



UKRAINE

# BUILD FORWARD

NGO recommendations on Ukraine recovery and reconstruction. June 2023.



Save the  
Children

**'Build Forward: NGO recommendations on Ukraine recovery and reconstruction', has been endorsed by:**

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**Cover photo:** a boy playing in his school backyard in Ukraine, taken on 21 September 2022. Photo by Finn Church Aid.

**The views expressed in this publication do not necessarily reflect the views of all individual members of the RISE Ukraine Coalition or the Ukraine Humanitarian Platform.**

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Lyubov, 76, looking into the camera. Photo by HelpAge.

# EXECUTIVE SUMMARY

It has been 15 months since the Russian Federation launched a full-scale military offensive in Ukraine, dramatically escalating the war that had been ongoing since 2014. These hostilities have inflicted a massive human and economic toll on families and children across the country. Thousands of civilians have lost their lives, millions have been internally displaced or forced to seek refuge in other countries, and an estimated 144 billion USD worth of damage to infrastructure has been caused. Furthermore, the economy has contracted by nearly 30 percent in 2022.

Considering these devastating consequences, the governments of Ukraine and the UK are hosting the second Ukraine Recovery Conference in London on 21-22 June. The aim of this conference is to bring together donor governments, international financial institutions, the private sector, and civil society to mobilize international support for Ukraine's economic and social stabilisation, as well as its recovery from the effects of the war.

This paper, a collaboration between Ukrainian and international civil society and NGOs, seeks to inform conference participants on how to meet immediate needs while taking steps towards Ukraine's recovery and eventual reconstruction. It emphasizes the importance of adopting an inclusive, human-centric, child-centric and gender-just approach, anticipating major risks that may jeopardize reconstruction efforts, along with mitigation measures that can be taken at present.

## MEETING IMMEDIATE NEEDS

Meeting the immediate needs of civilians affected by the ongoing war is of utmost importance. Civilian casualties, especially among children, are on the rise, with over 23,000 verified civilian casualties, including 8,570 deaths and 1,500 injured children since February 2022. These figures may not capture the full extent of the tragedy as new reports are constantly being verified. Millions of people are forced to seek shelter underground daily due to airstrikes.

The areas where fighting has ceased remain dangerous due to explosive remnants of war and mines, leading to regular incidents causing civilian and child casualties. The destruction of civilian infrastructure and the ongoing hostilities have further exacerbated the need for urgent essential services like protection, mental health support, healthcare, education, clean water, sanitation, and hygiene. Many educational institutions are repurposed for other uses, such as military purposes or shelter for displaced individuals, and the lack of electricity and electronic devices presents a significant obstacle to online education, with more than half of surveyed children missing out on education due to blackouts.

## PRINCIPLES FOR RECOVERY.

Recovery efforts as the war continues in Ukraine are both necessary and possible but must follow clear principles. These include the prioritisation of ongoing financial support to sustain the Ukrainian economy, aligning recovery efforts with EU accession standards, ensuring the ownership and coordination of recovery efforts by Ukraine on national, regional, and local levels, and promoting transparency and accountability throughout the process. In addition, there is the opportunity to not just repair but renew and begin to implement concepts of Build-Back-Better in various aspects such as urban planning, inclusive economic development, education, and environmental approaches, from today.

To implement these principles in practice, the active participation of affected populations in decision-making processes is crucial, including prioritizing policies and measures that protect and ensure equitable access for vulnerable groups.

Investment in education, accelerated learning and catch-up programs is crucial – for both the short and long-term – as is providing mental health and psychosocial support. Demining and the clearance of remnants of war will have immediate protection benefits to the population in the affected regions, allowing for crucial economic activity, making schools safe, as well as enabling humanitarian assistance. The alignment of Ukraine with EU standards as part of the accession process should prioritise improving social protection systems, for instance using the Child Guarantee as a framework to ensure children's participation – especially those growing up in poverty – in the country's education, social and healthcare system with the purpose of breaking the cycle of disadvantage. Ukrainian civil society organizations have a key role to play – in particular, women's rights organizations – and should be supported to continue their vital work.

### **RISKS TO RECONSTRUCTION AND PRIORITIES FOR ACTION.**

Furthermore, the paper identifies risks to post-war reconstruction in Ukraine, such as lack of coordination among donors, insufficient information and expertise, and the potential for misuse of funds and corruption. It emphasizes the need to start mitigating these risks as part of the recovery process, rather than waiting for the hostilities to end. Coordination and synergy between direct budgetary support, immediate relief aid, and longer-term reconstruction (including broader recovery efforts focused on Build-Back-Better principles) need to happen now to enable holistic and agile recovery and reconstruction programming which is responsive to people's needs wherever they are in Ukraine. Managing and aligning financial sources, as well as developing capacities to absorb the amount of funding necessary for reconstruction across Ukraine presents a distinct challenge. This paper specifically outlines mechanisms that would ensure zero tolerance to corruption by building effective reconstruction project management systems, such as the DREAM initiative, to mediate such challenges.

### **LONG-TERM THINKING LINKED TO URGENT ACTION.**

Importantly, action must be taken across these three areas, at the same time, from today. The recent tragedy at the Kakhovka dam illustrates the need for such a multifaceted and coordinated approach. Civilians in the affected areas need to be provided with drinking water and humanitarian aid, and recovery – through the installation of water pumping stations to cater to the needs of displaced and returning populations – must start immediately. Preparation for reconstruction efforts must begin now and prioritize sustainable and transparent development of public water infrastructure to serve cities and communities in the affected regions. All this process would need to ensure consultations and participation from the affected groups, including children.

