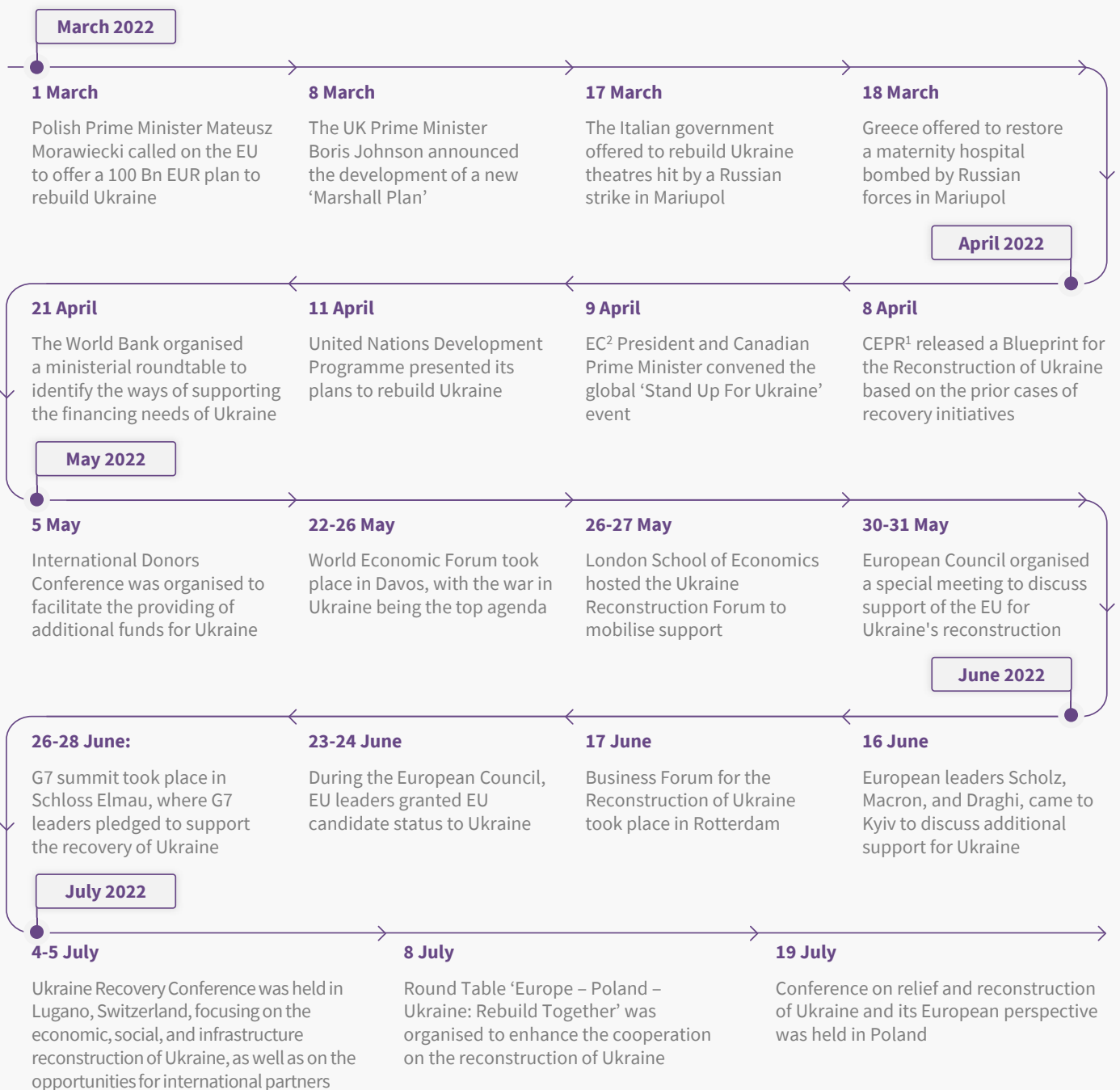


# DISCUSSIONS ON THE POST-WAR RECOVERY OF UKRAINE STARTED IN MARCH 2022

The international community demonstrated outstanding unity in supporting Ukraine’s fight for freedom. Since March 2022, **international institutions** and **world leaders have organised several conferences and roundtables**, each aimed at developing plans for the recovery of Ukraine. These events addressed the fundamental challenges Ukraine had been facing and coordinated approaches to economic, humanitarian, and military support with post-war reconstruction plans.

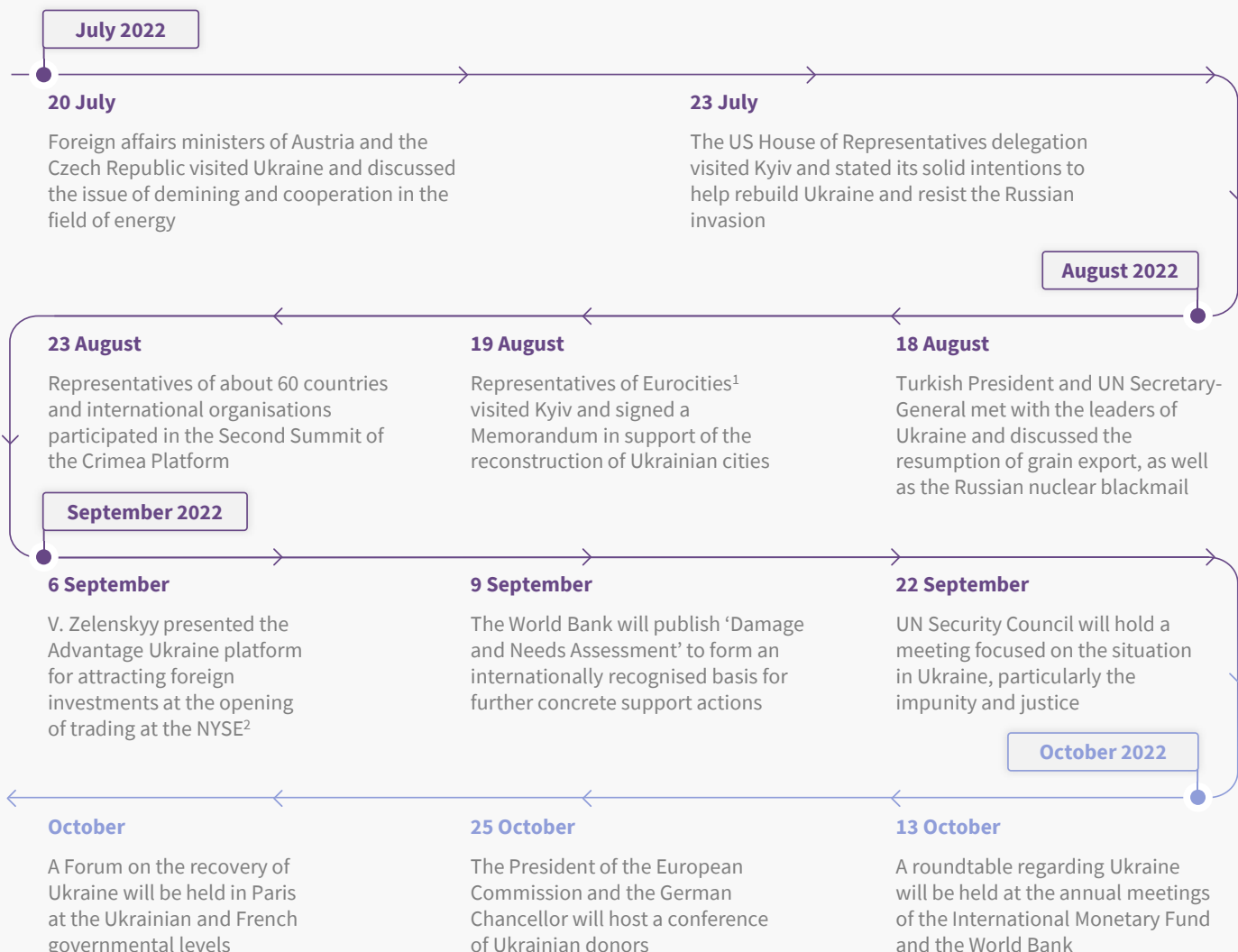
**Numerous discussions and vast analytical works resulted in the development of the National Recovery Plan of Ukraine** for 2022-2032, presented at the Ukraine Recovery Conference in Lugano on 4-5 July 2022. The conference has given an impetus to the process of rebuilding the country, **yet there is still tremendous work ahead** in regard to coordinating international efforts and ensuring the implementation of the initiatives for the recovery of Ukraine.

## Timeline of selected events devoted to the recovery of Ukraine



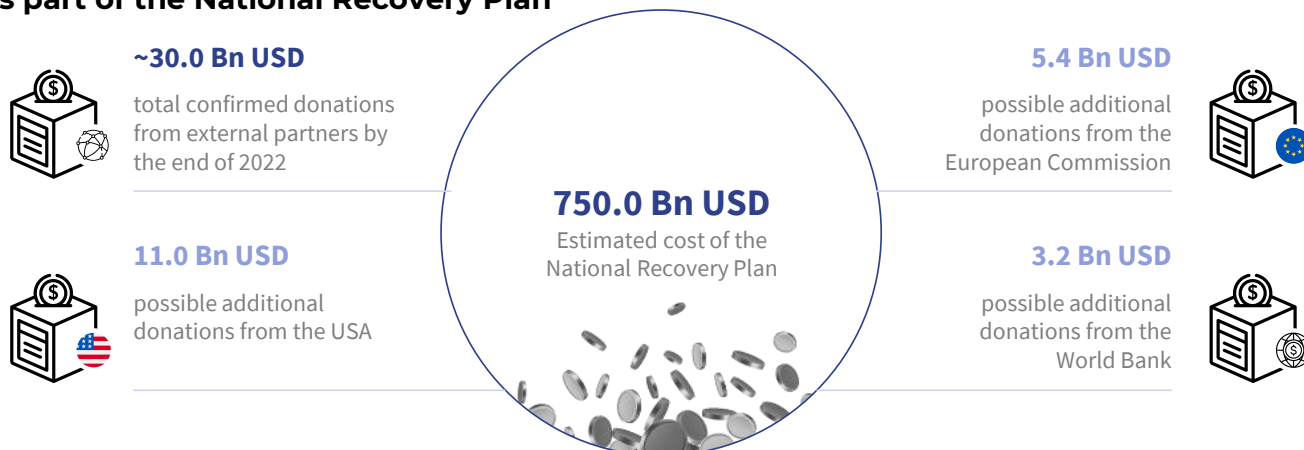
# THE IMPLEMENTATION OF THE NATIONAL RECOVERY PLAN REQUIRES ACTIVE SUPPORT FROM DONORS

## Timeline of selected events devoted to the recovery of Ukraine (continued)



xxx — planned events

## The expected amount of financing that Ukraine will receive by the end of 2022 as part of the National Recovery Plan



# THE MOST RECENT VERSION OF THE RECOVERY PLAN FOR UKRAINE WAS PRESENTED IN JULY 2022

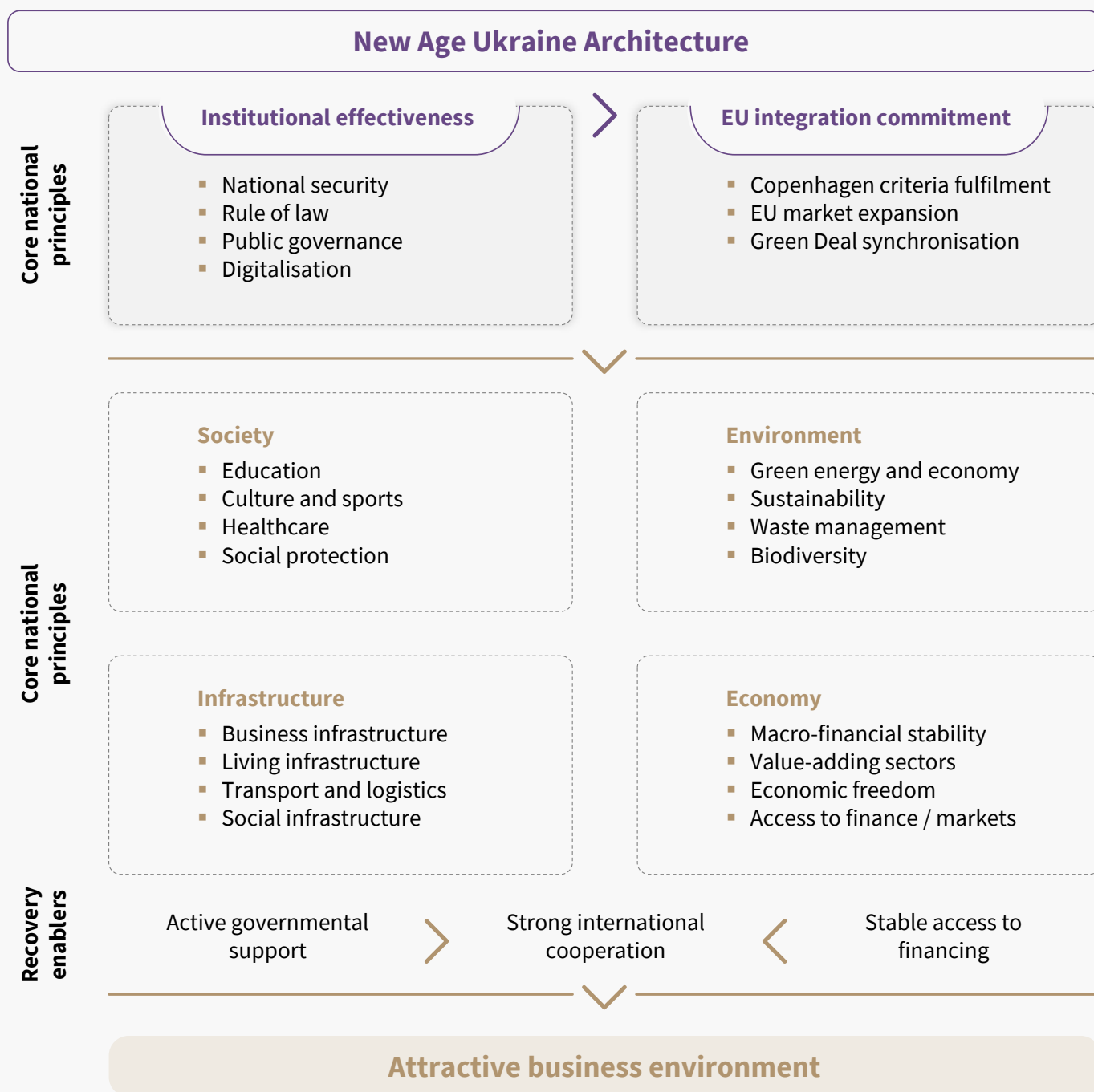
Ukraine has a solid future vision and a steady ambition to rebuild the country into a **stronger, safer, more advanced version of itself**.

The Recovery Plan for Ukraine was presented on 4–5 July 2022 at the **international Ukraine Recovery Conference in Lugano, Switzerland**. The participants comprised over 1,000 people, including Ukrainian government officials and international

delegations of experts. Key takeaways and further actions were described in the Recovery Blueprint documents and published on the official website of the Conference.

The documents suggest a holistic approach toward the recovery and transformation of Ukraine, which are based on the **two strategic imperatives of institutional effectiveness and EU integration**.

## New Age Ukraine Architecture in accordance to the Recovery Plan





## The Ukrainian government is determined to show transparency



People who in so many creative ways contribute to the victory of Ukraine will write their names in history. The world will remember them not only as humanitarians and philanthropists but also as those who made a successful investment — an investment in freedom and democracy.

### YELYZAVETA YASKO

Member of Parliament of Ukraine; Member of Foreign Affairs Committee; Member of the Ukrainian Delegation at PACE

***Involvement during Russia's war against Ukraine:*** Yelyzaveta takes an active social and political position. She participates in international conferences and forums calling on foreign businesses to stop cooperation with the aggressor country, as well as to strengthen the imposed sanctions and invest in Ukraine.

#### **In your opinion, what international partnerships of post-war Ukraine could present a big potential and are yet to be developed? What existing partnerships can be taken to the new level?**

Ukraine's material losses are approaching 1 Tn USD. If the war turns into another World War II, the losses will be catastrophically higher.

People who in so many creative ways, including those via international cooperation, contribute to the victory of Ukraine will write their names in history. The world will remember them not only as humanitarians and philanthropists but also as those who made a successful investment — in freedom and democracy.

Post-war Ukraine is not only about a powerful army. It is also about large-scale recovery and construction opportunities, multi-industry development, a large agro-industrial complex and an enormous market.

Existing partnerships should become more available for Ukraine's local communities. Strengthening accountability through the development of an institutional framework, which enables collaboration for changing the systems, is also important.



## Victory stamps are to be the greatest stamps ever designed



The toughest decisions are always the ones where people's lives can be in danger. The decision to resume work on the second day of the war, including near military zones and within the temporarily occupied territories, was tough to make, but I am confident we made the right choice, as millions of people depend on our work.

Our heroic employees delivered food, pension and humanitarian aid in the hardest-to-reach places from occupied cities to the smallest villages. We are the last company to leave and the first to come back after a city or a village is liberated from the enemies.

### IGOR SMELYANSKY

CEO at Ukrainian National Postal Operator (Ukrposhta)

**Involvement during Russia's war against Ukraine:** After Russia's full-scale invasion of Ukraine, Ukrainian National Postal Operator (Ukrposhta) has been actively delivering humanitarian aid and pensions, as well as working with international postal operators. Committed and brave employees headed by a talented CEO constitute a reliable backbone for the Ukrainian economy and the social system during wartime.

#### In what way will the imminent integration of Ukraine into the EU impact Ukrposhta, at both operational and strategic levels?

When we talk to our colleagues in the EU about speeding up deliveries and improving services, many of them are amazed that we even continue working. So, we see the EU integration as an opportunity, which can allow us to improve the quality and speed of services for our clients.

I hope that we can maintain our adaptability and flexibility and would not get bogged down in bureaucratic procedures that would enable us to adopt leading European technologies and raise funding for our development and growth.

#### Does your team already have the idea of a postage stamp that Ukrposhta will release on a victory day?

It will be the greatest stamp to design and we certainly feel the responsibility for doing it at the appropriate creative level, while communicating the right message. The history of our wartime stamps has shown that the stamp's design, is going to be an exceptional one.

The heroism of our troops and our people deserves commemoration that will be known across the globe. And I feel confident we will have the largest number of stamps ever issued. So that all people around the world could celebrate the victory with us.



## Ukraine should get a chance for 'autonomous' development



The international development and reconstruction organisations should give Ukraine a chance for its own 'autonomous' development, avoiding the role of a just dependent peripheral element of the networks of transnational corporations with guarantees that the land and main infrastructures would be owned primarily by the nation.

### DR VALENTIN YAKUSHIK

Chairman of the Supervisory Board of the Ukrainian Institute of Politics

***Involvement during Russia's war against Ukraine:*** Dr Valentin Yakushik takes an active public position and analyses Russia's war against Ukraine. He actively discusses Russia's war against Ukraine with local and international representatives and media.

#### What must be the major principles of post-war reconstruction and development of Ukraine?

1. Ukraine should get a chance for 'autonomous' development, avoiding the role of a just dependent peripheral element of the networks of transnational corporations.
2. Establish an efficient national banking system with accessible and transparent crediting of businesses and households.
3. Oversee the decentralisation and deconcentrating of international investment projects, the creation of international mechanisms for stopping the widely-spread post-soviet practices of 'splitting' budgetary money
4. Establish a branch of 'examination authority' controlling the quality of civil servants and top political appointees.
5. Provide a special mass support for SMEs (e.g. using the models of the UK and Taiwan)
6. Organise programmes of employment for the demobilised Ukrainian soldiers and military officers

#### What are the Top-3 decisions to be made by the Ukrainian government once martial law is lifted?

The government must undertake:

1. A set of measures aimed at 'social equality and justice' vis-à-vis citizens, local communities, and regions, with initial strict rationing of consumer goods and investments into reconstruction, and balanced fair distribution of all types of international aid, guaranteeing 'basic income' and chances for survival and self-development of persons, families, local communities and productive units, supporting grass-root initiatives, small and medium businesses.
2. Tough measures against criminal gangs; purges of corrupt, incompetent, and irresponsible administrators; institution-building of grass-root, professional and international controls.
3. Develop a decree on a gradual transition to policies of fostering political and cultural pluralism in social life, including in mass media, political movements, and organisations.



# SOCIETY

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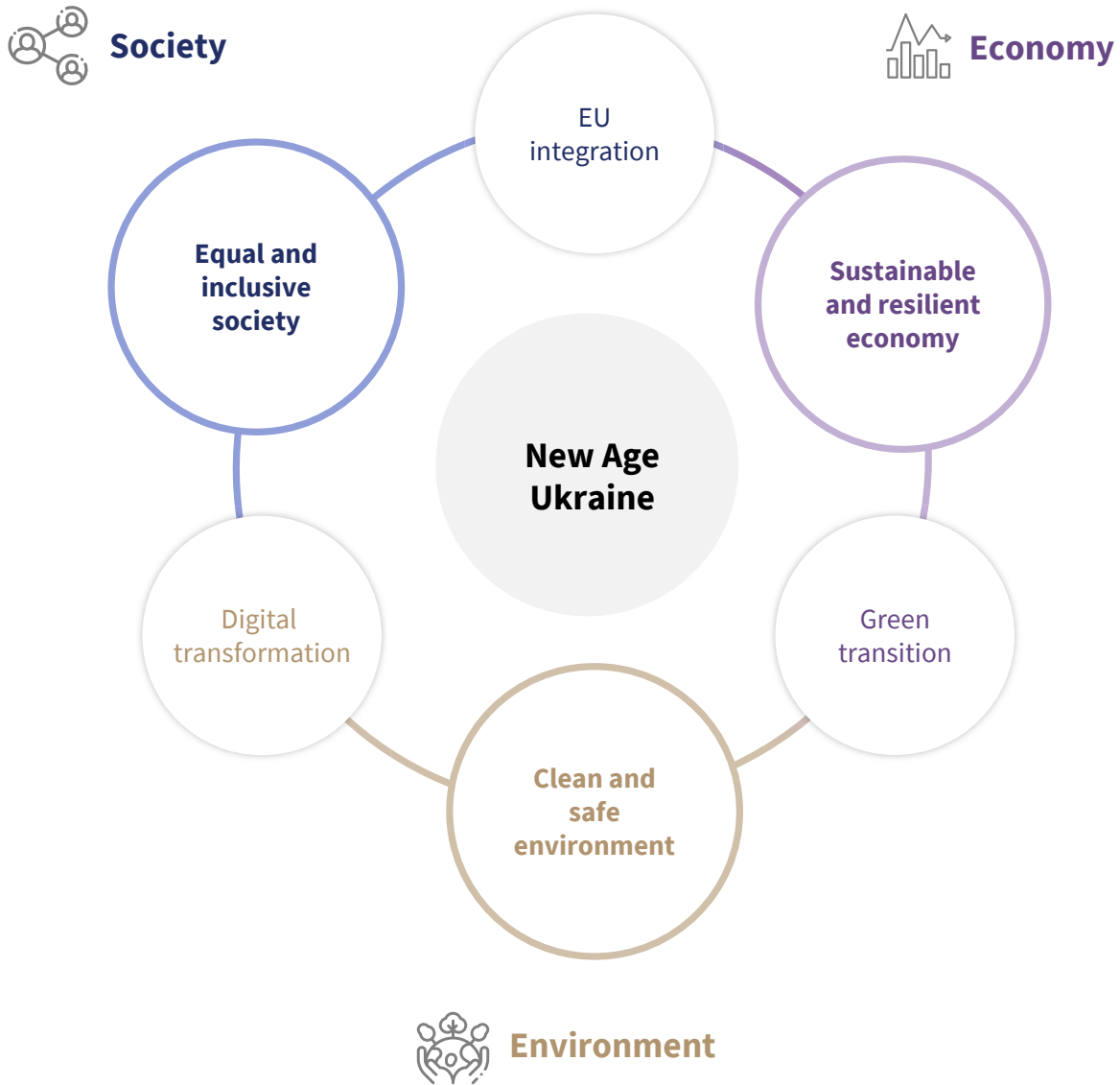
## CHAPTER 3.1.1





# SOCIETY

**Vision:** Ukraine will become an equal and inclusive society, where each citizen will have equal opportunities with full access to high-quality healthcare, education, and a decent level of social protection.



## Society: predicted investments for selected areas



**Culture**

**14.2 Bn USD**



**Social protection**

**6.5 Bn USD**



**Healthcare**

**5.4 Bn USD**



**Education**

**5.0 Bn USD**

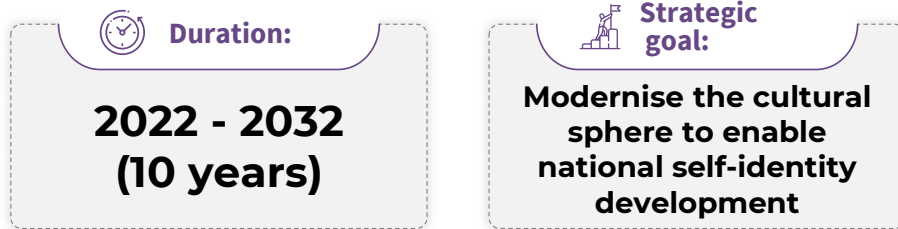
Future Investment potential

# UKRAINE'S CULTURAL RECOVERY IS AN ESSENTIAL PART OF SELF-IDENTITY DEVELOPMENT

Culture is one of the major pillars of the development and sustenance of societies. Russia's war against Ukraine has shown that culture is also an indispensable and crucial part of Ukrainian national security in the long run. **Common values, attitudes, preferences, and knowledge** unite society. However, in this respect, Ukraine is not yet homogeneous because of the lack of

due recognition and concern from the government and, as a result, underfinancing or financing of the industry in a leftover manner. **The National Recovery Plan** suggests that **Ukraine should shift the focus on restoring and protecting cultural heritage and developing multi-stakeholder engagement** that will enable the national self-identity.

## Concept of the post-war Culture Recovery Plan<sup>1,2</sup>



### Key inputs



### Major reforms and priorities in culture

- 1 Increasing representation of Ukrainian cultural products abroad
- 2 Growing number of titles of Ukrainian-language book editions
- 3 Developing digital projects in the field of book publishing
- 4 Incepting international temporary evacuation museum depositories
- 5 Setting up a decentralised system of cultural heritage protection bodies
- 6 Restoring and growing publishing and book trade potential
- 7 Increasing demand for contemporary artworks, reviving the art market
- 8 Creating a modern system of cultural services financing
- 9 Restoring cultural heritage and returning stolen heritage

## OPINION CORNER

**Iryna Petrenko**  
Talks about Culture, Tourism, Cinematography, and Investments



**Cultural heritage is an asset that Ukraine should use by converting into cultural and event tourism.** Some cities pay film producers money for showing their sceneries in the films, and **Ukraine now offers film producers a cash rebate system.** This is how the global impression of cities and countries is created. Thus, **creators receive money for projects, and the city receives a flow of tourists.** Considering the huge attention and interest in Ukraine in the world, such a cooperation option is worth considering.

Source: Ukraine Recovery Conference materials  
Notes: (1) A part of the National Recovery Plan 2022; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022, press releases of the Cabinet of Ministers of Ukraine, and articles of the experts in the field of the culture; (3) Culture sphere, creative industries, book publishing and libraries, ethnic affairs and religion, cultural heritage, and national memory; (4) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget

# UKRAINE AIMS TO REESTABLISH ITS CULTURAL POTENTIAL AND RESTORE HERITAGE SITES

Being restored after the war, Ukraine's **cultural sphere** will contribute to the formation of a value-driven Ukrainian society, able to cherish the uniqueness of its culture with European values

being deeply rooted in it. The renewed cultural ecosystem **will also contribute to the global heritage** through the incorporation of unique features of Ukrainian culture.

## Key targets of the post-war recovery of the cultural sector of Ukraine by 2032



### Cultural sphere

- Establishment of **1,000 Cultural Service Centres, which provide access to basic cultural services for 95%** of the population
- Launch of the **Professional Institute** for the Study and Museography of Contemporary Art
- Launch of the **'Cultural Passport'** programme<sup>1</sup>



### Cultural heritage

- **Restoration of all damaged cultural heritage sites** and establishment of **museum depositories**<sup>2</sup>
- Creation of new approaches for **cultural heritage preservation**
- Increase of **digitalisation of cultural heritage sites** in Ukraine



### Book publishing

- Increase the number of **bookstores up to 600**
- Renewal of library holdings by **at least 5% annually**
- Provision of **700 grants for translations of works by Ukrainian authors in foreign languages and 1,050 grants for translations of foreign works into the Ukrainian language**



### Creative industries

- Employment of **600 thousand people** in creative industries
- Participation of **200,000 students** in the **'Creative Backpack' programme**<sup>3</sup>
- Launch of the **National Creative Industries Office**, construction of **5 concert halls** and **20 creative hubs**



## The future state of the Ukrainian cultural industry



A new cultural infrastructure meets the requirements of the population and is highly digitalised



The sphere is financed from multiple resources rather than on a leftover basis



Ukrainian society recognises the importance of culture for its human capital growth



Ukrainian national cultural products are in high demand within Ukrainian society and abroad



Cultural heritage of Ukraine is preserved and better protected. All damaged objects are restored



The Ukrainian book-publishing industry demonstrates a stable year-over-year growth

# CULTURAL SPHERE CAN BE A LUCRATIVE INVESTMENT OPTION BASED ON RECOVERY VISION

The nearest future bears many **changes** in the cultural sphere of Ukraine, as the country needs **to develop new cultural infrastructure**, provide **material** and **technical support for cultural institutions**, and conduct **training programmes for**

cultural specialists. The **rise** of Ukraine in the cultural sphere is **only possible with support** from international businesses and organisations that together will bring Ukrainian culture to a new global level and **support its presence in the world**.

