



German
Economic
Team

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POLICY STUDY
UKRAINE

Reviewing the target group selection for attracting German investment to Ukraine

Björn Vogler, Garry Poluschkin

Executive summary

Considering the findings from the target group analysis, the sectors agri-food, construction materials, defence, healthcare and energy should be prioritised for investor outreach measures in the short term

Target sector	Priority	Recommended segments	
		Short-term	Medium-term
Energy	1. Priority: Highly targeted outreach	<ul style="list-style-type: none"> Equipment for the energy infrastructure, e.g. transformers, switchgears and further transmission and distribution equipment 	<ul style="list-style-type: none"> Engineering, construction and operation of renewable energy power plants Smart grid and energy efficiency solutions Components for wind power plants
Agri-food	1. Priority: Highly targeted outreach	<ul style="list-style-type: none"> Agricultural machinery & equipment Processing of corn, fruits, vegetables, meat and dairy products Confectionery and snack production Cultivation of high-value niche crops 	<ul style="list-style-type: none"> Food processing machinery AgriTech
Construction materials	1. Priority: Highly targeted outreach	<ul style="list-style-type: none"> Heating systems and components Pipes, profiles, construction chemicals; Temporary facilities Machinery, plant engineering 	<ul style="list-style-type: none"> Green building technology and circular construction solutions Digital solutions incl. 3D construction printing
Healthcare	1. Priority: Highly targeted outreach	<ul style="list-style-type: none"> Medical aids, orthopedic technology Haemostatic medicines, burn treatment; wound care products 	<ul style="list-style-type: none"> Further pharmaceutical products (in particular generics) HealthTech products / services
Defence	1. Priority: Highly targeted outreach	<ul style="list-style-type: none"> Focus on segments aligned with military needs (e.g. maintenance hubs, ammunition and artillery systems, air defence, UAV, autonomous capabilities, combat vehicles, DefenceTech) 	
Transport & logistics	2. Priority: Systematic market intelligence as a first step, outreach depending on results		<ul style="list-style-type: none"> Logistical service providers and operators of logistic centres or hubs Producers of railway systems / components for rolling stock and infrastructure
Critical materials	2. Priority: Systematic market intelligence as a first step, outreach depending on results		<ul style="list-style-type: none"> Companies in lithium value chain Integrating further critical materials depending on results
Green metallurgy	2. Priority: Systematic market intelligence as a first step, outreach depending on results		<ul style="list-style-type: none"> Producers of green steel Metallurgical equipment / plant engineering
IT & digitalisation	No separate outreach - relevant segments should be integrated in activities addressing other target groups	<ul style="list-style-type: none"> Segments at the interface between IT sector and other target groups (e.g. DefenceTech, AgriTech, HealthTech) 	

Executive summary

Across the target sectors, investment attraction measures should focus on segments that are less sensitive to war-related risks

- » When identifying potential investors in the different target sectors, special consideration should be given to:
 - **Existing investors**, which are familiar with the specific conditions and played a key role in FDI dynamics in the recent past
 - Companies with trade and cooperation relations but no investment projects yet
 - **Medium-sized enterprises**, which offer substantial investment potential and tend to be less risk-sensitive and more flexible with respect to finding financing solutions for investment projects than publicly listed large companies
 - Companies with a track-record of investing under wartime and post-war conditions
- » Investment attraction efforts should focus on highly targeted outreach measures and joint activities with intermediaries (e.g. chambers, associations, government institutions, existing investors)
- » Promotional activities should be complemented by investment climate reforms reflecting the perspective of the target groups and segments, e.g. better aligning incentive and insurance schemes with the needs of existing investors

