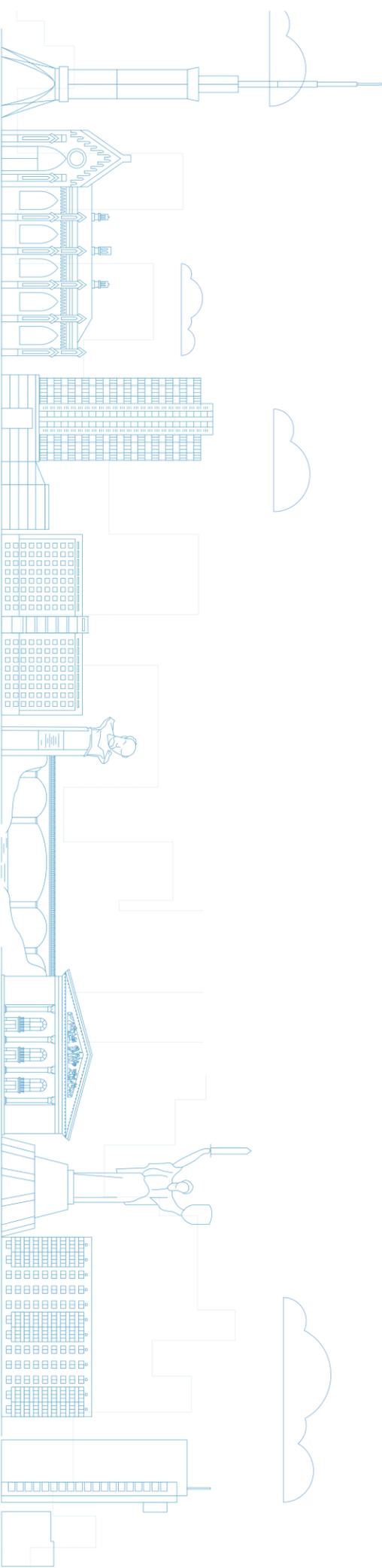


POLICY BRIEFS ON UKRAINIAN RECOVERY

July 2022



At the request of the URC2022 Organizational Committee, this brief was prepared by the Centre of Economic Recovery (CER) based on extensive multi-stakeholder consultations, which included representatives of the government, civil society, business, local self-government, and academia. The views expressed are those of the authors and contributors and should not be reported as the position of the Ukrainian or Swiss Governments.

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SMART RECOVERY ARCHITECTURE



SMART RECOVERY ARCHITECTURE

Significant destruction and economic losses necessitate large-scale reconstruction of Ukraine. At the same time, such a recovery could provide additional impetus for the modernization of the country. To make the most of this opportunity, Ukraine must build an effective architecture for the country's recovery, which will attract the widest possible number of participants and resources for the reconstruction process.

Furthermore, such an architecture should not be temporary, but must become the basis for long-term development of the state. This work is aligned with the following groups of the National Recovery Council: Governance, Justice Sector, Anti Corruption policy, Digitalisation. **The Smart Recovery Architecture** component is focused on the creation of an effective management system for the post-war recovery, and the embodiment of this management system in the public administration architecture to provide sustainable long-term governance solutions.



#1. VISION AND PLAN | The National Recovery Council (NRC) is a collegial body that develops guidelines for Ukraine's recovery. The NRC has developed a general framework for the recovery within its workstreams. While a lot of ideas on post-war recovery and modernization have been proposed, the common vision of a renewed Ukraine is still in process of development. The EU candidate status and further EU integration may serve as a solid basis for the vision of modernized Ukraine.

Aligned with the Ukrainian path to the EU integration, the vision of post-war Ukraine should be the key for the creation of the recovery plan. National Recovery Council and Ukraine's Government have come a long way to create a Recovery Plan, having made a substantial effort to create an actionable framework for the Recovery Process through engaging in multi-stakeholder consultations. Although this process is far from complete, huge work is already done to ensure that the Recovery happens in accordance with international standards and accountability and transparency principles. Concrete initiatives, targets, and projects for building immediate resilience and targeting the long-term perspective are already ready to be discussed and elaborated into more detailed action plans.

- Develop a long-term vision of post-war development of Ukraine; alignment of vision with EU integration process;
- Create a comprehensive Recovery Plan, including recovery, human development and reform packages;
- Utilize international expertise in terms of possible reforms and transformations in different sectors;
- Involve NGOs, business and universities into the Recovery process for comprehensive and inclusive cooperation;
- Provide a clear differentiation of powers on central, regional and local levels to ensure orderly implementation of the recovery;
- Define specific objectives and KPIs for each responsible body within the Recovery process.

Ensuring effective coordination of all stakeholders within the Recovery process will create a basis for the comprehensive, fast and impactful implementation of the recovery plan.

#2. PEOPLE AND INSTITUTIONS | Due to the success of the decentralization programme, public administration reform and digitalisation of public services, the Ukrainian public administration system is more prepared for the nation-scale post-war Recovery. However, there is still a lack of qualified managers within the public administration team, especially in the regions.

The recovery should be coordinated according to an umbrella structure that includes both governmental and non-governmental actors, in order to maximise synergies and efficiency. Ukrainian public administration should be capable of implementing the Recovery plan effectively and timely, without excessive involvement or external support from international organizations or local NGOs. As such, Ukrainian public administration should become transparent, citizen-centred, inclusive and fully capable of providing effective governance.

Reforms of the anti-corruption system and rule of law will support other Ukrainian reforms, increase public and donor confidence in state institutions and lead to the development of a more just and fair state.

- Define the responsible body for the coordination (not management) of the recovery process and establish unified coordination mechanisms of the recovery process that will prevent inefficiencies of parallel management;
- Develop and adopt amendments to the regulations of the Verkhovna Rada, and develop mechanisms of parliamentary control in the process of monitoring the implementation of the Recovery plan of Ukraine;
- Deepen the public administration and build local governance capacity for effective implementation of the recovery plan;
- Develop and implement a comprehensive public administration reform; align public administration standards to the European Principles for Public Administration (SIGMA Principles);
- Digitalize and automate the process of recovery (including e-contracts, reporting, fundraising, etc), continue digitalization of public services and reduce red tape in public services;
- Introduce principles of the result-based management and evidence based policymaking in the process of public policy development;
- Maintain and deepen the judicial reform, including cleansing of the High Council of Justice and make a transparent selection for the High Qualification Commission of Judges, continuation of legal education reform;
- Provide the anti-corruption system stability, independence and effectiveness.