## Recent achievements in the sphere of culture in Ukraine during 2021



**57 objects<sup>1</sup>**

of cultural heritage were restored



**79 films**

were released with the government's support



**100,000 objects**

of cultural heritage were digitalised



**7 regions**

hosted the pilot 'Centres of cultural services'<sup>2</sup> project

## Investment opportunities in the Ukrainian cultural sphere

### Funding needs



**5.8 Bn USD**

**Building physical and cultural infrastructure** (museums, memorials, libraries, centres of cultural services, concert halls, art centres) to popularise national identity and cultural diversity



**3.7 Bn USD**

**Supporting cinema, audio-visual production, and creative industries infrastructure** by granting financing, as well as through the transformation of the education system<sup>3</sup>



**2.9 Bn USD**

**Developing ecosystems for culture, history, memory, heritage, and creative industries** with a focus on identity, visual arts, educational programmes, and cultural services



**1.1 Bn USD**

**Promoting digital culture across all cultural domains** by creating digital platforms for the Ukrainian Institute of National Memory, digital records of cultural heritage objects, and digital libraries



**0.7 Bn USD**

**Restoring cultural heritage** damaged during Russia's war against Ukraine to promote national identity and to **develop effective mechanisms for the further preservation** of cultural heritage



## Russians are trying to get rid of Ukrainian printed word because it has a great power



There are now more than 4,000 libraries in the temporarily occupied territories, and there is no doubt that their funds have already been demolished by the Russian world.

We are proud of our colleagues, the librarians of the temporarily occupied Kherson region, who, despite the significant pressure from the invaders, did not agree to cooperate with the enemy.

### DR ALLA GORDIIENKO

General Director of the National Library of Ukraine for Children

**Involvement during Russia's war against Ukraine:** From the first days of armed aggression, Dr Alla Gordiienko together with her team actively support and help Ukrainian defenders — they donate to the army, weave nets, and volunteer. She also launched many initiatives, such as gathering books, children's drawings, souvenirs, and letters of gratitude to be transferred to the hospitals and to the front.

#### Since the beginning of the Russian invasion in 2022, the occupiers have been actively destroying Ukrainian literature. Are there ways to protect Ukrainian literature from Russian invaders?

The Russian occupiers are trying to destroy what they are afraid of, what they think is an ideological weapon and has a significant impact on people's mind. It is for this reason they are trying to get rid of the Ukrainian printed word, since this word has a great power.

After our territories are liberated, one of the most important tasks will be to supply the libraries that suffered from the war with quality Ukrainian books. It is real. I am convinced that it will be done with the greatest commitment from the state.

Today the government is developing a Ukraine Recovery Programme. It puts a strong emphasis on the cultural sector, including renewal of the library sector.

#### In your opinion, how will the library sector look in the future, and are there any development initiatives that might be of interest to investors?

As many libraries have been destroyed, the prospect for investors lies in rebuilding and modernisation of library facilities. Additional areas of focus nowadays are:

- Establishment of centres of psychological rehabilitation through books and reading in the premises of public libraries for children
- Development and implementation of library projects aimed at children having physical disabilities, both inborn and as a result of the war
- Creation of learning centres for foreign languages study and improvement of the Ukrainian language leveraging the library platforms

I am convinced that today and in the future libraries will be in public demand and will be shored up by the state and partners representing various spheres of public domain, advocating promotion of Ukrainian identity.



## Ukraine is a full-fledged brand, that is gaining popularity and winning hearts



Undoubtedly, Ukraine is not only the capital of freedom, courage, and honour but also a fully-fledged brand itself! Currently, we are witnessing a tremendously growing interest in everything that is labelled 'Made in Ukraine'. And this interest has not bypassed the fashion industry. How long will it last? It is difficult to answer. However, it seems that interest in our products and the country has solid prospects to last at least a decade.

### IVAN FOTESKO

A Ukrainian fashion designer and founder of the IF brand

**Involvement during Russia's war against Ukraine:** *With the start of a full-scale Russian invasion of Ukraine, Ivan rearranged production to help the army. Now his business has shifted toward the production of body armor.*

#### Do you plan to start production of winter-uniform for the defenders of Ukraine?

Indeed, in early days of the full-scale invasion, I faced a dilemma of what to produce to meet the needs of the Ukrainian army. Having sorted through several options, within a month I managed to rearrange the existing workshop and production capacities to sew plate carriers, pouches for first-aid kits, helmet covers, trunks, sleeping bags, etc., approved by the defenders.

#### What form of government assistance is critical for requalified clothing manufacturers and designers?

Like any non-profit enterprise, volunteer activity is in vital need of financing, and grant support from the state. So support of the government in terms of army supplies would be greatly welcomed. But looks rather like a dream.

#### Has the attitude towards Ukrainian designers and designer clothes changed recently?

Today Ukraine is not only the capital of freedom, courage, and honour but also a fully-fledged brand itself! Currently, we are witnessing a tremendously growing interest in everything that is labelled 'Made in Ukraine'. And this interest has not bypassed the fashion industry. How long will it last? It is difficult to answer. However, it seems that interest in our products and the country has solid prospects to last at least a decade.

#### Which initiatives and programs could contribute to the Ukrainian fashion industry development?


The Ukrainian fashion industry needs government support. Ukrainian Fashion Week should become a positive signal to the entire world and global fashion community and introduce Ukrainians as a nation of winners and freedom-lovers.

# IN ORDER TO PROTECT VULNERABLE PEOPLE, THE UKRAINIAN SOCIAL MODEL REQUIRES AN UPGRADE

From the Soviet Union Ukraine inherited a model of social policy that was focused on **offering a wide range of social subsidies** for the population. Yet, the **current system is ineffective**, as it provides little assistance and puts much burden on the budget. Thus, the **quality of life of the vulnerable population in Ukraine is quite low**. With the start of Russia’s war against Ukraine, the


situation further deteriorated, as more people need financial support, while the funding is limited. In the current version of the **National Recovery Plan**, major focus is put on the social sphere with the aim to **provide secure social support** for the citizens, as well as **implement new social policy model based on the EU principles and standards**.

## The concept of the post-war Social Recovery Plan<sup>1,2</sup>



**Duration:**


**2022 - 2032  
(10 years)**



**Strategic goal:**


**Upgrading social policy model to EU standards**

### Key inputs




**5 focused spheres**

- Social protection
- Children’s rights
- Return of citizens
- Human rights
- Veteran rights



**>40 projects**

number of social projects in Ukraine as a part of the Recovery Plan



**6.5 Bn USD**

preliminary assessment of necessary investments to implement social projects during 10 years<sup>3</sup>

### Major social reforms and priorities

- 1** Introducing the cumulative level of the pension system
- 2** Implementing UISSS<sup>4</sup> to increase transparency and accessibility
- 3** Establishing State Service for Children
- 4** Ensuring social integration and employment for people with disabilities
- 5** Implementing social policy standards of the EU
- 6** Ensuring psychological and medical rehabilitation for war victims and veterans
- 7** Setting up a new social services system for people with DLS<sup>5</sup> status
- 8** Creating ‘self-realisation’ platforms and reskilling programmes for IDP<sup>6</sup>
- 9** Defining approaches for effective reintegration of external refugees

## OPINION CORNER

**Dr Inna Koreiba**

Talks about Social Policy, Veterans’ Rights, Rehabilitation System, and Human Rights



In the post-war period, the **reintegration of veterans** should be **the top social policy priority**. Ex-military people and their families should receive all necessary support and assistance from the state, which **they have chosen to defend at the cost of their lives**. For this purpose, a **unified system of rehabilitation should be established by involving rehabilitation specialists and ensuring equal access to such institutions**.

Source: The Cabinet of Ministers of Ukraine website; Ukraine Recovery Conference materials; Media overview  
 Notes: (1) A part of the National Recovery Plan; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022 and press releases of the Cabinet of Ministers of Ukraine; (3) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget; (4) Unified Information System of the Social Sphere; (5) Difficult life situation; (6) Internally displaced person

# SOCIAL PROTECTION POLICIES REQUIRE FUNDAMENTAL LEGISLATIVE AMENDMENTS

While developing a new social policy, Ukraine should follow the fundamental principles of the EU — the **inseparability of social and economic progress**. The post-war recovery will require an **integrated social protection strategy** containing **reviewed policies for beneficiaries** — refugees, veterans, and IDPs.

The **new social system is expected to be people-centred, flexible**, and able to provide a high level of services. It should also establish **clear, transparent, and objective criteria for obtaining the status of a person who can exercise the rights of the respective social services and benefits**.

## Key targets of the post-war recovery of the Ukrainian social sector

## The future of the Ukrainian social sphere



### Social protection

- Implementation of the **second level<sup>1</sup> of the pension provision**; the **replacement rate<sup>2</sup>** comprises **60%**
- Launch of unified **Register of Providers and Recipients of Social Services<sup>3</sup>**
- Provision of **social integration and participation in society for people with disabilities**



The new pension system provides a decent standard of living after retirement, while the market of social service providers is transparent and accessible



### Return of Ukrainian citizens from abroad

- Development of an online **'Self-realisation in Ukraine'<sup>4</sup> platform**
- Elaboration of a new **Integration Policy for Ukraine**
- Implementation of the **Unified Information System for Social Assistance (UISSA)<sup>5</sup>**



The majority of Ukrainian refugees returned from abroad, as attractive socio-economic and infrastructural conditions were created



### Human rights protection

- Introduction of the **rehabilitation programmes** for Ukrainian citizens who became victims of the Russian aggression
- Implementation of a state **policy on guarantees and the protection of IDP's rights**



The victims of the armed aggression against Ukraine know and exercise their rights



### Children's rights protection

- Realisation of the project **'Money follows the child'<sup>6</sup>**
- Launching the system of family courts**, which specialise in civil cases focused on children
- Introduction of **professional development programmes** for workers specialising in children



Children who suffered from the war receive social protection that provides a high level of social care, education, and personal development, along with further successful integration into society



### Veterans' rights protection

- Provision of veterans with **long-term preferential mortgage lending (3%)**
- Understanding the areas of improvement of the legislation related to the social protection of veterans and developing the respective changes in legislation



The government provides all necessary support for veterans to assist with their reintegration back into civilian life



# INVESTORS' PARTICIPATION IN SOCIAL PROJECTS ACCELERATES POSITIVE CHANGES IN THE SECTOR

In the National Recovery Plan, most social projects will be conducted **by the government and local authorities**, as the social sphere is considered one of their main responsibilities. **Private businesses might also contribute to the upgrade of the**

**social sector** in Ukraine via **donations, promoting employment, or taking part in joint projects** with the Ministry of Social Policy of Ukraine. Besides, the Plan includes several social projects that require **collaboration with private investors**.

## Main aspects of how businesses can bring positive social impact to Ukraine



## Recent joint projects of the Ministry of Social Policy and private businesses

### ‘Supporting the vulnerable’

In February 2022, the **Ministry of Agrarian Policy and Food, the Ministry of Social Policy, and Ukrainian entrepreneurs** set a joint goal to **provide food for one million vulnerable Ukrainians**. Enterprises from the food industry donated requested goods, while the ministries ensured their distribution and delivery to the targeted audience.

### ‘eDopomoga’ initiative<sup>1</sup>

In July 2022, **Mastercard and Fozzy Group<sup>2</sup>** launched a joint project **via the eDopomoga platform created by the Ministry of Social Policy**, aiming to **support the vulnerable** population. People in need left applications while benefactors covered their bills in the Fozzy retail chain. Payments with a card from Mastercard provided additional bonuses.

## Most promising social projects involving private investors during the recovery period

	Key objectives	Investors' role
<b>‘Return talents back’</b> <b>0.5 Bn USD</b>   2023 - 2025	<b>Return talented Ukrainians</b> from abroad	<b>Enterprises’ initiatives</b> supported by <b>the government</b> via grants, education, export support & promotion, and the opening of creative hubs
<b>Veteran integration programme</b> <b>0.5 Bn USD</b>   2023 - 2025	Ensure a gradual <b>transition from military to civil life</b> for veterans	Conducting <b>re-skill training</b> with further <b>employment offers</b> or taking part in the creation of a network of <b>veteran support offices</b>
<b>Digital reintegration platform</b> <b>&lt;0.1 Bn USD</b>   2022 - 2023	<b>Encourage the general displaced population to return</b> to Ukraine after the war	Participating in the <b>development of the platform</b> as well as communicating their <b>job opportunities</b>

Funding needs

Future Investment potential



## Support for veterans must become a new business excellence standard



I would like to see the Ukrainian government capitalise on the universal respect of the soldier and do a post-war 'hire a veteran PR campaign' or implement a 'veteran-owned business' certification.

Soldiers learn discipline, determination, and leadership skill that is priceless to an employer. I sincerely hope that Ukrainian veterans are given opportunities to showcase what they have learned in the ranks of the military because I think it can strengthen your business culture for decades to come.

### MARK J. LINDQUIST

Veteran | Guest performer: NFL / NBA / MLB / NCAA | As seen on LOST, Hawaii Five-O | Entertainer / Host

***Involvement during Russia's war against Ukraine:*** Mark J. Lindquist suspended his political career in March to travel to Europe and provide humanitarian aid to Ukraine. He has spent 150 days in Ukraine since the war began working on shipping up to 200 tonnes of donated medical supplies from Minneapolis to Ukraine.

#### **What is your advice on the development of a governmental veteran protection programme in post-war Ukraine? What are the Top-3 topics that should never be overlooked?**

The biggest challenge a battle-hardened soldier faces when readjusting to civilian life is the mental side of life as a veteran. Soldiers face the trauma that is unique to most members of society and they adapt to high levels of stress and adrenaline-fueled battles for survival that become their new normal. The three topics I would fund immediately are:

- 1) A post-traumatic stress therapy grant programme for all businesses who hire veterans and include this as a part of a veteran's employee benefit package, subsidised by the government;
- 2) Create a place for veterans to gather by forming civic organisations made up of veterans much like our American Legion or VFW (Veterans of Foreign Wars). Soldiers need to be surrounded by those who understand them and can relate to one another. That support system is essential for post-war re-acclimation;
- 3) Make soldier suicide prevention a national priority. Form a hotline for soldiers to be connected directly to a therapist with no red tape. Implement a community support training programme whereby friends and relatives can enrol and learn how to support a veteran dealing with trauma.



## The return of citizens is both a part of government social policy and a choice



We should use this disaster as an opportunity. We can create an inclusive and ambitious commission generating radical ideas for Ukraine's future and build on the sense of unity and common purpose the war has created. And if the processes are transparent and our intentions are clear and consistent, the whole world will join us in this unique project. We will not need to ask – the best architects, engineers, physicians, scientists, and medics will be happy to become a part of the civilisational project to honour the victory over evil!

### OLENA SOTNYK

Member of Parliament of Ukraine (2014-2019); Advisor to the Deputy Prime Minister of Ukraine

**Involvement during Russia's war against Ukraine:** In March 2022, Olena Sotnyk became a co-founder of the international fund 'Future for Ukraine' that supports Ukrainian victims of the war through the efforts of volunteers, specialists, non-governmental organisations, and businesses. Currently, the fund provides medical assistance to victims of hostilities and medical institutions, as well as support internally displaced children.

#### How do you see the future reunion of Ukrainian families?

I know from my own experience that even under all the conditions of insecurity I am really happy only at home, I feel better here than anywhere else. I have been convinced hundreds of times that Ukraine is a country of unique opportunities. I am sure that the return of our people and the reunification of families is not a unilateral matter for the government. The government must ensure safe living conditions for its citizens, especially children, but in addition to that Ukrainians should also see the good perspectives of staying in Ukraine. Perhaps now we are not as comfortable as in the European Union, but we are moving in this direction, and we are creating all the conditions to achieve this, and even better than that. The citizens must also be willing to become a part of Ukrainian history of success, of building and renovating their Ukraine, instead of just being foreigners and living elsewhere. People must feel responsibility for their future.

#### What programmes could be implemented to ensure that people are better equipped to cope with force majeure situations in the future?

After the victory, Ukraine will have to develop under conditions of limited resources and with a constant threat at the south-eastern borders. There is no other way out but to prepare Ukrainians for the appropriate tactical, psychological reaction to the threats. I believe it is necessary for all citizens, regardless of their sex and age, to be trained accordingly.

We should use this disaster as an opportunity. We can create an inclusive and ambitious commission generating radical ideas for Ukraine's future and build on the sense of unity and common purpose the war has created. And if the processes are transparent and our intentions are clear and consistent, the whole world will join us in this unique project. We will not need to ask – the best architects, engineers, physicians, scientists, and medics will be happy to become a part of the civilisational project to honour the victory over evil!



## The world now needs a new mechanism of collective security



Hybrid war, as a war of a new generation, forces the need to create a new unprecedented mechanism of collective security and defence, which should be based on the principle of immediate response 'one for all, and all for one', without compromise and without 'deep concern'. To this end, it is important to warn and resolutely curb hate speech as a threat to the international community.

### DR BOHDANA OSTROVSKA

Doctor of Science of Law ('International law')

Expert of the UNESCO Chair Human Rights, Peace, Democracy, Tolerance and International Understanding at National University of Kyiv-Mohyla Academy (NaUKMA)

Leading Researcher, Kyiv Regional Center of the National Academy of Legal Sciences of Ukraine

***Involvement during Russia's war against Ukraine:** After Russia's full-scale invasion of Ukraine Dr Ostrovska has taken an active social position. She defends human rights on the legal front.*

#### **What regulatory mechanisms could be implemented around the world to prevent instilling hatred, as well as to promote tolerance among those vulnerable to manipulation?**

The ideals of nations are the basis of the great idea of the UN. War destroys the natural order of peacebuilding and human coexistence, being a powerful unifying factor.

As a litmus test, it shows the true values of a nation that chooses freedom and peace, and at the same time shows the true face of an aggressor. Currently, Ukraine is more than ever a united nation and a nation that has united the whole world and demonstrated the exemplary power of resistance in unity.

A new future of the international community is being born on the foundations of this war in the geographical centre of Europe. The world will never be the same again. The most desirable victory is the victory not in a war, but over the war; thus we shift the focus from the problem to the prospects.

#### **What lessons can the world draw from this war? In your opinion, why did the promise of 'never again' happen to be unrealistic?**

'Never again' is a beautiful loud declaration, but it is also an oath written and sanctified in blood, which is currently being tested in real time. Such words had to be supported by actions. Otherwise, what value do the empty slogans about democracy, peace, freedom, equality, and fraternity have?

What lesson is learned from the war, and does history teach a lesson? It depends on who teaches it and how it is interpreted. Today, Ukraine teaches a lesson of courage and dignity that has already gone down in history. The prophetic words of our national anthem — 'we will lay down our soul and body for our freedom' — best demonstrate the genetics of the indomitable spirit of Ukrainians and our values.

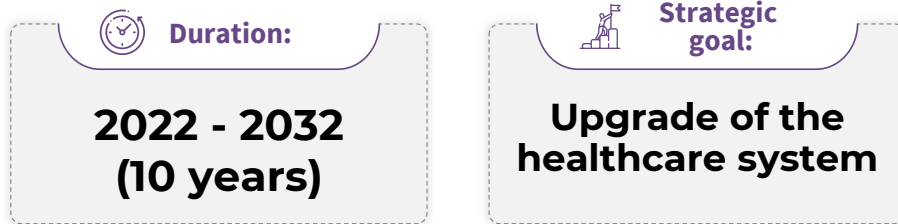
Unfortunately, a part of the international community is still not fully aware of the true scale of the threat to peace and security — until the war comes to their homes.

# UKRAINIAN HEALTH SECTOR REQUIRES STRUCTURAL OPTIMISATION TO ENSURE HIGHER SERVICE QUALITY

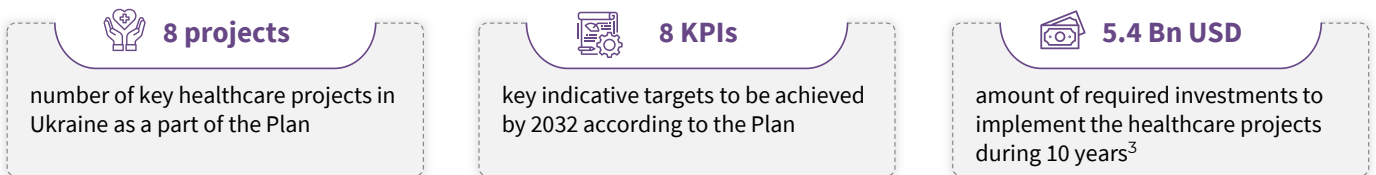
The healthcare system implements one of the key priorities of the Ukrainian government – the preservation, protection, and improvement of public health. The war caused pressure on the national health system, related to the numerous destruction of healthcare facilities and the growth in demand for different types of medical services that were not in priority before.

Active migration of the population and medical personnel significantly worsened the situation. Currently, the major priority of healthcare recovery is the transformation of the health system to provide Ukrainians with high-quality and timely medical services, as well as to prepare the system to prompt response to unpredictable health emergencies.

## The concept of the post-war Healthcare Recovery Plan<sup>1,2</sup>



### Key inputs



### Major healthcare reforms and priorities

- 1 Improving policies and institutions guiding the national health system
- 2 Supporting the financial stability of the healthcare system
- 3 Restoring and transforming healthcare facility network
- 4 Expanding the variety of healthcare services
- 5 Ensuring higher quality of medical human resources
- 6 Optimising public health system functioning
- 7 Developing e-healthcare and strengthening cybersecurity
- 8 Ensuring development of the private healthcare sector in the country
- 9 Recovering pharma sector, providing accessibility and proper use of medicines

## OPINION CORNER

**Nataliia Shevchuk**

Talks about Healthcare, HealthTech, Investments, and Innovations



Ukrainian specialists are already implementing **breakthrough ideas in the field of HealthTech**, which is now highly interesting for global investors. A vivid example is a **Ukrainian-American start-up, A.D.A.M., with its 3D bone printing technology**. This start-up was rated as one of the Top-5 best start-ups in this field among 1,700 global participants in 2021. This case shows the **high potential, professionalism, and level of innovativeness of Ukrainian youth**.

Source: The Cabinet of Ministers of Ukraine website; Ukraine Recovery Conference materials; The Ministry of Health of Ukraine website  
Notes: (1) A part of the National Recovery Plan 2022; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022, press releases of the Cabinet of Ministers of Ukraine, and articles of the experts in the field of healthcare; (3) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget

# PROPER SYSTEM RESTRUCTURING WILL IMPROVE ITS RESPONSIVENESS TO HEALTH INQUIRIES

Implementation of comprehensive reforms in healthcare is aimed at **improvement of the organisational principles of health management**. Effective transformation will ensure a **higher quality of specialised healthcare services** and provide citizens

with **equal access to the state-guaranteed package of medical care**. The introduction of **innovative materials and the technical base of health facilities** will also contribute to increasing the productivity of healthcare personnel.

## Future state of the Ukrainian healthcare system

- 

Ukraine develops a **qualitatively new healthcare sector** by harmonising the legal framework of the health system with the best European practices and standards
- 

Healthcare sector actively **attracts financing from non-state sources**, involving the private sector in financing and providing services
- 

Healthcare sector effectively **transforms a network of medical facilities** by introducing **international expertise** in hospital planning
- 








Ukraine actively **promotes the acquisition of practical knowledge and skills** by Ukrainian health professionals abroad
- 

Innovative hospital planning approaches **increase competition for patients between healthcare service providers**, thereby increasing quality requirements for the medical staff
- 

Introduction of the world's best public health practices helps quickly establish an effective public health system **capable of responding properly to health emergencies**
- 

**Extended functionality of the e-health system** through the use of AI technologies and telemedicine<sup>1</sup> to significantly **improve the quality and accessibility of health services** for citizens
- 

Ukraine actively **cooperates with the international community** to strengthen its scientific background and technical capacity in the production, distribution, and control of pharmaceutical products

	ACTUAL	TARGET
 <p>share of domestic public expenditure on health in GDP</p>	3.2%	5%
 <p>share of outpatient expenditures</p>	24%	31%
 <p>teleconsultation market penetration</p>	0.9%	3%
 <p>hospital beds per 1,000 people</p>	6.4	3
 <p>share of out-of-pocket spending on healthcare<sup>2</sup></p>	70%	20%
 <p>probability of dying at the age of 30-70 from NCD<sup>3</sup></p>	25.5%	17%
 <p>satisfaction with inpatient care services</p>	52%	73%

Source: Ukraine Recovery Conference materials; The Ministry of Health of Ukraine website

Notes: (1) A practice of medicine using telecommunication technology to deliver care at a distance; (2) Out-of-pocket health expenditure refers to individuals' direct expenses to health care providers, excluding any prepayments for health services, such as taxes, insurance premiums, or contributions; (3) A non-communicable disease — a non-infectious medical condition that can not be passed from person to person

# HEALTH SECTOR ATTRACTS FUNDS TO HARMONISE THE MEDICAL SYSTEM WITH EU STANDARDS

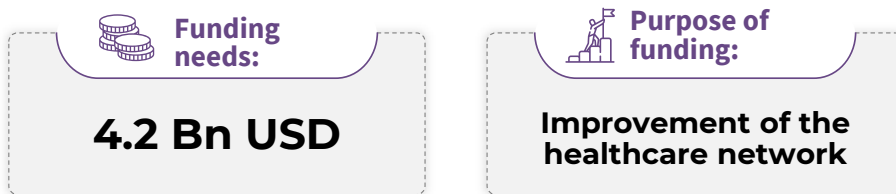
An ongoing full-scale transformation of the healthcare system **intensifies the process of medical institutions' autonomisation**. This creates the foundation for **ensuring transparency and accountability of the system**, as well as helps **eliminate corruption** in the form of hidden payments from patients, misuse

of investment resources and working capital. Moreover, the new healthcare model and introduction of **the best international practices of public-private partnerships** in Ukraine make a huge contribution to increasing the **attractiveness of the sector for private businesses and foreign investments**.

## Recent achievements of the ongoing healthcare system transformation<sup>1</sup>

<b>&gt;97%</b> of primary care providers actively contribute to the system transformation	<b>&gt;25,000</b> of doctors joined the 'eHealth' electronic healthcare system	<b>&gt;32 million</b> Ukrainians signed an e-declaration with their family doctors	<b>By 1.5 times</b> increased the financing of first-level medical providers <sup>2</sup>
<b>&gt;2 Bn USD</b> received primary care providers under 'money follows the patient' principle <sup>3</sup>	<b>By 2-3 times</b> increased the salary of doctors in effectively managed medical institutions	<b>&gt;125 Mn USD</b> was refunded to pharmacies under the 'Affordable medicines' <sup>4</sup> programme	<b>100%</b> of the patient's needs for the stent system is covered <sup>5</sup>

## Major transformation project requiring the most of investments

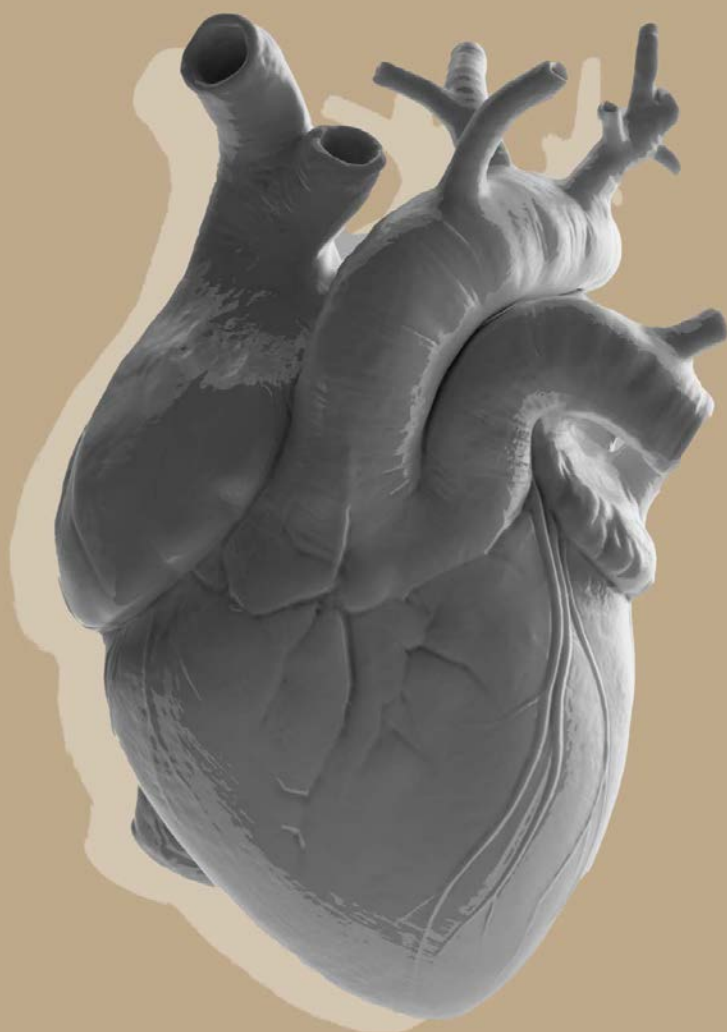


 <h3>Transforming healthcare facilities</h3> <p><b>Key objectives</b></p> <ul style="list-style-type: none"> <li>Implementing an <b>integrated service delivery model</b>, ensuring the provision of evidence-based and high-quality healthcare services</li> <li>Introducing <b>high-quality solutions and innovative technologies in medical facilities</b>, focusing on primary care and heart diseases, as well as cancer hospitals</li> </ul>	 <h3>Strengthening health workforce</h3> <p><b>Key objectives</b></p> <ul style="list-style-type: none"> <li>Developing <b>effective healthcare education</b> based on the best international practices</li> <li>Upgrading activity-based <b>personnel planning</b> and improving the leadership skills of hospital managers</li> <li>Creating conditions ensuring the <b>professional well-being</b> of the healthcare workforce</li> </ul>	 <h3>Digitising health data and promoting digital health</h3> <p><b>Key objectives</b></p> <ul style="list-style-type: none"> <li>Facilitating <b>telemedicine solutions</b> to enhance preventive and primary care services</li> <li>Extending <b>internet coverage in healthcare facilities</b> to serve clients with a signed e-declaration</li> <li>Creating <b>drug registers</b> to improve pharmaceutical supply chains and monitoring</li> </ul>
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## Targeted campaigns demanding financing according to the Healthcare Recovery Plan

 <b>0.6 Bn USD</b> 	 <b>0.5 Bn USD</b> 	 <b>0.1 Bn USD</b> 
Enhancing war-time and post-war <b>rehabilitation services</b> , mental health, and psychological support	Strengthening <b>public health emergency preparedness</b> and developing <b>rapid response plans</b>	Improving <b>primary healthcare services</b> to address the rising cases of non-communicable diseases

# DID YOU KNOW THAT THE FIRST PROSTHETIC HEART VALVE SURGERY WAS PERFORMED IN UKRAINE?



## 1963

**Mykola Amosov**, a Ukrainian doctor and surgeon, was the **first to perform a prosthetic heart valve surgical operation**. 2013 was declared the year of Mykola Amosov by UNESCO.