Structure

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1. Introduction

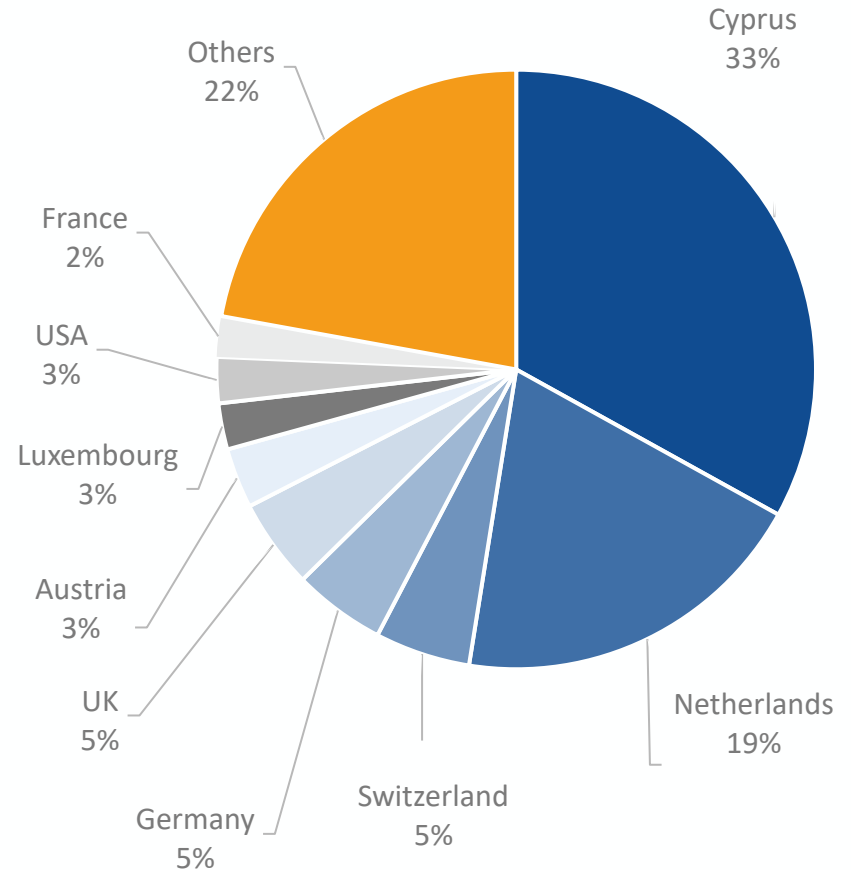
- » Empirical research and practical experience confirm that a target-group-oriented approach increases the effectiveness of investment attraction efforts
- » In 2021, a target group analysis carried out ([PB/14/2021](#)) came to the conclusion that the initial focus should be on **segments in the automotive, life sciences, electronics / electrical equipment and IT industry**
- » Defining target groups is a dynamic process. The selection and segmentation should be regularly reviewed reflecting changes in the investment environment
- » The full-scale war is severely affecting all components of FDI
- » Considering the impact of the full-scale war as well as potentials in the context of the reconstruction, this policy study
 - **Reviews and revises the selection of target groups** and segments in the German market for attracting investment projects from German companies to Ukraine
 - **Provides recommendations** on the design of outreach activities and complementary measures to secure and fast-track investment projects of German companies

2. Role of German FDI in Ukraine

Germany is one of the leading source countries for FDI in Ukraine

- » At the end of 2022, Germany accounted for approximately 5% of the total inward FDI stock in Ukraine
- » According to statistics of the National Bank of Ukraine, Germany was ranked fourth among FDI source countries
- » However, the FDI stocks of the Top 3 source countries – Cyprus, Netherlands and Switzerland – are assumed to be overstated due to FDI round tripping
- » German FDI projects in Ukraine strongly focus on manufacturing activities – compared with other source countries
- » Germany plays a key role in economic ties in general – with a trade volume exceeding USD 10 bn in 2023

FDI stock in Ukraine by source country 31.12.2022

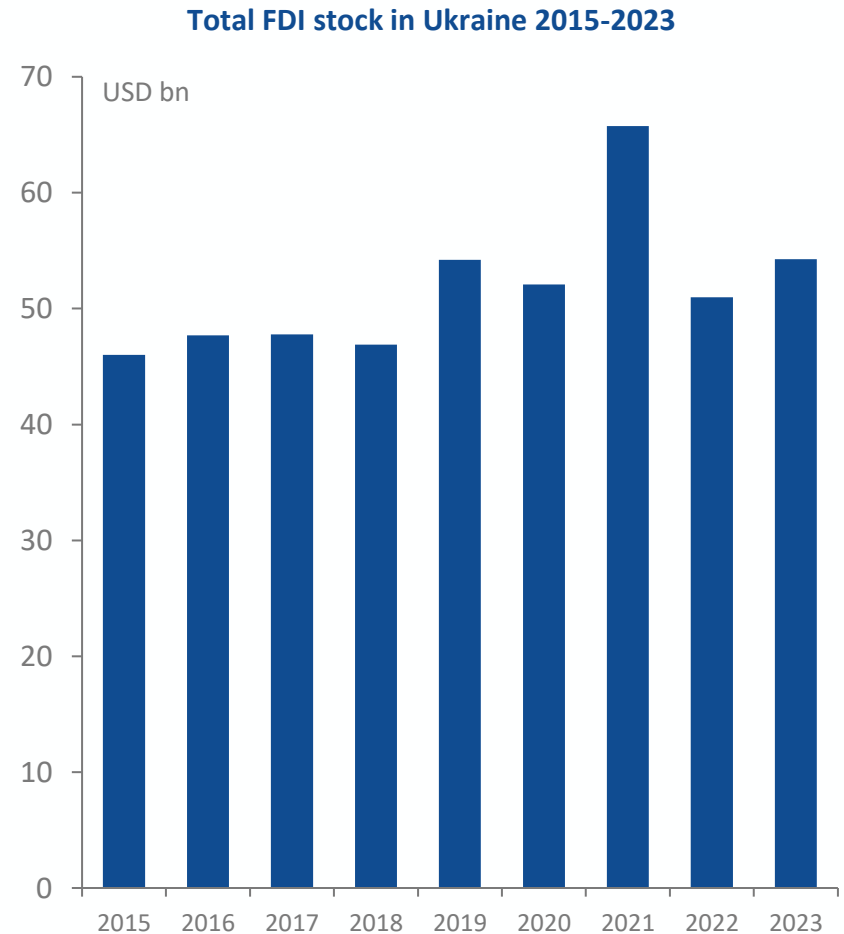


Source: National Bank of Ukraine

2. Role of German FDI in Ukraine

German companies did not stop investing in Ukraine during the full-scale war and played an important role in FDI patterns in the recent past

