

analytical review



# REBUILDING IN WAR TIME

A SIX-MONTH REVIEW

Review No. 1 | May - October 2023



In times of war, Ukraine continues to address urgent issues of rebuilding damaged and destroyed facilities on a “here and now” principle, supports “rapid recovery” activities, and at the same time makes efforts to create conditions for a major rebuilding on the “Build Back Better” principle.

In this review, we have collected and analyzed nearly 2,500 news items about the reconstruction life cycle **from May to October 2023**. Furthermore, we classified them and outlined the key reconstruction solutions and projects in detail. This classification will help to better identify challenges and emphasize the achieved progress.

This review is the first issue in the series. This material will be helpful for the public, experts, international observers, journalists, and other stakeholders.



The research methodology  
can be accessed here



A table  
with news

The review can be accessed at [iaa.org.ua/portfolio/reconstruction-process-1](https://iaa.org.ua/portfolio/reconstruction-process-1)

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# Abbreviations



<b>Agency for Restoration</b>	State Agency for Restoration and Infrastructure Development of Ukraine
<b>IDPs</b>	Internally displaced persons
<b>VRU</b>	Verkhovna Rada of Ukraine
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EIB</b>	European Investment Bank
<b>EU</b>	European Union
<b>CMU</b>	The Cabinet of Ministers of Ukraine
<b>IMF</b>	International Monetary Fund
<b>Ministry for Restoration</b>	The Ministry for Communities, Territories and Infrastructure Development of Ukraine
<b>MoE</b>	Ministry of Economy of Ukraine
<b>MoF</b>	The Ministry of Finance of Ukraine
<b>MoH</b>	The Ministry of Health of Ukraine
<b>IFOs</b>	International financial organizations
<b>NBU</b>	The National Bank of Ukraine
<b>Lgs</b>	Local Governments
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Program in Ukraine
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>G7</b>	Countries of the Group of Seven
<b>USAID</b>	United States Agency for International Development

# 1. BACKGROUND AND KEY REBUILDING EVENTS



Processes aimed at rebuilding the country started just a few months after the beginning of the large-scale military invasion caused by the Russian aggression. Since then, the Government and international partners have made substantial progress and implemented some important steps toward the recovery of Ukraine. **Such events include the following:**



April  
**2022**

The National Council for the Recovery of Ukraine from the War was established

June  
**2022**

Ukraine was granted the status of a candidate for accession to the European Union.



July  
**2022**

The international Ukraine Recovery Conference (URC 2022) was held in Lugano.

August  
**2022**

The Government presented the Register of Damaged and Destroyed Property.



September  
**2022**

The first RDNA1 general reconstruction needs assessment, developed by the Government of Ukraine, the World Bank Group, the European Commission, and the United Nations, was presented.

October  
**2022**

The Fund for the Elimination of the Consequences of Armed Aggression was established.



November  
**2022**

A pilot project to introduce the Digital Management System for the Reconstruction of Transport Infrastructure was launched.

December  
**2022**

URTF, a new multilateral trust fund, was established to channel donor support for Ukraine.



December  
**2022**

The Government created the Ministry for Communities, Territories, and Infrastructure Development of Ukraine (Ministry for Restoration) through renaming and re-organizing two ministries.



January  
**2023**

The State Agency for Restoration and Infrastructure Development of Ukraine was established.



January  
**2023**

The Multi-Agency Donor Coordination Platform for Ukraine became operational.



March  
**2023**

The IMF Executive Board approved USD 15.6 billion under a New Extended Fund Facility Arrangement for Ukraine.



March  
**2023**

EIB launched EU4Ukraine, a trust fund to support the recovery of Ukraine until the middle-term EU support becomes effective.



March  
**2023**

The updated RDNA2 general reconstruction needs assessment, developed by the Government of Ukraine, the World Bank Group, the European Commission, and the United Nations, was presented.



May  
**2023**

The Law on Compensation for Damaged and Destroyed Property became effective.



May  
**2023**

The Ukraine Development Fund (UDF), a national financial development instrument funded by the Ministry of Finance, was established. It will complement the activities of other international organizations by increasing effective opportunities for attracting private capital in the process of Ukraine's recovery.





June  
**2023**

At the Ukraine Recovery Conference (URC) 2023 in London, an MVP of the public module of the Digital Restoration Ecosystem for Accountable Management (DREAM) was presented.

June  
**2023**

U.S. Congress introduced a bill aimed at confiscating Russian assets to be used for Ukraine's recovery.



September  
**2023**

The U.S. President appointed Penny Pritzker as the U.S. Special Representative for Ukraine's Economic Recovery.

September  
**2023**

The President of Ukraine announced the opening of the first Office for Recovery in Ukraine.



October  
**2023**

The European Parliament voted in favor of creating the Ukraine Facility in the amount of EUR 50 billion to support Ukraine in 2024-2027.

October  
**2023**

The Ministry for Restoration approved methodological recommendations for prioritizing reconstruction projects.



## 2. LOSSES FROM THE WAR AND RECONSTRUCTION FUNDING



### 2.1. Losses

According to [data](#) provided by KSE, as of September 1, 2023, the total direct documented losses inflicted on Ukraine's infrastructure due to the full-scale Russian invasion were USD 151.2 billion (at the replacement value).

However, according to the RDNA2 joint [assessment](#) made by the Government of Ukraine, the World Bank Group, the European Commission, and the United Nations, as of February 24, 2023, only, Ukraine's recovery and reconstruction needs reached USD 411 billion. It is worth reminding that the previous RDNA report of the Government and partners estimated the recovery and reconstruction needs, as of June 1, 2022, at over USD 349 billion.

It should also be added that it became known in November 2023 that the Government of Ukraine, the World Bank Group, the European Commission, the United Nations, and other partners had [started working](#) on the third Rapid Damage and Needs Assessment (RDNA3). This updated assessment of the effects of the Russian invasion will cover the period from February 24, 2022 until December 31, 2023.

### 2.2. Funding

#### Funding of Ukraine's budget between May and October 2023

Month

Largest aid amounts by donors

▼ MAY



**EU: \$ 1.63 billion**  
soft-term financing



**USA: \$ 1.25 billion**  
a grant

The state budget of Ukraine received USD [3.2 billion](#) in grants and soft-term financing from international partners.

▼ JUNE



**EU: \$ 1.64 billion**  
soft-term financing



**USA: \$ \$ 1.2 billion**  
a grant

The state budget of Ukraine received USD [3 billion](#) in grants and soft-term financing from international partners.

Місяць

Найбільші суми допомоги в розрізі донорів

▼ JULY



**EU: \$ 1.67 billion**  
soft-term financing



**USA: \$ 1.25 billion**  
a grant



**Japan: \$ 1.5 billion**  
soft-term financing



**IMF: \$ 890 million**  
soft-term financing

The state budget of Ukraine received USD [5.3 billion](#) in grants and soft-term financing from international partners.

▼ AUGUST



**EU: € 1.5 billion**  
soft-term financing



*It was the first month of 2023 when the budget received no grants.*

The state budget received EUR [1.5 billion](#) as the 7th tranche of the EU macro-financial assistance.

▼ SEPTEMBER



**EU: \$ 1.6 billion**  
soft-term financing



**USA: \$ 1.25 billion**  
a grant



**The World Bank: \$ 100 million** (under the guarantee of the UK)  
soft-term financing

The state budget of Ukraine received nearly USD [3 billion](#) in grants and soft-term financing from international partners.

▼ OCTOBER



**EU: \$ 1.6 billion**  
soft-term financing



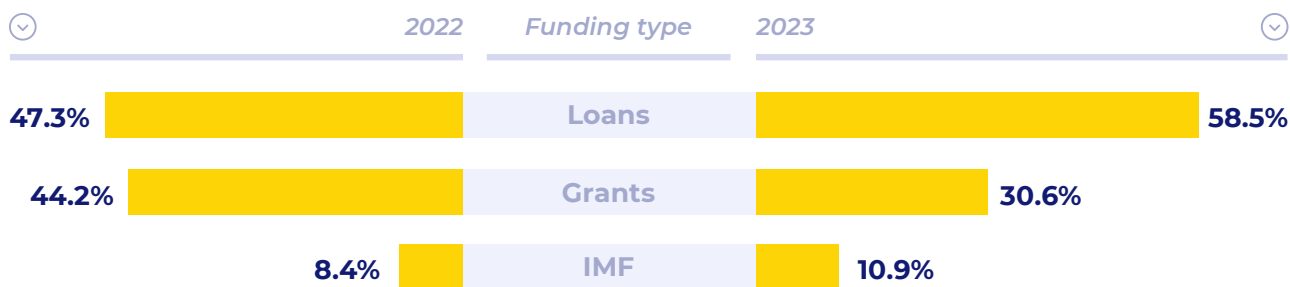
**USA: \$ 1.15 billion**  
a grant

Ukraine's state budget received nearly USD [2.8 billion](#) in grants and soft-term financing from international partners.