# RECOMMENDATIONS

## 1. UKRAINE-OWNED, INTERNATIONALLY ACCOUNTABLE.

Ukraine should own and coordinate the reconstruction but should use open and efficient systems that allow international donors to follow along, monitor spending and be assured that their funding is being spent fairly and efficiently. An example would be the use of the award-winning Ukrainian Prozorro procurement system which ensures compliance with the principle of 'everyone sees everything' with timely disclosure of information and shared risk analytics.

## 2. EQUITY, PARTICIPATION AND INCLUSION.

Open and inclusive planning and implementation, especially with participation of displacement-affected populations and vulnerable groups, so they have a say in how to build back better and find joint solutions, making sure that funds are equitably distributed across the country, including urban and rural territories.

## 3. HUMAN-CENTRIC.

As war transforms society, current and future efforts on immediate response, recovery or reconstruction of Ukraine should remain human centric, moving away from an exclusive focus on reconstruction of physical infrastructure, towards reconstruction processes that enable a functioning peacetime society with just economy and rule of law. Conflict management and, where possible, reconciliation are threads that must run through this framework to achieve a sustainable result.

## 4. RENEWABLE AND SUSTAINABLE.

Not simply repairing and building back what was destroyed but creating better and more technologically developed Ukraine. Renewed industrial, social and infrastructure design should consider the highest standards for the environment, social, energy, technology, and urban development. The development process must consider realistic, achievable environmental standards that meet EU sustainability requirements and UN SDGs. Energy efficiency and independence should be a priority in every project and at every stage of its implementation.

## 5. TRANSPARENCY AND ACCOUNTABILITY.

The reconstruction process should be proactively accountable, transparent, and understandable. Information on supported projects, funds spent, contractors involved, results of work, etc. should be made public and accessible to all without any delays, with uniform agreed reporting standards.

## 6. COMPETITION AND EFFICIENCY.

To maximise value to Ukraine, we believe that all goods, works and services should have fair, open competition with wide market consultation. We believe that this can be done with clear time frames that prevent slippage or delay and that digitization and transparency can facilitate these processes to improve efficiency of the process and outcomes.

## 7. COORDINATION.

All assistance provided to Ukraine—whether humanitarian, stabilisation, recovery, development or other kinds of funds— by international financial institutions countries or donors, state and local budgets, as well as development processes, must be clearly coordinated for higher efficiency and should interoperate with electronic reconstruction management system to improve efficiency.

## 8. PUBLICATION AND USE OF OPEN DATA.

Open, complete, timely, accessible, machine-readable data on reconstruction must be publicly available and meet international standards for online publication at all stages of reconstruction and modernization, from fixing damage to commissioning of the projects.

## 9. REFORMS MUST CONTINUE.

The goal of post-war development should be not just technological and economic recovery, but a forward-looking vision of Ukraine. As such, Ukraine needs to make progress in implementing reforms, including implementation of best governance practices, healthcare, and education as well as anti-corruption and judicial reforms, to further improve on the establishment of the rule of law.

## 10. ZERO TOLERANCE TO CORRUPTION.

All participants in reconstruction and modernization must strictly adhere to the principle of zero tolerance to corruption and the highest ethical standards. Law violations must be effectively investigated, and perpetrators must be held accountable.



Photo of a man walking through flooding Kherson following the destruction of the Kakhovka dam. Photo taken in June 2023 by People in Need.

# ONGOING WAR, DAMAGE AND VIOLATIONS

## 1.1. ASSESSMENT OF DAMAGES AND RECOVERY NEEDS

The amount of damage caused to Ukraine's infrastructure due to the Russian Federation launching a full-scale military offensive is estimated at \$144 billion (at replacement cost). According to the Kyiv School of Economics (KSE),<sup>1</sup> damages to infrastructure, education, energy, transport, trade, and healthcare continue to grow. The main components of this sum are residential buildings (\$53.6 billion), infrastructure (\$36.2 billion), and losses of industrial enterprises (\$11.3 billion). In addition, significant losses were incurred in education (\$8.9 billion), the agricultural sector (\$8.7 billion), and energy (\$8.1 billion). It is important to note that the losses mentioned are only a part of the reconstruction needs, and full restoration will require greater capital investments.

On March 23, 2023, a coordinated estimate of the amount of funds needed to restore Ukraine was published. This amount was agreed upon by the Government of Ukraine, the World Bank Group, the European Commission, and the United Nations, and amounts to \$411bn and counting. The cost of reconstruction and recovery is expected to be spread over 10 years and will require both public and private funds. This Second Rapid Damage and Needs Assessment (RDNA2)<sup>2</sup> provides a comprehensive evaluation of war impacts across twenty different sectors. It quantifies the direct physical damage to infrastructure and buildings and describes the impact on people's lives and livelihoods. The RDNA2 also includes the amounts needed for recovery and reconstruction. The RDNA2 estimates Ukraine will need \$14bn for critical and priority reconstruction and recovery investments in 2023. Meeting these needs will require \$11bn in financing beyond what the government has already addressed in its 2023 budget, including \$6bn in unfunded budget needs and another \$5bn in financing to support state-owned enterprises (SOEs) and catalyse the private sector. These 2023 RDNA2 priorities include \$1.1bn for health, education, and municipal services, as well as \$2.3bn for the private sector, which in turn includes \$1.9bn for commerce and industry and \$0.4bn for agriculture. Another \$2bn urgently needed for emergency housing damage repairs.

Children in Ukraine have on average spent over 900 hours underground<sup>3</sup> since February 2022, missing out on education, and experiencing physical and emotional trauma that may negatively impact their life outcomes. Online education has become the only option for millions of children across Ukraine, and the government estimates a national requirement of around 380k laptops and tablets for both teachers and students to continue the online education process. This reality impacts children's long-term development, access to education and bonding with peers, while also increasing the burden on parents and families needed to support children through these processes.

