



Ukraine reconstruction project

The newsletter on the main recent developments

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Dear readers,

After a summer break, we are delighted to share the latest updates from the international community, along with significant developments in Ukraine.

In this edition, we will shed light on the vital statistics concerning Ukrainian refugees residing abroad and the pivotal role they play in Ukraine's economic recovery upon their return. Additionally, we will explore the assistance being extended to those whose homes have been affected by destruction through Ukraine's innovative eRecovery system.

You will be able to discover the noteworthy developments related to international support for Ukraine, featuring some examples, such as the details EU's Ukraine Facility, a fresh aid package from the United States, and the opening of applications by the Netherlands Enterprise Agency for reconstruction projects in Ukraine.

Furthermore, we will provide in-depth insights into the ongoing efforts to improve conditions for potential investors and enhance transparency and accountability within the public services sector, particularly in the construction domain in Ukraine.

Lastly, we will showcase various investment projects currently underway in Ukraine, involving German and Irish companies in the construction industry, as well as IFC's potential investment into waste-to-energy project by a Ukrainian company. Notably, one of these projects has resumed its activities thanks to the support of a German investment insurance scheme.

Ukraine reconstruction: key figures

Human Capital – Research on refugees

In a landscape shaped by war and displacement, one imperative emerges with resounding clarity - the pivotal role of economic recovery in inspiring the return of Ukrainians to their homeland. The recently released research by *the Centre of Economic Strategy* delves deep into the numbers, Ukrainian refugees' intentions to come back to Ukraine and the potential impact on the Ukrainian Economy. The ability to stimulate economic growth and opportunity is not just an economic matter; it serves as a potent motivator for the return of millions of Ukrainians who have sought refuge abroad:



- **5.6- 6.7 million Ukrainians** are abroad because of the war as of June 2023.
- **63% of Ukrainians** currently residing abroad **plan to return to Ukraine**, 41% of Ukrainians definitely plan to return, 22% rather plan.
- **58%** of those who plan to return intend to do so **only after the war** while the **safety factors and the ability to find a good job** are the most important factors contributing to the return.
- **Between 1.3 million and 3.3 million Ukrainians may remain abroad** under various scenarios
- **63% of Ukrainian** refugees have a **higher education**.
- **33% of Ukrainian** refugees are employed, and this percentage is increasing while **10% are working remotely** for the Ukrainian company.
- **2.7% and 6.9% of GDP loss annually** could be the impact of non-return of Ukrainians to the Ukrainian economy.

The full research in Ukrainian and soon in English can be found [here](#).

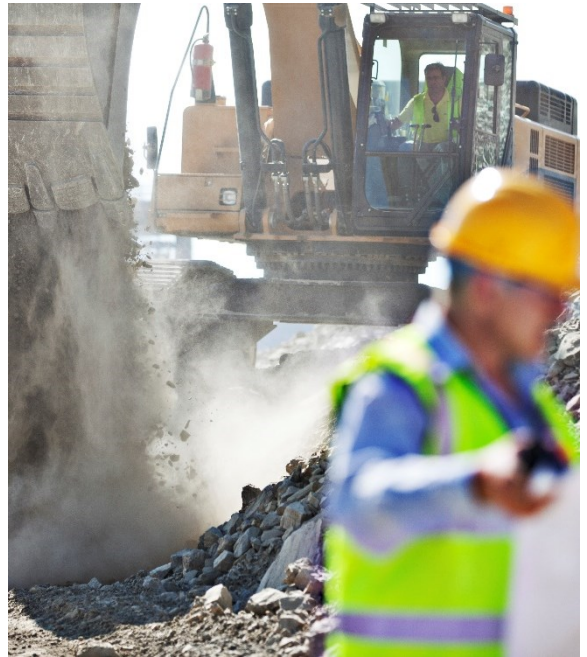
Sources: *Centre of Economic Strategy*

E-recovery – compensations to populations

In May 2023 the **Ministry** for Communities, Territories and Infrastructure Development of Ukraine (Ministry of Infrastructure) in partnership with the Ministry of Digital Transformation launched the [e-recovery](#) service to support people whose homes were damaged because of war with focus to apartments and individual houses at this stage.

