



# Ukraine reconstruction project

## The newsletter on the main recent developments

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The year 2024 is anticipated to be challenging for Ukraine, both militarily and economically. Despite the difficulties, Ukraine demonstrates remarkable resilience, maintaining momentum on existing projects and launching new initiatives that inspire hope and confidence in its ultimate victory.

Traditionally, discussions on global trends and challenges for the year commence at the World Economic Forum in Davos. For several years now, this dialogue has included the Ukraine House Davos, serving as a meeting point for business leaders, policymakers, journalists, and thought leaders committed to Ukraine's success. This platform facilitates the sharing of insights and collaborative efforts on opportunities that can contribute to the establishment of a free and democratic Ukraine.

As decisions regarding Ukraine's financial support from the EU and the USA in 2024 and beyond are awaited, participating in the global security agenda has become for Ukraine a crucial opportunity. It allows the nation to showcase its aspirations for recovery and rebuilding, providing a backdrop for the impending discussions. The outcomes of these conversations play an important role in unlocking the €50 billion Ukraine Facility through EU and \$60 billion of US support — an essential component for the country's resilience, addressing social budget expenses, and meeting military needs.

In this 9th edition of our newsletter, we will delve into macroeconomic figures, explore a progress in demining efforts, and highlight recent announcements from financial institutions and the private sector, including significant mergers and acquisitions.

We hope you enjoy reading this edition and wish you a productive start to the year!

## Ukraine reconstruction: key figures

### Macro 2023

The economic stability in Ukraine has been a great achievement in 2023. Due to the smart policies and international support, Ukraine managed even to approach some pre-full-scale-war indicators. In 2023, Ukraine's real GDP is estimated to have grown by 5-5.5%. This is a recovery after a sharp, almost a 30% drop in 2022. Despite the recovery, GDP is still about a quarter lower than in 2021. The Ukrainian hryvnia has been stronger than expected in 2023 and the inflation rate has been finally even lower than in neighboring Eastern European countries.

- **\$ 40.5 billion of international reserves** of National Bank of Ukraine at the end of the 2023 (more than the historical record before the full-scale invasion in 2011).
- **\$ 42.5 billion of international financial assistance in 2023 (VS 31,1 billion in 2022) from which**
  - 63% are concessional loans;
  - 27% are grants.
- **5.1% inflation rate in December** (almost returning to the pre-war target of 5%; VS Poland 6.2% and Slovakia 6.6%).



### Human Capital

Throughout 2023, the pattern of a consistent reduction in unemployment persisted. However, by the year's end, the unemployment rate remained one and a half to two times higher than the levels observed in early 2022, before the full-scale invasion. Simultaneously, 20-25 percent of population were cutting expenses on food according to Info Sapiens surveys, aligning closely with the World Bank's poverty estimate for Ukraine.

- **6 million** people are still displaced to neighboring countries.
- **5 million** are internally displaced persons, majority having lost their homes.

- **16.1% is an unemployment rate in Ukraine** – decreased after three months of continuous increase.
- **23.1% is a proxy indicator of poverty level** (the proportion of people surveyed by Info Sapiens who have to save on food) in December 2023 - increased compared to November 2023 and the same period in 2022.
- **~7.1 million people in Ukraine living in poverty** according to World Bank.

Sources: Ministry of Finance of Ukraine, National Bank of Ukraine, World Bank, Center for Economic Strategy

## Key developments for Ukraine's reconstruction

### Progress on humanitarian demining in Ukraine: Sectoral Working Group, Mine Action Operators and National Mine Action Strategy

According to the World Bank, the entire humanitarian demining in Ukraine will cost \$37.4 billion in total. Humanitarian demining in Ukraine is a global project that outlines the logic of post-war development. Recognizing the importance of this task, the Ukrainian government has announced the establishment of the **Sectoral Working Group on Humanitarian Demining, Center for Humanitarian Demining, and the development of the State Mine Action Strategy**.