## 1.2. ECONOMIC IMPACT

Despite the war affecting almost every region and sector, the Ukrainian economy remained operational with effectively all economic activities, supply of goods and services available throughout the country, albeit at a diminished level with most damages concentrated in the east and south-east of the country. After a sharp decline



in 2022 by 29.2%, in 2023, according to most forecasts, a gradual recovery of the Ukrainian economy is expected. The stable operation of the energy system, which endured through the missile attacks in autumn/winter of 2022-23 and has already returned to exporting in the spring 2023, as well as the restoration of land logistical chains despite the blockade of ports (except for the Grain Initiative brokered by the UN and Turkey). According to the EBRD estimates<sup>4</sup>, “external financing seems to be sufficient to cover large external and fiscal financing gaps and eliminate the need for monetary financing of budget deficits in 2023”.

The National Bank of Ukraine (NBU) improved its economic growth forecast for 2023, from 0.3% to 2.0%. The World Bank expects 0.5% GDP growth in 2023, however, the current IMF forecast projects growth in a range of 1-3%. At the same time, EBRD expects economic output to increase by 1% in 2023 and by 3% in 2024 if the war continues throughout this period at a similar intensity to that observed in early 2023. Provided that the assumptions about the security situation materialize, no significant electricity deficits are expected, except for some local and ad-hoc shortages that might occur in 2nd half of 2023. At the same time, an increase in budget spending on the back of substantial international financial assistance will support economic activity and consumption. The assumed easing of security risks, starting next year, may help accelerate economic growth to 4.3% in 2024 and to 6.4% in 2025. Access to Ukrainian territories and the complete unblocking of Black Sea ports would enable a gradual increase in industrial production and crop harvests. Moreover, domestic demand is expected to increase as the displaced populations return.

Most businesses continue operating, though with reduced capacity in an environment characterized by a war of attrition concentrated in the east and southeast of the country. From the start of 2023, inflation has been declining faster than expected after reaching 26.6% in December-to-December terms in 2022. In April 2023, consumer price growth slowed to 17.9% year-over-year. The easing of inflationary pressure was facilitated by the sufficient supply of food staples and fuels and by a rapid recovery of the energy system from the consequences of the rocket attacks. An important factor was the improvement in inflation expectations from the start of the year on the back of ceased monetary financing of the budget, hryvnia exchange rate appreciation on the cash market, and the improved attractiveness of hryvnia assets thanks to the measures taken by the NBU.

Humanitarian aid efforts are now mostly focusing on the areas close to active fighting with fewer food and NFI distributions in western and central areas of Ukraine, including due to the restoration of production in Ukraine and the establishment of transport corridors. Reconstruction of housing, infrastructure, and enterprises is becoming the central stage of recovery, including the provision of financial, expert, and technical assistance.

In April 2023 Ukrainian business projections were updated to the highest levels since February 2022, however remaining in the modestly red zone. Surveys show that by the end of 2022, about 32% of all SMEs were not operational, an improvement from about 50% at the peak of the fighting. It allowed for the return of about 165,000 jobs to the SME sector (in comparison to an earlier peak decline of 1.3m million).

## AID COORDINATION

There has been a welcome and generous show of solidarity for the people of Ukraine from governments, multilateral institutions, the private sector, and ordinary civilians since 2022. This includes commitments ranging from individual donations to the humanitarian response to macroeconomic support measures and other assistance to the government of Ukraine.

The UN humanitarian appeal for Ukraine has a requirement of 3.9 billion USD for 2023, 977.2 million of which has been met.<sup>23</sup>

A Multi-Agency Donor Coordination Platform for Ukraine launched in January 2023 to coordinate existing and new mechanisms to support Ukraine's budget, as well as rapid recovery and reconstruction. The Platform is co-chaired by Minister of Finance of Ukraine Sergii Marchenko, White House Deputy National Security Advisor for International Economics Michael Pyle for the United States, and Directorate-General Neighbourhood and Enlargement Negotiations Gert Jan Koopman for the European Commission. Currently, only several meetings of the Steering Committee took place and the proposed secretariat in Brussels and Kyiv is in the process of hiring key staff - so it is still premature to grade its work.

As a result, further consistent efforts should be made to synchronize approaches between direct budgetary support, immediate relief aid, and longer-term reconstruction (including broader recovery efforts focused on Build-Back-Better principles). While many horizontal connections and bilateral relations built throughout coordination events have already allowed to substantially improve aid delivery and produced valuable lessons learned that may become the basis of future principled recovery.



People queue to a just re-opened supermarket in Kherson, Ukraine.  
Photo taken on November 21, 2022 by Oleksandr Khomenko/ Save the Children

# KEY PRINCIPLES OF RECOVERY DURING WARTIME

Strategic approach to Ukraine's recovery requires a search for a new paradigm given the unprecedented nature of the war damages and associated risks. Important factors to consider:

- All major institutions continue their operations - ranging from reliable rail transportation to e-services, from cashless banking to market resource allocation.
- The country has a functioning technological infrastructure and an educated population.
- Ukraine's path to EU accession.

The following recovery principles may be used as criteria to help develop specific recovery mechanisms, ideas, and projects.