**Around 6,000**

surgical operations performed



**More than 400**

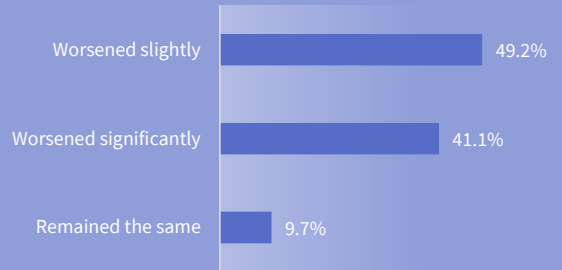
scientific works of his authorship



# RUSSIA'S WAR AGAINST UKRAINE HAS A HEAVY INFLUENCE ON THE MENTAL HEALTH OF PEOPLE

The war has naturally **worsened the psychological state of almost every Ukrainian** to a certain degree. Even those who were able to withstand the first most difficult months of the war will **suffer mental exhaustion** since the **continuous impact of stress** negatively affects the mental health of Ukrainians.

How do you feel the war in Ukraine has impacted your psychological state?<sup>1</sup>



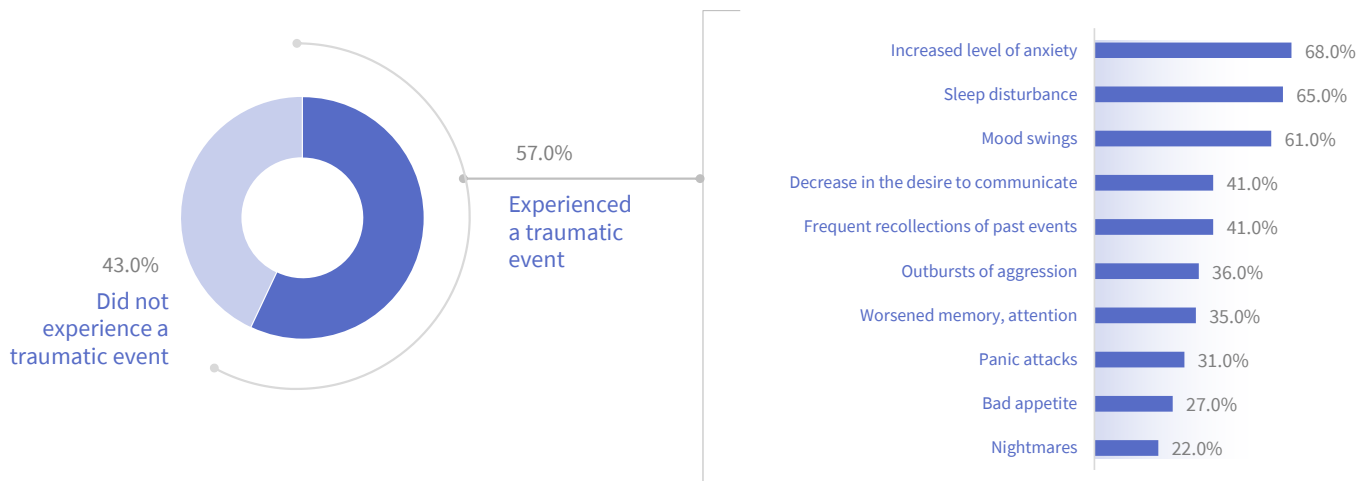
**65.5%**

share of Ukrainians who have experienced a drop in monthly income<sup>1</sup>

The **majority of Ukrainians have not asked for psychological support** and are not planning to do so, even despite the continuous impact of stress on their mental health during the war. However, according to the estimations of the Ministry of Health of Ukraine, the **number of Ukrainians who will require psychological support in the future will increase to almost 15 million people**.

Almost 60% of Ukrainians **reported that during the last 6 months, they experienced a certain traumatic event** that affected them and their loved ones. This percentage is higher among women, residents of Eastern Ukraine, and people whose loved ones participated in hostilities during the war — 60%, 66%, and 72%, respectively. Most often, these people noticed such symptoms as increased levels of anxiety (68%), sleep disturbances (65%), and mood swings (61%).

## Share of Ukrainians experiencing traumatic events and existing syndromes as the result of war<sup>2</sup>



Despite the ongoing war, **almost 70% of Ukrainians have returned to their everyday activities in the new reality** (going to the cafe, buying new things, etc.), which helps to support the functioning of the economy by driving domestic demand. At the same time, almost 20% of people have financial difficulties due to the loss of a job or a decrease in salary.

?

**After the start of the war, were you able to return to your everyday activities in the new reality?<sup>1</sup>**

**37.7%**

Yes, because life must go on

**31.7%**

Yes, because I see this as an economic help to the country

Source: Kyiv Consulting analysis; Darnytsia website; Media overview

Notes: (1) Ukrainian population survey conducted by Kyiv Consulting, July-August 2022, n=1,000 respondents; (2) The research was performed by Gradus Research for Darnytsia pharmaceutical company, 1,000 interviews, men and women aged 18 to 60 living in cities with a population of 50,000 or more, 19-20 August 2022

# After the war, the majority of Ukrainians will grow better and stronger



Post-traumatic growth is a phenomenon that explains not only the processes of healing and adaptation after experiencing an acute traumatic event but also the processes of significant growth and development of the individual.

Post-traumatic growth explains why some people do not 'break down' psychologically after experiencing a trauma, but on the contrary, gain resources and strength to make a significant 'leap forward', to change their lives for the better.

## MARIIA MAKSYMCHUK

Psychologist

***Involvement during Russia's war against Ukraine:*** With the outbreak of Russia's war against Ukraine, she got involved in volunteer work by running online stress reduction and psycho-emotional support groups for adults. Also, in collaboration with the Vema Kids team, she conducted online neuropsychological practices for children to reduce stress, aimed at confirming that life goes on and that the war will end with our victory.

**In your opinion, is enough attention being paid to psychological education in Ukraine? What aspects of psychology do you see as priorities for research now?**

Over the past 10 years, psychological literacy of Ukrainians has increased significantly. However, of course, psychoeducation is something that should be in schools (as a separate subject), at selected enterprises, and in general hospitals. In my opinion, it would be extremely important to study the phenomenon of post-traumatic growth. This is a phenomenon that explains not only the processes of healing and adaptation after experiencing an acute traumatic event but also the processes of significant growth and development of an individual. Post-traumatic growth explains why some people do not 'break down' psychologically after experiencing a trauma, but on the contrary, gain resources and strength to make a significant 'leap forward', to change their lives for the better.

**More than half of Ukrainians need psychological support, and 44% of citizens are separated from their families. In your opinion, will the situation deteriorate in the future?**

Our psyche has a very high potential for self-healing and adaptation even in extremely difficult circumstances. Of those who do develop acute stress disorder or post-traumatic stress disorder, only a third will need the help of a psychologist or psychotherapist, and the rest will be able to cope on their own. Another issue is that Russia's war against Ukraine destroys many aspects of everyday life: families are separated, jobs are lost, and the usual quality of life deteriorates – these problems do not cause acute stress disorder or post-traumatic stress disorder, but significantly affect psychological well-being. From this point of view, psychological support will be useful for many Ukrainians who were affected by the war.

# IMPROVEMENT OF ACCESSIBILITY AND QUALITY OF EDUCATION ARE AMONG UKRAINE'S KEY PRIORITIES

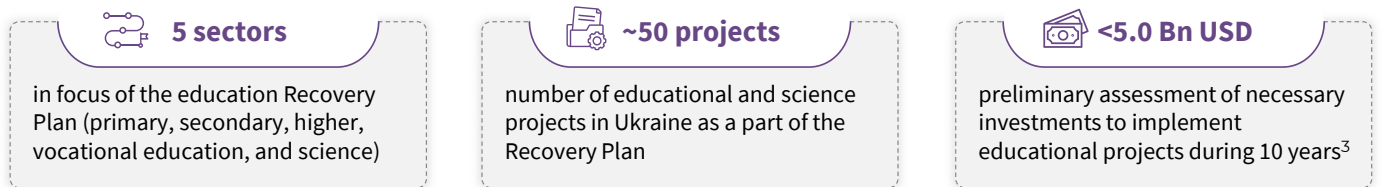
Before the Russian invasion, the key strategic priorities of the Ministry of Education and Science of Ukraine were the development of an inclusive, innovative, and educated society, as well as increasing the share of science-intensive GDP. However, the large-scale Russian invasion of Ukraine caused

some pressing issues in the field of education and science. The post-war Education Recovery Plan implies the continuation of the pre-war policy in the field of education and science, with a priority on its synchronisation in the educational and research areas of the EU.

## The concept of the post-war Education Recovery Plan<sup>1,2</sup>



### Key inputs



### Major educational reforms and priorities

- Ensuring equal access to quality education<sup>4</sup>
- Synchronising priorities, goals, and legislation to the European educational space
- Providing highly qualified and motivated pedagogical staff members
- Implementing an electronic educational passport
- Ensuring high-quality educational digital content
- Enabling quality research with efficient and modern scientific infrastructure
- Restoring and modernising GSE<sup>5</sup> institutions
- Aligning VET<sup>6</sup> system with the economic and labour market needs
- Providing educational institutions with proper funding

## OPINION CORNER

Anastasiia Yaroshenko

Talks about Education, Productivity, Gains, Funding Models, and Responsibility



Ukraine requires the creation of **private universities focused on solving real business cases and solutions** and **teaching modern professions**, as public higher education institutions are underfinanced. There is a **strong connection between the funding of higher education, labour productivity, and the state of the economy**. Every unit of currency invested in education is a huge multiplier for the economy. Today, many investments in higher education institutions come from businesses.

Source: The Ministry of Education and Science of Ukraine website; Ukraine Recovery Conference materials; Media overview  
 Notes: (1) A part of the National Recovery Plan 2022; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022, press releases of the Cabinet of Ministers of Ukraine; (3) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget; (4) For citizens abroad, internally displaced people, and those in the temporarily occupied territories; (5) General Secondary Education; (6) Vocational education and training

# STRATEGIC GOALS ACHIEVEMENT WILL TRANSFORM THE EDUCATION SYSTEM OF UKRAINE

Transformation of the education system of Ukraine aimed to **ensure high quality of education at all levels**, from early childhood and preschool education to higher and adult education. Reforms in the area of science were designed to stop stagnation in research activities and integrate the science of Ukraine into the European Research Area.

The policy of recovery and development of Ukrainian education and science in the post-war period determines **adult education and the improvement of citizens' skills and abilities as the key drivers of economic success**, individual well-being, and social cohesion in Ukraine. Setting favourable conditions for innovations will catalyse economic development.

## Key targets in the post-war recovery of the education system of Ukraine by 2032



**Primary education**

**15%**

increase in childhood and preschool education infrastructure<sup>1</sup>



**Secondary education**

**520**

PISA<sup>2</sup> maths score for Ukraine in secondary education



**Higher education**

**20 universities**

of Ukraine in TOP-1,000 QS World University Rankings<sup>3</sup>



**Vocational education**

**55%**

level of the attractiveness of vocational education for school graduates



**Science**

**12.8**

citation index of scientific articles as measured by citations / articles

## The future state of education and science in Ukraine



All institutions of improved **preschool systems** use the **updated State Standard and Educational Programme**.



The **updated content** of the educational and upbringing processes includes the **safety of living, defence of the homeland, and mental health**.



**Learning programmes adapted to modern challenges** due to the complete **implementation of the NUS<sup>4</sup> reform**.



The **increased attractiveness of VET<sup>5</sup>** among young people, while institutions are supported by sufficient **material and technical resources**.



Uniting **universities** into **powerful regional higher education centres** with a changed **governance system** and **financial autonomy**.



The field of **science and innovations** in Ukraine is built **based on best practices** and is **fully integrated into the global research space**.

Source: The Ministry of Education and Science of Ukraine website; Ukraine Recovery Conference materials; Media overview

Notes: (1) Innovative solutions, which optimise space in classrooms and expand the capacity of early childhood and preschool settings; (2) Programme for International Student Assessment; (3) The QS World University Rankings identifies the world's strongest universities by key eight indicators; (4) The New Ukrainian School is educational reform, providing changes according to the new National Primary Education Standard; (5) Vocational education and training

Future  
Investment potential

# UKRAINE OFFERS A RANGE OF PROJECTS IN THE EDUCATION SYSTEM FOR FOREIGN INVESTORS

**Support of international partners**, both governmental organisations and businesses, **will play a crucial role in the recovery of Ukraine's education system & science**. The country aims to receive assistance in order to **ensure sustainability in the field of education & science** during the war and in the post-war recovery period, as well as to **promote the implementation**

**of modern principles, approaches, practices, and tools**. On the other hand, **foreign organisations, businesses, and investors will benefit from the fast recovery processes**, particularly the development of an inclusive, innovative, and educated society that will result in a **competitiveness increase in the labour market of Ukraine**.

## Recent achievements of the ongoing education system transformation<sup>1</sup>

**7%**

of GDP accounted for education expenditures in Ukraine<sup>2</sup>

**15,000**

additional places in early childhood and preschool settings were created

**157**

general secondary education institutions were involved in piloting the new State Standard on BSE<sup>3</sup>

**48,000**

educational devices<sup>4</sup> for digital school programmes were covered by Google and UNICEF

**648**

inclusive resource centres were established for children with special educational needs

**156**

educational and practical vocational education & training centres were established

## Key investment areas in the education system during the recovery period



### Primary & Secondary education



**<3.5 Bn USD**

#### Key objectives

- Establishing **mobile education facilities and programmes** for learning gap compensations
- Modernising **flagship schools in regions**
- Improving the **professional development of teachers** and the financial **compensation model**



### Higher & Vocational education



**<1.2 Bn USD**

#### Key objectives

- Updating **IT programmes for TOP-5 universities** of Ukraine
- Expanding **financing in R&D and think-tanks creation** on a base of key universities
- Upgrading **vocational education**, including integration to IT innovation hubs



### Science



**<0.2 Bn USD**

#### Key objectives

- Ensuring a **performance-based grants system for researchers**
- Creating **Centres of Excellence (science parks)** in cooperation with the best international centres



Funding needs



## The primary necessity of higher educational institutions is digitalisation



We need a very significant digital transformation of our universities. It will help us get more resilient. When a university can no longer hold classes in person, because of infrastructure damage or its relocation from Ukraine's east to its western part, it is still able to continue lecturing, since its system is built online. This means you need to have LMS (Learning Management System). A good LMS example might be Canvas or Moodle or Blackboard.

### DR ROMAN SHEREMETA

Economist, Founding Member of Global Ukraine Foundation, Co-Chair of Ukrainian American House

***Involvement during Russia's war against Ukraine:*** Dr Roman Sheremeta holds an active social position supporting Ukraine. He develops initiatives on how to rebuild the country by strengthening its educational system and giving opportunities for business students to implement their business plans, and create start-ups to build new companies thereby being a part of this rebuilding process.

#### **In your opinion, what are the Top-3 priorities that should be addressed on the government level in order to preserve and strengthen the educational system of Ukraine?**

The number one priority is that we need to change the model of higher education. We need to move away from the Soviet Union-style Universities, where it was always from top to bottom. Where the Ministry makes all the decisions and the Universities have to follow the decisions, made by the Ministry. Instead, the universities must have freedom, as well as their own vision and mission, through which they would be competing with one another. That is the first thing that has to be done. There has to be a change, where you move from a top-bottom to bottom-up approach in the governance of universities. The second thing is that I do believe that we need a very significant digital transformation of our universities. It will help us get more resilient. When a university can no longer hold classes in person, because of infrastructure damage or its relocation from Ukraine's east to its western part, it is still able to continue lecturing, since its system is built online.

#### **What role can the American University Kyiv (AUK) play together with other Think Tanks to support the recovery of Ukraine?**

We have a couple of initiatives on their way already. The number one initiative is with Arizona State University. We have been in touch with half a dozen of prominent Ukrainian universities. We also have been in touch with big companies in the USA and with the US government. On top of that, we have been working with the Ministry of Education and the Ministry of Digitalisation. So, we got all of these different stakeholders to come together under the guidance of Arizona State University and American University Kyiv and put our proposal to do the digital transformation of all Ukrainian universities. It is a massive proposal, it is very expensive, but it is very much needed to transform our universities.

As we are taking the lead in that, I visited the Reconstruction Forum in Lugano and met with the Minister of Digitalisation, Mr Fedorov, as well as spoke with the members of Parliament, heading the committee of Science and Education.



## In the long term, Ukraine may lose its human capital



Children's education is one of the major reasons why Ukrainian families decide to leave the country or not return soon. Rebuilding and restoring educational infrastructure will take time and will require significant resources, but it will be critical to prevent us from having the lost generation. The long-term consequences of children's and young people's mental health are no less worrying. There is an extensive body of research on the negative impact of war on children's cognitive development and wellbeing, which is why establishing a robust mental health support system is a priority.

### OKSANA MATIASH

CEO, Teach For Ukraine

**Involvement during Russia's war against Ukraine:** After the full-scale invasion, Oksana Matiash and her team have stayed in Ukraine and continued teaching even after two of the network's schools were badly damaged. 'Teach for Ukraine' is now launching new projects with the support of UNICEF and the World Bank.

#### How did the war affect your organisation's operations, and what adjustments did you have to implement to continue your functions?

Teach For Ukraine have launched Emergency Response Projects to support children's mental health, help teachers to adapt to teaching in an emergency context, as well as provide academic support to displaced kids. Much of the team has fled their homes, and many individuals are volunteering to support the war effort. We are devastated to report that one of Teach For Ukraine's teachers, Yulia Zdanowska, was killed by shelling in Kharkiv on 3 March while providing humanitarian aid to residents. A gifted mathematician and a talented computer scientist, she was only 21 years old.

Currently, 'Teach For Ukraine' is working on a post-crisis plan. Even in best-case scenarios, Ukraine's school system faces enormous challenges, including significant damage of schools' infrastructure, population-wide trauma and loss of thousands of teachers. 'Teach For Ukraine' anticipates playing a central role in addressing challenges posed to Ukrainian children. We will need significant support from partners to execute our recovery plans.

#### What are the main challenges that Ukrainian schools face in the context of relocation of staff and children, both within Ukraine and abroad?

The large-scale war against Ukraine has had a devastating impact on children's education. The war has forced more than 640 thousand Ukrainian schoolchildren to flee Ukraine to neighbouring countries, with only 30,000 coming back. This means that 15% of Ukrainian learners are still abroad. So far, this has been the most significant disruption to the education of children in the history of independent Ukraine. The large-scale war immediately shut down all schools. Children are forced to live with the constant risk of shelling, accompanied by the air raid sirens that cause many kids to suffer from severe trauma and fear about their present and future. Although approximately 3.7 million children have accessed some form of online learning since the beginning of the war, the effectiveness of such learning is questionable. It is especially true for thousands of Ukrainian children who spent weeks, if not months living in bomb shelters. Many have lost at least five months of school time, which may result in substantial learning losses.



## Ukraine will need more cyber security specialists, engineers, and military



Over the past 20 years, the job market has changed and is going to transform even faster. On its website, Forbes magazine has recently published the most demanded skills and abilities for the next 10 years. They include digital literacy, data literacy, critical thinking, emotional intelligence, creativity, collaboration, flexibility, leadership skills, time management, curiosity and continuous learning. Currently, even numerous military experts note these skills with the Ukrainian armed forces, which explains their success on the battlefield.

### DR LESIA BARANOVSKA

Chair of the Sectoral Expert Council (Mathematics and Statistics) at NAQA; Programme Director at Institute for Applied System Analysis (National Technical University of Ukraine 'Igor Sikorsky Kyiv Polytechnic Institute')

**Involvement during Russia's war against Ukraine:** Dr Lesia Baranovska highlights the war in Ukraine and gives comments to analytical reports issued by international experts on strategic issues. In addition, she writes an author's column on social networks dedicated to issues of the quality of higher education and prospects of its development in Ukraine.

**The COVID-19 pandemic and, subsequently, the war made many Ukrainians shift to online learning platforms. Do you think that online learning is as effective as face-to-face?**

Online learning can become effective under several conditions. First of all, it is necessary to increase the digital literacy of teachers with the help of various professional development courses. Second, universities need to have both material and technical capabilities for the introduction of high-quality distance education. According to licensing conditions, a licensee must comply with the requirements for staff, as well as educational and methodological support, ensure creation and functioning of the management system for a such distant mode of learning, as well as for web resources of educational components. Therefore, it is now relevant for higher education institutions to create their own remote learning platforms and fill them with high-quality content. Just like Stanford has once created its 'Best Start-up 2012', 'Coursera', the National Technical University of Ukraine 'Igor Sikorsky Kyiv Polytechnic Institute', created its online learning platform.

**International trends in the applied and social sciences get changed. In your opinion, what specialties are now most in demand, and which ones are going to be in the coming years?**

Over the past 20 years, the job market has changed and is going to continue to transform even faster. On its website, Forbes magazine has recently published the most in-demand skills and abilities for the next 10 years. They include digital literacy, data literacy, critical thinking, emotional intelligence, creativity, collaboration, flexibility, leadership skills, time management, curiosity and continuous learning. Now, even numerous military experts note these skills with the Armed Forces of Ukraine, which explains their successes on the battlefield. According to projections of the US Bureau of Labour Statistics, from 2020 to 2030, the aggregate rate of job creation will be 7.7%. I believe that now Ukraine will need professionals in such areas as IT (in particular, cyber security specialists), labour services, such as construction, healthcare, 3D architecture, engineering, Big Data analytics, as well as various military activities.

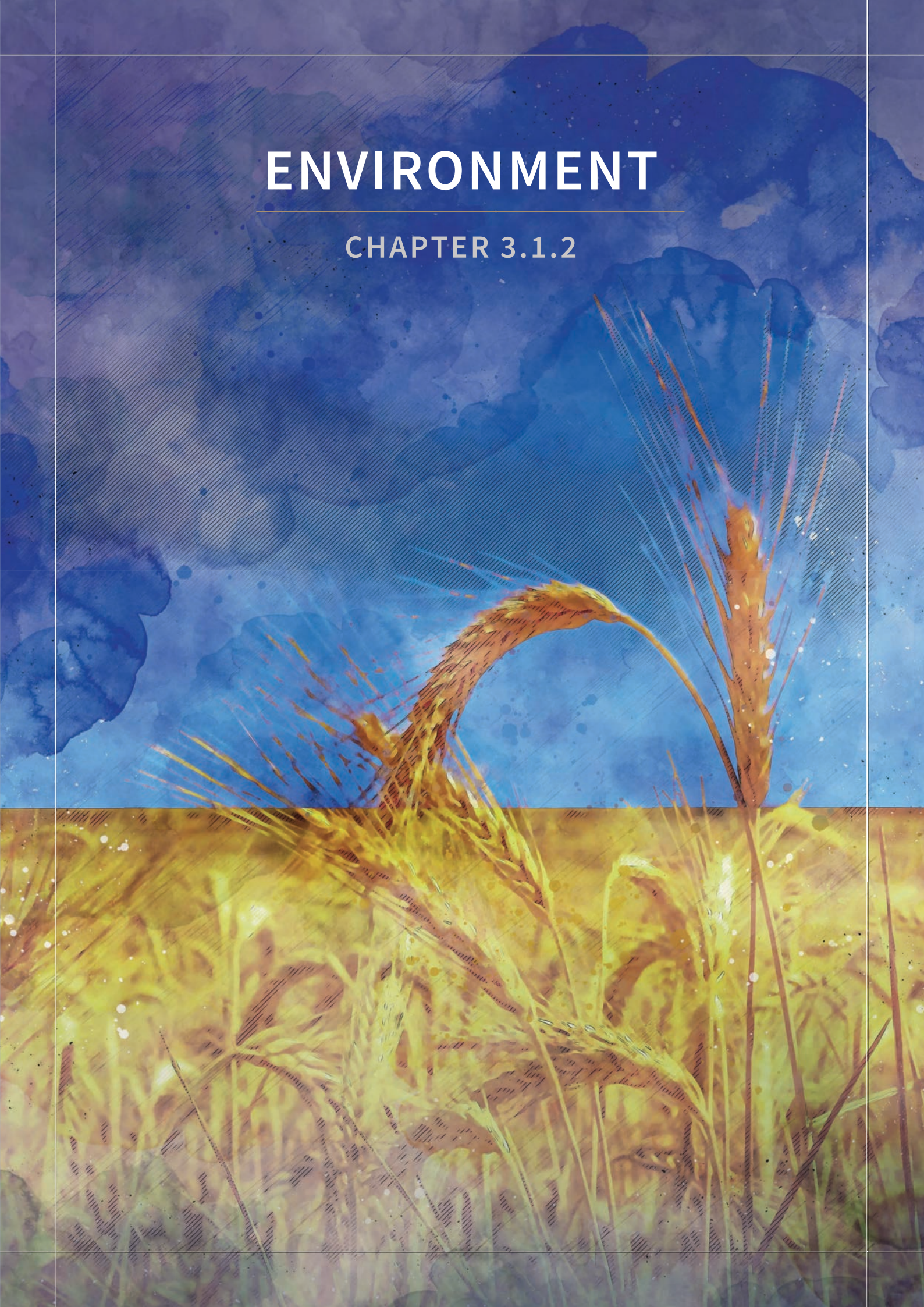




# ENVIRONMENT

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## CHAPTER 3.1.2



# ENVIRONMENT

**Vision:** Ukraine integrates the environmental component as a crucial basis for social and economic recovery. In the future, Ukraine chooses to become a green, safe, and prosperous country.



## Environment: predictions for selected areas



**Environmental policy**



**Climate change**



**Sustainability development**


**26.6 Bn USD**

# IN THE RECOVERY PLAN, THE ENVIRONMENT PLAYS ONE OF THE KEY ROLES IN REBUILDING UKRAINE

Before the beginning of the war, Ukraine had developed an environmental policy that defined targets and established instruments to ensure its **transition towards sustainable development**. However, the Russian invasion of Ukraine forced the government to focus mainly on the issues of social security


and the war economy. Still, according to the National Recovery Plan developed by the National Council for the Recovery of Ukraine from the War, **Ukraine is committed to continuing the development of a clean and safe environment**, as well as the integration of its environmental policy with the EU.

## The concept of the post-war Environmental Recovery Plan<sup>1,2</sup>



**Duration:**

**2022-2032  
(10 years)**



**Strategic goal:**

**Clean and safe environment**

### Key inputs



**211 experts**

number of leading national and international specialists who joined the working groups



**76 projects**

number of environmental protection projects in Ukraine that are part of the Recovery Plan



**26.6 Bn USD**

preliminary assessment of necessary investments in environmental projects during 10 years<sup>3</sup>

### Major environmental reforms and priorities

- 1** Developing integrated climate policy
- 2** Implementing complex system of environmental monitoring
- 3** Improving environmental safety (chemical and radiation)
- 4** Creating effective waste management system
- 5** Enhancing environmental control and liability
- 6** Improving state management of environmental protection
- 7** Improving industrial pollution regulation
- 8** Ensuring sustainable use of natural resources
- 9** Ensuring effective management of nature protected areas

## OPINION CORNER

**Larysa Herasymenko**  
Talks about Sustainability, Waste Management, Regulations, and Standards



Ukrainian authorities recognise the importance of post-war reconstruction of the country, grounded on principles of **sustainable development**. On 20 June 2022, the Verkhovna Rada adopted the draft law No. 2207-1-d (pending president's signature to be enacted) '**On Waste Management**'. It will establish conditions for building **up-to-date waste processing infrastructure in Ukraine** based on European standards and an 'open borders' approach to investors. The law is also supposed to **strengthen the responsibility of producers of recyclable materials**, as well as **introduce a European hierarchy of waste management**.

Source: The Cabinet of Ministers of Ukraine website; Ecopolitic website; Ukraine Recovery Conference materials  
Notes: (1) A part of the National Recovery Plan 2022; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022, press releases of the Cabinet of Ministers of Ukraine and articles of the experts in the field of environment; (3) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget

# UKRAINE HAS THE POTENTIAL TO REACH AMBITIOUS TARGETS IN SUSTAINABLE DEVELOPMENT

The implementation of post-war recovery initiatives, along with other environmental policy measures that have been started before the beginning of the war, is aimed at ensuring **the social-economic development of Ukraine according to the principles of sustainability and green transition.**

The future of the environment in Ukraine will be reshaped **towards energy and resource efficiency, preservation of natural ecosystems, and effective waste management.** This transformation will allow the country to progress in achieving sustainability targets and follow the EU green agenda.



## Selected commitments of Ukraine in the field of sustainability by 2032<sup>2</sup>



Since the Russian invasion of Ukraine is still ongoing<sup>3</sup>, the quantitative estimates of the target indicators are **conditional and depend on the scenarios of post-war economic recovery.** However, these targets remain relevant for the environmental policy of Ukraine, even despite the possible delays in their achievement.

**142**   
waste management facilities in the country are put into operation

**>60%**   
increase in trust to an environmental control system is achieved

**10**   
protected areas following European best practices are organised



# THE ENVIRONMENTAL RECOVERY OPENS UP A RANGE OF OPPORTUNITIES FOR FOREIGN PARTNERS

## Possibilities for the support of environmental recovery in Ukraine<sup>1</sup>

International partners have a number of **opportunities for contributing to the recovery of the environment in Ukraine** with their profound expertise in green projects and sustainability initiatives. This support will allow Ukraine to significantly speed up the transition to a clean and safe environment, as well as successfully synchronise its environmental agenda with the EGD.

