



Reconstruction of Ukraine

The newsletter on the main recent developments

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October was marked by a challenging situation on the front lines and alarming news regarding the deployment of North Korean soldiers to the war against Ukraine. However, Ukraine continues its relentless pursuit of victory, and the development of the Victory Plan by the President of Ukraine is a testament to this effort.

While we await the assessment of Volodymyr Zelenskyy's Victory Plan from our partners, we invite you to learn more about updates on various directions. Discover the progress in the EU's provision of credit from the profits of frozen Russian assets, new aid programs from USAID or the opening of a representative office of the French-German defence consortium in Ukraine.

In the private sector section, we will discuss the growing interest of foreign companies in the Ukrainian market, particularly through acquisitions of local companies.

You will also be able to review the key figures related to recovery efforts. In this edition, we will offer insights into the main statistics regarding Ukrainian refugees and the indirect losses Ukraine has suffered as a result of the full-scale invasion.

Ukraine's Reconstruction: key figures

Human Capital

Human capital is essential for Ukraine's reconstruction and development. The war has forced many Ukrainians to leave the country, depleting its human capital. However, as Ukraine struggles to recover from the devastating effects of the war, the return of Ukrainian citizens home is more urgent than ever.

Recently, the **Centre for Economic Strategy** published the third wave of the survey, which again examined Ukrainian refugees, how they live abroad, and what is needed to bring them back.

The study shows:

- as of the end of January 2024, **4.9 million Ukrainians are living abroad** because of the war. The overwhelming majority of refugees are women (the largest share is women aged 35-44 – 13%) and children;
- **70% is the share of surveyed Ukrainian refugees who had higher or incomplete higher education** in January 2024;
- since May 2023, **the labour force participation has increased from 39% to 45%**. The share of those not looking for work is also decreasing;
- **52%** of refugees plan to return to Ukraine (26% definitely and 26% rather), but **61%** only plan to do so once the war is over;
- **between 1.4 million and 2.3 million Ukrainians may remain outside Ukraine** under various scenarios;
- the non-return of Ukrainians would have a significant impact on the Ukrainian economy, which could **lose between 3.9% and 6.3% of its GDP annually**.



The data shows that despite the war, the share of Ukrainians planning to return to Ukraine is increasing, which is extremely important in the context of Ukraine's recovery.

The full study is available on the website of [the Centre for Economic Research](#).

Source: *Centre for Economic Strategy*

Indirect losses to the economy

The outbreak of the full-scale invasion had significant negative consequences for the Ukrainian economy. They are manifested not only in direct losses as a result of the attacks but also in revenue losses in various sectors of the economy and additional costs associated with overcoming the consequences of the attacks.

The Kyiv School of Economics (KSE), together with the Ministry for Communities, Territories and Infrastructure Development and in cooperation with other relevant ministries and the National Bank of Ukraine, has released an Assessment of indirect losses since February 2022.

According to this report:

- **USD 1.164 trillion (revenue) or more than USD 385 billion (value added) is the total indirect losses of Ukraine**, including current and projected losses of revenue and value-added since the start of the full-scale invasion.
- **The largest indirect revenue losses are in productive sectors**, including:
 - commerce: USD 450.5 billion;
 - industry, construction and services: USD 409.9 billion;
 - agriculture: USD 83.1 billion.
- In terms of **additional costs, the largest groups are**:
 - demining: USD 42 billion;
 - housing: USD 22 billion.

These losses reflect the scale of the economic challenges Ukraine faces in the context of the invasion.

Sector	Loss estimation, USD billion, by method	
	Revenue	Value added
Industry, construction, and services	409.9	133.2
Commerce	450.5	74.4
Demining	42	42
Agriculture	83.1	33.2
Housing	22.4	22.4
Transport	38.8	18
Energy	43.1	12
Healthcare	11.4	11.1
Social protection	10	10
Digital	19.3	8.8
Education	14.5	8.4
Utilities	7.7	3.9
Finance	4.3	4.3
Culture	7.3	2.9
TOTAL	1 164.4	385.7

You can read the full study via [the link](#).