\* According to MoF

According to [the Ministry of Finance](#), in 2023, as of November 9, the international partners provided USD 35.4 billion. In 2022, the total aid amounted to USD 31.1 billion.

The budget deficit is mainly covered by external funding in loans and grants. [According to NBU](#), Ukraine received USD 32.2 billion of international financial aid in 2022 and USD 32.7 billion in 9 months of 2023. It is worth noting changes in the aid structure as while the share of grants has decreased, the share of loans has increased.



In contrast to 2023, Ukraine has less clarity regarding budget deficit coverage sources and volumes in 2024. The support by the European Union evolves along a clearer track within the framework of the Ukraine Facility financial instrument (EUR 50 billion for 2024-2027, where EUR 39 billion is direct budget support). Meanwhile, no decision has yet been made on financial support from the United States.

Given the estimated budget deficit of nearly USD 43 billion in 2024, both decisions are crucial for us.

However, in addition to budget deficit coverage, damaged houses, critical infrastructure, and many more should be gradually rebuilt. During the reporting period, it became evident that “physical” reconstruction was mainly financed through the allocation of funds from the Fund for the Elimination of the Consequences of Armed Aggression (hereinafter, the “Fund”).

It is worth remembering that, in 2022, the Parliament [voted](#) in favor of establishing the Fund as part of a special fund within Ukraine’s state budget. Funds from the enforced recovery of assets in Ukraine owned by Russia or its residents became the only source of revenues for the Fund.

Such a Fund was also established within the [state budget](#) for 2023. However, the Parliament diversified its funding sources. 50 percent of funds that NBU transfers to the state budget were added to funds from the seizure of the aggressor’s assets.

**The Fund allocates its resources, inter alia, in the following areas:**

- ➔ construction, reconstruction, restoration, and major repairs of public buildings and structures;
- ➔ construction of infrastructure facilities, in particular, for water supply, sewage, heat production, heat supply and electric supply services;
- ➔ construction, reconstruction, major repairs, and the development of design documentation for houses for IDPs, people who lost their homes, and others.

So, the Fund's money should be directly used to rebuild facilities that are essential for people and were destroyed or damaged due to hostilities caused by the military aggression of Russia against Ukraine.

In May 2023, the Government [allocated](#) money from the Fund for the first time. The Ministry for Restoration received UAH 4.4 billion from the Fund to pay assistance under the eRecovery program. In June, CMU [approved](#) the list of the first local projects funded by the Fund. UAH 6.6 billion was allocated for implementing these projects. The approved projects included the construction (major repairs or reconstruction) of and emergency recovery work at apartment houses, health care facilities, schools, kindergartens, and public utility infrastructure, building civil protection structures, and more.

In general, the Government has been working continuously to finance the restoration of damaged facilities in various fields. As of October 2023, UAH 62.3 billion was [allocated](#) from the Fund for the Elimination of the Consequences of Armed Aggression for various recovery programs.

It is also foreseen that such Fund will be established within the [state budget for 2024](#). However, its sources of revenue have been revised. Funds from the enforced recovery of assets in Ukraine owned by Russia or its residents will actually be the only source of revenues for the Fund. Additionally, the Fund will receive money that has been left from its revenue sources from previous years.

As early as the beginning of this year, the Government [identified](#) four reconstruction funding sources. Apart from money transferred to the Fund for the Elimination of the Consequences of Armed Aggression, these are funds from international partners and funds from donors from around the world that have been raised on the United 24 platform. Many foreign governments, international financial organizations, and foreign private companies provide Ukraine with financial resources through various instruments and programs. So, it is quite difficult to precisely calculate the amount of money that has been raised and used for reconstruction. In the sections below, we also indicated funds our partners gave us for reconstruction in various sectors and areas.



## 3. THE INTERNATIONAL AND NATIONAL RECONSTRUCTION LEVELS

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### 3.1. Key events

Ukraine-related international activities and events play an important role in the recovery process. They help consolidate partners and enlarge multilateral support. At the same time, domestic events facilitate developing plans and making decisions on how to comprehensively rebuild the country, involving all stakeholders in its process.

#### MAY

- ① **Joint Declaration by Ukraine, the Kingdom of Belgium, and the Kingdom of the Netherlands** on the support of Ukraine's sovereignty and territorial integrity, Ukrainian Peace Formula, bringing Russian war criminals to justice and strengthening sanctions.
- ② **Asian Leadership Conference in Seoul**, strengthening of South Korea's support in the matters of the Ukrainian Peace Formula, technologies, and cultural heritage preservation.
- ③ **G7 Summit in Hiroshima**, a search for support to the Ukrainian Peace Formula, strengthening sanctions against Russia, and energy security.
- ④ **The launch in Tokyo of the Ukraine Invest platform**, an instrument for cooperation with IFOs and financial development institutions to primarily support the reconstruction of the private sector in Ukraine. This platform must be coordinated with the G7 Multi-Agency Donor Coordination Platform for Ukraine.
- ⑤ **A conference on green recovery in Lviv**, the establishment of the State Fund for Decarbonization and Energy Efficient Transformation, and ensuring that communities have access to energy-efficient solutions.
- ⑥ **The 4th Summit of Heads of State and Government of the Council of Europe**, a political declaration in support of establishing a register of damages inflicted by Russia.

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## JUNE

- ③ **Ukraine Recovery Conference, London:** attracting financial resources for helping Ukraine and for its reconstruction; creating a coalition of businesses for investments; presentation of the DREAM, an electronic system for reconstruction management; launching a pilot for war-risk insurance of investments in the reconstruction of Ukraine and international trade.
- ③ **The meeting of the Steering Committee of Multi-Agency Donor Coordination Platform,** the first personal meeting that was a side event of the Ukraine Recovery Conference 2023, London. A search for how to best meet the urgent priority needs of Ukraine.
- ③ **International Working Group on the Environmental Consequences of War, Kyiv:** assessment of environmental losses and bringing Russia to justice for these crimes; environmental recovery.

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## JULY

- ③ **The first meeting of the Coordinating Council on Regional Policy and Decentralization Reform** involving the Ministry for Restoration and international partners, efforts to create a network of community support teams.

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## AUGUST

- ③ **The first inaugural meeting of the Economic Policy Advisory Council under the Ministry of Economy,** which has distinguished international economists among its members. The development of recommendations for the recovery architecture.
  - ③ **Joint Declaration of Intent on Strengthening Cooperation between the Ministry of Finance of Ukraine and the Federal Ministry of Finance of the Federal Republic of Germany,** providing for consultative support from the German Side.
  - ③ **Third Crimea Platform Summit:** 15 international, national, and local businesses joined an open memorandum for the recovery and development of entrepreneurship on the Crimean peninsula after its de-occupation.
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## SEPTEMBER

- **G7 Parliamentary Summit**, a declaration was adopted to support Ukraine and strengthen cooperation and solidarity with partners.
- **The first meeting of the Business Advisory Group, a business platform**: sectoral groups consisting of the Ministry officials and representatives of businesses were established to create a mechanism for an effective and transparent involvement of businesses in the reconstruction.

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## OCTOBER

- **A meeting of ministers of the environment of European countries in Kyiv**, a discussion of the action plan for Clause 8 of Volodymyr Zelenskyy's Peace Formula.
- **The online meeting of the G7+ Ukraine Energy Coordination Group** dedicated to helping Ukraine to rebuild its energy infrastructure.

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### 3.2. Institutional capacity development

Certainly, both international and domestic events play an important role in searching for and attracting additional finances, recovery planning, and more. However, internal practical steps designed to build the institutional architecture of reconstruction are equally important. It is about creating sustainable institutions that will promote reconstruction, the legislative regulation of reconstruction at various levels, and, finally, launching reconstruction projects.

