

ZPP's commentary on the conclusions reached at the Lugano conference

On 4-5 July 2022, an international conference on the reconstruction of Ukraine was held in Lugano, Switzerland. More than 40 countries and international organisations such as the European Investment Bank and the Organisation for Economic Co-operation and Development (OECD) participated. In total, almost 1,000 delegates attended the conference. Although the war instigated by the Russian Federation is still ongoing, and the timing of the end of the fighting and its outcome is currently impossible to predict, arrangements are already being made as to how Western states can participate in the reconstruction of the state of our eastern neighbours.

At the conference, the international community condemned Russian aggression against Ukraine and assured of its full support for the country's independence and sovereignty. Seven guiding principles were also established to address the partnership between Western countries, economic cooperation and investment in the reconstruction of the country, and the internal reforms that Ukraine must carry out in the coming years. These principles include:

1. **Partnership**

The reconstruction process is led by Ukraine and is carried out in cooperation with its international partners. Reconstruction efforts must be based on a solid and continuous process of needs assessment, agreed priorities, joint planning for results, accountability for financial flows and effective coordination.

2. **Focus on reforms**

The reconstruction process must contribute to accelerating, deepening, expanding and ultimately realising Ukraine's reform efforts along with perseverance in following the path of European development.

3. **Transparency, accountability and the rule of law**

The reconstruction process must be transparent and credible to the Ukrainian people. The rule of law must be systematically strengthened and corruption eliminated. All reconstruction funds must be spent fairly and transparently.

4. **Democratic participation by the public**

The reconstruction process must be a whole-of-society effort, rooted in the democratic participation of the Ukrainian population, including returnees from abroad, taking into account local authorities and effective decentralisation.

5. Engagement of multiple actors

The reconstruction process must facilitate cooperation between national and international actors, including those from the private sector, civil society, academia and local authorities.

6. Gender equality and social inclusion

The reconstruction process must be inclusive and ensure gender equality and respect for human rights, including economic, social and cultural rights. Reconstruction must benefit everyone, and no part of society should be left out. Social inequality must be reduced.

7. Sustainable development

Ukraine's reconstruction process must be sustainable, in line with the 2030 Agenda for Sustainable Development and the Paris Agreement, integrating the social, economic and environmental dimensions, including the green transition.

In addition to setting out the above seven principles for cooperation in the reconstruction of Ukraine, the Lugano Conference also agreed on the areas to be entrusted to individual countries for reconstruction. According to the Ukrainian proposal, Poland, together with Italy, would undertake the reconstruction of Donbass. For Polish companies, this would be an opportunity to take part in a very large venture, as the Donbas is one of the regions where the most damage has been done, while at the same time it is an extremely important area economically due to its significant amounts of strategic resources, including coal, iron and so-called "rare earth elements". The presence of Polish companies in the region would mean expansion into a new market and opportunities for multi-million dollar contracts. However, it is important to highlight a very important issue. The Donbas is one of the main areas of interest for the Russian Federation. The internationally unrecognised (except for Russia) People's Republics of Donetsk and Lugansk operate in the area. In addition, the current state of hostilities in Ukraine indicates that almost the entire Donbass area is controlled by the Russian Federation. Given the uncertainty that the war brings, it may not be possible in practice for Poland to take part in the reconstruction project in this part of the country, and this may mean that the Lugano provisions will have to be revised. It should also be stressed that the proposal presented in Lugano contradicts media information and communications from Polish government representatives regarding the Polish role in the reconstruction of Ukraine. In fact, worthy of note is the fact that information so far has indicated Poland's participation in the reconstruction of Kharkiv, whereas the Ukrainian proposal indicates entrusting this task to the United States and Turkey.

It is also worth mentioning that a large group of Ukrainian entrepreneurs representing almost every sector of the economy were present in Lugano. Participants on numerous panels highlighted the strengths that characterise the Ukrainian economy, such as one of Europe's most modern banking systems, the high computerisation of public administration (including the existence of an equivalent of the Polish mObywatel system), a dynamic IT sector that is active even during wartime, and finally Europe's largest agricultural production sector. Ukraine also has a significant pool of well-qualified workers ready to take up employment at any time. This is emphasised by Ukrainian business owners pointing out that the huge internal migration from the areas occupied by Russian troops has resulted in tens of thousands of people in urgent need of work in Ukraine.

Ukrainian entrepreneurs also identified the most relevant issues regarding Ukraine's reconstruction process:

- introducing a zero-tolerance policy for any signs of corruption;
- ensuring that the competition conditions for the award of contracts related to the reconstruction of the country are completely transparent and fully fair;
- ensuring that the conditions for investment capital inflows from abroad are as simplified as possible.

At the same time, Ukrainian business representatives have indicated that, alongside political instability and the risk of the war dragging on for a long time, the biggest challenges at present are:

- Enormous financial needs regarding the process of rebuilding war damage and infrastructure. These needs significantly exceed the capacity of domestic business, resulting in the need for foreign funding, whether from individual countries, international institutions or private investors. This funding should receive systemic guarantees from the Ukrainian authorities and international actors.
- The massive scale of damage to the transport infrastructure, which has caused a crisis in the logistics industry and a breakdown in the smooth flow of goods and orders within the country and for export. Participants in the panel discussions highlighted that the average time for transporting goods has increased by more than three times. It is necessary to renew and expand the transport fleet of Ukrainian companies. At the same time, foreign entrepreneurs are reluctant to fulfil orders due to concerns about security, fuel availability and, above all, queues of many days at the borders.
- A crisis involving the mining and pollution of large areas of the country. It is estimated that $\frac{1}{4}$ of Ukraine's land area is currently mined and covered with unexploded ordnance, with significant consequences for many years to come, not least of which is the complete exclusion of these areas from civilian use.

Many of the participants in the panel discussions are entrepreneurs who have experienced family and business tragedies, lost their assets and the means to run their businesses. They, as well as many of their employees, stood up with guns in defence of the country. Despite the horrific experience of war, however, they emphasise that Ukraine faces a historic opportunity to rebuild and modernise the state and join the Western world. They stressed the importance of international cooperation and pointed out the responsibility that Ukrainian entrepreneurs have in the reconstruction process.