 <p><b>Provide technical support</b> to the Government of Ukraine in building the architecture of climate governance to ensure an effective green transition</p>	 <p><b>Make investments</b> in green recovery projects in Ukraine (incl. waste management, green modernisation, biodiversity protection etc.)</p>	 <p><b>Create equal opportunities</b> for Ukraine as a partner of Europe in the access to financing, knowledge, and markets</p>	 <p><b>Deliver financial and other support</b> in overcoming the consequences of the war (incl. demining of territory, overcoming pollution etc.)</p>
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## Major investment opportunities in the field of environmental recovery of Ukraine<sup>1,2</sup>

<p><b>Ecological modernisation of industrial enterprises</b></p>  <p><b>10 Bn USD</b> funding needs</p>	<p><b>Description</b></p> <p>The project implies the green modernisation of installations with innovative technologies at various industrial enterprises in Ukraine. The number of such installations has not been disclosed publicly yet.</p>	<p><b>Expected results</b></p> <ul style="list-style-type: none"> <li>Reduction of greenhouse gas emissions by 10 times</li> <li>Implementation of the Directive 2010/75/EU3</li> <li>Improvement of energy and ecological indicators</li> </ul>
<p><b>Development of waste management infrastructure</b></p>  <p><b>8 Bn USD</b> funding needs</p>	<p><b>Description</b></p> <p>The project offers a wide range of opportunities (&gt;100 planned objects) for the restoration or construction of waste management facilities in Ukraine, such as waste-to-energy facilities, waste processing plants, etc., as well as the development of the recycling ecosystem in the country.</p>	<p><b>Expected results</b></p> <ul style="list-style-type: none"> <li>Creation of a network of waste sorting stations</li> <li>Creation of new jobs</li> <li>Solution of the waste management problem</li> </ul>

Except for the Top-2 projects, the Environmental Recovery Plan also includes up to 20 smaller **investment opportunities in other areas** (preservation of landscape and protection of biodiversity, balanced use of natural resources, ecological safety, etc.) with the **aggregated funding needs of about 2 Bn USD**.

<p><b>Development of 15 wildlife crossings on migration routes</b></p>  <p><b>66 Mn USD</b> funding needs</p>	<p><b>Development of nine forest seed centres</b></p>  <p><b>16 Mn USD</b> funding needs</p>
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Source: Ukraine Recovery Conference materials

Notes: (1) A part of the National Recovery Plan 2022; (2) For the full list of potential investment projects, please refer to the National Recovery Plan of Ukraine;

(3) The Directive on Industrial Emissions



## The war has also almost annulled the environmental agenda of the country



Ukraine must develop a national Biodiversity strategy and implement it to achieve the protection of 30% of Ukrainian territory through the Emerald network law implementation on our way to EU environmental legislation approximation.

Such an approach will engage the public in management planning and allocate funding to proper natural resources management and restorations for the benefit of local communities and each Ukrainian.

### DR BOHDAN VYKHOR

CEO, WWF Ukraine

***Involvement during Russia's war against Ukraine:*** Bohdan and his team actively assess the environmental impact of the war in Ukraine, raise the issue of environmental safety, and call for recognition of the crucial role that nature and clean technologies must play in ensuring sustainable recovery from the war.

#### **How do you see the environmentally friendly and climate neutral recovery of Ukraine?**

Ukrainian post-war reconstruction efforts must enable and promote building back better and, through this, support Ukraine's fulfilment of its international commitments and harmonisation with EU regulations (*acquis communautaire*), including the EU's Green Deal requirements and further best available policy implementations. The investment must take into account evolving challenges, including climate change, as well as growing challenges related to water and food security, as well as loss of biodiversity and ecosystem services. For example, the reconstruction of urban areas should take into account climate adaptation, energy efficiency and renewables. Nature-based solutions (NBS) should be considered for agricultural lands, water and forest management. Ukraine's rich natural resources are not inexhaustible and cannot be considered a source of rapid recovery and quick economic benefits after the war. Instead, investments should be made to create a system of wise use and successful management, to ensure sustainable development of all sectors.

#### **What actions should be taken by Ukrainian society to reduce the impact of war on biodiversity?**

The Ministry of Environment and Natural Resources of Ukraine, WWF-Ukraine, scientists, and other civil society organisations participated in creating the draft of the Biodiversity Strategy for Ukraine till 2030 based on 'EU Biodiversity Strategy for 2030: Bringing nature back into our lives'. Unfortunately, due to the war, work on the strategy has been frozen. Its purpose is to ensure monitoring of the state of biodiversity in Ukraine as a basis for balanced management decisions; implement the concept of ecosystem services; form a comprehensive approach to species conservation, and fulfil international obligations regarding biodiversity conservation. It will become the basis for all decisions in the field of nature conservation and will correspond to the Convention on the Protection of Biological Diversity, the EGD, and other MEAs. In the long-term perspective, the strategy will provide an algorithm for creating environmental security. Another crucial issue which should be part of the Biodiversity strategy is legislation enabling the conservation of unique nature pieces of Ukraine — the Emerald Network law.



## Green transition in Ukraine is now put on hold



By the end of 2022, the government wants to implement the EU environmental and climate standards into national legislation, but the feasibility of these reforms remains unclear. For example, shortly after the break of hostilities, the government adopted a series of deregulation initiatives, such as temporary suspension of all kinds of report submission, permission to import trucks, buses and special machinery with lower environmental requirements etc. It means that at least this year, there will be no verified data for greenhouse gases emission and green transportation reform is delayed, which is also caused by Russian blockade of Ukraine's ports.

### OLGA BOIKO

Coordinator of the Committee for Industrial Ecology and Sustainable Development of the European Business Association (EBA)

***Involvement during Russia's war against Ukraine:*** Olga actively participates in the recovery plan of Ukraine, launched by the National Council for the reconstruction of Ukraine. She contributes to development of 'Environmental safety', pursuing solutions aimed at solving urgent and long-standing environmental problems.

#### **How will the war impact Ukraine's green transition and the alignment of its environmental policy with the European Green Deal?**

Ukraine has always been supportive of the EU green transition ambitions to become the first carbon-neutral continent, according to the European Green Deal.

In 2021, several significant steps to the decarbonisation of the economy were made. For instance, Ukraine has adopted the Second Nationally Determined Contribution under the Paris Agreement to reduce its greenhouse gas emissions by 65% by 2030 from the 1990 levels. This target is more ambitious than the previous one and even more than the commitments undertaken by the EU and other developed countries.

Russian invasion has set back the efforts in our fight against climate change for decades. Green transition is now put on hold as state defence, energy security, supply chain restoration and support of people in need are among Ukraine's priorities for the coming years.

#### **What are the major steps that should be taken by the Ukrainian society (government, NGOs, people, businesses) after the end of the war to return Ukraine on the path to climate neutrality?**

Ukraine will not be able to reach its climate neutrality without external financial support. The international community must join forces to not only defeat the aggressor state, but to meet the climate neutrality target of the continent by implementing the following 7 principles:

1. Ukraine must be excluded from the EU carbon border adjustment regulation
2. Reconstruction must be energy-efficient and consider principles of the circular economy
3. The regulation of the electricity market must be changed
4. Accessible financing is vital for climate-neutral recovery
5. International private investment must be protected from political risks
6. Enhancing resilience to climate change by ecological restoration is needed
7. Post-war recovery does not tolerate overregulation





# ECONOMY

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## CHAPTER 3.1.3



# ECONOMY

**Vision:** Ukraine will be a developed digital economy oriented on high value-added sectors, with effective infrastructure, efficient finance & banking sector, and an attractive business climate.



## Economy: predictions for selected areas



**Infrastructure: modernisation of housing & social infrastructure**

**257.0 Bn USD**



**Value-added sectors: agriculture, manufacturing, energy, transport, & IT**

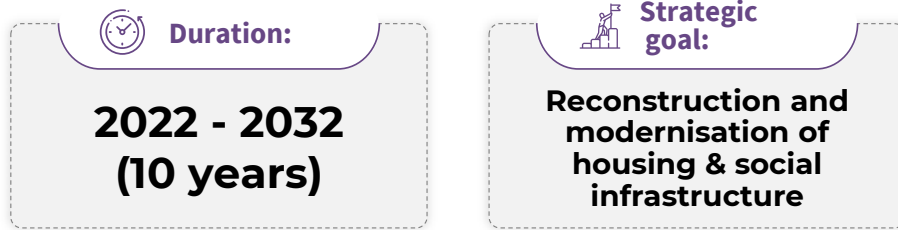
**330.8 Bn USD**

# RECONSTRUCTION OF HOUSING AND SOCIAL INFRASTRUCTURE IS ONE OF THE TOP PRIORITIES

Ukrainians' well-being was heavily shattered, as nearly **17 million people were forced to leave their homes due to the war in Ukraine**. Now, it has become one of the **top priorities** for Ukraine

to provide its people with **new housing & other social infrastructures**, such as **schools, kindergartens, hospitals, parks, sports & recreation facilities**, and more.

## The concept of the post-war housing & social infrastructure recovery



### Key inputs



## Major housing & social infrastructure reforms and priorities<sup>2,3</sup>

- 1** Building urgent temporary living infrastructure<sup>4</sup>
- 2** Launching social housing programmes
- 3** Restoring and modernising damaged buildings and spaces
- 4** Creating urban plan cadastre at the state level
- 5** Constructing net-zero self-sufficient homes, social spaces, and buildings
- 6** Implementing construction assessment and verification processes under the EU rules
- 7** Renewing the damaged social infrastructure
- 8** Improving life-support systems in houses and social buildings
- 9** Creating special advantages programmes for private investors

## OPINION CORNER

**Dr Yevheniya Zhorova**  
Talks about Security, Regulations, Housing & Social Infrastructure



The new construction regulations in Ukraine should provide **increased security in all social infrastructure facilities**. It implies the **adoption of the world's good practices** in this sphere, e.g., the adaptation of **premises for sheltering**, including their easy accessibility, the provision of **secure rooms on floors**, the presence of firewalls, and the prevention of the over-compaction of buildings. We should **establish a new set of requirements for the developers** that will be able to help save lives in dangerous circumstances.

Source: Ukraine Recovery Conference materials  
Notes: (1) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget; (2) Elements of the National Recovery Plan 2022; (3) Based on the analysis of materials of the Ukraine Recovery Conference 2022, press releases of the Cabinet of Ministers of Ukraine, and articles of the experts in the field of regional development; (4) Converting non-residential buildings into residential

# UKRAINE HAS CONCRETE TARGETS TO ACHIEVE BY 2032 IN THE AREA OF INFRASTRUCTURE

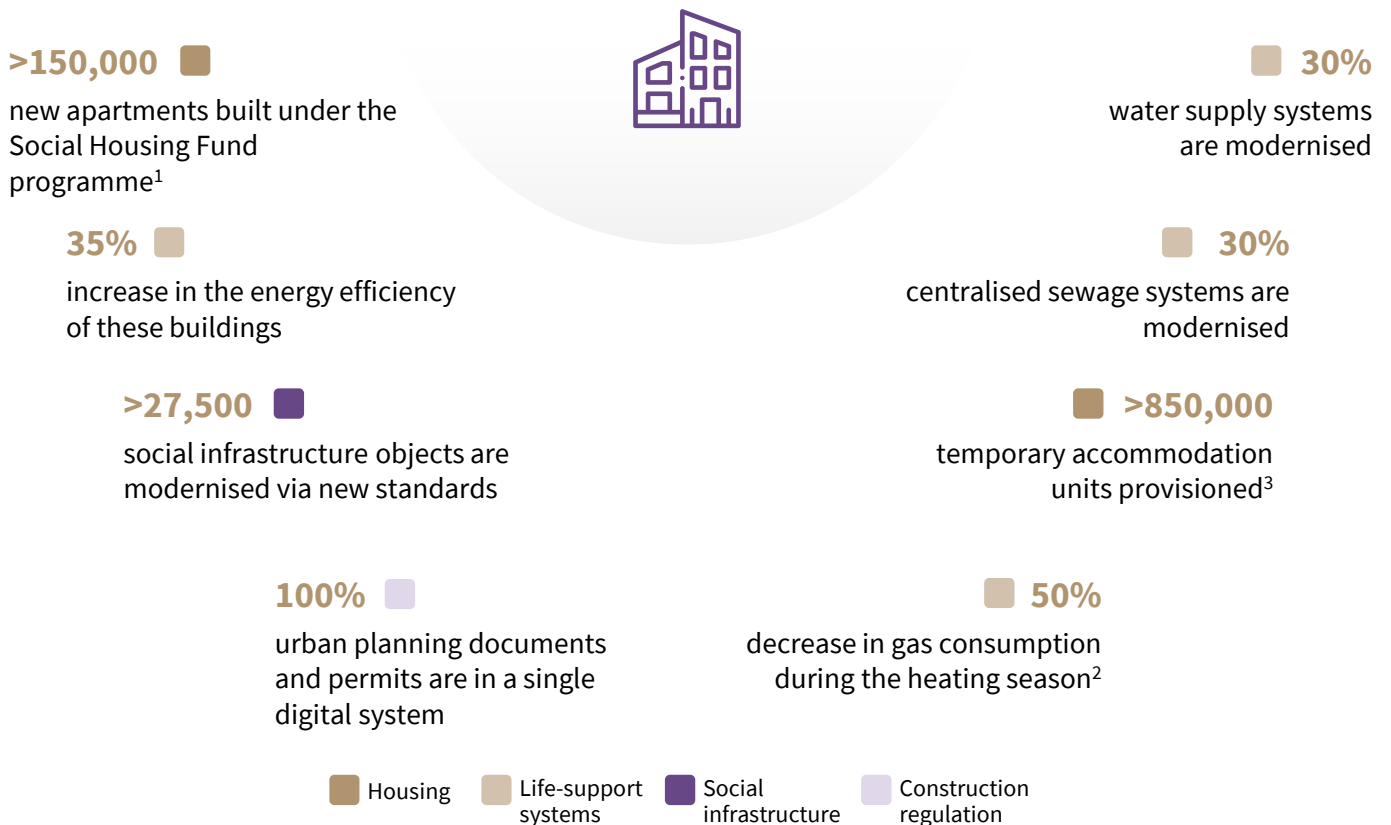
Ukraine plans to attract **billions of dollars** in **critical social infrastructures**, like **schools, kindergartens**, with inclusiveness and high energy efficiency that would provide convenient public services to all of Ukraine's people. **The implementation of transparent construction practices** and the development of ambitious **real estate projects will help** Ukraine not only provide

**displaced people with temporary accommodation** (until the end of hostilities in the front-line regions) but also build **new, fully upgraded houses and apartments**. It will also help make investment practices more transparent, leading to an increase in the number of newly attracted **real estate and infrastructure investors from abroad**.

## The future vision of housing & social infrastructure in Ukraine



## Key targets of housing & social infrastructure reforms by 2032



# MULTIPLE PROGRAMMES ARE CREATED TO ATTRACT INVESTORS TO HOUSING RECOVERY PROJECTS

## How investors can support Ukrainian housing & social infrastructure reconstruction efforts

**International investors** have the opportunity to become **long-term partners** with Ukraine through investing in the recovery programmes of the Ukrainian **real estate sector**, especially in housing & social infrastructure.

**Grant programmes** for investors will **highlight their brand images** while **investments** are paid off, as the Recovery Plan would be **financially supported** by Ukrainian **partners** worldwide.

### Selected initiatives to consider



#### Public-Private Partnership agreements

Government mechanism to attract private sector funds for renovation



#### Credit programmes from IFI<sup>1</sup>

Credit funds to the state and communities for living & social infrastructure projects



#### Direct complex grant programmes

Grant funds for NGOs and regional development agencies



#### United24 initiative

Crowdfunding initiative aimed at rebuilding Ukraine



#### Municipal bonds

Attracting financing via the issuance of bonds for development plans



#### Green finance instruments

Finance instruments for investing in energy-efficient projects

## Major housing & social infrastructure investment focus areas in Ukraine<sup>2,3</sup>

### Modernising housing and life support infrastructure



**91 Bn USD**

The project aims to attract **42 Bn USD** financing for **water** and **wastewater management system modernisation** that is expected to lead to optimisation of **water consumption** by the households. In addition, about **45 Bn USD** will be invested in the **modernisation** and **repair** of housing infrastructure.

### Rolling out energy efficiency and district modernisation



**90 Bn USD**

The **residential energy efficiency programme** aims to **reduce** the **consumption of gas** and **electricity due to thermal modernisation**. Moreover, the program considers up to **1 Bn USD** investments in the **localisation** of material production in the **construction industry**.

### Providing temporary and building new housing



**41 Bn USD**

The program aims to attract **31 Bn USD** for the **new housing infrastructure** that will be developed in line with the best urban planning practices. In addition, **10 Bn USD** is expected to be spent on **temporary housing provision** via the conversion of non-residential buildings into residential.

### Rebuilding damaged social infrastructure



**35 Bn USD**

**Social infrastructure** projects aim to collect nearly **4 Bn USD** for the **renewal** of **damaged** infrastructure. About **29 Bn USD** would be invested in **upgrading** buildings, with a focus on inclusiveness and new construction standards. Up to **1 Bn USD** is expected to be invested in the **development of youth spaces**.



Funding needs

# REAL ESTATE MARKET CAN ACHIEVE SOLID GROWTH IN CASE OF RESILIENT FUNDING PROCESSES

As of July 2022, Ukraine estimates the need for approximately **18.4 million m<sup>2</sup> of new housing** to be built due to the destruction of Ukrainian. Apart from new housing, major **restoration** is required for **23.6 million m<sup>2</sup>** of housing. The goal to construct the new real estate in such volumes is ambitious for both Ukraine and its partners and will take years to achieve. However, rebuilding housing and other social

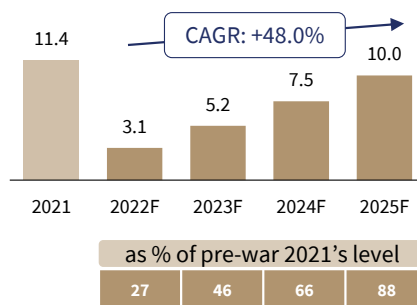
infrastructures is one of the **priorities for the Government of Ukraine**; hence, the **recovery pace** of the construction industry might be **higher** than the total economy of Ukraine. **The strong financial support of partners and EU regulations will drive the recovery of the real estate industry.** Within the estimated high-growth scenario<sup>1</sup>, the plan to build 18.4 million m<sup>2</sup> of new housing might be met in 2025.

## Scenarios and the main underlying assumptions

### High growth

**Assumptions:** War ends in the **first half of 2023**. Ukraine **successfully implements EU construction regulations**, the economy shows indications of **rapid recovery**, and **supply chain** disruptions in the construction industry are limited. Ukraine gets full **100%** support to build **18.4 million m<sup>2</sup> of housing**<sup>1</sup>.

## New housing construction in Ukraine, million square meters



## Scenarios' expected results



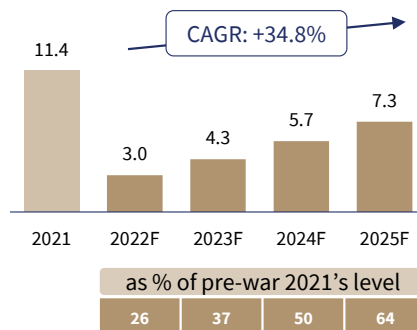
by 2026



by 2026

### Sustain

**Assumptions:** War ends by the end of **2023**. The **EU construction regulations take a longer time to implement**. **Supply chain** and logistic problems cause delays, making construction more expensive. **Medium-growth** scenario assumes **60%** of financial support for housing.



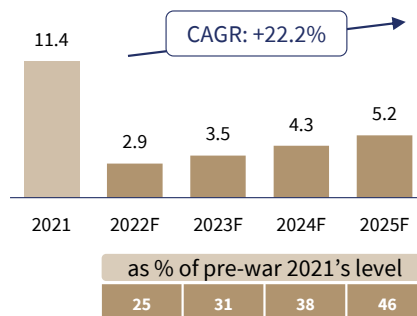
by 2028



by 2027

### Lagging

**Assumptions:** War lasts **over 2023**. Construction **regulatory issues cause an increase in bureaucracy**. The industry receives **lower than expected financial support** to recover. The low-growth scenario assumes that Ukraine gets **30%** of financial support for targeted housing construction.



after 2030



by 2027



The housing construction pace might reach the pre-war level



18.4 million m<sup>2</sup> of new housing might be built, excluding new housing that was already in the pipeline<sup>2</sup>



## Ukraine has a high potential for smart cities' development



Ukrainian cities can become more open to innovations. We have great IT specialists and architects who could offer innovative solutions for cities — especially in the field of smart and safe environment technologies, digital service systems and urban planning.

Thus, Ukraine can become a global pilot project in creating a new type of smart and safe urban areas, separate settlements for citizens who have lost their permanent housing as a result of war or natural disasters. Emphasis will be placed on digital security and mobility technologies, new construction technologies, and environmental standards.

### DR VICTORIYA PODGORNA

Member of Parliament of Ukraine

***Involvement during Russia's war against Ukraine:*** Dr Victoriya Podgorna takes an active social position by raising awareness of Russia's war against Ukraine in media, emphasising domestic and foreign political factors that will have the most impact on the course and end of Russia's war against Ukraine, as well as the importance of Ukraine obtaining the status of a candidate for membership of the EU.

#### **What are the main concepts that will drive the post-war cities' reconstruction and development in Ukraine?**

It is very important not just to restore destroyed Ukrainian cities, but to establish a new urban trend. This war puts an end to a long period of the dismantling of the Soviet heritage. Most Ukrainian cities were designed for industrial development, rather than as an environment for communities and citizens. As a result, after the collapse of the USSR, Ukrainian cities found themselves in a major crisis - instability, low quality of services, problems with ecology, chaotic construction and planning of urban development, high resource intensity of cities (consumption of energy, heat, water, space). The war showed the acuteness of problems with the security of cities - the lack of bomb shelters, protection of cities from air strikes, operational warning systems, uninterrupted functioning of infrastructure, etc. Therefore reconstruction must ensure the necessary level of safety and quality of life with the help of innovative technologies and approaches to city management.

#### **What are the first candidates in Ukraine to become smart cities after reconstruction, and what is the expected time horizon?**

Even before the war, dozens of cities and communities implemented smart city technologies and concepts. Kyiv, Dnipro, and Kharkiv were the leaders among Ukrainian cities. Most of the cities actively carried out processes of digitisation of city services and created smart city and infrastructure management systems. After the war, these processes will accelerate. Because the concept of a smart city is the best approach to ensure greater sustainability of cities, quality of life and safety, and effective management.

After reconstruction, Kharkiv has a chance to become one of the smartest cities in Ukraine, where it will have to restore a significant part of housing and infrastructure. It should be done on the basis of the most modern approaches and technological standards. However, such reconstruction will take at least 10 years.



# AGRICULTURE IS A PRIORITY SECTOR FOR FURTHER REFORMS DUE TO ITS HUGE GROWTH POTENTIAL

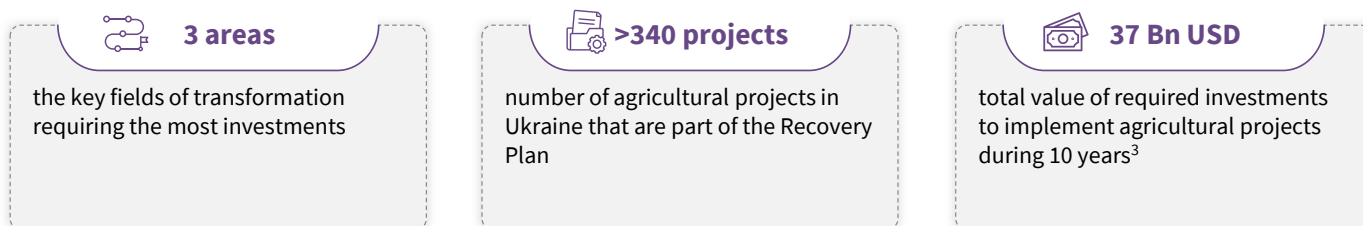
With each year of independence, Ukraine has been strengthening its position as one of **the most important producers of agricultural products** in the world, playing a leading role in ensuring global food security. Since the Russian invasion of Ukraine, almost **the entire agricultural sector in the country has been at risk**, with the sowing

campaign and seaport blockade being the most pressing issues. **Agriculture is one of the most prioritised sectors** covered by the National Recovery Plan, with a key focus on the **development of processing**, an increase in the export share of **value-added products**, and the **modernisation of agricultural infrastructure**.

## The concept of the post-war Agriculture Recovery Plan<sup>1,2</sup>



### Key inputs



### Major agricultural reforms and priorities

- 1 Increasing volumes of agricultural processing
- 2 Growing production of agricultural products with high added value
- 3 Improving meat and dairy production and processing
- 4 Constructing irrigation systems to boost productivity
- 5 Promoting transition of the agri-food sector to 'green' growth
- 6 Restoring agricultural companies and recultivating damaged land

## OPINION CORNER

**Anatolii Denysenko**  
Talks about Economy, Agriculture, Sustainability, and Innovations



Currently, the Ukrainian agricultural sector faces two important tasks: **short-term – demining and reclamation of affected lands, and medium / long-term task – the active implementation of the European Green Deal (EGD)** within the agriculture sector. Given the wide range of areas covered, it will have a significantly positive impact on Ukraine's trade and economic cooperation with the EU.

Source: The Ministry of Agrarian Policy and Food of Ukraine website; Ukraine Recovery Conference materials

Notes: (1) A part of the National Recovery Plan 2022; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022, press releases of the Cabinet of Ministers of Ukraine, and articles of the experts in the field of agriculture; (3) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget


# ONGOING SECTOR TRANSFORMATION ENSURES A SUCCESSFUL FUTURE FOR UKRAINIAN AGRICULTURE

The successful transformation of Ukrainian agriculture aimed to produce a **greater variety of high-value-added products** will strengthen domestic production and make a positive impact on global food security. By 2032, agriculture is expected to account


for **>18% of the Ukrainian GDP** and provide over **188,000 jobs**. The processed products are projected to comprise **more than 12 million tonnes** of Ukrainian export potential, while **export earnings** per conditional tonne of raw materials — will **increase by 40%**.

## Key targets of agricultural projects and reforms by 2032

### Improvement of agricultural products processing

 **6 million tonnes** of starch and lecithin is processed from corn

 **5 million tonnes** of flour is processed from wheat

 **3 million tonnes** of oil and meal is processed from soybeans and rapeseed

 **3 million tonnes** of horticulture, berry, and nuts products obtained from cultivation and processing

### Development of agricultural infrastructure

**Development of land reclamation** through the restoration and construction of new reclamation systems

**1 million ha** is covered by newly constructed irrigation systems and other supporting infrastructures

**10 grain storages** with a total capacity of 100 thousand tonnes are constructed

### Increase of livestock breeding capacities

#### Increase in meat and dairy production

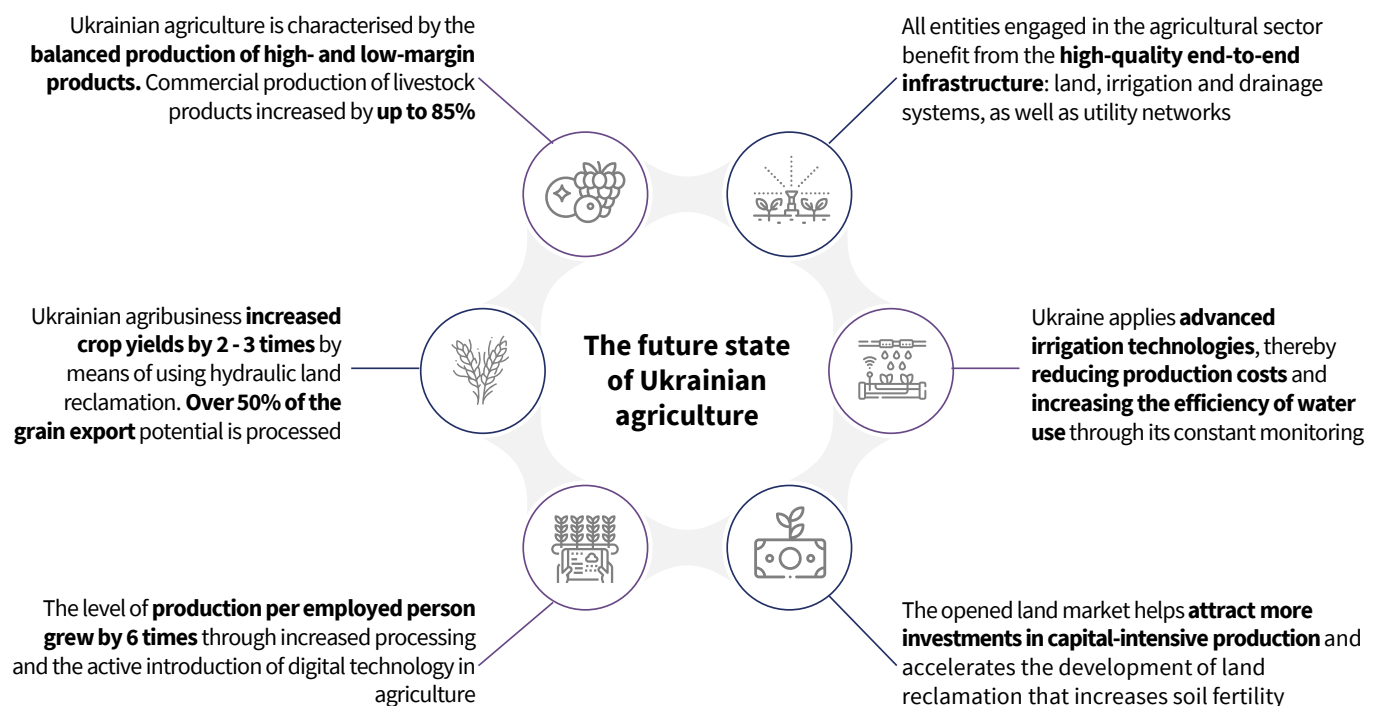
 Pork — by **480,000 tonnes** or 64%

 Beef — by **160,000 tonnes** or 59%

 Poultry — by **500,000 tonnes** or 36%

 Eggs — by **7 billion tonnes** or 50%

 Milk — by **~2 million tonnes** or 20%

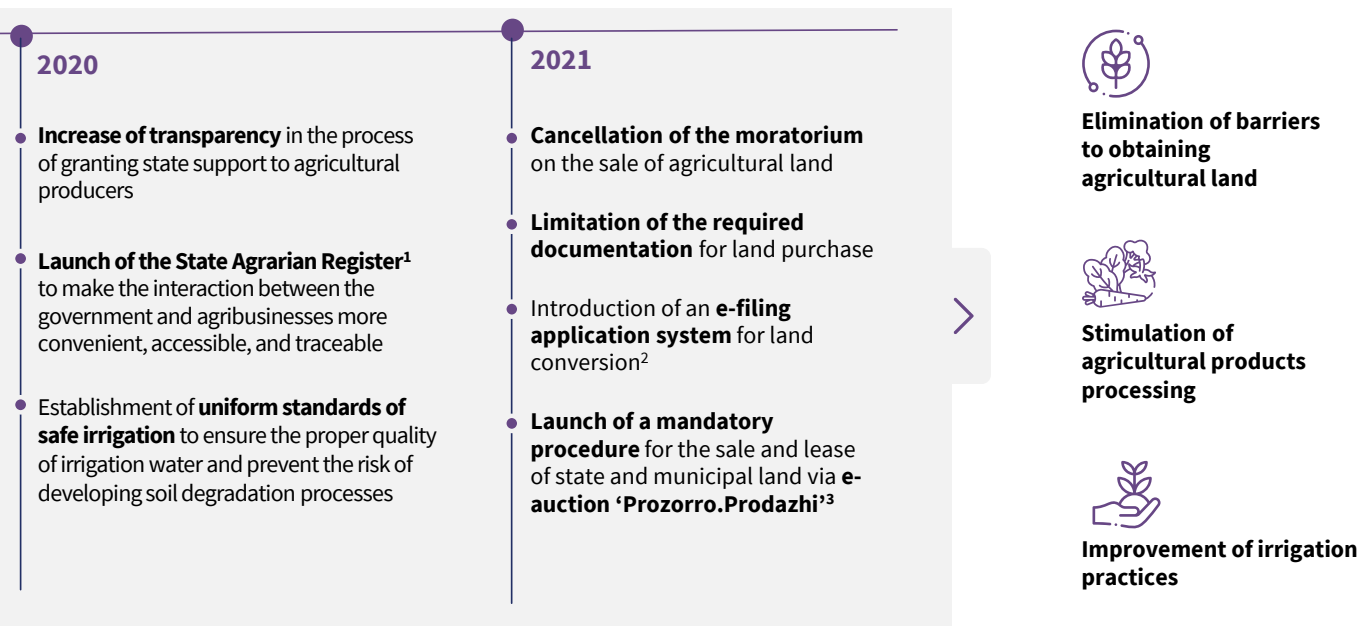


# RECENTLY IMPLEMENTED KEY AGRARIAN REFORMS IMPROVED THE SECTOR'S INVESTMENT LANDSCAPE

In recent years, Ukraine has been **on the verge of key transformations** in the agricultural sector and land legal regulation. Recently the Ukrainian government has implemented **significant structural reforms** in the sector, such as **lifting the moratorium** on

agricultural land turnover and **launching the geospatial data portal**. This has contributed to the **reduction of unofficial land cultivation**, expansion of **logistical capacity** of farms, and creation of a **transparent system of state support** for agricultural producers.