1. **Putting people at the centre.** Ukraine's recovery must put the rights and specific needs of populations affected by the war at its core and be informed and reflective of their perspectives. Recovery should be inclusive and gender-just and empower displaced populations (including persons with disabilities, older people, and women and girls) in finding long-term, durable solutions.
2. **Sustained financial support** is needed to keep the Ukrainian economy running. Moreover, direct budget support allows keeping the economy and major public institutions functional, which dramatically facilitates the implementation of any future reconstruction plans. On the other hand, a faster recovery track will allow for shrinking budget support needs.
3. **Recovery aligned with EU accession.** Aid and investment plans should be used to bring the country's infrastructure as well as institutions to the EU standards and the recovery process must be aligned with critical reforms. Particular focus should be given to social and child protection system reform, This should include the transition from institutional to family and community based care aligned with EU MSs & the EU's commitment: no EU or national funds should be used for the structure or renovation of institutional care facilities, efforts should be taken so that children are placed in quality family and community based care according to their individualised needs and a memorandum that children under the age of 3 to be placed only in family based care should be signed, and no child should be placed in the care system solely due to disability grounds.
4. **Owned by Ukraine, coordinated by the government and partners.** Ukraine should own and coordinate the recovery efforts on the national, regional, and local levels. Whenever needed, existing institutions must be strengthened and reformed other than circumvented and paralleled. Projects should be developed bottom-up and be sustainable for the country once funding diminishes.
5. **Transparent and accountable.** The recovery process should use open and efficient systems that allow international donors to follow along, monitor spending, and be assured that their money is being spent fairly and efficiently. Open data about recovery must be publicly available and meet international standards for online publication at all stages of construction and modernization, from fixing damage to commissioning of the projects.
6. **Renewal and not only repairs.** The recovery process presents an opportunity

not only to implement Build-Back-Better concepts but to use them to stimulate Ukraine's renewal at the level of urban planning, inclusive economic development, education system, market design, environmental approaches, social modernization, etc. Efforts should be made to ensure recovery projects are part of an overarching goal of supporting sustainable economic growth and new technologies (i.e., ensuring public services, rural and urban infrastructure regarding children, people with limited mobility, girls, and women's needs, etc.).

7. **Balancing urgent needs and medium- to long-term goals.** As stated in RDNA1, overarching, sector-specific, and region-specific strategies can help guide efforts to meet immediate needs, including prioritizing the most vulnerable groups, supporting livelihoods and communities as well as safety and economic activity, and addressing through recovery and reconstruction of the root causes of vulnerability and risks.
8. **Maximizing private financing for green and resilient recovery.** The scale of investment needed for Ukraine's reconstruction will be substantial and will require leveraging limited public and donor funding with private investment.

## PUTTING PEOPLE FIRST

Cutting across these principles, the people affected by the war in Ukraine, including women and children, IDPs, and refugees, need to be at the centre of Ukraine's recovery human-centered recovery efforts require affected populations' leadership, information sharing and communication with affected communities, and mechanisms to ensure their meaningful participation in developing and delivering recovery and reconstitution strategies. Some of the cross-cutting approaches that should be ingrained in all recovery strategies include:

1. An inclusive and gender-just recovery that reflects the needs and perspectives of all.
2. Child-focused recovery to establish the conditions to respect children's rights and restore their well-being.
3. Durable solutions for displaced persons.

National and sub-national women's rights and women-led organizations (WROs/WLOs) have been instrumental in providing aid and ensuring protection of women and girls within the humanitarian response. Their participation will be equally crucial across all recovery efforts and eventual post-war reconstruction of Ukraine.<sup>5</sup> Likewise, other traditionally marginalized groups, such as older people's associations (OPAs), organizations for people with disabilities (OPDs), and youth-led and LGBTQI organizations should be actively invited to join the process.

Achieving child-focused recovery requires considering children's individual rights, needs, and vulnerabilities, supporting families to provide care for their children, restoring community-support systems, extending basic services such as education, social protection, mental health relief, institutional care, and demining. In addition, as part of the EU accession process and wider social inclusion efforts, Ukraine should use the Child Guarantee as a framework to ensure children's participation—especially those growing up in poverty—in the country's education, social and healthcare system with the purpose of breaking the cycle of disadvantage. Finally, children should participate in decision making processes at national and EU level. The EU has set the example for meaningful participation through the set-up of the Child Participation Platform and Ukraine should be encouraged to strengthen its democratic processes starting from its youngest citizens.

Some 80% of refugees express their continued hope to return to Ukraine one day.<sup>6</sup> Young people living in host countries have indicated that their decision to come back to Ukraine will depend mostly on the security situation and the likelihood of them finding jobs and the national authorities of Ukraine see them as one of the main

contributors to the delivery country's recovery and reconstruction. It is important to consult them during the planning phase. Funding for interventions promoting economic recovery and livelihood support would also mitigate the impacts of poverty on marginalized groups.

The adoption of the National Strategy on Internal Displacement and Action Plan for 2023-2025<sup>7</sup> is a recent positive development to facilitate durable solutions for IDPs. It is welcomed that the strategy prioritizes the creation of IDP consultative and advisory bodies within existing governance structures, enabling them to provide real-time qualitative and experiential policy input. This strategy could be expanded to include those displaced across borders as refugees.

## EXPERIENCE OF IDP COUNCILS

Recently IDP Councils have emerged as highly successful platforms for promoting their participation in public affairs and the recovery process and strengthening social cohesion within communities. More than 20 consultative and advisory bodies already operate at the regional and local levels in Ukraine. The experience of IDP Councils was highlighted by the UN High-Level Panel's Report on Internal Displacement,<sup>8</sup> which recommends "the establishment of consultative bodies that systematically engage IDPs and local communities in the development of laws and policies on internal displacement, solutions strategies, and plans, as well as peace processes".