- » Investment and expansion projects announced since the beginning of the war amongst others by:
 - Bayer (seed production)
 - Fixit (construction materials)
 - Notus and Goldberg Solar (renewable energy)
 - Rheinmetall, Quantum and FFG (defence)
- » Under the Federal investment guarantee scheme, 22 projects with a volume of EUR 55 m were approved in 2023 – after 3 projects in 2022
- » As investors from other countries also went ahead with their projects, the total FDI stock in Ukraine was back on the growth path at USD 54 bn in 2023 – after a sharp decline in 2022
- » However, according to the interviews carried out (see next chapter), the number of investment enquiries from German companies decreased significantly during the first months of 2024



Source: National Bank of Ukraine

3. Target group analysis: Methodology (1/2)

The analysis was carried out in several stages. As a starting point, potential target groups were shortlisted reflecting the existing strategic framework

- » The short-list and its order were derived drawing on:
 - Existing strategies (in particular the Ukraine Plan and its key sectors and cross-cutting areas)
 - Available reports on the investment climate and trends
 - Results of the previous target group analysis ([PB/14/2021](#))
 - Initial interviews with investment experts
- » It should be noted that in most countries the focus of investment attraction measures does not fully correspond with strategic priorities in the overarching policy framework – as:
 - Certain sectors prioritised in the policy framework might not offer a promising FDI potential
 - Investment attraction measures can be used to develop new industries and value chains

Shortlisted target groups

Energy

Agri-food

Transport & logistics

Critical materials

IT & digitalisation

Construction materials

Healthcare

Defence

Green metallurgy

3. Target group analysis: Methodology (2/2)

Next, an in-depth analysis of the shortlisted target groups was conducted focusing on the dimensions (1) investment potential, (2) investment opportunities / challenges and (3) development impact

- » The analysis of the three dimensions, which is summarised on the next pages, was based on:
 - Guided online interviews (30-60 min each, in total 13 interview partners) with existing investors in Ukraine as well as chambers, associations and industry experts covering all short-listed sectors
 - Complementary research (e.g. review of industry and investment trend studies)
- » Drawing on a comparative assessment, recommendations were derived comprising:
 - Outreach activities (including potential platforms such as trade fairs and strategic partners, e.g. associations and cluster organisations)
 - Promising segments in the short and medium term

Stages of the target group assessment



3. Target group analysis: Energy (1/2)

Investment potential

- » Energy transition has been a key driver for global FDI greenfield projects in the recent past – renewable energy with the highest capital investment among all sectors during the last four years
- » GER is home to a large globally active energy sector with a substantial investment potential
 - » Strong position in the area of energy technology including transmission and distribution equipment
 - » Increasing expertise in energy efficiency solutions, decentralised power generation, integrated energy systems, smart grid technologies and sector coupling
 - » High growth and investment dynamics in the operation of renewable energy power plants such as wind, solar and biogas plants (turnover of EUR 24 bn) including competencies in engineering and construction
 - » Several manufacturers of wind power systems with international presence and partnerships
 - » Recently announced investment projects in UKR (e.g. Notus and Goldbeck Solar) and further activities of GER companies in UKR (e.g. MAN Energy Solutions in hydrogen production) confirming relevant potential

Investment opportunities

- » In the medium and long term, wide spectrum of investment opportunities in the context of the reconstruction, modernisation and decarbonisation of Ukraine's energy system – e.g. high renewable energy potential
- » Large need for the application of energy efficiency solutions
- » Short-term investment opportunities for German companies were identified by the interview partners primarily in the area of the energy infrastructure (e.g. transformers, switchgears)

Investment challenges

- » However, opportunities severely constrained due to the war-related factors – in the field of renewable energies (e.g. wind or solar parks, production of components for wind turbines) were considered unlikely due to occupation of relevant areas, supply chain challenges etc.
- » Price caps on households' energy consumption limit investment appetite
- » Restrictive regulatory framework (e.g. time frames) for energy storage projects and connection of renewable energy objects to the grid

3. Target group analysis: Energy (2/2)

Development impact	<ul style="list-style-type: none"> » Ensuring a stable energy supply as a precondition for socio-economic development » Increasing energy security / resilience » Tapping the renewable energy potential supporting the decarbonisation across sectors » Improving Ukraine's value proposition as investment location – e.g. creating favourable conditions for energy-intensive sectors
Recommendations	<ul style="list-style-type: none"> » Highly targeted investor outreach recommended, e.g. individually contacting and meeting potential investors <ul style="list-style-type: none"> » in the context of relevant trade fairs (e.g. Hannover Messe, ReBuild Ukraine Construction & Energy) » in close collaboration with associations (e.g. ZVEI e.V. Electro and Digital Industry Association, VDMA Power Systems) and relevant cluster organisations (e.g. Energy Technology Clusters in the Capital Region and Bavaria) » with political support (e.g. utilising platforms such as energy partnership initiatives and organised delegations) » Focus on the following segments: <ol style="list-style-type: none"> 1. Short-term: Equipment for the energy infrastructure, e.g. transformers, switchgears and further transmission and distribution equipment 2. Medium-term: Engineering, construction and operation of renewable energy power plants; producers of smart grid and energy efficiency solutions; producers of components for wind power plants ➤ Sector can be highly prioritised for investment: Highly targeted outreach with political support