The **Sectoral Working Group on Humanitarian Demining (SWG)** serves as a temporary advisory body under the Ministry of Economy of Ukraine, fostering coordination with development partners for collaborative efforts in humanitarian demining. Co-chaired by Ukraine's Minister of Economy Yulia Svyrydenko, UN Resident & Humanitarian Coordinator in Ukraine Denise Brown, and Japanese Ambassador to Ukraine H.E. Mr. Kuninori Matsuda, the **SWG comprises 62 members from Ukrainian state institutions, the non-governmental sector, and international partners** engaged in or monitoring the demining process.



During the latest SWG meeting in December, key data on demining progress and plans for efficient coordination were presented:

- The **National Mine Action Strategy**, coordinated by the Ministry of Economy, is currently being prepared in collaboration with international partners. According to the draft document, the primary goal is to reclaim 80% of potentially contaminated land within a 10-year timeframe. The working group on the strategy is open to input from partners.
- Currently, **24 certified Mine Action operators** are active in Ukraine, including Ukrainian non-governmental entities, international operators, and Ukrainian governmental units. The government aims to establish a **unified certification procedure for clarity and transparency**, creating a singular, easy-to-understand process for various stakeholders.
- The procedure for establishing a **Centre for Humanitarian Demining** is underway, aiming to separate certification functions from policymaking.
- Reconfirmed figures indicate **approximately 174,000 km<sup>2</sup> of land and 14,000 km<sup>2</sup> of water bodies potentially contaminated, with 470,000 ha of strategic agricultural land** to be examined primarily.
- Achievements for **2023 included the coverage of 50,000 km<sup>2</sup> by non-technical survey and the return of 37,000 ha of agricultural lands to productive use.**

Moreover, an announcement was made that more than 3,500 sappers are currently engaged in Ukraine, yet the demand stands at approximately 10,000 specialists. In anticipation of 2024, a budget of 2 billion UAH (approximately \$53 million) has been allocated for humanitarian demining in Ukraine. This funding is earmarked to compensate agricultural players actively involved in demining their lands.

It's noteworthy that preparations are underway for the World Bank's Rapid Damages and Needs Assessment 3 (RDNA3). This assessment includes a dedicated section on Explosive Hazard Management and is scheduled for presentation in February.

*Sources: Ministry of economy of Ukraine, Ukrinform*

## International benchmark

### EBRD board approved 4-billion-euro capital increase to continue supporting Ukraine

In the end of December, the governors of the European Bank for Reconstruction and Development (EBRD) have approved a resolution to **increase the Bank's paid-in capital by €4 billion, bringing its capital base to €34 billion.**

The additional capital from shareholders will be used to provide significant and sustained investment for Ukraine's real economy, both in wartime and in reconstruction, and will help support the EBRD's priorities in all economies where it operates. **The EBRD has already deployed more than €3 billion in Ukraine since Russia's invasion of the country in February 2022.**

This final step, which follows a recommendation submitted by the EBRD's Board of Directors in November 2023, concludes the formal process of increasing the EBRD's authorised capital stock. The capital increase will take effect on 31 December 2024.

**This is the third capital increase in the EBRD's history, following similar decisions in 1996 and 2010.** It follows the governors' recognition in May 2023 that supporting Ukraine should be the Bank's highest priority – now and in the future – while also ensuring that it can continue to pursue its strategic priorities across all its regions.

The additional capital will strengthen the EBRD, enabling it to continue providing a sustained level of **annual investment in Ukraine of around €1.5 billion during wartime**, supported entirely by its own balance sheet, and to have the means to increase its support **up to €3 billion annually once reconstruction begins**. **The increase will also ensure that the Bank is strong enough to continue fully supporting the other economies where it invests in tackling their transition challenges.**

Sources: EBRD

## Launch of open calls by Seeds of Bravery consortium under €20m in European Innovation Council Programme

**Seeds of Bravery**, a pan-European network of partners **chosen to implement a €20 million European Innovation Council (EIC) initiative** supporting Ukraine's innovation community (previously mentioned in our [June Newsletter](#)), **has officially launched open calls for proposals** on January 24. These calls encompass now all five support programs, aiming to empower tech startups and SMEs with innovative solutions, services, and products.

