How Germany Plans Ukraine's Reconstruction with the Private Sector

Ukraine's Transformation: Overview of Support Measures for Companies

On 10 April 2024, the German Cabinet under Chancellor Olaf Scholz in Berlin adopted a policy paper outlining 15 measures through which the German private sector is intended to support Ukraine's reconstruction. The paper is based on bilateral agreements reached during a German-Ukrainian meeting on 16 February 2024 and is linked to the Ukraine Recovery Conference 2024 (URC 2024), held in Berlin in June 2024. This analysis focuses on the opportunities and risks for German companies seeking to engage in reconstruction investments and establish partnerships with Ukrainian business counterparts.

> *"The foundations for sustainable economic cooperation are now being laid. Those who act early can not only benefit from enormous potential but also contribute to the long-term stability and modernization of the region."*
>
> (Torsten Kaiser, Head of Government & Public Sector, KPMG AG Wirtschaftsprüfungsgesellschaft)

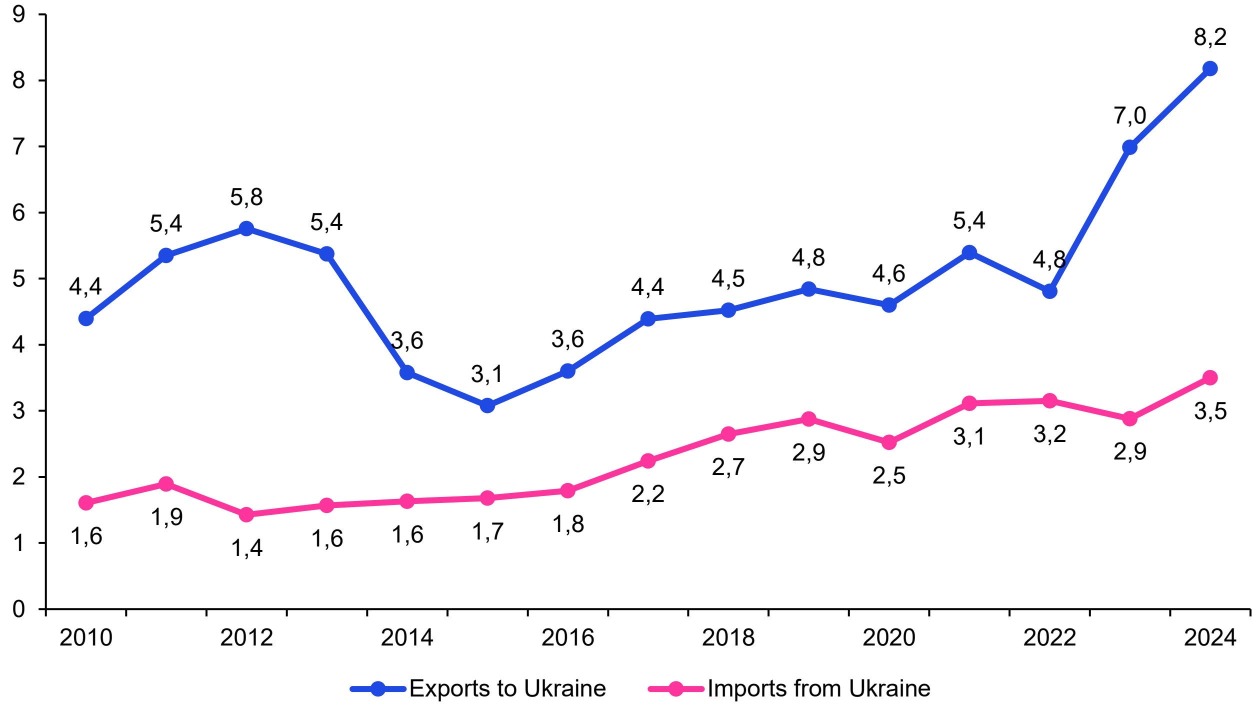
Foundations and Objectives of the Policy Paper

The German government views both the strengthening of Ukraine's economy and its reconstruction as central strategic interests. Accordingly, the policy paper introduces 15 targeted measures designed to guide German companies in their investment decisions.