Provision of effective and capable public administration will maximize the utility of international support and create the long-lasting effect of the effective governance and provision of inclusive public services beyond the recovery process.

#3. FINANCING | For now there is a functioning international platform for attracting donations – United 24, a user-friendly and accessible website for all possible partners (international organizations, states, state agencies, charitable organizations, business and individuals) around the world. There are several external accounts and platforms that have been established to consolidate international assistance for Ukraine, among them the projected Administered Account for Ukraine (IMF) and Ukraine Reconstruction Platform (EU).

For an effective recovery process, Ukraine should develop convenient and flexible financial support instruments for international partners. Additionally, mechanisms for the seizure of Russian assets in favor of Ukraine should be developed in close cooperation with international partners. Moreover, Ukraine should enhance budget planning mechanisms and, in the long-term, increasingly rely upon Ukrainian sources for the modernization of the country. The recovery process should be based on the principles of transparency and accountability to increase its effectiveness and support international confidence in the modernization of Ukraine.

- Develop mechanisms for the seizure of Russian assets to support the Ukrainian post-war recovery;
- Create flexible options for partners, where they may choose the sector or region benefitting from their donations;
- Create a viable rotation mechanism of fund inflow instruments that will provide a gradual transition from international assistance to the use of domestic resources;
- Earn international trade preferences and support in the modernization of education and the economy;
- Insist on grant support as a main instrument in the portfolio of international assistance;
- Create a mechanism (on the competitive basis) for the transfer of funding for the rebuilding of the regions (except the vital infrastructure that should be financed unconditionally);
- Provide an IT tool to monitor public procurement on all stages of recovery, for inclusive, transparent and competitive public procurement procedures;
- Introduce phase-to-phase support mechanisms based on clear KPIs of the reforms that allow donors to link part of assistance with reforms progress;
- Create stimuli for investments to increase private capital supporting the recovery, including possibilities for impact investment from international business partner

Effective and convenient fundraising mechanisms will help Ukraine to overcome a lack of internal resources for the significant capital investments into the recovery process.

POSSIBILITIES TO SUPPORT

1. Vision and plan | Strong sectoral expertise of development partners will be of immense importance in developing and elaborating actionable recovery plans. Another key sphere where support in implementation of the sectoral reforms will be needed is the European integration of Ukraine.

2. People and institutions | Thanks to their institutional expertise, international partners can support public administration reform and capacity building for the state institutions and local self-government. Moreover, international partners may maintain their support of the non-governmental sector to provide effective collaboration between all stakeholders of the recovery process.

3. Funding | Timely and consistent provision of financial or material assistance for the recovery in any appropriate way will prove to be one of the most important ways to support Ukraine in its recovery process. International partners also may provide additional support in the seizure, tracing and recovery of the arrested Russian assets. Best practices of ensuring transparency and accountability over the recovery process will be crucial for effective post-war reconstruction and the international partners' facilitation will be truly helpful.



INFRASTRUCTURE RECOVERY

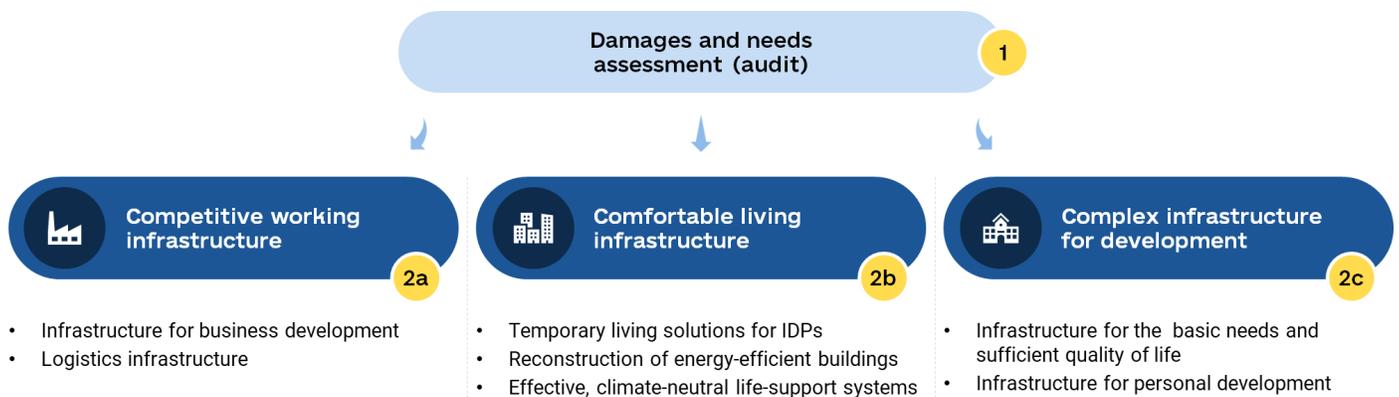


INFRASTRUCTURE RECOVERY

As a result of the ongoing war, Ukraine has endured enormous damage to the economy and public well-being in terms of working, living, and infrastructure for development. Ukraine faces a new reality that requires an adaptive approach to the restoration and development of different regions. The current territories-oriented approach will need to be adapted to account for the variation between regions and territories in the level of destruction, the concentration of IDPs, and safety risks. In particular, territories near the border with Russia and Belarus, temporarily occupied territories and neighboring regions, and territories, where military and critical infrastructure are located, will require a special focus from Government and international partners to ensure recovery and further development of territories.

This brief discusses the main principles and instruments that will be undertaken to recover and enhance infrastructure in Ukraine, in order to encourage Ukrainian citizens' return and to provide them with the conditions to work, live and prosper. The brief is aligned with the materials developed by the National recovery council.

The framework below describes the overarching structure of the infrastructure recovery. The process should start with (1) a comprehensive audit of the current state of affairs, which will assess damages and needs for urgent recovery and further restoration and development, followed by (2) projects to develop working and living infrastructure, and infrastructure for development.



#1. THE DAMAGES AND NEEDS ASSESSMENT (AUDIT) will consist of two parts: (1) an assessment of damages in different spheres, (2) an analysis of the pre-war state of networks of working, living infrastructure, and infrastructure for development, and an assessment of population and business needs.