Source: *Kyiv School of Economics*

Key developments for Ukraine's Reconstruction

The President of Ukraine publicly presented the Victory Plan to the Ukrainian Parliament

On October 16, Volodymyr Zelenskyy presented the content of the Victory Plan during his address to the Verkhovna Rada of Ukraine. The Plan consists of 5 points and 2 secret annexes.

- 1. NATO membership.** The first point is an invitation for Ukraine from foreign partners to join NATO. According to the President, this move will send a strong signal of support and secure the position of Ukraine.
- 2. Strengthening the defence.** The second point highlights the importance of defence. Volodymyr Zelenskyy highlighted the importance of the assistance of partners, in particular:
 - bolstering air defence;
 - shooting down Russian drones and missiles jointly with partners;
 - investing in Ukrainian defence production;
 - equipping reserve brigades for the Armed Forces of Ukraine;
 - lifting restrictions on the use of long-range weapons;
 - providing appropriate long-range capabilities and real-time satellite and intelligence data.
- 3. Deterrence.** The third point addresses strategic deterrence. Ukraine offers to deploy a comprehensive non-nuclear strategic deterrence package on its territory, sufficient to protect the country from any military threat.
- 4. Strategic economic potential.** The fourth point concerns economic development. Ukraine offers its strategic partners a special agreement on joint protection of the country's critical resources, as well as joint investment and use of this economic potential. This includes natural resources and critical metals such as titanium, lithium, graphite, and other strategically valuable resources that are a significant advantage in global competition.
- 5. Post-war security.** The last point focuses on the post-conflict period. It provides, with the consent of the partners, for the replacement of certain US military contingents stationed in Europe with Ukrainian units that have gained real experience in modern warfare, the use of Western weapons, and cooperation with NATO forces.

Volodymyr Zelenskyy has already presented the full plan to the leaders of Ukraine's main partners, including the leaders of the United States, France, Germany, Italy, and other countries.

Source: Office of the President of Ukraine



uResidency program

The Ministry of Digital Transformation of Ukraine, with the support of the European Union, has recently launched the uResidency program. uResidency is an electronic residence for foreigners who want to do business in the Ukrainian jurisdiction.

The project is aimed at independent entrepreneurs, in particular IT specialists from Asia and Europe.

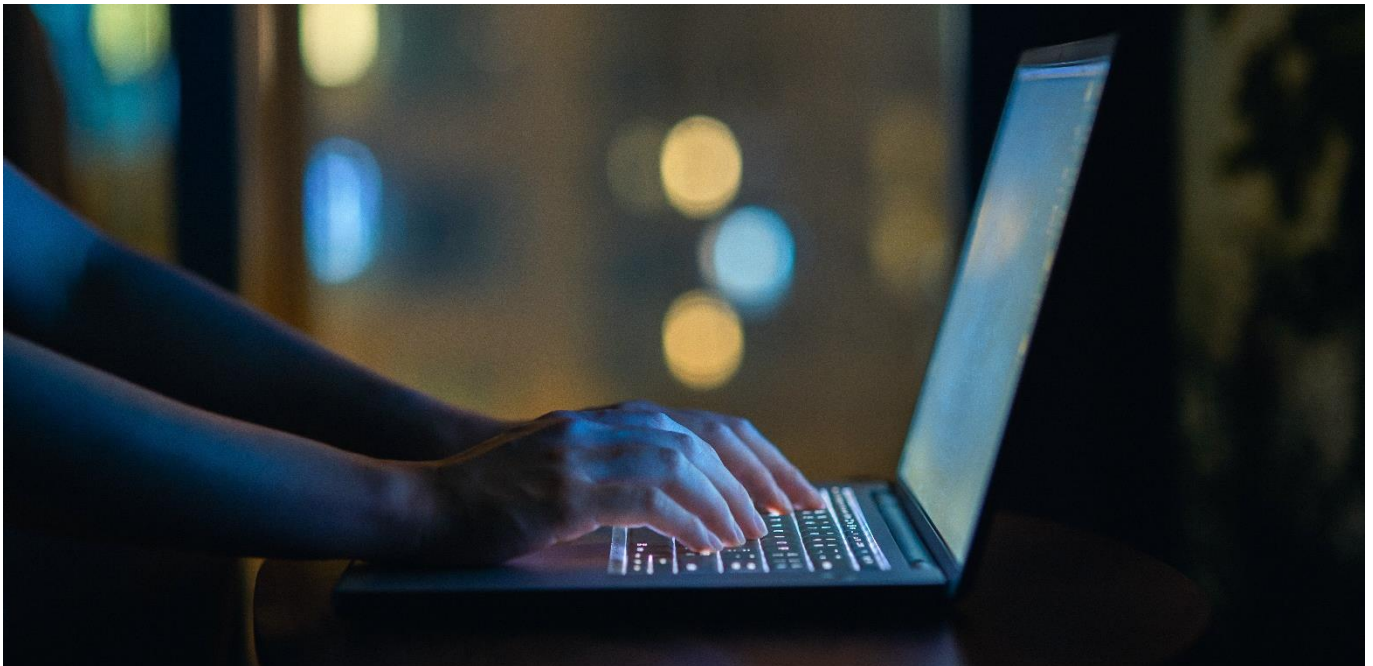
The launch of uResidency will not only make it easier for foreigners to do business in Ukraine but will also encourage new investments and revenues in the Ukrainian economy.