The first call under the program for *Innovation Services* was opened in December for up to €10 000 to business consultancy services is now followed by the other four calls for the Ukrainian tech startups. Each program targets projects that are key economic drivers for Ukraine's rebuilding efforts and enhance the presence of Ukrainian startups in a broader European innovation ecosystem.



The five different support programmes with **grants from €10 000 to €50 000** are:

- Innovation Services (up to 10k€);
- Entrepreneurship (restart, relocate, continuity, and women entrepreneurs) (up to 25k€);
- Deep Tech incubation (up to 25k€);
- Rebuilding Ukraine (up to 25k€);
- Deep Tech Scale-Up (up to 50k€).

In general, **grant recipients will be able to receive a maximum of €60,000 across all “Seeds of Bravery” types of support.**

With a focus on deep tech innovation, the **group has earmarked €12 million that have been allocated by the EIC to support over 200 Ukrainian startups.** In addition, the companies will also receive non-financial support, such as business advisory services, coaching, mentoring and matchmaking. The aim of this support is also to facilitate the application of more Ukrainian deep tech start-ups to the EIC Accelerator, thus opening potential funding opportunities up to €17.5 million per start-up.

*Source: Ukrainian Startup Fund, European Innovation Council, Seeds of Bravery*

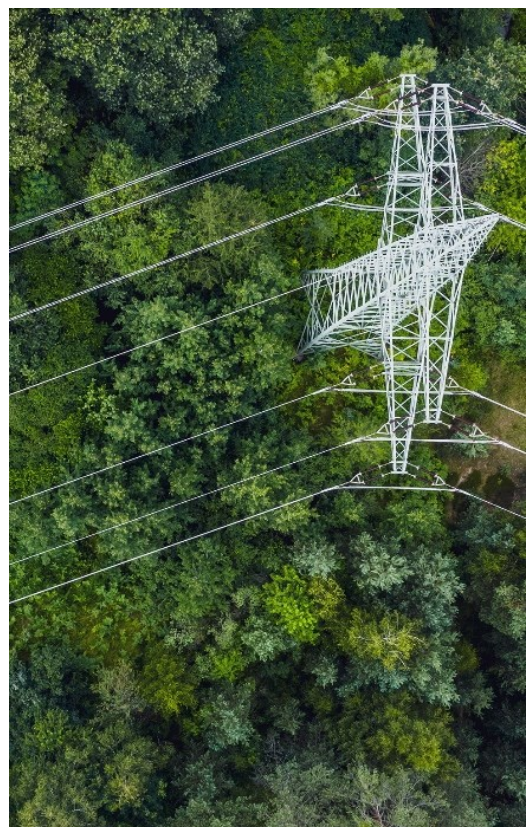
### **France is supporting the reconstruction and modernization of the Ukrainian electrical distribution network**

France will support the reconstruction and modernization of the Ukrainian electrical distribution network. The project starts with the help of the French public financial instrument [FASEP](#) for feasibility studies and demonstration of technologies, providing non-refundable subventions up to 800 000 euros.

**The project for reconstruction and modernization of the Ukrainian electrical distribution network is led by French company EDF International Networks**, a subsidiary of the EDF Group, carrying the expertise of the French electricity distributor Enedis internationally, and Enedis aiming to reconstruct and modernize the Ukrainian electrical distribution network.

This project is being implemented in three stages:

1. First, it involves a technical assessment of the network (identification of areas affected by the conflict, general network characteristics).



2. Secondly, the project aims to create a roadmap that includes both short-term (emergency reconstruction) and long-term aspects (alignment with European networks and the implementation of "smart" grids).
3. In the third phase, the project includes a study of the network's evolution with operational implementation in specific geographical areas. This study will be carried out with a focus on knowledge transfer and training throughout all stages of its execution.

Additionally, mid-December the Ukrainian Minister of Energy Herman Halushchenko met with Enedis President Marianne Laigneau and discussed engaging Enedis experience and expertise to advance the development of Ukrainian electrical grids and enhance the management of distribution system operators in Ukraine.