(1) Obtaining prompt and comprehensive information on the total amount of damage and losses caused to Ukraine as a result of the war will assess existing gaps in infrastructure and will allow lawsuits for compensation to be filed with international courts. The audit will be inclusive (as a result of a multisource data gathering process) and obtained information will be cross-validated by different actors.

(2) Post-war recovery won't only be focused on the restoration of damaged and destroyed buildings and structures. The expediency of each infrastructure project will be decided according to the pre-war state of infrastructure and the current needs of the population and businesses in each region. Projects will be prioritized and aligned with the complex plans of territories and general plans of cities.

Projects in 3 priority areas will follow a transparent and inclusive process of project development, with the engagement of local self-government, local citizens and businesses, sectoral expert unions, and international partners. The state will rely on capable municipalities in the implementation of infrastructure recovery projects. The projects will promote the green and digital transition of the country to achieve resilience in line with the latest European policies and standards.

#2A. COMPETITIVE WORKING INFRASTRUCTURE consists of sustainable production infrastructure and logistics.

Production | Before the war, Ukraine focused on two types of production platforms: brownfield, based on ineffective or abandoned state property, and greenfield based on industrial parks. After the Russian invasion, state property and industrial parks were converted into platforms for the relocation of production facilities. Due to the poor condition of state property and parks, the process of relaunching business activities was not as effective as it could be. Now Ukraine has a critical need for economic recovery and the creation of new workplaces for women and men. This requires the continuation of pre-war activities and the launch of completely new initiatives that will accelerate the process, including:

- Improvement of legislation concerning industrial parks and the launch of a nationwide program for the establishment of industrial parks for greenfield projects throughout the whole country;
- Relaunch of state property privatization or renting process for the creation of brownfield opportunities;
- Development of a network of business support centers, a Center for Creative Economy for the diversification of local economies, and scientific centers for the stimulation of technological production and the strengthening of regional SMART specialization.

Logistics | Since the beginning of the war, a significant amount of transport infrastructure has been damaged and freight transportation has been slowed (roads and railways) or even fully paralyzed (seaports). The war shows imbalances in the logistics network and requires actions that will ensure the sustainability of the transportation system:

- Reconstruct and lay new railway tracks with the European track width;
- Improve the checkpoints across the state border to increase their capacity, comfort, and diversify export flows;
- Integrate the Ukrainian water transport system into the EU transport system, increase capacity, modernize, and develop ports in the Danube region, and continue planned PPP projects;
- Introduce the best world practices in the design and construction of roads and bridges, own production of bitumen, and develop infrastructure for electric cars, cyclists, and personal electric transport users;
- Reform urban and suburban passenger transport for ensuring sustainable and high-quality mobility for agglomerations and making sure it is accessible for different groups of passengers, including low-mobility groups;
- Reconstruct or construct an optimized international airports network (5-7 airports);
- Enhance cooperation with the European Union in transport sector, inter alia ensure further harmonization of Ukrainian legislation with EU law.

The restored production and logistics will provide the economy with job opportunities for women and men and resources to carry on the recovery of the communities and regions on all industry levels.

#2B. COMFORTABLE LIVING INFRASTRUCTURE consists of comfortable and sustainable accommodation together with efficient and climate-neutral life support systems both in rural and urban communities as well as between them.

The current building stock doesn't meet the needs of the population and energy efficiency standards. 80% of apartment buildings were constructed before 1994 and during the last 30 years, they lacked investment and maintenance. Water supply and sewerage, heat supply, and waste management infrastructure are technologically obsolete, energy-intensive, and physically worn out. As a result of the Russian invasion, more than 120 000 residential buildings were damaged or destroyed. Therefore, immediate solutions to provide accommodation and strategic initiatives to improve living conditions should be implemented:

- Provide IDPs and people whose homes have been damaged with temporary or long-term accommodation;
- Rebuild destroyed buildings based on the complex and general plans of territories;
- Launch a housing upgrade program with a priority focus on the Energy Efficiency program;
- Conduct large-scale energy renovation of buildings with the modernization of district heating to reduce natural gas use;
- Introduce the modernization of centralized potable water supply and water sewage systems as well as waste management systems.

The recovered and developed living infrastructure with resilient, sustainable, and inclusive solutions will allow displaced Ukrainian women and men to return to their home communities and all Ukrainians to enjoy higher living standards.

#2C. COMPLEX INFRASTRUCTURE FOR DEVELOPMENT consists of educational, sports, cultural, and tourism infrastructure, as well as administrative, healthcare, security, and civil protection infrastructure for a high quality of life.

A lot of social infrastructure structures did not meet modern world standards and were not technically and architecturally capable of providing quality services, matching the needs of different groups of the population. Moreover, the network of different institutions was not optimized, which resulted in increasing budget expenditures on the maintenance of buildings and decreasing the availability of services all around Ukraine. As a result of the full-scale invasion, social infrastructure networks were significantly damaged.

Moreover, a huge influx of tourists is expected due to the unprecedented level of popularity of Ukraine. This will require the preservation and repair of existing attractions and the creation of new memorials and cultural sites. Thus, the following initiatives should be implemented:

- Provide the opportunity for the population to receive basic services through mobile and remote solutions, despite conditions of destroyed or insufficient infrastructure;

- Develop typical projects for social infrastructure facilities, that will consider European standards of quality of services, sustainability, safety, and inclusivity and can be scaled up and adapted to the needs of different types of territories;
- Launch a process of rebuilding social infrastructure networks;
- Maintain and develop tourism infrastructure, including cultural sites to promote Ukrainian history and boost national memory, and ensure safety for tourism tours in Ukraine.

New social infrastructure will effectively meet the requests of different groups of population and satisfy their needs. It will create complex life systems in happy, vibrant communities with strong social connections, a sense of belonging and mutual responsibility, and high quality of life around Ukraine.

POSSIBILITIES TO SUPPORT | The complex and multisectoral infrastructure recovery and development program will be backed by an efficiently coordinated set of diverse financial instruments, to which international partners can contribute: (1) *Public-Private Partnership agreements* for working infrastructure and infrastructure for development; (2) *Credit programs from IFIs* to the state and communities for their working and living infrastructure projects; (3) *Direct complex grant programs* for NGOs, regional development agencies, and local self-government to stimulate the recovery of territories and restoration of exact infrastructure objects; (4) *Crowdfunding initiative United 24* targeted at the general rebuilding of Ukraine; (5) *Municipal bonds* for funding development plans of communities; (6) *Green finance instruments* for energy-efficiency and sustainable projects in each sphere. Territory-sensitive and needs-based planning will provide international partners with the opportunity to allocate investments in the most impactful way.

