



**MINISTÈRE
DE L'ÉCONOMIE,
DES FINANCES
ET DE LA SOUVERAINETÉ
INDUSTRIELLE ET NUMÉRIQUE**

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Bilateral Conference for the resilience and reconstruction of Ukraine

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Bercy



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Presentation of the bilateral conference for the resilience and reconstruction of Ukraine

In these times of immense challenges for Ukraine as for the whole of Europe, France stands by Ukraine.

As such, the President of the French Republic and President Zelensky have initiated an event in support of Ukraine to outline its needs to ensure its economic resilience during the war and its medium-term reconstruction, as well as to encourage the mobilisation of French economic players on these two essential issues. Following a first multilateral sequence at the Ministry of Europe and Foreign Affairs in the morning, both Presidents will open (by videoconference for the President of Ukraine) the bilateral sequence at Bercy in the afternoon, in the presence of Denys Shmyhal, the Prime minister of Ukraine, and Bruno Le Maire, minister for the Economy, Finance and Industrial and Digital Sovereignty.

This bilateral conference will allow the private sector to be even more involved in supporting Ukraine. Indeed, French companies are not only in a position to play a role in meeting some of the immediate challenges facing Ukraine's infrastructure and economy, but they also wish to contribute to the major reconstruction project. France has powerful export support tools at its disposal, while multilateral development banks are redeploying or developing significant financing to meet the financing needs of the Ukrainian economy.

The bilateral conference should help match the needs of the Ukrainian economy with the skills of French companies, combined with the range of financing.

After the opening by the two Presidents, the plenary session will be an opportunity to present the current economic challenges in Ukraine, the tools available to support projects in a context marked by war, but also the essential role that the private sector has to play in preparing the reconstruction of Ukraine.

At the end of the plenary session, the companies will meet with the Ukrainian ministers to discuss the major reconstruction projects in the areas of infrastructure, agri-food, health, digital and innovative technologies, and energy installations. Organised in the presence of several French ministers, these workshops will enable direct dialogue between the Ukrainian ministers and companies on the strategic needs of each major sector of the Ukrainian economy.

The bilateral conference in the afternoon will result in the signing of a number of contracts and agreements, notably on support for critical infrastructures.

Economic relations between France and Ukraine

Economic cooperation between Ukraine and France had experienced an unprecedented dynamic before the war. The unbreakable ties that unite the two countries are now an asset in meeting the challenges of resilience and reconstruction in Ukraine.

Since 2018, Ukraine had become a beneficiary country of major strategic contracts carried by France, thanks to the mobilisation of export financing tools:

- contract for the sale of 55 helicopters to the Ukrainian Ministry of Interior (€554 million) by Airbus Helicopters in 2018;
- contract for the sale of 20 patrol boats to the Ukrainian Ministry of the Interior (EUR 136 million) by OCEA in 2019;
- infrastructure financing (including a €64 million concessional loan from the Treasury in 2019 for the construction of a drinking water plant in the city of Mariupol - a project that was in the engineering study phase at the time of the military invasion of Ukraine by Russia on 24 February 2022).

The visit of **Bruno Le Maire**, Minister of the Economy, Finance and Industrial and Digital Sovereignty, to Kiev in May 2021 helped to amplify the movement, with the signing of four intergovernmental agreements for a total of €1.3 billion. This was achieved in particular through the mobilisation of our financial instruments to support exports, with the granting of concessional loans from the Treasury for the rehabilitation of water networks in the Luhansk Oblast and in Kiev (€70 million each).

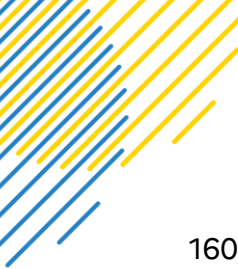
Trade relationship

In 2021, France exported €1.2 billion worth of goods to Ukraine, representing 0.3% of total French exports of goods (49th customer) and imported €0.9 billion from Ukraine, representing 0.1% of total French imports of goods (58th supplier).

