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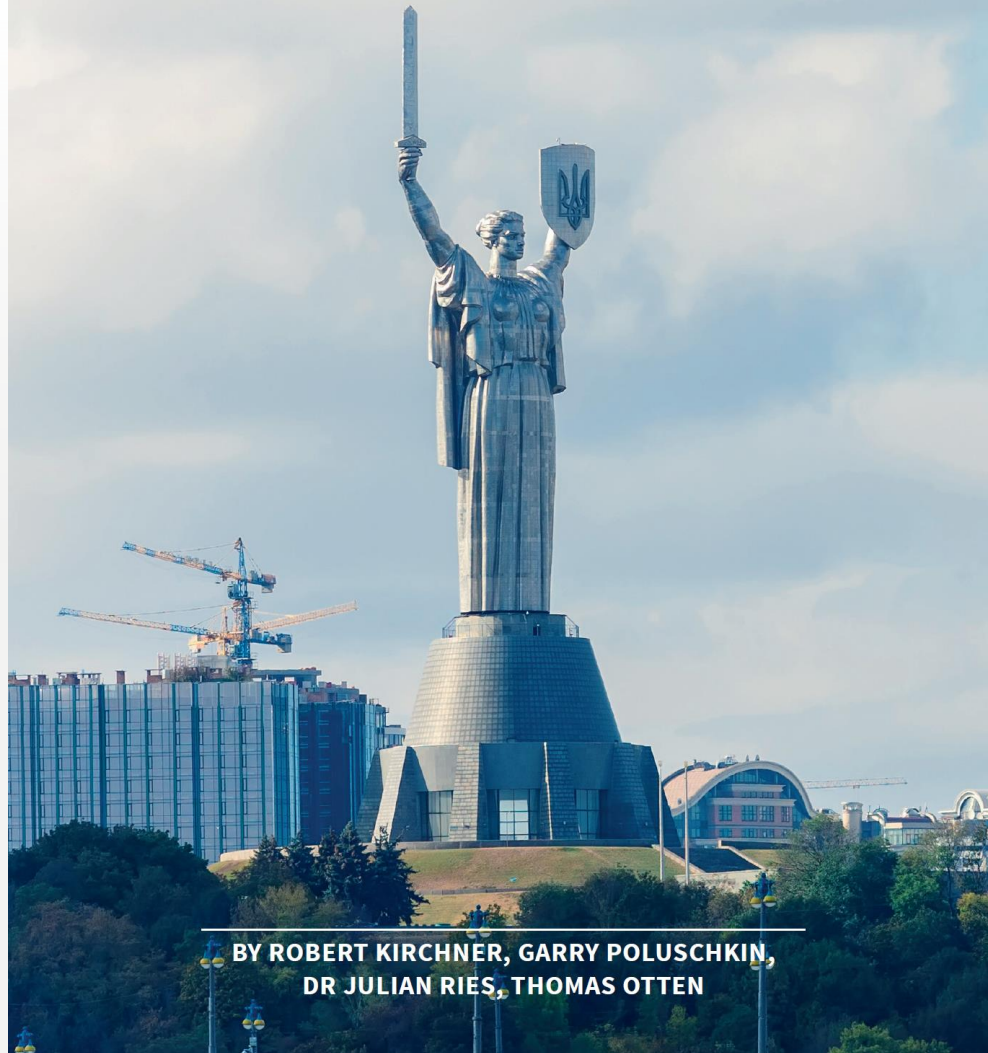


German  
Economic  
Team

# REBUILDING UKRAINE THROUGH PRIVATE INVESTMENT PROPOSALS FROM GERMAN COMPANIES

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**POLICY BRIEFING**  
**UKRAINE**



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# 1. Introduction

- » In 2023, Ukraine's economy grew by around 5%
- » Economic resilience, but not a broad-based recovery
  - Similar growth predicted for 2024
  - Still difficult road ahead after severe GDP contraction of 29% in 2022
- » Attracting foreign capital is a cornerstone for Ukraine's reconstruction and recovery
  - Pre-war, foreign investors made up only one fifth of Ukraine's private sector's output (GVA) share
  - One of Ukraine's main economic policy priorities should be the attraction of foreign direct investment (FDI)
  - FDI importance was reinforced by the EU's Ukraine-facility and the IMF
- » Achieving more FDI depends on two critical conditions:
  1. Investment climate
  2. Political risk insurance and security agreements for protecting investments
- » Our study addresses (1)