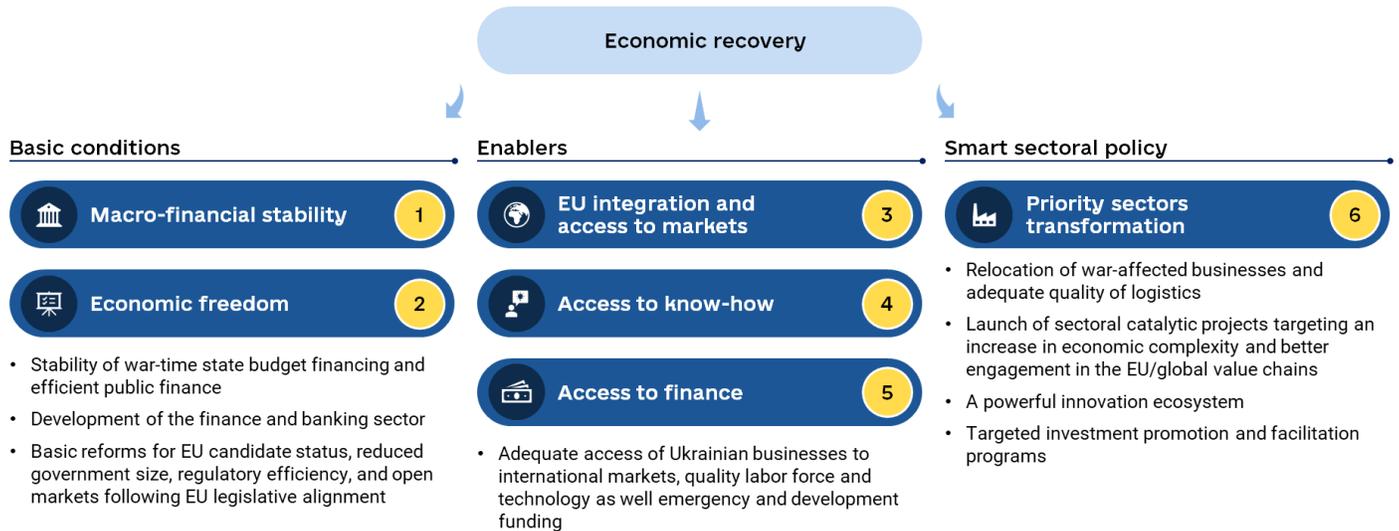


ECONOMIC RECOVERY



ECONOMIC RECOVERY

Years of mismanagement and policy inconsistency turned Ukraine into a regional outlier in terms of economic development. The war exacerbated Ukraine's economic situation. After an effective economic wartime response, Ukraine urgently needs innovative solutions for economic recovery and modernization. Ukraine's thirst for freedom and self-organization coupled with unprecedented global partnership provides a once-in-a-lifetime opportunity to become a global leader in innovation and sustainable economic prosperity. This policy brief is aligned with the National Recovery Council and Lugano Declaration. It outlines six key priority areas for Ukraine's economic recovery:



#1. MACRO-FINANCIAL STABILITY | According to the World Bank, Ukrainian GDP is expected to fall by more than 45%. Budget expenditures almost doubled due to increased defense spending as well as business/humanitarian support. Budget revenues are projected to decrease due to a reduction in income tax revenues and the temporary abolition of customs duties and VAT for imports. The budget deficit could reach more than USD 45 billion by the end of the year. This prompts the following initiatives.

- Ensure the stability of war-time state budget financing (grants and loans negotiations; revisit of tax/duty exemptions);
- Increase the efficiency of public finances (tax system efficiency, decrease in government spending, and sovereign debt risk);
- Develop the finance and banking sector (sector clean-up, effective management of state-owned banks, promotion of bank financing).

Macro-financial stability as well as an efficient finance and banking sector will contribute to the adequate functioning of the state, restoring business activity, increasing investors' confidence, and ensuring sustainable economic growth.

#2. ECONOMIC FREEDOM | According to the government, more than a third of enterprises have suspended their operations, about 20% of SMEs have significantly reduced their activities, and others are facing limited export opportunities due to sea port blockades. In the meantime, approval of Ukraine's EU candidate status establishes a clear framework for the gradual alignment of Ukraine's legislation, thereby allowing free movement of goods, services, capital, and people. Given this, the following initiatives are suggested:

- Decrease the regulatory burden on businesses during the war-time;
- Implement the obligatory conditions for EU candidate status (rule of law, anti-corruption, and institutional reforms);
- Roll out a full-scale approximation of the EU Internal Market while reducing the size of the government (tax administration, privatization; digitalization of public services), improving regulatory efficiency (deregulation), and opening markets (liberalization of capital markets; investment freedom).

Immediate actions will keep men and women-owned businesses afloat during the war whereas EU legislative alignment will translate into a better and more familiar investment climate for EU and global direct investment, modernized infrastructure, and improved governance.

#3. EU INTEGRATION AND ACCESS TO MARKETS | Since 2014, Ukraine improved its trade policy by pioneering export promotion and financing programs, as well as signing free trade agreements. Export volumes over 2016-19 have increased at an annual average of 11% followed by a sharp pandemic-related increase in 2021 by 34%. A consistent trade policy includes the following initiatives:

- Improve trade conditions with strategic partners (updated Export Strategy of Ukraine; audit, renegotiation, or conclusion of new ITAs covering all continents; extension of tariff-free trade with selected countries);
- Implement the EU economic integration (removal of tariffs and non-tariff non-technical barriers for all Ukrainian goods; harmonization of the legislation to “eliminate” all non-tariff technical barriers);
- Reactivate trade routes (increased throughput capacity on the border with the EU and increased interconnectivity of Ukraine; participation in regional projects such as TEN-T, Lublin Triangle, Three Seas Initiative, Belt and Road Initiative; modernize customs);
- Build a strong export support ecosystem (long-term institutional capacity of key institutions; a full-scale export consulting program for Ukrainian exporters; expanded export financing; a powerful representation of Ukraine and Ukraine’s business abroad).