Before the war, French exports of goods to Ukraine were dominated by chemicals, perfumes and cosmetics, accounting for one third of total French exports to Ukraine. Imports from Ukraine were concentrated on agricultural and agri-food products, which represent two thirds of total French imports from Ukraine.

Direct investments

France is a major investor in Ukraine (6th among foreign investors), with a stock of direct investment in Ukraine of €1.3 billion.



160 French companies established on Ukrainian soil on the eve of the conflict, in all sectors of the economy (banking, retail, industry, renewable energies, digital economy, in particular), made France one of the country's leading employers. The activity of these companies, whether severely hampered, in "degraded" operation, or closer to normal conditions despite the multiple challenges caused by the war (including in terms of supply chain), is representative of a Ukrainian economy that today covers multiple realities depending on the part of the territory but which, despite the considerable shock linked to the military invasion, has demonstrated a strong resilience.

Despite the context of war, the BNP Paribas and Crédit Agricole networks (several thousand employees each), which are among the largest banks in the country, continue to operate and allow the continuity of a set of banking services essential to the population (withdrawals, transfers, customer access to their safes) and to the functioning of the real economy.

Key figures – Ukrainian economy

\$200 billion of GDP

in 2021 (+3,4 % compared to 2020)
of which 15 % generated by
agriculture and agri-food.

41.5 million hectare of useful agricultural land,

making Ukraine the country with the largest
agricultural area on the European continent
and particularly fertile land with
**25% of the world's area of
chernozem (« black soil »).**

5th largest exporter of cereals

and one of the world's leading exporters of iron and steel.

A rising tech power,

with a digital sector representing
10% of the country's exports
and showing a strong dynamic
(+36% of revenues in 2021).

22 000 km of railways and 22 000 km of high voltage networks,

constituting the most extensive rail and
electricity networks on the European
continent along with those of France.

Landmarks

A resilient economy, despite the very heavy economic consequences of the war

A very sharp fall in GDP of around 40%

in 2022 (World Bank, December 2022).

10 of Ukraine's 25 regions, which account for 55% of the country's GDP,
have been the scene of **direct fighting**.

An inflation rate contained to +30 %

in 2022, linked in particular to supply
difficulties, the partial monetisation of
the budget deficit and the devaluation
of the Hryvnia (itself limited to -20%
against the euro since 1 January 2022).

Exports remain at 69% of pre-war levels

(Measured over the first 8 months of
2022), despite the immense logistical
challenges and damage to
infrastructure.



A public sector financing requirement that is expected to reach **41.3 billion dollars by (30 % of GDP),** and 38 billion dollars by 2023. **Military spending** accounts for **50% of total budget expenditure** in 2022.

A public debt that would consequently amount to **88 % of GDP in 2022,** according to the IMF.

Between 6 and 7 million Ukrainian households are currently **without electricity.**

Emigration of 7.8 million people and internal displacement of 6.2 million people, or 30% of the total population at the end of October.

A poverty rate that would rise from 2% in 2021 to **21 % by the end of 2022.**

Massive expenditure needed for Ukraine's reconstruction

Direct damage caused by the conflict amounted to **100 billion dollars in December 2022** (World Bank).

The destruction is concentrated on **residential buildings (40%)** and infrastructure (27%).

The total cost of rebuilding Ukraine's infrastructure recently increased by the World Bank: previously estimated at \$350 billion (June), this cost now estimated to be in the range of **between \$500 and \$600 billion** (World Bank, December 2022).

In addition to the physical reconstruction of the infrastructure, the major task will be to catch up with the potential and modernise the Ukrainian economy, which **had a level of GDP equivalent to that of Poland in 1990, but a difference of 1 to 3.5 in 2021** compared with the size of the Polish economy.