The benefits of this service include the possibility for foreigners to register a business in the Ukrainian jurisdiction, earn income outside Ukraine, and automatically pay taxes in Ukraine. **E-residents will be subject to special tax conditions – only 5% of their income. Tax payments and reporting will be automatic.**

Currently, the service **is available to citizens of Slovenia, India, Pakistan, and Thailand, with further expansion to other countries.** The first stage is expected to involve about 1,000 e-residents, which, according to the Ministry of Economy of Ukraine, could bring about USD 1 million to the Ukrainian economy.

Ukraine is one of the few countries that offer e-residency programs to foreigners. Apart from Ukraine, only Estonia, Lithuania, Azerbaijan, and the US state of Colorado offer such services.

Sources: Diia, Ministry of Digital Transformation



Developments on G7's Extraordinary Revenue Acceleration loans for Ukraine

European Council agrees on up to EUR 35 billion in macro-financial assistance to Ukraine from frozen Russian assets

On October 23, the EU Council adopted a financial assistance package to Ukraine, including an exceptional macro-financial assistance (MFA) loan of up to EUR 35 billion and a loan cooperation mechanism that will support Ukraine in repaying loans for up to EUR 45 billion provided by the EU and G7 partners. This macro-financial assistance package is the European share of the USD 50 billion G7 loan approved this July.

The repayment of the exceptional MFA loan and eligible bilateral loans from G7 partners under the “Extraordinary Revenue Acceleration Loans for Ukraine” initiative, will be ensured by funds coming from future flows of extraordinary revenues stemming from the immobilisation of Russian sovereign assets.

The Ukraine loan mechanism will disburse these funds – as well as possible amounts received as voluntary contributions from member states and third countries or other sources – in the form of financial support to Ukraine, to assist it in servicing and repaying the loans.

The financial assistance is aimed at immediately meeting Ukraine's urgent financial needs, which have grown due to Russia's increased aggression against Ukraine. The funds are expected to be available to Ukraine this year, and the loan will be repaid over a maximum period of 45 years.

Sources: European Council, Forbes.ua, Ministry of Finance of Ukraine

UK announces new loan to Ukraine from frozen Russian assets

The UK has announced a **GBP 2.26 billion loan to Ukraine**, which is the UK's contribution to the G7 Extraordinary Revenue Acceleration (ERA) programme for Ukraine, under which USD 50 billion from G7 countries will be channelled to Ukraine for its military, budgetary and reconstruction needs. The loan will be repaid from the extraordinary profits from the immobilised Russian sovereign assets.