The eRecovery service was developed by the two ministries with the support of the USAID/UK aid TAPAS Project for Transparency and Accountability in Public Administration and Services, as well as the World Bank.

The next steps of the program, according to the Ministry of infrastructure could be full repairing or reconstruction of residential multistory buildings that have been heavily damaged because of shelling.



- **41,000 applications submitted by Ukrainians**, with the highest number coming from the Kharkiv, Kyiv, Mykolaiv, Kherson, and Donetsk regions.
- **12 000 Ukrainian families received** payments for repairing their damaged houses and flats within e-recovery program.
- **1 billion UAH (≈ 25 mln €) paid to the Ukrainian families** which can be used for building materials or repair services.
- **200 000 UAH (≈ 5000€) is the highest amount** that can be received by a family within the program.
- **23 000 multistory residential buildings damaged or destroyed** all over Ukraine.
- **For 865 multistory residential buildings** the documentary confirmation of heavy damages are available.

Source: Ministry of Infrastructure, Ministry of Digital Transformation

International benchmark

Ukraine Facility - new European € 50 bn financial instrument

After the announcement during the Ukraine Recovery Conference by EU of € 50 billion Ukraine Facility for the next 4 years, the work was ongoing during July-August 2023 to prepare the Ukraine Facility set up.

About Ukraine Facility

As announced by European Commission, the new Ukraine Facility will support Ukraine's efforts to sustain macro-financial stability, promote recovery as well as modernise the country whilst implementing key reforms on its EU accession track.

The Ukraine Facility is organized around three pillars:

- **Pillar I represents a financial support** to the State in the form of **grants and loans**. This support should be based on a **Ukraine Plan** that the Government of Ukraine should prepare in close consultation with the European Commission. Funds will be disbursed based on the fulfilment of a range of conditionalities. **€38 billion can be allocated for these purposes over four years.**
- **Pillar II is a specific Ukraine Investment Framework** designed to attract and mobilise public and private investments, in support of the Plan's implementation. It will complement all existing instruments supporting Ukraine with the possibility of scaling up when conditions allow for it. **€8 billion can be allocated over four years in the form of guarantees, insurances, or other financial instruments**, with the participation of businesses.
- **Pillar III represents technical assistance and other supporting measures**, including mobilisation of expertise on reforms, support to municipalities, civil society, and other forms of bilateral assistance. It may also support other measures aimed at addressing the consequences of the war, for example relating to war damages. Pillar III will also cover the interest rate subsidies for the loans provided to Ukraine under Pillar I.

All three pillars should be reflected in the Ukraine Plan. **The Ukraine Plan is an all-encompassing document that will act as a guiding roadmap for Ukraine's recovery and economic development** in the coming four years.

Work ongoing for Ukraine Facility

Two rounds of consultations in July and in August were already held with the European Commission's delegations on joint work on the Ukraine Plan for 2024-2027 under the Ukraine Facility programme. The second one was concluded on August 24.

According to the First Deputy Prime Minister – Minister of Economy Yulia Svyrydenko, the Ukraine plan will consist of several key blocks, including macro-financial scenarios for recovery, major and sectoral reforms, priority sectors for development, increasing the capacity to absorb investment, and cross-cutting issues such as European integration, digitalisation, regional development and climate.

For preparation of the Ukraine Plan in terms of economic development and investments, **the working groups** will work on proposals for sectoral reforms and suggest priority areas for investment. At the first stage of the Ukraine Facility programme, 6 sectoral groups of business representatives were launched in the areas of **energy, agriculture, transport and logistics, IT & communications, mechanical engineering, and critical materials** and held their first meetings in August. In September the second batch of sectoral groups will have their first meetings. They will include businesses from such fields as **construction, pharmaceuticals, creative industries, wood processing, finance and insurance**. The activities of the groups are coordinated by the Ministry of Economy of Ukraine with analytical and consulting support from the Kyiv School of Economics and leading consulting companies.

Sectoral groups of business representatives

First batch

- Energy
- Agriculture
- Critical materials
- IT & communications
- Mechanical engineering
- Transport and logistics

Second batch

- Construction
- Pharmaceuticals
- Creative industries
- Wood processing
- Finance and insurance

Source: Ministry of Economy of Ukraine, Kyiv School of Economics, European Commission

New US assistance totaling more than \$1 billion

During his visit to Ukraine on September 6, the Secretary of State Antony Blinken announced that the **United States would also provide new assistance to Ukraine totalling more than \$1 billion**.