A key premise of the paper is that Ukraine's path toward European Union integration, along with political and institutional reforms, is critical for a successful transformation. However, these reforms alone are not sufficient, but the active engagement of the private sector is essential. The German government recognizes that many German companies remain cautious due to the ongoing conflict. To mitigate these concerns, targeted support instruments are available:

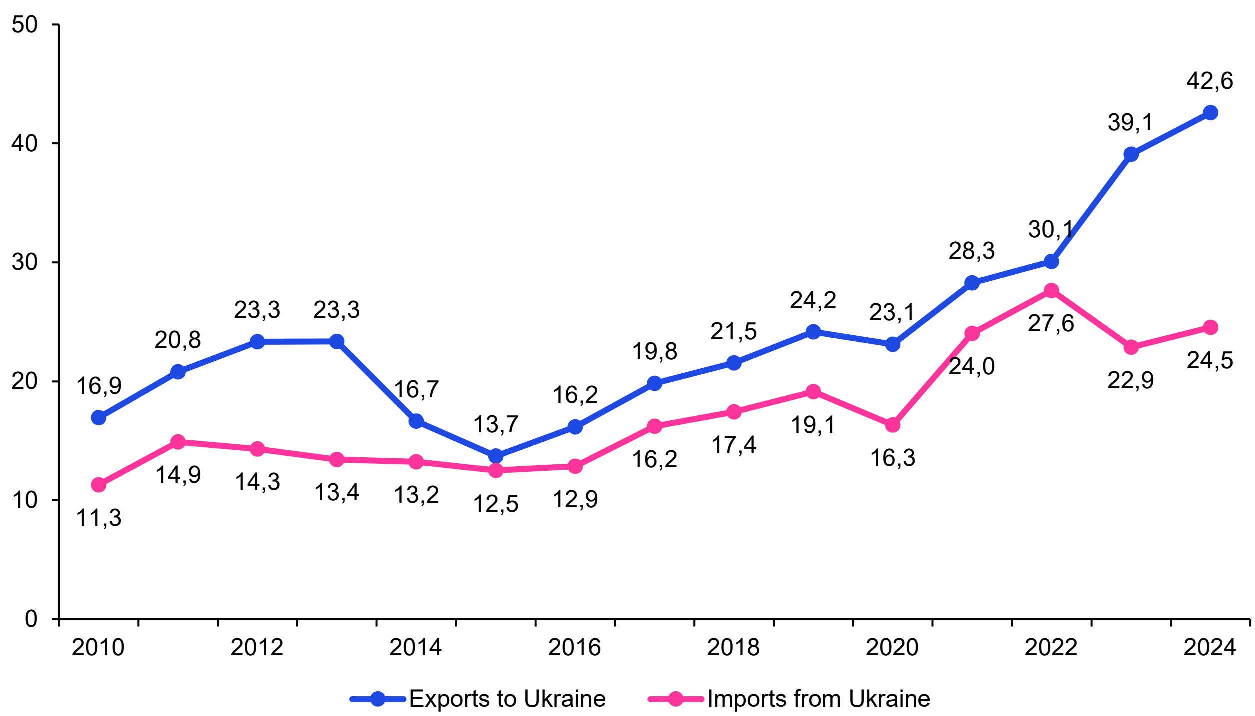
- Investment guarantees
- Export credit insurance
- Provision of capital under attractive conditions
- Advisory and expert support
- Coordinated measures by public institutions and business organizations

Germany – Ukraine Foreign Trade; 2010–2024; in EUR Billion



Source: Statistisches Bundesamt

EU – Ukraine Foreign Trade; 2010–2024; in EUR Billion



Source: Eurostat

In addition to approaches for institutional investors, foundations, philanthropic initiatives, and donors, the policy paper outlines specific measures to actively engage private-sector companies and investors in Ukraine's reconstruction and economic development:

- **Strengthening the Business Development Fund (BDF):** Established in 1999 in collaboration with the Kreditanstalt für Wiederaufbau (KfW), the Ukrainian Business Development Fund (BDF) supports small and medium-sized enterprises (SMEs) by providing interest subsidies on loans from Ukrainian banks, thereby mobilizing private capital. The support aims to develop the BDF into a Ukrainian equivalent of Germany's KfW.
- **Simplified Access to Export and Investment Guarantees:** Since 2023, approval procedures for export and investment guarantees have been streamlined, and available funds increased. Currently, there are 46 investment guarantees with a total volume of EUR 340 million, while export credit insurance concluded in 2023 amounted to around EUR 170 million. Companies currently bear 5% of any claim, though the German government is considering reducing the deductible to 2.5% for export credit insurance under Hermes coverage in individual cases.
- **Removal of Foreign Exchange Restrictions:** Frictions in capital flows remain a key deterrent for German companies investing in Ukraine. The German government is advocating for the removal of relevant restrictions, reducing risks associated with currency transfer and conversion, as well as equity participation in Ukrainian companies.
- **Support for German and Ukrainian SMEs:** To foster sustainable transformation, German and Ukrainian SMEs are set to receive targeted support. Plans include increasing capital for start-ups through investment funds and expanding interest subsidies for loans. Currently, EUR 62 million is available via the European Fund for Southeast Europe (EFSE), with additional funding from the Green for Growth Fund (GGF) earmarked for renewable energy projects and energy efficiency initiatives. The Federal Ministry for Economic Cooperation and Development (BMZ) is also evaluating participation in a cross-regional guarantee fund to provide Ukrainian financial institutions with guarantees for business loans.

Population: 33.44 million

GDP: USD 184.1 billion

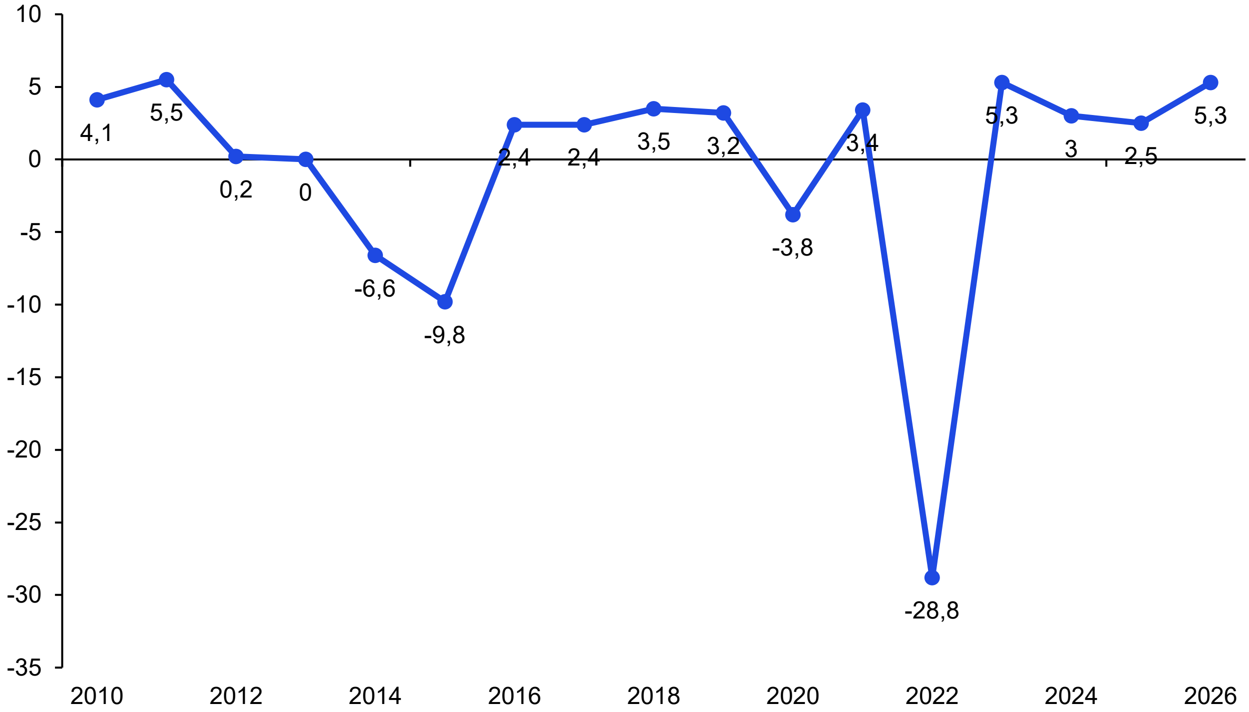
GDP per capita: USD 5,505

Unemployment rate: 14.2%

Germany's ranking as a trade partner: 39

Source: IWF, Statistisches Bundesamt

Ukraine GDP Growth (Annual Change in %)