Presentation of the sectoral workshops

Following the plenary session, the conference will continue with five sectoral workshops (infrastructure, energy, agriculture, technology and digital, health) which will be chaired by Ukrainian ministers. These workshops will allow a direct dialogue between the ministers and the business community on the strategic needs of each major sector of the Ukrainian economy.

Workshop 1: Infrastructure

*This workshop will give rise to a presentation of Ukraine's priority needs by **Oleksandr Kourbakov**, Ukrainian Deputy Prime Minister in charge of infrastructure, and **Rostyslav Shurma**, Deputy Head of the President's Office.*


*It should also allow French companies already active in this sector (such as **Matière** - kit bridges -, **Neo Eco** - pilot project for the reuse of materials resulting from destruction caused by war, and the engineering firm **EGIS** which has a major subsidiary in Ukraine) or those who wish to develop in this sector (such as the major French groups specialising in Public-Private Partnerships in the field of environmental and municipal services) to present or discuss their projects.*

Context:

Due to its size and favorable geographic position, Ukraine has developed a very extensive transportation network, both land and sea, a legacy of the Soviet era. Most of the country's infrastructure is dilapidated, having suffered from decades of underinvestment. The need to modernize and develop the infrastructure is considered a priority by the authorities, who rely in particular on foreign expertise and equipment to meet this need.

The government, and in particular the Ministry of Infrastructure, has adopted a national transport strategy for 2030. The strategy calls for a total investment of \$60 billion to improve the transport network over the next 11 years. Ukraine is now part of the Trans-European Transport Network (TEN-T) and must transcribe 44 European directives to meet European standards in the transport sector.

Before the military invasion by Russia on February 24, Ukraine was already an important area for international donors to finance the real economy. In 2021, for example, the European Investment Bank (EIB) invested €554 million for the improvement of transport infrastructure, urban mobility, education infrastructure and the local economy. This year, BERD has invested €1 billion in projects to support



Ukraine's economic transition (sustainable infrastructure, industry and trade, financial sector) and in particular the development of its private sector.

While the modernization of the main public enterprises is a key issue for improving economic governance and economic development in Ukraine, it is at the level of the municipalities - endowed with greater decision-making powers and financial resources since the decentralization reform initiated in 2014 - that part of the challenge of modernizing Ukrainian infrastructure in the areas of water, waste and transport, in particular, is played out. By way of illustration, most Ukrainian municipalities have transport infrastructure as well as vehicle fleets that suffer from chronic underinvestment. The national transport strategy sets out a number of objectives in relation to municipal transport. In order to reduce pollutant emissions in Ukrainian cities, the Ministry of Infrastructure has announced that it will eventually replace all municipal transport fleets with electric vehicles. By 2020, 18 municipalities in Ukraine have acquired a total of 500 electric transport units. An increase in the capacity of urban transport is also planned with the purchase of new vehicles, the extension of metro, streetcar and trolleybus lines.

In general, the already immense needs that existed before the war are obviously considerably increased by the extensive damage caused by the war waged by Russia against Ukraine - and especially the systematic targeting of civilian infrastructure over the past several weeks. The challenge for Ukraine today is to ensure the continuity of services to the population provided by critical infrastructures - which are also an indispensable foundation for the resilience of the real economy - while at the same time projecting a vision of the "aftermath", i.e. the development of its infrastructures in line with the European trajectory and the economic and ecological modernization that the country has set itself.

Workshop 2: Restoration, reconstruction and modernisation of the energy system and energy efficiency

*The workshop will include a presentation of Ukraine's priority needs by **Herman Halushchenko**, Ukrainian Minister of Energy.*

*It should also allow French energy companies (such as **RTE** and **ENEDIS**) to exchange with key companies in the Ukrainian energy sector (including the electricity network operator **UkrEnergo**) on solutions for rebuilding critical infrastructures and the challenges of their future development.*

Context:

Ukraine is one of the largest energy markets in Europe with a population of about 40 million. The energy issue has been of strong political importance since independence. Following the "Revolution of Dignity" in 2014, Ukraine has sought to free itself from this energy dependence by reducing its consumption, diversifying its suppliers and moving closer to the European Union.

