

**Steadfast Support
for Ukraine:
Roadmap to EU Integration**

A Key Issues Paper by
Wirtschaftsforums der SPD e.V.
(Economic Forum of the SPD)

Reconstruction and Transformation of Ukraine Roadmap to EU

The Ukraine Recovery Conference (URC) will convene in Berlin on 11th to 12th June 2024, at the invitation of the German government. This conference represents a pivotal milestone in the collaborative efforts of the European Union, Germany, and Ukraine. Given the significance of this event, we underscore the necessity of formulating a comprehensive strategy for Ukraine, underpinned by the following considerations:

- The defense of democracy and freedom in Ukraine serves the entire European continent.
- The provision of unwavering and reliable support for Ukraine's defense necessitates long-term funding commitments.
- Since 2014, Ukraine has been undergoing a profound economic transformation, orienting towards cooperation and networking with European Union partners.
- Immediate preparation for Ukraine's reconstruction is essential to facilitate substantial progress post-ceasefire.
- Ukraine's economic landscape is increasingly bifurcated, with a militarily secure, economically thriving western region, war-torn central areas, and eastern regions suffering under Russian occupation and economic disconnection.
- The commitment to integrating Ukraine into the European Union, thereby incorporating its economy into the single market, remains firm.
- The Ukrainian economy faces unique opportunities and challenges due to the significant number of Ukrainian refugees.

We advocate the urgent development of a "Reconstruction and Transformation Roadmap to the EU" for critical sectors. The Federal Government should spearhead a coordinated, cross-departmental version of this roadmap for Germany, identifying essential steps for economic cooperation between Germany, Europe, and Ukraine, as well as between private enterprises. Key components of this roadmap should include:

- Partnerships for the transfer of expertise through the development of highly skilled Ukrainian professionals residing in Germany, fostering a robust future network between the two countries.
- Technology transfer partnerships via joint transfer agencies and potential co-investments between German and Ukrainian companies to modernize Ukrainian production post-war.
- Opening EU markets to key Ukrainian exports to gradually integrate Ukraine into the internal market, adopting EU market rules (e.g., unbundling, market control) for products like biomethane, climate-friendly hydrogen, and agricultural goods.
- Strengthening supply chains by supporting Ukrainian primary products, facilitating financing options, and expanding German-Ukrainian business partnerships along supply chains.

- Streamlining logistics and supply chains through simplified border crossings and reduced bureaucracy.
- Enhancing financing and investment conditions for small and medium-sized enterprises, beginning with the advancement of the Business Development Fund into a robust development financing institution, modeled after the German KfW.
- Closer alignment of foreign trade promotion and development cooperation, including related instruments and players.
- Expanding hedging instruments such as export credit guarantees and untied financial loans (UFK guarantees) to mobilize private capital for Ukraine's reconstruction, addressing issues including:
 - The reduction of the deductible to up to 2.5 percent for export credit guarantees in individual cases as well as...
 - ...a 100 percent cover, which is currently mandatory from a banking perspective in order to meet regulatory requirements, and...
 - ... clarifying the numerous unresolved legal issues related to buyer credit cover
- Increased collaboration with the Ukrainian IT sector to stimulate digitalization in business and administration in Germany.
- Creating an investment-friendly environment in Ukraine for German companies, addressing specific financing gaps despite Germany's wartime risk coverage agreement.
- Encouraging preparatory planning by German companies for long-term cooperation with Ukrainian partners.
- Commissioning an independent German-Ukrainian scientific study to explore future scenarios of Ukraine's economic potential and cooperation in various sectors.

These initiatives can position Germany and its economy as enduring, sustainable, and reliable partners for Ukraine. Presently, the annual budgetary constraints undermine Germany's reliability in supporting Ukraine's defense, reconstruction, and transformation. Given the anticipated decade-long process before Ukraine attains EU membership, a comprehensive financial strategy encompassing the entire period is prudent. Thus, we propose that Ukraine's financing, from defense to reconstruction, should be secured via a special fund (for defense) and a revolving Marshall Fund with an associated investment company for transformation and reconstruction, modeled after the ERP Special Fund, exempt from budget and debt regulations. A thorough discussion in the coming months is essential to determine the most efficient structure and utilization of these funds. This approach would enable Germany to fulfill its partnership role sustainably and provide a framework for German companies to assume their responsibilities.

In conjunction with the Ukraine Recovery Conference (URC), the German government has outlined 15 measures to bolster private sector involvement in Ukraine's reconstruction, recognizing increased economic cooperation as a critical element of Ukraine's future integration into the European market.

Moving forward, it is incumbent upon the German government, in collaboration with the EU Commission and Italy (host of the next URC), alongside Ukraine, to develop and present detailed sectoral roadmaps in advance of URC 2025. This process must involve all relevant stakeholders. From a business perspective, Ukraine presents substantial challenges for potential foreign investment, necessitating robust risk assessment and mitigation strategies. Consequently, a roadmap to EU integration must consolidate risk analysis and management tools, leveraging existing expertise to inform decision-making for institutions and private actors.

From the perspective of the Wirtschaftsforum der SPD, the aforementioned elements form the cornerstone of a "Roadmap to EU" for Ukraine, charting a shared path forward despite the current uncertainties.

About Wirtschaftsforum der SPD e.V.

The Wirtschaftsforum is an independent entrepreneurial association. As a registered association it has no financial, personal or structural connections to any political party. As the Wirtschaftsforum der SPD e.V., it primarily organizes the exchange with social democratic leaders in parliaments, governments and party structures on the federal, state and European level. The association itself has the task of promoting and developing the social market economy in the 21st century and sees sustainable and innovative economic success as a result of the interplay of economic and social progress.

The Wirtschaftsforum currently has around 500 members, including individuals, companies and associations. These come from all sectors and thus reflect Germany as a diverse, unique and successful business location. Our membership is comprised of companies from the automotive industry, the IT and software industry, the consumer goods industry, the energy industry, the insurance and banking industry, medical technology and many other sectors. These include globally active Dax and MDax companies as well as large, successful family businesses, medium-sized companies, young, fast-growing Start-Ups and international companies with a strong presence in Germany. In addition, many entrepreneurs support the forum with a personal membership.

In terms of content, the members contribute to the work of the Wirtschaftsforum in 13 different specialist fora. The fora are the engines of the Wirtschaftsforum in which the members work on recommendations, how Germany as a business location can become more competitive and successful.

Current issues are discussed in various formats with parliamentarians from the state, federal and European level, as well as with Ministers, Secretaries of State, Ministerial Experts and high-ranking Party Representatives.

The Wirtschaftsforum is committed to an intensive exchange and new forms of interaction between business and politics and organizes the dialogue between the respective representatives. Transparency and the adherence to strict rules of political advocacy are of utmost importance for our daily work.

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