The UK loan of GBP 2.26 billion is intended to provide budgetary support for Ukraine's military expenditure, enabling the Ukrainians to invest in key equipment to support their efforts against Russia, such as air defence, artillery and wider equipment. This is in addition to the UK's existing GBP 3 billion a year military assistance to Ukraine, which the Prime Minister recommitted to during his first week in office.

Chancellor of the Exchequer Rachel Reeves said that this investment is in the national interest of the UK, saying that “the front line of our defence – the defence of our democracy and shared values – lies in the trenches in Ukraine”.

Sources: GOV.UK, Ministry of Finance of Ukraine



US will provide USD 20 billion in loans to Ukraine from frozen Russian assets

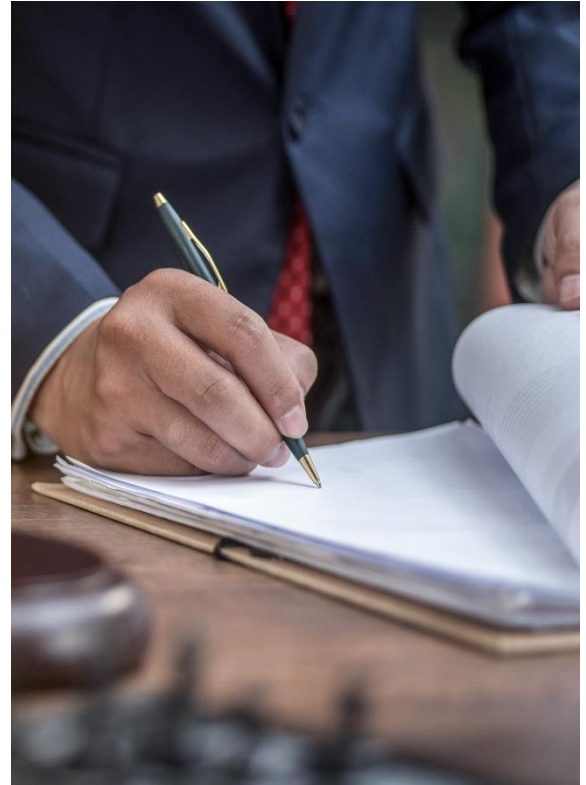
On October 23, in Washington, DC, Minister of Finance of Ukraine Sergii Marchenko and the US Treasury Secretary Janet Yellen **signed a joint statement in which they agreed to attract USD 20 billion for Ukraine**. The loan represents the US share of the G7's Extraordinary Revenue Acceleration for Ukraine.

These funds will be raised through the Ukraine Loan Cooperation Mechanism (ULCM) and are expected to be disbursed no later than December 31, 2024.

During this meeting, Sergii Marchenko and Janet Yellen also discussed the state of Ukraine's financial system this year, the key priorities for the 2025 State Budget, and the directions for using ERA funds.

This year, Ukraine has already received USD 3.9 billion in direct budget support from the United States.

Sources: Ministry of Finance of Ukraine, The White House



International benchmark

Signing of the Implementing Agreement to the Grant Agreement between France and Ukraine

On October 22, Yulia Svyrydenko, First Vice Prime Minister of Ukraine and Minister of Economy of Ukraine, and Gaël Veyssière, Ambassador Extraordinary and Plenipotentiary of the French Republic to Ukraine, **signed the Implementation Agreement to the Grant Agreement between the Government of the French Republic and the Government of Ukraine. This is a continuation of the EUR 200 million grant agreement, signed in June in the presence of Presidents Volodymyr Zelenskyy and Emmanuel Macron.**

This agreement will allow Ukrainian and French companies to implement urgent rehabilitation and modernisation projects aimed at strengthening, rebuilding and modernising Ukraine's infrastructure. **Up to 50% of these funds will be used to purchase Ukrainian goods and services for the reconstruction projects.**

The priority sectors to receive funding under the Implementation Agreement include healthcare, energy, water supply and sanitation, demining, digital technologies, infrastructure, agriculture, waste management and housing. In addition, the parties discussed the possibility of expanding the AFD Group's mandate in Ukraine to support Ukrainian businesses. Thus, the Agence Française de Développement, PRO-PARCO and Expertise France will be able to provide loans, grants, guarantees or other forms of financial and technical assistance.