In 2017, the Ukrainian authorities adopted a new "Energy Strategy of Ukraine until 2035". Its main objective is to increase, by 2035, the share of nuclear power in the country's electricity mix to 50%, that of renewable energies, which should eventually represent 25% of the mix, and that of hydroelectric facilities (13%), with the remainder to be provided by coal-fired power plants.

In 2019, Ukraine's 15 operational nuclear reactors produced almost 54% of the country's total electricity. In January 2020, the Ministry of Energy presented a new "Energy Transition for 2050" strategy in pursuit of the same goal, which includes a coal phase-out by that date. Other objectives defined in this strategy include increasing domestic production of natural gas, strengthening the country's energy efficiency, reforming the energy market, and renovating and improving the electricity network in order to integrate Ukraine into the European energy network.

Finally, in the context of the Green Deal for Europe, which provides for the deployment of €1,000 billion over ten years to finance the energy transition of the European continent and achieve carbon neutrality in 2050, Ukraine aims to benefit from significant investments in the next few years in the green hydrogen sector, the extraction of raw materials, energy storage and energy efficiency.

One of the major problems of electricity production in Ukraine is the advanced wear and tear of equipment and infrastructure. Most of them were commissioned in the 1960s-1970s and were designed according to the standards of the 1950s. The result of this dilapidation is nowadays considerable losses in electricity transmission, which are an obstacle to the country's energy security.

Improving the infrastructure of the Ukrainian electricity network is therefore of paramount importance to the national authorities. It will also be a major challenge in the context of the country's European trajectory: the synchronisation of the Ukrainian electricity networks with the continental European network, which took place in record time following the Russian armed invasion, is a symbol of this, but also a very concrete technical reality.



Workshop 3: Support for the agricultural and agri-food sector

*This workshop will give rise to a presentation of the priority issues for Ukraine in this sector by **Denys Bashlyk**, Deputy Minister of Agrarian Policy and Food. It will give rise to presentations of concrete cases of French companies active in this sector in Ukraine (such as **Lidea** and **Soufflet**, in the field of seeds, and **Crédit Agricole**, one of the first banks in Ukraine and particularly present in the financing of the sector), but also to exchanges with Ukrainian leaders of the sector (such as the agricultural holding **Astarta**).*

Context:

Ukraine has a long agrarian tradition and agriculture and agribusiness remain one of the driving forces of the economy, generating about 13% of its GDP, employing 20% of its workforce and accounting for 40% of its exports.

The country has specialised in large-scale industrial crops. Grain and oilseed production amounts to 92-94 million tonnes per year, of which 54-55 million tonnes of products are exported. Ukraine is also an important producer of poultry meat: as the world's 6th largest producer and 6th largest exporter of chicken meat in 2019/2020, the country is positioned as one of the main suppliers of poultry products to the EU.

Since its independence in 1991, Ukraine has largely liberalised its agricultural sector.

The authorities are implementing major reforms in the agricultural sector in order to maximise the country's potential. One of the most important reforms is the Land Reform Law adopted in April 2020, which allows the first transactions of agricultural land from 1 July 2021. Strongly recommended by international institutions, first and foremost the World Bank, it should create a transparent land market, encourage investment and allow for higher returns.

Ukraine has around 22,000 agri-food companies. The development of the sector is explained by an increase in domestic demand but also by the growth of external markets. The sector is subject to a lot of foreign investment. The closure of the Russian market has pushed Ukraine to reorient itself towards other markets, including Europe. The trade component of the Association Agreement between Ukraine and the European Union came into force in 2016: in exchange for the elimination or reduction of taxes and customs duties on a large number of products, Ukraine has undertaken to bring its agri-food industry up to standard.