## 2. Methodological approach (1/2)

- » Joint work by the German Economic Team and German Ukrainian Chamber of Commerce (AHK Ukraine)
- » Bottom-up methodology
  - Elaboration of structured questionnaire for each working group of the Chamber
  - Working groups provide a set of policy recommendations
  - Review and verification of these recommendations to ensure their alignment with a broader reform trajectory as well as Ukraine's existing contractual obligations
- » Incorporate smaller reforms that can be conducted during war
- » Each proposal has the same underlying structure:
  - Responsible government institution: who is the counterpart?
  - Problem statement: what is the problem for businesses?
  - Suggested reform measure: how could the problem be solved?
  - Estimation of effect: what would be the likely impact of the reform?
- Preparation of 30 policy proposals
- Out of them, generation of a "Top 10" priority list of "quick wins"

## 2. Methodological approach (2/2)



Law and human resources



Tax and accounting

Horizontal policy areas



Banking and financial services



Energy and green transition



Construction and energy efficiency

Others: Agri-food and IT

Vertical  
(sectoral) policy areas

In total: 30 proposals

# 3. Top-10 reform priorities (1/3)

**The top 10 reform proposals can be divided into three categories**

**1. category:** directly related to the recovery and reconstruction of Ukraine

#	Number	Title
1	Construction 1	Defining a unified „Build Back Better“ framework
2	Construction 3	Updating modular shelter construction standards

» Construction 1:

- Interpretations of the “Build Back Better” principles vary widely among companies
- Develop comprehensive framework that clearly defines the principles, including guidelines, best practices, and benchmarks
- Will lead to unified approach to reconstruction

» Construction 3:

- Need for safe shelters is urgent and traditional underground solutions are often not feasible
- Improve standards and permission process of modular, above-ground shelters
- Will enhance community resilience

## 3. Top 10 reform priorities (2/3)

The top 10 reform proposals can be divided into three categories

**2. category:** aimed at removing unnecessary bureaucratic and administrative burdens to reduce transaction costs for businesses

#	Number	Title
3	Tax 1	Adjusting the threshold per counterpart in the transfer pricing (TP) report
4	Tax 3	Providing SAF-t files to tax authorities
5	Legal 2	Waiving work permit requirement for foreign directors
6	Legal 6	Reducing HR Documentation

- » Tax 1: Increase limit of total sum of operations per counterpart depending on minimum salary to automatically update conditions for transfer pricing
- » Tax 3: Increase period for providing SAF-T file from 2 to 10 working days and set up a more simplified format
- » Legal 2: Abolish the work permit requirement for foreigners for EU /G7 citizens to ease establishment of a subsidiary for foreign investors
- » Legal 6: Reduce administrative burden of employers and businesses to a minimum

# 3. Top 10 reform priorities (3/3)

## The top 10 reform proposals can be divided into three categories

**3. category:** relatively easy to implement towards creating a level, competitive playing field not discriminating against new, foreign or private companies

#	Number	Title
7	Financial 4	Recognition and enforceability of ISDA master agreements for cash-settled commodity markets
8	Financial 5	Access to financing under 5-7-9 loan subsidy programme
9	Energy 1	Prolongation of contracts validity concerning grid connection and technical requirements for the connection of renewable energy objects to the grid
10	Energy 4	Recognition and enforceability of EFET master agreements on physical trade in power and gas

- » Financial 4: Set normative requirements to enable shared credit and market risks making the markets more resilient against price volatility
- » Financial 5: Eliminate eligibility criterion that beneficial owners must be residents of Ukraine to create a level playing field
- » Energy 1: Prolongation of contracts will provide more flexibility for investors and developers as well as prevent investment freeze
- » Energy 4: Standardisation supports further EU-UKR energy market integration and trade



## 4. Next steps

- » To generate quick benefits for business activity and investment in Ukraine, the top 10 reform proposals should be implemented with highest priority
- » For most measures, draft laws or similar legal documents already exist
  - Makes reform implementation less complex
- » Proposals not in the priority list should not be neglected but promoted with significant energy as they take more time
- » Improved business and investment climate will bring Ukraine on a higher economic growth path

# About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Climate Action the German Economic Team (GET) advises the governments of Ukraine Belarus\* Moldova Kosovo Armenia Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

*\*Advisory activities in Belarus are currently suspended.*

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