Sources: Ministry of Economy of Ukraine, French Embassy in Ukraine

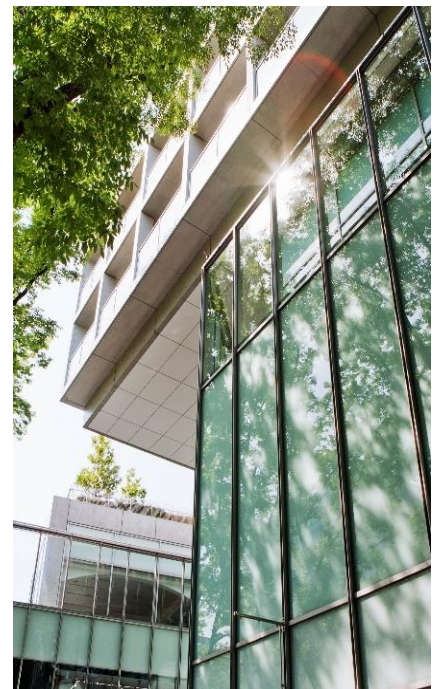
French-German defence group opens an office in Kyiv

In October 2024, **the French-German defence concern KNDS opened a subsidiary in Kyiv.** The company operates under the name KNDS Ukraine LLC. It was established to support cooperation between Ukrainian government agencies, the Ukrainian defence industry, and KNDS.

The purpose of establishing KNDS Ukraine is **to empower the Ukrainian industry to carry out maintenance, repair, and overhaul work on KNDS systems – among them, the Leopard 1 and 2 main battle tanks, the CAESAR artillery gun, the AMX10 RC, the PzH 2000 armoured howitzer and the Gepard self-propelled anti-aircraft gun tank,** thus significantly increasing the availability of the systems for combat. At the same time, **KNDS and the Ukrainian industry intend to jointly manufacture 155 mm artillery ammunition in Ukraine and produce spare parts using leading-edge manufacturing technologies.**

The opening of the office is the result of a Franco-German government initiative, the basic provisions of which were presented on March 22, 2024 by Defence Ministers Sebastien Lecornu and Boris Pistorius in Berlin. The Ukrainian Armed Forces are already using or have contracted nearly 800 pieces of equipment and weapons from the concern. This makes the company one of Ukraine's key industrial partners in the defence sector.

Sources: KNDS, Ministry of Defence of Ukraine



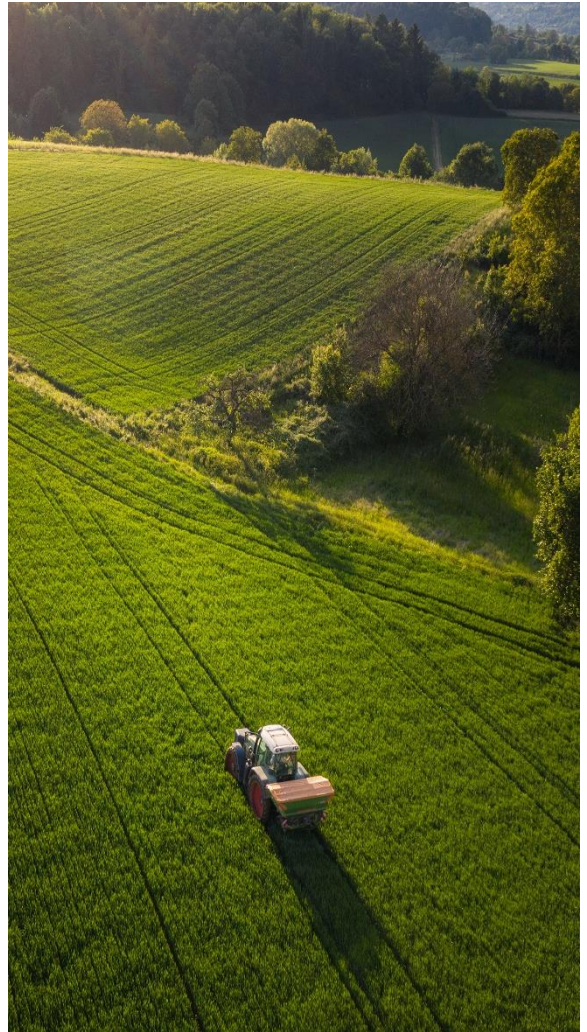
USAID makes an additional USD 1.75 billion investment in the agricultural sector of Ukraine through AGRI program