### Implementing this in practice should include:

1. Participation of affected populations in relevant decision-making processes. Ukraine's national and local authorities should activate existing and/or put in place new mechanisms for this, including focus-group discussions, as well as sharing relevant data and analysis by civil society, using Diia application and other IT tools. This may also include active use of surveys and polling, including recent draft law #9165<sup>9</sup> providing citizens with the possibility to vote online for recovery projects funded through the State Fund for Regional Development. Government and private sector should see affected populations and marginalized groups as having agency in decision-making processes in various program documents and the National Recovery Plan.
2. Prioritizing policies and measures that will protect and ensure equitable access for children, women of all ages, girls, and marginalized groups to services they need and opportunities to rebuild their lives. Make sure these groups are not overlooked in recovery assistance and support, which can prevent further suffering, minimize the impact of the war, and boost sustainable development.
3. Educational activities aimed at accelerated and catch-up learning. These may include multi-year flexible education programs, early childhood development services in affected communities, and supporting educational innovations as well as technical expertise and support for the reconstruction of schools and health facilities to be built disaster-resilient, inclusive, and accessible.
4. Mental health and psychosocial support. Funding and supporting relevant and appropriate mental health programs, GBV response and prevention, women and child protection services based on the child's needs should be a major focus at all response stages, as well as the mid and long-term recovery of Ukraine for decades to come.
5. Mine/UXO clearance. Demining has immediate protection benefits to the population in the affected regions, allowing for crucial economic activity, making schools safe, as well as enabling humanitarian assistance, etc.
6. Ensure care reform efforts are holistic and inclusive of persons with disabilities. Instead of supporting institutions, care reform must include not only the closure of institutions and development of family-based alternatives such as foster care

but, crucially, must be underpinned by the development of support services to help children live well in families and prevent separation.

7. Increasing the volume and improve on the quality of funding to CSOs representing marginalized groups, including to WROs/WLOs, to help them restart their pre-war programs, ensuring hard-won gains on gender equality are not lost while continuing to deliver critical life-saving services as long as necessary.

## BUILDING EFFECTIVE RECOVERY MECHANISMS

The government of Ukraine is making several efforts to create the management infrastructure for the recovery process. In particular, the State Agency for the Restoration and Development of Infrastructure of Ukraine<sup>10</sup> has been established, as well as the DREAM project,<sup>11</sup> a comprehensive state digital ecosystem that provides a single digital pipeline for initiating and managing all reconstruction projects. While these initiatives come into force and mature through a trial-and-error process, many recovery projects (especially rapid aid and simpler repairs) are already ongoing.

### Current barriers and process limitations:

1. Limited/slow registration of damages in the recently launched e-Recovery program (compensations for housing losses) by the communities/Regional administrations/other actors. Currently, there are 50 000+ records in the e-Recovery database, while non-official data from the damaged.in.ua estimates close to 180 000 damaged residential buildings (with many more cases accounting for the individual apartments and/or SMEs within each building).
2. The same stakeholders often directly negotiate their urgent recovery needs – directly with IFIs, donors, charities, etc. This results in unequal access to aid and risks for donor coordination.
3. Most "fast recovery" needs are focused on quick fixes/repairs, rarely capital repairs, or new construction - so there is limited potential for Build-Back-Better or thorough high-level planning.
4. Lack of capacity in communities/regional administration to provide sufficient justification and due diligence to support their funding requests for projects of various size. There is a nationwide list of "projects" submitted by communities/Regional administrations last December included close to 5000 "project ideas" out of which 3500 are less than \$1m, 750 between \$1-10m, and 250 are more than \$10m. Most are "urgent needs" or pre-war projects that already have respective construction blueprints.
5. Limited coordination and project management within the same sector (e.g., healthcare, energy, etc.) on the central level by the respective ministries.
6. Limited coordination between the existing funding streams, including United24, EIB, and WB loan mechanisms, UN agencies, as well as direct bilateral support from international governments.
7. Once projects are selected and funded, they are implemented in several ways - by municipalities, by international partners (eg. UNOPS), and by The State Agency for Reconstruction and Development of Infrastructure of Ukraine.

## THE CASE OF THE DREAM DIGITAL ECOSYSTEM

The target recovery management process is expected to be comprehensively managed through DREAM - the state IT-ecosystem<sup>12</sup> that defines a clear project pipeline - from planning and approval to financing, procurement, construction, and commissioning. The system is to collect, organize, and publish open data at all stages of reconstruction projects in real-time. This allows to monitor the progress and efficiency of project implementation, to reduce risks, to create accurate reporting, and improve general project quality. DREAM is currently being tested with the selected communities and is expected to be ready and implemented across Ukraine<sup>13</sup> by December 2023 to cover the following reconstruction project management steps:

1. Assessing the need and calculating potential impact. A reconstruction project is entered into DREAM by the initiating stakeholder, including KPIs, project descriptions, and information on whether it complies with strategic and sector documents.
2. Evaluating the project scope and technical approach: cost-effectiveness, cost-benefit, SWOT, legal restrictions, availability of land, urban planning conditions and restrictions, adjacent infrastructure, necessary permits, determination of the final technical solution to be implemented, preparing its design documentation.
3. Economic feasibility analysis and prioritization. DREAM will strive to move projects forward based on a transparency, detailed cost-benefit analysis, and economic feasibility.
4. Deciding on financing methods. The project is presented to available pools of financing and defined/finetuned based on the criteria of the specific IFI/donor/state budget, etc. through the system. Once the project is selected for financing, the relevant procurement/PPP/concession mechanism of the project is determined.
5. Procurement process. The procurement process is conducted outside the DREAM software but is linked to each project. A project can't be tendered without going through the above-mentioned analysis stages.
6. Implementation stage. Includes project implementation planning, obtaining permits for construction works, construction, technical supervision of the project implementation terms, commissioning of the reconstructed facility, and selecting the operator.
7. Monitoring and control. Involves ongoing automated monitoring against the earlier defined scope, timing, budget, etc. as well as provides all necessary data for internal/external audits. Once the project is commissioned, allows monitoring if expected KPI indicators are met (demand, operating costs, jobs, occupancy, other performance indicators)

# BUILDING FORWARD, STARTING TODAY

## SUPPORTING MECHANISMS

Investment absorption capacity is a traditional problem in many developing countries and will be of utmost importance for Ukraine's recovery given the losses of human capital and basic infrastructure. Pre-full-scale-war international assistance for Ukraine peaked in 2020 with official development assistance of \$2.55bn and other official flows of \$1.69bn<sup>14</sup> and this amount might be assessed as an indirect ceiling estimate for the public sector's ability to prepare and implement projects of proper quality. Absorption capacity improvement might involve changes in the following areas:

### 1. Project management capacity.

Most municipalities and state agencies lacked dedicated and trained PMs for development projects even before the war, which was further impacted by the demographic challenges and the displacement of qualified personnel.