Successful EU economic integration, as well as advanced access to international markets, will allow Ukraine to advance its economic development and substantially increase the overall quality of life.

#4. ACCESS TO KNOW-HOW | Forced skilled emigration (“brain drain”) accelerates the demographic collapse threatening Ukraine’s economic future. According to the government, more than 14 million Ukrainians (~25% of the population) fled their homes, including over 6 million who went abroad during the first period of the war. Ukraine should mobilize a critical mass of talents, thus “populating” the economy with know-how and fostering knowledge transfer. A systemic approach to realizing this goal covers the following initiatives:

- Encourage the return of refugees (nationwide upskilling/reskilling programs for returned migrants, IDPs, and unemployed; housing and childcare services; programs for Ukrainian young professionals to work at the best international companies and return to Ukraine);
- Attract international talents to Ukraine (international grant programs for Ukrainian companies to hire remote or on-site international skilled workers and volunteers; “digital nomads visa” for foreigners; study programs for international students);
- Reconnect Ukraine with Ukraine’s diaspora (a network platform matching Ukraine’s diaspora and Ukrainians; dual citizenship);
- Prepare the young generation (grant programs for Ukrainians to study at the best global universities and return to Ukraine; a focus of Ukraine’s education system on STEM and entrepreneurship; the establishment of branches of international universities in Ukraine).

Increasing access to know-how will result in accelerating economic development and making Ukraine more competitive in the global arena.

#5. ACCESS TO FINANCE | According to a wartime survey of Ukrainian businesses, total losses during the first 6 weeks of the war amounted to USD 83 billion whereas expected sales volumes are expected to drop by 48%. As a result, businesses require greater financial support; 41% of businesses are already in the active phase of finance search. The following initiatives are suggested:

- Provide access to emergency funding (wartime government grants, loan guarantees, and interest rate reductions);
- Expand post-war access to funding (covered financing for mortgage lending, de-risk lending to SMEs, supply chain financing);
- Support Ukrainian innovators (world-class regulations of venture capital and alternative financing; a fund of funds and a program for matching grants for Ukrainian startups and innovative companies; business angels training);
- Relaunch the capital market (capital amnesty and the exit capital tax; pension accounts and healthcare insurance system).

Better access to finance will help businesses recover from the consequences of war and start delivering economic impact in Ukraine and beyond.

#6. PRIORITY SECTORS TRANSFORMATION | Ukraine underperforms amongst European countries in terms of economic complexity and diversification. Meanwhile, Ukraine’s agriculture feeds more than 400 million people worldwide, with key grain and oilseeds accounting for more than 10% of world exports, and in some cases almost half of world exports. The disruption of the Ukrainian agricultural sector could lead to a food crisis in countries of the MENA region. Therefore, the following initiatives are suggested:

- Address immediate sectoral challenges (coordinated relocation of businesses and organization of domestic and international logistics);
- Launch sectoral catalytic projects focusing on improving Ukraine’s product complexity and engagement in EU/global value chains, as well as addressing key global trends (sustainable development, green transition, digitalization);
- Build a powerful innovation ecosystem (favorable preconditions; sufficient support in development, commercialization, and scale-up);
- Facilitate FDI attraction to bring the largest international companies to Ukraine (war insurance for investment projects as well as special investment incentives; targeted investment promotion and facilitation programs).

Successful transformation of Ukraine’s priority sectors by producing a greater diversity of highly complex goods and services will strengthen not only domestic production but will also positively impact global markets, in particular in the realm of food security.

POSSIBILITIES TO SUPPORT | International partners are welcome to support Ukraine on the way to a full economic recovery by leveraging the following instruments: (1) *Macro-financial assistance* to foster stability; (2) *Technical assistance* focusing on the EU legislative alignment; (3) *Dedicated financial instruments of EU and IFIs* to ensure EU-compatible sectoral transformation; (4) *MIGA military risk insurance* for the destroyed assets reconstruction and new investments; (5) *EU institutional innovations* to enable Ukraine's participation in EU institutions during the accession process; (6) *Joint partnership projects to facilitate knowledge transfer and people-to-people contacts* (volunteering scheme for young EU citizens, school and university exchanges, professional training programs for young Ukrainian professionals and entrepreneurs).



ENVIRONMENTAL RECOVERY



ENVIRONMENTAL RECOVERY

Climate change has resulted in declining water levels in rivers in Ukraine (the water level of the biggest river, the Dnipro, declined by 10% over the last 30 years). This led to economic losses of 1 bln USD in 2020 as a result of droughts and fires. As a response to climate change, prior to the war Ukraine has targeted the green transformation of the economy and has set a new climate target to reduce CO₂ emissions by 65% from the base year (1990). The low energy efficiency of infrastructure, buildings and industrial production evolved in Ukraine since 1991 as a result of the slow transformation to a market economy, as well as inconsistent policy development which did not incentivise business and citizens to improve energy efficiency. The worn-out infrastructure transformed from an advantage into a weakness of the Ukrainian energy system in the form of a burden on the consumers that pay for huge losses and surplus capacities of the electricity and gas infrastructure. Ukraine has shown the most significant progress in the transformation of the energy sector, which resulted in rapid growth of RES up to 10% of the energy mix over 5 years and liberalization of the energy markets. Still, prior to war the situation with the environmental pollution was critical as a result of over 500 mln tons of wastes emitted annually with only 25% of them being utilized. Only in 2020 poor waste treatment and pollution of the environment caused by the energy and industrial sectors resulted in at least 2.2 bln UAH of economic losses.

The war started by Russia resulted in demolished infrastructure, significantly polluted territory and decline of economic activity. Those challenges have been compounded by energy and economic security threats such as high dependency on imported fossil fuels, which exceeded 30% with gas and 60% with oil products, and blocked key seaports that ensured the export of Ukrainian products, thus making a resilient economy and reliable energy supplies a priority for Ukraine.

Within the National Recovery Plan the Ukrainian government sees as a potential for Ukraine to ensure the green transition to the new green economy that will fully integrate into the European economy and be the core element in building the EU strategic autonomy. The component “**Environmental Recovery**” that will ensure the green transition of Ukraine consists of 4 pillars: 1) climate governance architecture & finance; 2) clean energy and green buildings; 3) New green economy; 4) Preserved environment and developed biodiversity.