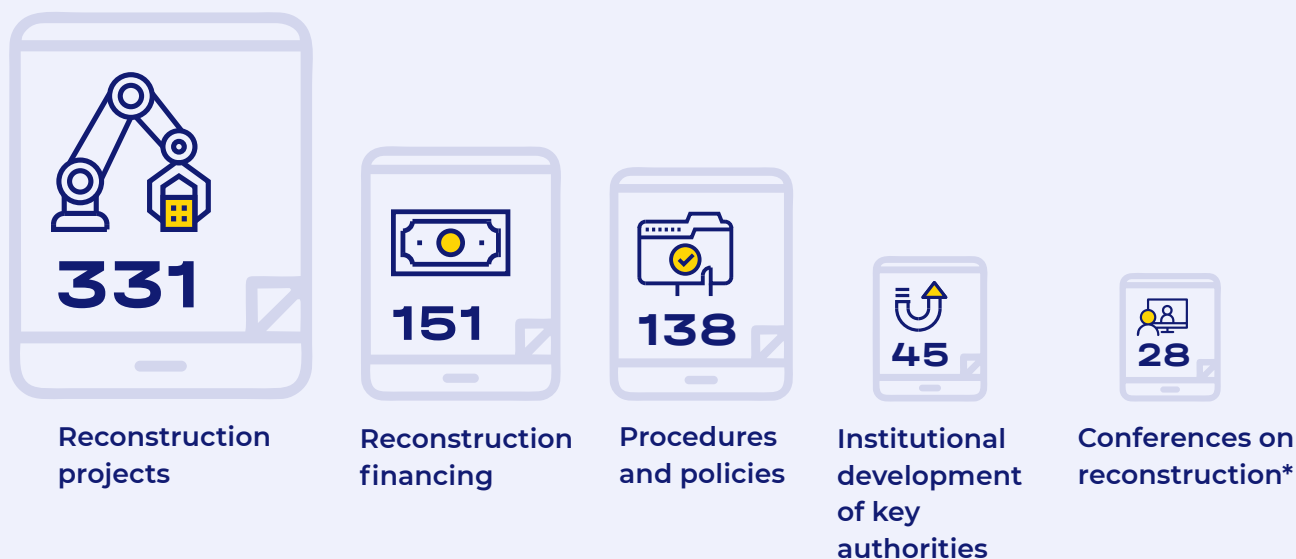
So, we studied, inter alia, the information space around the institutional components of reconstruction. 693 news items from 80 official sources of information were included in the sample. We found that 48% of the total number of news items were related to reconstruction projects<sup>1</sup>. The least number of news items was found in the category "Institutional development of key authorities" (7% of their total number). Almost equal figures corresponded to actions and events associated with reconstruction funding and procedures and policies, 22% against 20%, respectively.

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1. This category included all national and international reconstruction projects and activities to implement them where no money was allocated, or funding was only promised, decisions and projects related to the recovery of communities, and in-kind assistance from international partners.

## Classification of news by institutional areas of reconstruction

(Number of news items)



\* an intermediate category primarily containing information on the international and political support of Ukraine.

We further suggest that the **key news** be reviewed within the above reconstruction areas, except for funding outlined in Section 2.

### Reconstruction projects

May

- It was announced that the State Fund for De-carbonization and Energy Efficient Transformation would be launched in January 2024.
- The e-Export Initiative program was launched to support veterans and displaced people.
- The eRecovery state assistance program for the reconstruction of housing was launched.
- A pilot project to create the institution of veteran's assistants started in four oblasts.
- The VIDNOVA:UA Program to Engage Youth in the Recovery of Ukraine was launched.

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## June

- The EBRD and Development Finance Institutions, DFIs, established the Ukraine Co-investment Platform.
- Ukraine and the UN agreed that they would create a Community Recovery Fund.
- The Government supported the enlargement of powers of the Ministry of Digital Transformation in the telecom sector. It will allow for a more effective development of communications and Internet in Ukraine.

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## July

- The Side by Side initiative was launched to restore Kherson Oblast by the efforts of 15 oblasts of Ukraine.
- Ryanair announced its main investment plan to recover the Ukrainian air sector.
- The USAID Economic Resilience Activity (ERA) will support projects for developing the export infrastructure of Ukraine.

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## August

- The Ministry of Digital Transformation of Ukraine launched Vlasne, a national acceleration program for Ukrainian businesses.

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## September

- Olena Zelenska Foundation, the foundation of the First Lady of Ukraine, presented the Address for Childhood project to build houses for large foster families from frontline regions.
  - The Platform for Gender Mainstreaming and Inclusion in Recovery was launched and presented. The key objectives of the Platform are the coordination and advocacy of gender equality and inclusion in recovery.
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## October

- Ukraine Early Recovery project was launched to provide advisory support to territorial communities in drawing up their recovery and development plans.
  - President Volodymyr Zelensky signed a law enabling reimbursement payments to those who rebuilt housing damaged due to the Russian aggression at their own expense. It is the third stage of the eRecovery comprehensive housing reconstruction program, which will start on January 1, 2024.
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## Procedures and policies

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## May

- The Government approved a procedure for the establishment and operation of the unified geographic information system (GIS) to monitor and assess the development of regions and territorial communities. Together with the Sectoral Infrastructure Recovery Management System, GIS is one of the components of the DREAM digital ecosystem for recovery management.
  - Rules for the Establishment of Commissions to Review Matters of Compensation for Destroyed Property were approved.
  - The Law “On Strategic Environmental Assessment” became effective, and the Strategic Environmental Assessment Register (SEA Register) was launched for SEAs to be applied in developing national, regional, and local development plans.
- 

## June

- A procedure has been approved for the use of funds provided for in the state budget under the new budget program “Infrastructure Development and Restoration,” which are allocated to the Agency for Restoration in accordance with the CMU’s order to allocate the remaining funds of the special fund within the state budget received in 2022 from the European Investment Bank to new budget programs.

- ③ U.S. Congress introduced a bill aimed at confiscating Russian assets.
- 

## July

- ③ A procedure for determining criteria for recovery territories was approved.
  - ③ The Resolution on the Pilot Project to Rebuild Kakhovska HPP was approved.
- 

## August

- ③ The Parliament adopted a decision on priority areas of the state policy in the field of de-occupation, re-integration, and recovery of Crimea.
  - ③ Prozorro developed a procurement procedure that complies with the rules of international donors.
- 

## September

- ③ The Government introduced licensing terms for healthcare facilities and centers that deliver rehabilitation services.
  - ③ The Government introduced requirements for furnishing temporary housing for internally displaced persons.
  - ③ The Government approved new rules for humanitarian aid import to Ukraine, which will become effective from December 1, 2023.
  - ③ The Agency for Restoration developed a unified methodology for holding tenders for the reconstruction of civil facilities.
- 

## October

- ③ Ukraine and Poland started jointly elaborating a plan to address issues of Polish businesses engaged in the reconstruction.
- ③ The Cabinet of Ministers of Ukraine approved the Procedure for the Establishment of a Candidate Pool to Be Employed in Education Facilities in De-Occupied Territories of Ukraine.
- ③ The Ministry for Restoration approved methodological recommendations for prioritizing reconstruction projects.

- ③ EBRD, EIB, and the Council of Europe Development Bank (CEB) agreed on a unified approach to procurements in Ukraine. In addition, the relevant Memorandum expressed the intention to use the DREAM recovery management ecosystem.
  - ③ Belgium started the practice of using frozen Russian assets that will further be used to purchase military equipment, for humanitarian aid, etc.
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### Institutional development of key authorities

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#### May

- ③ Training sessions for local governments on using the Register of Damaged and Destroyed Property (eRecovery) started.
  - ③ A mechanism was launched to pool civil servants to be employed in de-occupied territories, and Master's degree programs were developed for their training.
- The National Bank approved its institutional development
- ③ strategy focused on countering Russian aggression and the country's recovery.
- 

#### June

- ③ The Government has introduced the positions of deputy ministers (heads) for recovery in eight ministries and 12 oblasts.
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#### July

- ③ The Anti-Corruption Program for the State Agency for Restoration and Infrastructure Development of Ukraine for 2023-2025 was approved.
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#### August

- ③ The Economic Policy Advisory Council was established under the Ministry of Economy to provide advice for developing an effective recovery policy in Ukraine in times of war and after the victory.
  - ③ The Ministry for Restoration initiates training for anticorruption officers of communities.
-

October

- The Anti-Corruption for the Ministry for Restoration for 2023-2025 was approved.
  - The Ministry for Restoration, jointly with the Agency for Restoration, finalized the assessment of anti-corruption activities and the professional competency levels of anti-corruption officers from recovery agencies.
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### 3.3. Reconstruction progress by areas

We also studied transformations in various sectors of reconstruction and recovery. According to the sectoral distribution of news reports, the leading sectors were the economy, construction, and human capital.

**Key news items** on reconstruction by sectors



#### Construction, infrastructure and reconstruction



The start of the eRecovery program was one of the key news in this sector. It entitles all Ukrainian citizens whose housing was insignificantly damaged due to the Russian armed aggression and has not been repaired yet to use the service to receive state assistance for renovating their housing. On 17 May 2023, the Government allocated UAH 4.4 billion for the eRecovery program from the Fund for the Elimination of the Consequences of Armed Aggression. The second stage of this program's implementation started in August. The Diia app provided an opportunity for destroyed housing owners to apply for compensation for purchasing a new apartment or house. In October, President Volodymyr Zelenskyy signed a law enabling reimbursement payments to those who reconstructed housing damaged due to the Russian aggression at their own expense. It is the third stage of the comprehensive housing reconstruction program, which will start on January 1, 2024.

The Side by Side initiative became another important reconstruction project that has been launched. As part of this initiative, 15 Ukrainian oblasts help recover the settlements in Kherson oblast that suffered from hostilities and occupation by the Russian army. Under this initiative, 26 de-occupied settlements of Kherson oblast will be reconstructed with the efforts of oblasts and capable communities. It is about the reconstruction of housing and infrastructure and enabling Kherson residents to return to their homes.

