

# Rebuilding Ukraine



# Rebuilding Ukraine: A new European partner

April 2024

**Ukraine's future lies with Europe.** Russia's unprovoked, full-scale invasion made this economic, political, and social change irrevocable — and accelerated it. Now Ukraine's economic recovery is linked to its new role in Europe.

Ukraine is reforming laws and regulations to attract investment, liberalise its business environment and improve governance, accountability and judicial impartiality — in all cases adopting and implementing European standards.

- The EU–Ukraine Association Agreement, the cornerstone of economic ties between Europe and Ukraine, has been in force since 2017.
- Ukraine is a member of the EU Single Market Programme and participates in other pan-European programmes offering business opportunities: Horizon Europe, Creative Europe, and Digital Europe among others.
- Customs and import: export harmonisation is largely complete, with duties on European goods eliminated under the association agreement. Ukraine's new customs code, based on the EU's, is being developed in partnership with EU4PFM, the EU's Programme to improve Public Finance Management.
- Ukraine's capital markets now integrate European law and follow the principles of the International Organization of Securities Commissions (IOSCO), guaranteeing the financial and governance independence of the National Securities and the Stock Market Commission (NSSMC).
- Ukraine's energy sector is integrated with Europe. Ukraine's electricity grid and natural gas network are accredited by the European Network of Transmission System Operators (ENTSO) and are governed by the REMIT Law, Europe's rules for preventing abuse in energy markets. Ukraine is implementing the EU's Fourth Energy Package and its goals for decarbonisation and green transition.
- European providers stored 3.2 billion cubic meters of natural gas in Ukraine's storage system last year, and the EU has approved a hydrogen corridor from Ukraine.
- Ukraine opened its electricity auctions to EU providers and began exporting electricity to Europe this year. ENTSO-E has increased the capacity of interstate interconnectors from Ukraine.

After assessing Ukraine's reform progress, in November 2023 the European Commission recommended that the Council of the EU start accession negotiations with Ukraine. Ukraine's EU membership will be a historic political milestone, but in many ways it will be the end of the journey, not the beginning. The opportunity is now.

# Economic recovery is real

**Ukraine's GDP will outperform the global economy.** The IMF forecasts 3.2% GDP growth for Ukraine in 2024 versus 3.1% for the world. Based on actual 2023 GDP growth of 4.5%, Investment Capital Ukraine raised its 2024 forecast to 5% GDP growth.

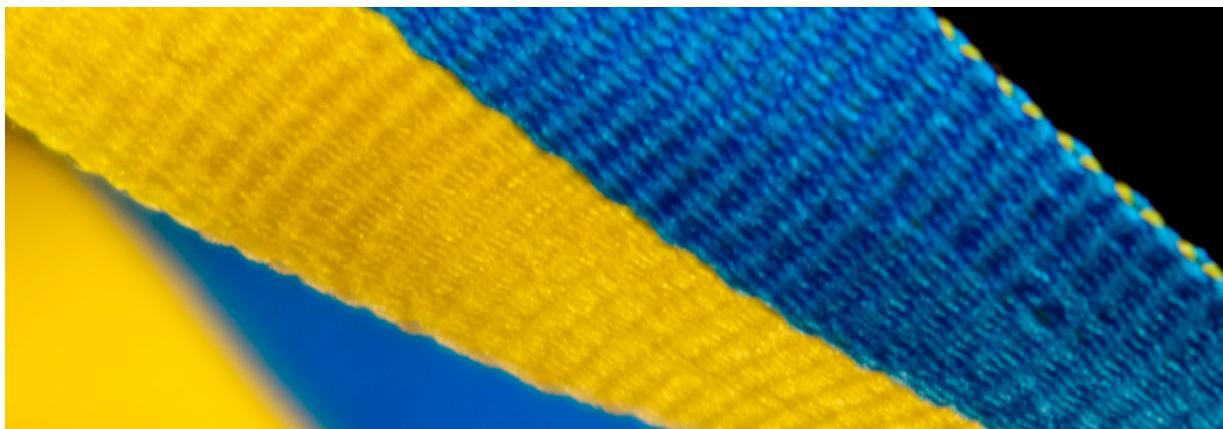
**Inflation is falling and interest rates dropping.** Inflation has dropped below the National Bank of Ukraine's targets, and the IMF sees inflation in Ukraine falling to 13% in 2024. The NBU discount interest rate fell to 14.5% in March and is expected to continue falling in 2024.