The United States Agency for International Development (USAID) has announced the expansion of its Agriculture Resilience Initiative-Ukraine (AGRI-Ukraine). The Initiative is bringing nearly USD 1.75 billion in additional investment to Ukraine's agricultural sector through nine new partners, including Crédit Agricole Bank, Astarta, Best Leasing, the US International Development Finance Corporation (DFC), the International Finance Corporation (IFC), IMC, OTP Bank, and Universalna Insurance Company, and the US Department of State's Office of Weapons Removal and Abatement.

These new partnerships bring **the total amount raised under the AGRI-Ukraine initiative since July 2022 to more than USD 2.26 billion** in private sector and partner investments.

Since July 2022, AGRI-Ukraine has helped more than 15,000 Ukrainian farmers – or 34% of the country's registered farmers – to receive seeds, fertilisers, crop protection products, storage, and financing to grow their crops. This support has helped to maintain and increase production of over 5.5 million tonnes of grain, generating over USD 1 billion in revenue for the Ukrainian economy.

Source: USAID



JBIC allocated USD 150 million facility to BSTDB to support important projects in Ukraine and promote green initiatives

The Black Sea Trade and Development Bank (BSTDB) has obtained a facility from the Japan Bank for International Cooperation (JBIC) totaling up to USD 150 million to support important projects in Ukraine and promote green initiatives.

The facility is specifically designed to support Ukraine and other affected BSTDB member-states. This funding will be used to facilitate the recovery of Ukraine and rebuild key economic and social infrastructure. **Priority sectors include agriculture, food, transport and logistics, digital infrastructure, and pharmaceutical sectors**, ensuring that the country can continue to pursue growth despite the ongoing difficulties. Additionally, **up to USD 75 million will be allocated to green initiatives aimed at promoting environmental sustainability across the Black Sea region.**

Dr. Serhat Köksal, President of the BSTDB, stated that the USD 150 million allocated for Ukraine will catalyse essential investments that are critical for the country's recovery and future growth. Both parts of the credit line reflect the BSTDB and JBIC's shared commitment to address both pressing challenges and stimulate green investment in the region.

Sources: Ministry of Economy of Ukraine, Black Sea Trade and Development Bank

Ignitis Group provided humanitarian aid to Ukraine Energy Support Fund

Ignitis Group, a Lithuanian state-owned renewable energy group, **provided EUR 4 million in humanitarian aid to the Ukraine Energy Support Fund**. The allocation was officially approved on October 8, following the signing of an agreement between Ignitis Group and the Energy Community Secretariat.

The purpose of the financial assistance is to restore Ukraine's critical energy infrastructure damaged by Russian attacks and to ensure the continued functionality of the energy sector.

The funds will be used to purchase equipment to provide an additional 120 MW of electricity generation capacity. The total capacity of the power plant will provide a stable electricity supply to about 420,000 households in Ukraine and help restore vital activities.

The Ukraine Energy Support Fund enables governments, international financial institutions, and international organisations as well as corporate donors to provide financial support to the Ukrainian energy sector's efforts to repair that damage and keep it functioning. As of October 11, 2024, **the Fund has raised EUR 758 million**, with a total transfer of EUR 697 million.

