



# Ukraine reconstruction project

## The newsletter on the main recent developments

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## Ukraine reconstruction: key figures

<b>1%</b>	<b>3.2 million</b>	<b>154,000</b>	<b>€18 billion</b>
estimated GDP growth in 2023	people looking for employment in Ukraine	residential buildings destroyed and requiring reconstruction	EU support committed for 2023

### Macro

Facing the challenges of large-scale war, the Ukrainian economy shows strong resilience, as evidenced by the lower-than-expected drop in GDP for 2022 (29.2% versus the initial forecast of 30.4%), an estimated 1% GDP growth for 2023, as well as inflation revised downward for 2023 from 21 to 18.7%. The international community is mobilizing to support Ukraine, with strong commitments such as €18 billion committed by the European Union in the form of loans, \$18 billion mobilized by the World Bank Group, and over €3 billion committed by the European Bank for Reconstruction and Development (EBRD) for private sector financing.

- **29.2%** drop in GDP in 2022 (vs. forecast of 30.4%).
- **1%** GDP growth estimation in 2023.
- **25%** unemployment rate.
- **18.7%** inflation rate expected in 2023 (vs. initial forecast of 21%).
- **€4-5 billion** monthly needs for essential services.
- **€18 billion** EU support committed to Ukraine in the form of loans for 2023.
- **\$18 billion** mobilized by the World Bank Group since February 2022.
- **\$9.9 billion** being disbursed by USAID as direct budget support.
- **€3 billion** commitment from the EBRD for private sector financing in 2022-2023.
- **€1.2 billion** earmarked by France for export guarantees as part of its participation in the reconstruction.

*Sources: Ukrainian Ministry of Economy, National Bank of Ukraine, EU, USAID, EBRD, Embassy of France in Ukraine*

### Human Capital

The demographic situation is constantly evolving in Ukraine: since February 2022, approximately 17 million Ukrainians have left the country, but most of these refugees, more than 9 million, returned to Ukraine in 2022. Just under 8 million people remain abroad, of which 74% plan to return to Ukraine once hostilities cease. More than 3 million people are currently looking for employment in the country, representing a significant workforce available in many sectors of activity (less so in management positions and IT).

- **13 million** Ukrainians have left their homes, including:
  - **5 million** IDPs who remain in Ukraine (internally displaced persons) = population of Singapore or Norway.
  - **8 million** refugees in Europe = population of Austria.
- **74%** of Ukrainian refugees want to come back to Ukraine.
- **25%** of unemployment rate in Ukraine.
- **3,2 million** people looking for a job because of war = population of Croatia.

Sources: MOM, Ukrainian Ministry of Economy, Center for Economic Strategy

### Destructions and Needs

The destruction of residential buildings, social facilities, schools, power grids, and road infrastructure estimated at \$144 billion (at replacement cost) creates enormous needs for short-term reconstruction (modular cities, hospitals, schools), as well as reflection on new approaches in long-term reconstruction: new technologies and sustainable approaches in construction, solutions in energy and demining. The total cost of reconstruction is currently estimated by the World Bank at \$349 billion.

- **\$349 billion** estimated reconstruction cost by the World Bank
- **\$144 billion** in damages to real estate and infrastructure, including
  - **\$54 billion** in living spaces
  - **\$36 billion** in infrastructure
- **154,000** destroyed residential buildings, including
  - **136,000** individual houses
  - **18,000** multi-story apartment buildings
- **1,200+** health establishments destroyed or damaged
- **3,000+** schools destroyed or damaged
- **25,100 km** of destroyed roads
- **344 bridges**, including highway bridges, destroyed

Source: Kyiv School of Economics



## Ecosystem of Stakeholders for the Reconstruction of Ukraine

Starting today, in preparation for the reconstruction, the Ukrainian authorities are creating specialized initiatives and transforming existing institutions to act transparently and in compliance with European regulations. An ecosystem of actors focused on the reconstruction in Ukraine is developing, as evidenced by the merger of road and infrastructure project agencies into a national agency for reconstruction and the creation of an Advantage Ukraine platform supported by USAID and DFC.

### National Agency for Reconstruction and Infrastructure Development

In January 2023, the Ukrainian government created a National Agency for Reconstruction and Infrastructure Development, which will be responsible for implementing reconstruction projects at the national and regional levels. The new institution is the merger of the Infrastructure Project Agency and the Ukrainian Highway Agency (Ukravtodor), bringing together expertise in cooperation with IFIs and international partners and project implementation. Former parliament member and deputy minister for infrastructure Mustafa Nayem was appointed director of the agency. During the war, the agency is mainly focused on restoring energy, housing, transportation, and social infrastructure in 11 regions with the greatest destruction. Currently, the team is working with heads of regional military administrations and local authorities to form a portfolio of priority projects.

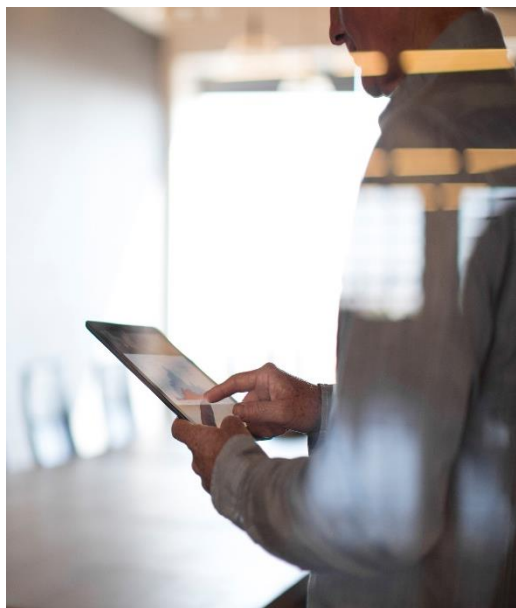
### Advantage Ukraine

Initially designed as a communication and marketing platform, Advantage Ukraine has ultimately transformed into an investment platform aimed at promoting foreign direct investment and international loan financing in the Ukrainian economy and as an exchange platform between foreign investors looking for projects in Ukraine and the Ukrainian government. Supported by USAID and managed by the investment banker team, the platform offers several projects in different fields, including agriculture, IT, infrastructure, and others. According to Deputy Economy Minister Oleksandr Gryban, the US International Development Finance Corporation (DFC) has selected the Advantage Ukraine team as their origination team for projects in Ukraine. Currently, five projects in the fields of construction, e-commerce, production, and real estate worth a total of \$430M are under consideration by the DFC.