**Ukraine's banks are solid.** Moody's has improved its forecast for the largest Ukrainian banks. Bank profits were EUR 2bn in 2023, 12% higher than before the war. Ukrainian banks issued over 6,000 mortgages worth EUR 216m in 2023, an increase of 400%.

**Construction and real estate markets are improving.** The capitalisation of Ukraine's land market increased by EUR 2.7bn in 2023, and 7.38 million square meters of housing were built. Ukrainians bought 70% more real estate properties than a year earlier, and in February this year, land market deals had already grown 50% over January. Last year saw 21% more construction projects completed than in 2022, and the construction sector returned higher economic performance.

**Ukraine's agriculture sector is growing.** In 2023, Ukrainian farmers increased production in almost all agricultural sectors, and Ukraine's ten leading agriculture enterprises increased revenue by 35%. Victory over the Russian fleet in the Black Sea has enabled 33.8 million tons of cargo to be exported via Ukraine's sea corridor, more than during the operation of the "grain initiative". In February 2024, agricultural exports were up 3.4% over January.

**Ukrainian consumers are spending.** Private consumption grew by 6.1% in 2023 thanks to consecutive quarters of wage growth. Six new shopping centres with a total area of more than 180,000 square meters were announced, and international brands KitchenAid, DKNY and EA7 entered the Ukrainian market last year, while H&M resumed operations.



## Get involved now

**Our aim is to help companies participate meaningfully in the opportunities being created for Ukraine's reconstruction and recovery. We offer specific services that can help your company.**

**[Kyivoffice@cms-cmno.com](mailto:Kyivoffice@cms-cmno.com)**

# Key Sectors and Opportunities

Sustainable construction is a pillar of Ukraine's National Recovery Plan, and Ukraine's infrastructure will leapfrog to renewables and smart systems. The government has identified defence, energy, agriculture, mineral resources, and IT as key sectors for Ukraine's role in the EU.

## Transportation and Logistics Infrastructure

The government of Ukraine has earmarked **public-private partnership concessions worth USD 10bn** for highways and toll systems, railways, bridges and ports. Financial incentives, including tax and customs benefits and loan-interest relief, are available to industrial park developments. The warehouse market has lost 25% capacity due to the war, and tenants are snapping up space considered illiquid before the invasion.

## Energy Infrastructure

**Investible projects worth USD 7bn** have been identified for the repair and modernisation of the transmission system and new power production capacity, including pipelines and communications and power lines. Ukraine now exports electricity to the EU, opening the European market to Ukrainian energy.

## Green Transition

Ukraine is expanding renewable generation and stimulating battery and storage for grid support. It has introduced guarantees of origin for renewables sources, enabling the export of green electricity to the EU. Ukraine's national transmission system operator has issued technical specifications for 1,129 MW of **energy storage requiring USD 800m** in investment. Ukraine's potential biomethane production is estimated at 21.8bn cubic meters **worth USD 40bn annually**, more than Ukraine's total natural gas production in 2023.

## Defence and Military

Ukraine tripled its military production in 2023 and aims to increase the capacity of its defence sector by six times in 2024, spending **USD 7bn on the purchase, production and repair of weapons**, with a specific focus on drone systems. New investment, increased procurement and simplified regulations have increased Ukraine's drone production by 100 times since Russia's invasion. An agreement with the US Ministry of Defense on joint production, interoperability with NATO systems and expedited approvals for investment, will build production capacity further.

## Agricultural

In 2023, **Ukraine grew 6% of the world's grain**. 205,000 hectares of farmland have been surveyed, demined and returned to use, with another 265,000 hectares identified for reclamation. UkraineInvest estimates that processing 50% of current grain exports is **worth USD 30bn in export value**, and in 2024 Ukrainian enterprises will increase domestic processing of oil seeds by 3.5 million tons.

## Healthcare System

**Public-private partnerships worth USD 10bn** for clinics, hospitals and hospital clusters will be tendered, as part of an expansion of Ukraine's health-tech sector.

## Privatization

Almost **1,000 state-owned enterprises and assets will be transferred to private ownership** in Ukraine next year, and state-owned companies have already announced 450 upcoming auctions for asset sales and leases. Assets to be privatised include production facilities, office buildings, natural gas facilities, mines, ports, and more. Auctions are held on Ukraine's public electronic procurement system, Prozorro, which adheres to EU standards for transparency and fairness.