#1. EFFECTIVE ENVIRONMENTAL & CLIMATE GOVERNANCE ARCHITECTURE AND FINANCE | Prior to the war, Ukraine had been developing and adopting a climate policy that would clearly define targets and establish instruments for Ukraine to ensure its green transition. Since the beginning of the war the Ukrainian government has been forced to focus on resolving issues of energy and social security and ensuring the transition to the war economy. Still, Ukraine is determined to ensure the green recovery and development of Ukraine by establishing a transparent policy framework which will ensure its green transition and prevention of pollution. Digitalization of environmental monitoring will ensure transparent control of air pollution. In order to ensure the complex transformation of the economy and social security, Ukraine must also mobilize a sufficient amount of climate finance with significant reliance on international sources of capital.

- Develop policy instruments that stimulate the green recovery of Ukraine, including adoption of the best available technologies;
- Establish a clear climate governance architecture that would ensure effective coordination between government bodies in Ukraine and direct a clear signal to business and investors to start long-term green transformation projects;

- Ensure access to clean drinking water in all regions of Ukraine;
- Mobilize green finance in order to ensure the green recovery of buildings, industry, infrastructure and development of green transport;
- Ensure the carbon accounting, monitoring and reporting of emissions generated from economic activity;
- Integrate the Ukrainian and European environmental policy instruments that stimulate green transition and prevent air pollution;
- Develop the green finance market that will ensure sufficient mobilization of green capital to finance the green transition.

Effective climate-governance architecture will ensure that Ukraine has effective stimuli to transform and is supplied by sufficient resources to finance those changes.

#2. BUILD CLEAN ENERGY AND GREEN BUILDINGS | The energy sector of Ukraine has shown significant progress in its transformation over recent years as a result of market reforms and the development of renewable energy sources. Still, the rapid development of RES worsened as a result of energy consumption decline in 2020 (due to the pandemic). Furthermore, slow market liberalization caused by the social insecurity of citizens led to significant turmoil in both the electricity and gas markets. The decline of energy consumption by 30% and high consumer debt have led to financial disbalance in the market which exceeded 1 bln USD in June. Significant volumes of generation capacities, including 2,6 GWh of RES and over 50% of heat generation capacities are in the temporarily occupied territories. The Recovery will focus on transforming the energy system of Ukraine, to ensure clean and smart energy system formation. The clean energy system will rely on new technologies to supply the internal and European economy with carbon-neutral energy resources. Energy modernization of buildings and the construction of new green buildings will ensure the reduction of energy poverty and the energy independence of Ukraine.

- Exercise a full ban on Russian energy resources, ensure storage of sufficient volumes of reserves, and diversify energy supplies;
- Develop renewable energy sources to ensure the transition to clean energy;
- Rebuild infrastructure that will reflect the economic needs of the economy and citizens and ensure that this infrastructure is capable of transporting new energy resources;
- Modernize residential and private houses in accordance with energy-efficient principles;
- Develop additional 30GW of RES that will ensure the decarbonization of the energy sector and reduction of the air pollution, produce hydrogen and export it to the EU in order to strengthen energy resilience of Europe and reduce the dependency of Russia;
- Develop energy independence on critical resources and produce new energy resources that will substitute traditional fossil fuels.

Transformation of the energy system will ensure the competitiveness of the economy, foster the development of the Ukrainian economy and result in a higher quality of life for citizens.

#3. NEW GREEN ECONOMY | Ukraine has a strong industrial potential and surplus of natural resources that can support the green transition of Europe. The war led to the demolition of over 100 industrial production facilities and the blockade of seaports that ensured the export of over 70% of products, thus resulting in an economic decline of 30%. The new green economy of Ukraine will aim at building a new resilient economy that would supply the transformation of the Ukrainian infrastructure with resources and qualified labor. The realized economic potential of Ukraine will strengthen EU autonomy and support the green transition of Europe with 1) modern natural resources such as lithium, titanium, and cobalt; 2) clean energy that will be exported to the EU; 3) green industrial products such as green steel, batteries, RES that will be produced in Ukraine; 4) safe and high-quality agricultural products that will strengthen the food security of Europe.

- Rebuild production facilities with energy-efficient technologies that would ensure the competitiveness of the economy, reduction of the carbon footprint, and prevent pollution;
- Develop clean transport and charging infrastructure that would significantly reduce the negative impact on the environment, ensure the reduction of the carbon footprint of products and reduce the energy dependence of Ukraine;
- Make a transition to new technologies that rely on carbon-neutral energy resources;
- Responsibly realize natural resource potential and provide Europe with the resources required for the green transition, such as lithium, cobalt, titanium, etc.;
- Integrate into European food, energy and industrial value chains in the new green economy;
- Develop a circular economy that will ensure efficient waste treatment and efficient reuse of existing resources.

Development of a new green economy would ensure the competitiveness of Ukrainian products on the global market and ensure European economic resilience by supplying Europe with critical resources, products, and services.

#4. PRESERVE ENVIRONMENT AND DEVELOP BIODIVERSITY | The war has caused damage to over 1.2 mln hectares of natural reserves, with over 20% of the natural reserve fund being under threat. Furthermore, Ukraine's forests have suffered over 440 mln USD of damages, with forest fire area increasing by 41 times year on year. Moreover, 13% of the territory of Ukraine has been polluted as of the end of May. As of May 2022, The Ministry of Environmental Protection of Ukraine recorded 254 crimes against the environment with more than 1500 documented facts. Restoration and development of natural resources will mitigate the negative impacts of climate change and improve quality of life. The recovery process will focus on adaptation to climate changes as a response to the long-term threats posed by climate change on Ukraine's natural and human resources, including biodiversity, impact on ecosystems and migration.

- Develop forestry by managing forest clearance and planting new trees;
- Ensure the safety of Ukrainian territories by conducting mine clearance;
- Restore degraded lands and effectively use them;
- Build facilities for effective waste management and circular use of materials;
- Develop natural resources that strengthen the resilience of territories to natural disasters such as floods and fires;
- Preserve and develop natural resources of Ukraine.

Adaptation to climate change would strengthen the resilience of Ukraine against natural disasters caused by climate change and ensure a higher quality of life in a clean, natural environment.