## Recent improvements in agriculture to improve investment climate



Key reforms in Ukraine were introduced to create **unique opportunities for the attraction of additional funding** for large-scale infrastructure projects. As agribusiness facilities were significantly destroyed during the war, **the rapid recovery of the agri-industrial complex became the highest priority**. In addition, the war revealed the urgent need to improve **road logistics**, modernise **sea and river basin infrastructures**, and develop

**logistics points on the borders with the EU**. The investments in equipment, laboratories, and technology now become the important key objectives **to restore agriculture as a high-tech and innovative sector**. Nowadays, active **logistical and financial assistance from Ukrainian international partners helps the sector stay afloat**, contributing to an **increase in crop processing and storage capacities**.

## Selected projects approved in 2022 supporting Ukrainian agriculture recovery

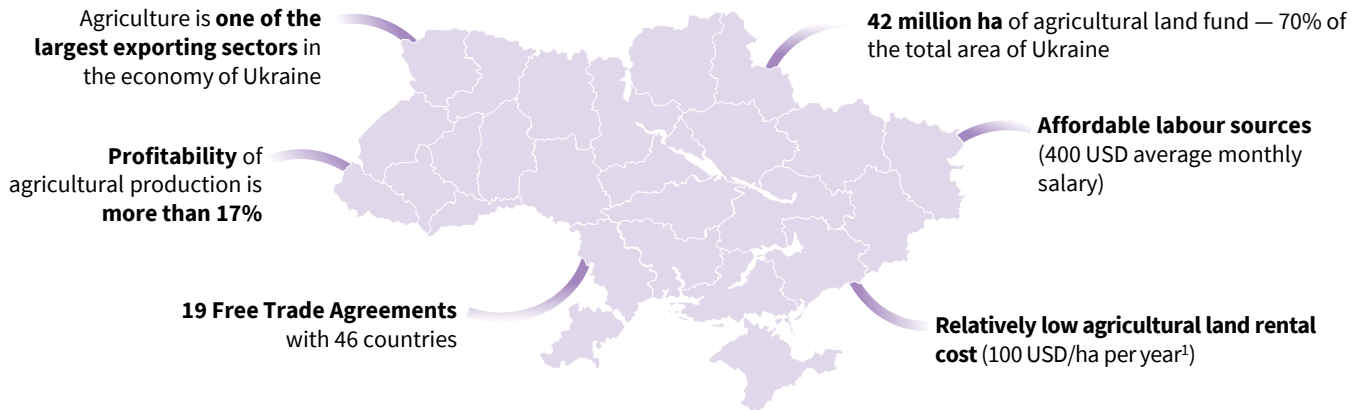
Project name and purpose of funding	Supporting country / organisation	Total amount of approved funding
<b>Support of Ukrainian farmers</b> — provision of farms with seeds, fertilisers, and equipment for production and storage	USA / USAID	<b>100 Mn USD</b>
<b>Increase of grain storage capacity</b> — supply of bulk bags and containers of sleeves for the temporary storage of grain	UK	<b>93 Mn USD</b>
	World Bank	<b>70 Mn USD</b>
<b>Direct financing of SMEs<sup>4</sup></b> — payment for resources and services related to food production and agricultural activities	EU	<b>54 Mn USD</b>
<b>Support of agricultural needs</b> — provision of plastic grain sacks and grain processing equipment, access to veterinary and phytosanitary services, and the construction of grain storage facilities	Canada	<b>52 Mn USD</b>

# UKRAINE HAS NUMEROUS OPPORTUNITIES FOR INVESTMENT IN AGRIBUSINESS AND PROCESSING

Ukrainian agriculture **benefits from the significant cost advantages** due to attractive land rental prices, extremely fertile soil, and competitive salaries. The sector has a **large perspective for productivity growth**, as yields per hectare remain below the EU benchmarks.

With additional investment in management, irrigation technology, logistics, and value-added production, Ukraine is **capable of doubling its food exports**.




## Key competitive advantages of investing in Ukrainian agriculture




## Major drivers increasing the potential of Ukrainian agriculture

 <p>Shift from agricultural commodities export to <b>value-added products</b></p>	 <p>Competing in <b>high-margin niches</b>, including fresh and organic products</p>	 <p><b>Yield growth</b> due to precision agriculture, new hybrids, and crop protection products</p>	 <p>Increased customer loyalty through the growth of <b>Ukrainian brand awareness</b></p>
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## Most promising investment opportunities by transformation project groups

<p><b>Improvement of agricultural product processing</b></p> <p> <b>22.8 Bn USD<sup>2</sup></b></p> <p><b>Key investment highlights</b></p> <ul style="list-style-type: none"> <li>Development of <b>deep processing</b> of products of plant origin — starch, fibre, and lecithin</li> <li>Launch of <b>production units</b> for advanced grain and oleaginous crop processing</li> <li>Improvement of <b>technological processes in the food industry</b> to develop new innovative product lines in the raw material processing segment</li> </ul>	<p><b>Development of agricultural infrastructure</b></p> <p> <b>5.6 Bn USD</b></p> <p><b>Key investment highlights</b></p> <ul style="list-style-type: none"> <li>Restoration of <b>damaged infrastructures</b></li> <li>Construction of <b>new irrigation systems</b> and the expansion of pumping stations and inter-farm networks</li> <li>Building <b>land infrastructure</b> to diversify logistics supplies as an alternative to seaports</li> <li>Modernisation of the <b>Danube River Basin infrastructure</b></li> </ul>	<p><b>Increase of livestock breeding capacities</b></p> <p> <b>5.5 Bn USD</b></p> <p><b>Key investment highlights</b></p> <ul style="list-style-type: none"> <li>Construction of <b>agro-industrial parks</b>, with a closed cycle of breeding, processing, and waste utilisation</li> <li>Creation of <b>complexes for raising, slaughtering, and processing</b> cattle for domestic and international market beef sales</li> <li>Reconstruction of <b>husbandry facilities</b> in stock and swine breeding</li> </ul>
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 **Funding needs**

Future Investment potential



## The cost of land and labour in Ukraine is a medium term competitive advantage



The main investment opportunities include the market of livestock and poultry products, application of more than one processing stage to pulses and oilseeds, investments in logistics infrastructure, bio-energy, and the use of alternative energy sources for processing raw materials. In this case, cattle breeding and biofuels can be segments with a cumulative effect for investment, i.e. feed production, processing of waste into biofuel, and production of semi-finished products by controlled technology. Most likely, multinational corporations with expertise and access to global markets and supply chains will be engaged in the development of these segments.

### YULIA POROSHENKO

Founder of Agrohub Platform; Co-founder of 'Radar Tech' technological cluster, McKinsey&Co alumna

***Involvement during Russia's war against Ukraine:*** Yulia and Oleksii Poroshenko are running multiple initiatives purpose of which is to facilitate the process of finding the necessary assistance in Ukraine and abroad for temporarily displaced Ukrainian families, including the initiative in partnership with the INSEAD alumni association, UAhelpinfo.org project etc.

#### **How do you assess the impact of Ukraine's gained EU candidate status on the development of the agricultural industry?**

A positive, though not rapid impact, is expected. The candidate status requires a transition to compliance with basic standards and regulations in production. The current abolition of quotas on exports to the European Union was an advance that increased the effective selling prices of several export items. It enables compensating the logistical discount from sales of grain to more distant destinations and facilitates additional processing of agricultural products in Ukraine right now.

Compliance and high standards are basic constraints to expanding supplies to Europe. Yet, for non-EU members, they are more stringent on a number of parameters: banned pesticides, GMOs, animal welfare requirements, antibiotics and hormones in feed, traceability of origin, etc.

Amid significant restrictions, insufficiently compensated by subsidies, the cost of land and labour in Ukraine is a medium-term competitive advantage.

#### **What are the prospects of the construction of plants for hybrid seed production in Ukraine, and how can it influence the country's food security?**

Even before the war, Ukraine was developing domestic production of seed materials under licenses from originators or directly by large originators. However, almost everything produced was intended for domestic sales and not designed for exports to other countries.

Such factors as favourable cost of the land lease, improved investment climate, and qualified inexpensive labour combined with the extensive soil and climate potential of hybridisation testing grounds are sufficient to invest in this segment.

Such a trend will have a positive impact on food security, although not definitive. Seed production in Ukraine will mainly reduce the cost of production for farmers due to the absence of import duties and VAT. The fact is that a substantial part of the crops produced is varietal and the seed material is grown from elite seeds by producers themselves (wheat, barley, soybeans, rye, etc.).

# DID YOU KNOW THAT UKRAINE IS ONE OF THE LEADING AGRICULTURAL EXPORTERS?



Ukraine is the world's leading producer of



**Sunflower**

Ukraine is the world's largest exporter of



**Sunflower oil**



**EU**

1.9 Bn  
USD



**India**

1.9 Bn  
USD



**China**

0.9 Bn  
USD

# UKRAINE PLANS TO DEVELOP COMPETITIVE MANUFACTURING IN THE POST-WAR ECONOMY

The National Recovery Plan implies structural transformations of the post-war economy of Ukraine through accelerated development of the processing industry and increasing the export of industrial products with high value-added tax. The implementation of the plan will ensure the long-term growth of

the manufacturing industry in the future and increase its competitiveness in the global market. Moreover, the manufacturing sector in Ukraine may become the regional industrial hub in Europe in the following sectors: metallurgy, engineering, furniture, and woodworking.

## The concept of the post-war Recovery Plan for the manufacturing industry<sup>1,2</sup>



### Key inputs



### Major reforms and priorities in the manufacturing sector

- 1 Introducing indicative planning for the Industrial investment menu projects
- 2 Developing a wide network of industrial parks
- 3 Establishing funds for the structural transformation of the economy
- 4 Launching the program to support the machinery and steel sectors
- 5 Developing the full-cycle furniture manufacturing in Ukraine
- 6 Enhancing innovative activities in the manufacturing industry
- 7 Stimulating the transition to biotechnological industrial products
- 8 Promoting the export of manufacturing products with higher added-value
- 9 Developing an Industry 4.0 ecosystem and cluster production chains

## OPINION CORNER

**Dariia Kolomiets**

Talks about Manufacturing, Supply Chains, Industrial Parks, Outsourcing, and Efficiency



At least three aspects bring tremendous potential to the Ukrainian manufacturing sector evolution: **Ukraine is an integral part of the European supply chain**, Ukraine has **excellent facilities to outsource and offset production**, and the **development of industrial parks** might drive the manufacturing sector in the long-term perspective. The country is actively developing a network of industrial parks across different industries. **Chips, batteries, and power elements**, which are highly demanded in a global market, might be promising production streams within the framework of industrial parks.

Source: The Cabinet of Ministers of Ukraine website; Ukraine Recovery Conference materials; Media overview  
Notes: Notes: (1) A part of the National Recovery Plan 2022; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022 and press releases of the Cabinet of Ministers of Ukraine; (3) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget; (4) According to the Industrial investment menu, as a part of the National Recovery Plan

# UKRAINIAN MANUFACTURING CAN BE INTEGRATED IN THE EU VALUE CHAINS AS AN INDUSTRIAL HUB

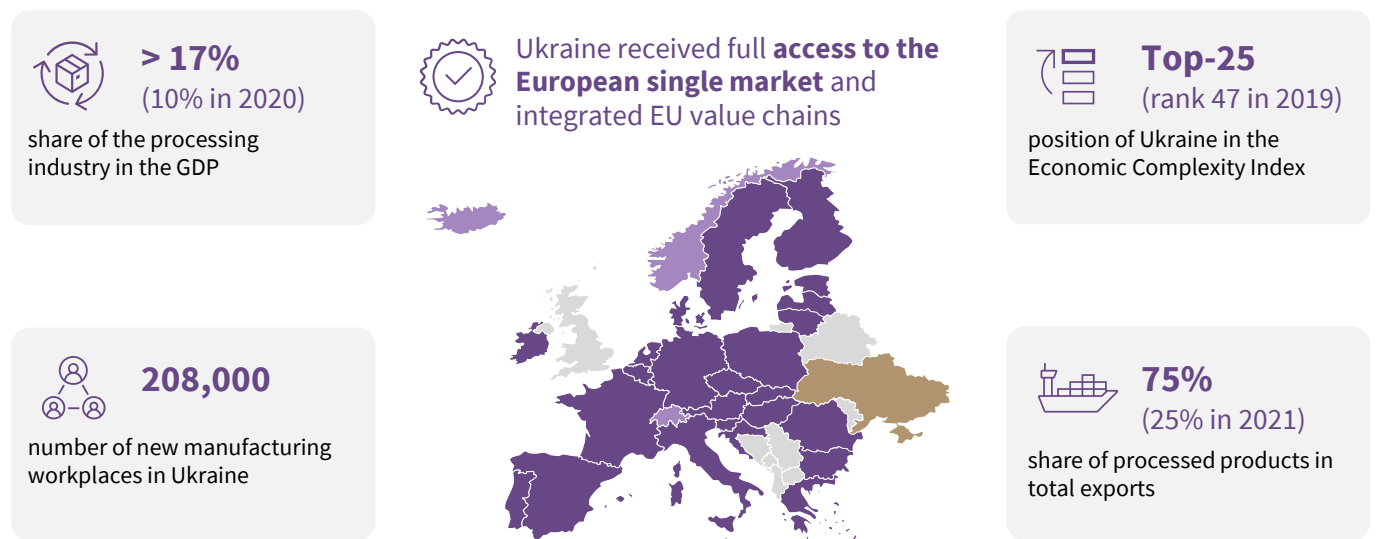
The purpose of the post-war recovery initiatives in the manufacturing industry is to **ensure the long-term growth of processing sectors** in Ukraine by transitioning to the production of highly complex, diverse products with a high degree of integration into global value-added chains. The future state of

manufacturing in the country will be defined by developing domestic processing capacities, increasing innovative activities of producers, and expanding access to high-value-added product markets. **This will help strengthen the position of Ukraine's economy in the global market.**

## The future state of the manufacturing industry in Ukraine<sup>1</sup>



## Key targets in the post-war recovery of the manufacturing sector in Ukraine by 2032<sup>2</sup>



Source: The Cabinet of Ministers of Ukraine website; Ukraine Recovery Conference materials; Media overview

Notes: (1) Based on the analysis of materials of the Ukraine Recovery Conference 2022; (2) Presented targets are selected based on the analysis of the National Recovery Plan 2022 and comments of the Minister of Economy of Ukraine



# INVESTORS ARE OFFERED TO JOIN A RANGE OF PROJECTS IN THE MANUFACTURING SECTOR

## Investment opportunities for the recovery and development of manufacturing in Ukraine<sup>1</sup>

Sector	Objective	Number of projects	Investments, Bn USD	Workplaces, thousands
Metallurgy	Meeting domestic demand and increasing competitive exports of processed products	23	15.4	79
	Developing green metallurgy and integrating into EU supply chains	4	10.9	23
Engineering	Meeting domestic demands	18	13.3	21
	Integrating into EU value-added chains	2	2.8	n/a
Furniture and woodworking	Increasing domestic production	85	1.3	72
	Expanding the primary processing of raw materials (wood)	57	2.8	11
	Developing wood industry	1	0.5	3

## Top-3 largest investment manufacturing sector projects of Ukraine<sup>1</sup>

Metallurgy	Engineering	Furniture and woodworking
<ol style="list-style-type: none"> <li>Construction of new electric steel production facilities <b>Funding: 6 Bn USD</b></li> <li>Restoration of production capacities at Azovstal and Illich Iron &amp; Steel Works <b>Funding: 5 Bn USD</b></li> <li>Modernisation of rolling and steelmaking facilities at Zaporizhstal and ArcelorMittal Kryvyi Rih <b>Funding: 5 Bn USD</b></li> </ol>	<ol style="list-style-type: none"> <li>Renewal of the rolling stock of Ukrzaliznytsia <b>Funding: 6 Bn USD</b></li> <li>Development of a gigafactory<sup>2</sup> and expansion of auto components production <b>Funding: 3 Bn USD</b></li> <li>Expansion and development of shipbuilding manufacturing capacities <b>Funding: 2 Bn USD</b></li> </ol>	<ol style="list-style-type: none"> <li>Construction, expansion, and modernisation of furniture factories <b>Funding: 1 Bn USD</b></li> <li>Development of pulp and paper plants; plants that produce packaging <b>Funding: 1 Bn USD</b></li> <li>Modernisation of the logging system and logistics in the wood industry <b>Funding: 1 Bn USD</b></li> </ol>

## Strengths of Ukraine's manufacturing sector

- Vast iron ore resource, suitable for DR-grade products<sup>3</sup>
- Top export positions in semi-finished products
- Asset base in several engineering sectors
- Available wood resources for further processing
- Educated and cost-competitive labour

The implementation of projects as part of the National Recovery Plan will allow Ukraine to develop an innovative economic structure, with a manufacturing industry producing and exporting large volumes of high value-added products. As a result, **Ukraine will integrate with EU value chains as an industrial hub**, with a focus on metallurgy, engineering, and furniture / wood.



## Steel producers need further reduction of trade barriers with key trading partners



Ukraine needs to focus its efforts on maintaining the production potential of its metals and mining complex. To be competitive in the current environment, Ukrainian steelmakers have to reduce their production costs. To do that, the sector needs government support. Above all, this relates to resolving logistics issues. Moreover, the cost of production is significantly affected by the expensive electricity and gas, as well as high iron ore extraction rents.

### YURIY RYZHENKOV

CEO, Metinvest Holding

***Involvement during Russia's war against Ukraine:*** Under Yuriy's management, Metinvest is playing a direct role in the war effort, delivering steel for 1,500 bulletproof vests a week for Ukraine's Armed Forces. It is also importing military equipment, such as drones, night vision headsets and helmets. Yuriy is an ambassador of the 'Do It Together' charitable foundation and the 'Saving Lives' project, set up to provide humanitarian aid.

#### **Given that Ukraine is a key supplier of steel products for some regions, how will the reduction of its exports affect global supply chains?**

Ukraine remains one of the largest suppliers of metal products to European markets, although the country's export opportunities are extremely limited because of logistics issues. Over the first half of the year, Ukraine halved its exports of metals. To compensate for the loss of Ukrainian steel, EU countries have increased steel imports from Brazil.

India, Türkiye, Taiwan, and other countries are large suppliers of steel products to Europe as well. The war in Ukraine will have long-lasting consequences for the global steel industry. They include likely adjustments in global trade flows and supply chains, as well as changes in energy trade.

#### **In early May 2022, the USA announced the suspension of import duties on Ukrainian steel and steel products for one year. How do you assess the potential benefits of such liberalisation?**

We welcome the US initiative to remove the special duty of 25% on supplies of rolled steel from Ukraine. At the same time, we hope that the USA will remove other trade barriers, particularly the anti-dumping duty applied to Ukrainian metals.

After the cancellation of the duty on imports of Ukrainian steel products to the USA, this market will become a promising area for Ukraine. In particular, the Group will be able to increase exports to the USA instead of making shipments to Latin America and Asia. We are considering entering the US market with square billet and welded pipes, as well as wire rods and rebar, subject to market conditions.



## Fair and transparent privatisation leads to a better investment climate



Privatisation is an additional factor in the revival of small and medium-sized businesses. After the war, the privatisation process will play an important role.

Ukraine has a sufficient number of objects for privatisation. I assume that part of the Russian assets will be nationalised and will also be subject to privatisation.

### SERHII FURSA

Economic expert, and specialist of the sales department of the Dragon Capital

***Involvement during Russia's war against Ukraine:*** Serhii Fursa touches on a wide range of financial issues, caused by Russia's war against Ukraine. He covers breaking news, explaining it from an economic point of view and clarifying the key nuances associated with the financial side of every piece of news, including those related to the anti-Russian sanctions imposed by the EU and the USA.

#### **Which objects can be privatised first and how do you see the impact of privatisation on the post-war recovery of the country?**

As a rule, privatisation has been an additional factor that facilitated SMEs' recovery. After the war, the privatisation process will play an important part. Firstly, Ukraine has a sufficient number of objects for privatisation. Secondly, I assume that part of the Russian assets will be nationalised and will also be subject to privatisation.

The privatisation procedure is about fighting corruption in the first place. Because the bigger the share of state-owned enterprises within the economy, the higher the corruption levels. Privatisation is also a positive sign for investors. A fair and transparent privatisation procedure leads to significant improvement in investment climate. Only this way privatisation has a chance of becoming one of Ukrainian economic growth drivers.

#### **Can you think of any mechanisms for ensuring the transparency and accountability of the process of disposing with international partners' funds?**

I find the EBRD<sup>1</sup> model of financing construction of roads in Ukraine perfect for any type of a foreign project. It implies that Western partners set up a legal entity that should carry out the distribution of funds, hold tenders, as well as choose what is to be financed and in which way.

As a project owner, the government of Ukraine shall decide on which projects are financially feasible and submit them for consideration of such legal entity (or a fund, whatever). Once the project is financially feasible, the fund is going to approve it, and allocate the resources for it. Such was the EBRD model.

This mechanism will enable Western governments to control the distribution of their taxpayers' money. For Ukraine, it shall imply an increase in the level of trust by minimising corruption risks.



## Russian oligarchs must pay for the damage, caused by the war



Using an indicative planning tool and model calculations, we created an industrial investment menu of Ukraine, which collected more than 614 promising investment projects in such areas as the defence-industrial complex, metallurgy and metalworking, energy, mechanical engineering, logistics, furniture and woodworking industry, and others.

In general, investments in more than 614 projects in the amount of about 425 Bn USD will create almost 1 million jobs, and that amount can double if counted with cross-industrial sectors development.

## DR OLEKSANDRA MISIATS

Head of public procurement, international trade, SDM Partners

***Involvement during Russia's war against Ukraine:*** Oleksandra has been involved in organising a business conference, inviting Polish investors to rebuild Ukraine after the war. We explain the most recent developments, opportunities and challenges when tendering in Ukraine. This event gives investors an opportunity to be prepared for the post-war reconstruction of Ukraine through participation in public procurement.

**The Government of Ukraine announced that the Recovery Plan would be financed by both international investments and the arrested Russian money. In your opinion, how complicated this procedure could be? How long could it take?**

The most complicated issue is to deal with arrested money. The state property is protected abroad under the doctrine of state immunity, so it is difficult to appropriate Russian assets. However, Ukraine, the US and other states has already taken the initial steps. We welcome Canada initiatives, which amended its national laws and made it possible to forfeit frozen Russian assets. The US and other states have also already drafted respective laws enabling losses compensation. On the other hand, the adoption of special laws and litigation may take years. Ukraine is also lobbying the UN General Assembly to adopt a resolution that will become the basis for the creation of an international compensation mechanism. We all are enthusiastic about the above steps that makes reimbursement possible.

**Over 400 polish companies announced that they will help rebuild Ukraine after the war ends. To your point of view, what sectors of the economy could be the most interesting for Polish business?**

Polish companies are mostly interested in infrastructure projects, including those financed by international institutions. We expect substantial investments into the Ukrainian market from at least 5 financial institutions: EBRD, European Investment Bank, International Monetary Fund, World Bank Group, Council of Europe Development Bank and others. We also expect substantial US investments, on the back of the widely discussed Marshall Plan for Ukraine. Other industries include - construction, energy projects, and agriculture.

# ENERGY SECURITY IS A KEY COMPONENT OF THE ENERGY SECTOR POST-WAR RECOVERY PLAN

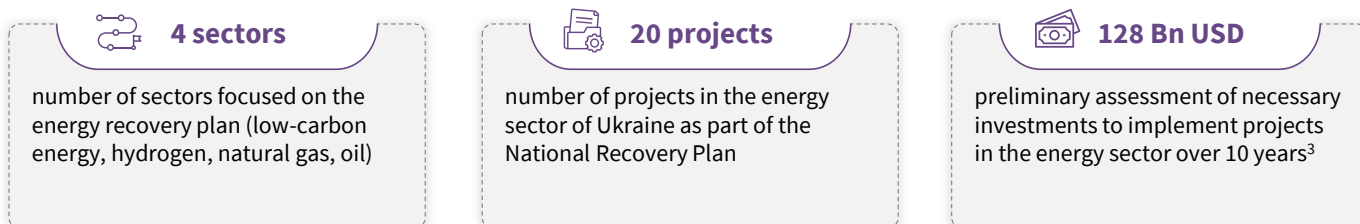
The Ukrainian **energy industry substantially transformed over the last decade**, with the share of renewable energy sources (RES) increasing and the share of coal & natural gas decreasing in the energy mix. **Transparency in the gas and electricity markets was ensured** by recent reforms that formed a competitive environment.

Russia's war against Ukraine **has damaged and destroyed the energy infrastructure** and put European nuclear security at risk. The National Recovery Plan implies the reshaping of the Ukrainian energy sector by **rebuilding the infrastructure in line with green transformation and optimising the energy mix**.

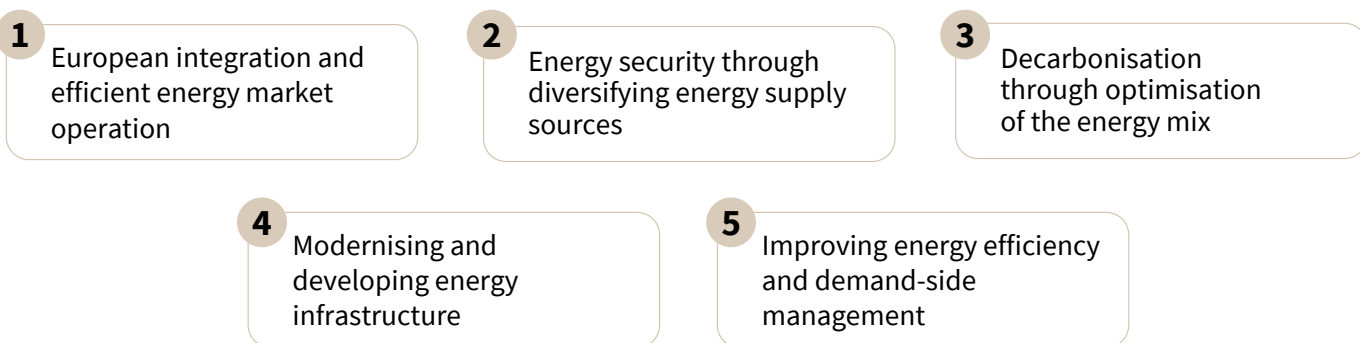
## The concept of the post-war Recovery Plan for the energy sector<sup>1,2</sup>



### Key inputs



### Major energy sector reforms and priorities



## OPINION CORNER

**Nataliia Buidenko**

Talks about Energy Infrastructure, Sustainability, and Renewables



**Ukraine is among the top countries in the world in terms of the pace of green energy development.** However, the Russian invasion stopped the development of the industry, causing devastating losses. A nice step forward in dealing with this problem might be the **provision of destroyed and damaged green energy facilities, with access to the new Fund for restoring war-ravaged energy infrastructures in Ukraine**, which was created by the European Energy Community.

Source: The Cabinet of Ministers of Ukraine website; Ukraine Recovery Conference materials; Media overview  
Notes: (1) A part of the National Recovery Plan 2022; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022 and press releases of the Cabinet of Ministers of Ukraine; (3) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budgets

# TRANSFORMED ENERGY SECTOR WILL POWER THE UKRAINIAN ECONOMY AFTER THE WAR

Ukraine aims toward the **efficiency of the sector and security of the primary energy supply** with the implementation of post-war recovery initiatives. The ambition is to **transform the industry**

into a carbon-neutral and develop policies **with respect to future EU commitments**. It will allow Ukraine to support the EU in achieving energy autonomy.

## Key targets in the post-war recovery of the Ukrainian energy sector<sup>1</sup>



**5 GW<sup>2</sup>**

of electricity exports to the EU by 2025



**25%**

of renewable sources in the energy mix by 2032



**93%**

carbon-free energy mix by 2032

## The future state of the Ukrainian energy sector



**Energy market is further liberalised in Ukraine**

**Ukrainian gas and electricity markets are liberalised**, with new suppliers increasing the intensity of the competition. The energy market is **fully integrated with EU markets**, and the Ukrainian **trade platforms are successfully merged** with the European ones.