# Investment and Funding Progress

USD 1trn has been pledged by IFIs and international governments for rebuilding Ukraine. In the last six months, more countries have announced support for businesses investing in Ukraine, more insurance and guarantees against war risk are available, more private equity firms have joined BlackRock, JPMorgan Chase and others to offer Ukraine-focused funds, and the Government of Ukraine has announced the Ukraine Development Fund, anticipating investments of USD 30bn over the next four years.

## Funds

- EBRD, DFC, European Investment Bank, IFC and WorldBank all offer loan and investment programmes and have unlocked more than EUR 500m in private equity to rebuild Ukraine. The US, the UK, Germany, France, Korea, Japan, Turkey, Greece, Poland, Sweden, Norway, Finland, the Netherlands, Estonia, Luxembourg and other countries offer support to businesses investing in Ukraine.
- MIGA, DFC, EBRD, UK, Germany, France and Japan offer war risk insurance for investments in Ukraine, and 14 export credit agencies will guarantee investments in Ukraine.
- Private equity firms from the UK, Europe, the US and Canada, as well as in Ukraine, have provided almost USD 500mn capital financing to Ukrainian startups and entrepreneurs.

## Government of Ukraine Programmes

- Ukraine Development Fund
- State Reconstruction and Development Agency
- Programme of State Support for Investment Projects in Ukraine
- UkraineInvest (Ukraine Investment Promotion Office)
- Decarbonisation Fund and the Ukrainian National Decarbonisation Platform
- Tax and interest relief and infrastructure subsidies for new industrial parks
- Affordable Loans 5-7-9 programme for farmers, subsidies for agricultural machinery and farmland reclamation

# Investment is underway

Direct foreign investment in Ukraine increased in 2023 over 2022. The M&A market saw a 70% increase in deals, reaching USD 1.4bn. Ukrainian startups attracted over USD 42m from the US and Europe, and overall investment activity increased 52.9%, particularly in logistics and energy.

- DTEK Energy is investing EUR 450m to make the Tyligul'ska wind farm the largest in Eastern Europe.
- Onur Group (Turkey) is repairing bridges and highways as part of a USD 500m investment in infrastructure.
- TerWin Group has begun construction in the Odesa region as part of its planned USD 1bn investment in logistics hubs.
- D3 Venture Capital has investments in seven Ukrainian defence startups and plans to scale from USD 19m to USD 30m by mid-summer 2024.
- OKKO fuel company is investing EUR 20m in a 20 MW energy storage system.
- Bayer is investing EUR 60m to expand seed production in Ukraine.
- Hyundai Engineering is investing in chemical plants to meet agricultural demand.
- Waagner-Biro Bridge Systems (Austria) has started steel production in Ukraine.
- Construction materials manufacturer Fixit is building a new production site.
- Kingspan has signed an agreement for a USD 220m production plant.
- Philip Morris has announced a USD 30m new production facility.
- Carlsberg has launched a USD 40m new production line.
- Unilever has announced a EUR 20m investment in a new factory.
- Investments by Yuzefo-Mykolaiv, Vitagro Group and Hals Agro in separate biomethane production and refinement projects exceed USD 2.25m.
- Google has launched an additional USD 10m for its Startup Ukraine Support Fund in 2024 and 2025.

# A historic opportunity

**Ukraine is rebuilding, reforming and reinvesting** as it prepares for the historic opportunity that its economic recovery represents.

**In 2023, the picture changed.** Support for reconstruction moved from pledges and planning to commitments and action. Financing is available, insurance mechanisms are in place, and the door to Europe is open.

**Where does your business fit in?** Contact CMS Law for expert guidance and on-the-ground experience in Ukraine.



## Get prepared to do business

CMS's 2022–2023 Guide to Investing and Doing Business in Ukraine gives a clear picture of the business and investment environment, with updates on the impact of the war on key sectors.