The government is working steadily to finance the restoration of damaged facilities in various fields. As of August 2023, UAH 27.7 billion in total was allocated from the Fund for the Elimination of the Consequences of Armed Aggression to rebuild facilities affected by hostilities. In September, KMU decided to distribute the subvention from the state budget in the amount of almost half a billion hryvnias. Funds have also been allocated from the Fund for the Elimination of the Consequences of Armed Aggression.

In September 2023, the Agency for Restoration concluded the first contracts to rebuild 15 facilities damaged due to the full-scale Russian invasion.

International events have yielded success in attracting funds for physical reconstruction. A Memorandum of Understanding on cooperation in Ukraine's recovery projects was signed with EIB at URC23. It envisages the allocation of EUR 840 billion to implement priority projects related to rebuilding Ukraine's infrastructure in 2023.

Since the beginning of the full-scale invasion, significant progress has been made in rebuilding healthcare facilities. Over UAH 3 billion was allocated from the state budget to rebuild healthcare facilities destroyed by Russia. According to the Ministry of Health, as of 11 September 2023, 799 healthcare facilities destroyed by war have been successfully rebuilt. Of them, 384 facilities were rebuilt in full and 415 in part.

A large news segment in this sector concerned logistics. In particular, in October 2023, the Government of Ukraine adopted a decision to allocate UAH 1.8 billion of grant funds under the RELINC project to rebuild critical logistics infrastructure. In accordance with this decision, the Ministry for Communities, Territories, and Infrastructure Development received UAH 912.2 billion under new budget programs to renew railroad networks. The State Agency for Restoration and Infrastructure Development of Ukraine received UAH 916.2 billion to rebuild road networks.

In the sector of logistics, the Government focuses its efforts on restoring transport connections in the territories affected by war. In particular, the Ministry for Restoration, together with the Agency for Restoration, rebuilt a bridge across the Teteleha River in Kharkiv Oblast. Furthermore, the Government announced that it would receive EUR 200 million from EBRD for Ukrzaliznytsia. In order to repair school shelters in Poltava, Chernihiv, and Odesa oblasts, the Ministry for Restoration, the Ministry of Education, and the DECIDE project have launched a joint initiative in the amount of UAH 172 million.

It should be mentioned in terms of procedural aspects that in October 2023, the Ministry for Restoration approved methodological guidelines for prioritizing reconstruction projects. This methodology includes a list of indexes, criteria, and indicators to evaluate projects by their priority based on a scoring scheme. Furthermore, at the initiative of the Budget Committee and the Ministry for Re-

storage, the draft law No. 9165 was developed to channel, as a matter of priority, funds from the State Regional Development Fund (SRDF) to implement projects in regions that suffered the most from the armed aggression of the Russian Federation.

It is also worth highlighting the following initiatives:

- In September, the Olena Zelenska Foundation, the foundation of the First Lady of Ukraine, presented the Address for Childhood project to build houses for large foster families from frontline regions.
- The Energy Efficiency Fund implements a VidnovyDIM (“Restore the HOUSE”) program aimed at funding construction work to restore housing damaged as a result of the Russian military aggression against Ukraine. In Kyiv Oblast, 95 houses are being repaired as part of the VidnovyDIM Program.



## Anti-Corruption



Countering corruption is probably the most important factor that determines the success of the reconstruction. It is worth noting in this context that the Agency for Restoration, which plays a key role in the reconstruction, has developed and approved its Anti-Corruption Program for 2023-2025. This strategic document establishes the corruption risk management process in compliance with the state anti-corruption policy.

Also, in April 2023, the State Agency for Restoration and Infrastructure Development of Ukraine transformed the former Road Services in oblasts into Services for Restoration and Development of Infrastructure. Offices entrusted with the prevention of and combating corruption are responsible for anti-corruption work in the regional services. The following steps have been taken to raise their institutional capacity and transparency.

- The Ministry for Restoration has started a project designed to enhance the transparency and accountability of local governments and prevent corruption in communities. Anti-corruption officers in communities will be trained as part of it.
- Reconstruction Services in oblasts have approved their Anti-Corruption Programs.
- The Ministry for Communities, Territories, and Infrastructure Development, jointly with the State Agency for Restoration and Infrastructure Development of Ukraine, with support from the United Nations Development Program and

with financial support from the Government of Japan, presented findings from the analysis of anti-corruption efforts and professional competences of anti-corruption officers of recovery services.

Several important steps have been taken to make the Agency for Restoration more transparent, in particular:

- The State Agency for Restoration and Infrastructure Development of Ukraine started preparing to be certified under the ISO 37001 Anti-bribery management systems standards.
- The Accountability and Transparency Council started its work at the Agency for Restoration.
- An interactive map of public procurements for reconstruction facilities that are conducted by regional Recovery Services became operational on the Agency for Restoration's website.
- Access to cost estimates of recovery projects was opened in the Unified State System in the Construction Field. The portal features an updated functionality enabling the publishing of cost estimates of publicly funded projects. Cost estimates of projects run by the Agency for Restoration are among them. Public access to cost estimates will empower the public and stakeholders to scrutinize the use of public funds in construction projects.

It is also worth mentioning that in October 2023, the Ministry for Restoration presented its Anti-Corruption program until 2025, outlining 50 key corruption risks in the Ministry's domain.



## Economy and trade



A successful review of the IMF program was one of the most important news in this period. That made it possible to raise about USD 890 million for budget support. Also, the World Bank approved a USD 1.5 billion loan for Ukraine's recovery. EIB works towards increasing the rapid recovery loan package by EUR 100 million. The European Parliament also supported a decision to create the Ukraine Facility in the amount of EUR 50 billion for 2024-2027. Ukraine is expected to receive its first tranche of EUR 18 billion from the Facility as early as in 2024. Soft loans now primarily finance the recovery; however, grant assistance is also arriving. In particular, USAID launched a project to support export alliances in the total amount of USD 1.5 million.

Also, Ukraine makes efforts to attract investments. In particular, Denmark has provided, through its export and investment fund, a EUR 134 billion special loan

program for private and state sectors. Switzerland supports a project to develop eco-industrial parks in Ukraine. Also, the Ukrainian laws regulating the funding of industrial park construction have been amended, opening such opportunity for communities.

A EUR 40.85 million war-risk insurance program for investments from the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group was an important decision. Furthermore, France presented a bilateral war-risk insurance mechanism for companies that will invest in Ukraine. Moreover, agencies from Germany, Italy, United Kingdom, Sweden and Japan confirmed their contribution to war risk insurance. Belgium was the first country to initiate the practice of using frozen Russian assets. The first EUR 1.7 billion will be allocated to assist Ukraine in 2024.

In parallel, private investments in the amount of USD 500 billion are to arrive from the Ukraine Development Fund (UDF). While the Ministry of Economy is the main sponsor of this institution, international partners actively contribute to its launch and funding.

The Polish Investment and Trade Agency started operating in Ukraine. In particular, its key objective is to ensure that the Polish businesses enter the Ukrainian markets and investments in recovery are attracted. Preliminary data show that 2,500 Polish companies are interested in it. Furthermore, in September, Poland introduced export insurance support for businesses that are interested in Ukraine's recovery.

The Financial Sector Development Strategy until 2025 was approved, an important step, envisaged in the Memorandum with IMF. The Strategy outlines joint actions by the Ministry of Finance and the Deposit Guarantee Fund to reach five objectives focusing on resisting Russian aggression and recovering Ukraine. The draft Law on State Budget for 2024 was timely forwarded to the Verkhovna Rada, despite wartime, and the process of collecting proposals for it began. Next year, defense and security are expected to be the largest expenditure line. The project envisages a budget deficit of UAH 1.6 trillion. However, it is not yet clear whether the deficit will be covered in full (see Section 2.2).



## Environment



Green recovery is an important component of the Build Back Better approach. Ukraine has developed and presented several strategic solutions to foster green recovery and implement sectoral laws related to European integration, in particular, the National Energy Efficiency Action Plan and the Strategy for Thermal Modernization of Buildings, and launched the Energy Efficiency Fund and De-Carbonization Fund. The latter has to collect CO2 emissions tax revenues and redirect them to energy efficiency projects.

Requirements for the Strategic Environmental Assessment (SEA) of urban planning, energy, industrial, transport, waste management, tourism-related, agricultural, water management, and land use projects became effective. This approach should streamline processes and prevent possible implications for the environment.

In the international cooperation area, Ukraine, together with its partners, started the assessment of environmental losses and the search for mechanisms intended to make Russia liable for them in the framework of the International Working Group on the Environmental Consequences of War. On 16 September, at its second meeting, its participants approved a framework document that guarantees Ukraine's progress toward a green future, environmental protection, and ensuring justice for the damage inflicted.

In October, at the International Conference "United for Justice. United for Nature," the Ministers of Environment discussed an action plan under Clause 8 (Ecological Safety) of Volodymyr Zelensky's Peace Formula. Ukraine presented a draft of the International Environmental Declaration and, together with its partners, opened the Climate Office to promote changes in the climate landscape of the country.