## Important Evolutions and Appointments

The political fabric of Ukraine is evolving in a very active way. Important appointments took place in March, which show the predominant role of digitization in the reconstruction process in Ukraine and, consequently, a real aspiration of Ukrainians towards transparency of procedures and the minimization of the human factor. Thus, Vice Prime Minister and Minister of Digital Transformation, Mykhailo Fedorov, has seen his duties expanded to include the development of science and technology. Oleksandr Kamyshin, former CEO of Ukrainian railways, will oversee transforming the defense industry, and Oksen Lisovyi, former professor and director of the "Little Academy of Sciences," has been appointed Minister of Education.



- In March 2023, the function of Vice Prime Minister and Minister of Digital Transformation, Mykhailo Fedorov, was expanded, and he was appointed Vice Prime Minister in charge of innovation, education, science, and technology - Minister of Digital Transformation. Thus, in addition to digitization, the Vice Prime Minister's duties cover the development of science, education, and technology. Under his management, the Ministry has shown impressive results in terms of digitizing the country: 18 million users of Diia, an application providing access to online public papers and services, digital passport, and driver's license as complete equivalents of their paper versions, creation of Diia.City, a virtual space for tech and IT companies, creation of the IT Generation training platform.
- Oleksandr Kamyshin, former CEO of Ukrainian railways Ukrzaliznytsia, was also appointed Minister of Strategic Industries in March. This new ministry, created in 2020, is responsible for the sustainable development of strategic industries, creating new jobs, and developing regions. However, the ministry's top priority is high-tech defense industry. The main direction of the ministry's work was the operation and reform of "Ukroboronprom," the Ukrainian state-owned defense industry group.
- Oksen Lisovyi was appointed the new Minister of Education and Science in Ukraine. Oksen Lisovyi has followed a professional career as a teacher to the director of the national center "Little Academy of Sciences" and co-founder of the first science museum in Ukraine. His goal is to continue the implementation of education reform while ensuring the quality of education in times of war.

## International Action for Reconstruction

The international community is mobilizing to participate in the reconstruction efforts in Ukraine and encourage private sector involvement. Germany is particularly advanced in financial instruments, including investment guarantees aimed at German companies preparing to invest in Ukraine. The US DFC mobilizes financing for the Ukrainian private sector, and MIGA, part of the World Bank Group, allocates \$30M for a pilot project on investment insurance in Ukraine. Despite the context of large-scale war, investment in tech is active in Ukraine, with new venture capital funds being created and raising funds from international institutions, such as the \$50M Blue & Yellow Heritage Fund (USA) launched in September 2022 that will exclusively invest in Ukrainian startups and founders, or Horizon Capital, which recently attracted \$125M for its Horizon Capital Growth Fund IV, dedicated specifically to investing in Ukrainian and Moldovan companies.

In addition, France's financial aid represents 1.2 billion euros directed towards for export guarantees as part of France's participation in the reconstruction efforts, through its companies using export financing tools. For instance, the treasury loan would be used for projects announced on December 13, 2022, during the bilateral conference, for the delivery of rails, bridges, and seeds in Ukraine by French companies, for a total of 100M€.

### German Investment Guarantees

To stimulate investment in Ukraine, the German federal government has deployed the Federal Investment Guarantee Scheme for German companies in Ukraine. The scheme covers the risks of war, expropriation (nationalization), transfer, conversion, and contract termination. No participation fees are expected for investments up to €5M and 0.5% for amounts above €5M. Guarantees apply to new projects and investments, but in some cases, they can cover funds invested earlier.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) has been mandated by the German government to manage this program. PwC has many years of experience in dealing with relevant political committees and extensive consulting expertise for foreign projects. Before applying, it is recommended to consult with PwC specialists, obtain more information, and apply [on a special platform](#). About 20 projects are currently being considered for this type of financial instrument.

### US Development Finance Corporation (DFC)

DFC CEO Scott Nathan visited Ukraine in January 2023. Alongside Ukrainian Prime Minister Denys Shmyhal and US Ambassador Bridget Brink at the American Chamber of Commerce, Nathan announced DFC's intention to mobilize \$250M for the Ukrainian banking sector this year to increase their loans to small businesses. Similarly, DFC plans to temporarily send staff based in Washington to Ukraine for extended visits to help find deals and potential new investments in the health and technology sectors.

**Multilateral Investment Guarantee Agency (MIGA)**

Within the World Bank Group, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) have the necessary tools to promote the essential participation of the private sector (international and national) in the recovery and reconstruction efforts. According to the Ukrainian Ministry of Economy, one of the mechanisms to attract investment in Ukraine is the implementation of cooperation with MIGA. MIGA has already allocated \$30M to Ukraine for the pilot project on investment insurance. According to Mr. Hryban, an investor who wishes to invest in Ukraine can subscribe to an insurance policy to protect their interests.

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[1] Where permitted under applicable country laws.