*Source: Directorate General of the Treasury of France, Governmental Portal*

## Focus on private sector

### French billionaire's investment firm NJJ Capital's is buying mobile operator Lifecell and other Turkcell assets in Ukraine

Turkish telecoms company Turkcell has agreed to sell its Ukrainian units to NJJ Capital, an investment vehicle of telecoms billionaire Xavier Niel.

The transaction includes three companies: the mobile operator Lifecell, and mobile communication tower operator Ukrtower and the network of call centers under Global Bilgi. **Lifecell is the third-largest mobile operator in Ukraine with 9.1 million subscribers.**

According to a public filing, the Turkcell Board agreed to the sale of the assets on December 20, before the agreement was signed on December 29. The nominal values of shares sold are presented as follows:

- 12.7 billion UAH (\$ 333.4 mln) for Lifecell,
- 47.2 million UAH (\$ 1.24 mln) for LLC Global, and





- 1.96 billion UAH (\$ 51.5 mln) for LLC Ukrtower.

It's stated that the total sales value is still to be determined. The completion of the transaction is planned upon obtaining the necessary regulatory permissions. At this stage, NJJ Capital has to reiterate its application to the Ukrainian anti-monopoly committee on acquisition of more than 50% of equity on mentioned firms as its first application was rejected.

NJJ Capital is backed by French billionaire Xavier Niel, the owner of French telecoms company Iliad Group (working under brand *Free*). He also inaugurated in 2017 *Station F*, an innovation campus in Paris, aiming to boost the startups creation and innovation ecosystem development in France.

*Source: KAP Public Disclosure Platform, Bloomberg, Forbes Ukraine, Forbes France*

### **CRH and EBRD in discussions to invest jointly in Ukraine in Buzzi's assets**

**CRH, an international building materials group with Irish origins, and EBRD are engaged in discussions to collaborate on the acquisition of Buzzi's assets in Ukraine. CRH and EBRD signed a mandate letter in relation to the engagement.** The amount at stake is not disclosed.

This collaboration underscores **the importance for both organisations to invest in Ukraine today, preparing the industry to provide sustainable & affordable products essential for the country's reconstruction and integration with Europe.** Investing in the production of basic construction materials is critical for rebuilding Ukraine and ensuring supply of material needed for its recovery. Immediate action is needed, particularly in the high-tech and capital-intensive cement sector, to prevent shortages in the near future. Furthermore, Corporate investments are important for the recovery of the Ukrainian economy.

**Earlier in summer 2023, Buzzi informed about the reached agreement on selling some of its assets in Eastern Europe to CRH, namely in Ukraine and Slovakia, for a consideration of € 0.1 billion.** The transactions include the business in Ukraine and ready-mix concrete assets in East Slovakia. Completion of the transaction in Ukraine is subject to the granting of the required regulatory approvals and is expected to occur in 2024.

In Ukraine, Buzzi operates two integrated cement plants, respectively located close to Rivne (in the North-West) and Mykolaiv (in the South). The production units are flanked by two terminals for the distribution of cement. The group also operates in the ready-mix concrete sector in Kyiv, Odessa and Mykolaiv. In East Slovakia, the operations consist of six ready-mix concrete plants.

*Source: Cemark (CRH Subsidiary), Buzzi*

## Contact us



**Gregoire Dattee**  
Managing Partner,  
Mazars in Ukraine  
[gregoire.dattee@mazars.ua](mailto:gregoire.dattee@mazars.ua)



**Diana Sidko**  
Ukraine's Reconstruction Project Coordinator,  
Mazars in Ukraine  
[diana.sidko@mazars.ua](mailto:diana.sidko@mazars.ua)



**Denys Shendryk**  
Partner, Head of Tax and Legal,  
Mazars in Ukraine  
[denys.shendryk@mazars.ua](mailto:denys.shendryk@mazars.ua)

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[1] Where permitted under applicable country laws.