

ICEG AND THE SITUATION IN UKRAINE

Svitlana Reva,

Vice President of Interstate Consultants Engineers Guild

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Dear colleagues,

Thank you for the opportunity to provide up-to-date information on the situation in Ukraine.

I will not elaborate on the volume of losses in my speech. The war is still there, and these data are increasing daily.

Instead, I will try to outline the current situation primarily from the point of how the war affects the Ukrainian economy in general and the engineering consulting industry in particular.

First of all, now, the seventh month into the martial law, the owners and top management of companies have already realized that it will last long, it is impossible simply to wait it out, but it is essential to restructure the business.

Common challenges for companies at this point are as follows:

- Economic losses from projects that have not been completed
- Radical market change (geography, supply and demand, customer solvency, high risks)
- Lack of public financing for projects (on the reason of priority of military and social needs)
- Broken established value chains
- Limited capacity and/or lack of personnel (reasons: internal displacement of the population; men are called up or volunteer for the army; others are involved in territorial defense units, volunteer assistance to the army and civilians)

At the beginning of the war, we used to believe that all these problems were inherent in companies from the regions of active hostilities and the occupied territories. But time has shown that this is not the case. According to various sources, only a sixth of Ukrainian companies continue to operate in full capacity, and a third of all companies do not work. The rest are operating in an anti-crisis mode, trying to save their business and staff, and building new business models.

As a result, in the post-war period, Ukraine will have a completely different economic structure.

Dear Directors and Secretaries, I am drawing your attention to this circumstance because it is important for the member companies of your associations. I am referring to the

companies that will enter the Ukrainian market to participate in its recovery. And the market for construction projects will be tremendous, since the scope of damaged infrastructure and industrial facilities, as well as housing, is enormous.

We already feel great interest from both major players in the global engineering market and other companies.

As always, big changes open up new opportunities.

For European engineering companies, attention to the Ukrainian market is:

- prospects for reducing the lost benefits from projects in Russia and from cooperation with Russian companies through obtaining a new market and new Ukrainian partner companies;
- anticipated favour by donors and banks towards their national companies in selecting successful tenderers in case of financial assistance provided by their governments;
- entering a wide civilized market with a long-term perspective, taking into account the ambitions and European choice of the Ukrainian people.

This may sound pathetic to some extent, but I should note that the Ukrainians confirmed this choice and their aspirations for freedom when the small Ukrainian military units, along with civilians with no military training, and voluntary territorial defense units stopped the Russian army and did not allow it to force Kyiv.

A few words about our Public Union, its state of things and about member companies.

ICEG downsized virtually all in-house staff, gave up rental of most of its office premises.

At the same time, the management, Board members, and several team members continue to work on the Guild's assignments on a voluntary basis, combining this activity with running their own business, serving in the army, or a new job.

Our experts were involved in the development of a draft Plan for the post-war reconstruction and modernization of Ukraine within the framework of working groups under the National Council for the Recovery of Ukraine from the Consequences of the War.

Our member companies are facing the same problems of Ukrainian business, which I mentioned before. Of course, they are not yet able to pay the membership fees.

The difference between the situation for engineering companies and other industries is that there is a high daily demand for their services. This is primarily the need to survey buildings and structures that were damaged during military operations, to search for non-standard design solutions for urgent restoration of critical infrastructure of settlements, expert assessment of the possibility and expediency of restoring housing and structures,

and so on. But there is no funding available for these services at all. Companies and experts work for free, on a volunteer basis.

But we stick together, supporting each other when running a business, moving it, or reopening it. Every day we see former competitors becoming partners.

We highly appreciate the assistance provided by EFCA Member Associations, as well as their member companies, who gave their feedback to our request to improve the methodology for surveying damaged buildings and structures.

Some of the approaches have already been used by our experts in their practical work. We are also processing some other new ideas which are promising for developing new joint projects, and for which it is quite feasible to receive funding from European donor institutions.

I would like to inform everyone present today that some of ideas provided by EFCA community on how to help Ukrainian engineering companies survive the crisis are already being implemented. Thanks to the efforts of Oskars Zivtinz, President of the Latvian Association, and the opportunity provided by the Dutch company Witteveen+Bos, we have been working out the format of cooperation with several of our member companies.

We understand all the barriers and risks that the parties must overcome in these circumstances. But we hope that providing orders to our member companies in this difficult time will not remain just an act of mercy and help. We believe that Witteveen + Bos will eventually get a proven and reliable partner in Ukraine.

We also understand that Russia's war against Ukraine has already significantly affected the economies of European countries. Of course, under the pressure of our own problems, we cannot see all the consequences for European consulting engineers. And for you, the information is only available from the media, because it is very dangerous in Ukraine. We urge you not to come to Ukraine so far, there are no safe regions here. The entire territory of the country is being shelled with rockets.

Therefore, it may be reasonable to hold one or two panel discussions between EFCA experts, representatives of interested European companies and our Ukrainian experts. We could exchange up to date information and forecasts in more detail in order to find new mutually beneficial opportunities and prospects for development that today's challenges and changes can encourage us to achieve.

As you know, we have held a number of meetings with more than half of the associations present today. As a result, we keep continuous communication with you or your interested member companies. Recently, we have formalized relations with the Associations from Italy and Bosnia and Herzegovina by signing Memoranda of

Understanding. Also we have updated a five-year-old memorandum with ATCEA, Turkey, to meet the new needs and challenges of the time.

We have been exchanging ideas and information with the Associations in Germany, Spain, Denmark and France. We are working on establishing contacts between the Serbian association and one of the afflicted communities of the Kyiv region in order to identify and develop projects for the recovery of infrastructure.

I apologize for not naming everyone. We are discussing numerous ideas and potential projects. Among them, there are projects for the digitalization and creating a detailed database of damage and destruction, attracting the scientific potential of different countries by creating scientific and practical consortia to work out related problems, and others.

But all this activity has several common features and theses that we declare to everyone.

1. The great recovery of Ukraine will not commence before the end of the war. Currently, only critical facilities for ensuring the life of communities are being restored urgently with small budget funds or volunteer efforts.
2. Those companies that are interested in entering the Ukrainian market should use this time and our assistance to legalize their presence in the most effective way for further participation in tenders. This can be a subsidiary company, a representative office, or a consortium with a Ukrainian company. ICEG provides its own analytics and free advisory support, for which the law firm would require a lot of money. But in return, we suggest considering our member companies as potential local partners that you can verify throughout this time.

During the panel discussions or round tables that I have proposed, it would be possible to:

- discuss common problems and issues,
- draft some ideas for the development,
- assess the presence of practical, not theoretical, interest of companies in the Ukrainian market
- determine the feasibility and format of creating a new platform or delegating these powers to one of the EFCA committees to exchange information and ideas related to the Ukrainian issue.

Such platforms have already been created in some countries, such as Czech Republic, Denmark, as well as interested federations, such as FIEC-IEC.

I am sure that this will be helpful both for interested consulting engineers and for the industry as a whole.

Thank you for your attention and your time!