POSSIBILITIES TO SUPPORT | With advanced experience in decarbonizing the economy and implementing best practices on mitigating human influence on the environment, international partners would be able to contribute to Ukraine's environmental recovery: (1) *Technical support to the Government of Ukraine* in building the architecture of climate governance could help Ukraine ensure the green transition and just transition; (2) *Investments* in developing the green economy of Ukraine, including but not limited to, RES, energy-efficient housing, modern energy infrastructure, etc. would be a valuable contribution toward Ukraine's swift reconstruction; (3) *Creating equal opportunities for Ukraine*, as a European partner, in a) access to long-term sources of financing for business, financial institutions, and government; b) access to global bodies of knowledge and R&D programs; c) access to the European market for Ukrainian products and services with consideration of Ukrainian context; would help to build resilient European economy and support the economic recovery of Ukraine; (4) *Financial and material assistance* in overcoming consequences of hostilities in Ukrainian territory, for instance, assistance in humanitarian mine clearance, including demining of sea routes and combatting water and soil pollution.

Having implemented the proposed initiatives, Ukraine will reach a qualitatively new level of development and enter a phase of modernization of the economy, bringing about positive change both in terms of building a prosperous economy and achieving a higher quality of life.



SOCIAL RECOVERY



SOCIAL RECOVERY

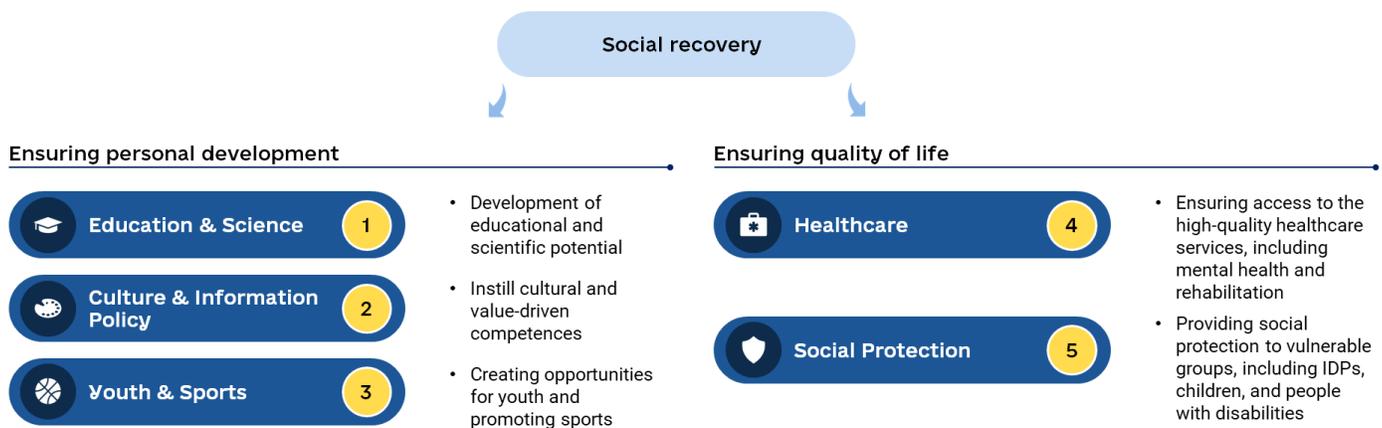
The full-scale Russian invasion of Ukraine caused the biggest humanitarian catastrophe in Europe in the 21st century. However crucial the post-war restoration of the infrastructure and economy is, the ultimate goal of the country's recovery is ensuring decent standards of living for the people, which all social groups will be able to enjoy without discrimination. That will be reinforced by aligning with the EU policies, norms and standards and progressing Ukraine's path towards EU membership. The work is aligned with the following groups of the National Recovery Council: Social Protection, Healthcare, Return of Ukrainians, Protection of Rights of Children affected by war, Rights of Veterans, Education, Culture and Information Policy.

As of June 27, the Office of the UN High Commissioner for Human Rights (OHCHR) recorded 10,000+ casualties among Ukrainian civilians, including 4,731 people killed. The real figures are likely to be much higher since there is no exposure to the locations under occupation or where intense hostilities are currently taking place. Thousands of Ukrainians have been physically injured, there are numerous recorded cases of torture, rape, mass executions, and other war crimes. Even more Ukrainians suffer from psychological trauma.

The United Nations (UN) reports that ~8 million refugees have fled the country as of June 21, of whom women and children make the overwhelming majority. Even though now up to 90% of refugees report their willingness to return home, the situation may change over time. In addition, over 8 million Ukrainians have become internally displaced persons (IDPs). Those who were living in highly-damaged regions will need to stay in their current location at least for some time. This will inevitably affect all dimensions of social cohesion: social inclusion (e.g. employment opportunities, access to different resources - social services, healthcare, childcare, and education), cultural diversity, trust to the institutions and civic tolerance in communities.

Finally, a key demographic that was significantly affected by the war consists of men and women who joined the Armed Forces, with the majority of these people having left their normal life and jobs to defend the country. Despite the fact that the Ukrainian army has been defending Ukraine for more than 4 months, the Armed Forces are suffering heavy combat losses and defenders receive serious injuries.

The framework below describes the overall structure of the social recovery, covering two pillars and five priority areas.



Also, social recovery heavily depends on reforms in other areas, such as infrastructure recovery and development and economic growth. Those domains are considered in more detail in other policy briefs.

#1. EDUCATION & SCIENCE | As a result of the war the educational process was significantly disrupted. According to the Ministry of Education and Science of Ukraine, as of June 20, 2022, at least 650,000 students and 22,000 pedagogical staff of general secondary schools were forced to flee abroad, including about 2,029 children with special educational needs. Moreover, at least 2,028 educational institutions were damaged by shelling and bombing, 209 of them were completely destroyed. Roughly 15% of the research infrastructure of higher education and research institutions was also destroyed. Educational and scientific policy should be focused on the provision of equal access to high-quality education as well as professional and personal skills development provided by governmental and private institutions.