3. Target group analysis: Agri-food (1/2)

Investment potential

- » High investment dynamics in agri-food sector
 - » Among the Top 10 manufacturing industries at global level in terms of number and value of announced FDI greenfield projects
 - » Strong role of GER companies in UKR (e.g. Dr. Oetker, Südzucker) incl. recent projects (e.g. Bayer)
- » More than 6,000 companies in GER active in traditional and emerging segments of the food & beverage industry generating a turnover of close to EUR 250 bn
 - » Largest industry segments comprising meat and sausage products, dairy products, baked goods and confectionery
 - » High growth dynamics in segments such as organic foods, plant-based foods, meat and milk alternatives
- » Relevant investment potential also in related areas such as agricultural equipment (turnover of companies in GER amounting to approx. EUR 15 bn)
- » GER is both the third-largest exporter and importer of agricultural and food products worldwide

Investment opportunities

- » High demand for goods and services necessary for the sector's reconstruction / modernisation
- » Substantial processing potential / opportunities in high-margin niches such as organic products
- » Broad-based financial support from national and international programmes for the sector
- » Wide spectrum of sector-specific comparative advantages (such as extensive arable black soil land, large volumes of high-quality raw material resources, favourable climatic conditions, proximity to key markets)
- » Strong presence of international companies (e.g. Nestle, Carlsberg, Coca-Cola, Bunge) confirming competitiveness of Ukraine

Investment challenges

- » However, sector heavily affected by war-related factors – e.g. mine contamination, damaged production buildings, equipment and infrastructure, logistical challenges as well as reduced labour force availability and number of agricultural input suppliers
- » Further challenges concerning access to land – despite recent reform efforts, foreign legal entities currently not allowed to buy farmland
- » In addition, very intense competition as many locations globally target agri-food investors

3. Target group analysis: Agri-food (2/2)

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- Development impact**
- » Support for the restoration and modernisation of Ukraine's agri-food sector
 - » Developing sustainable value chains tapping the processing potential
 - » Increasing and diversifying exports reducing reliance on raw and semi-finished products
 - » Fostering the integration into international value chains
 - » Attracting investment projects also to rural areas
 - » Generating synergies at the interface between agri-food and other industries (e.g. AgriTech)
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- Recommendations**
- » **Highly targeted investor outreach recommended**, e.g. individually contacting and meeting potential investors in the context of relevant trade fairs (e.g. **ANUGA, AGRITECHNICA**)
 - » in close collaboration with associations (e.g. **BVE - Association of the German Food and Beverages Industry** or **VDMA Food Processing and Packaging Machinery**) and relevant cluster organisations (e.g. **Food-Processing Initiative e.V.**)
 - » Focus on the following segments:
 1. Short-term: Agricultural machinery; equipment for storage facilities, livestock farms, greenhouses; processing of corn, fruits, vegetables, meat and dairy products; confectionery and snack production; cultivation of high-value niche crops
 2. Medium-term: Food processing machinery; AgriTech (e.g. IoT sensors, precision agriculture and farm management systems)
 - **Sector can be highly prioritised for investment:** Highly targeted outreach → 1. Priority
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3. Target group analysis: Transport & logistics (1/2)

Investment potential

- » Germany is the world's leading source country for logistics FDI with a growing presence of companies in Eastern Europe
- » Transport & logistics is the 3rd largest sector in Germany with more than 60,000 thousand companies and a turnover of EUR 330 bn
- » Broad company landscape including large actors
- » Large specialised construction industry with strong expertise in transport infrastructure as well as civil and underground engineering
- » Related industries offering relevant investment potential – e.g. German railway industry with a turnover of EUR 14.4 bn covering rolling stock and infrastructure as well as signaling technology and service

Investment opportunities

- » Interview partners more optimistic with respect to investment projects in the medium term, in particular:
 - » Modernisation of the railway system, e.g. railway infrastructure, renewal of passenger and freight rolling stock as well as increasing transshipment capacities (including potentially adaptation of track gauge)
 - » Logistics operations and new logistic hubs / centres, e.g. in the context of industrial investment projects or the reconfiguration of existing trade routes and logistics corridors towards the EU market & integration into TEN-T

Investment challenges

- » Despite high demand in the context of rebuilding and upgrading the transport and logistics infrastructure, opportunities for investment projects of GER companies in the short term rather:
 - » No strong competitive position of GER companies in cost-sensitive short-term infrastructure projects (e.g. roads, bridges)
 - » Construction projects usually not requiring a permanent presence nor creating a significant number of permanent jobs
 - » Challenges including border and transport insurance issues

3. Target group analysis: Transport & logistics (2/2)

Development impact

- » Restoration of infrastructure of vital importance for socio-economic development
- » Enhancing access to European markets and integration into European transport networks
- » Strengthening export and import logistics
- » Improving connection to international supply chains
- » Increasing the attractiveness of Ukraine as investment location across different target sectors – transport & logistics constituting a key site selection criterion
- » Reducing the environmental footprint of the transport & logistics sector

Recommendations

- » As a first step, systematic market intelligence recommended (**e.g. in the context of the trade fair InnoTrans**)
- » Depending on results, highly targeted outreach activities in the medium term focusing on logistical service providers and operators of logistic centres or hubs; producers of railway systems and components for rolling stock and infrastructure
- **Systematic market intelligence as a first step, outreach depending on results → 2. Priority**