Source: IWF

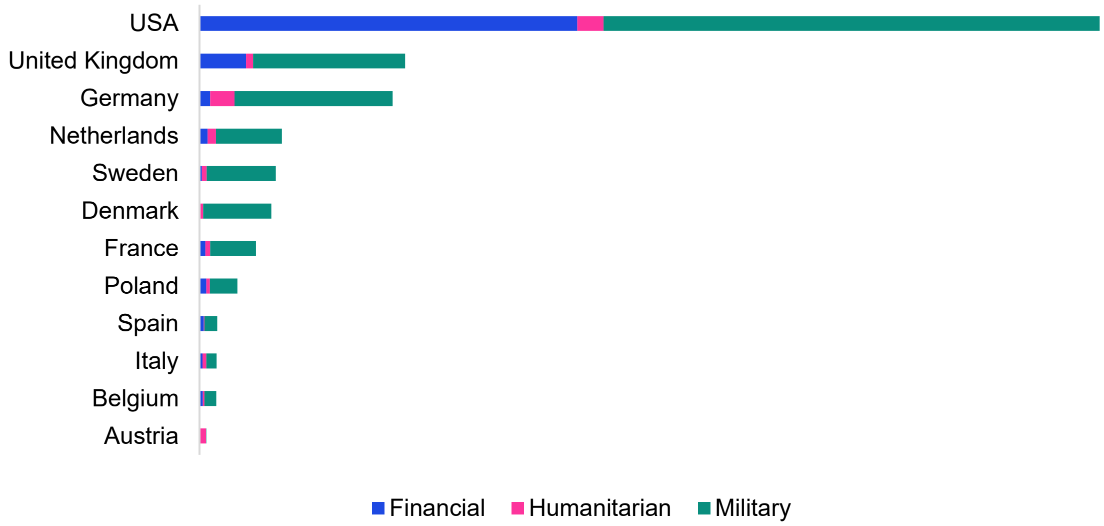
Effective Coordination as a Key Success Factor

The wide range of support measures and investment incentives highlights the necessity of effective coordination. Only through aligned initiatives can the private sector make a sustainable contribution to Ukraine's economic transformation and stabilization.

To facilitate market entry for German companies, the government has compiled relevant information in the Ukraine Business Guide by Germany Trade & Invest (GTAI). Cooperation with the German-Ukrainian Chamber of Commerce (AHK) and the Agency for Business & Development (AWE) has also been intensified. These partnerships aim to build stable and reliable supply chains while strengthening Ukraine's export economy. German companies cooperating with Ukrainian partners or establishing their own operations in Ukraine directly benefit from these efforts.

To mobilize additional private capital, Germany has advocated within the European Union for the creation of the Ukraine Facility - a EUR 50 billion support package for 2024–2027, of which approximately EUR 7 billion is earmarked for investments.

Bilateral Ukraine Support: Government Commitments in EUR Billion (as of Feb. 2025)
Data covers committed support from 24 January 2022 to 31 December 2024



Source: IfW Kiel Institut für Weltwirtschaft

Why Private Sector Investments Can Be Worthwhile Despite the War

Despite the ongoing conflict, investments in Ukraine's economy are already strategically relevant—both to stabilize the country and to prepare for post-war reconstruction. Realizing this potential requires significant capital, which the German private sector is expected to provide, alongside critical entrepreneurial expertise, whether in collaboration with Ukrainian business partners or through establishing operational facilities.

Germany's strategy specifically aims to integrate SMEs into Ukraine's economic transformation, allowing German companies to benefit from extensive support measures. State guarantees and public funding significantly reduce investment risks. At the same time, the government encourages Ukraine to establish a long-term financing model based on Germany's KfW to further secure investments.

An additional advantage of private-sector investments: they facilitate reconstruction without the need to seize Russian assets, avoiding economic restrictions for German companies that intend to maintain international business relationships post-conflict, for example with partners in China or Russia.

Ultimately, investments in Ukraine present German SMEs with a strategic opportunity: they promote sustainable growth, unlock new economic potential, and promise attractive long-term returns once the market stabilizes.

> *"Ukraine's reconstruction offers opportunities for innovative partnerships, allowing investors to participate in a promising market development and long-term growth."*
>
> (Nicolai Kiskalt, Private Sector Leader, KPMG Ukraine Gateway, KPMG EMA)

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