



Ukraine reconstruction project

The newsletter on the main recent developments

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Dear all,

We would like to present to you the third edition of our newsletter, which highlights key developments and ongoing initiatives in the reconstruction process of Ukraine. In this edition, we shed light on the devastating, yet preliminary, consequences of the destruction of the Kakhovka hydroelectric power plant dam, the importance of international financial support in the country's economic resilience, progress towards greater transparency in the allocation of funds for social protection, and Ukraine's integration into the European market through the Connecting Europe Facility program. Additionally, we share information about the Export Credit Agency and investment insurance in Ukraine, as well as Korean, Danish, and European financing, including for supporting the technological ecosystem in Ukraine.

We hope this newsletter provides you with valuable insights into the opportunities and developments related to reconstruction in Ukraine.

Ukraine reconstruction: key figures

\$32.1 billion	14.4 billion m³ of water	28,141 loan contracts signed
received from international partners in loans and grants for budget financing in 2022	have already been lost from the Kakhovka reservoir	by entrepreneurs in Ukraine under the national program "Accessible Loans at 5-7-9%" since February 2022

Destruction of the Kakhovka HPP dam

The destruction of the Kakhovka hydroelectric power plant dam on June 6th has resulted in one of the worst environmental and humanitarian disasters in Europe in decades. This power plant, along with its dams and reservoirs, was used for energy production, land irrigation, and water supply. Ukraine has reached an agreement with the World Bank to conduct a rapid assessment of the damages caused by the disaster, in collaboration with international partners. This assessment will be similar to the Rapid Damage and Needs Assessment (RDNA) conducted by the World Bank regarding the overall destruction and damages in Ukraine. Prior to the completion of this assessment, we present to you the very preliminary estimates of the damages announced by the Ukrainian government:

- **334.8 MW of power** generated by the hydroelectric power plant before its occupation.
- **18.2 billion m³** of reservoir volume before the destruction of the dams.
- **32 cities and villages flooded** on the right bank of the Dnipro River and **14 cities and villages** in the occupied territories, according to Ukrhydroenergo (**80 cities and villages at risk of flooding in total**).
- **182 electrical transformer substations flooded or damaged**, according to the Ministry of Energy.
- **Over 72% or 14.4 billion m³ of water already lost** from the reservoir, according to the Ministry of Environmental Protection and Natural Resources.
- **10,000 hectares flooded** on the right bank of the Dnipro only, according to the Ministry of Agricultural and Food Policy (considering that the left bank is more flooded than the right one).
- **Over 30 irrigation systems will need to be restored** once the water recedes.
- **2,000 people and 260 pieces of equipment mobilized** for rescue operations.
- **2,700 people evacuated** as of June 11th.
- **€1.5 billion of preliminary estimates** by Ukrhydroenergo for the restoration of the hydroelectric power plant alone, with similar costs for related works.
- **UAH 55 billion (approximately €1.4 billion)** in environmental damages, according to the Ministry of Environmental Protection and Natural Resources.

Sources: Cabinet des ministers of Ukraine, Governmental Portal, Ukrhydroenergo

Macro

Ukraine is benefiting from significant international financial support that contributes significantly to its economy and budgetary expenses, enhancing the country's economic resilience. Given the record budget deficit of around \$38 billion for 2023, the support provided to the country plays a crucial role. Furthermore, Ukraine's economic resilience has led to reaching a staff-level agreement with the IMF, paving the way for the \$15.6 billion Extended Fund Facility program over four years.

- **\$32.1 billion** received in total from international partners in loans and grants for budget financing in 2022.
- **\$19.8 billion** received from international partners in loans and grants for budget financing in 2023 (as of June 7, 2023).
- **\$14.5 billion received in 2022** from international partners under the World Bank's PEACE Program for prioritized social and humanitarian expenses.
- **€1.5 billion received** in late May as the fourth tranche of European macro-financial assistance.
- **€7.5 billion already received** by Ukraine in 2023 from the EU as part of the €18 billion macro-financial assistance package.
- **\$900 million** is the amount for which a staff-level agreement was reached in late May between the IMF and Ukrainian authorities, opening the way for the first review under the four-year Extended Fund Facility (EFF) program, providing access to approximately \$15.6 billion.
- **UAH 113 billion** is the amount of loans granted by banks in Ukraine under the national "5-7-9% Affordable Loans" program since the introduction of martial law.
- **28,141 loan contracts signed** by entrepreneurs in Ukraine under the national "5-7-9% Affordable Loans" program since February 2022.