**Ukraine has new and modern energy infrastructures**

**Outdated natural gas transportation and transit system** are fully rebuilt and modernised. **New interconnections** in the Ukrainian energy infrastructure expand the flow of energy within the European electricity network of transmission system operators.



**Primary energy sources are independent in Ukraine**

Increased production of **natural gas allows diversification of energy sources**. **Energy storages** provide full flexibility to the energy system, and **strategic energy reserves** are formed in advance. Ukrainian residential and private houses are modern and energy efficient.



**Ukraine actively develops renewable energy sources**

**Ukrainian coal regions are fully transformed, and coal mines are decommissioned**. Ukraine significantly relies on **nuclear, biomass, wind, solar, and hydroelectric power plants**, thus ensuring carbon-neutral electricity production.



**Ukraine produces and exports hydrogen**

**Ukraine produces affordable hydrogen** due to the low cost of electricity production by the Ukrainian renewable energy sector. The existing **natural gas infrastructure** is upgraded and **used to export hydrogen to Europe**.



**Decarbonisation of the economy through greater electrification**

Ukrainian **household sector has transformed electricity-based heating systems**. The transportation sector is also electrified with an **increased number of electric vehicles and railroad transportation**.

# UKRAINE WILL SUPPORT EUROPEAN ENERGY SECURITY AND TRANSITION TO NET-ZERO

Investors actively seek opportunities to invest in **renewable energy sources** since a **long-term alternative** to Russian energy pipelines came to light after the beginning of the war. **Opportunities provided by RES** (solar, bioenergy, geothermal, wind energy, and hydropower) **instigate the transition to net zero.**

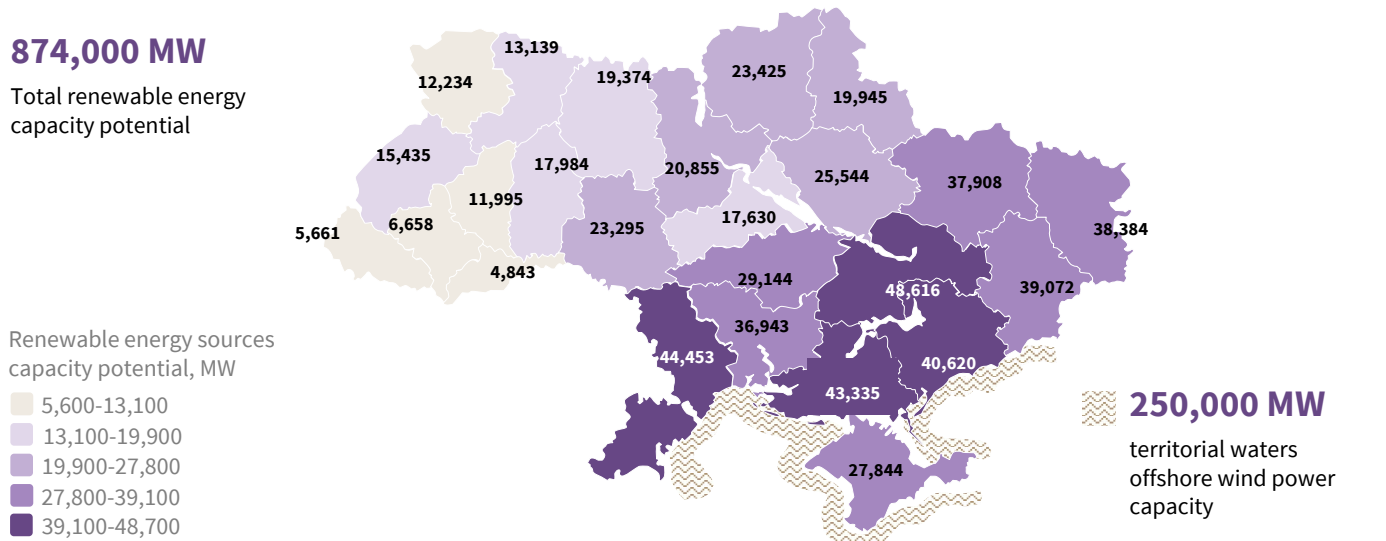
On the other hand, **fossil energy sources**, including oil, coal and natural gas, **provide short- and mid-term solutions for the European energy deficit.** Ukraine presents investors with appealing opportunities to invest in **low-carbon energy sources, hydrogen production**, as well as **oil and natural gas projects.**

## Most promising investment opportunities in the Ukrainian energy sector

 <p><b>Low-carbon energy projects</b> ~50 Bn USD</p> <p><b>Key investment highlights</b></p> <ul style="list-style-type: none"> <li>Build out 5-10 GW<sup>1</sup> of RES with around 3.5 GW of hydro and pumped hydro capacities</li> <li>Develop biofuels (bioethanol, biodiesel, biomethane) production from agricultural, residue, and waste</li> <li>Increase nuclear capacity through higher utilisation of existing capacities and building new blocks</li> </ul>	 <p><b>Hydrogen investment opportunities</b> ~47 Bn USD</p> <p><b>Key investment highlights</b></p> <ul style="list-style-type: none"> <li>Build at least 30 GW of renewable energy for hydrogen production</li> <li>Build out around 15 GW of electrolyser capacity for green hydrogen</li> <li>Develop hydrogen transport infrastructure to connect hydrogen production sites with consumers in Ukraine and abroad</li> </ul>	 <p><b>Oil &amp; gas investment projects</b> ~31 Bn USD</p> <p><b>Key investment highlights</b></p> <ul style="list-style-type: none"> <li>Increase natural gas production from existing fields and develop unconventional gas fields</li> <li>Modernise natural gas transmission and distribution networks</li> <li>Expand oil refining capacity, including rebuilding, building or modernising facilities and oil pipelines</li> </ul>
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Renewable energy sources provide an opportunity to move electricity production that is not accompanied by GHG emissions in line with the **global shift toward net-zero targets.** In Ukraine, the share of renewables within the total energy supply is set to increase to 10% by 2032.

## Renewable energy capacity potential of individual regions of Ukraine, MW<sup>2</sup>





## Ukraine can become a leading European green energy producer



Ukraine has a chance to become one of Europe's leading energy suppliers of 'clean fuel'. We need to unlock our enormous potential for green energy. We have a chance to establish a competitive green hydrogen ecosystem in Ukraine including production, storage, and transportation of hydrogen.

I strongly believe that we should use this chance, despite such tragic and unfair cruel actions, and sustainably build better Ukraine, with new green technologies targeting to strengthen the whole European energy system on the way to decarbonisation goals and energy independence.

### DR YULIIA RYBAK

Co-Head of Secretariat of German-Ukrainian Energy Partnership

***Involvement during Russia's war against Ukraine:*** Dr Yuliia Rybak calls to come up with innovative ideas that will accelerate Ukraine's energy transition, and promotes the initiative, launched by the German-Ukrainian Energy Partnership in cooperation with the Women's Energy Club of Ukraine, aimed to support highly qualified women working in the energy sector, who were forced to leave Ukraine.

#### **How do you see the future of energy cooperation between Ukraine and other EU countries, especially Germany?**

German-Ukrainian Energy Partnership was established almost 2 years ago as a political platform targeted at supporting green energy transition and decarbonisation of the Ukrainian and German energy systems. Energy partnership has proved to be an efficient vehicle for supporting Ukraine's energy sector, especially at such a challenging time as the time of cruel, unprecedented and unprovoked armed aggression of Russia against Ukraine. During the six months of the full-scale war, despite huge challenges, including bombing and damage of the critical energy infrastructure, as well as threats of nuclear terrorism, the Ukrainian energy system proved its resilience. The main activities under the Partnership were reformulated with a focus on providing emergency assistance to secure stability of the country's energy sector. This included humanitarian aid from German energy associations and companies, procurement of items related to emergency energy needs, provision of expert support and technical capabilities to increase the export potential of Ukraine's power system, as well as support in the development of a Recovery Plan for the Ukrainian Energy Sector.

Ukraine's recovery will cover the period of 2022-2032 and will take approximately 750 Bn USD in aggregate, excluding security and military expenditures.

One of the biggest challenges is attracting financial resources. Another one is non-payments. Hence, it is crucial to find affordable financial instruments and donor support, and attract funding for the relocation of SMEs. Considering that a significant number of RES units have been disconnected, there is a need to support relocation and further development of renewable energy facilities, with an account of new conditions and opportunities given Ukraine's integration with ENTSO-E. Replacement of natural gas with sustainable bioenergy, production of biomethane, as well as swift electrification of transport and heating should be top-prioritised.



# UKRAINE FOCUSES ON ENHANCING CONNECTIVITY AND INTEGRATING TRANSPORT SYSTEM INTO THE EU

In 2018, Ukraine started implementing a strategic plan to **transform transport infrastructure into the economy's technological and efficient sector**. Yet, the war has caused significant damage to the transport infrastructure, and the Ukrainian government still adheres to the selected course toward

increasing the transport & logistics industry's potential. Therefore, according to the National Recovery Plan, Ukraine aims to **restore, rebuild, and modernise transport infrastructure**, as well as gradually **integrate** the national transport network **into the EU transport network**.

## The concept of the post-war Recovery Plan for the transport sector<sup>1,2</sup>



### Key inputs



### Major reforms and priorities in the transport sector

- 1 Restoring and developing railway infrastructure and rolling stock
- 2 Achieving organisational and technical compatibility of Ukrainian and EU railways
- 3 Introducing best practices in the development of roads and road infrastructure
- 4 Developing urban and suburban public transport, including electric
- 5 Improving the efficiency of existing capacities in Ukrainian seaports
- 6 Integrating the water transport system of Ukraine into the EU transport system
- 7 Reconstructing / constructing a network of international airports
- 8 Implementing the Common Aviation Area Agreement between Ukraine and the EU
- 9 Developing multimodal transport and expanding transport corridors

## OPINION CORNER

**Olena Kravtsova**

Talks about Transport, Infrastructure, Logistics, Business, and Trade



The **development of the transport system** of Ukraine will **facilitate the integration of the country into the European production and supply chain**, as well as **enhance the mobility** of tourists, entrepreneurs, investors, students, scientists and other individuals. Ukraine has to **leverage the opportunity of a favourable geographic location** in order to become a reliable trade partner and attractive travel destination.

Source: The Cabinet of Ministers of Ukraine website; Ukraine Recovery Conference materials; Media overview

Notes: (1) A part of the National Recovery Plan 2022; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022 and press releases of the Cabinet of Ministers of Ukraine;

(3) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget

# RESTORED TRANSPORT SYSTEM OF UKRAINE WILL STRENGTHEN INTERCONNECTIVITY WITH THE EU

Modern and efficient transport system is one of the key enablers of economic development. Therefore, as part of the National Recovery Plan, **Ukraine is focused on enhancing the potential of the transport infrastructure**, as well as deepening integration into international transport networks. The implementation of

recovery initiatives will help **strengthen connectivity between production facilities, markets, and communities**, both domestically and between Ukraine and the EU. This will lead to the expansion of supply chains, an increase in trade volume, and the active movement of people.

## The future state of the transport sector in Ukraine<sup>1</sup>



Railway infrastructure **ensures efficient transportation of passengers and cargo** throughout all the regions of Ukraine and **facilitates the export of goods** to European countries through the western border



**High-quality road infrastructure in Ukraine connects all the required locations**, enabling safe, comfortable, and rapid transportation of passengers, as well as fast and efficient movement of cargo in the country



Water transport in Ukraine operates at full capacity and is **deeply integrated into the maritime logistics system of Europe**. A developed network of ports enhances the export of large volumes of goods from Ukraine by sea



High capacity aviation system in Ukraine ensures the **active domestic and international transportation of passengers and cargo**. Modern airports infrastructure allows for serving the most widespread types of aircraft



Ukraine has a **developed multimodal transportation infrastructure** that provides efficient mobility of passengers and cargo logistics. The country is also deeply **integrated with the European transport network of TEN-T<sup>2</sup>**

## Key targets in the post-war recovery of the transport sector in Ukraine by 2032<sup>3</sup>



### Railway transport

- ① Reconstruction and construction of **1,413 km** of new rail tracks<sup>4</sup>
- ② Purchase, repair, and modernisation of over **7,000 rolling stock units**



### Air transport

- ③ Reconstruction / construction of **5 international airports**
- ④ Restoration of passenger traffic in Ukrainian airports up to **16.2 million passengers**



### Water transport

- ⑤ Modernisation of **3 seaports** in the Danube region
- ⑥ Modernisation of **6 navigation locks** and construction of 1 lock



### Road transport

- ⑦ Recovery / construction of **52,000 km** of public motor roads
- ⑧ Construction of over **1,400 bridges**

# THE RECOVERY OF THE TRANSPORT SECTOR IN UKRAINE IMPLIES A WIDE RANGE OF PROJECTS

## National programme on the recovery and development of transport in Ukraine<sup>1</sup>



De-bottleneck logistics with the EU



Upgrade infrastructure and strengthen interconnectivity

### Funding needs



2.4 Bn USD



114.0 Bn USD

### Key investment areas

- Construction of **additional rails to the EU border**
- Construction of **EU cross-border agro-terminals**
- Modernisation of **railway sorting stations**
- Modernisation of existing **EU road border points**
- Expansion of throughput of **Danube ports**
- Reconstruction and modernisation of **rail tracks (including HSR<sup>2</sup>), roads, and bridges**
- Renewal of **railcars and locomotives**
- Reconstruction of **airports** damaged by war
- Construction of **green charging power stations**

### Expected results

#### Resumption of international trade in Ukraine through diversified logistics channels

The National Recovery Plan offers a number of opportunities to support the **implementation of projects in the field of transport infrastructure in Ukraine**. International partners can contribute to the development of infrastructure through Public-Private Partnership agreements, direct complex grant programmes for NGOs and regional development agencies, green finance

#### Strong interconnectivity of the regions in Ukraine due to the developed transport infrastructure

instruments for sustainability projects in transport, etc. The variety of projects and financial instruments **allow investors to allocate their funds in the most efficient way**, as well as gain long-term benefits from the development of the transport network in Ukraine and its further integration with the transport system of the EU.

## Selected investment projects in the transport sector of Ukraine



**Concession road**

**2.7 Bn USD**  
funding needs

Construction of the concession road Krakivets – Brody – Rivne. The autobahn should be about 280 km, and the time of passing the route is projected to decrease from 4 hours to 2.5 hours.<sup>3</sup>



**High-speed railway**

**1.2 Bn USD**  
funding needs

Construction of a high-speed railway on the route Kyiv-Warsaw (919 km). The implementation of this project will reduce travel time from 17-19 hours to 5-6 hours.



**Airports**

**1.2 Bn USD**  
funding needs

Reconstruction of 5-7 international airports that meet the latest ICAO<sup>4</sup> standards and are capable of serving operations of new types of aircraft (A320/NEO and B737NG/MAX).



**Infrastructure of the Danube ports**

**0.5 Bn USD**  
funding needs

Modernisation of the Danube ports (Izmail, Reni, Ust-Dunaysk) to increase their capacity by 1.7 times – to 25 million tonnes per year. Construction of new terminals in the ports.

# AIRLINES WILL PLAY A CRUCIAL ROLE IN ENSURING TRANSPORTATION OF THE PASSENGERS IN UKRAINE

## The post-war recovery initiatives in the field of air transport<sup>1</sup>

Reconstruction and development of the **airport infrastructure** of Ukraine in line with current ICAO standards in order to service the most widespread types of aircraft.

Provision of **state support** for the air transport industry (airlines, airports, aviation personnel, etc.) to enhance the resilience and competitiveness of Ukrainian enterprises.



Liberalisation of the **regulations of the air transportation market**, aimed at expanding the international air connections network, increasing the share of low-cost airlines, etc.

Resumption and development of **air navigation services** in the airspace of Ukraine to ensure the growth of its transit potential and integration with the EU air transport network.

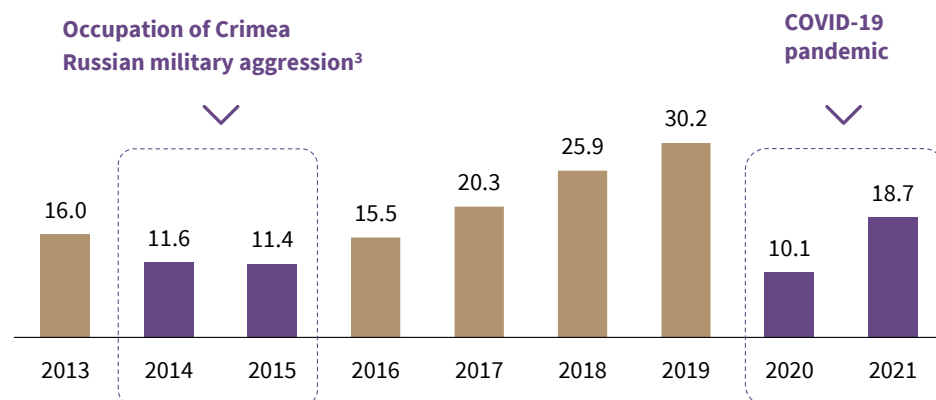
Implementation of the **Common Aviation Area Agreement**, with the purpose of adapting national legislation in the field of aviation services to the EU legislation.

After the beginning of the Russian invasion and the imposition of martial law, **the airspace of Ukraine was closed for civil aviation**, making it impossible for both Ukrainian and international airlines to operate in the country. The suspension of air transport operations led to sufficient losses for airlines,

airports, and other enterprises of the industry. However, the National Recovery Plan of Ukraine implies **active expansion of air transportation of passengers and cargo** in Ukraine after the war by creating favourable conditions for all industry players to develop their operations.

## The potential for future development of the air transport services in Ukraine

### Passenger turnover in air transport in Ukraine, billion pkm<sup>2</sup>



Despite the negative impact of different external factors on the air transport system over the past decade in Ukraine, the industry demonstrated its **resilience and a high potential for further expansion and development**.

### Major drives of the post-war development of air transport in Ukraine



Wide network of international and regional airports



Common aviation area with the EU



Developed air transportation market



Strong state support of airlines



Efficient and safe air navigation services



## We can offer our partners mutually beneficial conditions of cooperation



Part of the UIA fleet is engaged in wet leasing programmes for other airlines. It is possible due to the exceptional attitude towards the Ukrainian airline by the European aviation authorities under the current circumstances. We are permitted to fly on routes that in other circumstances we would not have counted on. This is a goodwill gesture, and we appreciate it. From a purely perspective, we have to and now we can offer our partners mutually beneficial conditions of cooperation. It is not easy to work outside our home base, but thanks to good teamwork and our partners' support, we continue to maintain a high level of flight safety, as we did at home with our subsidiaries.

### YEVHENII DYKHNE

CEO, Ukrainian International Airlines (UIA)

***Involvement during Russia's war against Ukraine:*** Ukrainian International Airlines, headed by Yevhenii, on 24 February have arranged the delivery of passengers who did not reach their homes on 24 February. Ever since the company has been involved in volunteer and humanitarian activities while trying to preserve its stability.

#### **Does the state provide support to the airlines in Ukraine? What additional actions should the state take to support the aviation industry in Ukraine?**

I know that the two state-owned airports receive assistance. I do not know about other airlines, but we are solving the problem of obtaining permission for personnel to go abroad on business trips rather quickly with the state authorities. And this is already a considerable help.

War is a badly predictable event: we cannot predict the condition of the aviation infrastructure when the war is over. I believe that we should think about investing in it as soon as we reach a stable state, based on the priorities of the post-war economy. Aviation is just one component of the transport infrastructure that supports the economy. The needs of the economy will have to be considered. There may be more important priorities, such as railways. In that case, with understanding, we will wait our turn.

#### **According to your estimates, what amount of investment is required for the post-war renewal of air transport operations in Ukraine?**

I do not estimate investment in the sector as a whole, as well as in individual airports, but I think that there will be no surplus money and it will be necessary to handle it very carefully. Priority will be given to airports that are ready to be opened. That way, we will be able to launch flights from Ukraine to European HUBs, and our citizens will not have to travel abroad for those flights. Further, as far as possible, we will return airports to their pre-war state. We were also pushed back 5 years before the war in traffic volumes, it is difficult to make projections of post-war demand for air transport, as I don't understand the level of decline in purchasing capacity of the population and the stages of development of the post-war economy.



## In times of crisis, one thing is clear: rail freight is resilient and reliable



This is especially evident during the ongoing Russian war and the successes of the rail bridge and solidarity lanes between Europe and Ukraine. Close integration with European infrastructure will increase economic activities between Ukraine and Europe even more thereby strongly figuring into the rebuilding of the country. Harmonised infrastructure standards are a key factor for a solid integration of the Ukrainian rail sector with the European Union. Ukraine's efforts to make its broad-gauge railway system compatible with the European narrow-gauge systems are highly relevant in this regard.

### DR SIGRID EVELYN NIKUTTA

Member of the Management Board for Freight Transport DB AG Chairwoman of the Management Board of DB Cargo AG

***Involvement during Russia's war against Ukraine:*** Together with Deutsche Bahn, Dr Sigrid Evelyn Nikutta greatly supports Ukraine since the start of the war. Deutsche Bahn, the Germany's railway operator, has sent containers with urgently needed goods (food, warm clothing and medical products), helped Ukraine to export grain, as well as offered Ukrainian refugees employment opportunities.

#### **What are the main trends that post-war Ukraine should take into account when rebuilding its railway industry in order to integrate it into the EU?**

Close integration with European infrastructure will increase economic activities between Ukraine and Europe even more, thereby strongly figuring in rebuilding the country. Harmonised infrastructure standards are the key factor for a solid integration of the Ukrainian rail sector with the European Union. Ukraine's efforts to make its broad-gauge railway system compatible with the European narrow-gauge systems are highly relevant in this regard. An expansion of rail terminals in Ukraine will also help to make the necessary supply chains as efficient as possible and to establish strong intermodal transport. This will ensure that the numerous transport needs for reconstruction reach their destination quickly and smoothly.

#### **How can the share of rail freight be maintained, competing with road freight?**

To maintain (and increase!) the share of rail freight, rail freight operators must offer multimodal chains as one-stop services that are competitive with road transport in terms of frequency, reliability, flexibility, prices and service. An important policy framework is to ensure that all modes of transport across Europe bear an equal share of their external costs. Policymakers also have a role to play in providing additional incentives for companies to switch to rail and build sidings. The government should promote the extension of rail networks to new industrial areas (e.g. distribution centres, ports). In summary: railway companies, infrastructure managers and policymakers should join efforts on this issue.

# DID YOU KNOW THAT UKRAINE IS THE FIRST STATE IN EUROPE TO ENABLE DIGITAL PROOF OF IDENTITY?

In 2020, Ukraine launched the Diia application, which enables Ukrainian citizens to use **digital documents** on their smartphones **instead of physical documents** for identification and sharing purposes<sup>1</sup>.



**17.3**  
million users<sup>2</sup>



**15**  
types of digital  
documents



**72**  
governmental  
services



# UKRAINIAN IT SECTOR IS EXPECTED TO BE ONE OF THE MOST PROMINENT, WITH HUGE POTENTIAL

In the National Recovery Plan, Ukraine places **significant emphasis on the development and modernisation of the IT industry**, considering it one of the most important value-adding sectors.

The **Ministry of Digital Transformation** is the **main driver** of IT reforms and the development of a **digital economy**. The Ministry actively raises **global awareness** of the Ukrainian IT sector and its **perspectives**.

## The concept of the post-war Digitalisation Recovery Plan<sup>1,2</sup>



### Key inputs



### Major reforms and priorities in the manufacturing sector

- 1 Increasing number of highly qualified specialists
- 2 Developing a special legal regime for Diia City
- 3 Providing financial opportunities for start-ups
- 4 Supporting the launch of ambitious global tech projects in Ukraine
- 5 Implementing grant support and acceleration programmes for start-ups
- 6 Establishing a legal framework for AI, BT<sup>4</sup>, and virtual asset market
- 7 Harmonising Ukrainian legislation in line with the EU
- 8 Developing a national cybersecurity system
- 9 Introducing Digital Economy and Society Index monitoring processes

## OPINION CORNER

**Ivanna Lima**  
Talks about Information Technology, Start-ups, Business Operations, and Digital Transformation



**Ukrainian IT and digital professionals are renowned worldwide.** Highly intellectual specialists helped Ukraine become **one of the most digitalised countries in Europe**, where all kinds of services are available at your fingertips via a slight scroll of the phone. The development of the IT and digital sectors in Ukraine shows **positive dynamics** as these sectors stabilise and IT hubs return to their operational activity, **continuing to ensure Ukraine's economic security**. However, not all startups will manage to maintain stability under the circumstances of ongoing war and may require support.

Source: Ukraine Recovery Conference materials; Media overview  
Notes: (1) A part of the National Recovery Plan 2022; (2) Based on the analysis of materials of the Ukraine Recovery Conference 2022, press releases of the Cabinet of Ministers of Ukraine, and articles of the experts in the field of digitalisation; (3) Including confiscated Russian assets, partner grants, partner debt / equity, private investments, and state budget; (4) Blockchain Technology



# UKRAINE AIMS TO INCREASE COMPETITIVENESS IN THE IT SECTOR AND SECURE INVESTMENT INFLOWS

The Ukrainian IT sector poses **high potential in the country's future recovery**, as it was one of the fastest growing industries and one of the major drivers of the economy before the Russian invasion. The war caused **significant disruptions to the IT industry, resulting from the destruction of digital infrastructure and the outflow of skilled IT personnel.**

Despite the growing challenges, Ukraine plans to restore and further develop the IT sector in order **to offer favourable and competitive conditions for foreign investors.** During the 2022-2025 period, the country will focus on **growing the talent pool, stimulating start-ups, and attracting global R&D** as key projects of the National Plan.

## Key targets of digital projects and reforms by 2025



**10%**

share of IT services in the GDP of Ukraine



**2,000**

IT companies acquired resident status of the Diia City legal regime



**4,000**

start-ups registered in Ukraine



**7,000**

individuals received e-resident status



**95%**

high-speed internet population coverage



**500**

critical infrastructure facilities using cloud technologies



**140**

open data services operating in Ukraine



**200**

electronic communication towers established in rural areas

The implementation of post-war recovery reforms aims **to make Ukraine one of the world's leading tech powerhouses.** With its combination of existing advantages and future improvements in

the field of regulations, infrastructure capacities, and governance policies, the Ukrainian IT industry will become **a valley of opportunities for start-ups and global companies.**



Ukraine provides **favourable conditions for the functioning of a digital economy** (IT, start-up ecosystem, innovation, AI, blockchain, etc.)

The country offers **developed internet networks and modern cloud-based solutions**, fostering the growth of innovations across various sectors

The country has an **extensive, highly qualified, and cost-competitive talent pool**, making Ukraine an attractive investment destination



The legislation of Ukraine is **fully harmonised in line with the EU**, enabling new cross-border business opportunities in the IT industry

**The cybersecurity ecosystem is well-developed** with strong cyber protection capabilities, ensuring secure business operations

Ukraine is **an international leader** in the field of anti-corruption, development of civil society institutions, and transparency of public data

# IT SECTOR WILL PROVIDE ATTRACTIVE INVESTMENT OPPORTUNITIES FOR INTERNATIONAL PARTNERS

## Major steps on how to support the recovery of Ukraine's IT sector<sup>1</sup>

The support of international partners will be a **major determining factor** in the successful implementation of planned reforms and projects. The international community can help restore the IT industry in Ukraine by **attracting global projects, developing partnership initiatives, and providing technical consultations**. As a result, foreign investors and global companies will benefit from a fast recovery process, as there will be **more unique business opportunities to leverage** in Ukraine.



**Attract ambitious global projects** to be launched in Ukraine, helping promote Ukraine as an attractive investment destination for IT businesses



**Develop partnership projects** to facilitate knowledge, expertise, and experience sharing for young Ukrainian professionals and entrepreneurs



**Provide technical support** to the Government of Ukraine to harmonise the IT regulatory environment of Ukraine to meet EU standards, including anti-corruption frameworks

## Key projects in the IT sector during the recovery period

### Matching grants programme



**~510 Mn USD**  
2023-2025



The programme aims to **increase financial opportunities** for start-ups by **doubling investments** raised through venture capital funds. The government plans to invest around **170 Mn USD annually in at least 10 start-ups and create 500 new jobs**. The funds will come from **international donors and the state budget**.

### Polygon of world ideas



**~510 Mn USD**  
2023-2025



By creating competitive conditions for ambitious global projects, including providing financial support, the project focuses on transforming Ukraine into **one of the most attractive countries for global investors and tech giants**. Funds will come from international donors, and the target is to implement **1 imitative company, opening up at least 500 new jobs**.

### DISC<sup>1</sup> Capital Venture Fund



**~90 Mn USD**  
2023-2028



The establishment of VC funds aims to **expand the start-up ecosystem in Ukraine** by **providing capital and access to tech knowledge** for start-ups. Funds will come from international donors and investors. The aim is to support at least **1,500 start-ups** at different stages.

# Now is a proper time to strengthen engineering education system



Ukrainian IT companies are very dependent on the following three factors: tax burden, availability of engineering education system, and safety factor for employees (i.e. both physical safety and the risk of conscription).

Therefore, the government should take care of these three factors in its policy of 'companies' return' to the Ukrainian market. I am convinced, that the majority of people / employees are willing to come back to Ukraine.



## DR NADIIA VASYLIEVA

Co-Founder of Digital Transformation Consulting; CEO of Digital Transformation Institute of Ukraine

***Involvement during Russia's war against Ukraine:*** Nadiia runs the Digital Transformation Consulting, which organises international assistance to the military people of Ukraine and Ukrainians who were forced to become refugees. Initiative contributes by organising international conferences devoted to issues of globalisation, digital economy, business transformations, and development of the state's economy, as well as in partnership with military product markets regarding possible investments, developments, scientific personnel, products, and business models.

### **According to a draft Recovery and Development Plan IT services are expected to reach a 10% share of Ukrainian GDP by 2025. How would you evaluate such a forecast?**

The IT sector does not exist in isolation, it intensively contributes to the development of other economic sectors. Therefore it is necessary to calculate not only the cost of provided services but also IT-driven savings from optimisation and increased productivity.

Digital Economy is a very powerful tool for the country's growth, not only just a separate industry. So, my vision is that this figure (10% of the GDP) should be much higher due to the war and the impossibility of fully reviving the country's economy and reviving the industries and enterprises to the pre-war level.