In the context of the war unleashed by Russia, the Ukrainian agricultural sector is facing immense challenges (financing of seedlings, organisation of logistics and transport, while Mariupol - the main port on the Sea of Azov - is occupied by Russia and exports from Odessa on the Black Sea are largely hampered). But above all, it is the main basis for the resilience of the Ukrainian economy (essential provider of export revenues) as well as an essential component of global food security.

Workshop 4: Digital technologies and innovations

Opened by **Jean-Noël Barrot**, Minister Delegate in charge of Digital Transition and Telecommunications, this workshop will give rise to a presentation of the main issues relating to this sector by **Myhailo Fedorov**, Deputy Prime Minister and Minister for Digital Transformation (by videoconference), as well as by his deputy minister, **Oleksandr Borniakov**.

While the Kyiv French Tech community is particularly active, this workshop should allow for an exchange between tech players already present on this market and others who wish to develop cooperation (major players and startups such as **ATOS, Station F, Preste AI, Beetroot Academy, Intellias**).

Context:

Ukraine is one of the most dynamic IT countries in the world. In addition to being a European IT outsourcing centre, Ukraine is becoming an R&D destination for many international companies.

The development of this sector is based on a rich ecosystem. Indeed, this growth is made possible by a large number of engineers specialising in technology. There are currently almost 200,000 of them, to which 16,000 new graduates are added each year. There are also 4,000 companies operating in the tech sector. In July 2020, the EIB announced its support for the UNIT.City innovation cluster with a €50 million loan to develop a state-of-the-art technology campus in Kiev.

Ukraine offers a favourable environment for the development of IT companies. For example, IT products and services for export are exempt from VAT until 1 January 2023. These advantages, coupled with the proven skills of Ukrainians in the field (Ukraine ranks 11th in the top 50 countries with the best IT specialists), make Ukraine a favourable environment for the development of high-tech companies and industry.



Wokshop 5: Health

Opened by **Roland Lescure**, Minister Delegate in charge of Industry, this workshop will give rise to a presentation of the main issues relating to this sector by **Viktor Liashko**, Minister of Health (by videoconference), and **Oleksandra Vasylenko**, Special Envoy on the Coordination of Humanitarian Aid to the Ministry of Foreign Affairs, Director of the Economic Diplomacy Department of the Ministry of Foreign Affairs.

As **French Healthcare**, the network of French health actors, is strongly mobilised in the framework of this conference, the workshop should allow for an exchange on several of the major issues in the context of the war: reconstruction of hospitals, supply of medical equipment, psychological reconstruction (including medical staff), means of transport and mobility of care, ambulatory surgery, vaccines and medicines, infectious risks, in particular. French actors covering several of these fields (such as **DMS Imaging, Duo Invivox, Institut Primo Levy, Académie Nationale de Chirurgie, Tesalys and Sanofi**) are expected to give their testimonies and proposals.

Context:

The health sector has suffered from chronic under-investment since the late 1990s. Patients have suffered from difficulties in accessing the most essential medical care due in particular to a lack of health personnel and dilapidated infrastructure. A major issue in Ukraine is the migration of health workers abroad.

In this context, Ukraine has been engaged since 2015 in a profound - but still unfinished - reform of its health system. The reform aims to increase efficiency, modernise an outdated system of service delivery and improve access to better quality care. The system inherited from the Soviet period should therefore be replaced, in the long run, by a system offering greater autonomy to medical institutions and providing financial protection through the introduction of a new system of reimbursement for care. The reform foresees an improvement of services through increased financial support from the state as well as the introduction of greater competition in the sector. In addition, the Ukrainian authorities plan to develop health insurance and open it up to private financing. According to experts on the Ukrainian market, the next few years will be marked, due to the war, by a very strong need for the development of emergency medicine, surgery (traumatology, transplantology, cardio-surgery, neurosurgery, oncology), cosmetic and reconstructive surgery, private laboratories and rehabilitation centres.

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