Sources: IMF, Ukrainian Ministry of Finance

Ecosystem of Stakeholders for the Reconstruction of Ukraine

[Dashboard on the Social Expenditures by the Ministry of Finance](#)

The allocation of funds for social welfare benefits to Ukrainian citizens constitutes a significant portion of budgetary expenses. To improve transparency, the Ministry of Finance has created an interactive analytical dashboard that facilitates the analysis of information on expenditures related to categories of social welfare payments and the corresponding number of beneficiaries.

In total, the State budget provides for UAH 163.1 billion in social assistance to the population in 2023, representing an increase of UAH 12.4 billion compared to 2022 (UAH 150.7 billion) and UAH 51.8 billion compared to 2021.

Deputy Minister of Finance Roman Yermolychev emphasized that in the context of the state of war, social support to the population remains a priority for the State while expressing gratitude to international partners for their financial assistance, enabling the response to urgent needs and the implementation of targeted assistance. Yermolychev also highlighted the importance of closely monitoring the use of funds and noted that the publication of this data aims to adhere to European principles of government transparency.

You can find more detailed information in the [dashboard](#).

Source: Ministry of Finance of Ukraine

Ukraine continues to integrate into the EU Single Market through the Connecting Europe Facility

Ukraine is fully joining the Connecting Europe Facility (CEF) program. The EU Commissioner for Transport Adina Vălean and Deputy Prime Minister for Restoration of Ukraine and Minister for Communities, Territories and Infrastructure Development Oleksandr Kubrakov, signed on June 6 an agreement associating Ukraine to the [Connecting Europe Facility \(CEF\) programme](#).

This agreement is an opportunity for Ukrainian companies, together with their partners in the EU, to obtain financing for projects in the transportation, energy, and digital sectors, further improving Ukraine's connectivity with its EU neighbours.

The overall budget of the Program for participating countries until 2027 is €21 billion (including €2 billion euros allocated for digital projects). The funding conditions stipulate that the Program covers up to 50% of the costs, while the remainder is covered by the applicant through its own resources or international financial organizations.

According to the EU Commissioner for transport, CEF Transport is already funding several projects with a direct impact on Ukraine: the reconstruction of a runway at Rzeszów-Jasionka airport, Poland, the modernisation of a transshipment terminal in Košice, Slovakia, the building of the Ungheni bridge, and the development of hinterland connections and upgrades for Romania's Constanta port. With current agreement, Ukraine will be able to submit applications on their own, opening the door to projects that will help modernise Ukraine's infrastructure and improve its connectivity with the EU, such as investments in border crossings with the EU.

Sources: Ukrainian Ministry of Digital Transformation, Ministry for Restoration, Development of Communities, Territories and Infrastructure, European Commission

Evolutions and important appointments

Export Credit Agency and Investment Insurance in Ukraine

On May 29th, the Ukrainian Parliament supported, in the first reading, amendments to the Ukrainian law on financial mechanisms for stimulating export activity regarding investment insurance in Ukraine against war risks (No. 9015). This document expands the capabilities of the Ukrainian Export Credit Agency (ECA), allowing it to insure and reinsure direct investments, including investment insurance in Ukraine against risks related to armed aggression, military actions, and/or terrorism.

The proposed law stipulates that this insurance can only be granted if the investments are intended for the creation of objects and infrastructure necessary for the development of the processing industry and the export of Ukrainian-origin goods (works, services).

If the documents are adopted and the necessary regulatory acts are approved by the Cabinet of Ministers and the National Bank, Ukrainian investors will be able to directly approach the Export Credit Agency (ECA), one of the collaborating banks, or an insurance company working with the ECA, and obtain appropriate insurance. The ECA will be able to cover risks using its own statutory capital, which currently amounts to approximately 2 billion UAH.

The Ministry of Economy expects that this initiative will stimulate investment lending during the war, as the National Bank of Ukraine allows banks to use the Export Credit Agency's insurance policy as collateral for loans. To this end, the ministry is already working on increasing the statutory capital of the Export Credit Agency.

Sources: Verkhovna Rada of Ukraine, Export Credit Agency, Advantage Ukraine

International Action for the Reconstruction

Korean Financing through the Economic Development Cooperation Fund

In the framework of the Asian Leadership Conference (ALC), on May 17th, the Ukrainian government and the government of the Republic of Korea signed a preliminary agreement on the loan of the Economic Development Cooperation Fund (EDCF), a special division of the Korea Export-Import Bank. The agreement allows for Ukraine to receive an initial tranche of up to \$300 million starting in 2023.