## Energy



Energy is a sector that suffered the most from hostilities caused by the Russian aggression. Damaged facilities are, in particular, being restored through the support from international partners. Poland continues to provide energy equipment, and EBRD and the Government of Ukraine agreed at the Recovery Conference to raise EUR 600 million as loans and grants from international donors to support the country's energy security. Furthermore, several projects with foreign partners

were launched in the period under study. In particular, in May 2023, Ukraine and Germany launched a joint project to equip critical infrastructure facilities in communities with sources of renewable energy.

As for national actions in the energy sector, it should be pointed out that the Cabinet of Ministers has made it possible to use the 5-7-9 soft loan program to rebuild equipment at CHPs and TPPs damaged by the hostilities. Furthermore, the State Agency on Energy Efficiency and Energy Saving of Ukraine elaborates a number of instruments to help communities, residents and local businesses to get quick access to both financing and modern energy efficiency technologies.

It should be added that some communities almost completely restored their critical infrastructure after losses had been inflicted. For example, in Zhytomyr oblast, nearly 86% of boiler houses and all heating networks were restored, and the energy distribution operator restored all damaged energy facilities. Over 96% of heating supply facilities have been restored, in full or in part, in Sumy oblast.

In late August of 2023, the Ministry of Education and Science of Ukraine and the Energy Act for Ukraine Foundation signed a memorandum, where they agreed to cooperate to enhance the energy autonomy of schools in Ukraine.

As the approaching heat deficit season promises to be tough, the Government of Ukraine has allocated UAH 350 million to compensate energy companies for interest on loans taken to rebuild the damaged energy facilities.

The international partners are active in helping make energy infrastructure more resilient in the regions. In August, the Ministry of Energy transferred 258 tons of humanitarian aid from 18 donor states to energy companies.

In addition to missile threats, the resumption of energy supply is impeded by the fact that energy facilities and adjacent territories are thoroughly mined. To address this issue, the Ministry of Energy secured support from a UK organization, Mines Advisory Group.

Ukraine closely interacts with foreign partners in securing its transfer to renewable energy. In September, the Ministry of Environmental Protection, jointly with the German partners from NOTUS ENERGY, started developing a wind farm project in the Chernobyl Exclusion Zone. In October, Ukrhydroenergo and Andritz Hydro GmbH agreed to modernize Dnipro PSP and produce green hydrogen. Furthermore, PwC and EBRD will help transfer the Ukrainian heat generation facilities to the use of low-carbon energy sources.



Positive developments in training, science, employment, public health and the general well-being of Ukrainians occurred in the period under study. Let's have a closer look at them.

### **Education, science and training**

Two more areas, one of them being Education and Science, have been added to United24. The Ministry of Education and Science of Ukraine will administer it. The Ministries have opened 11 accounts to accumulate charity donations for the recovery.

An E-Export Intensive program is being launched to support displaced people, veterans, and entrepreneurs affected by the war. It aims to involve 1,000 exporters in online trading. The program will teach how to export through global trading platforms.

The Ministry of Education and Science of Ukraine signed a cooperation agreement with the EU and EIB that envisages consultations on implementing the Program of Support for Vocational Education in Ukraine project. The agreement provides for a grant in the amount of EUR 8.5 million.

A Recovery Support Office was established under the Ministry of Education and Science of Ukraine in collaboration with UNDP. It will support the education transformation process, and the project team will support the Ministry with expertise and analysis for implementing medium- and long-term projects to reconstruct and restore the destroyed or damaged education facilities.

Also, work continued that concerned communities to be de-occupied in the future as programs were presented to train personnel in the liberated territories. It is worth adding that prior to this, a resolution was drafted on the personnel pool to be employed in the de-occupied territories.

The Leaders of University Transformation for Ukraine's Reinvention Programme entered its pilot stage. This training program is designed for chancellors of Ukrainian universities. It aims at strengthening the institutional capacity of universities by enhancing the personal habits of their leaders, and the pilot stage will last from October 2023 till February 2024.

## **Health and social sector**

Ukraine and France entered into preliminary agreements to build ten modular hospitals under a loan of 30 billion euros. Furthermore, the Ukrainian employees of the Sanofi company promised to deliver medicines for an estimated amount of 15 million euros, which will amount to 40 million euros together with the previous deliveries.

Also, in late July 2023, the Government approved a resolution to allocate UAH 230 million to rebuild hospitals in Sumy and Kharkiv oblasts.

The Government approved a resolution to create a pool of health care professionals to be employed in the de-occupied territories. This decision will supply personnel for the facilities that will renew operations and speed up the reintegration of territories.

As part of the All-Ukrainian Mental Health Program “Are You OK?”, the Target Model of the Mental Health Service Delivery System was presented. This program will become a basis for governmental decisions and for drafting the law of Ukraine on mental health.

25 international medical partnership agreements were concluded between the Ukrainian and international healthcare facilities at the 3rd Summit of First Ladies and Gentlemen. This cooperation entails the involvement of foreign professionals, knowledge exchanges, joint research, and the development of the Ukrainian medical sector in general.

## **Supporting the well-being of Ukrainians**

At the URC23 in London, the World Bank announced that it would allocate USD 1.75 billion through the PEACE project to support state service delivery at the local and national levels.

The European Innovation Council provides EUR 20 million to develop Ukrainian innovations. Apart from grants, this includes activities to attract additional investment, promote Ukrainian projects, and train entrepreneurs, as well as programs to secure entering international markets and the integration of the Ukrainian ecosystem of innovations into the European network.

In 2023, international donors will provide an additional EUR 17 million grant to cover housing loans for IDPs.

“Jobs for IDPs: We Need You,” a national awareness-raising campaign started in the first half of September. It implies strengthening communication between authorities caring for IDPs for their more effective integration.



## Agriculture



In the agricultural sector, it should be mentioned first and foremost that support has been provided and efforts made to carry out humanitarian de-mining of agricultural land. As of late July, donors have raised nearly a quarter of a billion US dollars in cash and equipment for humanitarian demining.

In late May 2023, the implementation of two stages of the grant support subproject for the emergency recovery of the agricultural sector was discussed with the Japan International Cooperation Agency (JICA).

Also, in October, the International Donors' Conference on Humanitarian Demining in Ukraine took place in Croatia. Its participants agreed as follows:

- Ukraine will receive EUR 6.5 million from the governments of Croatia (EUR 5 million) and Spain (EUR 1.5 million).
- Ukraine and Croatia signed an intergovernmental Agreement on Cooperation in Mine Action.
- The Government of Switzerland will provide EUR 100 million for humanitarian demining in Ukraine.

Three international financial institutions (DFC, IFC, and EBRD) will provide USD 480 million to the MHP international group of companies to strengthen Ukraine's agricultural sector. This funding will help the food production leader to continue its business and reduce its carbon footprint.

The Agriculture Recovery Inclusive Support Emergency (ARISE) project was launched to provide access to funding for agricultural producers in 2023 and 2024. This project will help to raise about USD 1.5 billion of working capital for farmers and provide grants to small farms for agricultural production. It will also be an addition to the support of Ukrainian agriculture provided by the World Bank to speed up private investments in the agricultural industry and strengthen partial loan guarantees for small farmers.

The EBRD's efforts resulted in USD 20 million for the risk-sharing instrument for agricultural private companies. Furthermore, the USAID project Ukrainian Finan-

cial Sector Reform will deliver grant funding for the insurance of crops and future harvests of winter wheat and rapeseed for the entire growing season, including overwintering.



## Cultural heritage and national memory



The International Council of Museums (ICOM), together with the Ministry of Culture and Information Policy of Ukraine, has drafted an Emergency Red List of Cultural Property that is under threat of theft, looting, or illegal removal.

The adoption of the Lublin Triangle Declaration became an important decision to protect cultural heritage. It formalized agreements to support Ukraine in various international frameworks to protect its cultural heritage and assets, exchange knowledge, support Ukrainian artists and cultural experts, contribute to Ukraine's recovery, and create the European Fund for the Protection and Recovery of Cultural and Creative Sectors.

The European Commission registered in August 2023 a European Citizens' Initiative aimed at supporting the integration of Ukrainian refugees into the EU and safeguarding the Ukrainian culture, language, traditions, and heritage. The organizers of this Initiative urge the Commission to strengthen its efforts to bridge cultural gaps, provide more opportunities for the Ukrainian cultural and linguistic heritage within the EU, boost the sense of belonging and facilitate the integration of the Ukrainian refugees. The authors also point out that a pan-European structure of integration centers should be established.

In September 2023, UNESCO included 20 Ukrainian cultural heritage sites in the International List of Cultural Property under Enhanced Protection.

In late October, a Laboratory for Ukraine's Recovery project was launched. It is aimed at facilitating the reconstruction of the Ukrainian heritage sites damaged due to Russia's war against our country. This project is designed to bring together the skills of Italian artists and designers and international cultural institutions and businesses to promote the urbanistic and architectural restoration of Ukrainian cities, starting with Odesa, under the patronage of Italy and by applying a green, digitalized, and transformative approach.