### **How do you see IT companies' collaboration with the Ministry of Defence of Ukraine?**

I believe that the prospects for cooperation between the MoD<sup>1</sup> with the leading technology and IT companies definitely exist if the MoD and the government work in an honest and open public-private partnership format. The MoD must be able to sign and execute not only MOU<sup>2</sup>, but also fulfil valid agreements, trust its partners, and provide for equal mutual responsibility in contracts – these are mandatory conditions for successful cooperation. Being able to work in a free market means negotiating a win-win scenario for both parties. It is also important to be ready to work with non-standard business processes in a more flexible and innovative manner, not to impose own vision of doing business on the partner, i.e. setting requirements for the cost of the product. The only thing required from the state is a clearly formulated order, for which it commits to pay.

# DID YOU KNOW THAT UKRAINE IS AMONG THE EUROPEAN LEADERS IN IN ACCESS TO OPEN DATA?



In 2021, **Ukraine** took **6<sup>th</sup> place** in the **Open Data Maturity rating** among 34 countries, rising from 17<sup>th</sup> in 2020, and **became a trend-setter** in the field of **open data**.



**Open Data Maturity rating 2021**

- Trend-setter
- Fast-tracker
- Follower
- Beginner
- No data



# BALANCED EXPECTATIONS

## CHAPTER 3.2

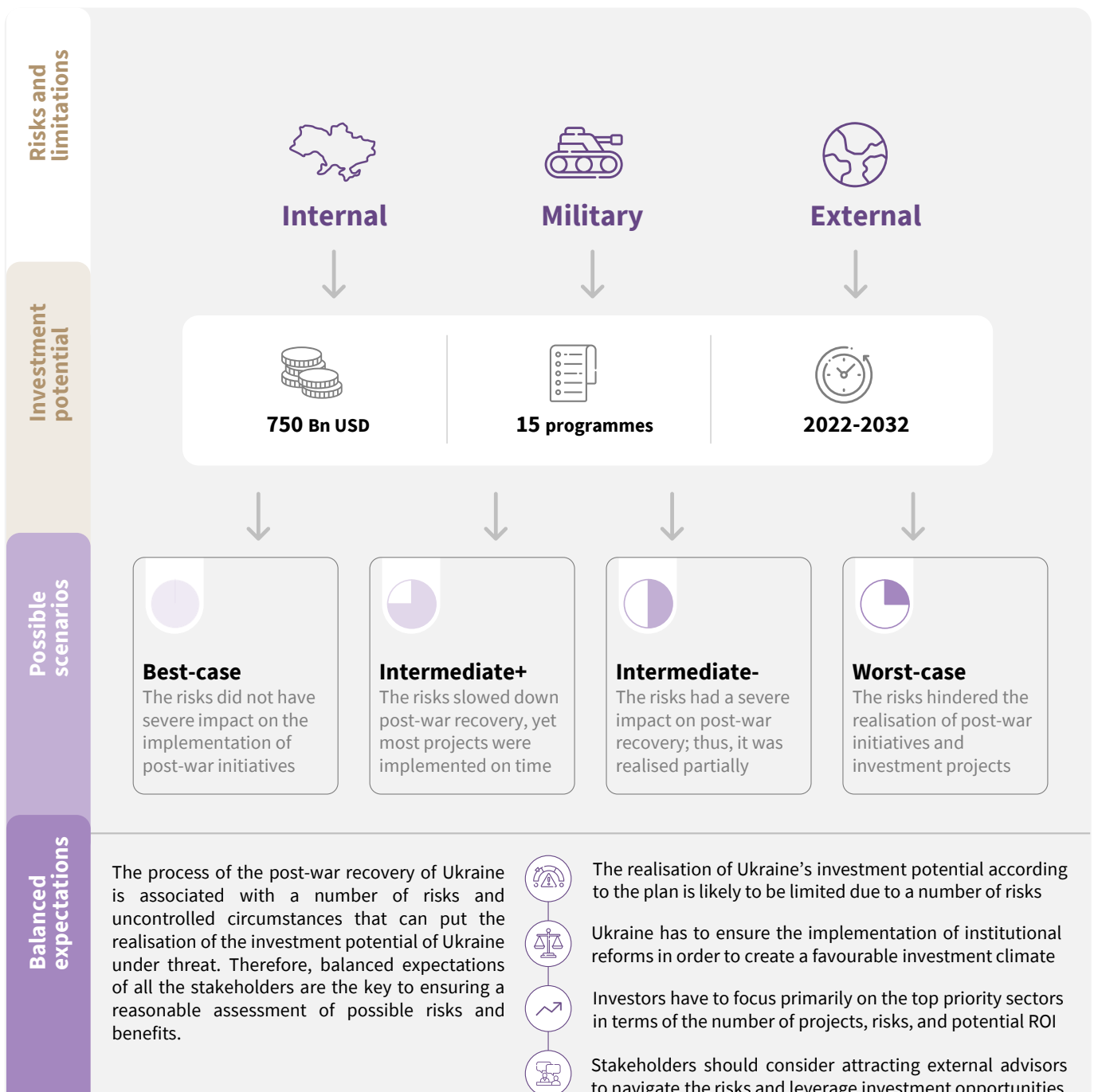


# NEW AGE UKRAINE WILL BE LARGELY SHAPED BY ITS ABILITY TO WITHSTAND POTENTIAL RISKS

The assessment of the investment potential of Ukraine in the amount of 750 Bn USD, according to the National Recovery Plan, is quite conditional since there are numerous **military, internal, and external risks that** can either delay or hinder the implementation of projects included in it. Depending on the probability and severity of these risks, there are different **possible scenarios for the future development of Ukraine**. These scenarios, in turn, will define the actual investment potential of Ukraine and the attractiveness of the country to investors. The

Ukrainian government does not have the power to impact objective circumstances, yet it is able to **mitigate possible internal risks** through performing important institutional reforms, developing incentives for investors, and promoting Ukraine as a “magnet” for investments worldwide. International partners, in turn, can leverage emerging investment opportunities by focusing on projects from the **sectors with the highest growth potential and ROI**, as well as by **applying to external advisors** that can help navigate the challenging recovery landscape.

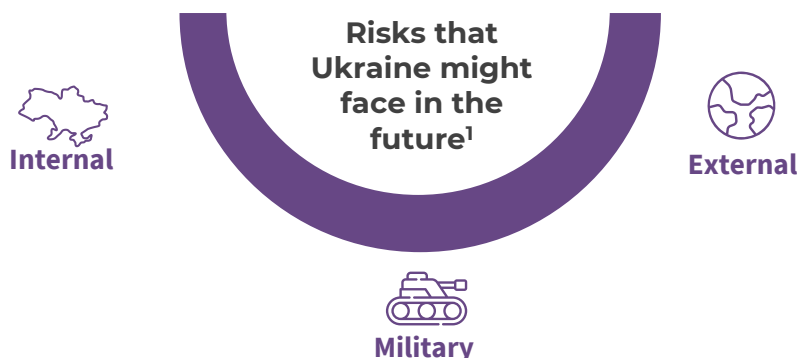
## The framework for the realisation of the investment potential of Ukraine



# THE REALISATION OF A RECOVERY PLAN MAY SLOW DOWN DUE TO A NUMBER OF POTENTIAL RISKS

The economic and social development of Ukraine has always been influenced by **internal and external groups of risks**. After the beginning of the full-scale Russian invasion, one more additional group of risks has become a determining factor in the country's future development — the **military risks**. This group should be analysed, along with the current internal and external risks for Ukraine, as they will directly or indirectly impact the post-war

development of the country and its **ability to realise economic potential** according to the recovery plan. The risk analysis has demonstrated that **Ukraine has to show solid performance not only on the battlefields but also in conducting reforms** in order to withstand all the potential risks. It will allow Ukraine to both defeat Russia and maintain support from partners in the future period of the post-war recovery.



## Internal risks

**Ukraine** is largely exposed to **internal** risks that are now even more important to overcome. The **economic, political, and social** risks are among the most serious for the country to tackle.

**Top-3 to occur**

1

Unfavourable financial conditions hinder the country's economic development

2

Shortage of talented and motivated people due to large migration abroad

3

Failure to conduct important institutional reforms and ensure the rule of law

**Severity**



## Military risks

**Ukraine** faces a number of military risks as the war is still ongoing. The **support** of allies and partners, as well as the **effectiveness of the counter-offensive**, are crucial to fasten the liberation of territories and boost the post-war recovery.

**Top-3 to occur**

1

Military support provided to Russia from Belarus, Iran, and its other allies

2

Slow pace of military support provided to Ukraine by its partners and allies

3

Partial or full mobilisation of manpower in Russia to join the war

**Severity**



## External risks

Many countries are now experiencing **political and economic tension** caused by various global challenges. However, it is crucial for **Ukraine to maintain the financial support** provided by its partners in order to ensure post-war recovery.

**Top-3 to occur**

1

Economic recession in the leading European economies

2

Tensions between the USA and China regarding Taiwan

3

Hidden economic and political support provided by China to Russia

**Severity**





# INTERNAL RISKS EXACERBATED BY THE WAR MIGHT NEGATIVELY IMPACT UKRAINE IN THE FUTURE

Starting from 1991, the development of the Ukrainian economy has been limited by numerous **economic, political, and social factors**. These factors have not allowed the country to realise its economic potential in full, create a favourable investment climate, and ensure long-term sustainable economic growth. The Russian invasion of Ukraine has become a difficult challenge for all the spheres of the country's life and has led to **the exacerbation and emergence of new and existing internal risks**. Despite it,

Ukraine has all the needed resources and prerequisites to mitigate and/or overcome all these risks during the post-war period. The internal risks should be addressed in a timely manner by the Ukrainian government in order to create a favourable investment climate and achieve sustainable economic development. Ukraine has to show **a strong willingness to pursue fundamental institutional reforms** in the course toward integration with the European Union.

## Internal risks that might impact Ukraine on its way to recovery after the war<sup>1</sup>

Probability	Risks	What it means for Ukraine	Severity
	<b>Unfavourable financial conditions in the country after the end of war</b>	→ Inflation, the devaluation of the national currency, high external debt, and high interest rates will hinder the post-war economic development of Ukraine	
	<b>Shortage of talented and motivated people due to large migration abroad</b>	→ The emigration caused by the war will lower the economic potential of Ukraine for decades since a large number of talented people might never return	
	<b>Failure to conduct important institutional reforms and ensure the rule of law</b>	→ The inability of Ukraine to conduct fundamental judicial, anti-corruption, and public governance reforms will impede the creation of a favourable investment climate in the country	
	<b>High level of monopolisation across the different sectors</b>	→ Monopolisation risks, along with the high corruption level, may significantly lower the potential FDI-inflow, thus limiting the realisation of the investment potential of Ukraine	
	<b>Bankruptcy of SMEs due to a decline in demand and value chain disruptions</b>	→ Significant number of insolvent businesses during and after the war (especially among SMEs) will negatively affect domestic production, demand, employment etc.	
	<b>Increased political tensions in Ukraine</b>	→ Increased political tensions in Ukraine may play favour to Russia by weakening the power in Ukraine and dividing the society, which might defocus the attention on external threats	
	<b>Corruption in the field of military or humanitarian aid</b>	→ The possible corruption in the humanitarian and military aid spheres may lead to the reduction of the support provided to Ukraine, especially in the post-war period	
	<b>High pressure on the state budget due to the need to provide social support</b>	→ Internally displaced people would be a high financial burden for the economy, thus increasing the budget deficit and lowering the economic growth in the future	
	<b>The rise of war weariness across the Ukrainians</b>	→ The long war, which makes not only economic but also mental burnout, might force the Ukrainian government to sign the treaty on unfavourable terms for the country	

# MILITARY RISKS MAY WEAKEN UKRAINE ON THE BATTLEFIELD AND POSTPONE THE END OF WAR

The economy and business environment of Ukraine are directly impacted by the **military risks**, which could escalate the situation on the battlefields in favour of Russia; hence, the delay in the implementation of post-war recovery plans in Ukraine. Even though Russia has not achieved its military targets for 8 months of the war, it might seek opportunities to end the war on its terms. **Russia actively tries to find financial or military support** from its few allies, such as Iran, Belarus, Syria, and any others that

might supply Russia with military equipment. On the other hand, the effectiveness of the Ukrainian counter-offensive operation, which is mainly dependent on the **professionalism of Ukrainian soldiers and military support from the allies of Ukraine**, would directly determine the duration of the war and, therefore, the pace of economic and social recovery of Ukraine in the coming years. If the military support from the allies should diminish in the future, it **may postpone the long-awaited victory of Ukraine in this war**.

## Military risks that might impact Ukraine on its way to recovery after the war<sup>1</sup>

Probability	Risks	What it means for Ukraine	Severity
	<b>Military support provided to Russia from Belarus, Iran, and its other allies</b>	→ Russia's allies might supply occupiers with various weapons and ammunition, thus allowing Russians to partially cover their losses in the war in Ukraine	
	<b>Slow pace of military support provided to Ukraine by its partners and allies</b>	→ Ukraine may receive military support from its partners later than it is expected, hence limiting the ability of the Ukrainian army to liberate all the territories of Ukraine	
	<b>Partial or full mobilisation of manpower in Russia to join the war</b>	→ Russia might significantly increase its military capabilities by conducting partial or full mobilisation. This may significantly complicate the counter-offensive of the Ukrainian army	
	<b>Slowdown of the counteroffensive operation of the Ukrainian army</b>	→ In case de-occupation measures of the Ukrainian army turn out unsuccessful (due to various reasons), the frontline will stabilise, which may lead to the freeze of the war	
	<b>Entry into the war in Ukraine of Russia's allies – Belarus, Iran, Syria, etc.</b>	→ Ukraine may face more intense hostilities in case the allies of Russia directly join the war by sending their troops on the ground (the highest threat is from Belarus)	
	<b>The use of a mass destruction weapon by Russia in the war</b>	→ The use of nuclear or chemical weapons by Russian occupiers against the Ukrainian army may pose a significant threat of losses in manpower and military equipment	

### OPINION CORNER

**Iryna Antonova**  
Talks Talks about Military Threats, International Aid, and Future



The ability of Ukraine to enable the future full-fledged recovery in economic, social, and environmental spheres is actually defined by the **success of the Armed Forces of Ukraine on the battlefields right now**. Despite the recent liberation of the Ukrainian territories in the Kharkiv region, there is still a long and difficult way to the victory. Therefore, all the stakeholders both in Ukraine and abroad should keep in mind that primarily we have to **continue actively supporting the Ukrainian army** in the fight against the Russian occupiers.

Source: Kyiv Consulting analysis  
Notes: (1) Potential risks in this publication are analysed as of mid-September 2022. The list of risks is not exhaustive; their probability and severity may change in the future under the impact of unpredictable circumstances. The purpose of the assessment is to provide the reader with a general understanding of the factors that may impede the post-war recovery process in Ukraine

# EXTERNAL RISKS MIGHT IMPACT THE LONG-TERM SECURITY AND ECONOMIC RECOVERY OF UKRAINE

The implementation of initiatives as a part of the post-war recovery plan of Ukraine is expected to be financed to a large extent through funds received from foreign partners and investors. The ability of Ukraine to attract funds from foreign stakeholders depends significantly on the economic, political and social situation in their countries, as well as on global circumstances. Even in the case of the success of the Ukrainian army on the battlefield, implementation of institutional reforms

and the creation of an attractive investment climate, there are still **external risks that may hinder the attraction of a large number of funds from investors for the restoration of Ukraine.** Therefore, the Ukrainian authorities should take into account various potential external risks that may affect the implementation of the recovery plan in order to **balance the expectations of all stakeholders** and ensure the most efficient allocation of available resources.

## External risks that might impact Ukraine on its way to recovery after the war<sup>1</sup>

Probability	Risks	What it means for Ukraine	Severity
	<b>Economic recession in the leading European economies, like Germany, France, and the UK</b>	→ Ukraine may not receive the expected amount of financial support for the post-war recovery due to a recession in Europe caused by energy shortages and elevated inflation	
	<b>Tensions between the USA and China regarding Taiwan</b>	→ The USA might partially switch focus from assisting Ukraine to Taiwan, hence lowering the military power of Ukraine in the war against Russian occupiers	
	<b>Hidden economic and political support provided to Russia by China</b>	→ The war in Ukraine may last longer if Russia is able to receive support from China in various forms, hence maintaining the capacity to continue the war	
	<b>Political instability within the EU due to the economic crisis and war in Ukraine</b>	→ The financial and humanitarian support for Ukraine from the EU may become weaker if the attention of political leaders shifts to internal political struggle	
	<b>Strengthening of economic ties between Asian and African countries with Russia</b>	→ Russia could sustain less damage to the imposed sanctions by receiving support from some Asian and African states, hence becoming more powerful on the battlefield in Ukraine	
	<b>Upcoming US Congress and Senate elections</b>	→ Elections to the Congress and Senate might shift the focus of US politicians to domestic political struggle, thus lowering the attention on Ukraine	
	<b>New refugee crisis in Europe from Middle East and North Africa</b>	→ The inflow of refugees from the Middle East or North Africa will lower the capacity of the EU to provide financial support to Ukraine	
	<b>The outbreak of another pandemic crisis, similar to COVID</b>	→ The new pandemic would make the other nations more focused on fighting the outbreak of it, leaving Ukraine without the needed support	
	<b>The direct military aggression of Russia against the country member of NATO</b>	→ The potential military conflict provoked by Russia against a country member of NATO may shift the focus from supporting Ukraine to supporting another country	

# POTENTIAL RISKS OUTLINE THE FUTURE SCENARIOS OF THE POST-WAR DEVELOPMENT OF UKRAINE

The analysis of risks has demonstrated that the process of the post-war recovery of Ukraine may happen according to **various possible scenarios**, depending on the probability and severity of the impact of certain threats on the economic, political and social situation in the country. All the possible scenarios for each of the risk groups (internal, military, external) can be conditionally **divided into four cases, from the worst to the best**. Each of

these scenarios will determine the number of resources that can be attracted to invest in the recovery initiatives in Ukraine, the priority sectors of focus, as well as the goals and results that can be achieved. **Due to the changing circumstances, it is almost impossible to predict the most likely scenario**. However, all of them should be considered when balancing the expectations of all the stakeholders of the post-war recovery in Ukraine.

## Scenarios that could shape the future growth and development of Ukraine<sup>1</sup>

	Scenario A Best-case	Scenario B Intermediate +	Scenario C Intermediate -	Scenario D Worst-case
Internal	Ukraine has conducted all the needed institutional reforms and created a favourable investment climate, ensuring the attraction of partners for the post-war recovery	Ukraine has created a favourable investment climate for investors. However, due to certain internal obstacles, some initiatives and reforms have not yet been implemented	Ukraine aims to implement all the needed reforms to ensure a favourable investment climate. However, due to numerous obstacles, the pace of change is quite low	Ukraine has not created a favourable investment climate and conducted fundamental institutional reforms. Other risk factors have hindered the implementation of post-war recovery initiatives
Military	The Armed Forces of Ukraine have managed to liberate all the temporarily occupied territories of Ukraine by the end of 2022. Russia has been defeated in the war and is not able to continue the invasion	The Ukrainian army has managed to liberate the majority of occupied territories in the South and East of Ukraine by the end of 2022. Military support from the West is solid and increases	The Armed Forces of Ukraine have liberated some territories occupied by Russia by the end of 2022. However, the hot phase of the war is still continuing. Ukraine gets no increase in military support from its partners	The Ukrainian army has not conducted any significant counteroffensive operations in 2022. The war has shifted to a stationary phase, and Russia has got time to regain power and repeat the invasion
External	Foreign partners provide significant financial support to Ukraine. Investors actively finance projects across various economic sectors in Ukraine	Ukraine gets financial support from international partners and attracts investors. However, due to certain external obstacles, the amount of received financing is lower than planned	Ukraine has managed to attract certain volumes of investments and financial support. However, due to the negative impact of external circumstances, the scale of financing is not sufficient to realise the majority of recovery initiatives	Ukraine has not received the needed financial support from partners and has not managed to attract investors due to the global political, social, and economic tensions

### What it means for Ukraine's economic recovery and growth

<p><b>A</b></p> <p>Ukraine has achieved its economic growth targets and realised its investment potential in full (750 Bn USD). The risks have not impacted the implementation of the post-war initiatives severely.</p>	<p><b>B</b></p> <p>The risks have slowed down the post-war recovery process in Ukraine. However, the majority of initiatives have been implemented due to effective governance and strong financing from partners and investors.</p>	<p><b>C</b></p> <p>The risks have severely impacted the post-war recovery process. Thus, it has been realised only partially. Ukraine has managed to attract only an insignificant part of the expected financing.</p>	<p><b>D</b></p> <p>The risks have hindered the realisation of the post-war initiatives and investment projects due to the limited economic support from partners and weak dynamics of the attracted FDI.</p>
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Source: Kyiv Consulting analysis

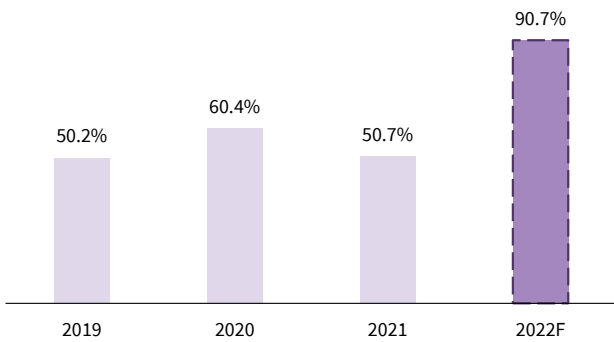
Notes: (1) Potential scenarios in this publication are analysed as of mid-September 2022. The purpose of the assessment is to provide the reader with a general understanding of the possible scenarios of the post-war recovery process in Ukraine

# UKRAINE IS LIKELY TO EXPERIENCE UNFAVOURABLE FINANCIAL CONDITIONS AFTER THE END OF WAR

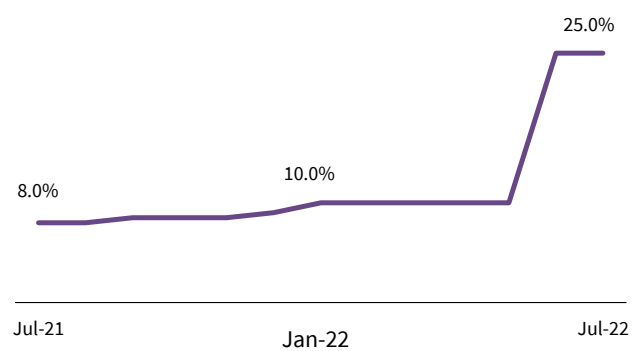
During the ongoing war, the threats of **expanding debt burden** and reducing possibilities to refinance it with the domestic resources have increased significantly in Ukraine. In addition, the need to ensure the exchange rate stability and control the inflationary processes during the war has led to a significant **increase in the interest rate** set by the National Bank of Ukraine, which in turn adversely affects business activity in the country. Deterioration of the state of public finance amid the **decreasing**

**state budget revenues, export earnings, as well as increasing defense costs** is inevitable, and in the short term it will require effective solutions from the government along with the financial assistance from partners. However, in order to ensure the long-term economic growth of Ukraine after the end of war and the improvement of its financial conditions, it is necessary to focus on the reforms aimed at creating **favourable business environment and investment climate** in the country.

## Ukraine's external debt to GDP



## Key policy interest rate in Ukraine



### What it means for Ukraine's economic recovery and growth



As long as the war continues (as well as in the first months after its end), financial conditions in Ukraine will remain difficult, the level of public debt will increase, and business activity will be significantly lower compared to the pre-war level. Debts will put pressure on the budget of Ukraine, diverting significant financial resources from the post-war recovery initiatives and projects



In the current financial conditions, Ukraine has to continue cooperation with international partners and creditors regarding the restructuring of external debt through postponing payments, reducing the amount of liabilities or interest rate etc.. Except for it, Ukrainian government has to use the macrofinancial assistance, which is provided by partners, as effectively as possible



However, in the long-term perspective, the most sustainable way to improve financial conditions in Ukraine is to conduct structural reforms in the country, which will allow to create favourable business and investment climate. The increase in tax revenues will provide the budget with the resources needed to repay the remaining country's liabilities to the creditors

## OPINION CORNER

**Karyna Voloshyna**

Talks about Economy, Public Finance, and Recovery



The deterioration of the state of public finance of Ukraine is an **inevitable process caused by the overall economic downturn and damages** that were brought to our country by the war. In these conditions, it is important to focus on leveraging effectively the financial assistance and opportunities of the debt restructuring provided by international partners, as well as on the **structural economic and institutional reforms**. These measures will allow both to address the immediate financial needs of Ukraine and ensure its long-term economic growth.



# Ukraine needs a realistic transformation strategy – now or never



The jungle of shareholders and stakeholders today is already challenging. We will see a very diverse portfolio of interests related to Ukraine soon. North American interests as well as European interests will partially clash when unfiltered addressed to Ukraine. There will be a lot of expectations after the war from both sides: from the Ukrainians on the West, but likewise from the West on the Ukrainians. In both directions, it will not be easy. Ukraine needs to change and will change. Not only caused by the EU candidacy. Clear and realistic expectation management is necessary for citizens, politicians, and decision-makers on both sides.

## NICOLAI KISKALT

CEO of Kyiv Strategy Consulting

***Involvement during Russia's war against Ukraine:*** Nicolai has worked almost non-stop since 24 February 2022. In the last eight months, he not only evacuated most of the employees safely to Europe but also stabilised the business operations of the business consultancy he is in charge of. Nicolai, known for preferring to stay more in the background, decided to change this approach and became 'loud for Ukraine'. Since Summer he has built a professional network of experts and consultants who are ready to R(Y)SE Ukraine again after the war.

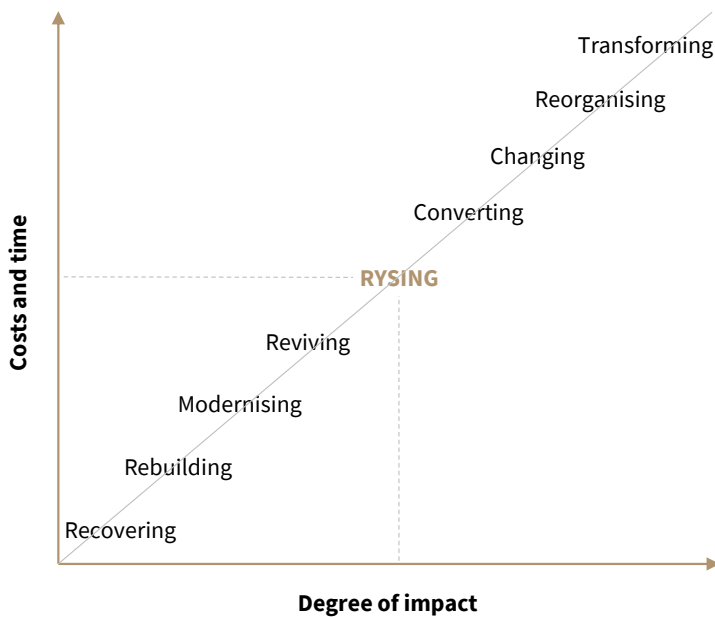
### **No successful transformation can happen without the skills of consultants. Is it the same when transforming an entire country?**

Based on my experience, changes are always causing resistance across decision-makers. That is 100% the case in the private sector transformations as well as 100% in the public sector transformations. Decision-makers have naturally different interests, and any change will push them out of their comfort zone or their area of control. This will cause resistance and therefore risk for the entire transformational approach – sometimes visible but too often invisible. In all cases it is causing damage. To avoid this damage a strong transformation team is needed which will guide the various stakeholders professionally through the transformation agenda. We have developed with our tailored transformation consulting approach 'R(Y)SE' (Rapid Y Solution Environment) the necessary approach for Ukrainian decision-makers to secure the success of the upcoming transformation programme.

### **What professional capabilities are needed in Ukraine to 'R(Y)SE' the country again?**

Most important is that Ukraine needs to agree on a manageable roadmap with realistic milestones and a proper expectation management. It is to expect, that all international consulting firms and big advisory firms will line-up at the President Office with their own transformation ideas for Ukraine. Knowing Ukraine quite well but also being in transformation consulting for more than 16 years, I daub that this would be the right approach, as the only way to secure a sustainable change in Ukraine, should be maintained by Ukrainians themselves. Therefore, we have developed the 'R(Y)SE' approach for Ukraine which secures the buy-in of all stakeholders based on international transformation standards which will lead to a manageable and transparent progress in the interest of everyone.

# EXPECTATIONS MANAGEMENT IS REQUIRED TO ENABLE POST-WAR RECOVERY INITIATIVES



The process of the post-war economic development of Ukraine is associated with a number of **external and internal uncontrolled circumstances** that can put the implementation of initiatives at risk and break down the expectations of numerous stakeholders involved in the process. Therefore, **balanced expectations** of Ukrainian and international governments, investors, businesses, and communities are the key to ensuring a reasonable assessment of potential risks and benefits.

The post-war National Recovery Plan implies the gradual realisation of initiatives across various sectors within a 10-year period, aimed at transforming them to a qualitatively new level. However, the way from 'Recovering' to 'Transforming' is exceptionally costly, time-consuming, and depends on a large number of objective factors.

In this regard, we prefer to use more specific wording when describing the future path of Ukraine — 'Rysing'. This definition means a **balanced approach to the post-war economic development of Ukraine** in terms of set goals, existing opportunities, potential risks, and available resources.