[Investing and Doing Business in Ukraine 2022–2023](#)

# CMS Can Help

We are helping companies inside and outside Ukraine, both multinational and Ukrainian, to operate and succeed in Ukraine in all sectors. With lawyers qualified in Ukrainian and UK law operating in Kyiv since 2007, CMS can advise on:



business relocation



cloud-based operations



documenting and enforcing war damage



war risk and investment insurance



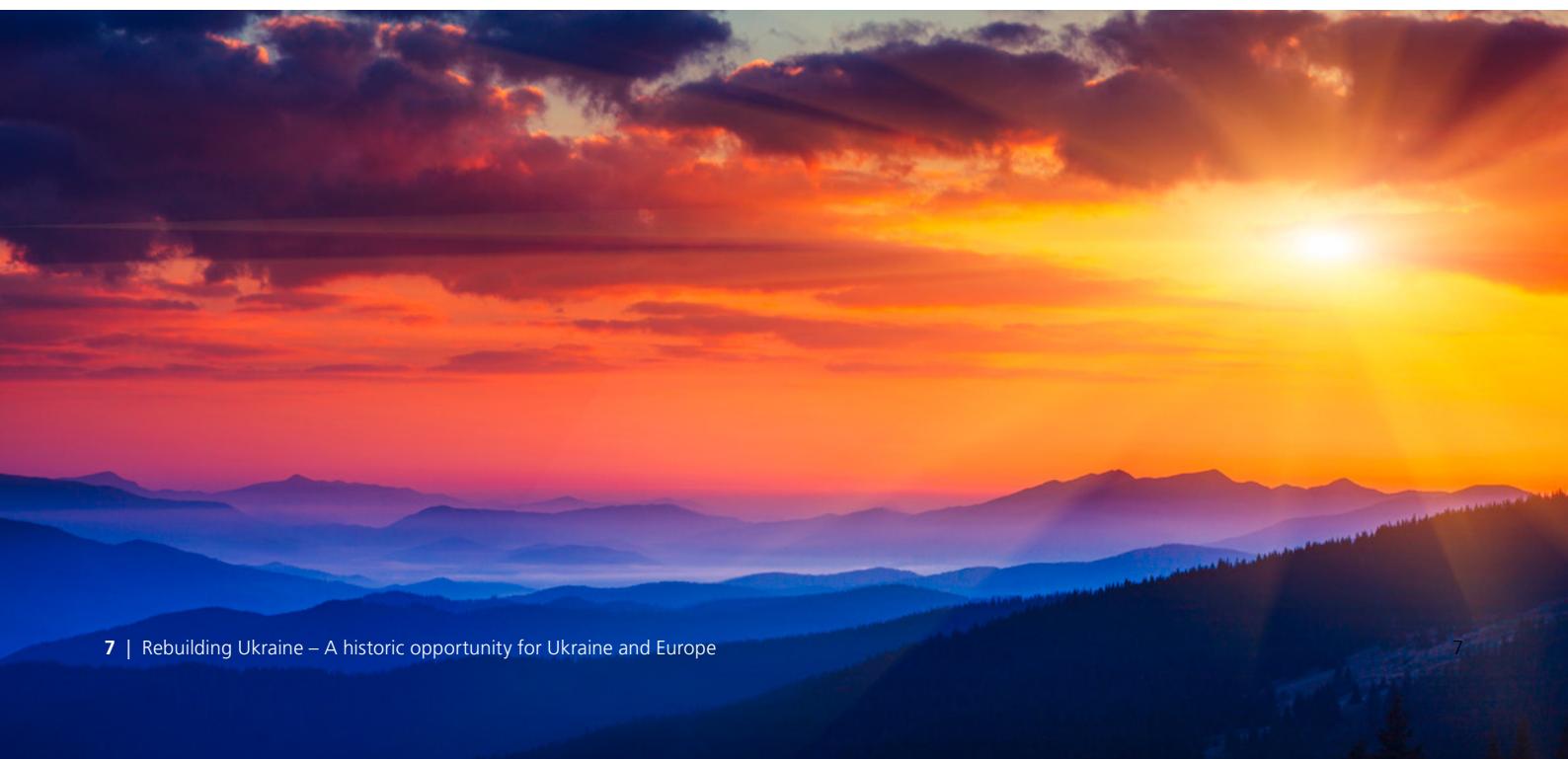
risk assessment and contingency planning



impact of martial law and legal reforms



financing, investing, and rebuilding and recovery opportunities.



# Key contacts in Ukraine

For more information on rebuilding opportunities in Ukraine, please contact one of the following CMS experts:

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