## Protection of veterans' rights



The Ministry of Veteran Affairs of Ukraine emphasizes that the policy on veterans is a priority for the Government. Veteran's assistants should appear in each community and act as facilitators. As of mid-October, ten regions have joined the project.

Over time, attention to guaranteeing the rights of veterans began to increase.

A Veteran Development Center, the first one in Ukraine, was opened in Dnipro in June 2023. These centers primarily attend to provide professional integration and re-integration of male and female defenders of Ukraine into civilian life. Between June and October 2023, Veteran Development Centers emerged in Sumy, Poltava, Kharkiv, and other cities. Ten Veteran Development Centers in total function in Ukraine as of early October.

Among other projects and initiatives, it is worth highlighting the following:

- In September, the Government introduced a pilot program of free vocational training for combatants and persons with war-related disabilities.
- The Ministry of Defense presented a For the Families of Defenders project that is intended to explain how to avoid stress-related situations in the families of defenders and inform families of military personnel about channels of communication with the Armed Forces of Ukraine.
- A pilot project to arrange for the social support of military personnel and their families on the basis of Armed Forces units has started. This pilot project's key objective is to assist the military in civilian matters.

The Ministry of Finance announced that in 2024, the budget support of veterans would grow by 53%. The Government reviewed its approaches to the veterans' policy in its draft of the 2024 budget and increased its funding by UAH 7.5 billion (which is 53% more than in 2023) up to over UAH 14 billion.



## 4. THE LOCAL LEVEL OF RECONSTRUCTION

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### 4.1. Institutional capacity development

First and foremost, recovery takes place locally, so our review encompasses also actions and events that occurred at the local level. 2120 news items from 49 official sources of information were included in the sample. It was found that support programs were the topic of 38% of all the news <sup>2</sup>. The smallest number of news items was recorded in the veterans' rights category (8% of the total).

#### Classification of local news by institutional areas of reconstruction

*(Number of news items)*



Key news items from each area will be reviewed below.

#### Support programs

This category includes the following: funds and material assistance provided by foreign partners, money allocated for the reconstruction from local budgets, de-

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2. This category includes the following: funds and material assistance provided by foreign partners, money allocated for the reconstruction from local budgets, decisions aimed at attracting investments, benefits provided to various categories (businesses, farmers), and financial, material, and other support of communities from other war-affected communities.

cisions aimed at attracting investments, benefits provided to various categories (businesses, farmers), and financial, material, and other support of communities from other communities.

→ **The key support areas were the following:**

- ④ **Health care:** procurement of equipment and ambulances, process digitalization, medicines, and expended supplies.
- ④ **Education:** provision of notebooks for children and teachers for effective remote learning. Delivery of school buses.
- ④ **Business:** business development grants, in-kind support, and consulting. Training events on how to start and do business. It should be pointed out that these activities mostly happen in the agricultural sector. The reimbursement of costs related to the employment of people with disabilities and IDPs and support for businesses relocated to new regions are also being introduced.
- ④ **Water supply to regions:** the regions of Southern Ukraine have a history of being scarcely supplied with water. This issue has been exacerbated by hostilities resulting in damages to water pipes or the lack of access to them. To provide water to the residents, water trucks are being purchased, new networks are being laid, and other regions are providing bottled water.
- ④ **Pressing challenges:** provision of electric power (generators, transformers and batteries) to critical infrastructure enabling its operation during outages. Effort consolidation to eliminate the aftermaths of the explosion at Kakhovska HPP: recruitment of professionals and humanitarian aid delivery.

International partners and organizations support regions either directly through authorities or with the involvement of civil society sector (civil society or charitable organizations).



## Region's recovery



Activities occur in several areas:

- ④ **Rebuilding of infrastructure damaged due to hostilities.** The damaged houses of local residents are being rebuilt in the frontline oblasts. The Mykolaiv Oblast Military Administration reported that 3,758 objects had

been rebuilt since February 24, 2022. A bridge across the Zdvyzh River has been rebuilt in the Kyiv region. A water pipeline leading to the Kryvyi Rih region is being built in the Dnipropetrovsk oblast.

- ④ **Ensuring transparency and accountability.** Working groups entitled “Transparency and Openness” have started to be launched in Mykolaiv, Poltava, Sumy, Kharkiv, Cherkasy, Chernivtsi, Vinnytsia, Donetsk, Zhytomyr, Zakarpattia, Zaporizhzhia, Kyiv, Luhansk, and Mykolaiv oblasts with the objective of supervising the appropriate use of reconstruction funds.
- ④ **Health care sector.** Allocation of funds to build the Borodianka Center rehabilitation facility and opening of the Donbas-Prykarpattia rehabilitation department. Zhytomyr oblast reported that 35 health care facilities had been rebuilt. The reconstruction of an outpatient clinic in Zaporizhzhia has been completed. For the first time, a modular emergency unit has been built in the Kyiv oblast. Modular health care facilities are also being built in Kherson and Sumy oblasts.



## Meeting IDPs' needs



Caring for the needs of IDPs has become a priority for local governments since the beginning of the full-scale invasion. Apart from national support programs, each oblast applies additional IDP support instruments of its own choice.

Comprehensive IDP support programs (Rivne, Kharkiv, Sumy, and Kyiv oblasts) and advisory “councils on IDP matters” (Ivano-Frankivsk, Kirovohrad, Chernivtsi, Ternopil, and Poltava oblasts) are being created in oblasts to align solutions and instruments.

Employment is an acute challenge. A Luhansk Region Recovery Guard was established in the Luhansk oblast, where the local authorities employ IDPs in their subdivisions, municipal enterprises, and other facilities. Various training events to facilitate retraining, job search and starting one’s own business are being held in other regions.

To address the issue of IDP housing, oblasts either use municipal facilities (dormitories, educational, cultural, and health care facilities), which are being adjusted and repaired to provide quality housing, or build modular settlements. Importantly, most projects are being implemented with funding from international partners.



## Protection of veterans' rights



Activities occur in several areas:

- ③ **Establishing facilities for rehabilitation and adaptation.** Rehabilitation departments (centers) are being established in Poltava, Dnipropetrovsk, Ivano-Frankivsk, Donetsk (it was relocated from Kramatorsk to Ivano-Frankivsk), Zakarpattia, Odesa, Kyiv, Volyn and Rivne oblasts. A program named Formation of a Unified Rehabilitation Assistance System was initiated in Vinnytsia oblast, and there are plans in Rivne oblast to do the same. They aim to create comprehensive rehabilitation systems covering the facilities located in the oblasts. A process of establishing the National Rehabilitation Center was launched in Lviv region.
- ③ **Organization of sectoral training and retraining projects.** IT training is being conducted in Dnipro. An opportunity for professional retraining was announced in Lviv oblast. Professional adaptation is being conducted in Poltava oblast and Bukovyna for war veterans, military personnel, and members of their families.
- ③ **Provision of housing.** In Vinnytsia oblast, Yampil City Council has approved an Own House program offering loans at 3% per year for 15 years. In Lviv oblast, a program for communities is being developed to co-finance the purchase of housing for the military. A social house for the military is being built in Cherkasy oblast. Housing certificates are being provided to veterans in Mykolaiv oblast.
- ③ **Mental health projects.** In Lviv oblast, the project “Live While Waiting” to support families of missing soldiers and a project to help children affected by the war were launched. In Bukovyna, the Office of Social Support for Military Personnel and Their Families is being prepared for opening.

## 4.2. Local recovery projects

We have separately categorized those recovery projects and events that were initiated at the national and international levels but are being implemented locally.

## Side by Side



The President of Ukraine initiated this project to recover the communities of the Kherson region that had been affected by hostilities. 15 oblasts recover selected communities using their own funds.

During May-October 2023, Vinnytsia, Volyn, Odesa, Dnipropetrovsk, Zhytomyr, Zakarpattia, Ivano-Frankivsk, Kirovohrad, Poltava, Ternopil, Lviv, Khmelnytskyi, Chernivtsi, Rivne and Cherkasy oblasts participated in this project.

This project can be called a success, as, apart from rebuilding the Kherson region communities, it promotes friendly contacts between oblasts. Also, the project has the potential to expand to all oblasts and cover the recovery of other war-affected regions.

## eRecovery



On April 21, 2023, the Cabinet of Ministers approved a state assistance program for individuals whose housing had been damaged or destroyed due to hostilities. Residents apply through an electronic system.

## Veteran's assistants



On June 19, 2023, at the initiative of the Ministry of Reintegration, the Cabinet of Ministers approved a pilot project introducing the institution of assistants to veterans who left military service and are adjusting to civilian life. Its implementation started on July 1, 2023. This project is intended to create a mechanism of support and adjustment to civilian life for war veterans, military personnel, and their families. The project's piloting started in the following four oblasts: Vinnytsia, Dnipropetrovsk, Lviv, and Mykolaiv. In autumn, the project was expanded to cover another six regions: Zakarpattia, Kyiv, Sumy, Poltava, and Kharkiv oblasts and the City of Kyiv.