3. Target group analysis: Critical raw materials (1/2)

Investment potential

- » Rather small base of German companies active in exploration and extraction of critical materials and rare earths by international comparison – mainly SMEs
- » Dynamic development in the area of lithium refining driven by companies
- » In addition, several German companies specialised in mining equipment (e.g. pumps, vehicles, machinery) as well as chemical products and processes for the mining industry

Investment opportunities

- » Large deposits of critical materials (22 out of 30 raw materials classified as critical by the EU) – high medium- / long-term demand and strategic importance for German manufacturing industry (e.g. for production of batteries, semi-conductors etc.)
- » Potential for sustainable and green mining, in particular environmentally friendly extraction of lithium

Investment challenges

- » However, despite reform efforts, **widespread concerns regarding rule of law and corruption risks**
 - » Lack of investment-ready projects – long lead time with respect to planning, exploration, developing the necessary infrastructure
 - » Currently low world market prices for lithium impairing the viability of investment projects
 - » Further **challenges relating to insurance and financing issues for capital-intensive long-term projects** (e.g. mining, refining) – safety-related conditions due to geographic proximity of many deposits to conflict zones
 - » Competing opportunities offered by deposits in other countries
 - » Challenges with respect to transport and logistics
 - » Occupation of major exploitation hubs
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3. Target group analysis: Critical raw materials (2/2)

Development impact

- » Substantial contribution towards diversifying and upgrading the industrial, export and employment structure
 - » Raw material base offering the potential for developing new value chains (e.g. processing of critical materials and use of by-products) and clusters tapping opportunities in the context of the green transition (e.g. production of batteries and electric vehicles)
 - » Generating synergies with further industries such as metallurgy, defence, construction industry
- » Enhancing Ukraine's overall value proposition as investment location
- » Strengthening strategic independence / resilience in the raw materials sector

Recommendations

- » As a first step, systematic market intelligence (e.g **in the context of Lithium Days in Halle**)
- » Depending on results, test outreach activities recommended – with a focus on the lithium value chain and successively integrating further critical materials
- **Systematic market intelligence as a first step, outreach depending on results → 2. priority**

3. Target group analysis: IT & digitalisation (1/2)

Investment potential

- » In principle, promising investment potential offered by the German ICT industry
 - » Diversified company landscape generating a turnover of more than EUR 200 bn
 - » Strong position in high-margin segments, such as Industry 4.0, autonomous driving, digital health, FinTech & InsurTech
 - » Several German companies with notable investments abroad in the recent past –amongst others in the areas cloud services and cybersecurity, AI, IoT and industrial software
- » However, investment potential of relevance for Ukraine rather limited in the short term according to interviews – companies focusing on retaining their teams and operations
- » At the same time, sharp decline in number and volume of FDI greenfield projects in the software and IT services at the global level – 38% decrease in projects and 46% in capital investment between 2022 and 2023

Investment opportunities

- » In principle, strong competitive position of Ukraine based on a well-developed ecosystem with strong international links, a vibrant start-up scene and a large pool of highly qualified IT professionals

Investment challenges

- » However, widespread concerns in the investor community with respect to data and cybersecurity and the availability of IT specialists in the context of the war
 - » From the perspective of the industry, investment opportunities in the short term mainly limited to DefenceTech and GovTech segments
 - » In the medium term, broad spectrum of investment opportunities for German companies in particular at the interface to other target groups – e.g. AgriTech, HealthTech, special hard- und software for the digital infrastructure and the energy sector
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3. Target group analysis: IT & digitalisation (2/2)

Development impact

- » Substantial contribution of investment projects towards raising the productivity and efficiency in particular in the defined key sectors and various critical application areas including defence
- » Strengthening Ukraine's position as IT and tech location
 - » Improving its overall value proposition as investment location generating positive image effects
 - » Considerable contribution towards exports and integration into international value chains
 - » Significant employment effects considering performance in the past
 - » Important driver for the green transition, e.g. for smart grids and many cleantech solutions

Recommendations

- » No separate investor outreach targeting the IT and digitalisation sector recommended
- » **Sector should be treated as cross-cutting, interconnected target group**
 - » Relevant IT- and tech-related segments should be integrated into outreach activities addressing other proposed target groups (e.g. DefenceTech, AgriTech, HealthTech)
 - » IT- and tech-related competencies and arguments should form an integral part of Ukraine's value proposition in promotional materials for all target groups
- **No separate outreach - relevant segments should be integrated into activities addressing other target groups**