The announced package encompasses both **military, humanitarian and institutional support**. On the military front, this assistance includes an additional drawdown of up to \$175 million from Department of Defense (DoD) stocks, covering air defense system components, Guided Multiple Launch Rocket Systems for HIMARS, munitions, ammunition, and communications systems. Furthermore, \$100 million in Foreign Military Financing will be provided to meet Ukraine's longer-term military requirements.

Furthermore, the U.S. is committing **\$90.5 million in humanitarian demining** assistance and \$206 million in humanitarian aid, which will provide crucial support such as food, water, and shelter to Ukrainians within the country and those displaced to neighboring nations. Additionally, **\$5.4 million from forfeited oligarch assets** will support veteran reintegration and rehabilitation.

A significant portion of aid, **\$203 million, is designated for enhancing transparency and accountability within institutions**. This includes strengthening anti-corruption measures, promoting the rule of law, and reinforcing the justice sector. It will also facilitate capacity

building for the investigation and prosecution of war crimes committed by Russia. This aid will additionally bolster the digitalization of recovery and reconstruction endeavors by enhancing and ensuring the transparent procurement of infrastructure projects, will also reinforce health governance to reestablish life-saving services, fostering Ukraine's economic recovery, and elevate public financial management practices to align with international standards.

Source: US Department of State

The Dutch government has opened a grant program Ukraine Partnership Facility (UPF) to subsidize the reconstruction projects in Ukraine

Taking into consideration the difficulty to finance reconstruction projects via the commercial sector, the Netherlands Ministry of Foreign Affairs has established [Ukraine Partnership Facility \(UPF\)](#).

This programme supports damage repair and reconstruction projects for the public and private sectors. UPF aims to help the sustainable recovery of Ukraine's economy and society in the **water, healthcare and agricultural sector**.

The UPF subsidy scheme supports companies registered in the Netherlands, international companies and civil society organisations that want to work on recovery and reconstruction activities in Ukraine. Partnerships must consist of at least 2 companies or organisations and work with at least one local organisation in Ukraine to establish and implement the project. The main applicant must represent a company or civil society organisation registered in the Netherlands.

In 2023, the program will provide **€25M in subsidies**. **The minimum grant is €500,000 and a maximum of €5 million**. Up to 100 % of the total eligible costs for each project can be reimbursed.

Applications will be assessed based **on 7 criteria, with 'impact and innovation' carrying the most weight**. Project activities must last between 6 months and 4 years and should commence within 2 months of UPF subsidy approval, with the possibility of starting activities beforehand.

Source: Netherlands Enterprise Agency

Key developments for the Reconstruction of Ukraine

Towards more transparency in public funded construction projects thanks to e-construction

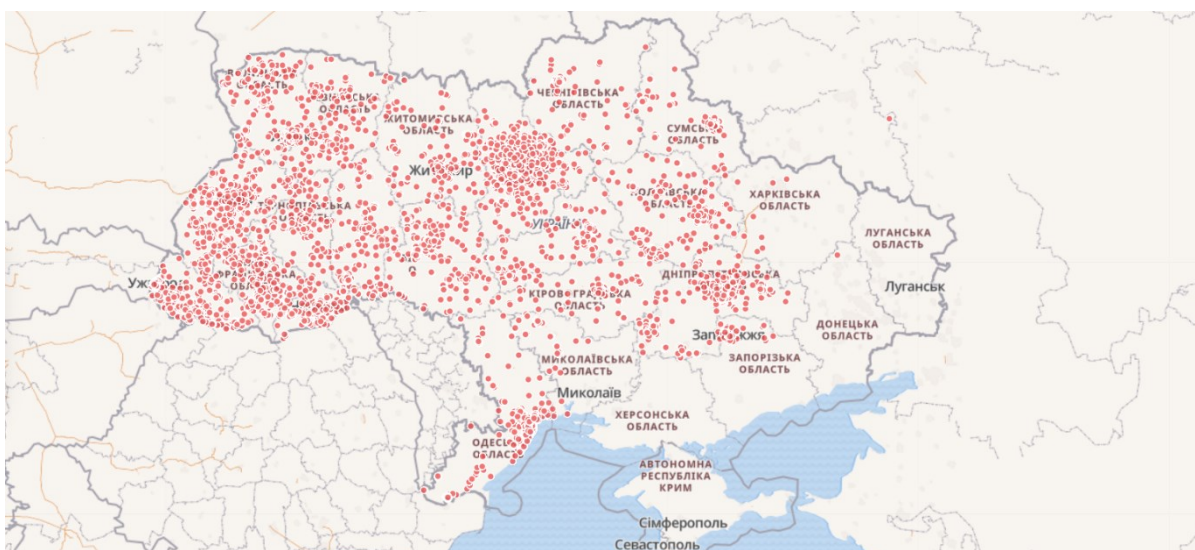
The detailed estimate documentation for construction projects funded by state or public funds will now be accessible on the portal of the Unified State Electronic System in the Construction Industry ([e-construction](#)). This new feature will allow the public, civil society and interested parties to scrutinize how public funds are utilized in construction projects.