## **The rebuilding of health care facilities by the Ministry of Health (HEAL UKRAINE project)**



This project supports healthcare facilities in recovering, renovating, and modernizing infrastructure. It is implemented by the Ministry of Health and supported by the World Bank. As of June, healthcare facilities in oblasts were drawing up their applications.

## **Recovery Army**



Recovery Army is a governmental initiative, under which people that are currently jobless may, if they wish so, engage in recovery work that is beneficial for the public. The work list includes equipping and strengthening checkpoints, cutting down trees to build trenches, harvesting firewood for the military and the civilians, clearing debris and restoring residential buildings damaged by hostilities, unloading humanitarian aid and assisting IDPs, people with disabilities and the elderly.

## **Ukrainian Veterans Foundation**



The Ukrainian Veterans Foundation is an institution under the Ministry of Veterans aiming at empowering veterans. Between May and October 2023, the Ukrainian Veterans Foundation held several competitions to support businesses run by veterans. Their result was the financial support of 440 veterans' businesses from various regions.

## **Centers for veterans' development**



Centers for veterans' development are places intended for the professional integration of people who have been discharged from military service, their families and families of deceased fighters into civilian life. As of October, these centers were opened in Vinnytsia, Dnipro, Lviv, Mykolaiv, Kharkiv, Sumy, Pereiaslav, and Poltava (2 centers).

## eWork



eWork is a non-refundable grant program for starting and developing one's own business. A grant makes it possible to receive between 150,000 and 8 million hryvnia of non-refundable aid to develop one's own business and create new jobs. The project includes the following six grant programs:

- starting a business;
- developing a processing enterprise;
- funding a garden;
- developing a greenhouse business;
- a grant for veterans.

## USAID Competitive Economy Program in Ukraine



The Competitive Economy Program is a program created by USAID in Ukraine to help develop the Ukrainian economy by supporting small and medium enterprises and startups. From May to July 2023, the program provided grant support to Ukrainian businesses attending international trade events. As of October 2023, four grant programs were in place:

- to support organizations that support businesses;
- to support small and medium processing enterprises;
- Business Continuity and Recovery;
- for consulting.

## eOselia (eHousing)



eOselia is a mortgage program for individuals with a fixed loan rate of 3%. The military, healthcare staff, teachers, and researchers are eligible for this service.

## Centers for coordination of civilian population



In May, the Cabinet of Ministers of Ukraine initiated the establishment of coordination centers for the support of civil populations in oblasts. These centers are focused on providing support and coordinating aid to war-affected people, in particular, to IDPs, veterans, and other citizens. Such centers have been established in Ivano-Frankivsk, Kirovohrad, Cherkasy, Rivne, Luhansk, Chernivtsi, Ternopil, Sumy, Volyn, Zhytomyr, Zaporizhzhia, Donetsk, and Kyiv regions.

## Creating a barrier-free space



The Cabinet of Ministers of Ukraine has adopted the National Strategy for a Barrier-free Environment in Ukraine until 2030, which was initiated by First Lady Olena Zelenska. The Program is designed to create a barrier-free environment for all population groups.

May 11, 2023 Donetsk oblast approved an action plan to implement the Strategy. In Rivne oblast, the first barrier-free class was opened and barrier-free spaces are being created in youth centers.

## Training vouchers



Vouchers are provided by State Employment Centers and are paid by the Compulsory State Social Insurance Fund of Ukraine in Case of Unemployment. They give access to free training at professional (vocational), higher, and professional pre-tertiary education levels. IDPs, veterans, dismissed law enforcers, and people with disabilities may obtain such vouchers.

Apart from projects that have been initiated at the national level, the local authorities independently develop and implement recovery-related projects and solutions in various fields. For example:

- The Yampil community approved UAH 3 million for the Own House project. The program offers loans at 3% per year for 15 years.
- An I Am a Veteran service has been created in the Dnipropetrovsk region and in Zakarpattia. This comprehensive service covers over 300 administrative services.
- A Help from Zakarpattia portal to deliver services from the Zakarpattia Territorial Recruitment and Social Support Center (certificates, deferment from mobilization, financial assistance, and more issues falling within the Center's scope).
- A Cherkasy Dimension - online platform was launched in the Cherkasy region for veterans and members of their families.
- An advisory board on reconstruction was established in Kyiv oblast. Its key objective is to supervise all reconstruction stages, from planning to project completion.
- A department on re-integration and social support of veterans and internally displaced persons has been established in Poltava oblast.



## 5. KEY CHALLENGES AND TRENDS OF RECONSTRUCTION

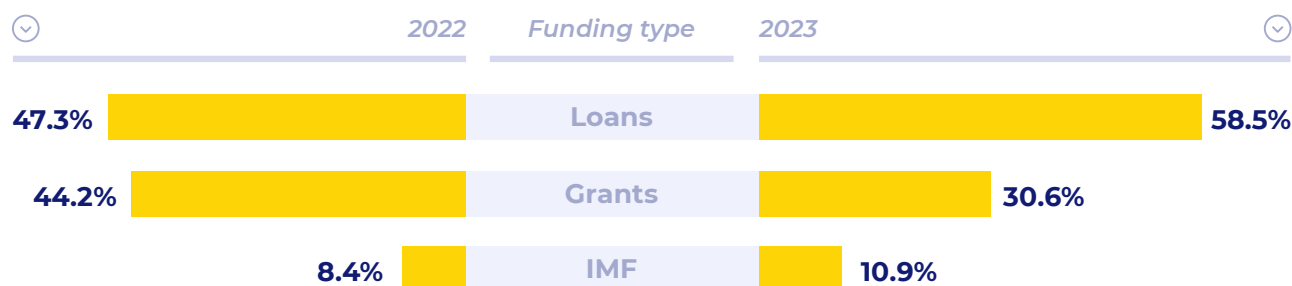


### → Losses

According to the latest estimate made by the Government and international partners, as of February 24, 2023, only, Ukraine's recovery and reconstruction needs totaled USD 411 billion. Just so we're clear, this is three Marshall Plan budgets (USD 405 billion) for European countries in present-day money. Doubtless, the amount has increased since then as Russia continues its daily missile attacks. In November 2023, it became known that the Government of Ukraine, the World Bank, the European Commission, the United Nations, and other partners had [launched the development](#) of the third recovery-related Rapid Damage and Needs Assessment (RDNA3). This updated assessment of the effects of the Russian invasion will cover the period from February 2022 until December 31, 2023.

### → Resilience and reconstruction funding

The budget deficit is mainly covered by external funding in loans and grants. According to NBU, Ukraine received USD 32.2 billion of international financial aid in 2022 and USD 32.7 billion in 9 months of 2023. It is worth noting changes in the aid structure as while the share of grants has decreased, the share of loans has increased.



Ukraine has rather limited internal resources; therefore, the Government's current key task is raising external funding. In contrast to 2023, Ukraine has less clarity regarding budget deficit coverage sources and volumes in 2024. The support of the European Union evolves along a clearer track within the framework of the Ukraine Facility financial instrument (EUR 50 billion for 2024-2027, where EUR 39 billion is direct budget support). Meanwhile, no decision has yet been made on financial support from the United States. Given the estimated budget deficit of nearly USD 43 billion in 2024 in Ukraine, both decisions are crucial for us.

However, in addition to budget deficit coverage, damaged houses, critical infrastructure, etc., should be gradually rebuilt. During the reporting period, it became evident that “physical” reconstruction was mainly financed through the allocation of funds from the Fund for the Elimination of the Consequences of Armed Aggression, where the revenue sources are funds from the enforced recovery of assets in Ukraine owned by Russia or its residents and 50 percent of funds that NBU transfers to the state budget.

In general, the government has been working continuously to finance the restoration of damaged facilities in various fields. As of October 2023, UAH 62.3 billion was allocated from the Fund for the Elimination of the Consequences of Armed Aggression for various recovery programs.

It is also foreseen in the [state budget for 2024](#) that such a Fund will be established. However, its sources of revenue have been revised. Funds from the enforced recovery of assets in Ukraine owned by Russia or its residents will actually be the only source of revenues for the Fund. Additionally, the Fund will receive money left from its revenue sources from the previous years

Donor funds are certainly another source of reconstruction financing. However, it is quite difficult to calculate the precise amount of support provided, as there are many programs and financial instruments channeling the assistance.

Seized foreign Russian assets must also become a key source of reconstruction funding. However, for a long time, our partners lacked a legal framework for implementing this objective. Therefore, the fact that, in June 2023, U.S. Congress introduced a bill aimed at confiscating Russian assets to be used for Ukraine’s recovery, was a positive event. Furthermore, in October, Belgium became the first EU member state to initiate the process of using revenues from frozen Russian assets in Ukraine’s favor. The first EUR1.7 billion worth of resources are expected to be used in 2024.