- a. If we estimate that 2 dedicated PMs are needed in each community, at least 750 individuals motivated by competitive salaries and career prospects should be engaged to facilitate the recovery process across Ukraine.
- b. These individuals can be identified within existing chains of command, evaluated, trained (i.e., through twinning or dedicated short courses at the top local universities), and empowered to have a larger role in managing the recovery process; or seconded to the respective municipalities and agencies using the Reform Support Team (RST)<sup>15</sup> mechanism.<sup>16</sup>

### c. Project preparation capacity.

Even with dedicated PMs many devastated communities will face enormous challenges in turning a project idea into a full-fledged project ready for tendering. A solution can be introduced through the Ukraine Reconstruction Framework Agreement which draws on a roster of pre-selected entities when commissioning services. Such a framework agreement would enable the Ukrainian government to access advice, expertise, and delivery capacity in a cost-efficient and effective manner across multiple thematic areas, which can be organized by area of expertise and/or sectors (lots). Ukraine could commission multi-disciplinary teams of qualified professionals to manage and deliver reconstruction activities with greater agility and innovation whilst maintaining fair competition. Examples of framework agreements introduced by the UK Foreign, Commonwealth, and Development Office include the International Multidisciplinary Programme (IMDP) Framework, which has 22 lots with up to 15 suppliers per lot, and the Conflict, Stability, and Security Fund with 103 suppliers.

### 2. Streamlining procedures and approval timelines.

Coordinating and streamlining project preparation, management, and procurement procedures will play a big role in reducing the time to construction start. Maximum use of the country's acclaimed Prozorro e-procurement system<sup>17</sup> would help ensure uniform rules already known to local contractors. In December 2022, World Bank announced<sup>18</sup> that Prozorro meets the e-procurement requirements for World Bank-financed operations, while other international



actors and IFIs may also follow, which would streamline procedures and reduce timelines for international procurement procedures used by IFIs.

3. **Private sector's capacity for project implementation.** There are substantial concerns about the availability of equipment/technology/raw materials/labour and ability of private companies to engage in reconstruction opportunities once they become available. Additional research is needed to evaluate potential chocking points in input availability as well the need to ramp up production of key technology elements, i.e., for Ukraine's badly damaged energy sector. Potential contractors should be engaged and given ample time to prepare for starting operations in-country, with an emphasis on companies able to bring vital build-back-better technologies.
4. **Risk insurance for institutional and private investors.** Might be an important element, especially in the reconstruction of the eastern parts of the country. World Bank's MIGA mechanisms might be a critical missing puzzle to ensure this risk is mitigated.



A woman looks into the camera. Photo taken on 14 February 2023 by Finn Church Aid.

## FINANCIAL SOURCES

A recent report by the European Bank for Reconstruction and Development estimates that a five-year recovery would require an extra investment of around \$50 billion a year from inflows of capital from abroad, including private capital, in that time.<sup>19</sup>

Potential sources of recovery funds may include, among others:

- 1. Ukrainian state budget:** \$1.67bn is budgeted for mitigating the consequences of armed aggression in 2023. Resources from this Fund for Liquidation of Russian Aggression Consequences will be used to provide financial assistance for the repair of damaged housing (the e-Recovery program), restoration of critical infrastructure, pilot rehabilitation projects in five regions, as well as repairs to many damaged facilities throughout the country and other efforts to overcome the socio-economic consequences of the war.
- 2. Bilateral aid:** Dozens of countries have pledged to help Ukraine in post-war recovery. In different cases, these were declarations of intent, general commitments, or promises of support for individual reconstruction projects.
- 3. Multilateral institutions:** Include many implementation organizations,<sup>20</sup> some of which were among the largest investors in Ukraine and maintain a substantial presence in the country coupled with policy-support capacity. It is widely expected IFIs will play a critical role in implementing recovery aid.
- 4. Private capital:** Ukraine's reconstruction will require massive private sector investments not only to fill the gaps created by the war but also to ensure job creation, technology transfer, and Ukraine's due participation in international value chains. These investments may also be a powerful motivation for continuing important institutional reforms in Ukraine and help decrease the financial burden of foreign aid backers.
- 5. Other private sources:** Private foundations and individuals as well as the Ukrainian diaspora already collected significant sums to support Ukraine. These funds are sourced through state-supported mechanisms,<sup>21</sup> individual non-profit organizations, and direct aid to impacted communities. Although less structured than other sources, private aid will likely continue to play a significant role and may bring additional benefits in building trust and providing direct and non-monetary support to individual recipients.

## TRANSPARENCY AND ZERO TOLERANCE TO CORRUPTION

How these funds are managed, regardless of their source and mechanisms for oversight, will be critical in future reconstruction efforts. In contrast to many other cases that required massive international aid for reconstruction, Ukraine benefits from many operational elements of the anticorruption infrastructure - hundreds of thousands of public officials and SOE employees submit extensive e-declarations, a trio of anticorruption bodies (NABU, SAP, and HACC) were created from scratch and processed dozens of high profile cases, the country boasts a burgeoning non-governmental sector with major experience in monitoring tenders or combating crooked officials. Many market-oriented and innovative reforms proved there is both will and ability to decrease the space for corrupt activities. And while Ukraine still has a long way to go (the country ranks 116th out of 180 countries in Transparency International's Corruption Perceptions Index for 2022), reconstruction efforts can build upon and reinforce already locally proven approaches:

- 1. Everyone sees everything.** Radical information openness (i.e., Ukraine was one of the first countries worldwide to open a corporate register, has e-procurement and e-auction systems with unprecedented levels of information access, etc.) is key to ensuring there are fewer dark spots for corruption to hide. Convenient data access to donors, journalists, potential contractors, and the public ensures

trust in the process, increases the efficiency of resource allocation and management decisions, and allows rational answers to unavoidable political criticism.