3. Target group analysis: Construction materials (1/2)

Investment potential	<ul style="list-style-type: none">» Highly competitive company landscape in Germany in:<ul style="list-style-type: none">» Core areas such as concrete and cement, plaster and mineral wool (market volume of approx. EUR 40 bn)» Related areas such as construction equipment and plant engineering (market volume of approx. EUR 15 bn) – with several companies that are also active in the mining equipment market» Areas with high growth and innovation dynamics such as circular construction and 3D concrete printing» Range of German companies with a strong presence in international markets (incl. Ukraine in e.g. Rehau, Knauf)
Investment opportunities	<ul style="list-style-type: none">» Large-scale reconstruction and green transformation leading to a sharp rise in demand as well as a need for additional production capacities and new technologies» Recent investment / expansion projects (e.g. Kingspan, ArcelorMittal Construction, Fixit, MC-Bauchemie) indicating interest from international / German companies» Opportunities to collaborate with local companies complementing the existing product portfolio and capacities» Need for local production due to high logistics cost in certain segments (e.g. concrete production) as a further pull factor for investment projects
Investment challenges	<ul style="list-style-type: none">» Insurance/ financing problems» Unstable electricity» Shortage of labour – limiting the spectrum of target segments (e.g. float glass production)» Complex and time-consuming permitting processes (e.g. for social infrastructure rehabilitation)

3. Target group analysis: Construction materials (2/2)

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- Development impact**
- » **Fast-tracking the reconstruction** of destroyed and damaged **housing, industrial facilities and other infrastructure**
 - » Increasing production capacities and closing gaps in value chains to meet demand for construction materials and equipment
 - » Strengthening competitiveness of local companies fostering technology diffusion as well as horizontal and vertical linkages
 - » Tapping **potentials related to the green and circular transition**, increasing the level of **energy and resource efficiency**
 - » Utilising synergies between construction and mining equipment industries
 - » Unlocking export potentials in the long term
-
- Recommendations**
- » **Highly targeted investor outreach recommended**, e.g. individually contacting and meeting potential investors
 - » in the context of relevant trade fairs (**e.g. BAU, bauma, ReBuild Ukraine Construction & Energy**)
 - » in close collaboration with associations (e.g. **bbs German Building Materials Association or VDMA Construction-Equipment and Plant Engineering**)
 - » Focus on the following segments:
 1. Short-term: Heating systems and components; thermal insulation; pipes; profiles; construction chemicals; temporary living, office and catering facilities; temporary sanitation, energy and waste systems; construction machines; plant engineering and machinery for the construction materials industry
 2. Medium-term: Green building technology (e.g. heat pumps); circular construction solutions; digital solutions (e.g. building information modeling, 3D construction printing)
 - **Sector can be highly prioritised for investment:** Highly targeted outreach → 1. Priority
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3. Target group analysis: Healthcare (1/2)

Investment potential	<ul style="list-style-type: none">» Strong international footprint and investment track record of German healthcare companies incl. projects in Ukraine (e.g. ottobock, Fresenius, Stada, Berlin Chemie)» Broad company landscape (> 1,200 in pharma and BioTech, > 10,000 in MedTech) in Germany mainly made up of SMEs<ul style="list-style-type: none">» With approx. 8 million employees and exports of more than EUR 150 bn, healthcare is one of the largest sectors in Germany» Germany is Europe's largest healthcare market in terms of market volume and manufacturers» Major segments with a strong growth performance include medical aids and orthopedic technology (market volume > EUR 20 bn)
Investment opportunities	<ul style="list-style-type: none">» High demand for medical and pharmaceutical products for war-wounded patients» Opportunities for specialised companies to test and adjust their latest technology» Potential for cooperation with local companies and partners, which have proven extremely innovative in relevant areas such as haemostatic or anti-burn medicines» Local competencies also in related areas such as IT
Investment challenges	<ul style="list-style-type: none">» At the same time, intensifying competition for investment projects in the healthcare sector at the international level» Further challenges relating to insurance / financing problems for capital-intensive projects (e.g. production of pharmaceuticals) and the limited availability of skilled labour / specialists in core and related areas (e.g. IT professionals)

3. Target group analysis: Healthcare (2/2)

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- Development impact**
- » Support for the recovery and strengthening of the health system
 - » Improving the care of war-wounded patients
 - » Enhancing the accessibility of health services
 - » Upgrading the economic, export and employment structure
 - » Major contribution of the healthcare sector to R&D spending and exports fostering the integration into global value chains
 - » Potential to create highly-skilled jobs with above average value added per person
 - » Above average female employment in healthcare sector
 - » Synergy potential at the interface between healthcare and IT sector
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- Recommendations**
- » **Highly targeted investor outreach recommended**, e.g. individually contacting and meeting potential investors
 - » in the context of leading trade fairs (e.g. **MEDICA, OTWorld, ReBuild Ukraine Health & Rehabilitation**)
 - » in close collaboration with associations (e.g. **BVMed – German Medical Technology Association or GHA - German Health Alliance**) and relevant cluster organisations (e.g. **Health Capital Berlin-Brandenburg**)
 - » Focus on the following segments:
 1. Short-term: Medical aids and orthopedic technology (e.g. prostheses, orthoses & wheelchairs solutions); haemostatic medicines; burn treatment; wound care products and therapies
 2. Medium-term :Further pharmaceutical products (in particular generics); telemedicine and HealthTech products / services
 - **Sector can be highly prioritised for investment:** Highly targeted outreach → 1. Priority
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3. Target group analysis: Defence (1/2)