### **Key reconstruction events**

Ukraine-related international activities and events play an important role in the recovery process. They help consolidate partners and enlarge multilateral support. We believe that the Ukraine Recovery Conference (URC 2023) in London was the key event within the period under study, given its complex agenda, participants, and outcomes. At the Conference, the European Commission announced the launch of the Ukraine Facility, a new financial instrument to support Ukraine, envisaging that Ukraine will be provided with EUR 50 billion in 2024 – 2027. Furthermore, some Conference participants (the UK, the USA, the World Bank, and others) declared that additional financial resources would be provided to Ukraine. Moreover, the DREAM digital ecosystem was presented, which is currently in a state of development. The next Ukraine recovery conference is planned to be held in 2024 in Germany.

## → **The institutional development of key authorities entrusted with reconstruction**

In terms of boosting the institutional capacity of key authorities, the strongest focus was made during the period under study on anti-corruption efforts. In particular, the Ministry for Restoration and the Agency for Restoration have developed their own anti-corruption programs and started the development of anti-corruption officers in regional recovery services. The Agency for Restoration has also established a Transparency and Accountability Council to include members of Ukrainian anti-corruption NGOs.

In June, among other things, the Government introduced the positions of deputy ministers (heads) for recovery in eight ministries and 12 oblasts. However, we found no information confirming that this initiative had covered all the regions. By the same token, there is no information on the above persons' performance, which makes it impossible to conduct a representative assessment of their activities.

## → **Procedures and policies**

Our monitoring was also focused on proper regulation of reconstruction processes, which we believe to be an important element of the organization and management of reconstruction.

During the period under study, the authorities, in particular, regulated the issue of compensation for destroyed property, established criteria for recovery territories, and started introducing a unified approach for recovery-related procurement.

They have also started taking active steps to regulate the issues of reintegration of the occupied territories and organization of life there after their de-occupation.

The methodological guidelines for prioritizing reconstruction projects approved by the Ministry for Restoration were an important instrument in terms of enhancing reconstruction-related policies and procedures. However, it is an advisory document that was approved in October 2023 only, while the allocation of funds for reconstruction and the implementation of individual projects started long before that.

In our opinion, there is an overall lack of a single comprehensive legislative act that would define the general principles and framework for future recovery processes. At the same time, there is also a lack of strategic vision of Ukraine's recovery and modernization, and, in particular, of results that should be achieved in the medium and long term in approaching the EU. A Plan of Ukraine within the framework of the Ukraine Facility can, in part, serve as such a document.

## Recovery by sectors and areas

The eRecovery project plays a crucial role in housing restoration. In late October, the Prime Minister [announced](#) that the Government had already paid out UAH 1.5 billion for the property damaged by the aggressor state within the framework of the above program. About 19,000 families were paid money.

The Side by Side initiative that provides for the recovery of 26 de-occupied settlements in the Kherson region through the efforts of oblasts and capable communities appears to be timely and effective. As of late October 2023, 706 private houses were repaired in the Kherson region as part of this initiative. We believe it is worth considering the idea of expanding the initiative beyond the Kherson region.

Since June 2023, the Government is actively distributing money from the Fund for the Elimination of the Consequences of Armed Aggression. It should be recalled that in 2022-2023, one of the revenue sources for the Fund was a portion of funds that NBU transferred as a result of its activities and funds from the recovery of assets owned by Russia and its residents.

In September 2023, the Agency for Restoration entered into its first contracts for the reconstruction of facilities damaged due to the full-scale invasion of Russia, which was an important event.

**In terms of human capital policy**, we have noted some positive steps taken by the authorities in various sectors to support citizens who reside and work in Ukraine despite the war. We tracked no solutions intended to incentivize the return of Ukrainians who left the country because of the war. However, we should point out that human capital development is a key work area for the Government under the Plan of Ukraine within the Ukraine Facility instrument. It is about improving education, reintegrating veterans, social sector, access to housing, labor market and entrepreneurship, and migration policy.

During the period under study, human capital developed in various spheres: education, health care, social sector, and state services for individuals.

Vocational training programs and programs designed to teach entrepreneurship have been developed and introduced. Moreover, one of the projects envisaged that educational facilities develop their institutional capacities by improving their leaders' personal habits. People are the main asset in our country, so reforming and developing the education sector can undoubtedly be a key to the country's success in the future. Healthcare facilities are being intensively restored; in particular, half of the damaged or destroyed facilities have been rebuilt in full or in part.

Securing IDP rights is another important state policy cluster. The Ukrainian authorities, together with international partners, have introduced initiatives designed to provide jobs, housing, medical care, and financial support to IDPs.

**Economic policy** is an important element of Ukraine's success in its fight against Russian aggression, and this fact was repeatedly emphasized by our international partners. In June 2023, IMF successfully reviewed its Extended Fund Facility Arrangement for Ukraine, opening an opportunity to provide its second tranche. In November, the IMF Mission completed its work in the framework of the second EFF review. The mission's result was a Staff-Level Agreement on Ukraine's compliance with the EFF terms and an updated set of economic and financial policies for the future. The agreement is subject to approval by the IMF Executive Board. It should be noted that not all structural benchmarks were timely met. Therefore, it should be emphasized that it is important to meet the EFF conditions in a timely manner not only to receive regular funding but also to bolster the country's credibility as a reliable partner.

The European Parliament also supported a decision to create the Ukraine Facility in the amount of EUR 50 billion for 2024-2027. Ukraine is expected to be able to receive EUR 18 billion from the Facility in 2024. However, Hungary still blocks the decision to allocate funds to Ukraine. Therefore, the EU member states may possibly delay or find alternative ways to channel financial support.

The draft Law "On State Budget for 2024" was timely forwarded to the Verkhovna Rada, despite the martial law, and the process of collecting proposals for it began. Next year, defense and security are expected to be the largest expenditure line. The project envisages a budget deficit of UAH 1.6 trillion. However, it is not yet clear whether the deficit will be covered in full.

**Energy** is among those sectors that were affected the most by attacks of the Russian Federation. Governmental actions to promptly restore energy facilities were of primary importance. For example, the Cabinet of Ministers has made it possible to use the 5-7-9 soft loan program to rebuild equipment at CHPs and TPPs damaged by the hostilities. Moreover, it was possible to effectively restore the energy infrastructure because the international partners provided directly, apart from financial assistance, energy equipment as an additional guarantee that possible future blackouts could be avoided.

It should be added that some communities almost fully restored their energy infrastructure after losses had been inflicted.

Humanitarian demining is a key challenge in the **agricultural sector**, and in part, it was funded by international partners. In addition, thanks to them, Ukrainian farmers received soft loans or grants, which contributed to strengthening the agricultural sector.

Daily hostilities, which occur because of Russian aggression, inflict damages not only on the infrastructure but also on **the environment**. [According to](#) the Prosecutor General, 14 cases of ecocide committed since the beginning of the full-scale invasion of Russia are being investigated in Ukraine. As of September 2023, 252 war crimes that caused harm to the environment, were recorded. It is important that the Ministry of Environmental Protection [announced](#) in September that it was working to develop and implement an integral plan for Ukraine's environmental recovery from the aftermath of the war.

Also, from June to September, there were several meetings of the International Working Group on the Environmental Consequences of War that focused on assessing the environmental impact of the war, searching for ways to bring the aggressor state to liability for environmental crimes, and environmental recovery.

Preservation of **cultural heritage** has not been disregarded either. The war has already destroyed a part of national heritage sites. International partners help by all means to protect these sites and launch initiatives to recover them. For example, in late October, a Laboratory for Ukraine's Recovery project was launched. It is aimed at facilitating the rebuilding of Ukrainian heritage sites damaged due to Russia's war against our country.

Among other things, we noted increased attention to **securing veterans' rights**. Centers for veterans' development appeared in various Ukrainian cities since June 2023. Ten such Centers operate in the country as of early October of this year. In September, the Government also introduced a pilot program of free vocational training for combatants and persons with war-related disabilities.

The Ministry of Finance announced that in 2024, the budget support of veterans would grow by 53%. The Government modified its approach to the veterans' policy in its draft of the 2024 budget and increased its funding by UAH 7.5 billion (which is 53% more than in 2023) up to over UAH 14 billion.

### **Local-level reconstruction**

Local-level reconstruction initiatives are mostly a part of national projects initiated by the Government, the President, and certain ministries. Some reconstruction and recovery actions are being implemented with the support of international organizations; they cover large geographies, and the projects move forward in parallel in different oblasts or communities. LGs also develop their own solutions to support the military, veterans, and IDPs, develop infrastructure, and more. Some regions approve, in particular, special target programs with comprehensive approaches to addressing issues related to human capital and improving locally the quality of life.

To sum up, we believe that preparing such reviews makes it possible to take a comprehensive look at the reconstruction process and create a general profile of the situation in various areas. This was the first six-monthly review, compiled from nearly 2,500 news items about the reconstruction life cycle between May and October 2023. The next review is planned to be published next year, and we hope that it will include even more activities that will make our victory closer.