Sources: Ignitis Group, Energy Community

USAID announces new humanitarian aid packages for Ukraine

On October 2, Samantha Power, Administrator of the United States Agency for International Development (USAID), arrived in Ukraine.

During her visit, she announced **the launch of a new 5-year project, called Rehab4U, worth USD 13 million. The aim of the project is to rehabilitate Ukrainians after the war and promote a sustainable and inclusive rehabilitation system**. The project will be implemented in 15 regions of Ukraine to ensure a nationwide impact.

Also during her visit, Samantha Power announced that the United States, through USAID and the Department of State, will provide **an additional USD 237 million in funding to meet the humanitarian needs** of the most vulnerable populations affected by the conflict in Ukraine, as well as Ukrainian refugees in the region.

This assistance will help partners to provide life-saving assistance, including critical winterization preparedness aid ahead of the harsh winter months, as well as food, shelter, health, and protection assistance.

Sources: USAID, Suspilne



IMF completes fifth review of Extended Fund Facility for Ukraine

On October 18, the **Executive Board of the International Monetary Fund (IMF) completed the fifth review of the Extended Fund Facility (EFF) program for Ukraine.** This review will enable Ukraine to receive about USD 1.1 billion in budget support from the IMF. All end-June and continuous quantitative performance criteria and indicative targets were met.

The authorities have implemented prior action for the review and completed structural benchmarks related to tax privileges, public companies affected by the war, customs reform, and public investment management. In total, Ukraine has already fulfilled 28 structural benchmarks under the EFF program, including 19 in the fiscal area.

Since the approval of the four-year program under the Extended Fund Facility (EFF) for Ukraine, the State Budget of Ukraine has already received five tranches under the IMF EFF program totaling about USD 7.6 billion, including about USD 3.1 billion in 2024. It is expected that the program will provide USD 5.4 billion in budgetary assistance to Ukraine in 2024.

Sources: IMF, Ministry of Finance of Ukraine

Focus on the private sector

ASEE Group completed the acquisition of a Ukrainian software provider

ASEE Group, one of the biggest European IT companies, that provides solutions for different branches, including medicine, completed the acquisition of Askep.net, a leading healthcare software provider in Ukraine.

ASKEP.net is a healthtech Cloud SaaS Hospital Information System (HIS) for public and private healthcare institutions in Ukraine. The company has been providing its solutions in Ukraine since 2017 and implemented the national program of digital transformation of the healthcare system. ASKEP.net is among the top-5 players of Ukrainian HIS market.

This acquisition will help ASEE to extend its offering of SAAS platform-based solutions in banking, utility, and smart city and strengthen its portfolio within the healthcare related industries. Moreover, the cooperation of the two companies will contribute to growing the market in Ukraine and extending the SAAS solution in the region.

Askep.net noted that this agreement will allow them to take advantage of the world's best practices in digital healthcare and improve their services.

Sources: Askep.net, ASEE Group

Turkish industrial equipment manufacturer announces acquisition of controlling stake in Ukrainian oil and gas equipment manufacturer

Dalgakiran Group, a leader in the production of industrial equipment, has announced the acquisition of a controlling stake in the Ukrainian company Sensi LLC. Sensi specialises in the production of gas compressors and specialised equipment for the oil and gas industry. The acquisition opens up new prospects for both companies and enhances their ability to provide high-quality equipment to global customers.

Dalgakira expects the merger to expand its equipment portfolio and provide customers worldwide with high-quality solutions that meet the most stringent standards in the industry. The gas compressors and specialised equipment for the oil and gas industry manufactured by Sensi will enable Dalgakiran to meet the needs of an even wider range of customers, especially in segments requiring reliable and efficient solutions for challenging operating conditions.

Dalgakiran plans to invest in the development and expansion of Sensi's production capacity to improve its technological processes, increase productivity, and ensure even higher product quality.

Another important component of the merger strategy is the active development of Sensi's exports. Thanks to Dalgakiran's global support, the Ukrainian manufacturer's equipment will be available to even more customers around the world.

Source: Dalgakiran Group

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