Investment potential	<ul style="list-style-type: none"> » Global greenfield FDI in the defence industry with an all-time high in 2023 – strong role of German companies » Substantial increase in defence spending – high growth in volume of orders and contracts for the GER defence industry » Large and highly diversified defence industry in GER with a broad range of activities and a strong international presence » Relevant investment potential indicated by recently announced projects in Ukraine – including: <ul style="list-style-type: none"> » Rheinmetall (Joint Ventures in the area of vehicle manufacturing / maintenance and artillery ammunition) » FFG (armored vehicle maintenance hub) » Quantum Systems (UAV development and production)
Investment opportunities	<ul style="list-style-type: none"> » Strong demand for advanced defence technologies and equipment as well as maintenance » Opportunities for long-term contracts and partnerships due to modernisation of UKR military » Financial and political support from the GER Government, EU and NATO for Ukraine's defence sector facilitating investment and reducing risks » Promising potential for cooperation with experienced partners in production and maintenance as well as research and development <ul style="list-style-type: none"> » Well developed defence industry and dynamic DefenceTech sector with innovative start-ups benefiting from extensive IT competencies » Significant advantages for product development and testing (due to live battlefield environment / data collection) » Comparatively low labour and operating costs
Investment challenges	<ul style="list-style-type: none"> » Supply chain risks and infrastructure damages (e.g. energy, transport), labour shortage as well as financing and insurance risks » Potential direct target for attacks

3. Target group analysis: Defence (2/2)

Development impact	<ul style="list-style-type: none">» Strengthening Ukraine's military capabilities» Enhanced security situation enabling economic development and FDI across sectors» Potential for development of new export markets for Ukraine's defence sector building on established cooperation structures» Fostering technology transfer and generating spill over effects into related sectors (e.g. electronics, IT)
Recommendations	<ul style="list-style-type: none">» Highly targeted investor outreach with political support (e.g. organised delegations) recommended» Focus on segments aligned with military needs (e.g. maintenance hubs, ammunition and artillery systems, air defence, UAV, autonomous capabilities, combat vehicles, DefenceTech)➤ Sector can be highly prioritised for investment: Highly targeted outreach → 1. Priority

3. Target group analysis: Green metallurgy (1/2)

Investment potential

- » Major investments in green metallurgy by leading GER companies in the recent past (e.g. production of green steel)
- » Overall, GER with the largest steel production in EU (turnover of EUR 55 bn) and a highly competitive base of metallurgical companies with a strong international presence
- » In addition to steel and metal producers, range of specialised companies in metallurgical plant engineering and equipment (approx. 200 companies with a turnover of more than EUR 4 bn)
 - » Growing investments and expertise in green metallurgy also in this area
 - » Amongst others, SMS Group, which has a presence in Ukraine, contracted for major investment project in GER (hydrogen-powered direct reduction plant)

Investment opportunities

- » In principle, promising investment opportunities in green metallurgy
 - » Large deposits of high-quality iron ore and other essential raw materials and inputs
 - » High demand for steel and metallurgical products in the context of reconstruction
 - » **Potential for green steel production** – including high renewable energy potential
 - » Well developed and export-oriented metallurgical sector and skilled workforce with relatively low labor costs
- » Presence of large investors (e.g. ArcelorMittal, Ferrexpo) indicating international competitiveness

Investment challenges

- » However, according to the interviews, investment opportunities in the short term severely constrained in the context of the war – with several major challenges:
 - » High country risks limiting access to capital and increasing financing costs – at the same time, massive capital investment needs to switch from traditional integrated iron and steelmaking to alternative technologies with lower carbon footprint
 - » Disruptions of energy supply
 - » Metallurgical sector hard hit by logistical challenges
 - » Occupation and damages to iron and steel assets
 - » High upfront costs, long lead time and reliance on public / international support to ensure financial and technical feasibility

3. Target group analysis: Green metallurgy (2/2)

Development impact

- » Green metallurgy has the potential to become a key driver of Ukraine's recovery and an enabler of **European steel sector decarbonisation**
- » Supporting the reconstruction and modernisation of buildings and infrastructure
- » Fostering cluster development and stimulating further investments in related sectors (e.g. renewable energy systems)
- » Important contribution towards employment, exports, industrial investments and tax revenues building upon the strong role of the metallurgy sector before the war

Recommendations

- » As a first step, systematic market intelligence recommended (e.g. **collaboration with VDMA Metallurgy or in the context of the trade fair Green Steel World**)
- » Depending on results, highly targeted outreach activities **in the medium term** focusing on producers of green steel; manufacturer of metallurgical equipment; companies in the metallurgical plant engineering segment
- **Systematic market intelligence as a first step, outreach depending on results → 2. Priority and only for the medium-term**

4. Recommendations

The table below summarises the results of the target group analysis and the recommended priorities, investment attraction measures and segments