6. **Inclusion and participation.** Ukraine's high digitization level should provide an opportunity for dramatically increasing input from marginalized groups by allowing new instruments for public feedback and consultations. Thus, transparency in reconstruction requires not only open data publishing but also a clear method for data input, suitable for many groups that suffered from the war, including IDPs.
7. **Actionable instruments.** Transparency is about effective tools, not just open data per se. Therefore, we support IT instruments and data interoperability that allows actionable access to information, civil participation in decision-making, public oversight, whistle-blower mechanisms, and other open data ecosystem development.
8. **Risk-oriented approaches.** Despite the martial law regime, we encourage risk-oriented approaches to data access and security. For example, all data about reconstruction must be open-by-design with only elements critical for security to be closed. The same applies to other critical anti-corruption instruments, such as e-declarations. The latest IMF Memorandum<sup>22</sup> sets an important precedent via a Structural benchmark to restore the obligation of public officials (but not directly involved in the mobilization and war efforts) to submit and disclose their asset declarations during Martial Law and reinstate the function of the NACP to examine and verify the asset declarations.
9. **Open contests with key input from international experts and civil society.** Ukraine's largest successes in disruptive reforms were always connected to a complete organizational rehaul - either by creating a new agency from the ground or by dramatic personnel cuts and hires. In either case, open contests with a deciding role of international experts and civil society representatives played a major role. It allows a break of favouritism and clan-system and is especially important in areas that traditionally enjoy a lot of self-governance (like law enforcement and judiciary). Similar inclusive appointments and decision-making mechanisms are important for reconstruction agencies and project selection mechanisms.
10. **Corruption prevention.** Unquestionably, law violations must be effectively investigated, and perpetrators must be held accountable. Still, this process is always slow even with the most efficient law enforcement, and maybe doubly difficult given Ukraine's security risks. Thus, an emphasis is to be made on corruption prevention, such as using fair and open competition mechanisms for resource allocations and tenders, maximum digitization, and minimizing discretion powers. While the latter might contrast with the practices of many developed countries, it makes a lot of sense in the context of weaker public service and corruption perception.

## RISKS TO POST-WAR RECONSTRUCTION AND MITIGATION MEASURES TO UNDERTAKE NOW

#	Risks	Possible mitigation
1	Lack of coordination between donors, Ukrainian government, and other actors	<ul style="list-style-type: none"> <li>Supporting regular coordination meetings of the Multi-Agency Donor Coordination Platform for Ukraine supplemented by an efficient secretariat 'on the ground'.</li> <li>Developing a single 'menu' of recovery projects to avoid cherry picking and individual project pitching.</li> <li>Encourage a single donor/country to take a lead on specific sector or region to avoid rubbing elbows and allow everyone to have a place to shine as opposed diluted in a single pot of funding.</li> <li>Require information sharing in a machine-readable format to keep everyone updated</li> </ul>
2	Lack of information for data-driven recovery processes	<ul style="list-style-type: none"> <li>Providing support to different country-wide initiatives to collect data about damages, regional statistics, GIS-data, human flows.</li> <li>Encouraging all potential recovery backers to use DREAM as a single pipeline of project management and Prozorro for procurement.</li> <li>Active use of indirect methods of data gathering as opposed to putting additional strain on depleted regional authorities and municipalities.</li> <li>Risk oriented approach as opposed to verification only by officially appointed personnel that may be not readily available in many regions</li> </ul>
3	Slow or low-quality recovery projects preparation	<ul style="list-style-type: none"> <li>Investing into and providing expert support to algorithmic approaches to regional recovery and urban development plan as a blueprint</li> <li>Supporting private sector involvement into project preparation and management</li> <li>Allocating portions of all aid packages for creating PM-units 'on the ground'</li> <li>Streamlining bureaucracy to fast-track relatively simple repairs</li> </ul>
4	Lack of expertise to implement complex projects and BBB approaches	<ul style="list-style-type: none"> <li>Creating sectoral expertise units (with an anticipated sunset clause to avoid duplication of authorities forever)</li> <li>Compulsory checks of complex projects for compliance with modern requirements by the State Agency for Reconstruction and EU teams</li> <li>Creating fast and easy to access mechanisms for regional authorities to request expert support for a specific project from international experts.</li> <li>Risk-monitoring of the quality of project implementation, including using civil oversight.</li> <li>Supporting development and education of national experts and project managers</li> <li>Pre-selection of qualified advisors and contractors that draws on a roster of pre-selected entities when commissioning services</li> </ul>