Previously, the portal only provided general information about the cost of the work. With this update, anyone interested can now review detailed budgetary estimates and track how the funds are used. Access to the estimates is available for project documentation uploaded into the system after the functionality update.



The Unified State Electronic System in the Construction Industry is a nationwide information system designed to streamline the construction process in Ukraine to ensure maximum transparency and freedom from corruption by providing public access to construction-related information. Its implementation started in the end of 2020 following the special bill voted in October 2019. Several services are now available for the construction industry representatives due to the system as it serves as register on construction activities. It is intended to cover the entire lifecycle of a construction project, starting from obtaining urban planning conditions and restrictions and concluding with the project's commissioning.

At the same time, users can access the public part of e-construction system – [its portal](#) – and check the construction map and information about specific projects. Furthermore, the portal



allows individuals to independently verify the status and results of document reviews submitted to the State Inspection of Architecture and Urban Planning.

This initiative, carried out in partnership with the Ministry of Community Development, Territories, and Infrastructure, and the Ministry of Digital Transformation, is supported by the USAID/UK aid TAPAS Project, promoting transparency and accountability in public administration and services.

Sources: Ministry of restoration, e-construction.

Amendments to the law on investment incentives

In August, the Ukrainian Parliament approved **amendments to the Law on State Support for Significant Investments**, initially adopted at the end of 2020 and known as “investment nannies’ law”. On September 12, the President formally signed these amendments into law. They are geared towards creating a more attractive environment for potential investors in Ukraine and adjusting requirements to align with the current economic landscape, thereby expanding the pool of interested investors.

The key changes encompass several aspects. Firstly, there is a **reduction in the investment volume requirements from EUR 20 million to EUR 12 million**. This move is complemented by a provision allowing investors to kickstart project implementation even before entering into a special investment agreement with the state, enabling them **to invest up to 30% of the total significant investment in pre-project activities** such as documentation preparation and land acquisition. Furthermore, the number of newly created jobs during the investment project’s implementation period has been lowered **from 80 to 10, 30 or 50 depending on wages**, with the intention of broadening the pool of potential investors.

The eligible industries have been broadened and include now various sectors of processing (excluding the production and distribution of tobacco products, alcohol and alcoholic beverages), the production of bioethanol for use as a fuel component, the extraction of raw materials for further processing and/or enrichment (excluding coal, crude oil, and natural gas). The investment projects could also be implemented in such domains as waste management, transportation, warehousing, postal and courier services, logistics, education, scientific and scientific-technical activities, healthcare, arts, culture, sports, tourism, resort and recreational services, as well as the field of electronic communications.

Sources: Vekhovna Rada of Ukraine, UkraineInvest

Focus on the private sector in Ukraine

German Fixit Gruppe is building its second plant of building materials in Ukraine

German company-producer of building materials **FIXIT GRUPPE**, which includes **Kreisel - Building Materials**, is constructing its second plant in Ukraine despite the ongoing war. They initiated construction in the Lviv region, Pisky village, back in the summer of 2021. This marks the second facility representing the **KREISEL** company in Ukraine. The new plant will be one of the most powerful dry building mix manufacturers in Ukraine, with an annual capacity of 400,000 tons (comprising 2 production lines).