The success of pilot projects will significantly increase the funding volumes.

According to Ukrainian First Vice Prime Minister Yulia Svyrydenko, Ukraine is included in the list of priority countries for bilateral cooperation with the Republic of Korea under the Official Development Assistance (ODA) program.

The funds will be mobilized over a long period at minimal interest rates: the loan duration can be up to 40 years with an annual interest rate of 0.15% and a 10-year capital repayment deferment. The loans will be granted by the Korea Export-Import Bank through the EDCF fund. Additionally, the establishment of an EDCF office in Ukraine is planned.

Separate loan agreements will be concluded to attract financing for specific projects. For its part, the Korean Government can provide grants and technical assistance for the project preparation and evaluation.

The loan agreement signed by both parties will come into effect after the completion of necessary internal procedures and the official signing by both countries.

Sources: Ministry of Economy and Finance of the Republic of Korea, Ministry of Economy of Ukraine

Ukraine Investment Forum in Denmark and Danish Loan and Guarantee Scheme for Ukraine of DKK 1 billion

The Ukraine Investment Forum for Ukraine took place on May 26 in Denmark, bringing together high-level officials from Ukraine and Denmark, as well as over 100 Danish companies.

During the Ukraine Investment Forum in Copenhagen, as part of the Ukraine Fund, a government loan and guarantee scheme has been established. The programme is implemented through the Export and Investment Fund of Denmark (EIFO) with a capital of DKK 1 billion (approximately \$133 million). The loan and guarantee programme provides long-term loans and guarantees for Danish exports and investments in Ukraine.

According to Ms. Svyrydenko, these funds will finance projects involving the best Danish technology and innovative solutions and will be accessible to both the public and private sectors. Danish Foreign Minister Mr. Rasmussen stated that it is crucial to engage the Danish companies that will develop specific and sustainable solutions for reconstruction in Ukraine. Furthermore, within the forum, financing for two pilot projects in the agriculture and agri-food processing sector was approved. These projects involve Nibulon, an affected company from the southern region, receiving a loan of €25 million, and Agrofusion receiving €15 million. In addition, loans will be provided to agricultural companies located near the front line in Mykolaiv, which will restore destroyed production facilities by purchasing equipment from Danish exporters.

It should be noted that the Danish government established the Ukraine Fund in March 2023 with a budget of DKK 7 billion (approximately \$1 billion) to contribute to the reconstruction of Ukraine, covering three aspects: military assistance, humanitarian aid, and support for business initiatives. The Ukraine Fund also commits DKK 170 million for investments in public critical infrastructure via Danida Sustainable Infrastructure Finance (DSIF) and investments in key private sectors through the Investment Fund for Developing Countries (IFU).

Sources: Ministry of Foreign Affairs of Denmark, Ministry of Economy of Ukraine, Advantage Ukraine

€20 million from the European Union for Ukrainian startups

On May 10, the European Commission announced the partners responsible for implementing the European Innovation Council (EIC) action worth €20 million to support the Ukrainian innovation community and its integration into the European network. The winning consortium is a pan-European network of associations, startups, business support centers, incubators, and accelerators named "Seeds of Bravery" (UASEED).

This ambitious action aims to provide much-needed lifeline to Ukrainian startups and help them grow and integrate within the European innovation ecosystem, becoming key economic drivers behind Ukraine's economic recovery.

The initiative will support at least 200 Ukrainian deep tech startups with up to €60,000 to further develop their innovation and business activities. Additionally, companies will also benefit from non-financial support such as business advisory services, coaching, mentoring, and matchmaking. Specific emphasis is given to supporting innovative solutions for the reconstruction of Ukraine.

The pan-European network, selected through a competitive call for proposals, is coordinated by the FundingBox accelerator in Warsaw, Poland. The consortium consists of 22 organizations, including 6 Ukrainian partners, as well as partners in 13 other countries, with the Ukrainian Startup Fund being responsible for grant allocation and communication. Luxinnovation, Plug and Play, the Erasmus Center for Entrepreneurship, and other renowned European actors have also joined the consortium. All network participants will be disclosed after the completion of administrative procedures and the signing of the grant agreement.

Sources: European Innovation Council, Ukrainian Startup Fund



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[1] Where permitted under applicable country laws.