Target sector	Priority	Recommended segments		Relevant trade fairs	Relevant intermediaries
		Short-term	Medium-term		
Energy	1. Priority: Highly targeted outreach (with political support, e.g. organised delegations)	<ul style="list-style-type: none"> Equipment for the energy infrastructure, e.g. transformers, switchgears and further transmission and distribution equipment 	<ul style="list-style-type: none"> Engineering, construction and operation of renewable energy power plants Smart grid and energy efficiency solutions Components for wind power plants 	<ul style="list-style-type: none"> Hannover Messe ReBuild Ukraine Construction & Energy 	<ul style="list-style-type: none"> ZVEI e.V. Electro and Digital Industry Association VDMA Power Systems Energy Technology Clusters in the Capital Region and Bavaria
Agri-food	1. Priority: Highly targeted outreach	<ul style="list-style-type: none"> Agricultural machinery & equipment Processing of corn, fruits, vegetables, meat and dairy products Confectionery and snack production Cultivation of high-value niche crops 	<ul style="list-style-type: none"> Food processing machinery AgriTech 	<ul style="list-style-type: none"> ANUGA AGRITECHNICA 	<ul style="list-style-type: none"> BVE - Association of the German Food and Beverages Industry VDMA Food Processing and Packaging Machinery Food-Processing Initiative e.V.
Construction materials	1. Priority: Highly targeted outreach	<ul style="list-style-type: none"> Heating systems and components Pipes, profiles, construction chemicals; Temporary facilities Machinery, plant engineering 	<ul style="list-style-type: none"> Green building technology and circular construction solutions Digital solutions incl. 3D construction printing 	<ul style="list-style-type: none"> BAU Bauma ReBuild Ukraine Construction & Energy 	<ul style="list-style-type: none"> bbs German Building Materials Association VDMA Construction-Equipment and Plant Engineering
Healthcare	1. Priority: Highly targeted outreach	<ul style="list-style-type: none"> Medical aids, orthopedic technology Haemostatic medicines, burn treatment; wound care products 	<ul style="list-style-type: none"> Further pharmaceutical products (in particular generics) HealthTech products / services 	<ul style="list-style-type: none"> MEDICA OTWorld ReBuild Ukraine Health & Rehabilitation 	<ul style="list-style-type: none"> BVMed – German Medical Technology Association GHA - German Health Alliance Health Capital Berlin-Brandenburg

4. Recommendations

The table below summarises the results of the target group analysis and the recommended priorities, investment attraction measures and segments (cont.)

Target sector	Priority	Recommended segments		Relevant trade fairs	Relevant intermediaries
		Short-term	Medium-term		
Defence	1. Priority: Highly targeted outreach (with political support, e.g. organised delegations)	<ul style="list-style-type: none"> Focus on segments aligned with military needs (e.g. maintenance hubs, ammunition and artillery systems, air defence, UAV, autonomous capabilities, combat vehicles, DefenceTech) 			
Transport & logistics	2. Priority: Systematic market intelligence as a first step, outreach depending on results		<ul style="list-style-type: none"> Logistical service providers and operators of logistic centres or hubs Producers of railway systems / components for rolling stock and infrastructure 	<ul style="list-style-type: none"> InnoTrans 	
Critical materials	2. Priority: Systematic market intelligence as a first step, outreach depending on results		<ul style="list-style-type: none"> Companies in lithium value chain Integrating further critical materials depending on results 	<ul style="list-style-type: none"> Lithium Days 	
Green metallurgy	2. Priority: Systematic market intelligence as a first step, outreach depending on results		<ul style="list-style-type: none"> Producers of green steel Metallurgical equipment / plant engineering 	<ul style="list-style-type: none"> Green Steel World 	<ul style="list-style-type: none"> VDMA Metallurgy
IT & digitalisation	No separate outreach: Relevant segments should be integrated in activities addressing other target groups	<ul style="list-style-type: none"> Segments at the interface between IT sector and other target groups (e.g. DefenceTech, AgriTech, HealthTech) 			

4. Recommendations

Across the target sectors, particular emphasis should be placed on existing German investors in Ukraine and medium-sized companies

- » Investment attraction measures need to focus on segments that are less sensitive to war risks:
 - Existing investors, which are familiar with the specific conditions and played a key role in FDI dynamics in the recent past
 - Medium-sized enterprises, which offer substantial investment potential and tend to be less risk-sensitive and more flexible with respect to finding financing solutions for investment projects than publicly listed large companies
 - Companies with a track-record of investing under wartime and post-war conditions
- » Furthermore, when identifying potential investors for outreach activities, special consideration should be given to companies with trade and cooperation relations but no investment projects yet

4. Recommendations

Experience shows that in conflict-affected situations, the most effective form of investment attraction is highly targeted investor outreach complemented by investment climate reforms reflecting the needs of the target groups

- » Highly targeted investor outreach should be prioritised as it allows a direct communication with potential investors to address their concerns
- » Investor outreach is about identifying high-potential investors and approaching them individually (e.g. with tailor-made presentations)
- » In this context, **collaborations with intermediaries** (e.g. chambers, associations, government institutions, existing investors) should also form a strategic priority
- » With respect to complementary investment climate reforms, interview partners highlighted a need to:
 - Better align incentive and insurance schemes with the needs of existing investors
 - Address key investment challenges related to rule of law deficiencies, corruption risks and intransparent public procurement practices.
 - Those are of particular relevance in highly regulated sectors (e.g. healthcare, critical materials) and for modes of investment with a strong government involvement (e.g. PPP, concessions)

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.*

CONTACT

Garry Poluschkin, Project Manager Ukraine

poluschkin@berlin-economics.com

German Economic Team

c/o BE Berlin Economics GmbH

Schillerstraße 59 | 10627 Berlin

Tel: +49 30 / 20 61 34 64 0

info@german-economic-team.com

www.german-economic-team.com

Our publications are available under

<https://www.german-economic-team.com/ukraine>

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