The total investment for the construction of the new plant is estimated to be **approximately 12 million euros**. The new high-tech facility is expected to start operating next year and will be among the top three largest production sites of the **FIXIT GRUPPE**, having 52 plants in Europe under 5 brands.

A pivotal aspect of this investment process was the implementation of a mechanism by the German government to insure war risks for German investors and trading companies, under the Investment Guarantees Program (mentioned in our newsletter in April). **KREISEL Ukraine became the first recipient of insurance guarantees from the German government, covering all war-related risks**. As noted by Michael Kraus, Regional Director for Eastern Europe at **FIXIT GRUPPE**, an increasing number of German companies are now seeking such insurance, which serves as a positive signal to investors regarding Ukraine's future.

Sources: *Deutsche Welle, Advantage Ukraine*

Cemark, a part of CRH group, inaugurated a new cement terminal in Kyiv region

End of July 2023, **CEMARK** has successfully completed the main stage of construction and started commissioning work at the new cement shipment complex in Vyshneve, Kyiv Oblast.

The terminal project provides a complex for **receiving, storing, and shipping 450,000 tons of cement per year** by road. The terminal will help facilitate the availability of cement in Kyiv and in central and northern regions of Ukraine. It also includes an automated packaging and palletizing line. The opening of the terminal will create 80 new job opportunities. **The total investment amount is € 34 mln.**

David Dillon, President of CRH Europe noted “25 years on from our first investment, this is the latest example of CRH’s commitment to Ukraine and the continued development of our business there”.

The head of Kyiv regional administration Ruslan Kravchenko noted as well that there is already an agreement in place whereby CRH will assist with construction materials for the restoration of Hostomel.

Cemak is a member of CRH group, global leader in the production of construction materials. CRH first entered Ukraine in 1999 with the acquisition of PJSC Podilsky Cement in Khmelnytskyi region. In 2011, the group bought a controlling stake in Odesa Cement and in 2013, they added Mykolaiv Cement (Lviv region) to their Group. Since November 2021, its cement enterprises in Ukraine have been operating under the Cemak brand.

CRH in Ukraine is also involved in the production of readymixed concrete and precast products. Their Bilotserkivskyi Plant, joined the group in 2007, specialises in producing poles for power transmission lines. PoliBeton's readymixed concrete facility in northern Odesa joined CRH in 2020.

Sources: Cemak, CRH, Kyiv Regional Military Administration

IFC loan to MHP Poultry farm for biomethane production

A poultry farm in Vinnytsia oblast is about to receive a loan from IFC for biomethane production. The relevant information appeared on IFC website. The project is to re-engage with MHP SE and its subsidiaries by providing up to US\$30 million loan Vinnytsia poultry farm, a subsidiary of MHP in Ukraine, to finance the upgrade and capacity expansion of an agricultural-waste-to-energy plant. MHP already operates two biogas plants to convert manure from its farms into green energy. As part of its decarbonization strategy, MHP plans to increase biomethane production in Ukraine by upgrading and expanding the capacity of its biogas plants in several stages.

The waste-to-energy plant targeted by this investment is located in the village of Vasylivka, Vinnytsia region. It was commissioned in 2019 and is the largest waste-to-energy plant in Ukraine with 12 MW capacity. IFC investment will include 2 stages. The first stage is the modernization of the existing plant to produce and liquefy biomethane gas resulting in 14,000 tons of liquefied biomethane gas per year. The second stage is the expansion of WTE capacity to up to 20.5 MW of electricity equivalent.

The total project cost is estimated at US\$52 million. MHP will finance the rest of the Project cost with its own funds. It is also planned that the project will also receive a \$15 million guarantee from the European Fund for Sustainable Development Plus, the United Kingdom, and other donors. The IFC Board of Directors plans to review this project at a meeting on September 19, 2023, and in case of the approval it will be 6 IFC's investment in MHP since 2003.

Established in 1998, MHP is a leading international food and agrotech group, and the largest producer of poultry, culinary, and processed meat products in Ukraine. MHP is listed on the London Stock Exchange since 2008.

Source: IFC

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[1] Where permitted under applicable country laws.