- Adjust educational programs in response to learning losses caused by war;
- Resume the educational process in war-torn areas, restore the infrastructure of educational and research institutions;

- Provide psychological support to educational process participants. Implement psychological rehabilitation programs, adapt and support children and other educational process participants in wartime and postwar period;
- Restore full-scale independent assessment for admission and attestation of students;
- Continue the New Ukrainian School reform. Build an accessible and secure digital educational and research environment;
- Provide training of qualified specialists for the needs of the country's economy (dual education, financial autonomy of higher education institutions, public-private partnership);
- Resume grant support for research, scientific and technical developments by the National Research Foundation of Ukraine;
- Accelerate integration into the European and global education and research areas.

An educated nation is fundamental to the country's human potential, contributing to an innovative society and thus enhancing economic growth, sustainable development, individual well-being and cohesion.

#2. CULTURE & INFORMATION POLICY | The war caused significant destruction of cultural heritage sites. As of June, more than 360 episodes of Russian war crimes against cultural heritage were documented, including destruction of memorials, religious sites, museums etc. In turn, using hybrid warfare practices, Russia produces a large number of fakes and manipulative messages on a daily basis that require refutation. Ukraine should focus on counteracting Russian disinformation, restoration and protection of cultural heritage and cultural development with multi-stakeholder engagement (national and international) in the process.

- Counter Russian disinformation by restricting access to Russian propaganda resources in the media;
- Contribute to the preservation of cultural artifacts - temporary evacuation of artifacts outside of active hostilities;
- Collect information on the destruction and damage of cultural artifacts and the losses of the creative sphere;
- Substitute the Russian informational channels with Ukrainian channels, expand the production of content in European languages;
- Conduct historical research in the field of memory and memorialization, make sure that the contribution of different ethnicities, sexes and regions to Ukraine's historical development is recognized, restore damaged artifacts and cultural monuments;
- Promote Ukrainian culture worldwide through emphasizing the diversity of Ukrainian culture and support of independent media;
- Support culture and creative industries, develop creative products to strengthen the voice of Ukraine on the international level.

Restored after the war, culture will help to strengthen the information space independent from Russia and contribute to long-term social cohesion and a diverse, inclusive and participatory Ukrainian society. It will also contribute to global heritage, through the promotion of the unique features of Ukrainian culture.

#3. YOUTH & SPORTS | During 2020-2021, a number of projects were implemented aimed at attracting citizens to a healthy and active lifestyle, as well as creating conditions for preparing athletes for international competitions. As a result of the invasion, the implementation of these projects was disrupted. The sports infrastructure was severely damaged, and many athletes were forced to interrupt the training process. Moreover, thousands of young people had to leave the country and search for shelter elsewhere. Ukraine should be focused on reconstruction of sports infrastructure facilities, creation of a system of incentives for the return of young people to Ukraine and support for youth participation and activism on the basis of domestic and international partnerships.

- Create an incentives system for the return of the youth to Ukraine, including through the activities of the Ukrainian Youth Fund;
- Create mechanisms for the participation of young people in the process of reconstructing Ukraine at all levels;
- Rebuild sports facilities based on the needs of the population;
- Promote close cooperation on youth policy with partner countries, international organizations, including the EU.

Thanks to a healthy lifestyle and active participation in the recovery processes, the youth will transform into a vibrant civil society that will eventually help reform the country and drive positive change.

#4. HEALTHCARE | Ukraine's healthcare system has been hit hard by the war: more than 640 health care facilities have been destroyed or severely damaged. According to the UN, during the 100 days of the war, more than 260 attacks were aimed directly at health facilities. Ukraine needs to focus on ensuring that health services are provided with special attention to the treatment and rehabilitation of people affected by the conflict, by a reformed and sustainable national healthcare system.

- Strengthen policies and institutions of the national healthcare system to guide the recovery process;
- Ensure the financial stability of the healthcare system and the development of voluntary health insurance;

- Strengthen health services (including mental health services and physical rehabilitation) to meet the special needs of people (including IDPs, war veterans, children, and wounded and traumatized) caused by the war;
- Ensure the country's pharmaceutical security and uninterrupted access to modern, effective and safe medicines and medical devices;
- Restore and transform the healthcare facilities network based on patient-focused and value-based healthcare approaches;
- Strengthen the human resources of the healthcare system via educational reform and through integration of international practices;
- Strengthen the public health system, preparedness for health emergencies, health information systems and digitalization;
- Develop and implement elements of the quality assurance system in health care at all levels.

A transformed healthcare system will enhance the overall quality of life and increase the number of active years that Ukrainian citizens could contribute to their country's growth and prosperity.

#5. SOCIAL PROTECTION | The Ukrainian social protection system presented some challenges already before the war, but suffered greatly as a result of the war, having faced 1) the destruction of social infrastructure; 2) mass departure of the population from permanent residence; 3) loss of property and means of subsistence of part of the population; 4) occupation of parts of the territory, which makes it impossible to provide services. Ukraine needs to focus on the provision of social services for all categories of the war-affected population, including IDPs, veterans, and vulnerable groups, as well as children and people with disabilities, based on principles of transparency and sustainability.

- Digitalize the system of the social services provision, ensure barrier-free access to the services by all the social groups;
- Increase targeting and strengthen the verification of social assistance recipients, leaving no one behind;
- Develop the second-level of pension insurance (obligatory saving pension system), stimulate voluntary funds accumulation, systematize different types of social payments, develop effective mechanisms of compensation for all categories of war-affected population, including injured and traumatized;
- Create opportunities for the reintegration of veterans into peaceful life;
- Create opportunities for women and men with family responsibilities to reconcile professional and family duties;
- Build a viable system of protection of children's rights at the national, regional and local levels that meets international standards;
- Stimulation of returning Ukrainians back to Ukraine through migration and integration policies.

Providing a decent level of social protection to all categories of war-affected population and vulnerable groups, Ukraine will ensure building of a more just and equal society. Addressing these challenges through an inclusive, participatory approach based on human rights, ensuring that in line with the Sustainable Development Goals no one is left behind.

POSSIBILITIES TO SUPPORT | International partners are welcome to join any of the aforementioned initiatives by providing: (1) *Valuable sectoral experience* in optimization of the service provision in different areas; (2) *Financial support*, especially in the field of restoration of the physical infrastructure; (3) *Institutional expertise* with planned and ongoing reform processes; (4) *Possibilities for the joint projects* regarding restoration of the selected structures; (5) *Assistance in monitoring the social recovery processes* for them to happen in accordance with best practices and the EU standards.



Ukraine Recovery
Conference
4-5 July 2022 - Lugano, Switzerland +