## Expectations management regarding post-war opportunities in Ukraine



### OPINION CORNER

**Jens Ekopf**

Talks about Strategy, Partnership, Change Management, Trust, and Transformation



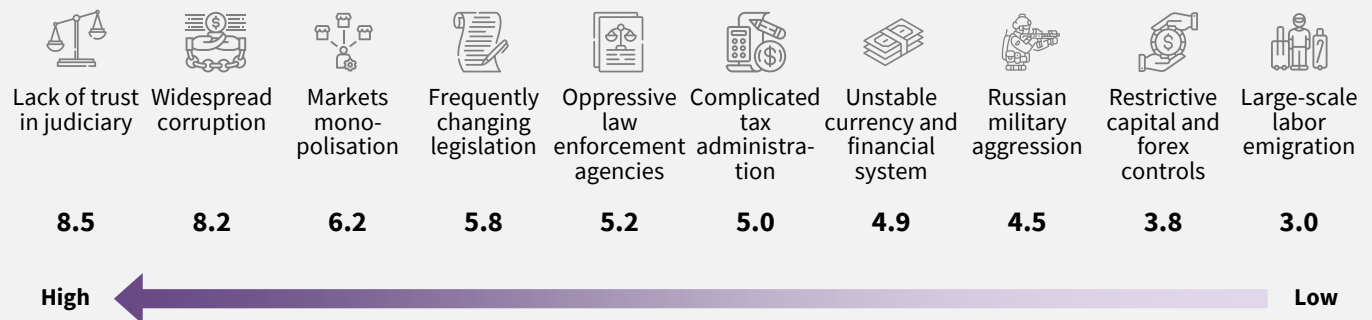
The **world stands with Ukraine**, which means the world believes **Ukraine is capable to withstand these horrible times to rise** and become even stronger than it was before. Same as Europe believes that Ukraine has it all to become a reliable partner and a fully-fledged member of the European family. This trust is the starting point of tremendous changes for the entire country. Through joined efforts, we will **manage to implement a huge number of mutually beneficial projects in a balanced and gradual way.**

# UKRAINE HAS TO ENSURE THE RULE OF LAW BY PERFORMING MAJOR INSTITUTIONAL REFORMS

The implementation of the post-war recovery and transformation initiatives of various spheres in Ukraine implies **attracting 750 Bn USD of financing from different sources by 2032**, a significant part of which is expected to be obtained from foreign partners. In view of the existing risks and possible scenarios, this task seems to be quite difficult. However, the development of a **favourable investment climate** in Ukraine may help to attract a significant part of the planned funding. In order to create such conditions for

investors, Ukraine has to **overcome the structural problems** that have limited its growth over recent years. The most significant among them is the mistrust of judicial and law enforcement systems, such as high levels of corruption, monopolisation of markets, unstable legislation, etc. Based on this, ensuring **institutional effectiveness and the rule of law** by conducting judicial, anti-corruption, and public administration reforms should become fundamental priorities in the recovery plan.

## Major pre-war obstacles to foreign investments in Ukraine, points, as of 2020<sup>1</sup>



## Overview of the major institutional reforms in Ukraine

	Year of start	Status	Further steps
<b>Judicial reform</b>	2016	The judicial reform became the largest in the history of Ukraine. It included amendments to the Constitution and the creation of several new institutions. Despite this, it was implemented only partially and not qualitatively enough to form a judicial power that ensures the rule of law.	Ukraine has to ensure a transparent procedure for selecting judges of the Constitutional Court, as well as to complete changes in the High Council of Justice and the High Qualification Commission of Judges.
<b>Anti-corruption reform</b>	2014	Since the beginning of the Anti-Corruption reform, Ukraine has created structures to fight corruption among top officials that, in general, positively affected the level of corruption in the country. However, the pace of implementation of some other measures remains very low.	Ukraine has to ensure a transparent selection process for the position of director of the National Anti-Corruption Bureau of Ukraine, as well as implement an Anti-Corruption strategy until 2025.
<b>Public administration reform</b>	2016	The decentralisation and implementation of the initial stages of the public administration reform, along with the digitalisation of public services, allowed to enhance the effectiveness of the Ukrainian public administration system and provide stability after the start of the war.	Ukraine has to continue the implementation of a comprehensive public administration reform aimed at building local governance, capable of realising initiatives as part of the National Recovery Plan.

## OPINION CORNER

**Dr Stanislava Matvieieva**

Talks about Law, Reforms, Compliance of Ukrainian legislation with European standards



The **legislation** is a form that **should reflect the Rule of Law**. The investment climate of Ukraine directly depends on **investor confidence**, which **is guaranteed by effective legislation**. Ukraine as an EU candidate **has to fulfill seven blocks of requirements**, the key of which are **anti-corruption and judicial reforms**. The instruments of successful reforming will be the inclusion of the *Acquis Communautaire*<sup>2</sup> in the system of legislation of Ukraine at the national level and the **implementation of European standards of Ethics and Compliance** at the local level (in business).

Source: EBA — Foreign Investor Survey — [2020]; Media overview  
 Notes: (1) According to EBA survey of investors, n=117; (2) A mandatory minimum of EU legislation, in accordance with which the domestic legislation of the country must be adapted to become a member of the EU

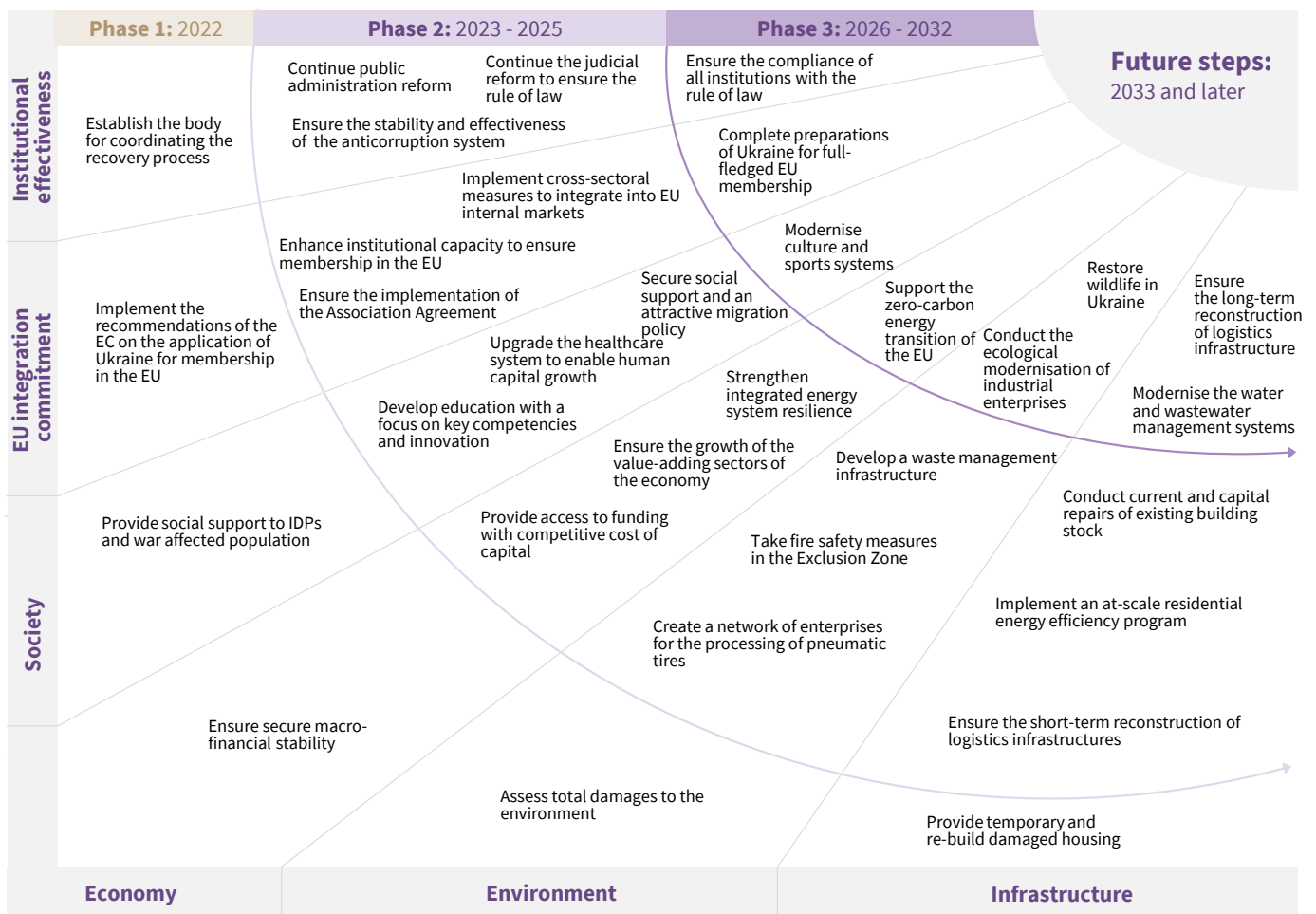


# INSTITUTIONAL EFFECTIVENESS SHOULD BECOME A BASIS FOR THE REALISATION OF A RECOVERY PLAN

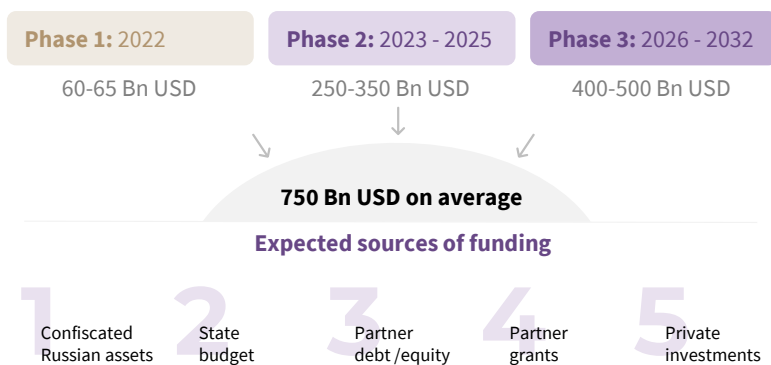
The analysis of prerequisites for the implementation of the National Recovery Plan of Ukraine indicates that **institutional effectiveness should become a basis** for the integration into the EU, as well as for the implementation of numerous projects in the social, economic, environmental, and infrastructural domains. The development of each domain will be project-based and will continue for the selected **time horizon of 10 years**. The time horizon is divided into 3-year phases, starting from 2022.

Each phase, having projects from all the considered domains, allows for the understanding of the scope of work for a particular point in time, as well as resource allocation. Considering all the possible risks and constraints, it is also necessary to **prioritise planned projects** regarding the number of required resources, potential benefits, and the expected terms of implementation. Institutional reforms, in turn, should be carried out continuously along with the implementation of projects in each domain.

## The largest projects and initiatives as a part of the National Recovery Plan of Ukraine<sup>1</sup>



## Assessment of funding needs according to the National Recovery Plan



Financing of projects at all three stages of the National Recovery Plan is estimated at **750 Bn USD**, and it is expected to be sourced from confiscated Russian assets, private investments, funds of partners, and the state budget. However, the analysis demonstrated that existing **military, internal and external risks might prevent the attraction of such a large volume of resources in full**. In order to ensure the maximum inflow of foreign investments and partners' funds, **Ukraine has to create a favourable investment climate, primarily by strengthening the anti-corruption and judicial systems.**

Future  
Balanced expectations

Source: Ukraine Recovery Conference materials; Media overview



## During the last decade, Ukraine made quite a few steps to fight corruption



The National Anti-Corruption Bureau, the Asset Recovery and Management Agency, and the High Anti-Corruption Court should finally receive their permanent heads in transparent and competitive selection. It is also necessary to prioritise the reform of self-governing judicial bodies, use transparent procurement systems for reconstruction efforts, and strengthen the asset recovery systems to help fuel the reconstruction efforts.

### OLENA OGORODNIK

Transparent Cities Programme Manager, Transparency International Ukraine

**Involvement during Russia's war against Ukraine:** Olena Ogorodnik is engaged in volunteer activities, speaks at international forums and conferences on the war in Ukraine, as well as raises questions of the people's safety. Together with the team of Transparency International Ukraine, she provides humanitarian aid to those, who suffered from the war, as well as assistance to the Armed Forces of Ukraine.

#### What are your overall expectations of how the war will affect the transparency of business and social environments after it ends?

Significant efforts toward greater transparency have already been made. Ukraine and its allies have spent the last decade building a diverse and impressive institutional infrastructure to fight corruption. Moreover, Ukrainian municipalities showed unprecedented city councils' openness in the history of our Transparent Cities programme. As a result, over the last 5 years, the average transparency indicator of the 100 largest cities increased by 62.2%. And there will be even more transparency, as I believe every Ukrainian is interested in fair reconstruction. In particular, there is a working system of anti-corruption bodies — NABU<sup>1</sup>, SAPO<sup>2</sup>, HACC<sup>3</sup>, NACP<sup>4</sup>, and ARMA<sup>5</sup>. In addition, there are various anti-corruption tools — e-declaration, electronic system of public procurement Prozorro, and public property sale / lease system Prozorro.Sale, open state registers, institute of whistleblower protection, a single portal for the use of public funds, etc.











#### What are the most critical issues that need to be addressed after the war regarding anti-corruption regulations and overall transparency?

While it is unrealistic to expect the country to progress with all outstanding anti-corruption reforms as long as the war is raging, some must be tackled immediately. With robust, enabling, and independent anti-corruption infrastructure, as well as a working system of the inevitability of punishment for corruption, the rebuilding process will become more effective. The National Anti-Corruption Bureau, the Asset Recovery and Management Agency, and the High Anti-Corruption Court should finally receive their permanent heads through a transparent and competitive selection process. Transparency International Ukraine continues to emphasise that Ukraine needs to provide safeguards against corruption in the reconstruction processes and to ensure there are no abuses.

Notes: (1) National Anti-Corruption Bureau; (2) Specialised Anti-Corruption Prosecutor's Office; (3) High Anti-Corruption Court; (4) National Agency on Corruption Prevention; (5) Asset Recovery and Management Agency

# UKRAINE CAN REALISE INVESTMENT OPPORTUNITIES IN THE PRIORITY INDUSTRIES OF THE ECONOMY

## Competitive advantages of the economy of Ukraine for investors

 high coverage of consumer markets	 skilled and competitive labour force	 investment opportunities in various sectors	 highly promising IT sector	 numerous investment incentives schemes
 favourable geographical location	 large base of natural resources and raw materials	 favourable cost of living and doing business	 developing research and development ecosystem	 ecosystem of international companies

Despite the existing risks and limitations regarding the attraction of resources for the recovery of Ukraine from foreign partners, the country's economy offers a **wide range of competitive advantages for investors**. These advantages, combined with the necessary financing, should form the basis for building an economy integrated into global production chains, with a high share of value-added products exported to foreign markets. At the same time, it is necessary to focus on investments in **the most**

**priority sectors** of Ukraine (manufacturing, IT, agriculture, energy, transport & logistics) since they have the **highest potential in terms of competitiveness, number of opportunities, and return on investment**. International investors can highly benefit from leveraging the existing and future opportunities in these sectors, as well as facilitating the recovery and transformation of Ukraine, multiplying the number of business opportunities across various industries and markets.

## Priority sectors for international investors in the economy of Ukraine



**Manufacturing:** The country offers a number of investment opportunities in various manufacturing sectors, including machinery and metallurgy, aerospace, fashion, automotive, and pharmaceuticals. A large manufacturing base, as well as access to talent and markets, create favourable conditions for international investors.

**IT sector:** An extensive pool of IT professionals, favourable geographical location, strong R&D ecosystem legacy and cost benefits are among the major drivers of investments in the IT sector of Ukraine. More than 100 companies on the Fortune 500 list are the clients of IT services providers from Ukraine.

**Agriculture:** Ukrainian agricultural sector, being one of the largest sectors in the economy, offers a number of advantages for investors due to attractive land rent prices, extremely fertile soil, competitive wages and logistics. Moreover, Ukraine has a number of opportunities in the high-value-added segments, such as agritech, food processing, and biofuels.

**Energy:** The way of Ukraine towards energy independence opens up a range of new opportunities for both global energy players and small investors in different segments, from increasing gas production to developing renewable energy sources and enhancing energy efficiency.

**Transport:** Concession mechanism provides a lot of investment opportunities for the restoration and development of transport infrastructure in Ukraine. The favourable geographic location of Ukraine makes it an important transport corridor for trade between Europe, Asia, and the Middle East.

International investors should also consider investing in production facilities, outsourcing market, and domestic consumer market in Ukraine since projects in these sectors might provide investors with solid returns

 <b>Ukraine as a manufacturing hub</b>	 <b>Ukraine as an outsourcing hub</b>	 <b>Ukraine as a large consumer market</b>
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# UKRAINE HAS THE POTENTIAL TO BECOME ONE OF THE LEADING MANUFACTURING HUBS IN EUROPE

## The role of Ukraine in global manufacturing supply chains<sup>1</sup>



Key products	Share in the global trade	Most dependent markets
Neon gas	45-70%	
Pig iron	22%	
Steel products	13%	
Titanium ore	9%	
Ignition wiring sets	4%	

Ukraine has already been deeply integrated into the global manufacturing supply chains, especially in the semiconductors, steel, heavy manufacturing, automotive, and aerospace sectors. However, **the majority of exported products from Ukraine are low-value-added** items and represent only the primary levels of the supply chain. Despite this, Ukraine has the potential to expand high-value-added production, integrate more deeply into supply chains, and **become a regional manufacturing hub**, especially within the European market.

## Opportunities for European investors in the manufacturing sector of Ukraine

- 1 Developed R&D network and business ecosystem**  
 Ukraine has a wide network of R&D centres and industrial parks that facilitate the development of the manufacturing sector. Taking into account the trends for digitalisation and the use of high technologies across various spheres in Europe, investors can highly benefit from having access to talent, an R&D network, and a business ecosystem in Ukraine.
- 2 Cost efficiency**  
 European investors can take advantage of efficient competition in the case of developing production capacities in Ukraine. For example, the production of cars in Ukraine is 4 times cheaper compared to Germany, and the cost of labour is almost 3 times lower compared to China, making Ukraine an attractive destination for optimising expenses.
- 3 Reliable supply**  
 COVID-19 pandemic, along with the polarisation of China and the USA into the two global geopolitical and economic centres, has seriously affected the supply chains of European companies. Therefore, Ukraine has a unique opportunity to become a key European technological, infrastructural, and manufacturing base, which ensures the resilience of supplies.
- 4 Large production capacity**  
 The country's economy has been historically represented by a large manufacturing base, which is currently underutilised due to numerous reasons. Taking into account that many plants in Europe are running at full capacity (for example, in the automotive sector), Ukraine can enable the effective exploitation of under-used capacities in the region.
- 5 Highly skilled experts**  
 Ukraine has a large number of qualified engineers who are capable of developing projects in various manufacturing sectors. For example, Ukraine has about 130,000 engineering graduates compared to 22,500 engineers in EU countries annually.

## Selected figures on the manufacturing sector in Ukraine<sup>2</sup>

Automotive parts	Aerospace	Fashion industry	Pharmaceuticals	Metallurgy
<ul style="list-style-type: none"> <li>More than 30 automotive plants located in Ukraine</li> <li>60 thousand employees</li> </ul>	<ul style="list-style-type: none"> <li>5 engineering and design bureaus</li> <li>8 manufacturing enterprises located in Ukraine</li> </ul>	<ul style="list-style-type: none"> <li>More than 15 global fashion brands have production facilities in Ukraine</li> <li>70 thousand employees</li> </ul>	<ul style="list-style-type: none"> <li>Market growth at a CAGR of 12% over 2016-2020</li> <li>110+ licensed pharma manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>44% in the total export value<sup>3</sup> of the manufacturing sector</li> <li>185 thousand employees</li> </ul>

# HIGH VALUE WORK AT FAIR COSTS PROVIDES OPPORTUNITY FOR THE OUTSOURCING HUB

Ukraine, over the past years, and especially during **Russia's war against Ukraine**, has shown strong resilience towards the crisis in the **IT and outsourcing** sector. The so-called **Knowledge hub** unites subsectors that, in some way, **relate to the IT sector and outsourcing**. The strong trend on **digitalization** and Ukraine's **capabilities to withstand the most severe risks** and threats **highlight the Knowledge hub** as a favourable area to invest in. A **highly educated workforce** with rather low compensation and **close proximity to the EU** would **pay off in the future**.

## IT & outsourcing sector at a glance



**The 1<sup>st</sup>**  
largest export  
service category



**>240 K**  
of IT and  
outsourcing  
specialists



**The 1<sup>st</sup>**  
in Eastern Europe  
by the number of  
outsourced  
developers



**>5,000**  
IT companies  
operate in Ukraine



**100**  
of Fortune 500  
companies with  
remote development  
teams in Ukraine

## Opportunities for European investors in the outsourcing hub in Ukraine



### Skilled labour

Ukraine has vast skilled labour force that is capable of doing high value added work. In 2021, over 1 million of people were studying at Ukrainian universities. Most of students to some extent study English, thus have more opportunities to work for international companies



### Creative environment

Ukraine has vastly developed startup environment with over 571 Mn USD funding in 2020. Startup accelerators and incubators are developing as well. At least 4 unicorns with Ukrainian roots are currently present of the market



### Specialised legal framework

The Government of Ukraine established Diia.City — special legal framework for the technology companies. It is unique framework that provides an opportunity for paying the five times lower taxes while investing in development, education, and IT



### Cost efficiency

Ukraine giving its close proximity to the EU and the West has an unique cost-benefit conditions. The country salaries remain on quite low level compared to other Eastern Europe countries. In Q3 2021, the average salaries in the IT sector were on average of 931 USD

## IT goals and projects under development

### Growth goals by 2025



**450,000+**  
new jobs to be  
created



**16.5+ Bn USD**  
growth of IT  
industry

### Notable investment projects

	Estimated investments	Estimated NPV <sup>1</sup>
Global Data Center Ukraine	—	—
Diia City Digital City (DC)	300 Mn USD	116 Mn USD

### Other opportunities for outsourcing in Ukraine



Business process  
outsourcing



Professional  
outsourcing



Project  
outsourcing



Manufacturing  
outsourcing



Process-specific  
outsourcing








Operational  
outsourcing

Future  
Balanced expectations

# LARGE CONSUMER MARKET IN UKRAINE OPENS UP A WIDE RANGE OF OPPORTUNITIES FOR INVESTORS

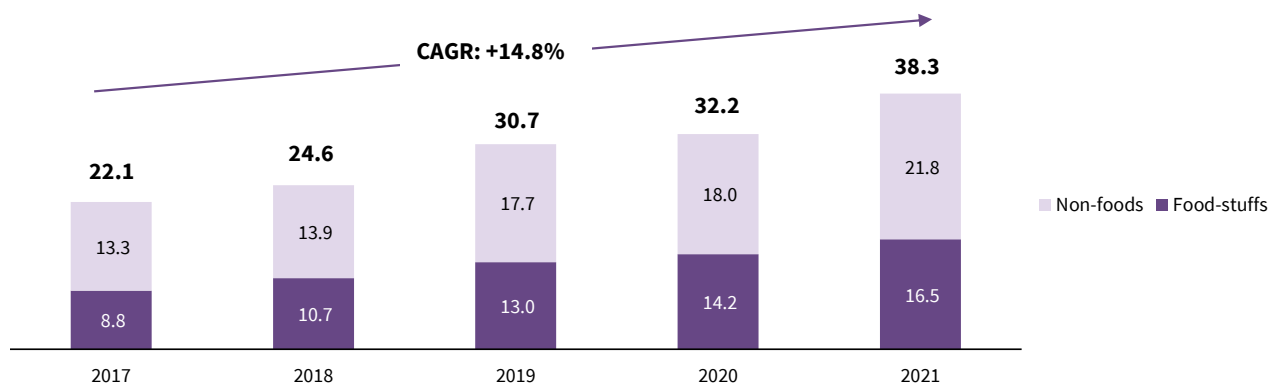
## Population in selected countries of Eastern Europe, million people

Country	2000	2021	Change, 2000/2021
 Ukraine	49.2	43.8	-10.9% ↓
 Poland	38.3	37.8	-1.2% ↓
 Romania	22.4	19.1	-14.8% ↓
 Slovakia	5.4	5.4	+1.1% ↑
 Lithuania	3.5	2.8	-20.1% ↓

Ukraine has an approximately 40-million consumer market, which is almost **2-4 times larger** than any other country in the region. Despite the relatively lower purchasing power of Ukrainian consumers compared to consumers from European countries, investors should consider that such a high number of potential customers may have a positive impact on the demand in some sectors, such as food, drink, tobacco, apparel, pharmaceuticals, personal care, etc.

**The decrease in population may become a significant threat to the development of the consumer market in Ukraine.** However, the implementation of initiatives aimed at ensuring the post-war economic development of Ukraine and improving the quality of life may slow down or reverse this trend in the future.

## Retail turnover of consumer products in Ukraine, Bn USD<sup>1</sup>



Retail turnover of the consumer market in Ukraine has been growing at a CAGR of 14.8% over the past years, reaching almost 40 Bn USD in 2021. In 2022, the market is expected to experience a significant decline. However, it has the potential to **recover rapidly after the end of the war**. Therefore, the Ukrainian consumer market is an attractive opportunity for foreign retailers.

Until 2006, domestic trade networks significantly prevailed over foreign on the Ukrainian retail market. However, over the past 15 years, the situation in the domestic market has changed dramatically, and now almost **150 foreign brands from more than 25 countries** have opened their stores in the territory of Ukraine. Almost 75% of foreign brands are European trademarks.

## Competitive advantages of the consumer market in Ukraine



Ukraine is one of the largest consumer markets in Central and Eastern Europe



Ukraine has a strong domestic food processing and drinks production industry



The growth of e-commerce in Ukraine will become one of the drivers of the consumer market



Some market segments in Ukraine are still far from mature, offering new opportunities for entrants



The population in the large cities of Ukraine has relatively high purchasing power



Ukraine has a large and developed infrastructure for retail trade (trade and shopping centres, etc.)



Consumer market may have high growth potential amid the post-war recovery of the economy



The retail sector in Ukraine has already attracted a number of large multinational brands.

# KYIV CONSULTING IS A RELIABLE PARTNER THAT CAN FACILITATE TRANSFORMATION OF UKRAINE

The post-war recovery of the economy of Ukraine opens up a **wide range of opportunities** for the public and private sector, however it is associated with numerous **risks and unpredictable circumstances**, which can become a significant obstacle to the implementation of planned projects and initiatives. When making management decisions regarding each particular project, business and public sector leaders should make thorough analysis of risks and benefits to ensure the efficient use of resources, and

achieve the expected results. **Kyiv Strategy Consulting has the capacity and expertise** to support decision-makers with navigating the challenging post-war business landscape in Ukraine, and maximising the economic and social effect from every project. **The spheres of competence of Kyiv Strategy Consulting** include, inter alia, investment, government delivery, EU readiness check, advanced analytics and decision support, trade and partnerships, as well as sector and cluster development.

As reputable business consultants, our mission is to facilitate efficient and self-sustaining entrepreneurial systems throughout Ukraine based on our values of excellence, reliability, and culture. We support high-impact business entrepreneurs and senior public sector management. In addition, we advise and assist individual and organisational clients in aligning with EU standards. International partnerships include influential economic development organisations with whom we collaborate and acquire valuable insights.



Investment



Advanced analytics and decision support



Government delivery



Trade and partnerships



EU readiness check



Sector and cluster development

## OPINION CORNER

**Julia Tatarchenko**

Talks about Consulting, Business Development, Reforms



We surely do not know when the war will end – no one can predict that. We assume that even the change of the current Russian political elite will not lessen the degree of danger constantly looming over Ukraine. But we know how to adapt to a rapidly changing environment and the consequences thereof – we have experienced that with COVID-19, almost immediately followed by the full-scale Russian invasion. **We know better than anyone else that daunting ‘black swans’ sometimes bring immense opportunities on their wings.**

# WE ARE CAPABLE OF SUPPORTING BUSINESSES AND PUBLIC SECTOR ACROSS VARIOUS MATTERS

Kyiv Strategy Consulting plans to **bring together its existing skill sets, broad experience, and noted experts to support Ukrainian reconstruction**. By offering Economic Development Consulting (more on what this involves below), the Kyiv-based business consulting group will work to help rebuild the nation's public and private sectors. It will support local, national, and regional government and the public sector as the country moves

towards integration with the European Union. The **consulting group's credentials and connections** in the Ukrainian capital are advantageous in **delivering focused and effective economic development consulting**. Moreover, its hand-picked staff already possess the skill sets and experience – gained in various business sectors – to guide senior decision-makers, public organisations, and commercial entities toward success.



## Investment

The post-war recovery process in Ukraine will offer a large number of investment opportunities in the public and private sectors, which can be funded by international private investors. In order to overcome the possible obstacles during the investment process, here at Kyiv Strategy Consulting we will support leaders and captains of business with designing incentives and strategies to attract private foreign investment into various sectors. Undoubtedly, seeing the big picture is as important as mastering the detailed organisation and processes that will come with new working methods and technologies.



## Advanced analytics and decision support

By developing analytical and organisational capabilities, Kyiv Strategy Consulting can ensure that business leaders and public policymakers have all the essential information and details to make intelligent decisions in today's rapidly changing situation. New technologies, shifting business models and competition for foreign investment will mean complexity and a degree of urgency. We are ready to advise, guide and support investors, businesses and government departments in reaching their goals with a unique combination of business gurus, strategic partnerships and insightful economic development consulting tools.



## Government delivery

After the end of war, it will be necessary to design and improve delivery systems and procedures to speed up the recovery process in Ukraine. Kyiv Strategy Consulting possesses the expertise and resources needed to enhance government delivery at different levels, by introducing a performance-oriented organisation, culture and metrics. The improved government delivery will be more likely to implement new strategies and deliver on plans in different spheres timely and efficiently, either infrastructure and security projects, or digitalisation, climate-related investments, diversification of energy resources etc.



## Trade and partnerships

According to the National Recovery Plan, the post-war economy of Ukraine should become deeply integrated into the regional and global value chains, driven especially by the EU integration and the development of high value-added manufacturing and agriculture sectors. In this regard, the team of Kyiv Strategy Consulting will be able to facilitate business and public sector leaders in Ukraine with developing international trade partnerships, facilitating trade negotiations, and identifying frameworks to support export development and improve the trade balance.



## EU readiness check

The European Commission has already formally admitted Ukraine as a candidate for EU membership and plans to contribute significantly to financial assistance for the post-war recovery. However, representatives of the existing twenty-seven EU countries have made it clear that they also expect Ukraine to make meaningful progress in the reforms in institutional, economic, and environmental fields. Kyiv Strategy Consulting has the necessary expertise to assist government departments and quasi-governmental organisations in their preparations to align with EU integration and funding requirements.



## Sector and cluster development

In order to bring about inclusive economic growth at the national, regional, and city levels, Ukrainian leaders have to identify the sectors, clusters and enablers on which they are to focus. At the same time, the extent of the damage caused by the war means that the traditional approach to economic development is no longer as relevant. Kyiv Strategy Consulting will help policymakers to bring about growth and individual well-being under the new circumstances. By creating work, developing skills and improving access to opportunities and services for all, the country should be able to build foundations for sustainable economic development.






Let us speak  
**LOUDLY AND STRONGLY,**  
so that people around the world  
hear our Voices.



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