#	Risks	Possible mitigation
5	Slow and inefficient aid disbursement procedures	<ul style="list-style-type: none"> <li>• Reviewing specific donor procedures to fast-track recovery projects in Ukraine as opposed to usual longer-term planning.</li> <li>• Creating more pools of rapid assist funds that can be disbursed whenever needed.</li> <li>• Establishing a dedicated fund to compensate for VAT costs in projects funded by donors that do not provide the VAT component.</li> <li>• Dropping co-investment requirements in devastated regions</li> <li>• Using unified procurement procedures (including Ukraine's Prozorro e-procurement) to speed up construction start</li> </ul>
6	Lack of project ownership and citizen involvement Inefficient use of funds and corruption, favouritism in project selection	<ul style="list-style-type: none"> <li>• Stimulating project preparation with the bottom-up approach and not top-down</li> <li>• Requirements for public project discussions and overviews (including online through Diia and other IT-solutions)</li> <li>• Supporting the State Agency for Reconstruction in taking over projects in devastated regions, including developing necessary legal mechanisms</li> <li>• Harmonizing recovery projects with sectoral development plans and transparent priorities</li> <li>• Promoting civil monitoring and participation</li> </ul>
7	Inefficient use of funds and corruption, favouritism in project selection	<ul style="list-style-type: none"> <li>• Ensuring maximum project data transparency, including through DREAM and other open-data projects</li> <li>• Establishing simple metrics to evaluate social and economic impact of each project in the relevant category.</li> <li>• Requiring independent surveyance and audits for larger projects</li> <li>• Creating a basic project efficiency checklist and risk-management mechanisms</li> <li>• Organising taskforces for monitoring with international and local staff to avoid some projects falling into bureaucratic limbo with no one responsible.</li> <li>• Supporting civil oversight and involvement of anticorruption activists/NGOs into project selection process.</li> <li>• Providing resources to Ukraine's newly created anticorruption infrastructure to ensure it can scale up to the task.</li> </ul>
8	Shortage of workforce and necessary professional competences	<ul style="list-style-type: none"> <li>• Supporting hiring local personnel in all reconstruction projects to create sustainable jobs and motivate workers to return home.</li> <li>• Organizing a system for training necessary specialists, including IDPs that lost their jobs.</li> <li>• Stimulating relocation problems, including simplified local permits and certification mechanisms.</li> <li>• Analysing potential competences choke points in construction (i.e., safety expertise) to design skill transfer mechanisms.</li> <li>• Providing resources to Ukraine's education sector to refocus and strengthen its capacity and match new needs (i.e., via dual diplomas with foreign universities, dual education, laboratories funded by donors).</li> <li>•</li> </ul>

# ENDNOTES

- 1 <https://damaged.in.ua/damage-assessment>
- 2 <https://www.worldbank.org/en/news/press-release/2023/03/23/updated-ukraine-recovery-and-reconstruction-needs-assessment>
- 3 <https://www.savethechildren.net/news/over-900-hours-underground-children-ukraine-endure-life-bunkers-war-enters-second-year>
- 4 <https://www.ebrd.com/documents/comms-and-bis/regional-economic-prospects-may-2023.pdf?blobnocache=true>
- 5 This is in line with Ukraine's Updated National Action of Plan on Women Peace[1] (NAP), launched in March 2023.
- 6 <https://data.unhcr.org/en/documents/details/95767>
- 7 <https://minre.gov.ua/2023/04/07/uryad-shvalyv-strategiyu-derzhavnoyi-polityky-shhodo-vnutrishnogo-peremishhennya-na-period-do-2025-roku/>
- 8 [https://www.un.org/internal-displacement-panel/sites/www.un.org/internal-displacement-panel/files/idp\\_report\\_web.pdf](https://www.un.org/internal-displacement-panel/sites/www.un.org/internal-displacement-panel/files/idp_report_web.pdf)
- 9 <https://mtu.gov.ua/news/34247.html>
- 10 The State Agency for Reconstruction and Development of Infrastructure is the central executive body created to implement state policy for the construction, repair, and modernization of infrastructure, housing, roads, and other objects. The Agency is expected to serve as a centralized project implementation unit, taking over complex state-owned projects (i.e. national roads) and projects where the relevant regional authority or asset owner is not able to perform (i.e. utilities in thoroughly damaged settlements).
- 11 Digital Restoration Ecosystem for Accountable Management - <https://dream.gov.ua>
- 12 [https://docs.google.com/document/d/164q\\_ThBsLicBgMWPGdF-wVtjj01VV21XY-j2FKq0V6cc/edit#heading=h.30j0zll](https://docs.google.com/document/d/164q_ThBsLicBgMWPGdF-wVtjj01VV21XY-j2FKq0V6cc/edit#heading=h.30j0zll) currently DREAM operates as a pilot project commissioned by the CMU Decree #1286 <https://zakon.rada.gov.ua/laws/show/1286-2022-%D0%BF#Text>
- 13 Currently DREAM operates as a pilot project commissioned by the CMU Decree #1286 <https://zakon.rada.gov.ua/laws/show/1286-2022-%D0%BF#Text>
- 14 <https://www.undp.org>
- 15 <https://fsr.org.ua/en/page/reform-support-team>
- 16 Professionals from outside the Ukrainian public service that work in state agencies on a temporary basis to implement priority reforms and

transform the agencies themselves. In this case, it is important to ensure RSTs are included in the decision-making process, i.e. by requiring their involvement in the project sign-off for international financing.

- 17 <https://oecd-opsi.org/innovations/eprocurement-system-prozorro/>
- 18 <https://www.me.gov.ua/News/Detail?lang=en-GB&id=dbbea-b9c-6de8-428d-b974-48f2b46f8cd8&title=TheWorldBankRecommendedUsingProzorroForAllPurchasesForTheReconstructionOfUkraine>
- 19 <https://www.ebrd.com/news/2023/ebrd-outlines-a-view-of-a-successful-ukraine-reconstruction.html>
- 20 World Bank (WB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Different agencies of the United Nations (UN), Special Trust Fund for Ukraine's reconstruction and many others.
- 21 <https://u24.gov.ua/>
- 22 [https://bank.gov.ua/admin\\_uploads/article/Lol\\_MEFP\\_Ukraine\\_2023-03-24\\_eng.pdf?v=4](https://bank.gov.ua/admin_uploads/article/Lol_MEFP_Ukraine_2023-03-24_eng.pdf?v=4)
- 23 <https://www.unocha.org/ukraine>

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